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भारखण्ड, राँची



MANUAL
OF THE
LOCAL AUDIT DEPARTMENT
BIHAR

Volume II

General Principles & Processes of Aud

Fourth Edition

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TABLE OF CONTENTS

PARTICULARS	PARA	PAGE
CHAPTER I—GENERAL PRINCIPLES		
Introduction	1	1
Periodicity of Audit	2	1
Accounts subject to audit under the Local Fund Audit Act	3	2
Procedure of Audit	4	2
Intimation of Audit	4(1)	3
Arrival and departure	4(1) EE.2	3
Interviewing the District Officer	4(1) EE.3	3
Attendance	4(2)	3
Removal of office records	4(3)	3
Communication with the heads of offices	4(4)	3
Duties of Auditors in checking accounts	4(5)	3-4
Audit Marks	4(6)	245
Change of Auditor during an audit	4(7)	e
Audit requisitions	4(8)	1
Period of audit	4(9)	
Period of audit of municipal accounts	4(10)	
Embezzlement	4(11)	
Form of report	4(12)	
Check of recovery of sums surcharged	4(13)	13
Objection Statement	4(14)	13
Time allowed for reply to objections	4(15)	15-16
Matters to be included in objection statement	4(16)	16-17
Matters to be included in the report	4(17)	17
Powers and duties of Auditors	4(18)	17
Instructions regarding report	4(19)	18
Embezzlement, etc., detected by the Local Bodies	4(20)	19
Powers and duties of Examiner	4(21), (22)	19-20
Audit Report	5-7	20-21
Financial Position	8-11	21-22
Dispensaries, drafting audit reports of	12	
Replies to Audit Report and Inspection Notes	13	22
Other Audits	14	22

CHAPTER II—GENERAL AUDIT INSTRUCTIONS

Audit procedure	15-21	24
Scope of Audit	22	25
List of Registers maintained in local office	23	26
Commencement of audit	24	26
Annual administration and inspection reports	25	26
Budget	26	26
Disposal of previous audit objections	27	26
Audit of Receipts	28-35	
Audit of Assessment and collection of taxes	26(2)	28 year.

PARTICULARS	PARA	PAGE
receipt forms	36(b)	29-30
and collection of fees	36(c)	30
ases	36(d)	30-31
it of Miscellaneous sales	36(e)	31
dit of fines and penalties	37	31
dit of expenditure	38-39	31-32
check over payment vouchers	40	32-33
oving of Cash Book	41	33
rm of Registers	42	33
sh Book	43	34
asury Pass Book	44	34
ecque Book	45	34-35
alans	46	35
stract Register of receipts and expenditure	47	35
ermanent advance	48	35-36
justment Register	49	36
nces	50-51	36-37
sits.	52-53	37
sings	54-55	37-38
estments	56-57	38
w Charges	58	38-39
quisition for certificates	59	39
chedule	60	39-40
timat s	61	40
nders	62	40-41
reement	63	41
aterial at site	64	41
ad metal	65	41-42
asurement Books	66-67	42-43
andard Measurements	68	43-44
uster Rolls	69-73	44
ublic Works vouchers	74	44-45
esses caused by careless and dishonest accounting	75	45
eneral instructions for detecting irregularities	76	45-47
owding of Public Works payment in March	77-78	47-48
ores	79	48-49
ay books or Works Abstracts	80	49-50
egister of works	81	50
ontractor's ledger	82	50
egister of lands	83	51
ostage Register	84	51
ationery Register	85	51
ervice Books	86	51
ecurity Register	87	51-52
establishment Bills	88	52-53
av accounts	89-90	53
ndent Fund	91-94	53-54
nsion	95-96	54

PARTICULARS	PARA	P.	14
Travelling Allowance	97	54-5	
Press Accounts	99	55	
Compensatory Allowances and Honoraria	100	55	
Workshop Accounts	101	56	
Contingent charges	102	56	
Lodgement of Funds	103-104	56-57	
Annual Accounts	105-108	57-58	

CHAPTER III—AUDIT OF SANCTIONS AND SCRUTINY OF ORDERS OF DELEGATION OF FINANCIAL POWERS TO VARIOUS AUTHORITIES

109-113 59-61

CHAPTER IV—AUDIT OF GRANTS-IN-AID

General Principles	114-117	62
Processes of Audit	118	62
Unspent Balance of Govt. Grants and Diversion of Govt. grants	119-122	
Register of Government grants	123	245
Diversion of Government grants	124	e
Submission of Returns	125	1

CHAPTER V—SURCHARGE UNDER THE LOCAL FUND AUDIT ACT, 1925

Audit under the Local Fund Audit Act	126	66
Duties of Auditors	127	66
<u>Powers of Examiner</u>	<u>127</u>	<u>66</u>
Accuracy of Surcharge proposals	128	66
<u>Examiner's power of condonation</u> <i>contrary to law</i>	<u>129-130</u>	<u>66-67</u>
Surcharge proposals	131	67
Surcharge Proposal Register and disposal of Surcharge cases	132-133	67
Service of Surcharge Notice	134-135	69
Surcharge Progress Register	136	69-70
Non-payment of third party claim—Surcharge against an evacuee	137	70
Surcharge against dead persons	138	70
Obtaining legal opinion from Government Pleader	139	71
Contested cases	140	71
Certificate requisitions	141	71
Procedure for the defence of Civil Suits	142	71
Jurisdiction of Civil Courts	143	71-72
Surcharge on members authorising an illegal payment	144	72
Application of Indian Limitation Act	145	72
Acquittal in a criminal case—no bar to surcharge	146	72
Surcharge Proposals for time-barred dues	147	72
Sanction to write off of loss in respect of which surcharge proceedings are pending	148(i)	73
Propriety of initiating surcharge proceedings when the matter is subjected	148(ii)	7 year.
Surcharge proceedings for the loss of provident fund money	148(iii)	

[4]

MANUAL OF THE LOCAL AUDIT DEPARTMENT, BIHAR

Volume II

GENERAL PRINCIPLES AND PROCESSES OF AUDIT

CHAPTER I

GENERAL PRINCIPLES

1. Introduction.—The Local Audit Department was originally a combined section for the audit of local fund and non-Government institutions and also for the local audit and inspection of certain Government accounts to supplement central audit in terms of the article 148 of the Audit Code and paras 13 and 17 of the Audit and Accounts Order 1936. With the formation of the Outside Audit Department in March 1952, the Local Audit Department was relieved of the local audit of all Government accounts and it was entrusted solely with the audit of the accounts of local funds and non-Government institutions.

The chief among the audits done by this department are the audits of 'District Funds', 'Municipal Funds', 'District Education Funds' and 'Universities', the first two created by Government under the Bihar & Orissa Local Self Government Act, 1885 and the Bihar Municipal Act, 1922, the third by the Local Self Government (Validating and Amending) Act, 1954 and the fourth by the Patna University Act and University of Bihar Act, 1952. Accounts of institutions which are maintained wholly or partly from Government grants and accounts of other non-Government institutions, such as, Improvement Trusts, Religious Trusts, etc., are included in the lists of audit carried out by this department under the specific request of the State Government after obtaining requisite approval of the Comptroller and Auditor General from time to time. The audit done in respect of these funds is, therefore, a consent audit.

The instructions given in the succeeding paragraphs are framed mainly to help in conducting an effective and efficient audit of the District Boards, the Municipal Boards and of such other accounts which are subject to Local Fund Audit Act, 1925, but they apply generally to the audit of other accounts also.

2. Periodicity of Audit.—The interval at which different classes of accounts will be audited and the period up to which audit checks will be applied at each audit are indicated below :—

Name of funds	Period of audit
(1) District Boards including Local Boards, Union Committees and Dispensaries.	Audits are undertaken yearly. The accounts are audited upto the last financial year. Collection accounts are audited up-to-date, of funds mentioned against item 2.
(2) Municipal Boards, Notified Area Committees and Joint Committee Dispensaries.	
(3) Universities	

3. **Accounts subject to audit under the Local Fund Audit Act.**—accounts of the following local authorities are subject to audit under the Bihar & Orissa Local Fund Audit Act, 1925 :—

- (1) District Boards including Local Boards and Union Committees.
- (2) Municipalities and Notified Area Committees.
- (3) Joint Committees constituted out of the local bodies the accounts of which are subject to audit under the Local Fund Audit Act.
- (4) Patna Municipal Corporation.
- (5) Patna Improvement Trust.
- (6) The Jharia Water Board.
- (7) Mines Board of Health.
- (8) Pilgrim Lodging House Fund.
- (9) The Bihar School Examination Board.
- (10) The Bihar State Board of Religious Trust Fund.
- (11) The Bihar State Board of Swetamber Jain Religious Trust Fund.
- (12) The Bihar State Board of Digamber Jain Religious Trust Fund.
- (13) Bodh Gaya Temple Management Committee.
- (14) The Bihar Homoeopathic Fund.
- (15) The Bihar State Council of Ayurvedic and Unani Medicines.
- (16) Dispensaries—
 - (a) Municipal Dispensaries under Dispensary Committees appointed under Section 49 of the Bihar and Orissa Municipal Act, 1922.
 - (b) District Board Dispensaries—
 - (i) The accounts of which are merged in the District Fund.
 - (ii) The Funds of which are lodged in the Government Treasury, Sub-treasury or Post Office Savings Bank and which are managed by Managing Committees.
 - (c) Dispensaries under Managing Committees following systems of medicines other than allopathic.

4. **Procedure of Audit.**—The procedure to be followed in auditing the accounts of these funds, is laid down in the rules framed under the Local Fund Audit Act which are reproduced below for ready reference, interspersed with Government decisions, Government orders, Accountant General's orders and Examiner's circulars orders.

(1) *Intimation of audit.*—The auditor shall send notice on behalf of the Examining to the local authority concerned of his intention to audit the accounts of such authority at least two weeks before the date on which he intends to commence such audit. The notice shall be sent by registered post with a prepaid acknowledgment or, when the auditor is at the same station, by a messenger who shall obtain an acknowledgement of receipt. He shall, if necessary, call for any other documents required during the course of audit on a separate requisition which should be acknowledged by the Secretary, if there is one, otherwise by the head of the ministerial establishment.

Executive Instructions

1. A copy of the notice should be forwarded to the District officer by ordinary post.

2. *Arrival and departure.*—A formal report of arrival and departure should also be addressed to the district officer in all cases and to the subdivisional officer as well in the case of audit of funds in outlying sub-divisions.

3. *Interviewing the district officer.*—On completion of the audit of any local fund accounts, an auditor should take the opportunity of calling on the district officer concerned for the purpose of bringing to his notice and discussing with him any matter of importance arising out of audit. He should enquire previously of the district officer when it will be convenient for him to receive him, and he should record briefly the substance of his interview for the Examiner's information. Such interviews should in all cases be official and of a precise character dealing with specific points. The auditor should not waste the time of the district officer if there is nothing of importance to see him about.

(2) *Attendance.*—For the purposes of conducting an audit, the auditor shall attend during the regular office hours, at the office of the local authority concerned except in cases where the Examiner of Local Accounts shall decide otherwise.

(3) *Removal of office records.*—The auditor shall not, except with the written permission of the head of the office of the local authority whose accounts are being audited, remove from such office any books, vouchers or documents of any kind whatsoever.

(4) *Communication with heads of offices.*—The auditor shall not correspond direct with the Chairman, Vice-Chairman or other managing authority of a local authority whose accounts are being audited, except for the purpose of reporting an embezzlement or making an enquiry in connection with the audit or as provided under the Act and rules framed thereunder.

(5) *Duties of Auditors in checking accounts.*—In auditing the accounts the auditor shall see that they have been kept and are presented in proper form; that the particular items of receipts are

expenditure are stated in sufficient detail; that the payments are supported by adequate vouchers and authority. He shall examine whether all sums received or which ought to have been received have been brought to account, whether the expenditure is in all cases such as might lawfully be made and whether any loss has been incurred by the negligence or misconduct of any person.

He shall verify the authority under which trading undertakings, e.g., water works and service undertakings, e.g., printing press have been sanctioned, and ascertain that a separate account is maintained for every such undertaking.

(6) *Audit marks.*—In auditing the accounts the auditor shall tick or cross-tick all entries checked by him and initial all vouchers with the special audit pencil.

(7) *Change of auditor during an audit.*—Where an auditor is relieved by another auditor during the currency of an audit, he shall deliver to him an exact statement of the audit completed up-to-date. This statement shall be filed in the office of the Examiner of Local Accounts. The auditor relieved shall also draft the paragraphs for the audit report regarding the audit done by him before he makes over charge, and deliver them to the relieving auditor, taking his acknowledgment therefor. Both auditors will sign the report, a note being made to show the responsibility of each.

(8) *Audit requisitions.*—When any document is not produced after a summons issued by the auditor under section 6(a) of the Local Fund Audit Act, the auditor shall send a written report of the failure to produce such document to the Chairman, Vice-Chairman or other managing authority of the local body concerned. If the required document is not produced in spite of this written report, the whole case shall be submitted to the Examiner of Local Accounts. No document shall be left unaudited without the express orders of the Examiner of Local Accounts in each case.

(9) *Period of audit.*—Subject to such exceptions as may have been mentioned in para 2 *ante*, the auditor shall audit all accounts up to the end of the preceding financial year, notwithstanding that such accounts may not have been audited by the Finance Committee, if such a Committee has been appointed.

(10) *Period of audit of municipal accounts.*—In auditing municipal taxation accounts, the auditor shall include the current quarter's account, if collections for that quarter have started, and shall include in his verification of the outstanding taxes those of the current quarter. If, owing to delay in starting collection or the incompleteness of the register of that quarter, the auditor is unable to audit the taxation accounts beyond the close of the last completed quarter, he shall audit the accounts of other receipts and expenditure up to the latest month for which they have been completed without regard to the state of the taxation accounts.

(11) *Embezzlement.*—When an embezzlement is detected or may reasonably be inferred from any suspicious circumstance or irregularity in the accounts, the auditor shall report the circumstances immediately in writing to the Chairman or the managing authority of the local body concerned and also to the Examiner of Local Accounts. When the fraud or embezzlement has been fully investigated by the auditor, he shall submit a complete report on the case to the Examiner of Local Accounts.

Executive Instructions.

1. Auditors when reporting irregularities as defalcations direct to the head of the local office, must confine themselves to a plain statement of facts. On no account may these reports contain adverse criticisms regarding superior officers.

2. At the same time the auditor should send a full report to the Examiner explaining clearly how the fraud was committed, and whether he has reason to suspect that a detailed examination of the accounts will bring to light further instances of fraud by the same or other persons. It should always be stated whether the embezzlement was discovered during or prior to the audit. The Examiner may order a detailed examination of and report on all or any particular accounts, if he considers such an examination and report justified by the suspicion of fraud or embezzlement.

NOTE 1.—Any clever discovery of overpayments, irregular payments, extravagance etc., should be brought to the personal notice of the Accountant General by the Examiner, Local Audit Department together with the case of the discovery.

[*Authority.*—A. G.'s O. O. No. 867 (H.A.D.) dated 4-3-1950 Circular No. L.A. 15 of 1950-51.]

NOTE 2.—All cases of defalcation or other really *serious* irregularities involving loss noticed in course of audit shall be reported confidentially by the Audit Party concerned to the Examiner of Local Accounts. All such cases should be promptly reported demi-Officially to Government (and copy to Finance Department in the case of Government Offices) for advance information after showing the draft to the A. G. for his information and approval. Any such case reported by the local authority, instead of being detected by audit, should also be dealt with on similar lines, i.e. brought to the notice of the A. G. and Government if the local authority has not already informed Government.

[*Authority.*—Accountant General's O. O. No. 1421 (O.A.D.) dated the 24th October 1953 and Examiner's Circular No. L. A. 15 dated the 23rd November 1953.]

NOTE 3.—Government of Bihar in their D. O. letters Nos. 2785 L. S. G. dated 16-3-1954 and 3370 L. S. G. dated 3-4-1954 (Dy. L. A. 3593 dated 19-3-54 and L. A. 37 dated 8-4-54 File No. 4/60) have desired that as and when cases of misappropriation and defalcation of Local Fund moneys are discovered by the auditor the facts may be brought to the notice of the Local Officers, viz. District Magistrates and Sub-Divisional Officers in the case of District Boards, Municipalities, Local Boards, etc., through special reports, under intimation to Government.

The auditors should submit separate special reports promptly as and when cases are detected.

The reports should be marked distinctly "Special Audit Report on the accounts of.....".

To enable the local officers, i.e., District Magistrates and Sub-divisional Officers, to take prompt and immediate action where cases of misappropriation or defalcation are detected by audit, special reports dealing with such cases should be submitted to the above-mentioned Local Officers immediately on detection of such cases in audit. Auditors may submit such special reports to the above officers direct for their advance information and to enable them to take prompt and necessary action in the matter. A copy of this special report will also be submitted to the Examiner who will take up the matter with Government.

Cases of aforesaid nature will continue to be discussed fully in the normal audit reports which are issued formally by the Examiner. In such reports reference will be made to the fact that the special reports have been submitted to the local officers stating the action that has been taken in the matter if known.

Such special reports should be self-contained, showing the *modus operandi*, the extent and nature of loss involved, non-observance of particular Rules and regulations which have resulted in the defalcation and embezzlement. Specific remedies for non-recurrence of similar cases in future should invariably be mentioned. Illustrations in order to clarify the nature of defalcation, if the points involved are complicated, should be given.

Those reports which are submitted to the District Authorities with a view to enabling them to take immediate action in the matter and adopt preventive measures, must be clear and comprehensive as per the instruction given above.

In the Head office, the Programme Table Assistant will maintain a separate register in which receipt and disposal of such reports and their interconnection with the normal reports will be entered in full so that the disposal of the case may be pursued vigorously. Entry should be made in the Calendar of Returns and such register of Special Audit Reports should be submitted for the perusal of the Examiner on the 15th and 30th of each month.

[Authority.—Generally follows Examiner's Circular Nos. L. A. 22 of 1953-54 and 2 and 8 of 1954-55.]

(12) *Form of the report.*—The results of each audit shall be recorded in two parts, viz., (i) the schedules and (ii) the report prescribed by Section 8 of the Local Fund Audit Act. The schedule shall deal with technical irregularities, defects and omissions in accounts and registers. They shall be in Forms A & B (given in statements A & B). Form A shall contain technical irregularities in payment and adjustment vouchers, and Form B technical irregularities, defects and omissions in accounts and registers. A copy of schedules shall be left in the local office when the next auditor shall examine them to see that every item has been disposed of. They shall be printed alongwith the report but action shall be taken on them by the Audit Department only when the next audit is taken

Executive Instruction

The statement referred to in Section 9 of the Local Fund Audit Act, which should be treated as an appendix to the report should bear a reference to the corresponding paragraphs in the report and the paragraphs of the report should similarly bear a reference to the statement. The latter should show the exact amount and the party from whom recoverable. The corresponding paragraphs in the report should clearly establish the guilt of the person responsible as the case may form the subject of judicial proceedings. Failure to give clear proof leads to unnecessary correspondence between the Examiner, the Auditor and the local officials and gives rise to the risk of the cases becoming time-barred under Section 8. Auditors will be held responsible for the consequences resulting from their remissness in this respect. On the other hand their efficiency will be largely judged from their success in bringing home to defaulters their guilt under Section 9 of the Act.

NOTE 1.—Audit report is the sole document in Head Office in so far as it relates to the supply of data for the Comptroller and Auditor General's Audit Report on the Appropriation Accounts, for the Annual Report of Local Audit Department, for the preparation of statement of Government grants not spent within the time limit and of diversion of Government grants, etc., etc. Therefore, in every report, there should be a special para relating to these items and the comments made therein should be supported by statistical statements.

It is also essential to avoid bulky and voluminous reports, and keeping this in view, audit objections should be discussed with the heads of offices to settle as many objections as possible on the spot.

The audit reports should contain the following paragraphs and statements:—

- (i) Results of discussions with the heads of offices (office order No. 1636 O.A.D. (C) dated 17-11-54 issued by the A. G.).
- (ii) Comparative statement of Revenue and Expenditure as per form given below.
- (iii) List of grants sanctioned which were improperly diverted during the year under audit and not spent within the time limit, in the form given below.
- (iv) Statement showing percentage of collection of taxes, viz., House, Latrine, Water and Personal (in case of Municipalities and Notified Area Committees) in the form given below.
- (v) Statement showing infringement of sections of Acts, Rules and orders in the form given below.
- (vi) Statement showing important paragraphs and action required thereon in the form given on the Title Sheet *vid* Note 6 below.

(vii) Statement showing number of accounts audited, in the form given below.

STATEMENT I

Comparative statement of Revenue and Expenditure

Name of the Local Body	Actual Revenue of the last year	Budget Revenue for the year under audit			Actual the year	
		Cess taxes	Others	Total	Cess taxes	
1	2	3	4	5	6	
Collection of under audit		Arrears at the end of the year			Actual expenditure	Surplus or deficit
Others	Total	Cess taxes	Others	Total		
7	8	9	10	11	12	13

N.B.—This will be in addition to the annual account statement at present appended

STATEMENT II

List of grants sanctioned which were improperly diverted during the year under audit and grants in respect of which the unspent balance on 31st March was substantial

Serial No.	Name of Local Body	Amount of grant sanctioned	Date of sanction	Amount of grant improperly diverted during the year under audit	The amount of unspent balance on 31-3-5	Remarks
1	2	3	4	5	6	7

N.B.—This will be in addition to the statement of Government grants at present appended.

STATEMENT III

Statement showing average percentage of collection of taxes, viz., House, Latrine, Water, Personal (in case of Municipalities and Notified Area Committees)

Name of Fund	Arrear collection on arrear demand	Current collection on current demand	Total collection on total demand	Remarks
1	2	3	4	5

STATEMENT IV

Statement showing infringement of sections of the Act, non-observance of Rules and disregard of Government orders (Only important and major irregularities should be mentioned)

Name of Local Body	Act of Legislature		Account Rules		Government orders	
	Section	Subject in brief	Rule No.	Subject in brief	Letter No. conveying orders	Subject in brief
1	2	3	4	5	6	7

STATEMENT V

Number of accounts audited

- (1) District Board.
- (2) Local Boards.
- (3) Union Committees.
- (4) Dispensaries under Managing Committees.
- (5) Dispensaries managed.
- (6) Municipalities.
- (7) Dispensaries under Municipal Commissioners.
- (8) Etc., etc.

[Authority.—Examiner's Circular No. L. A. 10 of 1954-55.]

NOTE 2.—(a) Discussion of Audit Report, etc., with heads of offices inspected.

The Audit Reports should, in all cases, record the fact or results of the discussion, if any held with the heads of offices whose accounts have been audited. As the value of local audit lies mostly in bringing prominently to the notice of the head of the office the defects in his

establishment, etc., and in getting them rectified as far as possible by personal contact, the importance of discussion of points taken up during such audits should always be borne in mind. In cases, where it is not possible for the Audit parties to contact and discuss with the heads of offices, the fact should invariably be mentioned in a separate para of the Draft Audit report stating the reasons such as absence of head of office on tour, etc., clearly.

(b) Last Audit Reports.

The Audit parties while recounting the unsettled paras of the Last Audit Report(s) should quote the numbers of paras of the previous Audit Report(s) to which they pertain. This is not done, it would create lot of confusion in the pursuance of the objections both by the Headquarters Sections and the local offices concerned.

[Authority.—Accountant General's O. O. No. 1636 O. A. D. (C), dated the 17th November, 1954.]

NOTE 3.—Section 43(2) of the Patna and Bihar University Acts and section 120(2) of the Patna Municipal Corporation Act provide for the publication of Audit Reports in the official gazette. The publication of the whole of the Audit Report will not only make the gazette unnecessarily unwieldy and detract much from its usefulness but will also involve unnecessary extra expenditure on printing. The Comptroller and Auditor General in letter No. 1975-Admn. 1/458-53, dated the 18th October 1954, has, therefore, ordered that Audit Reports with statement of Annual Accounts which are required to be published in the official gazette by the rules and bye-laws of the Acts governing such institutions should be prepared in two parts :—

- (i) the Audit Report which should contain only the important irregularities and objections which are intended to be printed in extenso in the Gazette ; and
- (ii) the 'Audit Note' which should contain the statement of minor irregularities which neither need inclusion in the main report nor publication in the Gazette. The certificate to be given in the accounts should be worded somewhat as follows :—

'Checked and found correct subject to the remarks in the Audit Report appended. There should also be a Paragraph in the main Audit Report mentioning the fact that it includes only the major and important irregularities and not the minor ones which have been included in a separate Note and published.'

[Authority.—Examiner's Circular No. L. A. 6 of 1955-56.]

NOTE 4.—In all Audit Reports, a statement of receipt and expenditure audited should be appended, without exception, to show the volume of transactions covered by the audit. Such data are not only required for statistical purposes in connection with Annual Report but are also necessary to check the requirement of time for audit. So the instructions should be observed even in respect of such small accounts as Trust Funds, Endowment Funds, Workmen's Compensation Fund, Soldier's Boards, Dispensaries with separate accounts, etc.

[Authority.—Examiner's Circular No. 9 of 1956-57.]

NOTE 5.—*Drafting of Audit Report.*—The following instructions should be borne in mind by the auditors in drafting up their audit reports:—

- (a) The merit of an Auditor will be judged not only from the materials his report contains but also from the manner in which they are put. The auditor should know how to sift the materials and put them in logical sequence. Proper attention to this aspect of work should be given by all concerned.
- (b) Objections raised in audit reports embodying results of audit, should not be couched in immoderate or offensive language. In fact, the more serious the nature of objection, the greater is the need for using language which is both polite and unexceptionable.

To avoid any possible misunderstanding, it is reaffirmed, however, that the audit processes are not to be abridged or its scrutiny abated, but in framing objections, insinuations and offensive generalisations should be avoided. The facts and conclusions, if properly stated, should speak for themselves.

- (c) Certain broad points which should be borne in mind in drafting audit reports are indicated below :—
- (i) Objection statements should be prepared in duplicate by carbon process, etc. and one copy handed over to the local office day to day ;

- (ii) If the objection statements are not returned by the local office promptly he should report the fact to Head Office for further action in the matter ;
- (iii) The auditor should not postpone the drafting of Audit Report till the return of objection sheets but should start the drafting of the report on the basis of the duplicate copy in his hand day to day ;
- (iv) The results of local audit should be set forth in two separate documents—Parts A and B :
 - (1) Part A detailing merely the more important defects of procedure and financial irregularities and describing briefly the general state of accounts and the nature of financial control over transactions. It should contain all objections covered by money value above Rs. 5 with respect to which Surcharge proposals are made vide Circular No. L. A. 36 of 1956-57. This part should be drafted on the model of either of the two forms given in Appendix V one for the District Board Accounts and the other for the Municipal Accounts according as they suit the requirements of a particular fund ;
 - (2) Part B dealing with errors and minor irregularities which are not important enough to be brought to the notice of higher authority. This part should contain all irregularities covered by money value up to Rs. 5 lumped in suitable groups.
- (v) Auditors should append two statements to the report—one containing reference to surcharge paras and the other containing references to paras which, though of serious nature, could not be finalized for lack of details and have been left over for subsequent audit to be probed into. This process will facilitate examination of such paras in Head Office.

- (d) Audit depends for its effective value in its right and duty to report results to the proper authority so that appropriate action may be taken to rectify the irregularity or impropriety, where possible or to prevent a recurrence of it. The auditors should always try to create an impression upon the local office that they are there to help and guide them in the matter of accounts and not to harass them in which case they will never feel want of Co-operation and help from the other side. An Auditor must develop an instinct for assessing the importance of an individual irregularity. In the Local Audit Department whether an Auditor possesses this instinct or not can be judged mainly from the surcharge proposals which could stand up to the appeal stage.

[Authority.—Based on Circular No. L. A. 50 of 1956-57.]

NOTE 6.—(a) In submitting the draft Audit Report to the headquarters the Auditor should attach a Title Sheet in the form given below. Printed or typed copies of such forms should be obtained from the Headquarters Office. The entries Nos. 1 to 17 only of this form should be filled in by him and entry No. 8 will indicate the contributions, if any, to the Audit Report by the assistants in the audit party. After the Audit Report is issued, the deli g assistant in Headquarters Section will fill in the entries No. 18 to 24 of the form before filing the office copy of the report and other connected papers.

(b) Against item No. 11 of the Title Sheet should be shown overpayments noticed in course of audit which are suggested for recovery and only such outstanding dues and claims in respect of which no steps for recovery whatsoever have been taken by the departmental officers and which would not have been recovered unless pointed out by audit. It is to be noted, however, that outstanding claims for the recovery of which steps have already been taken by the local officers or which are in the process of recovery solely by the independent initiative taken by the local offices, are not to be regarded as cash recoveries suggested by audit and should not therefore be indicated against item No. 11.

(c) Auditors and the supervising Gazetted Officers should, before the audit report is submitted to headquarters, take particular care to see that the accounts audited and their supporting statements and documents are complete in all aspects and they should invariably initial and sign those documents, wherever required, on the spot and send them duly completed along with the audit report for necessary action.

(d) Every paragraph of draft Audit Report should show in the margin a reference to the relevant item and page of the audit query (objection) statement on which it is based. Auditors should take particular care to see that such references are invariably given. Sometimes the Audit Report contains references to letters and orders of Local Government or other

authorities which are not available in the Audit Office. All such references should invariably be supported by copies of or relevant extracts from the letters or orders concerned taken from the local office.

(e) The paragraphs of a draft report which are considered by an Auditor or the Gazetted Officer supervising the audit to be important enough and likely to be fit for inclusion in the Appropriation Account and Audit Report or the Annual Report of the Local Audit Department should be indicated on the Title Sheet of the report. This enables the Headquarters staff to keep a note of them in the Government grant register and the register for Annual Report at the time of issuing the report and then follow them up. The name of the auditor who conducted the audit should also be invariably stated on the Title Sheet of the draft Audit Report.

(f) The Gazetted Officer who supervises an audit, should, when it reveals important financial irregularities, draw up himself draft paragraphs on the same for inclusion in the Audit Report on the Appropriation Accounts (when the irregularities pertain to Government Grants) and for inclusion in the Annual Report of the Local Audit Department (when the irregularities pertain to Government grants and to other matters in general). The draft paras will be dealt with by the Reply Table Assistants of the Headquarters Office and after obtaining the approval of the Examiner will be noted in the relevant registers, viz. (i) Government Grant Register—Results of Audit and (ii) Register containing paragraphs for inclusion in the Annual Report of the Local Audit Department.

Title Sheet of the Audit Report

(a) *To be filled in by the Senior Auditor*

On the accounts of

..... for

1. Description of the Accounts.
2. Period of Accounts.
3. Date of commencement of Audit.
4. Date of completion.
5. Date of issue of the last batch of objection statement.
6. Date of receipt of replies to the above.
7. Date of submission of the draft copy of the Audit Report to the Head of the Office.

inspected.....

Headquarters.....

8. (i) Paragraphs fit for inclusion in Appropriation Accounts and Audit Report of the Accountant General.
- (ii) Paragraphs fit for inclusion in Annual Report of the Local Audit Department.
- (iii) Paragraphs fit for examination in Examiner's Office.
- (iv) Paragraphs fit for examination in A. G.'s Office.
- (v) Paragraphs to which special attention of Government should be invited.
- (vi) Paragraphs containing surcharge proposals.
- (vii) Entire Audit Report drawn up by—
 - (1) Gazetted Officer.....
 - (2) Senior Auditor.....
 - (3) Junior Auditor.....
 - (4) Junior Auditor.....

9. Whether Part B of the Report or Audit Note issued, if so, the date of issue.

- *10. Total cash recoveries effected in course of audit.
- *11. Total cash recoveries suggested further.
- *12. Total amount held under objection for clarification of issues.
- *13. Total amount covered by surcharge.
- *14. Total wasteful expenditure avoided at the instance of audit.
15. Names of the Senior Auditor and Junior Auditors.
16. Name of the Gazetted Officer supervising the audit.
- *17. Paragraph in which any embezzlement detected by audit dealt with.
18. Date of submission of the report to the Examiner or the Gazetted Officer-in-charge.

.....
Senior Auditor.

.....
Gazetted Officer.

*N.B.—Each paragraph and the amount involved against it and their total should be invariably mentioned.

(b) *To be filled in by the Head Office*

19. Whether explanation for delay in the submission of report called for.
20. Whether explanation accepted.
21. Date of approval of the report by the Examiner or Gazetted Officer-in-Charge.
22. Date of sending the report to Press/Typing Section.
23. Date of receipt of report from the Press/Typing Section.
24. No. and date of issue of the Audit Report.
25. Page No. of the Check Register of Audit Reports where entered.

.....
Superintendent.

.....
Asstt. Examiner.

.....
Examiner.

(13) *Check of recovery of sums surcharged.*—Immediately before taking up an audit, the auditor shall call for all papers from the office of the Examiner of Local Accounts in connection with the surcharge cases pertaining to the local authority whose accounts are about to be audited, and shall check with the local records all items of money noted in the statement appended to the previous audit reports under section 9(1) of the Act and satisfy himself that they have been duly credited to the local fund and that all cases in which no action has been taken or no refunds made, are covered by the orders of competent authority.

(14) *The objection statement.*—Any enquiries which it is necessary for the auditor to make either on the subject of accounts, registers or other matters, shall be made through an objection statement in Form C (given in Statement C). The auditor shall issue statements day by day as the audit proceeds, and shall obtain the dated initials of the Secretary, if there is one, or, if not, of the head of the ministerial establishment both on the statements and in a memo. of objection statements in Form D (given in Statement D). These statements shall be returned with the least possible delay over the dated initials of the head of the office and shall show the action

which has been taken or which it is proposed to take to settle the objections raised or the replies to the enquiries made. On receipt of replies to the points raised, the auditor shall re-issue for further action or reply any items on which final or sufficient action has not in his opinion been taken or on which the enquiries made have not been satisfied. Such re-issues shall be prominently indicated in the memo. in Form D (given in Statement D). He shall bring any items of previous reports which have not been disposed of when he leaves the office, the accounts of which he is auditing, to the personal notice of the head of the office. A list of such items shall be attached to the report in Form E (given in Statement E).

Executive Instructions

1. Every endeavour should be made by the local officer to settle the objections finally before returning the objection statements to the auditor, but a whole statement should not be held back simply because of inevitable delay in settling one or two objections in it.

2. All accounts objections which can be removed, on the rules being complied with, should be so removed during the audit. Every effort should be made to reduce to a minimum the audit objections to be dealt with after the conclusion of the audit, and it is part of the auditor's duty to render every assistance to the local office in attaining this result.

3. In order to assist the local officials in the prompt disposal of objections, auditor should, as far as practicable, list their objection from day to day as follows:—

- (i) Objections for the report should be recorded on buff coloured forms and those for the schedules on red forms. The object of this differentiation in colour is to assist auditors in grouping separately the objections for the report and for the schedules.
- (ii) The objection statements (buff and red forms) will be in two sizes. The larger size shall be used for objections which are likely to be settled within three days and the smaller size for those the return of which by the local authority is likely to take longer. The former should be returned by the local authority without waiting till the latter are settled.
- (iii) For each department the auditor should, as far as practicable, issue separate objection statements so that each department can proceed to take immediate action on its own objections as soon as they are received.
- (iv) Auditors should issue objection statements from day to day irrespective of the number of the objections raised.

4. In conducting the audit the auditor should give attention to points that may arise but which cannot be provided for in advance.

matter which may repay investigation, he should go into it with an exhaustiveness which leaves no detail undiscovered. He should, however, be careful not to infringe on questions of administration which have nothing to do with accounts, or which are otherwise outside the province of legitimate enquiry.

5. Auditors, while yielding in nothing they consider to be part of their official duty, should be careful to avoid friction with any of the officials with whom they come in contact. If they avoid frivolous objections and convince the officers by the manner in which they go about their work, that they are there not to complicate procedure but to simplify it, not to criticise but to assist, they will meet with little difficulty in this direction. But if, nevertheless, trouble arises, the facts of the case must be reported at once by the auditor to the Examiner.

6. Auditors are strictly forbidden to place themselves under any obligation, however trivial, to persons connected in any manner with the offices the accounts of which are subject to their audit.

NOTE.—A request to arrange for accommodation is not an obligation.

7. Copies of schedules, objection statements and the memo. of objection statements will be filed in the office of the Examiner who will thus be able to see if auditors have dealt promptly with objections. But in order that the Examiner may have timely information on this important matter during the currency of an audit, auditors' diaries should clearly show the objection statements issued and received back from day to day.

(15) *Time allowed for reply to objections.*—All objection statements shall be returned to the auditor from one to three clear working days before the close of the audit, according as he shall direct, whether the objections have all been replied to or not. The Auditor shall have his report and schedules completely written up by the close of the audit.

Executive Instructions

1. The auditor should show the report informally to the head of the office from day to day and ask him to verify the facts and offer criticism on the remarks in it. When, however, the report involves a serious reflection on highly placed officers or is likely to cause offence, those particular portions of the report should not be shown to the local office without the Examiner's permission.

2. On the day next following the close of the audit, the report must be forwarded to the Examiner of Local Accounts.

3. To avoid a rush of objections towards the end of the audit, the auditors should, as far as possible, audit receipts first in the case of municipalities, and expenditure first in the case of district boards.

4. As far as possible auditors must write up their reports and schedules from day to day and are forbidden to delay doing so till

5. The time allowed for audit includes the following number of days for finishing the report, viz.,—

- audits shown as occupying an audit party up to 10 days . 1.
- audits shown as occupying an audit party from 11 to 20 days 2,
- audits shown as occupying an audit party from 21 to 30 days 3,
- audits shown as occupying an audit party from 31 to 40 days 4,
- and so on.

and on these days audit work should not be done. Thus, if a district board audit is scheduled to take 50 days, then 45 days are to be occupied in audit and 5 in finishing the report, i.e., one tenth of the time allowed for audit should be devoted towards the finalisation of the report. The local officials must, therefore, be directed in sufficient time to return all outstanding objection statements.

NOTE 1.—Surcharge proceedings may be instituted only for such irregularities which come under the relevant provisions of the Local Fund Audit Act for surcharge and, as such, it has been decided that surcharge proceedings will be started invariably in all suitable cases.

[Authority.—Govt. of Bihar, Local Self Government Department, letter No. M/M2 130195/55-7165 L. S. G., dated the 25th July, 1956, to the Examiner of Local Accounts, Bihar.]

NOTE 2.—Prompt settlement of audit objections should receive due attention of the Executives and officers of the Local bodies. Very old objections if unsettled tend to make the objections bulky. Local offices should be prevailed upon to remove the objections during the currency of the audit. Vague and uncertain replies given with no positive effort for the final settlement should not be accepted. This procedure would not only lead to protracted correspondence increasing the volume of work all round but also would detract from the utility and effectiveness of audit which is not conducive to the best interest of the administration itself. The executives should be encouraged to avail themselves of the opportunity of meeting the audit parties and inspecting officers on the spot at the time of their audit or inspections, when exchange of views and discussion of the cases can be of great help in reducing the pending objections on the spot. It is, therefore, very essential that the objections are settled promptly and the suggestions made in the Audit Reports are implemented strictly and expeditiously.

The auditors should settle as many objections as possible during the currency of audit itself.

[Authority.—Examiner's Circular letter No. L.A. 455-615, dated the 12-4-1956, to All Chairmen of District Boards, Municipalities and Notified Area Committees and Memo No. L. A. 616-37, dated 12-4-1956, to all Auditors.]

NOTE 3.—During local inspection, the inspecting officers should review the outstanding local objections in the previous audit reports, in consultation with the administrative authorities of the organisation under audit with a view to securing their settlement on the spot. The inspecting officer should personally send a report showing therein the items in respect of which he is satisfied by reference to the local records and personal discussion that the objections have been met. The auditors should also likewise at the time of audit scrutinise the objections and send a statement to the head office showing therein the items of objections settled during audit.

[Authority.—Comptroller and Auditor General's letter No. 2585-Admn.I/195-55, dated 19-12-56, Circular No. L.A. 15 of 1956-57.]

(16) Matters to be included in the objection statement.—The objection statement shall include not only objections raised on payment vouchers, but every sort of objection and remark which the auditor raises or makes.

Executive Instructions

1. One of the main objects of these statements is to inform the head of the office of, and to give him opportunity of replying to, every point which will appear in the audit report. Auditors should

not make any suggestions or finally embody any criticisms in their audit reports without giving the officers of the local authority full opportunity for explanation and considering as fully as possible their views and arguments. When after consideration the auditor still adheres to his original views, those of the other side should be stated where necessary, in a separate memorandum, for the Examiner's information.

(17) *Matters to be included in the report.*—Objections admitted or questions settled during the course of an audit shall be noticed in the report only if the irregularity is a serious one, or if a defect of system or error in principle has been brought to light and has not been permanently removed. Apart from any matter required to be included under section 9(1) of the Local Fund Audit Act, the audit report shall be confined to matters of a general nature which cannot be disposed of by the auditor. All unrectified objections relating to a previous audit shall be specially brought to notice.

Executive Instructions

1. The audit report should be as concise as possible.

2. The Examiner of Local Accounts may correspond with the local authority concerned regarding any matter arising out of the audit report which is not a matter mentioned in section 9(1) of the Act. The local authority should invariably reply within three months.

NOTE 1.—*Generalisations in Audit Report.*—When an audit report deals with serious cases of embezzlements and frauds or other irregularities, a remark that the accounts were generally satisfactory should not be made in a routine and mechanical manner. These remarks should be recorded only where an audit officer is satisfied that the condition of the accounts really warrants such a remark. Otherwise the inclusion of remarks to that effect in the face of serious irregularities is most undesirable as the Government concerned is lulled into a sense of security by such inappropriate audit comments.

[Authority.—Comptroller and Auditor General's letter No. 336-Rep./3-51, dated the 16th June, 1951. Adopted vide Examiner's Circular No. L.A. 16 of 1951-52]

(18) *Powers and duties of auditors.*—The auditor shall—

- (a) append to his report a statement of assets and liabilities indicating the financial position of the local authority concerned. Such fixed assets as land, building, plant, machinery, tools, etc., should be excluded from the statement, and only liquid assets such as cash (in hand, or in the treasury, bank or post office), investments, loans, advances and outstanding rents and rates, and such liabilities as unspent balances of earmarked grants, contributions payable, deposits, unpaid bills, etc., should be included in it;
- (b) report whether money borrowed on the security of allocated revenues, or received as a grant from Government or other source for a specific purpose, has been expended on such purpose;
- (c) where a sinking fund has been prescribed, report whether it is being properly kept up;

- (d) report whether all advances, loans and investments by the local authority are fully secured;
 - (e) detail in his report all loans contracted by the local authority and state if the prescribed provision has been made for the repayment of the principal and interest out of the revenues of the local authority concerned;
 - (f) where separate accounts for any undertaking are maintained, certify whether in his opinion the accounts present a true and correct view of the results of the undertaking for the period under investigation;
 - (g) unless his predecessor has done so, certify in his report the correctness of the annual account (unless none has been prescribed) for which the accounts have been completely audited.
- (19) *Further instructions regarding the report.*—The auditor shall—
- (a) state in the first paragraph of the report when the audit was taken up, when it was completed, and how many working days were actually occupied in the audit;
 - (b) state the date up to which the accounts have been passed by the Finance Committee, if any, and examine and report on the system of check exercised by it;
 - (c) state in his report if in his opinion any reserve fund should be opened, e.g., a depreciation reserve fund;
 - (d) attach to his audit report a statement showing—
 - (1) cash recoveries on audit objections,
 - (2) money saved by the detection of embezzlements in audit,
 - (3) savings due to miscellaneous causes;
 - (e) at the end of his report give a very brief resume of the matters dealt with in the report, and conclude with an opinion on the state of the accounts as a whole.

Executive Instructions

1. The necessity for opening reserve funds should be particularly examined in auditing municipal accounts.

2. The statement prescribed in rule 19(d) should be based on facts, and exaggeration of figures should be avoided. The figures contained in it should be reviewed on receipt of the final replies to the audit report.

NOTE 1.—In the accounts of local funds instances are not uncommon in which important orders issued by the State Government are violated or statutory provisions of Act and Rules are infringed despite audit comments. It is considered desirable that Annual Working Report of the Local Audit Department should contain an appendix to show the aforesaid defects.

For facility of the collection of the data, the important Government orders statutory provisions of the Acts or Rules framed thereunder which were infringed should be listed out in one place in a paragraph in the Audit Report, under a suitable heading.

In the accounts of some local funds, the old audit objections pending settlement are heavy. Under the heading "Last Audit" the number of old audit objections which remain undisposed of may be shown yearwise, i.e., according to the year to which the number of objections relate, as the same has to be incorporated in the Annual Working Report.

3. The delay in the disbursement of monthly pay, wages, etc., to the staff and in the deposit of Provident Fund contributions should also be dealt with in a separate paragraph with proper heading as this had specially to be commented upon in the Annual Report.

[Authority.—Examiner's Circular No. L. A. 16 of 1953-54.]

(20) *Embezzlement, etc., detected by the local bodies.*—Whenever any loss of money or stores by embezzlement, theft or otherwise is discovered, the fact shall be promptly reported by the Chairman to the Examiner of Local Accounts, who will consider whether he shall direct that an audit be made with a view to taking action under section 9 of the Act.

Executive Instructions

The Chairman should send through the usual channel to Government a copy of his report to the Examiner of Local Accounts. The fact that he has made such a report to the Examiner should not operate to prevent the institution of criminal proceedings, should such a course be considered advisable.

(21) *Powers and duties of Examiner of Local Accounts.*—The Examiner of Local Accounts shall exercise general supervision and control over the discharge by the auditors of their duties under the Act.

(22) (1) The Examiner of Local Accounts may condone a payment made from a local fund which appears to him to be contrary to law provided that—

- (i) in his opinion there was no negligence or misconduct on the part of the person making or authorising such payment;
- (ii) such payment was *bona fide* and a similar payment from the same local fund had not been condoned before; and
- (iii) such payment does not exceed Rs. 25.

(2) The Examiner of Local Accounts shall submit to the local Government a report of all such condonations with the reasons for each such condonation.

Executive Instructions (General)

(1) The accounts of local authorities subject to the Bihar and Orissa Local Fund Audit Act should be audited by the auditor not less often than once in twelve months unless the Examiner of Local

(2) A copy of the audit report should be sent by the Examiner of Local Accounts to the District Officer and Divisional Commissioner and to the Government in the department concerned. Copies of Audit Reports relating to District Boards and Municipalities should also be sent to the Director of Public Instruction, Bihar and Orissa, and those relating to Dispensaries to the Director of Health Services.

(3) Auditors may, with the sanction of the Examiner of Local Accounts, waive items where the sums involved are less than four annas. These should be submitted in a separate statement.

(4) Appendix XXX to the Local Audit Manual, Vol. I, shows the number of working days allowed to auditors for the audit of twelve months' accounts of the various offices subject to local audit. When an auditor and an assistant are working together, the time allowed in the appendix is to be reduced by one-third. An auditor should never exceed the time allotted without the previous sanction of the Examiner. In applying for sanction he should state fully the circumstances which render an extension of time necessary.

(5) The more mechanical part of the audit will, where an auditor and an assistant are working together, be done by the assistant under the supervision of the auditor, who is responsible for seeing that the assistant does a fair day's work. In cases in which he is not satisfied with the assistant's outturn, he should record the fact in the assistant's diary before its submission to the Examiner; otherwise he will be held jointly responsible for any obviously insufficient outturn.

5. Audit Report.—Note below rule 12 of the rules framed under Local Fund Audit Act, 1925, as embodied in paragraph of the Manual deals with the model form on the lines of which an audit report is to be drafted. The form is just a model and gives merely an outline of the report and there is no rigidity about it. Model forms have been prescribed for the submission of draft reports on the accounts of Municipalities and District Boards and they should be brought into use while drafting reports on other funds subject to audit by the Local Audit Department by suitably modifying them according as they suit the needs of a particular fund.

6. The efficiency of an auditor will be judged by the brevity of his report, and his ability to settle audit objections on the spot and bring to light important omissions and commissions to the exclusion of mere technical objections. Auditors shall be held responsible for the accuracy of the facts and figures given in their reports.

7 Schedules.—The following schedules shall be appended to the report in the prescribed forms:—

- (1) Statement A—Objections on vouchers.
- (2) Statement B—Objections in Accounts and Registers.
- (3) Statement E—Unrectified objections of previous audits.
- (4) Statement F—List of Registers examined.
- (5) Appendix I—Abstract of Annual Accounts.

(6) Appendix II—Statement of Government grants.

(7) Appendix III—Surcharge statement.

(8) Appendix IV—Statement of recoveries.

(9) Other statements, if necessary.

NOTE.—Objections of the same nature, e.g., want of payees' receipts, estimates, agreements measurement books and relevant entries in Stock and Store Registers shall be grouped together. When there are several departments in an office the objections of each department shall be shown separately.

8. Financial position.—All matters connected directly or indirectly with the financial position of a local fund will be carefully and thoroughly investigated before inclusion in the Audit Report. In preparing the lists of liquid Assets and Liabilities in the prescribed form the Auditor will include all the assets and liabilities which can be ascertained from available records. If the correct figure for assets and liabilities cannot be ascertained an approximate figure will be given and the fact will be mentioned in a footnote. Auditors will take particular care that the figures given are correct.

9. In preparing the statement of assets, all advances adjustable will be shown under the item 'Advances outstanding'.

10. Two model forms of assets and liabilities are given in Appendix VI. Note below may also serve as a guide.

11. For the purpose of determining the average net receipts/outgoings of deposits to be mentioned in the footnote of asset and liability statement, auditors will have to take the figures of annual receipts and expenditure booked under the head 'Deposits' from the annual accounts of the District Board/Municipality for the preceding three years and to find out, by subtracting the total expenditure from the total receipts, the excess of receipts/outgoings over outgoings/receipts. This figure when divided by three will be the net average receipt or outgoing according as it is a plus or a minus figure. If a plus figure results, no liability need be shown in the footnote under deposits since, according to anticipations, no refund of deposits in excess of receipts during the year will be necessary. If, however, the average figure is a minus figure, it will have to be substituted for the outstanding deposits in the statement of liabilities.

The mere fact that the liabilities exceed the assets in the list of liquid assets and liabilities does not warrant the conclusion that the financial position of a local fund is unsound. The Budget Estimates, the programme of work, the recurring income, the recurring expenditure and the annual recurring savings must all be taken into account to arrive at a definite conclusion. The auditor will examine if any financial difficulty is merely temporary and if it can be met out of the annual savings within the next year or two. The outstanding balances of loans are included in the liability statement but as the whole of these balances is not repayable at once, it will be incorrect to judge the financial position from the liability worked out from the above statement. Only so much of a loan as is repayable

GENERAL PRINCIPLES [CHAP. I]
on the date of examination of the financial position will be taken as the immediate liability of the fund. Immediate and deferred liabilities will be clearly distinguished.

12. Dispensaries—Drafting audit reports of.—For the purpose of drafting Audit Reports, Dispensaries should be divided into two classes, viz.,

(a) *Dispensaries under the District Fund* :—A consolidated Audit Report should be drawn up wherein each (b) dispensary should be dealt with separately.

(b) *Dispensaries under Joint Committees and Municipalities* :—A separate Audit Report should issue in each case.

NOTE.—Accounts of Dispensaries under the control of District Boards will be audited in the District Board Offices concurrently with the audit of the District Fund accounts and the Chairman should be requested to arrange for the production of the Dispensary accounts on such dates as may be fixed by the auditor. But a dispensary which has separate accounts and is situated at District or sub-Divisional headquarters or is under a Municipality or a Joint Committee should be visited by the Auditor and the accounts should be audited in the Office of the Dispensary Committee.

13. Replies to the Audit Reports and Inspection Notes.—Replies to the Audit Reports and to the Inspection Notes of the Examiner and the Assistant Examiners on funds subject to the Local Fund Audit Act will be sent by the Head of the Office in the form or letter to the Examiner within three months from the date of receipt thereof. In the case of dispensaries, replies will be sent by the Managing Committee direct to the Examiner when there is no such Committee the reply shall be sent by the Medical Officer through the Chairman of the District Board.

14. Other Audits.—The following procedure shall be followed in the audit of all other accounts and the disposal of Audit Reports :—

(1) The procedure outlined in rules 1 to 7, 9, 11 and 14 to 16 of the Statutory Rules framed under Section 14(ii) and (iv) of the Local Fund Audit Act will be followed with the following exceptions:—

- (i) Executive instructions under Rule 1.
- (ii) Paragraph 2 of Rule 5 and executive instructions thereunder.
- (iii) Last sentence of Rule 15 and executive instructions 2 to 6.

(2) The Head of the office is expected to afford every facility to the Auditor for the audit of his accounts. If records are not furnished promptly the auditor should bring the matter to the notice of the Head of the Office and if the defect is not remedied, he should report the matter at once to the Examiner of Local Accounts. No register should be left unaudited without his distinct orders. Auditors should call for all records in writing through the objection statements.

(3) If towards the close of an audit, the objection statements are not returned to the Auditor on the date fixed by him, he should bring the matter immediately to the notice of the head of the Office and also report the matter to the Examiner of Local Accounts.

(4) Audit reports on accounts which are not subject to the Local Fund Audit Act should be drawn up in accordance with the paragraph 5. They should be prepared while the audit is in progress. The report should issue from the auditor just after the completion of audit.

(5) The Audit Report will be forwarded to the various authorities under the signature of the Examiner of Local Accounts with a forwarding memo.

(6) On receipt of Audit Report, the head of the office should take prompt steps to settle the audit objections. Responsibility for settlement of objections rests entirely with him. An Audit objection is held to be finally disposed of when the Head of the Office (i) gives effect to the suggestion or rectifies the defect or (ii) obtains a decision through his superior officer or directly from the Examiner of Local Accounts so that the objection is either dropped or waived.

(7) Reply to an Audit Report will be sent by the head of the office inspected in a tabular form in duplicate to the Examiner of Local Accounts within one month from the date of receipt in his office of the audit report, in the form of a letter. The final remarks of the Examiner of Local Accounts will be communicated to the head of the office.

(8) Inspection Notes of the Examiner and the Assistant Examiners will be disposed of in the same way as Audit Reports.

GENERAL AUDIT INSTRUCTIONS

15. Audit Procedure.—In this chapter instructions as to audit procedure are given for the guidance of Auditors. It must be understood that these instructions only represent the minimum necessary for effective audit. The true value of an audit will be found to reside, over and above this, in the personal zeal and interest of the Auditor in his work and in the application of his own personality and experience to the constantly changing facts presented to him.

16. It should be borne in mind that what differentiates a Local Audit from the Central Audit performed, for example, in the office of the Accountant General, is that the Local Auditor has access to the basic facts, and to the men who deal with them. He is therefore in a far better position to get at realities, and it is by his skill and success in doing so, and thus exposing fraud and mismanagement, rather than by his mere compliance with rules and orders, that he will be judged.

17. Audit as defined in para 7 of 'An introduction to Indian Government Accounts and Audit' is an instrument of financial control. The basic principles of audit have been described as follows:—

(i) Audit should be conducted by an agency independent of the authority charged with the duty of carrying on the business and of maintaining accounts of the transactions which pass through his hands.

[Paragraph 19 of 'An introduction to Indian Government Accounts and Audit'.]

(ii) It must ensure that the accounts maintained truly represent facts, that the rules and orders framed by competent authority in regard to financial matters have been obeyed, that expenditure has been incurred with due regularity and propriety and it must bring to notice of competent authority any irregularity or impropriety in connection therewith. 34 28, 29 30 52 53

[Paragraph 8 of 'An Introduction to Indian Government Accounts and Audit'.]

18. In other words, the Auditor has an inherent right of independent criticism and his primary function is to verify the accuracy and completeness of accounts to ensure that all revenue and receipts due under the respective Acts or rules made thereunder are properly demanded and realised, that all revenue and receipts so collected are brought to account under the proper head, that all disbursements and expenditure are authorised, vouched and correctly classified and that the financial account represents a complete and true statement of the financial transactions it purports to exhibit.

[Generally follows Articles 21 and 22 of Audit Code.]

19. Both the statutory and the non-statutory (excepting those of private institutions) audits are conducted on behalf of Government. It is, therefore, not the function of audit to criticise the orders passed by Government though it will not be beyond its scope

to see that financial rules and orders passed by Government satisfy the provisions of law and are otherwise free from audit objections and bring the same to their notice. It is, however, one of the important duties of audit to see that the rules and orders framed by Government are properly observed and where financial rules are framed by local bodies or their subordinate authorities they satisfy the requirements of law and are otherwise in order and are properly applied. It is not for audit to prescribe what such orders shall be or to interfere with their administrative application. Even in the actual audit of transactions an auditor must recognise the clear distinction between auditorial and administrative functions. Criticisms offered by the Local Audit Department must, therefore, be limited to financial criticisms based on the actual accounts. It is not the function of audit to range over the field of administration or of statistics and offer suggestions how affairs may better be conducted.

The executive authorities and not the Local Audit Department are responsible for finding moneys for the administration of the fund for enforcing economy in expenditure. It is, however, not for audit to suggest new sources of taxation. It is, however, the duty of audit to offer its comment on the financial position of the local body and bring to notice wastefulness in administration and infructuous expenditure. Generally, a total body mindful of the best interests of taxpayers will welcome suggestions to promote economy based on information forthcoming from the accounts. But such suggestions should be made with discrimination and sparingly.

[Articles 24 and 26 of Audit Code.]

20. In the course of scrutiny of accounts and transactions, audit is entitled to make such queries and observations and to call for such vouchers, statements, returns, explanations in relation to them as may be necessary. All queries and observations shall be couched in language which is courteous and impersonal.

[Article 27 of Audit Code.]

21. In auditing accounts of local bodies audit should not make independent enquiries from private individuals or members of the general public. Audit should confine itself to calling upon the Executive to furnish any necessary information and, in cases of difficulty it should confer with the executive as to the best means or obtaining the evidence which it requires. If the necessary documents are not produced and the progress of audit is retarded thereby, the auditor can in the case of audits subject to audit under the Local Fund Audit Act can enforce their production by the issue of summons therefor as provided in the Act. This power should however be used sparingly and only in cases of persistent default and as an extreme measure.

[Generally follows Article 28 of Audit Code.]

22. Scope of audit.—Subsequent chapters deal in detail with accounts peculiar to individual Local Funds and the scope of audit of each Local Fund. The following procedure, however, is common to Municipalities and District Funds and in many cases to other

23. List of Registers maintained in local office.—At the very start of audit, the auditor should call for a list of registers maintained in each department from the executive head of the institution. The executive authority should at the same time be requested to communicate a list of registers newly brought into use after the last audit of the fund was completed. If the list is exhaustive and complete, the auditor should call for the registers as and when required for audit. On the completion of audit, the auditor should record a note in the list that the registers were examined and objections, if any, included in the objection statement or audit report. A copy of the list will be appended to the audit report.

24. Commencement of audit.—An audit will begin with the verification of cash balances in hand, the securities held by a local authority, the balances of postage stamps. The record of verification should be recorded in the relevant register or account so that when the accounts are subsequently audited, the auditor may see whether the actual balance agreed with the book balance on that date.

25. Annual administration and inspection reports.—Auditors should go through the Annual Administration Report for the year covering the period of audit and also through all Inspection Reports recorded by the Collector, the Commissioner, the Examiner of Local Accounts, or other officers during the period of audit. Valuable hints may sometimes be obtained from these sources as to points which require special attention during the audit.

26. Budget.—Auditor should see that the Budget was framed and passed in accordance with the relevant Act and Account Rules and that the actuals are close to estimates. Instances of variations by more than five per cent. should be noted and the cause ascertained. In the absence of satisfactory explanation it will be regarded as defective budgeting.

27. Disposal of previous audit objections.—Auditors should obtain from the Head Office the interleaved copy of the last Audit Report, verify the replies and the records produced and note appropriate remarks, viz., 'verified' or 'Record produced' against items disposed of and 'included in next report' against all unsettled items. All such remarks shall be attested by the Auditor with his dated initials. If he considers it futile to pursue any items further, he shall make out a list and submit it to the Examiner for orders. The items shall be dropped or included in the next report as may be directed by the Examiner.

The auditor should next take up the audit of receipts except in the case of District Boards where the audit of expenditure should be taken up first. Dispensary accounts and Dak Bungalow books should be called for as soon as possible after taking up the audit of a District Board.

28. Audit of Receipts.—It is primarily the responsibility of the departmental authorities to see that all items of revenue and other

dues, which have to be brought to account, are correctly and promptly assessed, realised and credited to local body. Under the various Acts relating to local bodies the Examiner has been entrusted with the audit of accounts of both receipts and expenditure and, as such, it is also one of the important functions of the Audit Department to see that all sums due to the local body have been realised and properly accounted for. It should also see that the initial accounts of demand have been properly prepared, that all items of demand have been entered in the accounts, that the demands arrived at in the case of taxes and fees is generally correct and that adequate steps have been taken to enforce recovery. Any investigation by audit in this regard should be so conducted as not to interfere with the executive responsibility.

29. In conducting the audit of receipts, audit should ascertain that adequate regulations or procedure have been framed to secure an effective check on the assessment and collection of revenue and to see by exercising the checks prescribed that such regulations and procedure are being observed and that demand, collection and balance statements are prepared according to rules and agreed with the subsidiary registers of demand and collection and that balances are regularly reviewed or checked in the manner specified by the statutory rules, Government orders or regulations, if any. In the audit of receipts ordinarily, the general is more important than the particular.

30. It would be necessary to ascertain what checks are imposed against the commission of irregularities at the various stages of collection and accounting and to suggest any appropriate improvement in the procedure. Audit might, for instance, suggest in a particular case that a test inspection should be carried out by comparing a sample set of receipt counterfoils with the receipts actually in the hands of the tax payers or other debtors, the results of such an inspection being made available to audit.

31. Where any financial rule or order applicable to the case prescribes the scale or periodicity of recoveries, it will be the duty of audit to see, as far as possible, that there is no deviation without proper authority from such scale or periodicity.

32. Ordinarily, audit will see that no amounts due to local bodies are left outstanding on their books without sufficient reason. Audit will continue carefully to watch such outstanding and suggest to departmental authorities any feasible means for their recovery. Whenever any dues appear to be irrecoverable, orders for their write off should be sought for. But unless permitted by any rule or order of a competent authority no sums may be credited to a local body by debit to a suspense head; credit must follow and not precede actual realisation.

33. A claim or demand may be either (i) a specific demand—fixed or fluctuating—all taxes are of this nature or (ii) a demand which arises in consequence of some outgoing of property, or cash, advance, etc. Of the latter nature are the demands set by the sale or lease of land, property, farm produce, etc., and by cash advances. The

check that can be exercised in audit against (ii) will depend upon the nature of the demand and the exact circumstances in which it is made. The demand will in all cases be entered in a demand register or miscellaneous bill register or miscellaneous sales register of miscellaneous receipts register or register of advances or some other suitable register prescribed for the purpose in the rules or regulations.

34. Frauds, and embezzlements are not infrequent in the collection of revenue in local bodies. Special zeal should therefore be shown in investigating into reported frauds. The system of revenue collection should be closely scrutinized to see whether the fraud or defalcation was rendered possible by any defect in the rules or whether it was due to neglect of rules or the want of supervision on the part of any person responsible for the administration of the fund. It is the duty of audit, therefore, at such investigations to suggest safeguards that are likely to prevent the recurrence of such frauds or defalcations.

35. Objections for want of tax receipts in support of outstanding items of taxes and of payees' receipts in support of disbursements made are serious ones, as such cases on investigation may, at times, disclose frauds or defalcations. Objections of this nature therefore, deserve immediate attention and investigation. The auditor should, therefore, prepare a report in the form of a paragraph for the audit report soon after the defect is noticed and after obtaining the approval of the supervising officer communicate it to the Executive authority of the local body for immediate action. The paragraph containing the defect should be suitably modified with reference to the reply of the executive authority and included in the audit report.

[Based on Appendix I to Audit Code.]

36. Audit of assessment and collection of taxes.—The more important points to be noticed in the audit of assessments, collection and accounting of taxes and other receipts are given below:—

(a) *Assessment and collection of taxes*—

It should be seen—

- (1) that the tax levied is authorised by the Act governing the Fund or institution;
- (2) that the prescribed procedure, such as, obtaining of higher sanction, the publication of a proper notification, has been observed wherever a new tax is levied or the rate of an existing tax is revised;
- (3) that the assessment is in accordance with the scale, if any fixed in the Act or Regulations;
- (4) that as far as can be made out from the records there is no omission in assessment;
- (5) that exemption has been granted only in cases entitled to exemption under the provisions of the Act, or the rules;

- (6) that all taxable items have been entered in the appropriate Demand register, Assessment list, etc., required to be maintained; that the total demand for the half year has been arrived at and certified to by the executive authority;
- (7) that a watch is kept over the growth of revenue by obtaining supplemental lists of persons or property liable to tax;
- (8) that collections have been posted in the appropriate column of the demand and arrear demand register, etc.;
- (9) that a demand, collection and balance statement has been prepared in the register at the end of every half year;
- (10) that the collection as noted in the Demand, Collection and Balance statement agreed with the collection as entered in the challan registers or collection registers;
- (11) that the writes off are supported by competent sanction and there is a record to show that the items are really irrecoverable;
- (12) that the grants of remissions are in accordance with the rules or orders;
- (13) that the arrears have been transferred at the end of the year to an arrear demand register; and
- (14) that the arrears are not time-barred.

(b) *Audit of receipt forms.*—In cases where demand notices and receipt forms are given to Tax Collectors or other collecting agency for collection it should be seen in audit—

- (1) that the receipt volumes issued for collection are in the prescribed printed form;
- (2) that a stock account of receipt books is maintained and also an account of books issued for collection with provision therein for noting the date of issue, the person to whom issued and his initials and the date of return;
- (3) that the demand entered in the receipt agrees with the figure in the demand register;
- (4) that collections have been promptly remitted into the office of the local body at such intervals as has been prescribed in the rules or regulations;

NOTE.—Auditors must pay special attention to undue delays in the remittance of collections to the treasury or Bank. If such delay is casual or short and relates only to small amounts, it may be merely noted as an irregularity. If, however, the delays are systematic or long or if they relate to large amounts, the matter should be specially dealt with in the Audit Report. Similarly, if any collections remain unduly in the hands of the collecting agency or Cashier when the auditor completes the audit or are found to have been so left at any previous period, the matter should be specially dealt with.

- (5) that all totals in several registers are correct;
- (6) that credits are traceable in the Cash Book for all amounts shown as realised in the subsidiary registers;

(7) that the demands are punctually and fully realised;

(c) *Levy and collection of fees.*—The levy and collection of fees that local bodies are authorised to levy should be examined in the following lines :—

- (1) that there is a sufficient authority for levy of fees;
- (2) that notification, if any, required regarding the levy of fees has been duly published in the manner prescribed in the Act or rules or regulations;
- (3) that fees are levied at the approved rates not exceeding the maximum, if any, prescribed;
- (4) that a record of fees due and realised is maintained;
- (5) that printed receipts or licences have been issued in all cases of collection;
- (6) that a stock account of receipts, licences, etc., is maintained;
- (7) that fees due have promptly been realised and have not been allowed to become time-barred; and
- (8) that collections have been entered in the demand list, collection register, if any, and cash books.

(d) *Leases.*—With regard to leases of property belonging to a local body or managed by it, it should be seen in audit—

- (1) that every property usually leased out has been leased out;

NOTE.—The miscellaneous demand register or other register for the previous year which contains a record of property leased out during that year should be examined to see that all items have been leased out during the current year also and in case of omission a record of reasons for such omissions is available.

- (2) that ordinarily, leases of markets, lands, stalls, pounds ferries, etc., have been made by public auction after due publicity, that sale notices and sale lists are in such cases available and that the amount of bid has been accepted by competent authority;
- (3) that a registered agreement has been taken setting forth the conditions of lease;
- (4) that security has been taken for the due fulfilment of the terms of the lease;
- (5) that the payment of instalment is watched through the miscellaneous demand register or some other register prescribed in the rules or orders;
- (6) that penal interests, if any, due under the agreement for belated payments has been correctly calculated and recovered;
- (7) that in case of persistent default action has been taken to terminate the lease as provided for in the agreement;
- (8) that remissions, if any, granted satisfy the conditions prescribed in the rules or orders,

- (9) that printed receipts have in all cases been issued; and
- (10) that the collection has been promptly brought to account in the Collection Register, Cash Book, etc.

(e) *Miscellaneous sales.*—In the case of miscellaneous sales it should be generally seen that they have been conducted and confirmed by competent authorities, that the sale proceeds have been recovered generally before the articles sold out are allowed to be removed, that printed receipts have been issued in all cases of collection, and that the amounts realised have promptly been brought to account.

37. Audit of fines and penalties.—All fines and penalties under the Acts noted below are creditable to State Revenues. The Auditor should see that all collections of rent from pounds and ferries and all fines and penalties realised under the Acts referred to are credited at once to Government.

- (1) Bihar and Orissa Local Self Government Act, 1885.
- (2) Prevention of cruelty to Animals Act.
- (3) Cess Act, 1880.
- (4) Municipal Act, 1922.
- (5) Bihar & Orissa Places of Pilgrimage Act, 1920.
- (6) Jharia Water Supply Act, 1924.
- (7) Bihar and Orissa Mining Settlement Act, 1920.
- (8) Bengal Ferries Act.
- (9) Cattle Trespass Act.

Local Bodies as collecting agents of Government still continue to be responsible for the settlement of pounds and ferries strictly in accordance with the rules and orders issued on the subject from time to time, in so far as they are consistent with the present changed legal position and for the timely collection of pound and ferry rents.

The local bodies are only collecting agents and so have no power to sanction remission or write off. Cases in which rents or receipts from ferries and pounds are considered irrecoverable should be reported to the local offices for obtaining the sanction of the State Government.

38. Audit of expenditure.—*General Principles.*—Expenditure from the funds of Local bodies is subject to the following essential audit checks :—

- (1) that the funds have been expended only on the purposes authorised by the Acts or Rules;
- (2) that the moneys made available for the expenditure have been provided for in the manner specified in the Acts or Rules;

- (3) that the funds earmarked for specific purposes have been utilised for such purposes alone; and
- (4) that the sanction, either special or general, of the authority competent to sanction the expenditure, has been obtained.

It is an implied condition that the expenditure should be incurred from the funds of local bodies with due regard to the broad and general principles of financial propriety. Any cases involving a breach of these principles and thus resulting in improper expenditure or waste of public money should be treated by audit in the same manner as cases of irregular or unauthorised expenditure are treated.

Conditions (1), (2) and (4) mentioned in the foregoing paragraph are mainly governed by the Acts of the Legislature or rules, or regulations issued by authorities empowered in this behalf. Auditors must, therefore, familiarise themselves with the relevant sections of the Acts, schedules thereto, rules framed thereunder and rules and regulations contained in the codes and manuals.

[Generally follows Article 45 of Audit Code.]

39. Auditors should also keep in mind the provisions of Articles 54, 66(1), 71, 72, 84, 86, 168, 176, 177, 182 and 183 of Audit Code as they serve as distinct guide for 'Audit against Regularity.'

40. Check over payment vouchers.—In dealing with the payment vouchers the following points should be observed:—

- (1) that the payment is admissible;
- (2) that the payment is covered by the requisite sanction where necessary;
- (3) that the sanctioning authority possesses the necessary power to grant sanction;
- (4) that there is provision in the Budget Estimate to meet the charge, or that reappropriations have been duly sanctioned;
- (5) that every payment is supported by a voucher in proper form;
- (6) that the vouchers are consecutively numbered, arithmetically correct, and are supported by proper receipts. It should be seen that signature of the payee, whenever it is recorded on the bill, agrees with that given on the receipt;
- (7) that the vouchers are correctly entered in the several registers, that all vouchers are passed for payment and that the payment order is expressed in words as well as in figures;
- (8) that all vouchers have been stamped "Paid by cheque No..... dated....."

- (9) that the rules adopted by local body are followed in all cases;
- (10) Generally, that any particular rule introduced is followed and that prescribed forms are used.

41. Proving of cash book.—The receipts will be traced into the Cash Book from chalans, money order advice lists, or quarterly accounts of union committees and the receipt side of the Pass Book. The payments will be traced from the cheques and the payment side of the Pass Book (or in the case of Wards Estates, from the advice lists of receipts and Payments received from the Treasury)—and each entry, or as many as are required, will be completely audited. The Cash Book will then be proved. The opening balance will be checked with the closing balance of the previous month, the entries on both sides will be examined and the total of both sides of the account will be arithmetically checked. The closing balance will be proved with the Treasury Pass Book, and the difference between the two due to uncredited chalans or uncashed cheques or Union Fund balances in the case of District Funds will be reconciled. If the Treasury Pass Book or Bank Pass Book is not found posted up-to-date the balance in the Personal Ledger should be ascertained from the Treasury or Bank.

NOTE 1.—In a certain case, defalcation occurred by misappropriating cash which was alleged to have been remitted into the Treasury, and was recorded as such in the Cash Book.

All the G. O.s, Superintendents and Senior Auditors, should realise the importance of the Cash Book and its scrutiny in local audit.

It should be a general rule that, in a local audit, the Cash Book should be checked personally by the officer of the highest standing constituting the Audit Party, that is to say, if there is gazetted supervision of a local audit, the G. O. should check the Cash Book and certify its correctness or otherwise; if there is no gazetted supervision, then the Superintendent of the party must do this. The official, checking the Cash Book should also record on the body of the cash book itself, in precise and unambiguous terms, the nature and extent of the check applied, any defects noticed being also indicated in brief. The fact of such check should also be recorded in the Index Sheet of the Inspection Report, mentioning therein, *inter alia*, the months' accounts which have been checked in detail.

In addition to the checks prescribed in the Codes and Manuals, the most important point that should be kept in view in checking a Cash Book, is to see whether the Cash Balance, alleged to have gone out, is supported by either a proper voucher or a chalan (when cash is shown as remitted into the Treasury).

[Authority.—Accountant General's O. O. No. O.A.D. (Commercial)-1431, dated the 28th March, 1955.]

42. Form of registers.—The registers should be in prescribed form and properly bound, pages serially numbered and all entries properly indexed. The registers may not contain erasures, and any alteration in the figures entered therein must be duly attested.

43. Cash Book.—In examining the various registers the following points should be attended to:—

Cash Book—

- (1) that the Cash Book is written up daily;
- (2) that the entries are classified correctly and all entries are arithmetically correct;
- (3) that the book is closed monthly or daily, as the rules require, and that a reconciliation of the closing balances of the Pass Book and Cash Book is effected and recorded under the signature of the head of the office;
- (4) that the closing balance, as shown in the last Audit Report, has been correctly brought forward;
- (5) that all outstanding cheques are brought forward month by month until they are cashed.

44. Treasury Pass Book.—See that—

- (1) the pass book is written up in the treasury and that each entry is authenticated;
- (2) the pass book is returned by the treasury promptly and that the local office exercises a superior check to see that the entries therein are correct;
- (3) the totals of the receipt and payment sides are correct; and
- (4) the collections remitted into the treasury have been duly credited, and that only those sums for which cheques have been issued and cashed have been debited in the Pass Book.

45. Cheque Book.—See that—

- (1) the cheque books are obtained only from the Treasury;
- (2) each bound book contains a specified number of cheques, certified to by the head of the office;
- (3) the books are kept in the personal custody of the drawing officer or of the Accountant if the rules permit of the book being entrusted to the latter's charge;
- (4) cheques are not drawn for sums below Rs. 10, except in the case of provident fund deposits of municipal employees;
- (5) the amounts of cheques are written in words as well as in figures on the counterfoils, and that the counterfoils are initialled by the person or persons authorised to sign the cheques;
- (6) cheques have not been signed unless required for immediate encashment or delivery to the persons concerned;

- (7) cheques are drawn in favour of ultimate payees and not Fund Officers, except for—
Salaries of establishment,
Recouping permanent advances,
Purchasing money orders and supply bills;

- (8) all cancelled cheques are enfaced or stamped "Cancelled" over the initials of the drawing officer and are preserved for scrutiny and destruction by the Local Auditor;

[N.B.—In the case of District Funds such cheques are destroyed after the audit by the Finance Committee.]

- (9) intimation of the loss of all lost cheques, for which fresh ones have been issued has been duly sent to the Treasury or Sub-treasury Officer concerned; and
- (10) the local bodies issuing cheques on Government treasuries alter the form of their cheques from 'or bearer' to 'or order' whenever cheques are not handed over personally but are sent by post to be presented at the Government Treasury.

46. Chalans.—See that—

- (1) every chalan has been stamped with the treasury seal and has been initialled by the Treasury Accountant;
- (2) chalans for sums of Rs. 500 and over and those for the purchase of postage stamps have been signed by the Treasury Officer; and
- (3) chalans for sums above Rs. 300 have been signed by the Sub-Treasury Officer. 36.3

47. Abstract Registers of receipt and expenditure.—See that—

- (1) the postings and totals in Abstract Registers are correct and that all items have been posted, one by one;
- (2) the monthly total of adjustments is correctly posted from the Adjustment Register;
- (3) the monthly totals are correctly posted in the monthly account; and
- (4) the annual figures agree with the budget, original or revised; and note excesses of expenditure and marked deficiencies in receipts.

48. Permanent advance—

- (1) See that the holder of the permanent advance has given an acknowledgment on the first working day of each year. (In the case of transfer of charge the relieving officer should also furnish a similar acknowledgment on the date of receiving charge).
- (2) See that the entries in the Permanent Advance Register are initialled by the head of the office.

- (3) See that recoupments are always made in full in the last working day of every month, except when the expenditure is less than Rs. 10.
- (4) Compare the amount of the sub-vouchers audited with the entries in the Permanent Advance Register:
- (5) Check the totals and compare the totals of the vertical columns with the recoupment vouchers.
- (6) See that all sub-vouchers have been stamped "Paid in Cash" and "Cancelled".

49. Adjustment Register—

- (1) Check all entries in the Adjustment Register (or the General Ledger in the case of Wards Estates).
- (2) See that adjustments are recorded in sufficient details and are correctly made.
- (3) Check the totals of the Adjustment Register and trace the net totals in the Abstract Registers.

50. Advances.—General Instructions.—Advances are usually made by local bodies to individuals and particularly to lawyers, law clerks, etc. Audit should see that conditions for repayment are complied with and should keep a close watch over the repayment of principal and interest, if any. Advances made to pleaders should receive special scrutiny and it should be seen that regular accounts are obtained at stated intervals and necessary adjustments are effected.

The audit report should also detail in separate paragraphs advances granted in the year which are considered irregular and advances pending for over two years from date of payment and suggest expeditious adjustment of the advances. The officer who authorised an irregular advance should be held responsible if the advance is not adjusted or recovered before the close of the same year. In the case of other advances the officer who failed to recover or adjust the same within three years from date of payment should be held responsible unless he can prove he could not do so because of any defect in the original payment. In the latter case action may be taken to recover the amount from the officer who authorised the payment.

51. Advance Ledger—

- (1) Trace all advance payments into the Advance Ledger.
- (2) See that no repayments are credited except those that have duly appeared in the Cash Book and the Adjustment Register, and that no advance is kept out of account;
- (3) See that correct balances are brought forward from previous years;
- (4) Check closing balances;

- (5) See that there is no undue delay in the adjustment of advances;
- (6) Scrutinize with special care the old items of advances left unadjusted at the end of the audit. In the case of advances that have become time-barred or otherwise irrecoverable, fix the responsibility for the loss with a view to surcharge.
- (7) See that quarterly statements of advances outstanding are regularly compiled and scrutinized;
- (6) See that no advances have been written off except with the sanction of Government.

52. Deposits.—General Instructions.—Audit should see that no item is credited as a deposit in the accounts of a local body which could be credited as a revenue receipt or in reduction of ordinary expenditure of the local body. Audit should also examine that there is a proper voucher in support of the amount repaid and should check the repayment against the original receipt either individually or against the total credit in a particular account in order to see that the repayments do not exceed the amounts originally received and credited to the local body. It is also the function of audit to see that balances in deposit accounts are correctly carried over from year to year, and that any deposits remaining unclaimed for such period as may have been prescribed in the rules are duly credited as revenue receipts of the local body.

[Generally follows Article 145 of Audit Code]

53. Deposit Ledger—

- (1) See that all deposits received are entered into the Deposit Ledger, and see that the amounts repaid are duly debited.
- (2) See that no deposits are credited except those that have appeared in the Cash Book or in the Adjustment Register and that no deposit is kept out of account.
- (3) See that correct balances are brought forward from previous years.
- (4) Check closing balances.
- (5) See that there is no undue delay in the Adjustment of deposits.
- (6) See that quarterly statements of Deposits outstanding are regularly compiled and scrutinised old items of deposits.
- (7) See that the Register of Lapsed Deposits is properly maintained.

54. Borrowings.—The borrowings of local bodies are governed by the Local Authorities Loans Act and the Rules framed thereunder. It should be seen in audit—

- (1) that the loan sanctioned is drawn only when it is required for expenditure;

- (2) that the proceeds of loans are properly brought to account;
- (3) that they are expended only on the objects for which the loans are originally raised; and
- (4) that adequate arrangements have been made for amortization of debts.

55. Register of Loans.—See—

- (1) that any loans raised are covered by proper authority;
- (2) that payments of principal and interest are being regularly made in accordance with the conditions of the loans;
- (3) that the balance of loan outstanding as shown in the register is correct;
- (4) that the postings of payment agree with the details given in the payment voucher;
- (5) that the amount of loan, date of receipt, rate of interest, the terms of repayment and other conditions, if any, have been noted in the register.

56. Investments.—It should be seen in audit that investments of surplus balances, Provident Fund amounts, etc., conform to the rules, that proper accounts of such investments are maintained, the interest is realised on the due dates and brought to account and certificates, bonds or receipts in support of investments are produced for verification.

57. Register of Investments.—See—

- (1) that no portion of the general balance has been invested without the special sanction of the Local Government;
- (2) that investments made under the orders of competent authority have not been realised without similar sanction;
- (3) that the investments have not been used for any other purpose than that for which they were made;
- (4) that in the case of investments written off the register by sale or otherwise, the amounts of sale proceeds have been duly credited in the accounts; or, if the sale has been effected by transfer of the investment, that the new investment is entered in the register;
- (5) that interest due has been realised on due dates and credited in the accounts; and
- (6) that the securities are actually in existence; also with whom they have been lodged.

58. Law charges.—See—

- (1) that advances made on account of law charges are not debited, finally to the head "Law Charges" but to "Advances Recoverable", pending receipt of accounts and vouchers for actual amounts spent by the lawyers, law agents and others to whom advances were granted;

- (2) that cases for which the expenses have been drawn are traceable in the Suit Register;
- (3) that charges for Court fees are calculated on the value of the suit or case according to Article 15, Chapter I, Court Fees Act;
- (4) that retained pleaders are not allowed fees for opinions or for work done out of Court; and
- (5) that the bills submitted by Law Clerks are countersigned by the pleader conducting the case.

59. Requisitions for Certificates—

- (1) See that the outstanding certificates of previous years have been brought forward in the current year's register;
- (2) See that Court fees have been charged on the value of certificate cases as shown in the register and the Court fees are not drawn twice for any case;
- (3) See that all the cases bear Court numbers or that all the cases for which court fees have been drawn have actually been filed;
- (4) Check remissions with sanctions;
- (5) Ascertain reasons for any marked difference between the amount claimed and the amount allowed or decreed;
- (6) Note cases struck off on account of the remissness of the local office;
- (7) Note cases of unusual delay in the satisfaction of the claim decreed;
- (8) See that the cost incurred in court after the institution of the case is also noted in the register and compare the cost realised with the cost incurred in court;
- (9) See whether a monthly comparison is made of the Requisition and Certificate Registers in the manner prescribed in Rule 46 at page 124 of the Certificate Manual.

PUBLIC WORKS

60. Schedule of rates.—See that—

- (1) a Schedule of rates containing rates for different classes of work has been duly prepared and sanctioned at a meeting;
- (2) every through rate is supported by an analysis, showing in detail the cost of material, labour and contractor's profit;
- (3) the Schedule of rates of the District Fund has been approved by the Inspector of Local Works and no rates have been increased or new rates introduced without his approval;

- (4) the Schedule of rates has been kept upto date. Get some of the recent estimates, compare the rates provided therein for each class of work and note differences. If they are marked or considerable in number it may be inferred that the Schedule has not been corrected and kept up-to-date or that it calls for revision. Obtain explanation for the differences and see if there has been loss.

61. Estimates.—See that—

- (1) an estimate is prepared and sanctioned for every work;
- (2) the procedure prescribed in Rules 51 to 57, Part IX Civil Works at page 414 of the Local Self Government Reference Book for the preparation and submission of plans and estimates is followed;
- (3) if any material is to be supplied departmentally, the fact has been noted in the estimate.

NOTE.—When a new work is to be constructed partly from materials obtained from the demolition of an old structure, the practice is to frame an estimate for the net cost of the new work. This practice is, however, liable to be abused by under estimating the value of the old materials and the auditors should examine such estimates with particular care and should call for full particulars of the number, quality and value of the old materials if the information is not available from the estimate or connected papers.

62. Tenders.—See that—

- (1) tenders have been duly invited and received;
- (2) specific rates have been quoted in the tender for all items of work;

NOTE.—A notice calling for tenders should specify that each tender should be accompanied by a schedule of rates for each item of work tendered for. If vague terms as 'at estimated rates' are used, the tender shall not be considered.

[Authority.—Chief Engineer 'B. & O.'s No. 6095 C/A, dated 2-11-1920.]

- (3) security has been furnished;
- (4) the prescribed forms have been used, i.e., Form No. 1 (see page 442 of Roy Chaudhury's L. S. G. Reference Book) for Piece Work which involves payment for work done at a stipulated rate only without reference to a total quantity or time, and Forms Nos. 2 or 3 (see pages 444 and 450 respectively of the above reference book) for works given out on other conditions;
- (5) the District Engineer or the Municipal Overseer or Engineer if any, has specifically brought to the notice of the Chairman all items in which the tendered rates exceed the schedule or estimated rates;
- (6) tenders have been duly accepted by competent authority;
- (7) where the lowest tenders were not accepted, reasons for non-acceptance have been clearly stated. If this has not been done, or the reasons given are not satisfactory, the irregularity should be noticed in the report. A statement

showing the difference in the cost of work, as let out to the successful contractor and at the lowest rates tendered for the work, should be worked out and attached to the report.

63. Agreement.—See that—

- (1) the contractor has executed a stamped agreement.
- (2) it has been entered into on behalf of the local body by an officer or officers empowered to do so;
- (3) rates and quantities have been entered;
- (4) corrections and alterations in the body of the agreement have been duly attested by the contractor;
- (5) the agreement is stamped with the common seal of the local body and is complete in all respects;
- (6) if the supply of materials has been retained in the hands of the local body, that there is specific provision in the agreement on the following points :—
 - (a) The nature and quantity of the materials to be supplied.
 - (b) The place where they should be delivered.
 - (c) The rates at which the value of each kind of materials should be recovered.

NOTE.—If the contractor is paid at a through rate, the value of materials supplied should be recovered at a rate not less than that provided for the material in question in the analysis of the through rate in the schedule of rates.

64. Material at site.—See that—

- (1) an account of materials has been kept and attached to the Works Abstract in respect of works, the accounts of which, have been kept by sub-heads;
- (2) materials have been charged off direct to work whenever possible and not passed through the materials-at-site account;
- (3) in the case of large works a monthly statement of expenditure on materials has been maintained and compared with the estimated requirements to guard against the excess issue of materials;
- (4) surplus materials have been accounted for in the manner laid down in Rule 101 of the District Engineer's Account Rules;
- (5) materials at site have been verified once a year or on the completion of the work whichever is earlier and also at the time of transfer of subordinates in charge of the works.

65. Road metal.—See that—

- (1) every Sectional Officer has submitted to the District Engineer within a fortnight of the close of each month, a statement of road metal showing mile by mile the receipt, disposal and balances of each kind of road metal (the balance of metal

in each mile should be shown even if there have been no transactions during the month);

- (2) Separate statements have been kept for, (a) Renewals, (b) petty repairs and (c) annual repairs;
- (3) the surplus found as a result of verification or check measurement has been brought on to the road metal account at once;
- (4) deficits have not been removed from the accounts except by (a) recovery from the party at fault or (b) a write off with the sanction of the competent authority through a survey report;
- (5) a Rate Book or Schedule of Rates showing the lowest rate at which metal can be supplied to the road-side throughout the district has been prepared by the District Engineer, sanctioned by the Board and approved by the Inspector of Local Works; the rates have been revised from time to time owing to the exhaustion of old or opening of new quarries;
- (6) the rates, are supported by analysis, are based on quarry charts and new quarries have been duly approved; and
- (7) the balances worked out in March and brought forward in April are correct, and check ten per cent of the entries relating to the receipt and issue of metal with payment vouchers and measurement books.

66. Measurement Books—

- (1) See that pencil entries in the Measurement Books have not been inked over, except in the "area or contents" column, which should invariably be inked in;
- (2) See that the entries in the area or contents column have been filled in by the officer who took the measurements;
- (3) See that reference has been given in all cases to the vouchers on which payments have been made;
- (4) See that all connected entries in the measurement books were crossed off by the Accountant when he checked and passed the bill;
- (5) Compare a certain percentage of the bills with the abstracts prepared at the end of each set of measurements;
- (6) Check a fair proportion of the calculations of the detailed measurements;
- (7) See that a proper register for watching the issue and return of measurement books is kept;
- (8) See that measurements have been recorded in chronological order. If, for example, it is noticed that the measurements on page 100 of a measurement book were recorded after

those on page 101 it is obvious that page 100 was left blank for a certain period. Such cases should always be noted as serious irregularities in Part I of the Audit Report.

- (9) See that blank pages, or portions of pages left blank have invariably been crossed out and cancelled, over the signature of the holder of the measurement book, to avoid the possibility of fraudulent entries at some later date.
- (10) See that no book was retained in use for more than 2 years and that all books used for that period have been returned to the Engineer's office. Also that the entries contained in page 1 of the book agree with those made in the Register of Measurement Books which should be paged.
- (11) See that payments on account of measured work have been promptly made. To this end the dates of measurement and payment as recorded in the measurement book should be compared, the vouchers concerned being referred to whenever necessary. In the case of measurements not crossed out the reason for non-payment should also be thoroughly investigated. Another way of checking delay in payment is to examine the Register of Bills.

67. A careful scrutiny of these points has, in practice, led to the detection of fraud and of overpayments due to carelessness in the keeping up of measurement books. If numerous instances of such irregularities are noticed the most flagrant of them should be specially brought to notice in the Audit Report and some of the more important items in the statements accompanying the report. The Auditor need not burden the report with a list of all such irregularities. The object is to illustrate clearly the danger of laxity in this matter and to ask the executive authorities to insist, in their own interests, on strict observance of rules and the taking of suitable disciplinary action on the instances brought to notice.

68. **Standard Measurements.**—When standard measurements have been maintained for buildings in order to facilitate the preparation of estimates for periodical repairs, it is permissible to utilise them for the purpose of preparing contractor's bills and it is not necessary to take detailed measurements on each occasion. *Inter alia* the following precautions are necessary :—

- (i) The measurement books used as standard books should be numbered in an alphabetical series, so that the numbers may be readily distinguished from those assigned to the ordinary books wherein detailed measurements are recorded whenever work is actually done.
- (ii) The entire of measurements (and abstracts thereof) in the standard books should be recorded legibly in ink and certified to as correct by a responsible officer.
- (iii) An assurance should be obtained periodically from the Engineer that all the standard measurement books have been inspected by him, that the entries therein have not

been tampered with, that all corrections due to additions and alterations in the buildings have been made in the books and that the latter are reliable and up-to-date records.

- (iv) When a payment is based on standard measurements, the Engineer or the subordinate preparing the bill for payment should be required to certify that the whole of the work (or work charged for in the bill under consideration as the case may be) has been executed as per standard measurements and that it has not previously been billed for in any shape.

69. Muster Rolls.—Muster rolls are the initial records of labour employed on a work and they should be subjected to close scrutiny.

70. In examining the muster rolls it should be observed whether the instructions contained in Rule 75 of the District Engineer's Account Rules and rule 124 of the Municipal Account Rules have been attended to and more particularly whether the outturn of work is commensurate with the expenditure incurred. It should also be seen whether the payments have been made or witnessed by the officer of the highest standing available and whether the charges are on account of labour solely. Charges on account of baskets, ropes, repairs to tools and incidental expenditure should not be drawn on muster rolls nor should the wages of peons, chaprasis and similar employees be included in them, as such employees form a part of the regular establishment for which a separate and distinct sanction is required. The designation of the labourers should be carefully scrutinised in order to ascertain whether the wages of only such staff as may legitimately be employed on works are charged in the muster rolls.

71. The auditor should see that the charges have been correctly allocated, that the payment of labour has not been unduly delayed and that the balance of wages remaining unpaid has been carried to the next muster rolls.

72. Where labour is engaged through a contractor, the number of labourers employed each day should be compared with those shown in the daily reports of the subordinate in charge of the work—*vide* Account Rules for the District Engineers.

73. In the case of casual labour it should be seen that sanction to the employment of this labour exists.

74. Public Works vouchers—See that—

- (1) an estimate has been sanctioned for the work;
- (2) the contractor's tender was duly accepted;
- (3) an agreement has been executed for the work;
- (4) the rates charged in the bill are not in excess of those entered in the agreement;

- (5) the quantity of work charged for in the bill agrees with that shown in the measurement book;
- (6) the calculations in the money columns of the bill are correct;
- (7) the memorandum of previous payment recorded on the back of the contract certificate is correct with reference to the last bill of the contractor's ledger;
- (8) dismantled materials have been properly accounted for and brought on to a stock account: and that a complete list of such materials has been furnished by the officer in charge of the work with each bill in which a charge for dismantling a structure has been allowed;
- (9) a completion certificate has been furnished on every final bill.

75. Losses caused by careless or dishonest accounting.—Losses are sometimes caused by careless or dishonest accounting. See that there are no cases of the nature indicated below :—

- (1) omission to claim money due from a contractor or to afford credit in the accounts when it is realised;
- (2) exorbitant rates in estimates for work;
- (3) allowance of full rate to the contractor when the contract rate is for both labour and material but the material is supplied by the Local Body and charged to estimate;
- (4) when the rate for a certain kind of work (e.g., brickwork) is fixed on the assumption that the required materials will be available at a certain rate, allowance of full rate to the contractor when the local body supplies the materials at a lower rate;
- (5) when the issue rate of stock is below the market rate, issue of more materials to the contractor than are actually required;
- (6) incorrect measurements recorded for a work; or measurement paid for twice;
- (7) charge to work of the cost of departmental labour supplied to a contractor instead of recovery from contractor.

76. General instructions for detecting irregularities.—The above list is not exhaustive. The checks to be exercised to detect irregularities of the foregoing types are indicated below :—

- (1) Find out the main sources of receipt, e.g., rents, pounds, etc and take up the register of each kind of revenue. See that all assessments have been entered and that no item has been left out, that the outstanding balances have been correctly brought forward in the next year's register and none have been left out of account. Little control can be exercised over casual revenue and it is only indirectly that such sources of revenue come to light. Thus, if from any voucher it is seen that jungle clearance has been paid for, the

manner in which the wood has been disposed of should be looked into. Again if payment is found to have been made for dismantling a building or a portion thereof, the disposals of the materials should be investigated.

(2) Take up a few estimates and test the rates by comparison with the Schedule of rates.

(3) When an item of stock appears as issued to a contractor, its value is in the ordinary course debited to the contractor's ledger account and chances of non-recovery are thus obviated. But in cases where the stock is shown as issued direct to work it should be seen by reference to the work bill of the contractor and also with reference to the accepted tender and agreement, if necessary, whether the rate allowed is for labour only or for both labour and materials. If the latter, then the contractor has been paid in excess by an amount equal to the value of the materials. The same test should be applied where materials are transferred from one work to another without being issued to a contractor or when materials are directly collected for a work and not passed through stock.

(4) Suppose the rate for brickwork has been accepted at Rs. 30 per hundred cubic feet on the basis that bricks will be available at Rs. 10 per thousand. Now if bricks are issued to the contractor from stock at the book value of Rs. 8 per thousand and the full rate for brickwork is paid to him at the same time, it follows that the contractor gains at the expense of the local authority. In this case the value of the bricks should be recovered from the contractor at the higher rate of Rs. 10 per thousand. To detect such losses the rates of some of the principal materials as shown in the analysis of rates should be compared with the stock rates and if the latter are found to be lower, a few test cases should be examined to see whether the higher or the lower rate has been recovered from the contractor for materials issued.

(5) To take a concrete instance, 4,000 bricks are issued to a contractor for a particular work at a rate which is lower than the market rate, but it is found that only 2,000 bricks are actually required for that work. It is true that the value of all the 4000 bricks is recovered from the contractor at the book rate; but the contractor makes a profit by selling the extra 2000 bricks in the open market at a higher rate. In a few test cases of articles, of which the market rate is higher than the stock rate, an attempt should be made to find out by reference to the quantity required, as shown in the analysis of rates, whether more than the necessary quantity has been issued to a contractor. Of course in such cases, the matter should be discussed with the District Engineer who is the best judge of the quantity of materials required.

(6) See that there is record in the measurement books of check measurements by the District Engineer and the Supervisor as per rule 78A of the Account Rules for District Engineers and as per rule 125 of the Municipal Account Rules.

(7) The cost of departmental labour is sometimes omitted to be recovered from the contractor though employed on his behalf. To detect this, some test cases should be investigated where the

nature of the work done by departmental labour, e.g., rectifying defects of work, would indicate that it is probably in connection with work done by the contractor. In cases in which steam rollers belonging to a local body are lent to a contractor engaged on consolidating road metal see that the conditions on which the loan is made are fulfilled. If the contractor is required to defray the cost of running the roller, see that recovery of the pay of the driver and fireman who are usually permanent servants of local bodies is made according to the rates provided in the analysis of the rate for consolidation of road metal.

(8) To prevent excess payment through muster rolls, see that the quantity of work done is properly recorded and the out-turn is commensurate with the cost incurred on the basis of the muster roll. Doubtful cases should be referred to the District Engineer.

(9) When materials are collected for buildings, etc., they are not borne on any site account till the main work has been started. If the main work is abandoned or greatly delayed there may be loss on account of depreciation or other reasons. When, therefore, such collections are noticed it should be ascertained whether adequate arrangements have been made for the custody of the materials and if any delay in their issue is anticipated, it should be considered whether the materials should not be brought on to the Stock Return.

77. Crowding of Public Works Payments in March.—The Crowding of public works payments towards the close of the year and specially in March is to be deprecated. If such payments are accompanied by instances of (a) evasion or infringement of prescribed rules, (b) financial irregularity, and (c) loss, they should be treated as serious irregularities. To find out such instances apply the following checks:—

(1) Scrutinise the uncashed cheques and ascertain from the receipts on the back of the counterfoils or from separate receipts, if any, whether the cheques were made over to the payees within the financial year; if not enquire the reason. If the delay is attributed to the absence of the contractor from the station, verify the fact from the contractor's ledger which should show if any other payment was made to him at the time. If he is also a contractor for another local body, enquire if he received any payment from that local body during this period. If there is reason to suspect that the payment was deliberately held back, examine the measurement book, as also the Overseer's and Accountant's note on the bill and see if the cheque was issued before or after the work had been duly completed or the supply had been duly received. For supply of stock find out the date of actual receipt from the Stock Register as also bills for freight and carting charges.

(2) Find out from the Bill Register the number of bills submitted in the last three months of the year and compare this number with the numbers received during the corresponding period of the three previous years. Also see if it is physically possible for the Accountant and his assistant to exercise a satisfactory check over the bills in the limited time at their disposal.

(3) Take up the bills of one or two sub-divisions from which the largest number of bills were received in March and ascertain why so many bills were held back till the close of the year. It **may** be that some bills with doubtful or objectionable items were deliberately held back so that a thorough check might not be exercised by the Accountant during the rush of payments in March.

(4) Make a list of the measurement books of one or two sectional officers who have submitted large numbers of bills in March and see if there are any discrepancies in point of time and place between the entries in the measurement books and journals. Also see if the quantity of work noted to have been measured in any one day in the measurement book is physically possible.

78. Also see that the following principles have been observed to avoid the rush of public works payments in March :—

(1) All works are measured and paid for promptly and final bills are not held over for settlement in March to a greater extent than is absolutely necessary.

(2) Work done in March is ordinarily paid for in April. Provision for this purpose is made in the following year's budget and in making out the programme of expenditure for a financial year, work executed in the last month of the year is eliminated (*vide* B. & O. Government No. 1930-34-M, dated the 1st February 1915.)

79. **Stores.**—The audit of stores account kept by a local body or institution under the audit of this department shall be directed to ascertaining that the departmental regulations governing purchase, receipt and issue, custody, condemnation, sale and stock-taking of stores are well defined and properly carried into effect and to bring to the notice of administrative authority any important deficiencies in quantities of stores held or any grave defects in the system of control.

The general principles laid down in Appendix 2 to Audit Code should be kept in mind while exercising check over stores accounts.

Stores are of four kinds, *viz.*, (a) Stock (b) Tools and Plant, (c) Road Metal and (d) Material at site. See that they have been accounted for in accordance with the rules—See—

- (1) that if stock has been manufactured except on a very small scale, the previous sanction of the Local Government has been obtained;
- (2) how the rate of the manufactured article compares with the market or schedule rate of the same class of article. If the former is higher, it would indicate that the manufacture is unprofitable and the Auditor may suggest that the manufacture may be discontinued. If the Local Authorities do not agree, the Auditor should at once send the papers on the subject to the Examiner who will decide if the matter should be included in the Audit Report.)

- (3) from payment vouchers, that all articles purchased have been duly entered in their respective Stock Registers;
- (4) that the balances of the different articles have been correctly brought forward from the old to the current Stock Register;
- (5) that all purchases and sales have been duly sanctioned and the sale proceeds have been credited in the Cash Book;
- (6) that no article of stock has been written off the accounts except with proper sanction, that road metal and tools and plant have been written off with the sanction of the competent authority;
- (7) that the verifying officer has signed the Stock Register half-yearly and the Tools and Plant and Road Metal Registers year in token of his having verified the balance;
- (8) that all materials derived from dismantled works have been accounted for in the Stock Register separately as surplus stock and have been valued and disposed of to the best advantage of the local body;
- (9) that there are no fictitious stock adjustments, such as (a) debit to a work of the cost of materials not required or in excess of actual requirements, (b) debit of value of materials purchased for a particular work to another work for the time being for want of budget allotment, (c) write back of value of materials used in a work to avoid excess outlay over appropriations, etc.;
- (10) that materials are issued at correct rates. Check the rate of stock as per register and see that all incidental charges such as carriage, etc., have been debited to the material account in the Stock Register;
- (11) that all issues are supported by acknowledgments.

The above checks apply, *mutatis mutandis*, to all stock accounts in general whether pertaining to Municipalities, or to other Funds.

80. Day books or Works Abstracts—

- (1) Audit the Day-Books or Works Abstracts of one month in a year seeing that they are posted correctly in accordance with the form of Day-book adopted, that the entries agree with the daily report, muster-rolls, cash books and stock returns from which they have been made; that the calculations are correct, and that the Day-books or Works Abstracts have been seen and attested by the District Engineer.
- (2) Test the correctness of the method of showing unpaid wages in the day book, and see that details of items unpaid are forthcoming.
- (3) Check the correctness of materials at site account.
- (4) See that the day-book entries have been correctly carried into the Register of Works.

- (5) Ascertain that the Day-books or Works Abstracts and Registers of Works, show all work that is paid for.

81. Register of Works.—See—

- (1) that entries for major and minor works have been made in Form Nos. 29 and 30 respectively;
- (2) that excesses over estimates or allotments, either under sub-heads, or in the total expenditure on the works, are covered by sanction obtained on deviation statements, completion reports, or otherwise;
- (3) that when a work has been completed a double line in red ink is ruled below the last entry and the note of completion is made;
- (4) that the book bears evidence of check by the Engineer or the head of the office;
- (5) that the details for the total amount shown under the head "Material at site" are forthcoming;
- (6) that in the case of incomplete work the necessary entries have been brought forward from year to year until the work has been either finally completed or abandoned;
- (7) that the value of all material purchased for the contractor and made over to him is posted in a separate column "Due from Contractor", and before the work is completed the plus entries in this column are balanced by minus entries;
- (8) that the balances "Due to Contractor" as shown in the Register of Works, agree with the amounts in the contractor's ledger, and that all arrears due are cleared off before final payment;
- (9) Check the entries with reference to the contractor's bills or Works Abstract.

82. Contractor's Ledger—

- (1) See that the ledger shows the balance due to each contractor in detail of the several works undertaken by him;
- (2) See that the ledger bears evidence of check by the Engineer;
- (3) See that the balances have been correctly brought forward;
- (4) See that the entries on the credit side of the ledger are made as soon as the bills have been passed, even if the bills are not immediately paid;
- (5) See that the ledger is balanced every month, that it shows the outstanding balance for each work and that these balances are agreed by the Accountant with those shown in the Works Abstracts.

83. Register of lands—See—

- (1) that lands acquired through land acquisition proceedings, by purchase, by free gift or otherwise are entered promptly in the Register of Lands;
- (2) that a registered deed has been executed in every case;
- (3) that the register is maintained in accordance with the rules prescribed in Rules 80A to 80-C of the Account and Audit Rules for District Boards and Rules 100 to 102 of the Municipal Account Rules and that the register is examined and signed by the head of the office personally every year.

84. Postage Register—

- (1) Trace all purchases of stamps into the register;
- (2) Check totals and closing balances;
- (3) Verify the balance in hand.

85. Stationery Register—

- (1) Trace all purchases of stationery into the Stationery Register;
- (2) See that balances have been correctly brought forward;
- (3) Check a percentage of the totals and closing balances;
- (4) See as far as possible that all issues are *bona fide*.

86. Service Books—See—

- (1) that Service Books are opened for all employees holding substantive posts;
- (2) that the record of service of each officer is complete;
- (3) that all leave, increments, and acting allowances (where required by the rules) have been recorded;
- (4) that the service books bear evidence of having undergone periodical verification by the head of the office.

87. Security Register—See—

- (1) that all employees have furnished the full amount of security demanded from them;
- (2) that security bonds have been taken in all cases in the forms prescribed;
- (3) that in the case of personal security and landed property, the validity of the securities has been verified by the head of the office and this fact certified to in the Security Register;
- (4) that all Government Promissory Notes pledged as security are forthcoming. (If they have been lodged with the Accountant General, see that the amounts are traceable in the annual list published by him.)

- (5) that the return of the Pass Book and other documents has been duly acknowledged by the parties concerned.

88. Establishment Bills—

- (1) It should be seen that establishment and fixed recurring charges are duly sanctioned, are drawn according to the sanctioned scale and promptly posted in the Audit Register;
- (2) See that a last pay certificate is attached to the Establishment Bill in the case of all transfers and that the transfers are authorised by competent authority;
- (3) See that transit pay in the case of District Board employees is allowed only in accordance with the orders printed on pages 604-605 of the L.S.G. Reference Book;
- (4) See that in the case of Government servants lent to a Local Fund, deductions on account of pensionary contributions are duly made and remitted into the Treasury;
- (5) See that the dates of making over and receiving charge are noted either on the bills or on separate reports attached thereto, and that the joining time is not exceeded;
- (6) See that income-tax deductions are duly made as required by the rules, and that recoveries are paid into the Treasury within seven days;
- (7) See that pay and acting allowances are separately shown, and that the names of all persons on leave, under suspension, or on deputation, as well as those employed in an officiating capacity are entered both in the bills and in the leave statements appertaining thereto;
- (8) See that the leave and officiating allowances drawn are admissible under the rules in force in the local office;
- (9) See that increments claimed have actually accrued: Examine the periodical increment certificate with the service book;
- (10) See that in the case of fixed conveyance and horse allowance, certificates of actual maintenance of the conveyance, etc., have been furnished;
- (11) See that the pay drawn in an Establishment Bill for a particular month is not disbursed before the first working day of the following month;
- (12) See that temporary establishments are separately billed for and are covered by the sanction of competent authority; also that arrear pay is separately billed for;
- (13) See that undisbursed salaries have been refunded by short drawal in subsequent month's bills;
- (14) See that the numbers and dates of the bills subsequently drawn have been quoted on the original bills; Supplementary bills should be checked by reference to the original bills in which the amounts are withheld or refunded.

- (15) See that health certificates have been furnished where necessary in the case of new appointments.

89. Leave Accounts.—

- (1) See that leave accounts in the prescribed form are maintained for all officials.
- (2) See that the leave granted is posted promptly both in the service books and leave accounts.

90. Whenever the grant of leave in excess of that admissible under the rules is pointed out in a report, the amount of leave admissible and the leave granted as also the amount paid in excess should be noted. Instructions should also be given for correcting the leave accounts.

91. **Provident Fund.**—The audit of transactions pertaining to Provident Fund maintained for the benefit of employees of local bodies consist in seeing that the transactions conform to the rules governing the administration of each fund and any subsidiary instructions issued thereunder. It is the duty of audit to see that the subscribers are eligible to subscribe, that subscription and other dues have been properly and regularly recovered and credited and that the share payable by the local body has been correctly calculated and credited. Audit should also see that the accounts of the fund are correct both in total and in the detailed accounts of the subscribers.

92. Provident Fund—See—

- (1) that the Provident Fund Rules have been strictly followed in connection with (a) the eligibility of the subscriber, (b) his declaration, (c) rates of subscription, (d) remittance to the Savings Bank, (e) investment, (f) advances for special purposes and recovery thereof, and (g) final withdrawals;
- (2) that unclaimed balances, if any, are transferred to the "Dead Account" and repaid only under the orders of the Commissioner of the Division;
- (3) that contributions have not been withheld without the sanction of the competent authority;
- (4) *Recovery of advances out of the Provident Fund.*—See whether the Revised Rule 8(3) of the Model Provident Fund Rules has been adopted by the local authorities and whether advances are being recovered in equal monthly instalments and without any break:

[No. 275 L. S. G. R., dated 4-6-1940.]

- (5) If any withdrawals are made for payment of Life Insurance Premia, see that each policy is assigned or delivered to the Chairman as the case may be, that the premium receipt is available and that the policies are kept in the custody of the Chairman.

93. **Ledger and Abstract of Balances.**—Check the entries in the Ledger with vouchers and trace these entries into the Abstract of Balances.

94. See that the total of the ledger balances is reconciled with the Pass Book balance every month through the Abstract of Balances and that an agreement is effected every year between the two sets of balances after interest has been added.

NOTE.—In a number of cases subscriptions and contributions deducted from salary bills and drawn in cash for remittance to the Provident Fund Accounts in the Postal Savings Bank are not credited to the Savings Bank Account, or money withdrawn from the Postal Savings Bank for payment to depositors are not actually paid to them. Check should, therefore, be exercised over the credits both of draws from the Local Fund and of withdrawals from the Postal Savings Bank at the commencement of audit.

[Authority.—Circular No. L.A. 14 of 1952-53.]

95. **Pension.**—The general principles laid down in Articles 202, 203, 206 and 209 of Audit Code and Paragraphs 150, 151 and 153 of Audit Manual should be kept in view while exercising checks over pension cases.

96. *Pension and Gratuity*—

- (1) See that rules have duly been framed by the local authority for the payment of pension and gratuity and that these rules have been approved by Government;
- (2) In the case of superior servants who have not been admitted to the benefits of a provident fund and of inferior servants on pensionable establishments, see that a certificate of admissibility has been obtained from the Examiner of Local Accounts in each case for payment of gratuity or pension or for enhancement of a pension;
- (3) See that payment is not in excess of that admissible under the rules framed by the local authorities;
- (4) See that life certificates have been furnished in all cases where pensioners have not appeared in person to receive payment;
- (5) Compare the amount of pension drawn with the Pension Payment Order and the Register of Permanent Pay orders;

97. **Travelling Allowance.**—In exercising checks over travelling allowance bills it should be seen that the fundamental requirements laid down in Articles 180 and 181 of Audit Code with respect to travelling allowance bills are satisfied. As some of the checks prescribed in this article cannot be exercised by an auditor independently, the duty of scrutiny of travelling allowance bills is divided between controlling officers and audit officers. It is an important function of audit to see that the scrutiny entrusted to controlling officers under the rules in relation to these bills is exercised by them properly.

98. *Travelling Allowance Bills*—

- (1) See that travelling allowance drawn is in accordance with the rules which are in force in the local office. Where there are no such rules duly approved by Local Government, the rules in the Civil Service Regulations should be applied;

- (2) See that the bills have been duly countersigned, where necessary, and are otherwise in order;
- (3) That the route of the journey billed for is the shortest or cheapest.
- (4) *Travelling allowance of Government servants deputed for service under local bodies.*—In the absence of any specific order to the contrary the officers will draw travelling allowance at the rates they would have drawn in Government service.

99. *Press Accounts*—

- (1) Check estimates with the Estimate Register;
- (2) Check the Estimate Register with the Register of Press Order Forms 1 and 2 prescribed in the rules of District Board Presses;
- (3) Check the above register in Form No. 1 with the counterfoils of bills, and check remittances with the Cash Book and Chalcans;
- (4) See that all bills have been made out for completed works and that sufficient action has been taken to realise the amounts due. Obtain a list of outstanding bills;
- (5) Check the Despatch Register, Material Warrant Register, Out-turn Register and Press Material Stock Register;
- (6) See that all forms printed for departmental use have been duly accounted for in the respective Forms Registers in the office of the District Engineer or the District Board;
- (7) Check the Profit and Loss Accounts and append a copy thereof to the Audit Report;
- (8) See that the accounts do not conceal losses or include items as profits and cannot strictly be classed as such.

100. **Compensatory Allowances and Honoraria.**—In auditing grant of compensatory allowances, fees or honoraria to servants of the local bodies and other institutions subject to audit of this department, the following general conditions should be kept in view :—

(1) Unless in any case it be otherwise distinctly provided, the wholetime of a local body's servant is at the disposal of the local body which pays him, and he may be employed in any manner required by proper authority, without claim for additional remuneration, whether the services required of him are such as would ordinarily be remunerated from the revenues of the Central or State Government or from a local fund.

(2) The authority granting or permitting a local fund servant to receive any honorarium or fee is required to pay due regard to the principle enumerated in (1) above and also to record reasons justifying the grant of extra remuneration to him.

101. Workshop Accounts.—The workshop accounts should be scrutinised to see—

- (i) that the payments made are admissible,
- (ii) that cost accounts, if maintained are correct, soundly compiled and made to tally with the expenditure accounts. Appreciable discrepancies between the aggregate of the expenditure charged to various jobs and the figures in the expenditure account should be investigated,
- (iii) that stores received in the workshop are properly brought to account and that the issue of stores against work orders is properly controlled,
- (iv) that, in the case of manufacturing operations, if any, the financial results of the year is carefully examined and, if possible, the cost of manufacture in the workshop compared with the price of similar articles outside,
- (v) that the proforma accounts of workshop has been kept outside the regular accounts and that they form an accurate and complete record of all the financial transactions directly or indirectly affecting the workshops.

[Generally follows articles 120 to 123 of Audit Code.]

102. Contingent charges—See—

- (i) that the bill is in proper form and the classification is correctly recorded thereon;
- (ii) that the requisite sub-vouchers are enclosed to the bill;
- (iii) that any certificates required under the rules have been furnished;
- (iv) that the expenditure is a proper charge against the funds of the local body;
- (v) that the expenditure has received such sanction as is necessary;
- (vi) that the expenditure has been incurred by an officer competent to incur it;
- (vii) that the rates are apparently not extravagant.

[Based on Article 199 of Audit Code.]

103. Lodgement of Funds.—Banking accounts have been opened Government treasuries in the case of Local Funds. All receipts should be credited to the account in the treasury. There are, however, exceptions to the rule. The Provident Fund subscriptions and contributions are, for example, required to be lodged in the Post Office Savings Bank. Payments should be made by the issue of cheques against the personal deposit account in the treasury or the bank.

With the special or general sanction of Government, local bodies may lodge a portion of their funds in an approved bank.

104. All moneys received by the executive authority of a local body in his official capacity should without reservation be brought to account and credited in the Cash Book or day book on the date of receipt. All amounts collected by the collecting agency and amounts received by money order, if any, including amounts tendered by parties in the office, should promptly be credited in the cash book or day-book and remitted into the treasury or bank on the very next day or at such frequent intervals as has been prescribed in the rules or orders. The remittance challans up to the date of audit should be traced into the cash book or day-book and the pass books. Similarly, the payments out of the funds of the local body as shown in the counterfoils of cheques should be checked with the entries in the cash book or day-book and the pass book. It should be seen whether amounts adjusted to the credit of the local body in the treasury as shown in the pass book or the advices of adjustments, have been taken credit for in the cash book. The correctness of the totals struck in the cash book should also be tested. Audit should see whether an agreement has been effected at the end of every month under the signature of the executive authority between the closing balance of the cash book and the pass book and the difference, if any, has been accounted for by unremitted revenue and uncashed cheques.

105. Annual Accounts.—It is an important function of audit to test the accuracy of the monthly and annual accounts of an institution. In fact audit is required to append to the audit report in respect of all funds a final statement of receipts and charges for the year.

106. In the case of institutions having heavy transactions, a register similar to the monthly and annual accounts in a municipality is maintained and every item of receipt and payment is posted under the appropriate head of account. The accuracy of the amounts entered under the different heads, the correctness of the monthly and progressive totals and of the classification adopted, should be checked in audit as it is with reference to these registers that the final accounts are compiled. It should also be seen whether the minimum balance, if any, prescribed by the rules has been maintained, and whether the earmarked funds have not been encroached upon for general expenditure without competent sanction.

The actual receipts and expenditure under different heads should be compared with provision therefor in the sanctioned budget and causes for large variations should be enquired into.

107. An inspecting Audit Officer is not expected merely to confine himself to the routine audit and inspection work. He should avail himself of the opportunity of assisting the departmental officers and accountants with his advice in matters affecting accounts, budget, etc., or the financial regularity of transactions. He may even offer suggestions bearing on the economy of public money and is expected to do so in all cases of superfluous clerical work connected with accounts and audit. There are various directions in which an intelligent Inspecting Officer can find scope for his enquiries. In case of Public Works he may find that there are chronic delays either in measuring work done or in making payment after measurements have been taken, and it may reasonably be presumed that such delays lead to enhancement

of rates. He may notice that no attempt is made to invite competition amongst contractors, or that the arrangements for giving out contracts for work or supplies are, otherwise, so defective as to suggest that possibly the local body does not receive full value for payment made. An examination of the authorised schedules of rates, or a comparative study of them may show that the data on which estimates of the cost of works are framed for sanction of competent authority are not so satisfactory as to secure economical results. He may observe any peculiar features of the revenue receipts or expenditure which may be suggestive of possible leakage of revenue realised, of untapped sources of revenue or of want of attention to economical consideration. An Inspecting Officer, must however, keep prominently in his mind that he is concerned primarily with the accuracy of accounts and regularity of financial procedure and not with administration. Suggestions which affect financial or departmental administration should not be included in a report unless they have been discussed with the responsible departmental officer either personally or by demi-official letter.

[Article 152 of the Audit Code.]

108. The entries, accounts, registers, records, etc., checked during audit should be initialled and dated by the auditor in token of his scrutiny. Where it is not possible to place the initials against each item in a register or document checked the items may be ticked off and the initials and date recorded beneath the last entry checked during that audit.

CHAPTER III

AUDIT OF SANCTIONS AND SCRUTINY OF ORDERS OF DELEGATION OF FINANCIAL POWERS TO VARIOUS AUTHORITIES

109. General Principles.—General principles relating to audit of sanctions have been laid down in Chapter 3 of Section III of Audit Code. Over and above those instructions the following processes of audit will be observed by the members of the Local Audit Department.

110. It is the duty of audit to see that the incurring of expenditure from the fund of any institution is governed by the following essential conditions :—

- (i) that there should be provision of funds authorised by competent authority fixing the limits within which expenditure can be incurred;
- (ii) that the expenditure incurred should conform to the relevant provisions of the Act and Rules framed thereunder by the competent authority;
- (iii) that there should exist sanction, either special or general, accorded by competent authority, authorising expenditure;
- (iv) that all orders of delegation of financial authority are in order and conform to the provisions of the Act and Rules framed thereunder by the competent authority.

Implicit in these provisions is the condition that the expenditure should be incurred with due regard to broad and general principles of financial propriety. Any cases involving a breach of these principles and thus resulting in improper expenditure or waste of public money should be treated by Audit in the same manner as cases of irregular and unauthorised expenditure.

111. It has been laid down in Article 84 of Audit Code that an essential function of audit is to bring to light not only cases of clear irregularity but also every matter which in its judgment appears to involve improper expenditure or waste of public money or stores even though the accounts themselves may be in order and no obvious irregularity has occurred. It is thus not sufficient to see that sundry rules or orders of competent authority have been observed. It is of equal importance to see that the broad principles of orthodox finance are borne in mind not only by disbursing officers but also by sanctioning authorities.

112. The following broad points should be carefully observed at the different stages of work:—

- (1) Sanction Audit.

(A) For observance in Head Quarters Section—

- (i) All sanctions received from Government should be recorded in a register to be opened for each division separately in the following form :—

Sl. No.	No. and date of Govt. orders & Dy. No.	From whom received	Purpose	Amount involved	Remarks			Orders of A.G.	No. & date of reference to Govt. etc. to be given
					Supdt. A.E.	Exr.			
				Rs. nP.					
1	2	3	4	5	6	7	8	9	10

- (ii) The reply Assistants will maintain this register and put up to the Superintendent for submission to Examiner on the 15th of each month. This should be noted in the Sectional Calendar of Returns.

- (iii) While examining the sanctioning letters of authority, the following general principles may be applied :—

- (a) The expenditure should not be *prima facie* more than the occasion demands.
- (b) No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage or to the advantage of a particular institution or fund at the cost of others.
- (c) Public moneys should not be utilised for the benefit of a particular fund, person or section of the community unless—
- the amount of expenditure is insignificant, or
 - a claim for the amount could be enforced in a court of law, or
 - the expenditure is in pursuance of a recognised policy or custom.
- (d) The amount of allowances, such as travelling allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole sources of profit to the recipients.

(B) For observance by field staff—

Auditors in the field need not maintain any register but they will have to audit sanctions accorded by the Boards, the Heads of Offices and other subordinate authorities in the light of the principles enunciated in item 1(A)(iii) above and incorporate a para thereon in the Audit Report.

- (2) Scrutiny of orders of delegation of financial powers to various authorities.

(i) In the Headquarters Section there may not be any case of this type for scrutiny. Field Auditors should, however, keep in mind the following points in course of examination of the orders of delegation :—

- Whether the delegating authority is competent to issue orders.
- Whether the orders of delegation are worded correctly, clearly and the terms of delegation stated in concrete terms.
- No redelegation of these powers is made without the concurrence of competent authority.
- That powers of technical nature, e.g., sanction for technical estimates of works, selection of tenders for construction of works, purchase of machinery, etc., are not delegated to an authority who has not the necessary technical qualification and experience.
- Powers which normally rest exclusively with the Board are not delegated to any lower authority.
- The delegation does not allow a departure from the established principles and procedures, except with sufficient reason.

(ii) In the Headquarters Section a register under the title "Register of scrutiny of orders of delegation of financial powers" should be maintained in the following form and submitted to the Examiner by the 15th of each month as noted in the Sectional Calendar of Returns.

Sl. No.	No. & date of Govt. orders and Dy. No.	From whom received	Delegating authority	Delegated authority	Results of scrutiny in the H.Q. Section	Remarks of the Examiner	Orders of A.G.	No. and date of reference to Board, Govt etc. be given
1	2	3	4	5	6	7	8	9

113. These registers should be submitted to the Accountant General once in 3 months.

[Authority Circular No. L.A. 49 of 1956-57.]

CHAPTER IV

AUDIT OF GRANTS-IN-AID

114. General principles.—The General instructions contained in chapter 3 of Section IV of Audit Code should be kept in mind while exercising checks over grants-in-aid.

115. Grants-in-aid paid by Government to Local Bodies are of two kinds *viz.*, statutory and non-statutory. A non-statutory grant is further classified as conditional and unconditional. The conditions attached to the utilisation of the grant usually take the shape of specification of the particular objects on which or the time within which the money must be spent. Audit is responsible for seeing that these conditions are fulfilled. Where no conditions are attached to a grant, audit is in no way concerned with the manner in which the grant is utilized by the grantee. It should be seen in audit that the local body has claimed and realized all the grants due to it under rules and orders of Government. It should also be seen that the amount of grant due has been noted in the Demand Register or some other register and its realization watched through it and the grant has been claimed or paid in proper time. In respect of grants adjusted in the accounts at the Treasury and credited in the Pass Books of the Local Body it should be seen that they have been taken credit for in the Cash Book and the accounts of the Local Body. It should also be seen that the conditions, if any attached to the drawal of the grant have, as seen from the accounts; statement of expenditure prepared for the purpose and the concerned vouchers, been fulfilled and that the grants were utilised properly.

116. Unless it is otherwise ruled by Government grant made for a specified object is subject to the implied conditions :—

- (i) that the grant will be spent upon that object within a reasonable time, if no time-limit has been fixed by the sanctioning authority; and
- (ii) that any portion of the amount which is not ultimately required for expenditure upon that object will be surrendered.

Audit scrutiny when applied should pay due attention to these points.

[Para 194 of Audit Code.]

117. When recurring grants-in-aid are made to an institution it should, as far as possible, be verified in audit that the grantee continues to function as such institution, and the circumstances in recognition of which the grant was sanctioned still continue to exist.

[Para 195 of Audit Code.]

118. Processes of Audit.—The instructions contained in the letters, orders, brochures, etc., (as given in Appendix VII) issued on this topic should be followed with respect to audit of grants-in-aid.

119. Unspent balance of Govt. grants and diversion of Government grants.—The unauthorised diversion of special grants or of the latrine tax to unauthorised objects is illegal. The diversion takes place when the cash balance of the local body falls short of the balance of the special grant or latrine fund. Until separate accounts of such grants or funds are maintained and until the Rules are made more precise as to the definition of "diversion" action under Section 9 of the Bihar and Orissa Local Fund Audit Act, 1925 is not advisable.

[*Authority.*—Government of Bihar and Orissa Judicial Department No. 6 L.R.T., dated 29-4-1926.]

120. In paragraph 6 of the Report of the Public Accounts Committee of the Bihar and Orissa Legislative Council on the Bihar and Orissa Appropriation Accounts for 1932-33, the Committee suggested that ".....a list should be prepared each year and circulated to members of the Committee showing the grants made.....which had been improperly diverted". On the basis of this suggestion, the following statements are required to be furnished by the Local Audit Department to the State Government on the 1st June every year.

- (i) Grants which are improperly diverted during the year of audit.
- (ii) Grants sanctioned by Government which the local bodies have failed to utilise within the time-limits imposed by Government and in respect of which the unspent balance on the 31st March was substantial.

121. The following forms have been prescribed :—

I. Statement showing grants not spent within the prescribed time limit

Sl. No.	Name of Local Body	Audit Report No. and year	Date of receipt of grant	Amount of grant	Date by which it should have been spent	Unspent balance	Date on which the balance stood
1	2	3	4	5	6	7	8

II. Statement showing diversion of Government Grant

Sl. No.	Name of Local Body	Audit Report No. & year	Unspent Balance of Govt. Grant	Cash Balance	Amount of diversion	Remarks
1	2	3	4	5	6	7

[*Authority.*—U. O. No. F. R., dated 10-8-35 and Govt. of Bihar, L. S. G. Department No. 8567 dated 13-7-36 (Sl. 8C and 28C of File No. L.A. 11/60.)]

122. The local bodies maintain a register of grants in the form given below :—

Register showing grants not spent within the prescribed time limit or diverted towards other purposes

Sl. No.	Name of Local Body	Date of grant	Date by which to be spent	Date at which fully spent	Amount diverted, if any	Unspent balance on the 31st March
1	2	3	4	5	6	7

This register should be examined in audit.

[Authority.—Govt. of Bihar, L. S. G. Department No. 708/55/10264 L.S.G., dated 15-11-1955.]

123. **Register of Govt. Grants.**—The following procedure should be followed for exercising checks over the Register of Government Grants in addition to the instructions contained in Appendix VII.

(1) Obtain from the Head of the Office a list of all such grants and the sanctioning letter in support of each grants, compare this list with the one received from the Head Office and see if there is any omission.

(2) Find out for what purposes each grant has been received and the conditions attached thereto and see that the details have been correctly noted in the Register of Government grants.

(3) Check payment entries in the register with payment vouchers.

(4) See that expenditure has been incurred for the purpose for which it was made and that the conditions attached to each grant have been fulfilled. A certificate to this effect should always be given in the audit report.

(5) See that the time limit prescribed in each case for expenditure of the grant has not been exceeded.

(6) See that unspent balances of grants have either been refunded or spent towards any other object with the previous sanction of Government.

(7) In the case of grants made out of the Central Road Fund—

(a) See that they have been spent on (i) the construction of new roads or bridges, (ii) reconstruction or substantial improvement of existing roads and bridges, and that special permission exists where any part of the grant has been utilised on maintenance of roads and bridges constructed, reconstructed or substantially improved, from the Road Fund or from loans approved or sanctioned by the competent authority,

(b) Any item of expenditure which is not in connection with or necessary for the construction of the project for which the grant is issued should be reported to the Examiner and dealt with in the report as directed by him.

These grants should be set out separately in the Appendix to the Audit Report relating to Government grants. The amounts received, spent and the balance should also be noted in the body of the Report separately with a certificate that the expenditure has been properly incurred and the conditions well fulfilled.

(8) In the case of Government of India grants for rural reconstruction see that—

(a) All schemes relating to rural road development or rural communications (expenditure under which category alone is incurred through the agency of the District Boards) have been sanctioned by the District Magistrate where the cost does not exceed Rs. 1,000 and by the Commissioner of the Division where it exceeds Rs. 1,000.

(b) Half the cost of scheme has been met by local contributions which is a condition imposed by the Government of India. (This condition can be relaxed only by the Commissioner.)

(c) Any balance of an allotment for a particular scheme which remains unexpended on the conclusion of the scheme has been refunded into the Treasury under intimation to the Accountant General and the District Magistrate.

N.B. 1.—A separate paragraph should be incorporated in the Audit Report showing the grant made, the expenditure incurred and the balance. A certificate signed by the Auditor showing details of the scheme, the grants received, the contributions made by the villagers, the expenditure incurred and the extent to which the conditions have been fulfilled should also be furnished. This certificate will be forwarded by Local Audit Department to the Main Office.

N.B. 2.—The money limit in item 8(a) above does not include sums received from villagers.

124. **Diversion of Govt. Grant.**—Any diversion of Government grant or violation of the conditions attached thereto should be prominently mentioned in the Audit Report. Where no such irregularity has been noticed, the Auditor shall endorse a certificate on the statement of Government Grants given in the Audit Report, that the grants were spent for the purposes for which they were made and that the conditions attached thereto have been duly fulfilled.

125. **Submission of Returns.**—On the following dates returns are required to be submitted to the Comptroller and Auditor General, the Accountant General and the State Government on the results of audit of grants-in-aid, every year.

(a) Comptroller and Auditor General 5th April.
 5th October.

[O. O. No. T.M.-16-1-4785, dated 26-12-55.]

(b) Accountant General 1st August.
 (c) State Government 1st June.

SURCHARGE UNDER THE LOCAL FUND AUDIT ACT, 1925

126. Audit under the L. F. A. Act.—The accounts of any local authority whose accounts are declared by the State Government by notification to be subject to audit under the Local Fund Audit Act, shall be subject to audit in all respects in the manner provided by or under this Act.

[Section 3 of Local Fund Audit Act, 1925.]

127. Duties of Auditors.—In his audit report, the auditor shall include a statement of—

- (a) every payment which appears to him to be contrary to law,
- (b) the amount of any deficiency or loss which appears to have been incurred by the negligence or misconduct of any person, and
- (c) the amount of any sum which ought to have been but is not brought to account by any person.

Powers of Examiner.—After considering such report the Examiner of Local Accounts may—

- (i) order that any payment referred to in clause (a) above shall be allowed and that no further action shall be taken as regards any amount referred to in clause (b) or (c) above, or
- (ii) serve notice on the person making or authorising any such payment or the person responsible for or failing to account for such amount, requiring him to show cause within one month why such payment should not be surcharged or such amount should not be charged against him.

Causes shown by the parties shall be considered by the Examiner and further action for recovery shall be taken by him only in such cases he deems fit to pursue.

[Based on Section 9 of the Local Fund Audit Act, 1925.]

128. Accuracy of Surcharge proposals.—The Examiner of Local Accounts has been placed in the position of Judicial Authority in the matter of surcharge and so far as this aspect of his work is concerned, the Examiner acts in the same manner as such an authority. The corollary of this position is that negligence or misconduct of any person justifying his responsibility for the omission of any deficiency or loss shall be taken by the Examiner as established only if the connected papers examined in course of audit give unquestionable proof of negligence or misconduct.

129. Examiner's power of condonation.—The Examiner of Local Accounts may condone a payment made for a local fund which appears to him to be contrary to law provided that—

- (i) in his opinion there was no negligence or misconduct on the part of the person making or authorising such payment;

- (ii) such payment was *bona fide* and a similar payment from the same local fund had not been condoned before; and
- (iii) such payment does not exceed Rs. 25.

The Examiner of Local Accounts shall submit to the Local Government a report of all such condonations with the reasons for each such condonation.

130. The procedure outlined below shall be followed in respect of condonation :—

- (i) If the Examiner believes a payment to be contrary to law, it is his duty to surcharge. He can, however, condone payments up to Rs. 25 subject to the limitations as stated above.
- (ii) Examiner has no discretion in respect of losses incurred and money not accounted for. Such cases shall not, therefore, be dropped or waived but they shall be pursued to the last.
- (iii) Auditors should append to the audit reports one comprehensive list of all items falling within the three clauses of Section 9(1) of the Audit Act. Then under Section 9(2), if the Examiner believes that all or any of the items fall under one or other of the three clauses, it will be his duty to issue the notices of surcharge in respect of such items and to allow the other items. Thus, the power of condonation affects one, out of the three categories mentioned in Section 9(1) of the Act, namely Category (a) which speaks of payments contrary to law. In respect of categories (b) and (c) of Section 9(1) of the Act, no discretion is left to the Examiner in the matter of surcharge.

131. Surcharge Proposals.—Each audit report on funds where the Local Fund Audit Act is applicable shall contain surcharge proposals in a specific manner in respect of all suitable cases embodied in the report. Objections, such as (i) payees' receipts wanting, (ii) stock entry wanting (iii) recoveries suggested for amounts up to Rs. 5 etc., shall not be covered by surcharge proposals in the very first audit. In such cases, the question of surcharge may be taken up at the subsequent audit if the objections are not rectified by that time.

All the relevant records shall be carefully examined to see that the person or persons responsible for the loss to a fund are determined correctly and no person who is not really responsible gets involved.

[Authority.—Circular No. L. A. 36 of 1956-57.]

132. Surcharge Proposal register and disposal of Surcharge cases.—A surcharge proposal register shall be maintained by the Superintendent, Surcharge Section to see that surcharge notices are issued in all cases promptly.

The different stages of the disposal of surcharge proposals shall be as given below :—

- (i) Examination of surcharge proposals made by the auditor;
- (ii) Issue of surcharge notices in the prescribed form (Appendix VIII Sl. III.)
- (iii) Examination of show-cause petitions submitted by the surchargees and offering comments thereon;
- (iv) Issuing surcharge orders in the prescribed form (Appendix VIII-Sls. IV, V & VI).
- (v) Examination of replies furnished by the surchargees to the Surcharge Orders, if any;
- (vi) Examination of appeal preferred by the Surchargee to the Appellate Authority as received from Government and offering comments thereon;
- (vii) Issuing certificate requisitions in cases where the appeals are rejected by the Appellate Authority or no appeals are preferred (Appendix VIII-Sl.VII).
- (viii) Maintenance of Surcharge Notice, Order, Appeal and certificate Registers (Appendix VIII-Sls. I, II, VIII & IX).
- (ix) Verification of records in local office at different stages where show-cause petitions, replies to surcharge orders, contested appeal petitions, etc., are received; and
- (x) Entering into correspondence with local offices, District officers, Government, etc., at the various stages of surcharge proposals.

N.B.—Detailed surcharge procedure to be followed from the beginning to the end has been given in the duty chart of surcharge assistant in Chapter VI of Volume I of the Local Audit Manual.

133. After three months of the issue of an audit report an Assistant Examiner shall inspect the accounts of the institution concerned and examine the connected records and papers to settle the objections contained in the report. The surcharge proposals shall be initiated in all such cases where objections are not settled without waiting for the regularisation of the irregularities at the subsequent audit.

The Chairman of each local fund shall take all possible measures, within three months of the receipt of Audit Reports for settlement of the objections noted therein and shall prepare a statement of audit objections and replies thereto with necessary references to records, vouchers, chalans, resolutions, sanctions, etc., for scrutiny

A tour programme of the Assistant Examiner will be sent to the Local Bodies well in advance to keep the necessary records in readiness.

[Authority.—Examiner's Circular letter No. 2697-2817 dated the 11th June, 1956.]

134. Service of Surcharge Notice.—All Surcharge Notices, Surcharge Orders issued by the Examiner of Local Accounts, Bihar under Section 9 of the Local Fund Audit Act, 1925 shall be served on the parties direct by the staff of the Nazarat in the Collectorate or the Sub-Divisional Office of the district in which the local body concerned is situated and not through the executive of the local body concerned. The Examiner may, however, where he considers it necessary, serve such notices or orders himself or through his local staff.

The Collector shall see that all surcharge notices are served on the parties concerned within 15 days from the date of their receipt from the Examiner of Local Accounts, Bihar. In case where the address of the party is not available he may obtain it from the office of the local body concerned by deputing a special messenger, if necessary.

[Govt. of Bihar letters (i) D/S5-103/54-7749 L. S. G. dated, 4-9-54 and (ii) No. D/S5-103/54-532/L. S. G. dated 17-1-55 to all Commissioners of Divisions. File No. L.A. 7/18.]

135. The officer in charge of Nazarat in the Collectorate and in the Sub-Divisional Office shall keep a register to watch the progress of service of Surcharge Notices in the proforma given below :—

Sl. No.	No. of Audit Report	No. of Notice	Amount	Name, present and permanent address of the person surcharged	Date of service	Remarks
1	2	3	4	5	6	7

A similar register is also maintained for the service of Surcharge Orders.

[Govt. of Bihar letter No. D/S5-103/54-3103/L.S.G. dated 4th/6th April, 1955 to all Commissioners-File No. L.A. 7/18.]

136. Surcharge Progress Register.—A Surcharge Progress Register in the form given below shall be maintained by all such Local Bodies whose accounts are subject to audit under the Local Fund Audit Act, 1925. This register, which shall be open to inspection by all inspecting officers, shall indicate the details of surcharge cases arising out of the Audit Reports of the Local Bodies concerned showing their various stages till the final recovery of the amounts.

covered by the Surcharge Orders, for watching the progress of the disposal of surcharge cases and ensuring the recovery of amounts from the persons surcharged.

Surcharge Progress Register

Sl. No.	Audit Report No.	Paragraph No.	Name of persons responsible for the loss and proposed to be surcharged	Present address	Permanent address	Surcharge Notice No. and date	Date of service of surcharge order	Particulars of Chairman's comments on show-cause petition sent to E.L.A. with letter No. & date
1	2	3	4	5	6	7	8	9
Particulars of disposal of Notices	Surcharge Order No. and Amount	Particulars of recovery, if any, letter No. & date to E.L.A.	If certificate filed date and place	Whether appeal has been preferred	Final disposal and recovery	Remarks		
Letter No. and date of E.L.A.'s letter			Disposal by E.L.A. letter No. & date.					
10	11	12	13	14	15	16		

[*Authority.*—Govt. of Bihar letter No.D/S5-103/54-3101/L.S.G. dated 6-4-55 to all Chairmen and memo No. D/S5-103-54-8018-L.S.G., dated 10-9-55, to all District Officers of District Boards.]

137. Non payment of third party claim out of the assets of an evacuee.—Government of India have decided not to pay any third party claim out of the assets of an evacuee who has migrated to Pakistan. A surcharge against an evacuee comes under the category of third party claim and, as such, even if a certificate is filed the demand cannot be paid out of the evacuee property.

[*Authority.*—Govt. of Bihar letter No. M/M2-701/57-2175 L. S. G. dated 13-2-57 to the Examiner of Local Accounts, Bihar File No. 7/18.]

138. Surcharge against dead persons.—(1) The Local Fund Audit Act does not contemplate nor does it provide that when a person held responsible for any of the irregularities mentioned in clauses (a), (b) and (c) of Section 9 of the Act is dead, any action should be taken against the legal heirs of the deceased. The Act is penal in its nature and the provisions have to be applied very strictly.

139. Obtaining legal opinion from Govt. Pleader.—The Examiner may consult the Government Pleader of the Patna High Court and obtain legal opinion from him on questions relating to the law on surcharges on the Bihar and Orissa Local Fund Audit Act.

[No. 11626 F., dated the 3rd December 1953.]

140. Contested cases.—If a certificate made on the requisition of the Examiner of Local Accounts is contested, the Collector should engage the Government Pleader or some other pleader on his behalf.

[No. 4562-F.R., dated the 27th October 1933 to all Commissioners of Divisions.]

141. Certificate requisitions.—A copy of the surcharge order should be attached to all requisitions for certificates under the Local Fund Audit Act. The Surcharge order should invariably be dated and if an appeal has been made against such order, a copy of the appellate decision of the Hon'ble Minister should also be attached to the requisition for the certificate.

142. Procedure for the defence of civil suits against the Examiner of Local Accounts in respect of surcharges under the Local Fund Audit Act.—(a) Such suits should be treated exactly as suits against the Secretary of State and they will be defended automatically at Government expense. (b) The Collector will take the Government Pleader's opinion and forward the papers to the Legal Remembrancer who will advise whether the suit should be defended or not. If he advises that the suit should await, the Collector will instruct the Government Pleader to take up the drafting of the written statement without waiting for the suit to be filed and the draft written statement prepared by the Government Pleader will be kept ready and if a suit is filed, will, after it has been checked with the plaint and necessary alterations have been made be sent to the Legal Remembrancer for approval. If in any case, it is found that the Examiner's original report does not give sufficient material to enable the Government Pleader to give his opinion to the Legal Remembrancer or to draft the written statement, the Collector will explain clearly to the Examiner what further information is required and the Examiner will give such information to the best of his ability. As soon as the suit is filed, the Collector will have a Vakalatnama prepared and sent to the Examiner for execution and will also send the written statement when passed by the Legal Remembrancer to the Examiner to be signed and verified. It is essential that the Vakalatnama in favour of the Government Pleader should be executed by the Examiner and written statement signed and verified by him because the suit will, in law be one against the Examiner.

[No. 1651-55-F.R., dated the 25th July, 1952 to all Commissioners of Divisions.]

143. Jurisdiction of Civil Courts in matters of contracts.—If a local authority enters into a contract with a contractor or advocate for the execution of some work and advances money to him for

due by the one to the other, that dispute must in the last resort, be decided in the Civil Court. The Examiner of Local Accounts has no jurisdiction to decide it.

[L.R.'s opinion, forwarded with No. 1406-L.S.G., dated the 31st March, 1937.]

144. Surcharge on members authorising an illegal payment.—

When a surcharge has to be made on the members of a local body who voted for a particular resolution authorising an illegal payment, the surcharge should be made jointly and severally on all such members.

[S. R.s' opinion dated the 22nd August, 1932.]

145. Application of Indian Limitation Act.—The Indian Limitation Act does not apply to the proceedings of the Auditor in making an order of surcharge under the Local Fund Audit Act. Consequently there is no period of limitation, but the requisition for the certificate must be made to the Certificate Officer within three years of the date of the order of surcharge.

[No. 465-F. R., dated the 30th May, 1935.]

146. Acquittal in a criminal case—no bar to surcharge.—Acquittal in a criminal case is not a bar to surcharge under the Local Fund Audit Act.

[No. 13-L.S.G. dated the 20th April, 1940. Dy. L. A. 146, dated 23-4-1940.]

147. Surcharge Proposals for Time-barred dues.—(1) Surcharges should be proposed at the earliest opportunity stating when the dues became time-barred, and giving adequate reasons, e.g.,

(a) if any legal action was taken for recovery: if not, whether there was any flaw which barred legal action:

(b) who were the persons responsible for the loss. As a general rule all the executives commencing from those making the settlement and ending with those in whose time the dues became barred are surcharged in such cases.

(2) The principle that should be followed in proposing surcharge on the persons who are responsible for advances time-barred or otherwise lost is outlined below :—

(i) when the advance-holder is either a member or an employee of the Board, the surcharge should be proposed on him for failure to account for the advance vide Section 9(1)(c) of the Local Fund Audit Act

(ii) If the advance-holder is an outsider, the surcharge should be proposed on the particular executive signing the pay order, and all the executives beginning with this gentleman and ending with those in whose time the advance became time-barred.

[Circular No. L.A. 39 dated 12-3-44.]

148. (i) Sanction to the write off of the loss of a local authority in respect of which surcharge proceedings are pending under Local Fund Audit Act.—This is in contravention of rule 11 of Accounts and Audit Rules for District Board as amended in G. N. No. 4404 L.S.G. dated 20-10-42. The commissioners of divisions should therefore enquire whether any surcharge is pending and they should also see whether the amount is surchargeable by the Examiner of Local Accounts.

[645 L. S. G. R. dated 2-7-45. Cir. 9 of 45-46 to all Commissioners.]

(ii) Propriety of initiating Surcharge proceedings when the matter is Sub judice — So long as the case is pending.—No Surcharge proceedings should be started and where it has been started, it should be stayed till the decision in the case is arrived at provided the surcharge relates to the amount which is the subject matter of the charge in the Criminal Case.

[Government letter No. D/M 1-10 1/ 56/57-10324 L.S.G. Dated 14-1 57 Circular No. L. A. of 1957-58].

(iii) Surcharge Proceedings for the loss of Provident Fund money.—Notification under Section 3 of the Bihar and Orissa Local Fund Audit Act, 1925 for instituting Surcharge proceedings for the loss of Provident Fund money administered by the Local Bodies of the State. The provisions of Section 3 of the Local Fund Audit Act apply to Provident Fund also. The Examiner of Local Accounts, Bihar, is authorised to Surcharge for recovery of loss of Provident Fund money on the basis of Government Notification No. 171 F.R. dated the 21st May, 1925.

[Government letter No. D/F2-1019/56/10399/ L. S. G. dated the 16-9-1957.]

AUDIT OF PROVIDENT FUND ACCOUNTS

149. The accounts should be examined on the lines indicated below.

150. Register of subscribers.—Auditors should see—

- (1) that it is a complete record containing the names of all employees subscribing to the fund and that they are eligible to subscribe to the fund;
- (2) that particulars as regards the date of birth, age on the date of admission to the fund, name of appointment held in respect of every subscriber have been noted in the appropriate columns of the register;
- (3) that the certificate of heirship has been obtained from all subscribers and filed;
- (4) that the names of nominees, their age, relationship, occupation and address have been noted in the appropriate columns of the register; and
- (5) that the nomination of a subscriber which purports to leave any amount otherwise than to a member or members of his family has been accepted only after it has been ascertained in writing that the subscriber has no family.

151. Abstract of the Provident Fund.—Auditors should see—

- (i) that the names of the subscribers, their designation and pay on which subscription is levied are correctly noted in the register;

NOTE. (1).—The pay on which subscription is recovered is ordinarily the pay drawn on the 31st March of the preceding year in the case of old subscribers and it should be checked with the pay bills for March of the preceding year.

(2) In the case of an officer on leave or suspension, on temporary duty, and under training on the 31st March the subscription is based on the pay drawn on the first day of his return to duty, or the pay drawn on the day preceding the day of his entering temporary duty or the pay drawn immediately preceding his admission to the training institution respectively.

- (ii) that the opening balances under subscription and bonus are correctly noted;

NOTE.—The entries should be checked with the closing balance entered in the previous year's register.

- (iii) that subscriptions and refund of withdrawals, if any, have been correctly calculated and recovered monthly from the pay of every subscriber;
- (iv) that interest on subscription and contribution as worked out in the ledger has been credited in appropriate columns of the register;
- (v) that temporary withdrawals or repayments of amounts standing to the credit of subscription and bonus accounts have been correctly posted.

NOTE.—(1) The correctness of the amount should be verified with reference to the vouchers relating to temporary withdrawals and those for repayment from provident fund.

(2) When a subscriber's account is closed either on the dismissal of a subscriber on any ground or on his resignation within five years of the commencement of his employment, the Local Body has the discretion to withhold all or any part of the amount standing to his credit in the contribution account. It should be seen in audit that in cases of this nature the executive authority has obtained the opinion of the board.

(3) The provident fund subscriptions cannot be assigned or charged and are not liable to attachment under any decree or orders of any civil, revenue or criminal court in respect of any debt or liability incurred by the subscriber. The recoveries, if any, to be effected by the Local Body from a subscriber whose account has been closed can be effected from the amount standing to the credit of the subscriber in his contribution account.

(4) The recoveries to be effected, if any, should be ascertained immediately after the account is closed and an intimation should be sent to the subscriber to receive the amount. Interest is payable till the issue of the intimation; but such intimation should be made within six months from the date of closure of the account. If the amount is not claimed within the specified time after the closure of the account or from the date of issue of registered notice to the person or persons specified in the nomination, the amount should be transferred to deposits.

(5) The repayment of amount standing to the credit of a deceased subscriber can be paid only to the nominees. The provisions of the Provident Fund Act should be complied with in making the final payment.

- (vi) that the closing balance has been correctly worked out in the register.

152. Provident Fund Ledger.—Auditors should see—

- (i) that the accounts of each subscriber showing the opening balance, deposits, refund of withdrawals, withdrawals and monthly balances have been correctly posted;

NOTE.—The figures under the several heads should be traced from the Abstract Register in full.

- (ii) that the interest has been distributed proportionately as per the balances shown in the ledger accounts;
- (iii) that the opening balance, credits, withdrawals and the closing balance at the credit of each subscriber have been copied into annual account of Provident Fund and forwarded to the subscriber for acceptance of the balance;
- (iv) that the balances shown in the Ledger under subscriptions and contributions agree with the totals of the amounts at credit of the various subscribers as shown in the abstract register;
- (v) that the total of the balances shown in the ledger under the heads "Subscription, Contribution, Interest and Miscellaneous" agrees with the total of the balances entered under the heads "Investment, Treasury and Savings Bank";
- (vi) that the balances entered in the ledger agree with those shown against "Provident Fund" in the Abstract of Account of Provident Fund transaction for the year;
- (vii) that the balance shown under investments agrees with the total value of security, etc., held under provident fund as per investment register;

(viii) that contribution is added in the ledger month to month when deposits are made in the Savings Bank Account and it is in accordance with the rules;

(ix) that the interest on subscriptions and contributions is properly calculated on the balances of the year at the prescribed rate;

NOTE.—(i) The interest should be met from the following in order and from each succeeding head only if the balance in the preceding head is exhausted:—

(1) Interest realized on investments.

(2) Miscellaneous in the Provident Fund Account.

(ii) The interest due on the balance should be added in the Ledger in a lump sum at the close of each year and it should be equal to the amounts shown in the relevant columns of the Abstract Register.

(x) that unclaimed subscriptions, etc., if any, are transferred to deposits as required by the rules;

(xi) that surpluses transferred from provident fund are shown under "Miscellaneous" as required by the rules;

(xii) that deductions of subscription, etc., from pay bills are credited into the Post Office Savings Bank before 4th of the month. If any difficulty is experienced in doing so, the local bodies should credit to the bank before that date the probable total collections in respect of provident fund and necessary adjustments should be made on receipt of credits for actual collection;

(xiii) that any sum in the post office savings bank in excess of the probable requirements has been invested in one of the forms of security specified in the relevant rule of the Provident Fund Rules; and

(xiv) that the balances of the Provident Fund have not been utilised for the general purposes of a local body.

NOTE.—The following further instructions should be kept in view by the auditor:—

Receipts

(a) *subscriptions*.—The total monthly realisation of subscriptions should be posted. Also interest should be added at the close of the year.

(b) *Contribution*.—The total contributions added at the close of each year should be shown here. Also interest should be added at the close of the year.

(c) *Interest*.—The interest realised on investment should alone be shown here.

(d) *Investment*.—The face value of any investment which is sold and realised should alone be shown here.

(e) *Miscellaneous*.—Under this head will be shown—

(i) Contributions forfeited by subscribers and adjusted to the credit of provident fund account itself;

(ii) Any surplus out of sums drawn for investment.

Payments

(f) *Subscriptions*.—Subscriptions refunded.

(g) *Contributions*.—Contributions refunded either to subscribers or by transfer to "Miscellaneous" on the receipt side.

(h) *Interest*.—Payment of interest to the credit of subscription and contribution account at the close of the year only to the extent of balance under this head.

NOTE.—*Exhibition of investments made in the provident Fund Ledger*.—When a five-yr post office cash certificate is purchased the actual purchase price should be shown in the relevant column of the ledger and the amount should be increased every year by the amount by which the value of the certificate increases for the year, the same amount being shown as receipts under interest in the relevant column.

(i) *Investment*.—Face value of the investment (Government Promissory Note, etc. purchased).

(j) *Miscellaneous*.—The following should be shown—

(i) Charges of investment;

(ii) Portion of interest that could not be met from the balance under "Interest";

(iii) Commission charged for drawing interest;

(iv) Surplus transferred to general fund.

(v) Any deficit under "Miscellaneous" caused by the purchase of securities at premium and made good from the General Fund, is recouped in instalments from the surplus interest earned on Provident Fund Investments and that if the bulk of the investments is such that surplus interest is not earned for recoupment after meeting the interest payable to the subscribers, the rate of interest allowed to the subscribers is revised so as to leave a margin for recoupment to the general fund.

NOTE.—(i) It is sufficient that the recoveries from the bills of statements of provident fund recoveries are traced for two months in a year in the abstract register. The aggregate of the totals of the recoveries made each month as seen from the pay bills of statements of recoveries should be agreed with the corresponding total of the abstract which should be checked and tallied with the credits in the Cash Book.

(ii) All the recoveries of loans should be traced from the abstract register to the temporary withdrawal register for which a separate register should be maintained.

(iii) All temporary withdrawals and final withdrawals should be traced in full from the vouchers to the abstract register and ledgers and the admissibility of the amounts examined.

(iv) The correctness of the calculation of interest should be tested as prescribed by rules and orders on the point.

153. Register of temporary advances and their recovery.—See—

(i) that all temporary withdrawals sanctioned have been entered in this register;

(ii) that the advances allowed are for objects recognised as legitimate in the provident fund rules, and that they do not exceed the limits prescribed in the rules;

(iii) that the sanction of competent authority has been obtained for the grant of advances;

(iv) that the repayment commences on the first occasion, after the advance is made, on which a subscriber draws pay for a full month;

(v) that the interest has been charged at the prescribed rate and has been recovered after the advance has been fully repaid; and

(vi) that the recoveries made towards repayment of advance and interest have been entered in the register.

154. Register of Life Assurance Policies.—Auditors should see—

- (i) that it is a complete record of all policies financed from provident fund accumulations; and
- (ii) that particulars such as the name of the policy holder, name of the insurance company, number of policy, date of maturity of the policy, amount of policy, amount of premium, date of receipt of the policy, date of assignment and date of acknowledgment of the policy after registration of assignment in the books of the company, have been correctly entered in the appropriate columns of the register.

NOTE.—(1) The policies should be verified at the time of audit.

(2) The application of the party to take out a life assurance policy from a particular company and for permission to finance it from provident fund and the orders of the Local Body or the authority to whom the power in this behalf has been delegated should be verified.

(3) It should be seen in audit that policies have been got duly assigned in favour of the executive authority of the local body.

(4) The policy should be re-assigned to the subscriber on his retirement or to the nominees appointed by him jointly specifying the shares to which each of the nominees is entitled.

155. Register of premia.—Auditors should See—

- (i) that a separate page is set apart for each policy financed out of provident fund;
- (ii) that particulars as regards the name of the policy holder the name of insurance company, the number of instalments in which the annual premium is payable, and the amount of each instalment are entered in the register;
- (iii) that the premium was drawn and paid by the due date and the date of payment has been entered in the register;—

NOTE.—Final premium receipt should be verified in support of each payment.

- (iv) that the policy is kept alive by making payments to the insurance company on the due date till the date of maturity of the policy or the closure of the account of the subscriber.

NOTE.—(1) It is the duty of the Local Body to keep the policy alive.

(2) When an employee is transferred to another local body, the employee should assign his policy in favour of the executive authority of that local body.

(3) A subscriber to the provident fund may with the previous approval of competent authority convert his life insurance policy into a paid-up policy on condition that if the paid-up value of the policy is less than the total of the sums withdrawn from the fund for payment of premia, not including interest, the subscriber should be required to pay the difference into the fund and that the policy is not re-assigned to him. Recovery may be effected in instalments.

(4) In the case of subscribers who wish to surrender their policy, the procedure in clause (3) will apply.

(5) A policy assigned to the executive authority cannot be pledged to the insurance company for obtaining a loan. The sanction of Government and recovery of premium paid should be insisted on. In the case of a policy allowed to lapse for want of credit in the provident fund account, similar recovery is necessary treating the premium paid as an advance.

CHAPTER VII

AUDIT OF POUND ACCOUNTS

156. (I) General.—The procedure laid down in Chapter II for the recovery and accounting of receipts from them should be followed. The Local Bodies have to observe rules regulating the administration and management of pounds reproduced at pages 981 to 991 of the L.S.G. Reference Book.

(II) Scope of Audit.—The audit comprises the check of receipts and charges for each official year as recorded in the miscellaneous receipts register (for receipts) and the cash book for charges.

157. Nature of receipts and charges and the financial powers of several authorities.—Cattle-pound receipts consist principally of the following items :—

- (a) Fines on stray cattle;
- (b) Fees for feeding;
- (c) Sale-proceeds of impounded cattle;
- (d) Sundry receipts such as sale of manure, old materials, trees, etc., as well as fees and treating charges, etc., realised under the Act; and
- (e) Recoveries of overpayments.

The charges consist of—

- (a) Remuneration to pound-keepers;
- (b) Construction and repair of pounds; and
- (c) Cattle-pound refunds.

158. Registers and Records.—The following are the registers and accounts with reference to which the audit has to be conducted :—

- (a) Pound-keeper's register.
- (b) Foils of receipts, receipts granted by the pound-keeper when an animal is impounded and the receipts granted on the release of animals on payment of the prescribed fines and feeding charges.
- (c) Sale lists.
- (d) Remittance chalang.
- (e) Miscellaneous Receipts Register.
- (f) Vouchers in support of payments of commission, refunds and other charges, if any.

The rules regarding the scrutiny of the above records and registers are embodied in the Cattle Trespass Act and Rules framed thereunder and they have to be followed *mutatis mutandis* in so far as they relate to the local body concerned.

(a) Pound-keeper's register :—

This register should be examined to see—

- (i) that the fines collected are in accordance with the rates fixed;
- (ii) that there are not too many alterations and any inter-lineations;
- (iii) that the accounts are closed on the fixed date;
- (iv) that the amounts shown as remitted into the treasury are supported by counterfoils of remittance chalans and that there is no delay in remittance; and
- (v) that the register is posted up-to-date.

(b) Receipts

These receipts should then be examined to see—

- (i) that they are the last books issued to the pound-keeper as per entries in the local office stock register; and
- (ii) that the collections as per the receipts have been brought to account and that the receipt books are otherwise in order.

NOTE.—The receipts should be traced into the pound-keeper's register.

(c) Sale lists.

In all cases of sales of impounded cattle, not released and sundry receipts by sale of manure, trees, etc., the connected sale lists should be called for and examined to see the correctness of the amounts realized and credited.

(d) & (e) Remittance chalans and Miscellaneous receipt register :—

All remittances into the Government account should be supported by miscellaneous chalans in the prescribed form and these amounts should be traced into the miscellaneous receipts register.

(f) It should be seen that countervailing grants in lieu of pound rents credited to Government are received regularly.

(g) Payment vouchers.

(i) *Remuneration to pound-keepers.*—The scale of remuneration to pound-keepers and the vouchers in respect of such payments should be examined with reference to the total collections for each month and it should be seen that the payment is in accordance with the rules.

(ii) *Construction and repair of pounds.*—It should be seen that the expenditure is supported by proper vouchers and that the payment is made in accordance with rules.

(iii) *Refunds of revenue.*—It should be seen that the refunds are in accordance with the rules.

(h) Stock account of receipt forms.

A register in prescribed form should be maintained. All the used up receipt books should be returned to the local office for custody and should not be allowed to be kept with the pound-keeper.

(i) Surplus sale-proceeds.

Surplus sale-proceeds of impounded cattle and any excess recoveries of fines should be transferred to deposits.

(j) Inspection of pounds by executive authority.

It should be seen whether the pounds have been inspected periodically by Executive Authority and the correctness of the entries in the pound keeper's register is verified with the actual number of impounded cattle on the date of inspection and the fact recorded.

159. Authority to whom the audit report is forwarded.—The defects in the pound accounts are included in the audit report of the general fund accounts of the Local Body concerned.

CHAPTER VIII

PROCESSES OF AUDIT OF THE ACCOUNTS OF MUNICIPALITIES

1. *Preliminary Information Required.*—Before the audit of an institution is commenced, the auditor should peruse a copy of the latest administration report, the budget and the Government Orders relating to it, if any, and gain a general knowledge of the state of the finance of the Municipality. He should go through the previous year's audit report, Government Orders sanctioning grants, contributions, etc., the proceedings of the Boards and Committees and Inspection Notes of the Commissioner, the Examiner, the Assistant Examiners, the District Officer, the Inspector of Local Bodies, etc., to acquaint himself with the general state of accounts and finance.

2. *Scope of Audit.*—(a) The accounts of the Municipality are audited annually. Collection accounts are audited up to date.

(b) The audit consists of the check of revenue, expenditure and stores accounts and of the examination of records connected therewith. The list of registers and records required for audit should be called for as laid down in para. 23 of Chapter II. A list is also given in Appendix XLIV to Volume I.

(c) Auditors should refrain from giving the Municipalities rulings on doubtful points of procedure or expressing independent opinions connected with the interpretations of the Act without obtaining the orders of the Examiner.

3. (a) The audit comprises the following detailed processes :—

For revenues having fixed demand—

- (i) Verification of outstanding items of revenue.
- (ii) Verification of the writes-off and remissions.
- (iii) Check of collections.
- (iv) Verification of the demand, collection and balance.
- (v) Check of revenue leased out.
- (vi) Check of revenue managed departmentally.
- (vii) Check of fluctuating items of revenue.
- (viii) Audit of payment vouchers.
- (ix) Review of advances and deposits.
- (x) Check of expenditure against allotment.
- (xi) Review of the general financial position.
- (xii) Examination of several accounts and registers.
- (xiii) Preparation of the Annual Account and the statements to be attached to the report.
- (xiv) Verification of the Cash Book balance with that shown in the pass book as at credit of the municipality in the Treasury or Bank.

(b) The general principles laid down in Chapters I to VII of this Manual should be kept in view while exercising checks over municipal accounts. The processes outlined in this chapter only supplement the provisions made in the chapters referred to above.

4. *Receipts.*—The municipal revenue may be divided into the following four main classes for purposes of check :—

- (a) Revenue having fixed demand, that is, taxes, fees, etc., the demand for which is fixed and for which tax receipts are issued, such as property tax, profession tax, warrant fees, taxes on vehicles, animals, etc.;
- (b) revenue leased out;
- (c) revenue collected departmentally; and
- (d) fluctuating items of revenue and revenue from assets of fixed nature, viz., market, land, etc.,

The process of check to be applied in each case is as described below :—

5. *Revenue having fixed demand—Verification of outstanding items of revenue.*—Before the commencement of the verification of outstanding items at the time of the annual audits all the bill books and receipts books should be collected from all the bill clerks and tax collectors and secured in a box or almyrah in the municipal office.

In the course of the verification of the outstanding taxes the following points should be kept in view :—

- (i) whether a certificate of verification of the outstandings with the corresponding tax receipts, Daily Collection Register, etc. has been recorded on the demand and arrear registers by the Executives;
- (ii) whether in the case of amounts shown as outstanding for which receipts have been issued, the memorandum at the beginning of the bill books shows any dates of collection and credit. The credits in such case should be verified with the Daily Collection Registers and if traceable in the latter, the date of credit should be noted in the arrear demand register. If the credits are not traceable and the tax collector cannot satisfactorily account for the items, they should be treated as short credits and dealt with as required under rules. When mention of the matter is, made in the report, the total under each class of tax should be given year wise;

[NOTE.—Tax Collectors generally explain in cases of this nature that the collected amounts are with them pending remittance into the municipal office. To guard against such excuses, they should be asked as soon as the audit commences to prepare a list of all items, the collections for which have been made but not remitted into the Municipal Office, and if the items referred to above are traceable in these lists, they need not be noted by the auditor unless there has been any undue delay in their remittance. In any case, the tax collectors should be asked to remit at once all the collections with them.]

- (iii) whether there are any outstanding taxes of warrants the amounts of which are not traceable in the demand or arrear demand registers;

[NOTE.—In such cases, the original demand register should be referred to and if the item is not shown therein as collected, remitted, etc., it should be brought into the arrear demand register either in its proper place, or at the end of the register, as may be convenient. All entries of this nature should be initialled by the auditor and a note of the omissions made in a separate list. If, on the other hand, the date of credit, or remission, etc., is noted in the original demand register against the item the facts should be verified with the connected records; and if there appears to be no doubt that the item was either collected or remitted, the tax and warrant receipts should be cancelled under the initials of the auditor with a note thereon as to the reasons for cancellation.]

- (iv) whether any items not really outstanding are shown as such in the demand or arrear demand registers;

[NOTE.—Items of this nature usually fall under one or other of the following heads, and the auditor, after satisfying himself of the facts, with reference to the connected records, should take such action as the circumstances require. The items concerned should also be noted in a separate list.]

- (a) Collected.
- (b) Exempted or remitted.
- (c) Cancelled.
- (d) Written off.

The outstandings should be completely verified in the above manner during the annual audit.

All the collections made subsequent to the month for which the posting register has been prepared should be individually traced into the Daily Collection Register and it should be seen that the daily totals of the daily collection register are correct, and that they have been taken to the chalan and included in the remittance. If any short credits are noticed all the items should be verified at the discretion of the auditor and a list prepared showing them in full detail.

The total demand on account of arrears as shown in the demand and arrear demand registers should then be checked after allowing for the corrections made by the auditor, and the figures compared with those appearing in the demand, collection and balance statement as well as with those shown as balance in the abstract prepared in the original demand, or in the arrear demand register. In cases where the differences, if any, between the different sets of figures are not accounted for by the mistakes noticed during the course of audit; they should be traced as far as possible, unless the amount is very trifling, and the correct balances recorded in the demand registers, as well as in the demand, collection and balance statements.

6. During the check of outstanding bills and of collection the following points also should be borne in mind :—

- (i) whether the demand notices for the property and profession taxes are issued without delay;
- (ii) whether tax collectors furnish adequate security which covers up the amount of daily collection;

- (iii) whether the issue of the hand demand registers to the tax collector, their return and re-issue have been noted and his initials obtained;
- (iv) whether there is any evidence of outstanding taxes having been scrutinized by the Executive Authority;
- (v) whether there is evidence of the Executive Authority or Tax Daroga having checked the prescribed percentage of the receipts granted to parties by the bill collectors with the dates of collection and credits as well as the amount noted in the memorandum of collections.
- (vi) whether the hand demand registers are issued only to the concerned tax clerk and not to any one else;
- (vii) whether collections are improperly made on miscellaneous bills or temporary receipts printed locally or on hand receipts issued by tax collectors on their own authority;
- (viii) whether in respect of collections made in office, miscellaneous receipts are issued if the parties could not wait till formal receipt is issued, and whether in such cases the miscellaneous receipts are got back and pasted to the counterfoil and formal receipts issued.

7. *Verification of writes-off and Remissions.*—It should be verified that the amounts have not been collected. The discrepancy, if any, should be detailed in the objection statement or the audit report. The entries in the register of writes-off, remissions, etc., should be initialled by the auditor. The totals of the amounts written off and remitted should also be verified with those in the demand and arrear demand registers.

8. *Check of Collection.*—In the case of items of fixed demand, such as house, land, lighting, water and drainage and profession taxes the auditor will check at random about three entries of credit in the memorandum at the beginning of each bill book with the entries in the demand and chalan registers. In the case of warrant fees and rent of market, stalls, etc., for which bills are prepared in foil and counterfoil, the comparison should be made with the counterfoils and miscellaneous demand register. The following are the chief points to be looked into :—

- (a) that the demand entered in the memorandum or counterfoil agrees with the figure in the demand register;
- (b) that the amounts realized have been brought to account without delay;

[NOTE.—If any excess collections are noticed, it should be seen that they have been either transferred to "Deposits" if there is a reasonable chance of their being claimed afterwards, or credited as miscellaneous receipts if there is no such chance or if the details are not known. If such transfers have not been made already, this may be got done.

- (c) that the postings of credits in the demand registers have been correctly made and that the dates shown correspond with those of the credits in the Daily Collection Registers.

9. *Verification of Demand, Collection and Balance Statement.*—After the above processes of check have been applied, it should be seen—

- (i) whether in the case of property tax the alterations in demand according to the mutation register have been carried out in the demand registers;
- (ii) whether a memorandum showing the demand for the year as arrived at from the demand for the previous year after allowing for the alterations as per mutation register is worked out in the holding tax demand register and agreed with the total of the abstract of page-wise totals in the demand registers;
- (iii) whether in the year in which the general revision of holding tax is conducted the total demand agrees with the demand arrived at in the assessment lists and is certified to by the executive authority;
- (iv) whether the reductions granted on appeals have been noted in the demand registers;
- (v) whether the total demand has been certified to by the executive authority;
- (vi) whether the page-wise totals of the several money columns in the demand and arrear demand registers have been made in ink and carried forward correctly to the abstract prepared at the end of the registers;
- (vii) whether the totals of the abstract agree with the corresponding figures in the demand, collection and balance statement;
- (viii) whether the total collection agrees with the progressive total of the daily collection registers and the posting register;
- (ix) whether the balances have been correctly carried forward to the arrear demand registers;
- (x) whether the total amount of writes-off and remissions agrees with the total in the register of writes-off and remissions;
- (xi) whether the balance as arrived at by deducting the total collection and writes-off and remissions from the demand agrees with the total of the balance in the abstract in the demand and arrear demand registers; and
- (xii) whether the balances have not been allowed to become barred by limitation of time without any action having been taken for their realisation.

10. *Revenue Leased out.*—Fees from markets, cart-stands, slaughter-houses, fisheries tolls leviable—(a) These should be examined in the following manner :—

- (i) that a preliminary notice setting forth the conditions and terms subject to which the lease would be granted, approved by the authority competent to enter into a contract under

section 64 of the Act (such authority should for this purpose have been determined with reference to the amount of bid accepted for previous year's lease) is published in one or more newspapers, or locally having a wide circulation in the locality and affixed in some conspicuous place within the limits of the municipality or in any other manner determined by the authority competent to accept the bid;

- (ii) that the sale is conducted by the executive authority or a person authorised by it and that the security deposit fixed in the preliminary notice is taken from all intending bidders;

[NOTE.—The earnest money deposits of unsuccessful bidders should be refunded only after acceptance of the bid by the competent authority.]

- (iii) that the solvency of the successful bidder was ascertained before the sale was confirmed;
- (iv) that the sale is approved by the authority competent to enter into a contract and that where a bid other than the highest is accepted, the reasons for such acceptance are recorded in writing;
- (v) that the contract is entered into by the authority competent to enter into a contract and that necessary lease deed, setting forth the conditions subject to which the lease is granted, is executed within fifteen days of the date of confirmation of the lease;
- (vi) that the lease deed specifies :—
 - (a) the duration of the lease;
 - (b) the premium if any, payable and the amount of rent reserved;
 - (c) the amount of each instalment of the rent and the date on or before which it is payable;
 - (d) the compensation or penal interest payable in the case of payment of any instalment after the due date;
 - (e) the liability of the lessee to make good any loss caused to the Board on resale or through departmental management as well as resale owing to default of the lessee to fulfil the terms of his contract;
 - (f) the rate of fees to be levied by the lessee; and
 - (g) the express condition that the lessee shall be liable to pay such ground rent as may be fixed by competent authority.

- (vii) that the lease deed is duly stamped according to the Indian Stamp Act and signed by the Executives and lessee in the presence of witnesses and registered in cases where the period of lease exceeds one year.

NOTE.—Audit should bring to notice cases in which agreements only have been taken with a view to avoid payment of stamp duty by the lessee, which he would have had to pay had a lease deed been executed or a bond taken. As failure to execute a lease deed or bond is indicative of the solicitude of the municipal board for the interest of the lessee and disregard to the interests of Government, the point should be mentioned in the audit report.

- (viii) that every lease deed contains an express condition that the lessee shall be liable to pay such ground rent as may be fixed from time to time;
- (ix) that no lease of immoveable property belonging to the municipality for long period is given; and
- (x) that no person is allowed to enjoy the lease until he has executed the lease deed.

(b) The following points should be examined in auditing the receipts from leases and accounts maintained in connection therewith :—

- (i) that the lease amounts, amount of security taken, the date of the agreement, the amount of instalment of kist due, the due date of payment and the rate of penal interest leviable are noted in the miscellaneous demand register;
- (ii) that the collections are posted from the miscellaneous receipts register, counterfoils of miscellaneous receipts and chaulans and recoveries from bills, if any, payable to the lessee;
- (iii) that penal interest is calculated and recovered or written-off with the sanction of the competent authority;
- (iv) that the amount of security deposit noted in the miscellaneous demand register agrees with that shown in the deposit register against the lessee concerned;
- (v) that the security deposit has been adjusted towards the last three instalments of kist or towards any instalment of the lease amount overdue from the lessee and towards the loss, if any, sustained by the resale or departmental management;
- (vi) that when a resale is conducted or when a lease is terminated on account of the default of the lessee, necessary legal steps are taken for the recovery of the loss from the original lessee;
- (vii) that when any instalment due under the lease is not paid within one month of the date on which it becomes payable, the executive authority has forthwith reported the matter to the Municipal Board which should terminate the lease and order its management departmentally at the risk of the lessee till it is resold if a resale is ordered;

- (viii) that balances outstanding at the close of the year are carried forward to the subsequent year's register;
- (ix) that the demand, collection and balance both under current and arrears agree with the statement received in the Audit Office;
- (x) that the register bears evidence of scrutiny at the hands of the executive authority along with the review of the demand, collection and balance statement;
- (xi) that in respect of the lease amounts remaining uncollected for three years suits are instituted for the recovery before they become barred by limitation of time; and
- (xii) that the amounts decreed towards kists, costs, etc. are noted in the miscellaneous demand register and the recovery watch-ed.

11. *Revenue managed departmentally.*—In cases where the collection of any revenue, such as, market fees, cart-stand fees, etc., is managed departmentally, the following checks should be exercised :—

- (i) Receipts having a fixed value printed on them have been issued for departmental collections. The total number of each kind of receipt issued should be ascertained and the amount realized arrived at by multiplying the number of receipts by the rate thereof. An abstract should then be made of the several totals and agreed with the amounts shown in the posting register.
- (ii) The counterfoils of the receipts issued should be examined in detail with a view to ascertaining whether there are any short credits or delays in credit, etc. If, in the course of audit, any serious irregularities are noticed such further check should be exercised as the auditor may consider necessary.
- (iii) The Auditor should also see—
 - (a) whether a proper account as prescribed is kept of the receipts, issues and balances of the printed receipt books and tin tickets;

NOTE.—The bills or invoices forwarded by the printers should be obtained and examined for the purpose of testing the correctness of the entries relating to the receipt of books and tin tickets noted as receipts in the register referred to above, while as regards the balances, the number of books both in hand and in use and tin tickets (in stock) should be verified. If any of them are not forthcoming, the matter should be at once brought to the notice of the executive authority and in the absence of satisfactory explanation, the matter should be brought into the objection statement and the audit report.

- (b) whether the books have been machine-numbered and stamped with the Municipality's common seal and that total number of pages each book contains certified to by the executive authority or any other responsible officer;
- (c) whether proper collection registers are maintained by the officers entrusted with the collections;

- (d) whether the remittances shown as made by them have all been brought to account in the Municipal Office;
- (e) whether the Municipal Office exercises proper check over the realisations;
- (f) whether the balances of books and tin tickets in the office have been verified periodically by the executive authority or any responsible officer and those with the collecting officers, and the fact in both the cases certified to in the registers concerned; and
- (g) whether adequate security has been taken from the persons entrusted with collection work.

12. *Fluctuating Items of Revenue and Revenue from Assets of fixed nature.*—Fluctuating items of revenue are those not falling under the heads referred to above and are generally the following :—

- (a) Rent of lands, buildings, choultries, market stalls, encroachments, etc.
- (b) Avenue receipts.
- (c) Travellers' bungalow fees.
- (d) Sale proceeds of lands, buildings, produce of lands and gardens, old materials, nightsoil, etc.
- (e) Educational and medical receipts.
- (f) Licence fees.
- (g) Distraint fees and vaccination fees.
- (h) Miscellaneous receipts such as fines, interest on investments, contributions, deposits, recoveries for services rendered and recoveries of advances, search fees, fees for numbering carts, fees for duplicate licenses, etc.

13. For the revenue referred to in items (c), (e), (f) and (g), separate accounts are prescribed and the checks to be exercised are detailed separately.

14. In regard to the rest, all the counterfoils of miscellaneous receipts issued to parties for the whole period under audit should be traced into the register of miscellaneous receipts and the miscellaneous demand register as well as in the several subsidiary accounts, that may be maintained for particular classes of revenues, such as register of deposits and advances, register of miscellaneous sales, personal ledger, register of investments, etc. The following are the points which should be kept in view in the course of the check :—

- (i) That the amounts due as ascertained by sale or otherwise have been realized.
- (ii) That there are no undue delays in realising the amounts due or in crediting them.

- (iii) That receipts have been invariably granted for all miscellaneous receipts.
- (iv) That the amounts credited are correct with reference to the counterfoils of receipts granted and the chalans.

15. Besides the above process of check, the auditor should examine the several registers and accounts maintained in the municipal office with reference to the rule or instructions laid down in the Municipal Act and Rules framed thereunder. The following is a list of the important points to be looked into in the course of the examination of the registers and accounts.

16. In examining the records relating to the levy of taxes the following points should be noticed—

- (i) that when a tax is levied for the first time or when the rate is increased, a notice has been published by the Municipality as laid down in the Act;
- (ii) that any resolution abolishing a tax or reducing the rate of tax is reported to Government and in municipalities which have an outstanding loan either from the Government or from the public or any other local body, a report of such abolition or reduction is given to Government;
- (iii) that where any resolution increasing or reducing the rate of tax has taken effect for a particular year, no alteration of the rate or date fixed in such resolution so far as that year is concerned has been made.

17. *Holding Tax.*—The following registers and records are maintained.—

- (1) Demand and arrear demand registers.
- (2) Quinquennial revision lists.
- (3) Monthly revision lists.
- (4) Counterfoils of special notices.
- (5) Revision petition register.
- (6) Appeal register.
- (7) Mutation Register.
- (8) Register of licences issued for the construction or reconstruction of buildings.
- (9) Register of tax receipts issued.
- (10) Collection Register.
- (11) Register of write-off and remissions.

18. The following checks should be exercised in checking the records and registers :—

- (1) that the rate of taxation is uniform in the case of all buildings. In the case of lands which are not used exclusively for agricultural purposes, it is open to the Board to levy the tax at such percentages of capital value of such lands or at such rates with reference to the extent of such lands as may be fixed by the Board not being in excess of the maximum fixed by Government;
- (2) that holding tax on lands used exclusively for agricultural purposes is levied as laid down in the Act;
- (3) that the returns prescribed in the Act and rules are obtained were necessary;
- (4) that the general revision is made once in every five years and when it has been made the rules regarding the preparation of assessment lists have been observed;
- (5) that when assessment books have been prepared for the first time and whenever a general revision of such books has been completed, the public notice referred to in the Act has been given; and
- (6) that in all other cases of revision made with reference to rules on the point the special notice contemplated in the Act is issued.

19. *Assessment Lists for Holding Tax.*—It should be seen—

- (1) that assessment lists are prepared in the prescribed form from the current demand register;
- (2) that particulars of the annual value of the land and building have been given separately and that the site appurtenant to a building is valued properly without adopting any flat percentage on the total rental value without determining the land value independently;
- (3) that particulars of the past year's assessment have been given in the lists;
- (4) that in working out the revised valuation, deduction for repairs or on any other account contemplated in the Act is allowed only on buildings and not on lands;
- (5) that the value of the Government and railway buildings is fixed in accordance with the statutory rules issued for the purpose;
- (6) that railway lands which are not exclusively used for agricultural purposes and are not occupied by or adjacent and appurtenant to buildings are assessed to tax in accordance with the relevant statutory rules;
- (7) that the water tax collected from the railway administration is in accordance with the proportion fixed by the Government;

- (8) that in the case of a military building the present cost of erecting the building and the amount to be deducted from such cost on account of depreciation have been worked out by the competent authorities;
- (9) that the annual value, capital value or the rate of tax on the basis of rent are correctly calculated with reference to the relevant section of the Act;
- (10) that exemptions are granted only in cases authorised under the Act;
- (11) that in the case of holding tax levied on lands the maximum rates fixed by Government for assessment on a basis other than the annual value have not been exceeded;
- (12) that the railway lands are not assessed on their capital value but on their annual value only;
- (13) that the valuation of Government vacant lands is fixed as per provisions in the Act.

20. *Demand Register.*—*Demand.*—(a) See that the tax is correctly stated and vouched for by proper authority (section 115 of the Municipal Act).

(b) See with reference to the Building Petition Register that all new and improved holdings have been promptly assessed.

(c) See that the original demand is signed as required by the Act and that the mutations of assessment are also signed and initialled.

(d) Trace the totals of the Mutation Registers into the Abstract totals of demand, verifying the additions, subtractions, etc., both in the abstract and in the Mutation Register.

The demand thus verified can be accepted; but the Auditor must bring promptly to notice any particular instance in which the Municipal authorities have been lax in controlling the demand.

The register should be examined to see—

- (1) that general revision is made once in five years as required by the Act and that, when it is made, the rules prescribed for the same have been observed;
- (2) that the total demand has been worked out at the beginning of the half year and agreed with the demand of the previous year, after allowing for the alterations made during the years as shown in the mutation register. If a general revision has been given effect to during the year, the total demand should be verified with the totals of the assessment lists and the alterations as shown in the mutation register;
- (3) that the demand registers are written up in time and the demand notices issued in time;

- (4) that warrant numbers are noted in the appropriate column, and the balances are correctly carried forward to the arrear demand register; and
- (5) that the total demand and arrear demand as shown in the abstracts at the end of the registers are written both in words and figures and certified to by the Executive Authority after reconciliation with the assessment list, mutation register or the demand or the arrear demand register of the previous year, as the case may be.

21. *Pilgrim Tax.*—Pilgrim tax can be levied only with the sanction of the State Government and the Government of India. The tax is collected by means of a surcharge on fares by the administration of the railway by which the passengers are carried. The tax after deducting the cost of collection, charges for printing tickets, etc., is credited to the Municipal Fund (Lodging House Fund) by the railway administration. It should be seen in audit—

- (i) that in cases where pilgrim tax is levied for a specified period necessary notification is published as required by the Act;
- (ii) that the statement of the collection made by the railway company for the entire period covered by the notification is forthcoming;
- (iii) that the calculation of the amount shown as collected with reference to the number of tickets is correct;
- (iv) that the percentage of collection charges deducted is at the prescribed rate; and
- (v) that the net amount payable is arithmetically correct and has been credited to the accounts of the municipal council within two months after the expiry of the month in case the tax is levied throughout the year and within two months after the expiry of the period if the tax is levied only for a specified period in a year.

22. *Mutation Register.*—It should be seen—

- (1) that all permanent changes made in the assessments of buildings, land, lighting, water and drainage, scavenging, and other taxes have been recorded in this register with reference to the register of revision petitions, appeals, notices of demolition and construction and monthly lists of outdoor subordinates;
- (2) that the demand has been reconciled in the manner laid down in this behalf after making due provision for the mutation made in the year affecting the assessments.

23. *Register of Revision Petition.*—It should be seen—

- (i) that the entries of revision petitions received are in chronological order;

- (ii) that, whenever a revision of the assessment is authorised, the revision petition was submitted in time in accordance with rules framed under the Act and admitted only if the conditions set forth therein have been fulfilled;
- (iii) that the orders are recorded in the register by the Executive Authority himself;
- (iv) that whenever alterations have been sanctioned, they have been made either in the assessment lists or in the mutation register and the demand register;
- (v) that there are no unusual delays in the disposal of these petitions and that the undisposed of petitions have been carried forward to the next year's register; and
- (vi) that the power to dispose of, under rules framed under the Act, the petitions of revision of holding tax received has not been delegated by the Board to any officer or servant of the Board for short periods.

24. *Register of Vacancy Remissions.*—Instructions regarding the procedure for the grant of vacancy remission are dealt with under 'refunds'.

25. *Register of Writes-off and temporary Remissions.*—It should be seen—

- (i) that all remissions excluding vacancy remissions granted otherwise than on appeal and all written-off items are recorded in this register and necessary particulars are recorded in the minutes book;
- (ii) that remissions or writes-off have been sanctioned by the competent authority;
- (iii) that there are no irregular remissions or writes-off; and

NOTE.—It is irregular to write-off taxes for a year when they are collected for subsequent period and without proper scrutiny of lists by a responsible person.

- (iv) that in the case of taxes and fees written-off on account of their not being recovered, adequate action has been taken to collect the amounts before the items became time-barred.

NOTE.—Auditors should check the entries in the remission register with the remission lists and orders, trace them into the Demand and Collection Register just like entries of mutation and check totals.

26. *Remission on account of demolition or destruction of buildings.*—The main points to be examined are—

- (i) that it is seen from the notice of demolition that the building has been completely demolished or destroyed;
- (ii) that necessary entries have been made in the mutation register;
- (iii) that remission is granted in respect of buildings only in cases where the notice referred to above was given within the prescribed time; and

- (iv) that refunds made have been noted in the demand register against the item concerned.

27. *Remission on account of inclusion in or exclusion from the Municipality of particular areas.*—It should be seen—

- (i) that when a fresh area is included within a municipality the owner of every building or land in such area is granted a remission as admissible under rules; and
- (ii) that when an area is excluded from a municipality remission of the holding tax is granted only when such date falls within the prescribed time.

28. *Register of Hand Demand Register issued.*—It should be seen—

- (i) that all hand demand registers entrusted to tax collectors for collection are entered in the register, the date of issue is noted and the initials of the tax collectors are obtained;
- (ii) that whenever the hand demand registers are returned to the office, the date of their return is noted; and
- (iii) that too many hand demand registers are not entrusted to tax collectors at the same time and fresh books are issued only after the books previously issued have been returned.

29. *Chalan Register.*—(a) This register should be examined to see—

- (i) that separate Daily Collection registers are maintained for entering the different kinds of taxes, such as holding tax and profession tax collected by tax collectors and remitted by them into the municipal office; and
- (ii) that the remittance of each tax collector is attested both by the Dax Daroga and the Cashier.

(b) In addition to the checks prescribed in sub-paragraph (a) the Daily Collection Register relating to holding tax should be further examined to see that only the aggregate amount of tax of each assessment is posted in the register in the column 'Arrear' or 'Current' as the case may be, that daily totals are struck, that an abstract of daily totals is made at the end of the month and that the monthly total tallied with the 'Collections' column for the month in the abstract in the arrear and current demand registers.

30. *Register of Warrants.*—It should be seen—

- (i) that warrants have been prepared and issued and the register of warrants maintained in accordance with the instructions in this behalf;

NOTE.—Warrants should be executed promptly. Warrants remaining unexecuted for more than thirty days should be noticed in audit.

- (ii) that all warrants issued have been duly entered in the register and the last entry therein under each tax has been attested by the Executive Authority;

- (iii) that the number of each warrant has been noted against the corresponding number in the demand register;

- (iv) that an abstract of the number and the value of all warrants has been prepared in the register at the end of the year and the total demand certified to over the signature of the Executive Authority; and

NOTE.—The total collection according to the abstract should be verified with that in the posting register.

- (v) that fees on warrants once issued have been collected or written off with the sanction of the Board.

31. *Register of Distrained Property (Form at P/26 of Municipal Account Rules—Recovery of Taxes).*—It should be examined to see—

- (i) that the register is properly maintained (sec. 134 of the Act) and that carts and carriages seized under section 124 of the Act are also entered in this register;
- (ii) that the distraint fees have been correctly calculated in accordance with the scale fixed by the board and that the total collections of distraint fees agree with those in the posting register;
- (iii) that a list of property distrained is made out in each case and the foil of inventory furnished to the party;
- (iv) that the signature of the party is taken in the register when the property is returned to the owner;
- (v) that there is no undue delay in the disposal of distrained property; and
- (vi) that the surplus sale-proceeds, if any, are credited to deposits and if they are not claimed within the prescribed time from the date of the sale, they are credited to the municipal funds.

NOTE.—Auditors should trace credits with reference to columns 8, 10 and 12, verify with vouchers the payments mentioned in columns 13 and 14, trace further credits or orders for writing-off in columns 14 and 18 and check column 16.

32. *Register of Licences issued for the construction or reconstruction of buildings.*—It should be seen—

- (i) that it is a complete record of all the licences issued under this class;
- (ii) that extracts from the register are furnished to the out-door officers for reporting the date of completion or occupation;
- (iii) that the extracts bear evidence of periodical inspection of the buildings;
- (iv) that the dates of completion or occupation are noted in them and that they are reported to the Municipal Office for necessary action;

- (v) that there is evidence of the register having been checked by the Executive Authority; and
- (vi) that if the buildings have not been constructed or reconstructed within the time fixed in the licences, licences have been renewed.

33. *Vehicle and Animal and Cart-tax Demand Registers.*—It should be seen—

- (i) that the rate of levy of the taxes has not exceeded the maximum fixed by the Act and that the taxes collected are in accordance with the rates so fixed;
- (ii) that the total amount represented by the counterfoils of licences issued have been brought to account ;

NOTE.—The total number of each kind of licence issued should be counted and multiplied by the rate printed thereon, after allowing for duplicate licences, licences issued on collecting moiety of the tax, etc., if any. To this total should be added the amounts realised on special licences as recorded in a separate part of the collection registers. It should be remembered that all special warrants should be examined in detail. The grand total should then be agreed with that appearing in the collection registers and in the posting register.

- (iii) that licences issued have been recorded in the collection registers in chronological order, the collection on account of current and arrear and those on special licences for the respective periods being noted in separate parts;
- (iv) that licences have been issued for the number of vehicles and animals mentioned in the schedules submitted by parties ;
- (v) that lists have been received, that the numbers of licences issued have been duly noted in them and the outstanding balances have been transferred to the arrear demand register ;
- (vi) that the assessments reported have been duly incorporated in the yearly lists, that the lists have been totalled and the total demand certified to over the signature of the Executive Authority;
- (vii) that the yearly lists bear evidence of scrutiny at the hands of the Executive Authority or an officer deputed by him and that reasons for omissions in the yearly list for vehicle and animal taxes are noted in the omission list ;
- (viii) that in cases where parties do not take out licences, reports are received from the out-door subordinates and the procedure prescribed for the issue of and notices for payment under the Act and for the issue of special warrants is followed;
- (ix) that the special warrants issued are noted in the yearly list or the arrear demand registers against the assessments concerned and all the outstanding ones are available for verification in audit; and

- (x) that the procedure prescribed for the collection of the tax has been followed in respect of carts, carriages and animals coming from outside municipal limits and used within municipal limits.

34. *Offensive and Dangerous Trades—Licences.*—It should be seen—

- (i) that when the municipality is notified for the first time a place should not be used for a purpose specified in the Act without a licence issued by the executive authority and that due publicity is given to it as required by the Act;
- (ii) that when the licensing provisions are extended to areas outside the Municipality the previous sanction of the competent authority is taken;
- (iii) that when proportionate fees are recovered there is provision for the same in the notification and that the period is specifically mentioned in the application for licences;
- (iv) that licences are not issued for any period beyond the end of the year;
- (v) that permission of the board is obtained for constructing or establishing any factory, workshop or workplace in which it is proposed to employ steam power, water power or other mechanical power or electrical power or to instal in any premises any machinery or manufacturing plant driven by steam, water or other power and that the fees fixed by the Board for the purpose are collected;
- (vi) that the places of the kind referred to above are reported by the out-door officers in their monthly lists.

After completing the above preliminary checks all the chalans received with the application for licence should be checked with the counterfoils of licences and the entries in the register of miscellaneous licences. In the course of this check it should be seen—

- (1) that lists of places where industries or trades requiring licence are obtained from out-door officers immediately after the commencement of the year, that the reports of persons who have not taken out the requisite licences are regularly received, that all the items in the latter are included in the annual lists and that the numbers of licences issued are duly noted in them;
- (2) that applications for licences are forthcoming and are separately filed in consecutive order;
- (3) that where fees are calculated with reference to dimensions or other fluctuating data, such as in the case of platforms, the correctness of the dimensions has been verified by the executive authority or other responsible officer and that the licences contain sufficient details to check the correctness of the fees levied;

- (4) that in the case of licences, fees are calculated at the rates and on the basis laid down in the rules framed under the Act;
- (5) that the rate at which fees are collected is in accordance with the rate in the notification published by the Municipality and that the description of the trade or industry corresponds with the items in the notification under which the trade or industry is classed. If it has not been correctly classified it should be pointed out in the objection statement and recovery of deficit, if any, suggested;
- (6) that all persons assessed to profession tax on income derived from carrying on any trade or industry for which licence is required have taken out licence for such trade or industry;
- (7) that the fee collected on each licence has been recorded in the register of miscellaneous licences in chronological order;
- (8) that the number of the licence is noted in the annual list and that the licence is issued in all cases;
- (9) that in case where any trade or industry is carried on without licence action is taken to recover fees within the time;
- (10) that miscellaneous licence books issued from stock have been accounted for by way of used or unused books;
- (11) that the balances outstanding in the annual list are transferred to the annual demand register and that a demand, collection and balance statement is worked out in the annual list;
- (12) that the collections made by the Magistrates are noted in the annual list and miscellaneous licence register or arrear demand register as the case may be. For this purpose, the statements received from the Magistrates should be called for and checked both with the Prosecution Register and the registers referred to above; and
- (13) that proportionate licence fees payable, if any, to other local bodies have been correctly calculated and paid and that the amounts due, if any, from other local bodies have been correctly calculated and recovered.

NOTE.—In the case of all receipts arising out of the issue of different forms of licences the Auditor must trace the totals of the particular Collection Register into the Cashier's Cash Book and should note the total receipts from such licences shown in the Abstract Register of Receipts. In the case of licences of fixed value the amount due can be ascertained at once by taking stock of the forms in hand and seeing from the stock register what the issues have been and what was the opening balance. The amount due as ascertained from the tickets should agree with the amount found to have been received actually. Where the value of licences varies the counterfoils must be compared with the entries in the Collection Register and the daily totals traced into the Cashier's Cash Book.

35. Vehicle and animal tax and fees for dangerous and offensive trades are payable by parties into the municipal treasury.

The following points should be examined during check of collection under this system :—

- (i) that the out-door subordinates entrusted with the collection are furnished with a duly certified list of persons liable to vehicle and animal tax or to take out licences for dangerous and offensive trades;
- (ii) that the out-door subordinate has issued the first foil of the receipt as soon as an item of tax or fee is collected and has entered the amount collected in the Daily Collection Register, Demand Register and the list;
- (iii) that the outdoor subordinates attend the municipal office every day, enter the collections in a separate Daily Collection register maintained for the purpose, prepare a chalan and after getting these documents checked by the tax or licence clerk tender the amount to the Cashier;
- (iv) that the licence is forwarded to the party direct from the Municipal Office through a local delivery peon;
- (v) that a stock account of receipt books is maintained;
- (vi) that the issue of receipt books is watched in the register of bills issued; and
- (vii) that the executive authority or Tax Daroga has verified the register with the counterfoils of foils issued to parties.

36. **Miscellaneous Demand Register.**—This register should be checked in connection with the audit of leases. In addition to the checks prescribed therein the following checks should be exercised when examining this register :—

- (1) that all items of revenue framed out and payable in fixed instalments are recorded therein;
- (2) that the collections agree with those in the posting register;
- (3) that all contributions and grants due from Government, local bodies or private bodies and miscellaneous items such as land-cess, ground rent, collection charges for entertainment tax, costs awarded in suits, sales tax, etc., are recorded in this register and the recovery watched;
- (4) that balances in the register of both instalments and penal interest after the close of the year have been transferred to the register of the next year;
- (5) that adequate action has been taken for the recovery of lease and other amounts within the period of limitation; and
- (6) that a demand, collection and balance statement has been worked out in the register over the signature of the Executive Authority.

37. Register of Miscellaneous Receipts.—All miscellaneous items of revenue which are collected on miscellaneous receipts such as rent of lands, buildings, choultries markets, sale-proceeds of lands, buildings, produce of land and gardens, old materials, nightsoil, interest on investment, contributions, deposits, recoveries of advances, search fees, fees for duplicate licences, etc., are entered in this register. All the counterfoils of miscellaneous receipts issued to parties for the whole period under audit should be traced into this register and the miscellaneous demand register as well as in the several subsidiary accounts that may be maintained for particular classes of revenues such as register of deposits and advances, register of miscellaneous sales, personal ledger, register of investments, etc., chalans for payments into the municipal office should also be checked. The following are the points which should be kept in view in the course of the check :—

- (i) That the amounts due as ascertained from sale list or other records have been realized;
- (ii) that there are no undue delays in realising the amounts due or in crediting them;
- (iii) that counterfoil receipts have been invariably granted for all miscellaneous receipts;
- (iv) that the amounts credited are correct with reference to the counterfoils of receipts granted and the chalans; and
- (v) that monthly and progressive totals have been made in the register.

NOTE.—The correctness of the totals should be checked.

38. Register of Miscellaneous Sales.—It should be seen—

- (i) that all miscellaneous sales, such as avenue loppings, old materials, sweepings, etc., other than cases in which contract agreements are taken find place in this register;
- (ii) that separate pages have been set apart for each class of revenue and the necessary entries have been made as soon as necessary orders are issued for sale;
- (iii) that sales have been generally conducted by public auction;
- (iv) that pre-payment has been generally insisted upon in all cases and that articles sold have not been removed before payment;
- (v) that receipts have been granted for all sale-proceeds;
- (vi) that the sales were held by and approved by competent authority;
- (vii) that the total collection on account of each class of revenue agrees with that noted in the register of miscellaneous receipts; and

- (viii) that the items of sales pending and the sale-proceeds not collected within the close of the year have been transferred to the register of the next year.

39. Register of Revenue-yielding properties.—This register should be examined with a view to seeing that the income from all revenue-yielding properties belonging to the municipality or from other sources have been duly and correctly realised. If any property from which income is regularly derived is found omitted from the register, the auditor should himself get the same entered in the register. With regard to rents of buildings and lands it should be seen—

- (i) that all buildings and lands owned by municipal board and from which income is derived or can be derived are entered in the register;
- (ii) that when any land or building entered in this register is removed, the orders of competent authority are noted against the entry of such removal;
- (iii) that standard rents fixed for buildings are altered with the sanction of competent authority;
- (iv) that with reference to payment vouchers or other records changes in the entries and additional entries are made as and when additions or improvements to existing properties are made; and
- (v) that when standard rent is not recovered for any residential building the reasons for charging a different rate are noted against the item concerned.

40. Excess Water charges.—The following points should be noticed in audit :—

- (i) that the Municipality has framed bye-laws;
- (ii) that the charges for excess water consumption or for the number of taps have been correctly calculated in accordance with the conditions and rates fixed in the bye-laws;
- (iii) that the meters have been read at approximately one month's interval and entries made in the water meter cards;

NOTE.—The excess water consumption as recorded and read in any month should not be adjusted towards the short consumption in any other month.

- (iv) that there has been no delay in transmitting to the municipal office in convenient batches, the meter readings for entry in the meter ledger; that there has been no undue delay in the issue of miscellaneous bills for the number of taps (if the tap rate system is in force) or for excess water charges, meter rents and meter maintenance charges;
- (v) that prompt steps have been taken to collect the dues by adopting wherever necessary, the coercive process laid down in the Act and made applicable to the collection of these dues by sections 124 to 126 of the Act and that in all cases of default the supply has been cut off promptly as laid down in the Act;

(vi) that when the annual value of properties is reduced on revision petition or appeal, the maximum free allowance is suitably reduced;

(vii) that when the bye-laws prescribed a special fee for water supplied for building construction and other special purposes such fee is correctly calculated and collected;

NOTE.—The licence issued for building construction should be examined with a view to see if any of the owners utilized water from the municipal mains and if the charges for water at the special rate, if any, were levied and collected correctly.

(viii) that the house service register and the meter ledger prescribed have been kept up to date with reference to payment and adjustment vouchers for opening new connection reconstructions or additional taps and for closing or cutting off supply;

(ix) that the demands for excess water charges, under rents and meter maintenance charges as the case may be, for all the house-service connections without exception are found in the meter ledger and demand register for charges on account of excess water supply and the bills are issued every month and that the arrears outstanding at the end of the year have been brought forward to an arrear demand register.

NOTES.—(1) The process of check laid down for the check of collection and of outstanding bills under taxes will apply here also.

(2) It is enough if the correctness of demand is checked for two selected months in a year.

41. Income from Endowments.—It should be seen—

(i) that a record of the history of each endowment is kept in the municipal office;

(ii) that the revenue due in respect of each endowment is properly watched and promptly realized;

(iii) that the income and expenditure in respect of each endowment are noted in the appropriation register;

(iv) that the surplus balances of endowments are promptly invested in any of the authorised forms of securities;

(v) that the expenditure incurred is on the authorised objects.

42. Register of Prosecution.—It should be seen that the register is written up completely, that the calendar or suit number as well as the orders of the court are noted in all cases, that the amount of tax or fees collected is noted from the statement received from the Magistrates and the credit appearing in the pass book, that in the case of any abnormal delay in the disposal of any prosecution, the cause of pendency is ascertained and that the register bears evidence of check at the hands of the Executive Authority.

43. Register of encroachments.—It should be seen—

(i) that all encroachments notice and reported are entered in the register;

(ii) that prompt steps have been taken to evict all objectionable encroachments;

(iii) that in the case of unobjectionable encroachments fees on the scale laid down by the council are recovered;

(iv) that no encroachment is allowed without the sanction of the Board; and

(v) that the fees recoverable in respect of unobjectionable encroachments are noted in the miscellaneous demand register and are collected by means of miscellaneous bills.

NOTE.—Long pendency in the disposal of encroachments should be brought to notice in the audit report.

44. Miscellaneous Bill Register.—This register will have been checked under the process of check laid down for verification of outstanding bills. It should be seen—

(i) that all transactions relating to miscellaneous dues for which miscellaneous bills are issued have been recorded in this register;

(ii) that the total collections according to this register agree with those in the chalan register for miscellaneous revenue collected by bills and the posting register; and

(iii) that the outstandings at the close of the year are supported by uncollected bills.

45. Government grants.—The correctness of the Government grants due and received by the municipal board should be verified as indicated below against each kind of grant :—

(1) *Grant-in-aid for general resources.*—The Government Order sanctioning the grant should be referred to in this connection to see that the grant sanctioned was credited and that it was utilized for the purpose for which it was sanctioned.

(2) *Grant for the maintenance of roads.*—Grants have been fully spent for the purpose for which they were received.

(3) *Special Schools, Maintenance grant.*—It should be seen that the amount drawn is in accordance with the sanction order.

(4) *Public libraries.*—It should be seen that the conditions prescribed in the sanction order have been observed.

(5) *Medical relief.*—The authorisation of the Accountant General and the statement of expenditure should be verified in this connection. All items of expenditure incurred may be taken into account.

(6) *Grant for maintaining maternity and child welfare centres.*—It should be seen that the conditions prescribed in the sanctioning order have been fulfilled.

(7) *Grants towards elementary education.*—As above.

(8) *Special non-recurring grants.*—Municipal Boards are permitted to draw these grants provided that the full grant drawn is disbursed within the prescribed time. This should be checked with reference to the register maintained for the purpose.

46. *Magisterial Fines.*—Fines levied by Magistrates and collected are credited to the State Funds in the first instance. Subsequently, countervailing grant is allowed to Government. The receipt and the correctness of the grant should be verified with reference to the order sanctioning the grants.

47. **Expenditure.—General.**—Before the audit of the paid vouchers is commenced, the following records and registers should be obtained and kept ready :—

- (1) Bundles of vouchers.
- (2) Cash Book, Subsidiary Cash Book and monthly and quarterly accounts.
- (3) Cheque Books and Pass Book.
- (4) Register of bills for payment.
- (5) Audit Register.
- (6) Register of advances, and quarterly list of advances.
- (7) Register of deposits and quarterly list of deposits.
- (8) Register of Government grants.
- (9) Estimates, agreements, etc.
- (10) Contractor's ledger, Personal ledger.
- (11) Schedule of rates.
- (12) Register of works.
- (13) Road Metal statements.
- (14) Measurement Book.
- (15) Register of appeals.
- (16) Register of vacancy remissions.
- (17) Register of loans.
- (18) Register of investments.
- (19) Appropriation register of loans and endowments.
- (20) Inventory of immovable property.
- (21) Register of suits.
- (22) Register of tools and plant, etc.
- (23) Stock account of forms.
- (24) Stock register of stationery.

- (25) Stock register of lighting articles.
- (26) Oil account.
- (27) Stock Register of livestock.
- (28) Stock account of water-works materials and stores.
- (29) Stock account of fodder.
- (30) Register of sinking funds.
- (31) Security register of municipal employees, lessees and others.
- (32) Register of service books of employees.
- (33) Service Registers.
- (34) Postage and Revenue Stamp account.
- (35) Minutes book for the year under audit.
- (36) Budget statement.
- (37) Order Book.
- (38) Provident Fund Accounts—
 - (a) Provident Fund vouchers.
 - (b) Abstract Register.
 - (c) Register of temporary withdrawals.
 - (d) Register of policies.
 - (e) Register of Life Assurance Premia.
 - (f) Register of subscribers.
 - (g) Provident Fund ledger.
 - (h) Annual account of Provident Fund subscriber.

48. The vouchers should be required to be sorted for the period of audit into establishment, Public Works, contingencies, refunds, etc., the vouchers of a particular nature and relating to a particular establishment being put together. Each class of vouchers appertaining to each department should then be taken up for audit and examined before another department is taken up.

After the establishment and contingent vouchers have been audited, the Public Works vouchers may be taken up. They should be arranged in the order of works, vouchers relating to each work being put together by the office with the estimates, contract agreements, measurement books with their pages marked, etc.

The following are the general points on which objections should be raised whenever necessary :—

- (a) Want of vouchers, sub-vouchers and payees' receipts or acknowledgements, stamped where necessary.
- (b) Payments made, without proper authority, to persons other than the rightful payees.

- (c) Excess payments.
- (d) Objectionable charges.
- (e) Illegal payments and want of competent sanction for charges.
- (f) Losses.
- (g) Amounts collected and not brought to account.
- (h) Wasteful expenditure.
- (i) Advances wrongly or unnecessarily made.
- (j) Advances wrongly charged off to service head direct.
- (k) Want of or defects in—
 - (i) Check measurement certificates.
 - (ii) Disbursement certificates.
 - (iii) Other certificates.
 - (iv) Countersignatures.
 - (v) Pass orders.
 - (vi) Paid endorsements.

49. The auditor should be careful in all cases to see that the audit checks are applied according to the spirit of the rules, and not the letter as opposed to the spirit and in accordance with the general principles enunciated in Chapters I and II.

The following are the chief points to be looked into in the course of the audit of charges :—

- (a) that the expenditure, is permissible under the Act, or rules framed thereunder, is not opposed to any orders of Government, special or general, and has been provided for either in the year's budget, or by subsequent allotment of funds;
- (b) that a sanction for a fresh charge which has not been acted upon for a year has been treated as lapsed unless it has been specifically renewed;

NOTE.—This does not apply to sanctions accorded for pay and allowances and for works in progress.

- (bb) that the order of the executive authority has been obtained to the payment of a claim (other than one relating to any officer or servant of the municipal board referred to in the note) where the bill in respect thereof was presented more than six months but not more than one year, from the date on which the claim became due and that the order of the municipal board has been obtained to the payment of such a bill presented more than one year from the date on which the claim became due;
- (c) that the municipal board has not exceeded its power in sanctioning allotments and transfers;
- (d) that the vouchers have been correctly prepared in accordance with the rules and with all the certificates duly signed and duly passed for payment by the Executive Authority or

other person duly authorized in that behalf, and that they have been placed before the board either before or after payment;

- (e) that the totals of vouchers are noted in words as well as in figures;
- (f) that receipts for all sums in excess of Rs. 20 are duly stamped except in cases exempted;
- (g) that there are no erasures, and that any alterations are attested by the officer or party concerned, as the case may be;
- (h) that no member of the board has any interest in any subsisting contract made with, or work being done for, the board except as a share-holder in a company; and
- (i) that all the liabilities are cleared promptly specially those relating to Government.

50. **Audit Procedure.**—After the vouchers are audited they should be traced into the posting register and the entries in the latter initialled and missing vouchers called for at once. If not forthcoming, summons should be issued for their production in accordance with the standing instructions. The classification of the charges as recorded on the vouchers should also be examined. Whenever sanction of the board is quoted in support of an expenditure, the auditor should verify the sanction in the minutes book.

NOTE.—The posting register should be kept in a bureau or drawer of the Municipal Office the key of which should be with the auditor. After the vouchers have all been traced into the register, the total checked and the account verified, the posting register may be handed over to the municipal office.

51. **Establishment Bills.—General.**—It should be seen in audit that the strength and scales as fixed by the competent authority are altered only with the sanction of that authority.

52. The sanctioned scale for the different establishments as recorded in the Establishment Audit Register should, during the audit of bills for April, be examined with reference to the sanctioned scale of the previous year and any subsequent alterations sanctioned during the currency of the year. The register should be initialled by the auditor, corrections, if necessary being made by him.

53. The bills should then be audited on the lines indicated with special reference to the following points:—

- (i) that appointments are made of persons with requisite qualifications as prescribed.
- (ii) that in the case of Government servants lent to the municipality deductions on account of pensionary and leave salary contributions are duly made and credited into the treasury;

NOTES.—(i) The correctness of the amount paid should be verified with reference to the advice of the Accountant General intimating the rate and amount payable.

(ii) the receipted treasury chalan in support of the payment should be verified.

- (iii) that when the amounts drawn on bills are paid in instalments as is sometimes done in the case of certain sections of the municipal establishment, the disbursements made from time to time are properly recorded on the bills, with the date on which they are made;

NOTE.—The several amounts so noted should be traced into the petty cash book and the auditor should satisfy himself that the bill has been either paid in full or that the balance, if any, has been refunded.

- (iv) that in the case of supplemental bills the amounts are really due and have not been disbursed before. This should be verified by reference to the original bills in which the amounts were withheld or refunded and it should be seen whether the numbers and dates of the subsequent bills have been quoted in the original bills;

NOTE.—It should be seen that the claim of an officer or servant of a municipal board for arrears of pay, allowances or increments of pay which has been allowed to remain in abeyance has, before payment, been investigated by the executive authority.

- (v) that temporary establishments are separately billed for and are covered by the sanction of the competent authority which should be verified;

NOTE.—To facilitate reference, the municipal office should be instructed to quote all such sanctions on the bills themselves.

- (vi) that pay and acting allowances are separately shown and that the names of all persons on leave, suspension or deputation, as well as those holding acting appointments are entered both in the bills and in the leave statements appertaining thereto;
- (vii) that the leave and acting allowances drawn are admissible under the rules;
- (viii) that, in the case of fixed conveyance allowances, certificates of actual maintenance of the conveyances, etc., have been furnished;
- (ix) that cut in salaries of establishment is imposed only with the sanction of competent authority.
- (x) that overtime allowance is paid only to casual employees like mechanics, etc., paid on daily wages and not to permanent servants;
- (xi) that overtime allowance of water-works staff who are paid monthly wages are granted with the prior sanction of the water board;
- (xii) that rent at the approved rates is collected from employees who are allowed to occupy municipal buildings; and
- (xiii) that the payment of special pay to a stenographer in municipality is in accordance with the orders.

54. *Travelling Allowance Bills.*—It should be seen—

- (a) that the allowances paid are admissible against municipal funds under the rules in force;
- (b) that the allowances are regulated by the provisions of the Travelling Allowances Rules or any special rules or orders issued by Government;

- (c) that the distances for which mileage is claimed are correct as far as can be ascertained, and that railway fare, etc., is properly calculated; and
- (d) that the bills have been duly countersigned, where necessary, and are otherwise in order.

55. *Contingencies and Special charges.*—It should be seen—

- (a) that special or unusual charges are supported by competent sanction;
- (b) that the budget allotment has not been exceeded;
- (c) that the several sub-vouchers and receipts are all forthcoming where necessary; and
- (d) that sub-vouchers have been duly cancelled so as to prevent their fraudulent use again.

56. The following special points should also be noted in connection with the charges falling under the several heads mentioned below:—

(a) *Tools and Plant.*—The purchases should be traced into the register of tools and plant.

(b) *Midwifery Outfit.*—It should be seen—that midwifery outfits, drugs, medicines or other equipment required for midwives working in dispensaries or child-welfare centres have been obtained from the approved stores and in cases where the Depot is unable to supply the indents placed with them or when these articles are urgently required they have been purchased locally without calling for tenders subject to the monetary limits as prescribed by the Board.

(c) *Exhibitions and fairs.*—(i) Exhibitions and fairs are either (a) run by Municipal Board or (b) those in which municipal board have considerable interest and for holding which money is advanced by municipal boards though the actual management is wholly or in part entrusted to a separate committee consisting entirely or only partly of municipal commissioners or (c) those in which municipal boards are interested but to which they make only a contribution. The transactions relating to fairs and exhibitions referred to in items (a) and (b) should pass through the amounts of municipal boards concerned in the first instance under "Deposit and Advances" subject to the adjustment to the regular head after the closing of the final accounts of the exhibition. These accounts should be audited in the same way as other municipal transactions and the irregularities noticed should be communicated to the municipal board concerned for rectification. The accounts of exhibits and fairs referred to in item (c) should be audited in cases where contributions given by municipal boards are with reference to receipts and expenditure of the exhibition or fair. In cases where the contributions are paid unconditionally the accounts of the exhibition or fair need not be audited.

The process of audit would depend upon the nature of transactions recorded in the accounts.

(ii) If in respect of any fair or festival any tax or toll is levied, it should be seen in audit that the proceeds of tax or toll are spent in the manner laid down.

(d) *Law charges.*—It should be seen—

- (i) that higher sanction, if any, needed under the rules has been obtained in respect of any suit or legal proceedings;
- (ii) that the sanction of competent authority has been obtained for payment of fees to pleaders or for incurring expenditure in connection with legal proceedings;
- (iii) that the sanction of the Board has been obtained to the rate of retaining fee paid to the standing counsel, if any;
- (iv) that the sanction of the Board has been obtained to the engagement of a lawyer other than the standing lawyer in civil or criminal cases;
- (v) that lump-sum advances to meet expenditure on suits are not made to pleaders and that such advances are restricted only to the probable amount needed for each suit;
- (vi) that the amount of expenditure on each suit as noted in the recoupment bill of the permanent advance of the standing counsel has been noted in the suit register against the suit concerned; and
- (vii) that accounts are obtained at regular intervals from the pleader in respect of advances obtained in connection with suits and necessary adjustment effected.

NOTES.—(1) The details of amount of expenditure relating to different suits should be entered against the relevant suits in the suits register.

(2) Advances to pleaders pending for over three years require special scrutiny and should be pointed out in the audit report.

(e) *Supply of uniforms, etc.*—It should be seen that the sanction of the municipal board has been obtained to the expenditure on the supply of uniforms to peons, etc., and that the period of wear and the scale and the maximum cost of supply on each occasion has been fixed by the municipal board.

(f) *Purchase of articles of stationery, furniture, petrol, oil, etc., for pumping stations fodder and other articles.*—It should be seen—

- (i) that the requirements for a year of articles, such as, stationery, furniture, oil, fodder, etc., are estimated before the commencement of the year and the contract for the supply of articles is settled by the board or the contracts committee as the case may be on the basis of competitive tenders when the cost of the estimated quantity exceeds the limit fixed by the board with reference to the rules on the point.

- (ii) that the articles received have been entered in the appropriate stock register and the issues are in accordance with the scale of supply, if any, prescribed for the purpose; and
- (iii) that the sanction of the board has been obtained even in case of casual purchase of articles if quotations have been obtained and orders placed on the basis of such quotations.

(g) *Purchase of books, maps, games articles and science articles for educational institutions.*—Regular tenders should be invited in the case of books, maps and science articles required for use in schools.

(h) *Contribution.*—Payment of contribution towards the expenses of any public exhibition, ceremony or entertainment in the municipality and contribution to any charitable fund is an extraordinary item of expenditure and require the sanction of Government or the authority to whom the power has been delegated.

The orders of Government in the matter of annual contribution for specified purposes should be kept in view while auditing payment of contribution.

(i) *Unusual and extraordinary charges.*—(a) It should be seen in audit that unusual and recurring contingent charges have been sanctioned by the board and extraordinary charges by the Government or the authority to whom the power in this behalf has been delegated.

NOTES.—(1) Purchase of books, furniture, facsimile stamp of the Commissioner, insurance of municipal buildings are examples of unusual charges.

(2) Expenditure on the provision and maintenance of recreation centres, payment of compensation due to accident caused to a private individual by a municipal lorry, etc., are a few examples of charges held as extraordinary.

(b) Government have prohibited expenditure on certain objects from Municipal Funds. It should be seen in audit that such charges are not incurred and if incurred they have been incurred with the specific sanction of Government.

(j) *Charges for numbering carts, etc.*—It should be seen that the charges incurred in this connection are not in excess of the fees recovered.

(k) *Rewards for the destruction of dogs, venomous snakes, etc.*—These charges should be supported by a certificate of actual destruction from reliable authority. It should be seen that the rewards paid do not exceed the rates prescribed by the municipal board.

(l) *Expenditure on primary education.*—The various items of expenditure connected with elementary education and the conditions subject to which such expenditure can be incurred are specified by Government from time to time. Items of expenditure connected with elementary education and not covered by Government orders require the specific sanction of Government.

(m) *Payment of land revenue.*—A certificate to the effect that the lands for which land revenue is paid belong to or vest in the municipal board, that the lands are not eligible for exemption from land revenue and that if eligible necessary action has been taken to secure alienation of land revenue. The payment should be recorded in the Register of Land and checked to prevent double payment.

57. **Expenditure on Works.**—The audit of Works Expenditure consists of—

- (1) the check of estimates;
- (2) an examination of tender files;
- (3) verification of sanctions to estimates and of selection of contractors; and
- (4) check of bills with the measurement books, agreements, metal statements and contractors' ledger.

58. The general principles of audit are contained in Chapter II. The vouchers relating to works should be audited with reference to the following points :—

(i) Orders regarding technical sanction, execution, inspection and test-check in respect of works may be referred to in connection with the audit of such works.

(ii) Orders regarding authorities who should check-measure those works may be referred to in the audit of such works.

(iii) The following points should be looked into :—

- (a) that no advances are made to contractors;
- (b) that the expenditure is duly recorded where necessary in the register of works, which should be examined for the purpose;
- (c) that in the case of works executed for private individuals (such as pipe laying, etc.) the charges incurred are duly recorded in the personal ledger, into which they should be traced;
- (d) that lands required for municipal purposes have been acquired generally under the Land Acquisition Act and payments therefor are supported by award statements furnished by the land acquisition officer and the Treasury Officer's receipt;
- (e) that in the case of sanitary works, such as water supply and drainage projects executed by the Sanitary Engineer or the Public Works Department, the funds placed at their disposal have been debited to the head "Advances recoverable" and adjusted on intimations of actual expenditure after audit.

59. **Schedule of Rates.**—See that—

- (a) a Schedule of Rates has been prepared and sanctioned by the Commissioner at a meeting;

(b) the rates are reasonable. If any rates are abnormally high, the fact should be noted in the Audit Report. A comparison with the rates allowed for the works by the District Board or the Public Works Department for the same locality would prove useful.

60. **Estimates.**—It should be seen—

- (1) that rates in the estimates and the data sheets, if any, in respect of rates provided in the estimate but which are not directly traceable into the schedule of rates are based on the schedule of rates and the schedule of rates for metal supply duly sanctioned by the board.
- (2) that the estimates have received requisite sanctions;
- (3) that sanction to an estimate for any public work other than annual maintenance has, unless such work has been commenced ceased to be operative after the period specified and that it is not acted upon unless fresh sanction is obtained.

NOTES.—The sanction to ordinary annual maintenance estimate will lapse on the last day of the financial year to which it relates.

61. **Tenders.**—It should be seen—

- (1) that open competitive tenders have been invited for all works estimated to cost more than Rs. 200 or so;
- (2) that the rates quoted by different tenders have been tabulated and scrutinized by the authority competent to accept the tenders;
- (3) that the authority competent to accept the tenders has accepted only the lowest tender or reasons for the non-acceptance of the lowest tender has been recorded;

NOTES.—(1) In cases of works financed wholly or in part by Government, every case in which the Public Works Committee or the Municipal Board consider that the lowest tender should not be accepted, should be supported by full facts of the case along with the recommendation of the Committee or Board as the case may be and suitable comments offered in the Audit Report where considered necessary.

(2) When single tenders at or below estimate rates are received, the Municipal Board or the Public Works Committee, as the case may be, may at its discretion reject such tender and invite fresh tenders.

- (4) that where the lowest tender has been rejected for recorded reasons, the next lowest tender has been accepted unless adequate grounds have been recorded for rejecting this tender also; and
- (5) that in no case has a tender been accepted at other than the rates specified in the tender.

62. **Agreements.**—It should be seen that written agreements have been entered into with the contractor for contracts and the quantities and rates are those appearing in the accepted tender.

If in the course of execution of a work the rates are found to require revision, a revised agreement is entered into with the contractor and payments at the higher rates are made only after the revised agreement is approved by the authorities.

63. Contract certificates and nominal Muster Rolls.—These should be examined on the lines indicated in Chapter II. The following special points should however be examined :—

- (1) that check-measurements are done in accordance with the rules issued on that behalf;
- (2) that material alterations in the original design or plan or any revision of the original estimate resulting in an excess over the prescribed percentage which are found necessary in the execution of the works are reported without delay to the competent authority and sanction obtained; and
- (3) that final payments in respect of all major works are made only after the completed work has been inspected by the Engineer and after the defects, if any, noticed by him have been rectified.

64. Miscellaneous Supply Bill.—It should be seen—

- (i) that the signature of the supplier as appearing at foot of the bill agrees with that given in the receipt;
- (ii) that amount to be remitted to firms, etc., at a distance are not drawn until actually required for remittance;
- (iii) that the amount, if any, shown as the balance due for the supplies of previous months is correct with reference to the previous bill;
- (iv) that the rates charged are not *prima facie* excessive, and that in cases where agreements have been taken for the supply of particular articles the latter are not paid for at higher rates than those agreed upon; and
- (v) that the printed certificates as to the rate not being in excess of the local market rate has been furnished and that the bill is otherwise correct.

65. Refund Vouchers.—Refunds may be—

- (1) due to remission of tax on account of vacancy of houses;
- (2) on account of reduction of tax on appeals;
- (3) of deposits; and
- (4) of amounts received or recovered in excess of the amount due and other miscellaneous items.

66. The principal points to be noticed in the audit of refund vouchers are—

- (i) that the amounts repaid are covered by the original credits;

- (ii) that the repayments have been noted in the registers concerned as also against the original credits in the demand registers;
- (iii) that proper sanction is forthcoming in support of all refunds; and
- (iv) that the several dates of payments are duly noted on the voucher in cases where a number of refunds are made on the same bill and that the voucher is otherwise correct.

67. Refund of tax due to remission on account of vacancy of houses.—The important points to be examined are—

- (i) that a notice of vacancy has been received under rules;
- (ii) that remission is calculated only from the date of receipt of the notice of vacancy or the date of commencement of actual vacancy whichever is later;
- (iii) that the vacancy of the house has been verified and the fact of verification recorded by an out-door officer of the municipality;
- (iv) that remission is granted only if the building was vacant;
- (v) that the refund is made only if it is demanded for the period in respect of which the remission is sought for; and
- (vi) that all notices of vacancy have been noted in the register of vacancy remissions as well as the amount of refund, the number and date of voucher on which the refund was made.

68. Refund of tax on account of its reduction on appeal.—It should be seen when a refund voucher comes up for audit—

- (1) that the appeals received have been duly entered in the register of appeals in the order of their receipt;
- (2) that the conditions prescribed in the Act have been fulfilled in respect of appeals which were admitted and on which orders were passed by the board or a Committee constituted for the purpose;
- (3) that orders of the board or the Committee with reasons for the decision have been recorded both in the minutes book and the appeal register by the Chairman or the Presiding member;

NOTE.—The orders may be recorded in the appeal register during the meeting by the Chairman or the Presiding member as the case may be and a mere reference may with the approval of the Board or the Committee be given in the minutes book to the appeal register.

- (4) that details as regards the amount of tax, the date of service of notice, the date of receipt of the application; the number and date of the voucher on which the refund is made have been noted in the appeal register;

- (5) that the revised tax has been noted in the demand register; and
 - (6) that there is no undue delay in the disposal of appeals.
69. **Advance.**—It should be seen—

- (1) that advances are made only for purposes recognized in the rules and are not *prima facie* excessive;
- (2) that in the case of advances made for purchase of conveyances such as a motor car or a motor cycle agreements and mortgage bonds have been obtained and in the case of advances granted for conveyances other than a motor car or a motor cycle adequate security has been taken;
- (3) that advances are recovered in the manner laid down in the rules;
- (4) that the advances made and recoveries effected have been noted in the Register of Advances recoverable;
- (5) that there has been no avoidable delay in the recovery or adjustment of advances.

NOTE.—Items of advances which remain unadjusted for over three years should be specially scrutinized and suitable comments made in the audit report.

70. **Recoupments of permanent advance.**—It should be seen—

- (1) that all payments from the permanent advance have been made on sub-vouchers duly passed for payment by the executive authority;
- (2) that they are properly recorded in the register;
- (3) that recoupments are made at least once a month; and

NOTE.—If the recoupments are made at long intervals, the presumption is that the advance is unnecessarily large.

- (4) that all sub-vouchers have been properly cancelled.

71. **Imprests.**—It should be seen—

- (1) that the imprests are recouped on proper vouchers;
- (2) that the payments made have been duly passed by the executive authority;
- (3) that the account is duly supported by vouchers; and
- (4) that the amounts disallowed, if any, have been duly recovered.

72. **Deposits.**—It should be seen—

- (1) that no item of receipt which can be clearly brought to account under any revenue head, pay, pension, leave salary or other allowances and fines, is credited to deposits;
- (2) that the written orders of the executive authority have been obtained in respect of every item credited to deposits;

- (3) that separate registers or separate pages of the register have been sent apart for recording cash transactions relating to different classes of deposits, such as election deposits; contractors' deposits, security deposits in cash of municipal employees, etc.;
- (4) that transactions relating to deposits otherwise than in cash have been recorded in a separate register maintained for the purpose;
- (5) that deposits taken from contractors, tenderers, municipal employees are in the form prescribed in the rules;
- (6) that the deposits received in cash have been promptly remitted into the treasury, and those received otherwise than in cash have been kept by the executive authority in safe custody;
- (7) that any deposit or balance thereof which has remained unclaimed for a period of three years from the date on which it became repayable and any deposit or balance thereof which does not exceed and which has remained unclaimed for a period of one year from the date on which it became repayable have been credited to the appropriate revenue head of account;
- (8) that a deposit credited to a revenue head of account has been repaid only with the sanction of the board;
- (9) that the refunds have been drawn on proper vouchers;
- (10) that a certificate to the effect that the entries in the register of deposits are up-to-date has been recorded in the register by the executive authority at the end of each quarter; and
- (11) that monthly totals of receipts and refunds have been made in the deposit register and they agree with the figures appearing in the posting register.

73. **Investments.**—It should be seen—

- (1) that earmarked funds, i.e., provident fund, water and drainage fund and endowment fund, are invested in one of the permissible forms and that investments in other forms are not made except with the specific sanction of Government;
- (2) that particulars of investments made have been entered in the register of investments;
- (3) that certificates, bonds, bank receipt or other evidence in support of investment are available and that in cases where the securities are held by any authority the amounts are traceable in the list published by him;
- (4) that interests due have been realized on the due dates and credited to the accounts;

- (5) that investments made out of earmarked funds have been reinvested if the amount is not required for expenditure;
- (6) that in the case of investments written off the register by sale or otherwise the amounts of sale-proceeds have been duly credited in the accounts or if the sale was by transfer of investments, it is supported by proper vouchers; and
- (7) that investments have not been disposed of except for the specific purpose for which they have been made.

74. **Examination of Records.**—Several of the registers will already have been examined in the course of the processes referred to in the preceding paragraphs but the auditor should make it a point of seeing that all the required registers are maintained and that they are in the prescribed printed forms, and not maintained or not in the standard forms being detailed in the objection statement provided there have been transactions necessitating their use. The following special points should also be noted in addition to those already mentioned.

75. **Daily Collection Register.**—(i) It should be seen—

- (1) that the entries in the daily collection register are made in accordance with the rules and instructions on the subject;
- (2) that the amounts shown as realized are remitted into the treasury without delay and that no portion is withheld;

NOTE.—The remittances up to the date of audit should be traced from Daily Collection Register into the Pass Book through the remittance chalang and the cash book.

- (3) that the total cash balance at the end of each day including balance, if any, left unremitted from the previous day's collection is verified by the head ministerial officer at the close of each day and by the Chairman or Vice-Chairman at least once a week, and the balance so verified is stated in words over the initials of the verifying officer;
- (4) that the totals are correct;

- (5) that revenue brought to credit by transfer of adjustments as well as amounts of grants, etc., adjusted in the treasury are not entered in the register; and
- (6) that cheques received in payment of municipal dues are not credited before realization.

(ii) **Collection Register and Cash Books.**—Auditors should—

- (a) check the receipts with the entries in the Sarkar's Daily Collection Register and with those in the Collection amount of the Tax Daroga in respect of office collections. See that the requirements of rule 47 of the Account Rules (Recovery of Taxes) are complied with.

- (b) Check the entries in the daily Collection Register with the postings in the Demand and Collection Register.
- (c) Trace the daily totals from the Daily Collection Registers to the Tax Daroga's Cash Book.

76. **Cheques.**—It should be seen—

- (1) that the cheque books used are those supplied by the Treasury or Bank;
- (2) that the total number of pages in each book is certified to on the cover;
- (3) that cheques are issued only for payments as prescribed in rules;
- (4) that cheques have been drawn only by the authority specified;
- (5) that cheques have not been signed unless required for immediate delivery to the person concerned;
- (6) that cheques were drawn in favour of the executive authority for payment of salaries, etc., to the establishment, for recouping permanent advance and payment to persons residing outside the town;
- (7) that all cheques issued have been duly recorded in the cash book;

NOTE.—For this purpose, the counterfoils of all cheques issued during the period under audit should be traced into the cash book, care being taken to see that the amount, number and date of the cheques have been correctly entered.

- (8) that the books are in the personal custody of the drawing officer who signs the cheques.

77. **Cash Book.**—It should be seen—

- (1) that the 'cash' and 'bank' columns are correctly used;
- (2) that the entries on the receipt side have been correctly made from the chalan and collection registers and not from the daily collection register;

NOTE.—It will suffice if the entries for three days a month are tested.

- (3) that there are no erasures and that all corrections have been neatly made and attested by the Executive Authority;
- (4) that the book is closed every month and that a reconciliation of the closing balances of the pass book and cash book is effected and recorded under the signature of the executive authority;
- (5) that the book is written up daily and that the cash balance at the time of the audit is correct;

NOTE.—The balance on any one day should be verified in the manner laid down in Chapter II and certified to in the cash book.

(6) that all receipts paid by parties in the treasury direct and amount of grant, etc., adjusted to the personal deposit account at the Treasury are entered in the cash book;

(7) that the amounts entered on the charge side of the cash book agree with those in the counterfoils of cheques;

NOTE.—(1) All the counterfoils of cheques for the period of audit should be traced into the cash book.

(2) If the cheque includes the amounts due for payment on more than one voucher, the totals should be tested to see that the amount drawn on a cheque is correct.

(8) that the cancelled cheques are forth coming; and.

NOTE.—The cancelled cheque should be destroyed in audit. It should be seen whether a note has been recorded on the counterfoil of the cheque under the initials of the drawing officer

(9) that the amounts drawn on self-cheques are brought on to the petty cash book with particulars of voucher number and the purpose of payment.

78. Pass Book.—It should be seen—

(i) that the collections remitted into the Treasury or the bank have been duly credited and that only the amounts of cheques issued by the Executive Authority upon the treasury or the bank have been debited in the pass book;

NOTE.—For this purpose the daily remittances of collections as per Daily Collection Register and the cash book should be traced into the pass books through the remittance chalan and the payments as per cash book through the counterfoils of cheques issued.

(ii) that all receipts paid into the treasury direct to the credit of municipal funds and amounts of grants etc., adjusted to the credit of the municipality at the treasury and credited in the pass book have been duly taken credit for in the cash book and the posting register;

(iii) that the book is written up at the treasury or bank and that each receipt entry is duly authenticated;

(iv) that the book is balanced monthly under the signature of the Treasury Officer or Bank Agent;

(v) that the pass book is sent to the treasury regularly for being written up; and

(vi) that the balance shown in the pass book at the close of the year agrees with that entered in the 'Bank' or 'Treasury' column of the cash book for the month of March after making the necessary allowances for uncashed cheques, etc.

NOTE.—This verification should be effected as follows:—

Take the cash book balance and add to it the total amount of uncashed cheques and deduct the amount of unremitted revenue. This will represent the balance in the bank or treasury and if there is any difference it should be traced. The uncashed cheques should be verified with reference to the subsequent encashments noted in the pass book after the close of the financial year concerned.

79. Subsidiary Cash Book.—It should be seen—

(i) that the amounts of cheques drawn in favour of the executive authority for disbursement by him have been shown in this book;

(ii) that amounts drawn up to the end of the previous month and which remained undisbursed at the close of each month have been refunded into the Treasury;

(iii) that the balance according to the Subsidiary Cash Book on the day of audit agrees with the actual cash in hand undisbursed; and

NOTE.—The undisbursed cash in hand should be actually counted and if it agrees with the balance shown in the Subsidiary Cash Book, the fact should be certified to in the book. If not, the deficit should be noticed in the objection statement and also reported to the Executive Authority immediately. Before verifying the cash balance, the counterfoils of cheques issued up-to-date since last verification in audit should be examined to see that all amounts of cheques drawn in favour of the Executive Authority up to the date of verification of the undisbursed balance on hand have been duly shown in the Subsidiary Cash Book. The entries on the disbursement side need not be verified with payment vouchers but it need be generally seen that the accounts have been closed every month and the undisbursed balances refunded into the treasury.

(iv) that the balance is noted in the remarks column at the close of every day and is verified either by the head ministerial officer at the close of every day and by the Chairman or Vice-Chairman himself at least once a week and the balance verified is stated in words under the initials of the verifying officer.

80. Remittance Chalans.—It should be seen—

(i) that amounts noted as remitted in the Daily Collection Register and the cash book have been acknowledged by the Treasury Officer and credited in the pass book;

(ii) that any amount returned by the treasury on the ground that the coins are counterfeit ones or the currency notes are mutilated, is taken credit for in the daily collection register and an equivalent amount included in the next day's remittance; and

(iii) that the remittance chalans are signed by the Executive Authority and that if the chalans are signed by the head ministerial officer, the Executive Authority checks the remittances and verifies the actual remittance with reference to receipted chalans at least once a week and initials them in token of such verification.

81. Adjustment Register.—It should be seen—

(i) that it contains a complete record of all adjustments made by transfer from one account to another or from one head of account to another; and

(ii) that all adjustments made are entered in a serial order and posted straightway in the Adjustment Register.

82. (A) Register of Cheques and drafts received in payment of dues.—It should be seen—

- (i) that all cheques and drafts received in payment of money due to the municipal board are entered in this register; and the same is reviewed daily by the Executive Authority;
- (ii) that particulars regarding date of encashment, bank commission, if any, charged, the net amount realized and date of credit have been noted in this register;
- (iii) that there are no delays in the encashment of cheques; and
- (iv) that only provisional receipts were issued in cases of payment by cheques.

(B) Register of Money Orders received.—It should be seen—

- (i) that amounts received by money order are entered in this register; and the money order coupons bear the dated initials of the officer authorised to receive money orders and are stamped with municipal office seal;
- (ii) that the amounts received are credited to the daily collection register without delay; and
- (iii) that the register undergoes scrutiny at the hands of the executive authority daily.

NOTE.—All the items entered in this register should be traced into the daily collection register.

83. Register of Permanent Advances.—The entries in this register will have been checked in the course of the checks prescribed in the preceding paragraphs of this Manual. It should also be seen that the annual acknowledgments have been received and filed.

NOTE.—All acknowledgments wanting should at once be brought to the notice of the executive authority and, if not produced by the end of the audit, they should be detailed in the objection statement.

It should be seen—

- (i) that advances have been given only to officers who have to incur petty expenses;
- (ii) that the advances paid are based on the average expenditure; and
- (iii) that the sanction of the Board has been obtained in each case.

84. Register of Advances.—The entries on the debit and the credit sides of the register will have been checked in the course of the checks prescribed in the preceding paragraphs of this manual. The register should be further examined to see—

- (i) whether the opening balances have been authenticated by the initials of the previous auditor. If not, they should be checked with the details furnished in the preceding year's register;

(ii) whether the monthly totals of receipts and payments agree with the corresponding figures shown in the posting register;

(iii) whether the closing balances have been correctly brought forward in the column set apart for the purpose as well as in the succeeding year's register as the opening entries;

NOTE.—The latter should be initialled in token of verification.

(iv) whether the several totals are correct;

(v) that in the case of advances outstanding on account of stock of forms, etc., such as contract agreements, the value of the stock on hand agrees with the advance outstanding in the register; and

(vi) whether any advances are left unadjusted at the end of the year without sufficient cause. The older items should be detailed in the objection statement unless the explanations furnished are satisfactory.

Any items transferred to advances by the auditor himself should be inserted by him in the register in their proper places under his initials and the totals altered accordingly.

85. Register of Deposits.—After the entries in the register of deposits have been examined in the course of audit, the several totals should be verified and corrected when necessary. It should also be seen—

(i) that no deposit is kept out of account;

(ii) that in the case of deposits by renters and contractors the amounts shown in their agreements as deposited by them have been actually so deposited and that renters' deposits have been made in cash or post office savings bank deposits or Government promissory notes and municipal and local board debenture bonds;

NOTE.—Cash deposits of lessees or contractors should not be invested.

(iii) that no sums are unnecessarily held under deposits;

NOTE.—Taxes paid under protest or deposited for the purpose of preferring appeals should be credited to the revenue head concerned and not to 'deposits'. But the deposits paid by renters should be shown under deposits and not credited to the Revenue head until they are adjusted. Any items unnecessarily or wrongly credited to 'deposits' should be transferred by the auditor to the proper head and the necessary alterations made in the balances brought forward for the subsequent year.

(iv) that there are no undue delays in the adjustment of unclaimed deposits; and

(v) that deposit funds have not been appropriated for the general purposes of the municipality.

86. Security Register of Municipal employees, Lessees and Contractors.—It should be seen—

- (i) that security has been obtained from all employees who are required by the rules to furnish it;

- (i-a) that all employees having to deal with moneys have been required by the board to furnish adequate security and if not the desirability of doing so should be brought to its notice in the relevant audit reports and their replies obtained;
- (ii) that the amount of security fixed in each case is noted in the register with the number and date of the board's resolution fixing it;
- (iii) that security has been taken to the full extent of the sum fixed by the board, that the sum fixed in the case of officers mentioned in rule 10(1) of the establishment rules is not less than the amount fixed by Government in that rule and that, when it is recovered in monthly instalments from pay, the recovery has been made regularly every month until the security is completed;
- (iv) that security has been obtained in the form specified in the rules relating to deposits, loans and investments;
- (v) that security bonds have been taken in all cases in the prescribed form;
- (vi) that the savings banks pass books are forthcoming in all cases where savings bank deposits have been furnished as security.
- (vii) that all Government promissory notes pledged as security are forthcoming and if they have been lodged with any authority the amounts are traceable in the annual list published by him;
- (viii) that the several pass books and promissory notes have been duly endorsed to, and pledged in favour of the executive authority of the municipal board;
- (ix) that interest realised from time to time is brought to account and paid to the parties on their receipts;
- (x) that deposits tendered by contractors, renters, etc., otherwise than in cash are entered in this register;
- (xi) that the return of the pass books and other documents is duly acknowledged by the parties to whom they are said to have been made over; and
- (xii) that the register has been totalled and the totals agree with the security deposit statement in the annual account.

87. Register of Investments.—This register would have been checked already in connection with the audit of transactions relating to investments. It should be seen—

- (i) that if the securities are in the custody of any authority the total amount of investment agrees with that shown in the list published by him as the case may be; and

- (ii) that the totals of investments made as shown in the register agree with the figures in the posting register and the annual account.

88. Register of Loans.—It should be seen—

- (i) that loans have been obtained by Municipal Board only in accordance with the provisions of the Local Authorities Loans Act and the rules framed thereunder;
- (ii) that the loan has been taken for an authorised purpose;
- (iii) that the orders of Government sanctioning the loan have been noted in the register;
- (iv) that payments of principal and interest have been regularly made in accordance with the conditions of the loan;
- (v) that the loan was not taken long before the money was required; and
- (vi) that the amount raised by loan has been spent only on the purpose for which the loan was obtained.

89. Register of Sinking Funds.—It should be seen—

- (i) that a sinking fund has been established in the case of every non-Government loan not payable by annuities or annual drawings;
- (ii) that investments of payments into sinking funds have been made as soon as possible after the instalments fall due;

NOTE.—The investments should include besides the amount of the instalment due, any uninvested balance of previous instalments and of interest realised.

- (iii) that interest has been realized on due dates on the investments of the sinking funds; and
- (iv) that the balances of sinking funds have not been utilized for any other purposes of the municipality.

90. Appropriation Register of Loans, Endowments and other funds.—This register is intended to watch that the funds raised by a loan or special contributions or endowments are appropriated for the purposes for which they are raised. The receipts and payments would be posted from the posting register as soon as it has been posted for the month.

It should be seen—

- (i) that without the sanction of Government previously obtained no portion of the fund has been appropriated even temporarily to any object other than that for which they have been raised;
- (ii) that separate pages or sets of pages have been set apart for each endowment or fund;

(iii) that an abstract has been prepared at the beginning of this register showing the monthly closing balance of each fund; and

(iv) that the transactions relating to funds earmarked for certain purposes are recorded in this register.

91. Register of Bills for payment.—It should be seen that the register is correctly written up, that all amounts unpaid at the end of the year have been brought forward as fresh entries for the succeeding year, and that the total thereof has been shown in the statement of liabilities. Arrear claims should be admitted with caution, if the amounts are not traceable in this register.

92. Audit Register.—This register will have been checked under the process of check laid down in the preceding paragraphs relating to check of establishment pay bills, etc. It should be seen that all recurring charges have been entered in the register and authorities sanctioning them quoted in support. The authorities should be verified in every case in which the charges have been newly sanctioned or there has been a change in them since last audit.

It should be seen whether—

(1) any excesses over the sanctioned scale appear in any month of the whole period under audit and all excesses over the sanctioned monthly scale have been satisfactorily explained;

(2) the order sanctioning the establishments have been noted in all cases and the amounts entered in the sanctioned scale columns authenticated by the initials of the executive authority;

(3) the alteration in the scale column have also been initialled by the head ministerial officer or the executive authority and the dates from which they take effect have been invariably noted;

(4) house-rents and fixed contingencies drawn along with pay have been properly posted in the audit register;

(5) refunds by short drawals, fines and amounts withheld for future payment have been correctly noted;

(6) the temporary establishments have been entered separately after the permanent establishments in the audit register, the period for which sanction holds good has been noted and lines have been drawn across the pages or months previous and subsequent to such period; and

(7) the register has been maintained correctly and posted monthly when pay bills are passed for payment.

93. Service Book.—It should be seen—

(i) whether a separate service register has been maintained for every employee borne on the establishment of a municipality;

(ii) whether the record of service of each officer is complete;

NOTE.—When examining establishment bills it should be seen that all leave, increments etc., have been recorded in the service register.

(iii) whether it bears evidence of having undergone annual verification at the hands of the executive authority;

NOTE.—The auditor should see that all omissions or inaccuracies noticed by him in the registers are rectified, if possible before the completion of the audit.

(iv) whether leave accounts have been maintained for each officer;

NOTE.—Whenever an employee's leave salary comes up for audit, the leave account should be referred to and the eligibility for leave verified. The auditor should check the leave accounts to see that the entries of leave earned, leave taken and the balance at credit are correct.

(v) whether in the case of an employee who had served under another local body, the liability of the other local body for leave earned by service under it and the amount of leave allowance as determined and communicated by that body have been entered in the service books; and

(vi) whether the leave allowance recoverable from another local body under the preceding instruction has been recovered.

94. Register of contributions due for the Municipal Board towards Pension and Leave Salary, of officers and servants lent on foreign service or on deputation.—It should be seen—

(i) that a separate page is set apart for each officer or servant lent on foreign service;

(ii) that the amount of contribution due has been correctly worked out;

NOTE.—Contributions towards leave salary and provident fund should be paid at the rates prescribed.

(iii) that the rate of contribution due is shown as demand in the miscellaneous demand register with a view to watching its payment; and

(iv) certificates showing dates of making over charge and of receiving charge of the new post in foreign service have been preserved.

95. Register of Works.—It should be seen—

(i) that all works have been entered in this register;

(ii) that it shows the amount provided in the estimate and the actual expenditure by sub-heads;

(iii) that the several money columns have been totalled at the end of the year or on completion of the work so as to enable a comparison between the total expenditure and the amount of estimate or contract being made; and

(iv) that the total of the year's expenditure on each work has been recorded in the Register of Estimates and Allotments.

96. Schedule of Rates.—It should be seen—

- (i) that the schedule has been duly sanctioned by the board for adoption every year;
- (ii) that all subsequent alterations or new entries of rates have been duly approved by the board and authenticated by the initials of the executive authority;
- (iii) that the schedule does not contain the maximum and minimum rates but only mean rates; and
- (iv) that the schedule provides for rates for collection and carriage of metal on different roads in the municipality.

97. Contractor's Ledger.—It should be seen—

- (i) that a separate folio is opened in the personal ledger for each contractor;
- (ii) that the entries on the debtor side show the payments made to the contractors and those on the creditor side the value of work done as shown in the contract certificates passed from time to time;
- (iii) that the account embraces all transactions to which the contractor is a party whether relating to one or several works or to materials purchased from him;
- (iv) that the account shows the number and account of each passed bill and certificate with a brief entry of the name of work, the number and amount of each bill or certificate and the balance due to or from the contractor on account of each work not settled in full; and
- (v) that the contractor has signed the account at convenient intervals in token of the acknowledgement of the correctness of his account.

98. Road Metal and Annual verification statements.—It should be seen—

- (i) that road metal statements have been submitted regularly every month by the Engineer, Supervisor or Overseer;
- (ii) that the receipts, issues and balances of materials have been correctly shown and references given to the payment voucher number;

NOTE.—For this purpose all the purchases and issues according to vouchers for works should be traced into the statements.

(iii) that the actual balances of materials on road sides at the close of the year have been verified by the executive authority and found to agree with those in the Road Metal Statements and any differences brought to the notice of the board for necessary orders; and

(iv) that the balances as finally settled have been carried over to the statements of the next year.

99. Measurement Book.—It should be seen—

- (i) that all measurements of work done whether by means of daily labour or by contract, and of materials received or issued, have been recorded in the measurement book.
- (ii) that the arithmetical calculations and totals in the measurement books are correct;
- (iii) that there are no undue delays in measurements and check-measurements of work done;
- (iv) that all entries which have been transcribed into the bills have been neatly crossed out in ink;
- (v) that there are no erasures or unattested alterations;
- (vi) that pencil entries have not been inked over except in the contents column, which should invariably be in ink;
- (vii) that reference is given in all cases to the vouchers on which payments were made;
- (viii) that the book evidences check at the hands of the check-measuring officer, as well as by the Municipal office;
- (ix) that the used-up books have been returned to the Municipal office and that they are carefully filed;
- (x) that the measuring officer has authenticated each set of measurements by his signature or initials; and
- (xi) that rules issued by Government regarding measurement and check-measurements of Municipal works (other than those connected with water-supply and drainage) have been observed.

100. Personal Ledger.—The entries in the ledger will have been checked in the course of the check prescribed in the preceding paragraphs of the manual. It should be seen—

- (i) that all works executed for private individuals have been recorded in the ledger;
- (ii) that the estimated cost of the work is recovered in advance, i.e., before the work is actually commenced, except in cases of special urgency, etc.;

- (iii) that the fees prescribed in the bye-laws for the preparation of estimates, for the wear and tear of tools, etc., and for supervision are always recovered and credited to municipal funds;

NOTE.—Supervision charges on house service connections for water-supply are to be levied at the prescribed percentage on the actual outlay booked in the accounts, *i.e.*, on the net outlay after allowing for refunds and writes back. No items of expenditure is to be excluded from the levy on the plea that it involves little or no departmental supervision. If the estimates prepared by the Municipal Boards, show only the net expenditure incurred by them, *i.e.*, the gross value of the works executed minus the value of materials supplied by the house-owner the percentages can be levied on the net outlay only. It should be seen whether such percentage has been prescribed in the water-supply bye laws of the Municipalities.

- (iv) that the amounts deposited by each individual or body are shown in the personal ledger account;

NOTE.—Each item of receipt should be traced into the above register.

- (v) that charges incurred on account of service rendered have been correctly entered against the respective items of credit;
- (vi) that balance, if any, at the credit of the individual has been refunded to him or that due from him has been recovered;
- (vii) that for all balances recoverable from individuals outstanding bills are forthcoming, if bills have been prepared; and
- (viii) that the surplus amounts due to parties and the amounts recoverable from them for excess work done as well as the amounts recovered for works not executed during the year have been transferred to the ledger of the next year before fresh entries are made.

NOTE.—If, in any case, the outstandings have not been brought forward as above, the auditor should trace the original credits before admitting the charges.

101. Inventory of Immovable Property.—It should be seen—

- (i) that all lands, buildings and buildings sites newly acquired or constructed by the municipal board during the year under audit have been duly entered in the register with particulars of Plot No., extent, value, cost of construction, or acquisition as also the cost of any additions to the existing lands, buildings, etc.;

NOTE.—The register should show a list of roads, bridges, culverts and other properties vested in or belonging to the board.

- (ii) that if any property is rented out, the rent has been fixed by competent authority and realised regularly and credited in the accounts; and
- (iii) that no immovable property has been transferred by sale, mortgage, exchange or otherwise without competent sanction.

NOTE.—The total value of the property according to this register should be shown in the statement of assets and liabilities appearing in the annual account.

102. Register of Tools and Plants.—It should be seen—

- (i) that the register contains a complete record of all tools, furniture, etc., as mentioned in the note under the heading of the register;

- (ii) that all tools and plant, livestock, etc., purchased during the year according to payment vouchers, have been shown in the register;
- (iii) that the purchases of tools and plant, livestock, etc., and sales, if any, thereof as being unserviceable, have been made with competent sanction;
- (iv) that credits are traceable in the accounts for all sale proceeds of unserviceable tools, etc.;
- (v) that the certificate has been furnished by the executive authority or other responsible officer as to the actual verification of the balance on hand;
- (vi) that separate registers or separate sets of pages in a register are set apart for recording tools and plant in the various subordinate institutions;
- (vii) that the value of tools and plant found short at the time of verification is recovered from the person responsible or is written off with competent sanction;
- (viii) that articles of tools and plant found in excess at the time of verification are brought to account; and
- (ix) that the balance of stock at the end of the year has been entered in a fresh register.

103. **Stock account of Stores, Stationery, Public Works and Water Works Stores and other Miscellaneous articles.**—These should be checked on the lines indicated above for the check of the Register of Tools and Plant. It should, in addition be seen—

- (i) that the issues are in accordance with scale, if any, prescribed;
- (ii) that articles are not stocked largely in excess of requirements and
- (iii) that the stock of paper and other stationery articles has been verified and the fact certified to in the register periodically.

104. (a) **Stock account of Forms.**—This is a very important record, as it furnishes a means of check of the possible misuse of bill and other similar forms. The receipts and issues should be checked in detail; not for the period under audit, but up to the date on which the actual balance is verified. The points to be looked into in examining it are—

- (i) that the entries of receipt are in agreement with the invoices received from the Central Press or the Government Press or bills from the Press in the case of locally printed forms. The total amount of the bills should be compared with the charge under stationery and printing in the posting register to see that all bills are forthcoming;

- (ii) that issues are not made in excess of requirements and that the books issued are all forthcoming either as used or unused;

NOTE.—All missing books should be detailed in the objection statement and a special explanation asked for. Unused books not required for immediate use should be credited to stock.

- (iii) that the printed machine numbers of books issued have been noted in the stock register and the acknowledgments of the clerks concerned are taken for issues;
- (iv) that the stock of forms has been verified and the fact certified to in the register at periodical intervals; and
- (v) that the actual stock in hand at the time of audit, agrees with the book balance.

NOTE.—This should be ascertained by actual counting, after striking the balances in the register, and this fact of agreement should be certified to in the latter. If any differences are discovered, they should be drawn prominent attention to in the objection statement and in the audit report. It should also be seen whether these forms are kept securely under lock and key in charge of any of the responsible officers.

- (b) *Stock account of survey map.*—The following points should be noticed in the check of the stock account of survey maps.
- (i) whether municipalities to which survey maps have been supplied maintain a stock account of maps received;
- (ii) whether sales have been duly noted in the stock account and the sale proceeds remitted; and
- (iii) whether a certificate of verification has been recorded in the account by the executive authority.

NOTE.—(1) The auditor should verify the actual stock of maps with the balance noted in the stock account after striking the balances and record a certificate of such verification in the stock account.

(2) Maps, etc., supplied for administrative purposes should be required to be accounted for separately and the receipts, issues and balance in respect of these should be checked and the actual stock balance verified with the book balance during audit, and the fact certified to in the stock account.

105. Suit Register.—It should be seen—

- (1) that all the suits to which the municipality is a party are entered in the register;
- (2) that separate pages are allotted for each suit and that appeals are entered separately giving a cross reference to the original suit;
- (3) that the expenditure incurred on a suit is entered with full details in the appropriate columns of the register;
- (4) that advances made to vakils and their adjustments on receipt of detailed bills are noted in it against the suit concerned;
- (5) that particulars regarding results of the suits, the sum decreed towards suit, costs, etc., are noted in the appropriate columns of the register;

- (6) that recoveries made are also noted in it;
- (7) that decrees are not allowed to become time-barred and that execution petitions have been taken in time;
- (8) that the progress of suits, execution of decrees and recoveries of amounts decreed are watched through this register by the municipal office;
- (9) that yearly returns showing the number of suits pending relating to previous year, number filed during the year, the number disposed of and the number pending at the end of the year have been obtained from the pleaders and checked with reference to the entries in this register; and
- (10) that amounts decreed have been noted in the miscellaneous demand register with a view to watch their recovery.

106. *Other Records*—The following registers need also be examined with a view to seeing that they are duly maintained and in a correct manner:—

- (i) Stock account of stationery.

NOTE.—It should be seen that the stock is verified periodically by the executive authority or an officer authorised by him.

- (ii) Postage and receipt stamp account.

- (iii) Other registers, if any.

NOTE.—The balance of stamps on hand on the date of examination of the register referred to in item (ii) should be verified and the fact recorded.

107. Monthly accounts of Receipts and Expenditure.—It should be seen—

- (i) that it is posted monthly;
- (ii) that the postings have been correctly made and that the classifications are correct;

NOTE.—The entries in the charge portion should be examined with reference to the vouchers noted in the Cash Book when they are being audited, while in the case of the receipts monthly and grand totals should be checked with the several chalan and collection registers, and the grand totals also agreed with those in the several demand, provident fund, deposit, advance and other miscellaneous registers.

- (iii) that the several adjustments made in the accounts, including sums expunged from both sides, have been correctly posted;

NOTE.—Refunds of expenditure of the current year should be taken as abatement of the charges under the service head concerned to which they were originally debited in the posting register. Similarly, refunds of current collections should be deducted from current receipts under the heads concerned, the payment voucher numbers and amounts being detailed in the posting register.

- (iv) that the monthly and progressive totals are correct;

- (v) that the totals as finally arrived at agree with those shown in the annual account appended to the audit report; and

NOTE.—The alterations made by the auditor owing to errors in classification or in totaling, etc., should be neatly carried out in the posting register and the correct figures noted in the last column.

(vi) that the total receipts and charges of the service and debt heads as well as endowments and other special accounts have been correctly entered in the posting register and they agree with the corresponding figures in the subsidiary accounts maintained.

108. Provident Fund Accounts.—The accounts should be examined on the lines as indicated in Chapter II and VI.

109. Pound Accounts.—The accounts should be examined on the lines as indicated in Chapter VII.

110. Preparation of the Annual Account.—After the posting register has been completely checked, the annual account of receipts and charges which should be submitted along with the audit report should be prepared from the entries in the posting register. The figures to be entered under the head “final budget appropriation” should be taken from the original budget sanctioned by the board and transfer of allotments, if any, ordered by it during the course of the year. It should particularly be borne in mind that the figures given in the revised budget for that year submitted along with the budget estimate for the subsequent year should not be adopted.

111. The abstract of account for the Annual Account should then be prepared with reference to the previous year's account as regards opening balances and the body of the account as regards receipts and expenditure. The closing balance should be worked out and tallied with the closing balance of the cash book or cash books. It should be seen that earmarked funds, such as, balances of capital receipts from sale of capital assets, loan funds, special State grants, etc., have not been diverted for ordinary expenditure under General Account without the specific sanction of Government. It should be particularly seen that no portion of provident fund balance has been diverted as such diversion even temporarily is not permissible.

It is, however, not necessary to show the general account as having a deficit where long-term diversions are sanctioned.

112. (1) Where the same staff collects different taxes and fees or where the same staff keeps the accounts for different taxes and fees, the total cost of such staff and the pay and allowances of the officer should be allocated among the funds concerned in proportion to the amount collected under each head.

(2) (a) Where no separate ministerial and collection establishments are employed exclusively for the purposes of any scheme and where the work connected with the administration of the scheme is attended to by the general and collection establishment, the charges on account of the Chairman's pay and allowances and on account of the general and collection establishments should be debited to the fund in proportion to the total income under the fund;

(b) where separate ministerial and collection establishment is employed exclusively for purposes of any scheme, the entire cost of such staff together with a portion of the charges on account of

the pay and allowances of the Chairman in proportion to the total income from such an undertaking should be debited to the scheme fund. No portion of the cost of general and collection staff should be debited to that fund.

113. Separate subsidiary accounts are maintained for “Lighting Account”, “Water Supply Account”.

(a) Lighting account should be maintained only in municipalities where lighting tax is levied to provide for expenses connected with the lighting of the municipality by gas or electricity. The transactions relating to Electric Licence Schemes should not be booked in this account. The charges incurred for street lighting by electricity should however be debited to this account.

(b) Water-Supply Account.—This is also an earmarked fund and it should be seen that the tax realised has been credited to the fund and charges in connection with water-supply have been debited.

114. Statements to be appended to the Audit Report.—The following statements shall be appended to the Audit Report :—

(a) Endowments Account.—As there is no separate subsidiary account for endowments, the figures under Receipts and Expenditure should be compiled from the head “Endowments” appearing under each minor head in the body of the account. These should agree with the figures appearing in the Appropriation Register of Loans, Endowments and other Funds. The opening balance, receipts, charges and closing balance should be noted in the Endowments Account of the Annual Account which should correspond to the figures noted in the abstract of the Annual Account. It should be seen that the balance in excess of the amount required for probable expenditure during the year have been invested in any of the permissible forms of securities.

(b) Special Government grants account for capital works and other special purposes.—This statement should be compiled from the Government grant Register. It should be seen with reference to this register and the statement that the grant is utilized only for the purpose for which it was sanctioned and that the unutilized balance after the completion of the work has been refunded to State Funds.

(c) Loans Account.—This account also should be compiled from the Appropriation Register of Loans. The checks to be applied in the case of special Government grants apply to loans funds also.

(d) Loans statement.—This should be compiled from the Register of Loans.

(e) Investment account.—This should be prepared with reference to the Register of Investments.

(f) *Demand, Collection and Balance statement.*—This should be compiled from the several current and arrear Demand registers, miscellaneous demand register, yearly list of Dangerous and Offensive trades licenses, etc. The amount under the columns "Remissions and Writes-off" should be taken from the Register of Writes-off and Remissions. The figures under collection in respect of taxes and fees should agree with the figures shown in the body of the account, as excess collections should have been transferred to deposits. The percentage of collection to demand should be worked out, compared with that for the preceding three years and suitable comments, if necessary, made in the audit report. It should be seen that balances of taxes and fees have not been allowed to become time barred without adequate action having been taken for their realisation.

(g) *Statement of liabilities and assets.*—After the statement has been prepared, totals should be made and by noting the difference as closing balance the totals of both the sides should be agreed.

(h) *Statement furnishing particulars about each medical institution merged in the fund.*—This should be compiled only from the posting register. To facilitate the preparation of the statement, the figures pertaining to each institution will be indicated separately at the foot of the posting register.

(i) *Abstract of account of deposits in each and security and other deposits not in cash.*—This will be compiled from the respective registers.

(j) *Abstract of Provident Fund Account.*—The opening balances would be the closing balances of the previous year. The other figures should be compiled from the provident fund cash book.

(k) *Abstract of transactions under advances.*—This should be compiled from the register of advances.

(l) It should be seen that the closing balance of the deposit and advances account are correctly worked out from the ledgers, adjustment registers, etc.

115. General—Lodgment of funds.—Every municipal board should conduct all its transactions with the nearest Government treasury or sub-treasury. In exceptional cases Government may permit the opening of an account with any scheduled bank.

The municipal money in the custody of the executive authority should be kept in a cash chest under double locks of different patterns the key of one lock being kept apart from and in a different person's custody from the key of the other lock. The key of one lock should accordingly be with the Cashier and the key of the other lock should be with the executive authority or under his personal responsibility with an officer, other than the Cashier, authorised by him in this behalf.

116. Cash and Account Branches.—It should be seen if the cash and account branches of the Municipal Office have been kept distinct. If not, the attention of the Executive authority should be invited to the relevant rule on the subject.

117. Collection work.—Peons employed to assist tax collectors should not be entrusted with the collection work.

118. Delegation of powers to officers and duty chart of employees.—A list of powers delegated to the different officers should be looked into and it should be seen that the powers are not exceeded. The duty chart of municipal employees should also be examined to assess responsibility, whenever necessary.

119. Audit Report.—On the conclusion of audit and audit report on the general fund accounts dealing with important irregularities should be prepared and forwarded to the Executive Authority along with an audited annual account of receipts and charges, with a request that replies to the report may be furnished within two months from the date of receipt. Other irregularities relating to general fund should be included in separate objection statements which should be forwarded to the Executive Authority for return with replies within two months.

Copies of the Audit Reports shall be endorsed to (i) the District Officer, (ii) the Commissioner of the Division and (iii) the Secretary to the Government of Bihar, Local Self Government Department, Bihar, Patna.

PROCESSES OF AUDIT OF DISTRICT BOARDS' ACCOUNTS

1. *Preliminary information required.*—As in para (1) of Chapter VIII.

2. *Scope of Audit.*—As in paras 2(b) and (c) and 3(a) and (b) of Chapter VIII. A list of registers and records maintained is given in Appendix XLIV to Vol. I.

The processes outlined in Chapter VIII containing conspectus of audit of municipal accounts will also be applicable to District Boards so far as they do not find mentioned in this chapter. The processes outlined in this Chapter only supplement the provisions made in Chapters I to VII *ante*.

3. *Receipts.*—The revenues of a district board may be divided into the following three main classes for purposes of check :—

- (a) Revenue leased out;
- (b) revenue collected departmentally;
- (c) fluctuating items of revenue and revenue derived from assets of fixed nature.

The process of check to be applied in each case is described below.

4. (a) *Revenue Leased Out.*—Fees for ferries, pound rents, fisheries, tolls etc.—

These should be examined in the following manner :—

- (i) As in para 10 of Chapter VIII.

NOTE.—The Board officers concerned should be held liable to make good the loss, if any, which may be caused to the board due to their failure to see that agreements are duly obtained and registered under the rules.

- (ii) that the period of lease of immovable property belonging to District Board does not so extent as to give the lessee a virtual right of occupation;
- (iii) that no person is allowed to enjoy the lease until he has executed the lease deed;
- (iv) that the levy of tolls and the rates at which fees are levied have been duly notified;
- (v) that in respect of leases of ferries managed by the board rates are duly approved by competent authority;
- (vi) that when expenditure is incurred from District Board funds on sanitary arrangements in connection with fairs and festivals held on the district board lands, the fees realised by the board, if any, should be credited to the district fund;

4. (b) *Revenue Managed Departmentally.*—In cases where the collection of any revenue, such as market fees, cart tax, etc., is managed departmentally the following checks should be exercised :—

- (i) Receipts or tin tickets having a fixed value printed on them have been issued for departmental collections. The total number of each kind of receipt issued should be ascertained and the amount realized arrived at by multiplying the number of tickets or receipts by the rate thereof. An abstract should then be made of several totals and agreed with the amounts shown in the posting register. Any discrepancy should be properly investigated.

- (ii) As in paras 11(ii) and (iii) of Chapter VIII.

NOTE.—Before taking up the audit of Cart Taxation Accounts, auditors should go through L. S. G. (Amendment) Act 1950 and the rules published in Government Notification No. 5578 L. S. G. dated 10-7-1952.

5. (c) *Fluctuating Items of Revenue and Revenue from Assets of Fixed nature.*—Fluctuating items of revenue are those not falling under the heads referred to above and are generally the following :—

- (a) Land Cess;
- (b) Fees on permissions, encroachments;
- (c) fees for the occupation of Dak Bungalows, Inspection Bungalows, Rest Houses, etc.;
- (d) medical (including Veterinary hospitals and dispensaries) receipts including grants-in-aid therefor;
- (e) income from endowments and trusts;
- (f) contributions from Government, other boards, municipalities other local authorities and private persons in aid of any institutions or services maintained or financed from district funds or managed by the district board;
- (g) sale proceeds of sweeping, tools and plant, old stores and materials, grass, trees and avenue. Produce appertaining to all district roads, and roadside and other lands;
- (h) income from railways and other transport services, if any, maintained by the district board;
- (i) miscellaneous receipts, such as interest on loans and securities, interest on arrears of revenue and unclaimed deposits and other furniture;
- (j) income from and sale proceeds of buildings, lands and other property belonging to the district board.

The following audit checks should be exercised in respect of each of the items of receipt referred to above :—

- (a) *Land Cess.*—(i) That the estimated income of the District Board under land cess during the ensuing year intimated by the collector is noted in the Cess Demand Register as the demand of the year;

(ii) that the amount due according to the collector's statement is adjusted to the credit of the district board regularly;

(iii) that the final statement showing the amount payable to the district board during the fasli is received from the collector and necessary adjustments with reference to the final statement are carried out during the succeeding years.

NOTE.—The correct distribution of land revenue receipts between land revenue and cesses is a matter for which the collector of the District is responsible, subject to the control of the Board of Revenue; no check over this item will be exercised by the audit office.

(b) *Fees on encroachments.*—Encroachments in district board areas are booked by the Engineering subordinates. The fees in respect of unobjectionable encroachments allowed by the district board are properly collected by means of miscellaneous receipts. It should be seen—

(i) that all encroachments noticed and reported are entered in the register;

(ii) that prompt steps have been taken to evict all objectionable encroachments;

(iii) that in the case of objectionable encroachments fees on the scale laid down by the board are recovered;

(iv) that no encroachment is allowed to continue unless sanctioned by the board;

(v) that the fees recoverable in respect of unobjectionable encroachments are noted in the demand register of land rents and are collected by means of miscellaneous receipts.

NOTE.—Long pendency in the disposal of encroachments should be brought to notice in the objection statement.

(vi) that the permissions granted are in accordance with the provisions of the Act and of rules framed thereunder;

(vii) that the miscellaneous receipt books sent to overseers for collection are noted in the register of receipts issued and that they are obtained back from them after all the receipt books are collected and filed in the office;

(viii) that the postings of all collections of encroachment fees in the relevant registers are correct and agree with the receipts issued;

(ix) that arrears pending collection at the end of the year are carried forward to next year's register.

(c) *Fees for the use of Dak Bungalows, Inspection Bungalows etc.*—It should be seen whether bye-laws have been framed to provide for the regulation and use of bungalows. The Bungalows are in charge of Engineering department and fees for occupation of Dak Bungalows are collected by watchmen under the supervision of overseers. It should be seen that fees collected are correct with reference to the period of occupation (hours and date of arrival and departure are to be noted by the occupiers) and the rate fixed and that the recovery of fees unless exempted in any case by the district

board has been effected from all the travellers who had used the bungalow, etc., is watched and checked by departmental officers, with reference to the chalans and other records. It should be seen in audit that all collections remitted to the credit of the district board have been noted in the Bungalow Book and whether all items noted in the book have been remitted to the district fund. Any unusual delays in the remittance of collections into the board account by the Bungalow watchman should be properly dealt with.

(d) *Medical receipts.*—The receipts from hospitals and dispensaries consist of subscriptions and donations, cost of medicines sold etc., according to the regulations framed by the board or any orders issued by Government. The credits in the District Board Cash Book should be checked with reference to relevant registers of the hospitals and dispensaries concerned, chalans, etc.

(e) *Endowments and Trust receipts.*—It should be seen—

(i) that a record of the history of each endowment is kept;

(ii) that a register of endowments showing the opening balance, receipts, charges and closing balance of each endowment is maintained and the total of the closing balances of all the endowments tallies with the closing balances of the endowment account in the monthly account of March;

(iii) that the revenue due in respect of each endowment is properly watched and promptly realised;

(iv) that the balances are correctly carried forward;

(v) that the Government and other contributions are duly brought to account;

(vi) that the interest on Government or other securities has been duly realised and credited to the endowments concerned;

(vii) that the rents and produce of lands, etc., are duly realised and credited and that necessary demand, collection, and balance statements, etc., are being correctly maintained and recovery of the balance watched;

(viii) that the items shown under miscellaneous are such as should correctly fall under that head, and that the full realisations under the head are duly brought to credit;

(ix) that the contributions from the general revenues of the Board or from other endowed institutions have been duly sanctioned by the boards and that the loans are repaid or adjusted in time to the credit of the general revenues of the board or the endowed institution concerned, as the case may be;

(x) that an account showing the sources of revenue of the several endowed institutions is maintained and the amount realised under each of them is duly proved;

(xi) that there is proof of the existence of endowments in the shape of Government or other securities;

(xii) that the receipts of the several endowments are utilised for the purpose for which the endowment was originally made or subsequently assigned under competent authority;

(xiii) that the surplus balances of endowments are promptly invested in any of the authorised forms of securities.

(f) *Contributions from Government and other Boards, Municipalities, etc.*—The Government pay the following contributions—

- (i) A share of State tax on motor vehicles;
- (ii) countervailing grants in lieu of fines and penalties credited to Government.

It should be seen—

(i) that all contributions due are recorded in the miscellaneous demand register to watch their timely recovery;

(ii) that contributions received for specific purposes are utilized only for those purposes and are not diverted for any other purpose.

(g) *Sale proceeds of sweepings, tools and plant, old stores and materials and of trees and avenue produce.*

(i) *Avenue produce receipts.*—It should be seen that a register of fruit bearing trees is maintained in the District Engineer's office up to date and that the receipts from the sale of produce or usufructs of trees are watched properly through this register. The sale lists, agreements for sales conducted and reasons for omissions to conduct sale, etc., may be obtained from the District Engineer's office and checked in the course of examination of this item of receipt.

(ii) *Sale-proceeds of tools and plant sweepings and other stores and materials.*—All unserviceable tools and plant and stores and materials should be sold under the orders of the district board. The following records should be checked.—

(a) proceedings of the district board permitting the sale;

(b) sale lists; and

(c). Orders of the Chairman, District Board, accepting the bid.

It should be seen that the sales of the kind are entered in the register maintained for the purpose and the sale proceeds are collected without delay and generally before the articles are allowed to be taken possession of by the successful bidder. The value of the articles of tools and plant sold or lost should have been written off with the sanction of the district board. The note of write off made in the tools and plant register should be verified during audit.

(iii) *Avenue clippings, dead trees, etc.*—These are sold by the concerned overseers under the orders of the District Engineer. This will be dealt with later on in the section dealing with the District Engineer's accounts.

(h) *Income from railways.*—Provisions of the Act, rules framed thereunder and orders connected therewith should be persued to verify whether the amounts due, if any, are realised and whether other conditions are being fulfilled.

(i) *Miscellaneous receipts such as interest on loans, securities, interest on arrears of revenue and unclaimed deposits and other forfeitures:—*

(1) *Interest on loans, securities, etc.—Register of investments.*—The following points should be attended to in examining this register—

(i) whether the balances of interest as well as of investments are correctly carried forward;

(ii) whether separate pages have been set apart for the record of investments relating to general fund, endowments, provident fund, etc.

(iii) whether the investments are covered by proper sanction;

(iv) whether in the case of transactions relating to endowments, provident fund, etc., the entries in the register correspond with the entries in the accounts maintained separately for each;

(v) that the investments have not been disposed of except for the specific purpose for which they have been made, and if not required they have been reinvested without delay;

(vi) that in the case of investments withdrawn, the sale proceeds have been duly credited in the accounts or if the sale was by transfer of investments, it is supported by corresponding entries under investments of the fund so credited and by proper voucher;

(vii) that interest due has been realised on the due dates and credited in the accounts and the total for the year agreed with the account for March and in the case of provident fund interest with the credit under interest in the provident fund ledger and abstract;

(viii) that interest accruing from investments made for meeting a specific expenditure at a future date has been reinvested and added to such reserve without being credited to the general funds of the board;

(ix) that the securities are kept under proper custody;

(x) that the register evidences review by responsible officer.

NOTE.—Investments in National Savings Certificates are permissible.

(2) *Interest on arrears of revenue.*—It should be seen that penal interest is collected in all cases of late payment of kist according to the agreement and in cases where the penal interest is waived under the rules, the previous sanction of competent authority has been obtained.

(3) *Unclaimed deposits.*—It should be seen that at the end of each year any deposit or balance thereof has been credited to a revenue head of account if it has remained unclaimed for a period of three years from the date of receipt of the deposit.

(4) *Income from the sale-proceeds of buildings, lands and other property belonging to or vested in the district board and rent of departmental buildings.*—In addition to the instructions of the lease of markets, pounds, ferries, etc., the following points should also be examined :—

- (i) that the district board has published a notice of the proposed lease or sale in the manner prescribed under rules;
- (ii) that in respect of lease of immovable property belonging to or vesting in a district board, necessary sanction of competent authority has been obtained;
- (iii) that in respect of sale of immovable property the sanction of the competent authority is obtained;
- (iv) that the sale proceeds of the property are realised without delay;
- (v) that no further payment on account of assessment, ground rent, etc., is made by the district board after the immovable property has been sold; and
- (vi) that in the case of departmental buildings occupied by officers and servants of boards rent is covered according to rules.

6. *Accounts and Registers.*—The process of check of the accounts and register is briefly described below :—

(1) *Cash Book.*—It should be seen—

- (i) that the entries on the receipt side have been correctly made from the counterfoils of chalans received from the treasury, register of money orders received and counterfoils of miscellaneous receipts issued to parties for moneys paid into the district board office direct;

NOTE.—All the entries from the register of money orders and all counterfoils of miscellaneous receipts should be traced into the cash book to see that moneys received have been brought to account.

- (ii) that there are no erasures and that all corrections have been neatly made and attested by the Secretary and there are no blank spaces left in the Cash Book either on the receipt or expenditure side and that if there are any such blank spaces they are properly crossed through by diagonal lines;
- (iii) that the book is closed every month and that a reconciliation of the closing balances of the pass book and cash book is effected and recorded over the signature of the Chairman;

NOTE.—Separate Cash Books for Local Boards and Union Committees are maintained. Copies of the Local Board Cash Books are submitted monthly and of the Union Committees quarterly and the totals of monthly charges in the case of Local Boards and of quarterly receipts and charges in the case of Union Committees are included in the respective totals of the general cash book before the reconciliation is worked out. Auditors should trace all entries in the Cash Book from the copies of the Local Boards and Union Committees cash books and compare the copies from the original cash books.

- (iv) that the book is written up daily and that the cash balance at the time of audit is correct;

NOTE.—A surprise check over cash balance should be exercised in the manner laid down in Chapter II of this volume.

- (v) that the collections are remitted intact into the treasury;
- (vi) that all receipts paid by parties in the Treasury direct and amount of grant, etc., adjusted to the District Fund account at the Treasury and noted in the Pass Book are entered in the Cash Book.
- (vii) that the amounts entered in the treasury or the bank column on the charge side of the Cash Book agree with those in the counterfoils of cheques.

NOTE.—(1) All the counterfoils of cheques for the period of audit should be traced into the Cash Book.

(2) If the cheque includes the amount due for payment on more than one voucher, the totals should be tested to see that the amount drawn on a cheque is correct.

- (viii) that cancelled cheques, if any, are forthcoming and that the amount is written back in the cash book;
- (ix) that the amounts drawn on self cheques are exhibited in the Cash columns on the receipt side and expenditure therefrom shown on the Cash column on the expenditure side;
- (x) that adjustments are correctly shown according to rules;
- (xi) that cheques in respect of payments of salary and fixed payments are not issued before the 1st working day of the month following that to which the payment relates subject to such exceptions as may be covered by rules and special orders.

(2) *Pass Book.*—It should be seen—

- (i) that the collections remitted into the Treasury have been duly credited and that only the amounts of cheques issued on the treasury by the Chairman or by an officer to whom the power has been delegated have been debited in the pass book.

NOTE.—For this purpose the daily remittances of collections as per Cash Book should be traced into the pass book through the remittance chalans and the payments as per cash book through the counterfoils of cheques issued into the pass book.

- (ii) that all receipts from local boards or other institutions paid into the treasury direct to the credit of district funds and amounts of grants, etc., adjusted to the credit of the district board at the treasury and credited in the Pass Book have been duly taken credit for in the cash book and in the posting register;
- (iii) that the book is written up at the treasury and that each receipt entry is duly authenticated;
- (iv) that the book is balanced monthly over the signature of the Treasury Officer;
- (v) that the pass book is sent to the Treasury for being written up regularly;

- (vi) that the balance shown in the pass book at the close of every month agrees with that entered in the Cash Book after the necessary allowances for encashed cheques unremitted revenue, etc.

NOTE.—This verification should be effected as follows:—

Take the Cash Book balance and add to it the total amount of uncashed cheques and deduct the amount of unremitted revenue. This will represent the balance in the treasury and if there is any difference it should be traced. The uncashed cheques should be verified with reference to the subsequent uncashments noted in the Pass book after the close of the month concerned.

7. *Register of contributions towards leave salary, pension, provident fund contributions of officers and servants lent on foreign service or on deputation.*—

It should be seen—

- (i) that a separate page is set apart for each officer or servant lent on foreign service;
- (ii) that the amount of contribution due has been correctly worked out;
- (iii) that certificates showing dates of making over charge and of receiving charge of the new post in foreign service have been obtained; and
- (iv) that the contributions towards leave salary and provident fund are paid at the prescribed rates.

8. In the following cases audit checks should be exercised on the lines indicated for the audit of similar registers in Chapters II and VIII of this volume.

- (i) Cheque Books
- (ii) Register of advances recoverable.
- (iii) Register of Deposits.
- (iv) Register of loans.
- (v) Miscellaneous Sales Register.
- (vi) Miscellaneous Demand Register.
- (vii) Register of Endowments.
- (viii) Register of Cheques, drafts, etc.
- (ix) Register of Government grants, Discretionary grants.
- (x) Register of scholarships.
- (xi) Stock account of tickets, etc. for revenue managed departmentally and subordinates account of collections.
- (xii) Law Accounts.
- (xiii) Register of permanent advances.
- (xiv) Adjustment Register.
- (xv) Register of bills passed for payment.
- (xvi) Stock account of forms.
- (xvii) Acquittance Roll.
- (xviii) Register of tools and plant and office furniture.

- (xix) Register of immovable properties.
- (xx) Stock account of stamps.
- (xxi) Stock account of stationery.
- (xxii) Suit Register.
- (xxiii) Register of Miscellaneous receipts.
- (xxiv) Register of investments.
- (xxv) Register of encroachments.
- (xxvi) Register of estimates and allotments.
- (xxvii) Monthly and Annual Accounts.
- (xxviii) Provident Fund Accounts.
- (xxix) Tools and Plant Registers.
- (xxx) Audit Register, etc.
- (xxxi) Service Books, leave accounts.

NOTE.—Items of advances which remain unadjusted for more than three years should be specially scrutinized and suitable comments made in the audit. Recovery of the time-barred advances in all such cases where negligence in the adjustment of advances is noticed, should be proposed under the Local Fund Audit Act.

9. *Pounds.*—When pounds are under direct management, compare the pound-keeper's register of collections with the counterfoils of the receipts given by him for fines and feeding charges and trace the credits for the fines into the Cash Book. The check may be restricted to a comparison of 25 per cent of the counterfoils and to agreement of the collection accounts with the Cash Book.

When pounds are leased—

- (a) Compare the particulars of the lease shown in Form XIIA prescribed in rule 81 of the District Board Account and Audit rules with the kabuliyats and sale lists, and see that the balances of the previous year's accounts have been correctly brought forward;
- (b) See that the kabuliyats have been stamped and registered;
- (c) Check 10 per cent. of the postings in the pound register with the Treasury chalang;
- (d) See that pound rents have been credited in favour of Government and not credited into the District Fund;
- (e) Compare the total monthly collection as per the Pound Register with that shown in the list of Treasury chalang for pound rent furnished by the Treasury every month;
- (f) Compare the quarterly returns submitted by the Local Boards with the accounts in the District Board's Office, and note any discrepancies;
- (g) See that all remissions have been authorised by the Provincial Government and report the amounts remitted as well as the outstandings.

10. *Ferries*.—The check exercised in regard to pounds should be applied *mutatis mutandis*, to ferry receipts.

See also—

- (a) that the period of settlements of ferries (which must not exceed three years) has been confirmed by the Divisional Commissioner as required by L. G. No. 40-L.S.G.R., dated the 29th April, 1926;
- (b) that no ferries are closed without the sanction of the Divisional Commissioner as required by B. G. 3403, dated the 1st December 1904.

11. *Receipts from other sources*.—(1) Check sale papers and leases and compare the rent fixed with the demand entered in the respective registers for fixed income.

(2) Trace collections into Cash Book or chalans and remissions with orders.

(3) See that proper record is kept of leases of lands, shops, and other sources of fixed income.

(4) See that where land is sold the sale is covered by sanction of competent authority.

12. *Miscellaneous receipts*.—Check as far as feasible, receipts and accounts, called for, in accordance with rule 1 of the Statutory rules under the Audit Act, as per list forwarded by the Auditor with the audit intimation. The nature and extent of the checks that should be applied by the Auditor will depend upon the manner in which the accounts have been maintained. It is therefore not desirable to lay down a set of hard and fast rules for the purpose. The Auditor should exercise such checks as his intelligence and experience tell him to be necessary or valuable.

13. *Audit Register*.—See that all recurring charges, such as, pay, scholarships, and stipends are entered in the Audit Register.

14. *Finance Committee Audit*.—Go through the Audit Note of the Finance Committee and see if the accounts are audited regularly and in a business like manner. Report whether the audit is conducted according to minimum conspectus of audit prescribed by the Examiner of Local Accounts.

B. *Examination of Registers and accounts of District Engineer's Office*.

15. Side by side with the audit of vouchers of the District Boards office, all the vouchers concerning the District Engineer's office should be examined with reference to the records maintained there, viz., Register of contractors, tender register and tender files, agreements obtained from contractors, materials at site statements, stock accounts, measurement books, register of works, contractor's ledger, register of deposits, etc.

Audit checks to be exercised on the following registers as also on other points should be on the same lines as indicated in Chapter II of this volume.

(a) Register of Contractors, tenders, etc.

It should be seen—

- (i) that the register of contractors is kept up-to-date in accordance with the rules.
- (ii) that tenders in sealed covers have been invited by the District Board in the manner prescribed in rules.
- (iii) that tender notice or advertisement contains the following particulars :—
 - (a) When and where the contract document may be inspected;
 - (b) the precise form of tendering, i.e., whether it should be at a specified percentage below or above the estimate rates or whether definite rates should be quoted for each item of work included in the schedule;
 - (c) when and where tenders are to be submitted;
 - (d) when and where they are to be opened;
 - (e) the amount of earnest money which should accompany the tender and the amount and nature of security required in case the tender is accepted;

NOTE.—The unrefunded deposit of a contractor in respect of tenders which have not been accepted may be treated as earnest money for other tenders from the contractor provided the contractor makes a specified request to that effect and that the amount of the unrefunded deposit is not less than the earnest money fixed for the tenders. The name of the work or works for which the unrefunded deposits are treated as earnest money should be noted in the deposit register under his initials.

(f) the authority competent to accept the tender;

(g) that the authority competent to accept the tenders reserves the right to reject any or all of the tenders received, without assigning any reasons;

NOTE.—(1) Reason should be recorded for the information of audit and inspecting officers. When valid tenders at or below estimate rates in respect of a work have been received, they should be disposed of in accordance with the rules. If for any reason it is proposed to reject all the tenders and invite fresh ones, the circumstances should be reported to Government and their orders obtained.

(2) In cases where only tenders at rates in excess of the estimate rates are received for works due to combination among tenderers or other causes, such tenders should not be accepted straightaway. In such cases fresh tenders should be invited and disposed of in accordance with the rules. If no tenders are received at or below estimate rates even for the second time, the work should be executed departmentally or on piece-work by the local fund engineering staff. There should be no difficulty in carrying out road maintenance works departmentally. Where such departmental work is not found practicable, it should be ascertained whether the non-receipt of tenders is due to the inadequacy of rates provided in the estimate and if so the estimates should be revised and fresh tenders called for. The District Engineer should in such cases place on record his views as to which rates should be increased to what extent and for what reasons. If the non-receipt of the tenders is not due to the inadequacy of the rates or even after revisions of rates and fresh invitation of tenders, no tenders are received, the Chairman should obtain a full report from the District Engineer as to the reasons for the non-receipt of tenders and may entrust the work to a selected contractor at rates not exceeding those provided in the estimate.

(iv) that all tenders received have been considered except in special cases;

(v) that only lowest tender has been accepted and where it has not been accepted the reasons for rejecting it have been recorded clearly by the authority who accepted the tender;

NOTE.—(1) The tenders received should be tabulated in the tender register prescribed.

(2) Erasures, over-writings, etc., in the tenders should have been attested by the tenderer and/or by the District Engineer.

(3) In the case of all capital or maintenance works on roads towards the cost of which Government give full or partial grants where the lowest tenders are not accepted, a report should be made to Government and the tenders should be disposed of in accordance with the orders that may be passed by Government.

(vi) that in no case has a tender been accepted at rates other than those specified in that tender and that there has been no avoidable delay in the disposal of tenders;

(vii) that when tenders are invited for several works individually, a separate tender for each work has been insisted upon;

(viii) that tenders for road materials have not been invited for periods exceeding one year at a time;

(ix) that the tenders have been accepted by the competent authorities.

NOTE.—The original tenders should be traced into the tender register and the latter should be examined in all cases.

(b) *Agreements.*—After the examination of tenders, the tender percentage or the rates of the accepted tender should be traced into the agreement and into the memorandum of contract rates. The rates entered in the agreement should be carefully checked during the audit of the first payment itself and any defects noticed, should be brought to the notice of the Chairman and suitably commented upon in the Audit Report even though no actual excess payments are noticed. It should be seen that the rates in the accepted agreements are not normally revised during the currency of the agreement. Whenever revised rates in an accepted agreement are sanctioned the following conditions should have been observed:—

(a) The increased rates should be given effect to only from the date of sanction of such revised rates unless it is specifically stated by the authority sanctioning the revision that they should have retrospective effect.

(b) The rules governing the revision of estimates should be complied with.

(c) A revised agreement embodying the revised rates should be obtained from the contractor executing the work and approved by the competent authority.

The tender percentage or the rates may be checked in the second and subsequent bills with reference to the rates in the first bill which would already have been checked or the memorandum of contract rates in respect of new items not found in the first bill.

The other items of checks prescribed below should be exercised in respect of all the bills, i.e., whether they are the first or subsequent bills.

(c) *Materials-at-site statements.*—The receipts and issues for spreading of materials shown in the contract certificate should then be traced in the concerned statement. In doing so, it should be seen—

(i) that metal returns have been received in all cases;

(ii) that they bear evidence of having been scrutinized in the Engineer's Office;

(iii) that in cases of difference noticed in the Engineer's office early steps had been taken to reconcile them in communication, if necessary, with the subordinates concerned;

(iv) that differences not properly accounted for are brought to the Engineer's notice and that the action taken by that is sufficient;

(v) that the opening balance agrees with the closing balance of the previous return;

(vi) that the quantities shown as collected on paid vouchers or in bills received in the Engineer's office have been correctly shown as receipts against the miles concerned; and that voucher numbers have been noted in the column provided for the purpose to facilitate reference;

NOTE.—If sufficient details are not given in the vouchers, the measurement books should be referred to.

(vii) that the issues as shown in the metal returns are supported by the spreading or carting bills paid for or pending payment;

(viii) that the quantities shown in the bills as spread or carted are fully covered by the materials at site;

NOTE.—If this is not the case, recoveries should be suggested in the absence of satisfactory explanation.

(ix) that the quantities carted from depots to the road-sides or from one road or part of a road to another, are correctly shown as issues against the depot or road from which they were carted and as receipts against the road to which they were transported;

(x) that famine materials have either been included in the returns produced or in separate returns;

(xi) that collection charges if provided for, have been paid for supplying famine materials;

(xii) that in district where the district boards have been permitted to stock road materials—

(a) The stock does not at any time exceed the prescribed limits;

(b) the contractors for consolidation are paid only the conveyance charges from the depots;

(c) in all cases of issues from stock the materials are taken to the site accounts of the respective works and duly accounted for there and necessary adjustments are made to debiting the cost to the works by contradebit to stock;

(d) the monthly closing balances are struck and the total thereof agreed with the balance under "Engineer's Stock" in the district board monthly account.

(d) *Contractors' Ledger.*—The entries in this ledger should be checked in detail with reference to the contract certificates concerned. It should be seen—

- (1) that a separate folio has been opened for each contractor;
- (2) that an index is attached to the ledger for facility of reference;
- (3) that when a contractor is engaged upon more than one work, the transactions relating to each of them have been recorded separately;
- (4) that the entries of debits and credits agree with those in the the corresponding contract certificates;
- (5) that the balance due on account of each work agrees with that shown in the contract certificate or the register of works;
- (6) that in the case of outstandings of more than three months, explanation is forthcoming as to the cause of non-adjustment in each case;
- (7) that the ledger evidences check at the hands of the Engineer;
- (8) that the balances are correctly brought forward;
- (9) that the statement of outstanding balances is correctly prepared, as required by the rules;

NOTE.—For the purpose of this check, the whole of the items not affected by the month's transactions as shown in the ledger, should be traced into the statement referred to. It should also be seen whether satisfactory explanations have been given for items of more than three months' standing. If large outstandings are left unadjusted without sufficient cause, this should be pointed out in the report or objection statement.

(10) that in cases where contractors unduly delay preferring their claims, the accounts concerned are closed, and the amounts due are transferred to 'deposits'.

(e) *Register of works.*—This register should be examined with a view to seeing—

- (i) that all original works and special repairs including important renewals have been accounted for by sub-heads, and that the transactions relating to them have been posted in the register of works by sub-heads also;

NOTE.—In both the cases the correctness of the entries should be checked.

- (a) as regards estimated and contract amounts, by comparing the figures in the register with a few of the connected documents called for at random.

- (ii) that excess over estimates or allotments, either under sub-heads or in the total expenditure on the works are covered by the sanctions obtained on the deviation statements or completion reports or otherwise;

NOTE.—The register should be generally examined for purposes of this check, with the deviation statements and completion reports concerned. All cases in which the total expenditure on a work has been exceeded without proper sanction should be detailed in the objection statement.

- (iii) that the transactions relating to completed works have been closed in the manner required by the rules and the date of submission of the completion reports noted in the space set apart for the purpose at the foot of the register;
- (iv) that the book bears evidence of check by the Engineer;
- (v) that the average rates are struck every month with reference to the total amount of work turned out up to date and that they do not exceed the estimated or contract rate without competent sanction;
- (vi) that the register as a whole is neatly and correctly written up, and that an index is attached to it for facility of reference;
- (vii) that in the case of works accounted for by sub-heads, the detail for the total amount shown under the head 'materials-at-site' are forthcoming;
- (viii) that in the case of incomplete works, the necessary entries are brought forward from year to year until the works are either finally completed or abandoned;
- (ix) that the 'arrears due' as shown in the register of works agree with the amounts in the contractors' ledger;
- (x) that the total charges as well as the amount of estimate and appropriation as entered in the schedule of expenditure agree with the corresponding entries in the register of works.

NOTE.—The posting of the entries relating to progressive total may be restricted to those months in which payment is made for the work.

(f) *Completion Reports.*—It should be seen—

- (1) that the report is submitted with the accounts of the month in which the work is reported to have been completed;
- (2) that the entries in the report accord with those in the register of works;
- (3) that all deviations not already sanctioned are duly sanctioned;
- (4) that the name of the Engineer or subordinate who supervised the work has been duly filled in;
- (5) that the name of the officer by whom the work was last inspected has been duly noted; and

- (6) that explanations of differences and proposals for disposal of materials at site are duly given; also reasons for outstanding liabilities.

(g) *Measurement Books*.—During audit, all the measurement books which relate to the last bills for the year for all works not completed during the year should be called for and scrutinized. For the purpose of ensuring that this is done, it should be seen that if the last bills for the year of all works not completed during the year and which are specified in the statement of outstanding liabilities prepared by the District Engineer have been checked in audit with reference to the measurement book. During the check of measurement books, it should be seen that all works are paid for only after measurements have been recorded and are finally paid for only after check-measurement has been done. All the measurement books in which the measurements for a work have been recorded should be called for and checked for all the entries from the first payment to the last. In checking the measurement books, the following points should be kept in view :—

- (i) that a stock register of measurement books is maintained in proper form;
- (ii) that the measurements relating to each work are recorded either in a separate book, or on separate pages set apart for the purpose;

NOTE.—Materials collected on the road side should ordinarily be check-measured after the whole collection on a well-defined stretch of the road is completed to avoid any opportunity for fraud. In the event of collection being incomplete and the materials collected being required urgently for the road further collection should be suspended and the materials so far collected should be check-measured and spread. After the spreading is completed and check-measured and the balance of materials at site recorded and check-measured, further collection may be proceeded with.

- (iii) that the requisite details as regards locality, lead, size and description of materials, etc., have been given in the measurement books;
- (iv) that in cases where the measurements have been recorded up-to-date, the previous measurements have been invariably deducted;
- (v) that no erasures are noticeable, and that all alterations in the measurement books have been duly authenticated either by the subordinate concerned, or by the check-measuring officer in the case of corrections made by the latter;
- (vi) that the totals for each description of work have been correctly entered in the abstracts prepared at the end of the measurements recorded in the measurement books;
- (vii) that the bills are an exact copy of the abstract prepared in the measurement books;
- (viii) that no duplicate bills have been obtained and filed in the Engineer's office;

NOTE.—The measurement books concerned will have to be submitted to the District Engineer's office when that office has to check the bills.

- (ix) that in the case of final payments check-measurements are ordinarily made as early as possible after the completion of the works, and in any case, not delayed for more than six months, and that the check-measuring officer has attested any corrections made by him in the bill, and has filled in and signed the check-measurement certificate properly;
- (x) that in the case of disallowances or increases made by the check-measuring officer or fines levied the necessary deductions or additions have been made in the final bills;
- (xi) that the spreading and collection of materials have not been measured together;
- (xii) that measurements of departmental works appear in these books;
- (xiii) that the rates at which departmental work is valued are not more than the rates in the current schedule of rates;
- (xiv) that all entries of measurements for which bills have been prepared and submitted are duly scored out in red ink and reference is given to the bill so prepared;
- (xv) that all measurements of work done otherwise than departmentally are check-measured by the Engineer or an Assistant Engineer in accordance with the general orders passed by the Chairman, district board, in this behalf;

NOTE.—Works executed by miscellaneous agencies should be check-measured by the Engineer or other competent authority; and the district board should have determined either by a general order or by a special one relating to a particular work who the competent authority should be.

- (xvi) that all measurements are recorded clearly and intelligibly by the measuring officer himself;
- (xvii) that in cases where the date of the check-measurement certificate is prior to that of the measurement by the subordinate, the check-measuring officer's measurements are recorded in a separate book kept by him for the purpose which should also be incorporated in the regular measurement book;
- (xviii) that the pencil entries, if any, in the column are not inked over contrary to rule, and that those in the 'contents' column are always made in ink in the first instance and not inked over;
- (xix) that amounts provided in the estimates for 'sundries' or 'contingencies' have not been paid to the contractor as a matter of course, but that details of the work said to have been executed are available;
- (xx) that all the measurement books are eventually returned to the Engineer's office for file, and the fact recorded in the stock register of measurement books;
- (xxi) that generally the instructions regarding measurement and check-measurement have been observed.

(h) *Extract from Adjustment Register.*—It should be seen—

(1) that the grounds of adjustment are clearly and specifically given in each case, the authority being noted whenever an adjustment requires special authority;

(2) that the credits and debits in each case exactly agree.

(i) *Stock Register of Tools and Plant.*—It should be seen—

(1) that all purchases of tools and plant as per vouchers for charges incurred, have been shown as receipts;

(2) that issues by sales or writes-off are supported by sale lists and credits in the accounts or by the necessary sanction;

(3) that annual returns have been received in the Engineer's office from all the sub-divisional officers;

(4) that a verification has been made of the stock in the whole district;

(5) that a consolidated statement has been prepared of the numbers actually counted from the annual statement submitted by the sub-divisional officers and from the verification made at headquarters;

(6) that any discrepancies between the verified and book balances have been properly reconciled.

(j) *Tools and Plant.*—(1) Estimates should be prepared at the commencement of the year for the maintenance of motor or steam road-rollers for the entire year including the working and non-working seasons and including the pay of drivers, cleaners, watchmen, running expenses, tax, repairs, depreciation and overhaul anticipated. The purchases necessitated in the course of the year of special parts and of ordinary tools should also be preceded by similar estimates duly sanctioned. The gross expenditure should be booked on the debit side under: (i) road rollers, (ii) other tools and plant. The cost incurred on the maintenance of working of the roller should be worked out and charged to estimates for the maintenance of the roads on which the rollers are actually used, at the end of the year or at the end of the working season and a corresponding credit shown on the receipt side under 'rollers'. If the schedule of rates provides either for specific items for the use of the road-roller or an addition to the ordinary rate for consolidation by hand-roller, these items should be deducted from the rate paid to the contractor and the cost of consolidation for other items alone should be paid to the contractor.

(2) The expenditure to be debited to "Tools and Plant" should include the following items:—

(i) Purchase of new tools and plant (including rollers);

(ii) Repairs, renewals of parts of machinery, etc.; and

(iii) (a) Taxes, and

(b) Establishment charges such as pay of drivers, cleaners, etc.

(3) (a) Recoveries in respect of tools and plant should be effected from—

(i) Contractors;

(ii) Institutions or individuals to whom the machinery is lent for use; and

(iii) Works where the consolidation, etc., relating thereto is done departmentally.

(b) The recovery to be made should not only be in respect of item (iii) in sub-paragraph (2) above but also include depreciation on account of items (i) and (ii) in that sub-paragraph. The rules and orders on the point should be looked into.

(4) In addition to the rent payable under these instructions, the person hiring the tools and plant and machinery should also pay—

(i) all charges connected with packing, handling in the Stores, conveyance and other incidental expenses in connection with the despatch of the tools and plant and machinery from the stores and return thereto—including freight charges, if any, also erecting and dismantling charges; and

(ii) the cost of replacing missing or broken parts or of repairs, necessitated by any definite or specific damage.

(5) Recoveries as indicated in sub-paragraphs (3) and (4) above should be treated in the account as "receipts" under "tools and plant" and should not be taken as "abatment of charges".

(6) It should be seen that the gross expenditure of a year under tools and plant is within the percentage prescribed.

16. Annual Verification Statements.—These should be examined with a view to seeing—

(i) that these statements have been received early in each official year from every subordinate, and that they include the whole of the materials-at-site throughout the district;

NOTE.—Any failure to verify balances should be brought to notice in the audit report.

(ii) that the statements are supported by detailed measurement books [*vide* instructions (vii) below] and that the check-measurement certificates have, in all cases, been signed by the Engineer or by the sub-divisional officer;

(iii) that the figures shown in column (5) agree with those in the corresponding monthly return concerned;

(iv) whether the original allotments and transfer of funds actual quantity at site have either been satisfactorily explained, or that steps have been taken to write off or to recover their value;

NOTE.—In the case of writes-off, it should be seen that the sanction of the proper authority is produced, while in that of recoveries the credits should be traced.

(v) that copies of the verification statements have been sent to the Chairman's office;

(vi) that the actual balances, as finally settled, are taken as the opening balances of the subsequent year;

NOTE.—The quantities shown in the 'actual measurement' column of the verification statements should ordinarily be adopted as the opening balances of the monthly returns for April or the first month in the next working season, but where this has not been done, or the actual measurement figures are subsequently altered by the Engineer for sufficient reasons, it should be seen that the necessary additions or deductions are made in the subsequent month's return.

(vii) that separate measurement books are used for the record of the measurements of the actual quantities at site at the end of the year, and that they are invariably forwarded with the annual verification statements and filed in the Engineer's office after scrutiny.

Any differences noticed in the course of the examination of the monthly metal returns and the annual verification statements, should be brought to the personal notice of the Chairman and in the absence of satisfactory explanation they should be detailed in the objection statement or audit report.

17. Imprest Accounts.—The imprest accounts received and filed in the Engineer's office for each month should be examined to see—

- (i) that the imprests allowed are not excessive, as compared with the imprest holder's average expenditure;
- (ii) that the imprest accounts have been correctly written up;
- (iii) that the opening and closing balances are correctly brought forward and carried over;
- (iv) that the abstract at the end of each account is duly filled in at the Engineer's office, and that the transactions are correctly posted into the cash book;
- (v) that the accounts are duly passed by the Engineer and that the recoupments, etc., are noted therein by the accountant;
- (vi) that in the case of reduction or increase of the imprests, a note of the fact has been made in the cash book as well as in the imprest accounts;
- (vii) that amounts disallowed by the Engineer owing to want of vouchers or other causes, are taken to the debit of "miscellaneous advances" in his accounts;
- (viii) that the accounts for each imprest holder are separately numbered and filed in the Engineer's office.

18. Adjustment Book.—In examining this record it should be seen—

- (i) that the adjustments are recorded in sufficient detail, and that the grounds on which they are made are fully stated;
- (ii) that the adjustments are made for *bona fide* reasons, and not merely with the object of evading audit objection;

(iii) that all the adjustments have been duly approved by the Engineer;

(iv) that in the case of adjustments relating to supplies made from stock, a note of the adjustment has been made in the supply bills, if any, so as to guard against double adjustments and that the transactions are supported by statements from the officer-in-charge of the stock;

(v) that the credits and debits have, in all cases, been duly noted against the works concerned in the schedule of expenditure.

19. Register of Estimates and allotments.—This register need only be examined in a cursory manner to ascertain—

- (i) whether the register is a complete record of all the estimates and allotments sanctioned;
- (ii) whether there are any undue delays in the preparation of estimates;
- (iii) whether the estimates have been sanctioned by the proper authorities, as mentioned in the manual;
- (iv) whether the original allotments and transfers of funds have been duly noted;

NOTE.—The sanctions quoted against the estimates and allotments should be tested here and there with the copies of the several Board's resolutions filed in the Engineer's office.

- (v) whether the amounts of the sanctioned estimates and allotments, as shown in this register agree with those entered in the schedule of expenditure;
- (vi) whether the estimates are invariably accompanied by data sheets in the case of consolidated rates, or those in excess of the sanctioned schedule of rates;
- (vii) whether in the case of maintenance works, credit is taken for materials-at-site; and

NOTE.—For this purpose the monthly metal return, or the annual verification statement should be examined.

(viii) whether the estimates are prepared on the proper form.

20. Register of deposits.—This register should be examined to see—

- (i) that the closing balances of the previous year have been correctly adopted as the opening balances of the year of audit and that the total opening balance agrees with that shown in the monthly account of the district board from April;
- (ii) that the receipts of the month have been correctly posted from the treasury chalang, etc., and the total receipts tallied with the total receipts shown under this head in the district board account for the month;

NOTE.—If the deposit was received in cash the amount should have been promptly remitted into the treasury.

(iii) that repayments made during the month have been posted against the concerned items in the register and attested by the Engineer and the total of repayments tallied with that shown in the district board monthly account;

(iv) that an abstract is prepared at the end of every quarter showing the opening balance of the quarter (same as the closing balance of the previous quarter), receipts and payments of the quarter and the closing balance which should be tallied with the quarterly account.

NOTE.—It should particularly be seen in audit that the reconciliation has been effected.

(v) that a certificate is recorded by the Engineer at the end of each quarter that the entries in the register are maintained up to date; and

(vi) that at the end of the year any deposit amount which has remained unclaimed for a period of three years from the date the deposit became refundable has been credited to the revenue head of account.

21. Deposits received otherwise than in cash.—It should be seen—

(i) that a statement of all transactions relating to such deposits has been sent to the Board office;

(ii) that a certificate is given by the Engineer at the end of every year regarding the verification of the balances as at the end of the year;

NOTE.—All the securities on hand should be verified by the audit at the time of audit.

(iii) that the securities obtained are in one of the forms prescribed in rules relating to deposits;

(iv) that security bonds have been taken wherever necessary.

22. Security deposits of employees.—It should be seen—

(i) that security has been obtained from all the overseers, from the store-keeper in the office of the Engineer;

(ii) that security has been obtained from all other officers and servants who are required to furnish security;

(ii-a) that all employees having to deal with moneys have been required by the district board to furnish adequate security and if not the desirability of doing so, should be brought to its notice in the relevant audit reports and their replies obtained;

(iii) that security deposits have been obtained in the forms prescribed; and

(iv) that security bonds have been taken in all cases.

NOTE.—The other checks would have been applied when checking the registers relating to deposits and deposits received otherwise than in cash.

23. Schedule of miscellaneous advances.—The following points should be looked into—

(1) that the transactions are confined to items of the nature mentioned in the notes on the form;

(2) that advances to work-people and those for collection of labour, etc., made during the previous month outstanding at the end of the month and those made during the month are included in this schedule;

(3) that the entries are in sufficient detail to furnish clear information in regard to the nature of the transactions;

(4) that necessary columns are correctly filled in with reference to the previous schedule;

(5) that the cost of stamped agreement papers, etc., are included in the schedule with a view to its eventual recovery;

(6) that the stock of such papers on hand agrees with the account balance as shown in the schedule;

NOTE.—The stock should be counted and verified for the purpose. If forms have been supplied to overseers for sale the returns received from them should be checked to arrive at the number of forms remaining unsold.

(7) that all debits are duly supported by the vouchers or by corresponding entries in the extracts from the adjustment register and that the total of the debits as appearing in the schedule agrees with that noted in the schedule of expenditure;

(8) that the credit by 'work done' or 'stock supplied' agrees with the amount shown in the vouchers concerned;

(9) that the nature of the adjustment and the steps taken to effect adjustment are invariably noted in column meant for the same;

(10) that there were no unusually long delays in adjusting the advances; and

(11) that the closing balance of the quarterly list agrees with the corresponding figure in the account of the district board.

24. Register of building.—This should be examined to see—

(i) that it is a complete record of all buildings and lands under the charge of the Engineer, and that it is correctly maintained;

(ii) that in the case of lands or buildings purchased, the necessary title-deeds or other documents vesting the property in the district board concerned are forthcoming; and

(iii) that in the case of building used for residential purposes the rent is properly recovered and brought to account.

NOTE.—The recovery of the rent should be watched through the miscellaneous demand register in the district board office.

25. Register of bills received, etc.—In examining this register it should be seen—

- (i) that it is correctly written up;
- (ii) that all the outstandings have been brought into the prescribed statement of liabilities outstanding at the end of the year, which should be compared for the purpose; and
- (iii) that no bill is passed by the Engineer's office without being entered in this register, and that the column denoting the check of the bills are duly filled in.

26. Register of fruit-bearing avenue trees.—The points to be looked into are—

- (i) that the register is maintained correctly with reference to the information furnished by the subordinates and is kept up to date with reference to new trees on lands acquired or new trees reported to have begun to yield and the dead trees sold;
- (ii) that extracts from this register are sent to the Chairman, district board;
- (iii) that sale lists and agreements are available for the trees sold or leased according to the register;
- (iv) that the credits for the amounts realized are traceable in the district board cash book (which should also be noted in the miscellaneous demand register);
- (v) that action has been taken for the recovery of unrealized amounts; and
- (vi) that proper reasons are forthcoming in respect of trees the usufructs of which have not been sold.

27. Register of miscellaneous sales.—In this case, it should be seen—

- (i) that the register is used for recording all miscellaneous sales, including those of tools and plant, avenue clippings, etc.;
- (ii) that applications for the required sales are duly received in the Engineer's office after the sales have been effected;
- (iii) that the sanctioned applications are eventually returned to the Engineer's office after the sales have been effected, with particulars as to the amounts realized;
- (iv) that even in the case of sales effected without obtaining sanction (as in the case of windfalls or clippings) the particulars of sale are reported on the prescribed application forms;
- (v) that the sale-proceeds are realized without delay, and are duly brought to account; and
- (vi) that the book evidences check at the hands of the Engineer.

28. Acquittance Registers, Service Registers, etc.—Acquittances, entries in service registers, leave accounts, etc., should be checked in the manner prescribed for the check of these registers in Chapter II.

29. Stock Account of Forms, Stationery, Measurement Books, Postage stamps, etc.—The stock accounts should be examined to see—

- (i) that the closing balances of the previous year have been correctly brought forward as opening balance of the year;
- (ii) that the purchases during the year as per vouchers, have been credited in the accounts and the issues regulated and the balances struck;
- (iii) that the balances at the end of the year have been verified by the Engineer and certified to in the register;

NOTE.—The stock of measurement books and money value forms, postage stamps, etc., should actually be counted and verified with the book balance on the date of audit.

- (iv) that the completed measurement books are promptly returned to the Engineer's Office;

NOTE.—The reasons for the delay in the return to the District Engineer's office of used up measurement books should be ascertained and cases of bad delays should be noted in the annual objection statement.

- (v) the issue of money value forms should be checked with the actual forms or books in use or used; and
- (vi) that tender, agreement and combined tender and agreement forms have been accounted for in a separate stock account if the district board has decided to levy fees for them for selling them to intending and successful tenders in accordance with the instructions on the point.

30. Grants from the road development fund.—Grants from the road development fund are given for (i) the construction of new roads and bridges of any sort; and (ii) the reconstruction or substantial improvement of existing roads and bridges.

The grant is disbursed on the post execution system as in the case of other non-recurring grants. The expenditure should be audited on the lines of other non-recurring grants.

(C) Office of the District Medical Officer of Health

31. While checking the vouchers of District Board Office, the connected records, viz., acquittance roll, stock and stores, etc. of Health Officer's office should be checked.

(D) Local Board's Office

32. All the records of Local Boards' Offices should be checked in the offices of the Local Boards. The quantum of checks will be the same as prescribed in the case of District Board Office.

(E) Union Committees' Offices

33. All the records of the Union Committees will be checked either in the office of the District Board or in the offices of the local boards or in the office of the Union Committees as far as practicable. The collection accounts of the Union Committees should be checked on the lines of Municipal accounts.

(F) Dispensaries whose accounts are merged in the District Boards

34. The accounts of dispensaries whose accounts are merged in the District Board accounts will be checked cent per cent in the District Board's Office.

(G) Dispensaries whose accounts are not merged in the District Funds

35. The accounts of dispensaries whose accounts are not merged in the District Board's accounts will be checked in the offices of the Dispensaries concerned or in the District Board's or Local Board's office, wherever available.

36. *General.*—On the conclusion of the annual audit one audit report on the general fund accounts including important irregularities noticed in the accounts of the District Board, District Engineer and District Medical Officer of Health should be prepared and separate audit report should be prepared on the following categories of accounts :—

- (1) Local Boards.
- (2) Union Committees.
- (3) Dispensaries whose accounts are merged in the District Board accounts.
- (4) Dispensaries managed by Joint Committees.

Statements containing other objections will be sent to the District Board for rectifying them after Examiner's approval and one copy of the same will be kept in the Examiner's Office for reference.

37. The report will be forwarded to the Chairman of the District Board with the request to furnish replies within two months of the receipt of the report. Copies of the report shall be endorsed to—

- (i) the District Officer,
- (ii) the Civil Surgeon (in case of dispensaries only),
- (iii) the Commissioner,
- (iv) the Secretary to the Local Self Government Department, Bihar.

CHAPTER X

PROCESSES OF AUDIT OF DISTRICT EDUCATION FUND

1. Preliminary information required.—Before starting the audit, the auditor should thoroughly acquaint himself with the constitution of the District Education Fund framed under the Bihar Local Self Government (Amending and Validating) Act, 1954 and also study the revised education rules framed under the Act and the Education Code. The procedure of audit laid down in Chapters I to IV, VI, VIII and IX as far as practicable will generally apply to this fund in addition to the instructions contained in the paragraphs below.

2. Scope of Audit.—(a) The accounts of the District Education Fund are audited annually. The audit consists of the examination of budget estimates and annual accounts, check of revenue, expenditure and stores accounts and of the examination of records connected therewith. The list of registers should be called for as laid down in para 23 of Chapter II.

(b) As in para 2(c) of Chapter VIII.

3. As in para 3(a) of Chapter VIII. The nature of check will be the same as laid down in Chapter VIII of this volume. The processes outlined in this chapter only supplement the provisions made in the Chapters I to IV, VI, VIII and IX referred to above.

4. Budget Estimates and Annual Account.—It should be seen that provision for grants for expansion and improvement of schools conform to the plan of the Education Planning Committee and approved by Government through the Director of Public Instruction, that the budget has been passed by the Education Committee, the District Board and Government and that provision has been made for the unspent balances of Government grants received in the previous year and the grants received in the current year and of the minimum obligatory expenditure to be incurred from this fund.

A general scrutiny should be made on the lines indicated above and defects, if any brought out in the audit report.

5. Receipts.—The revenue of the District Education Fund may be divided into the following four main classes for purposes of check—

- (i) Government Grant—
 - (a) Recurring grants.
 - (b) Non-recurring grants.
 - (c) Scholarships.
 - (d) Discretionary grants.
- (ii) District Board contribution.
- (iii) School receipts.
- (iv) Miscellaneous receipts.

6. The processes of check in each case are described below.

I. Government Grant

7. The processes of check prescribed in Chapter IV of this volume should be adopted. Cent per cent checks should be exercised.

II. District Board contribution

8. The basis on which amount of contribution is fixed should be ascertained and it should be verified from the Audit Report and annual accounts of the District Board that the amount of contribution is correct.

III. School Receipts

9. (i) *Fee collection register in the office of the District Superintendent of Education.*—It should be seen that the register is maintained in proper form to exhibit the collections of fees in respect of classes VI and VII of all middle schools. Collection of admission fees in respect of other classes should also be checked. The accounts of those schools in which irregular remittance or short remittance is noticed should be selected for special check at the Headquarters. Credit of all collections should be traced into the Cash Book and into the educational bills paid net and checked with Statement E attached to pay bills. Cent per cent checks should be exercised.

The school fee credit register should be checked with the Cash Book and the fee abstract attached with the monthly pay bills. In case of any difference the matter should be thoroughly investigated.

(ii) *Fee collection register of Middle Schools.*—It should be seen—

- (i) that tuition and admission fees and fines are collected from the students at the prescribed rates as laid down in the Education Code;
- (ii) that the number of free and half free studentships conform to the prescribed standard and are authorised by rules (*vide* Rules 21 and 22 of Draft Education Rules);
- (iii) that collections are made and remittance made on due dates;
- (iv) that the totals in the register are correct;
- (v) that remittances are supported by money order acknowledgments;
- (vi) that the outstanding dues are carried forward from month to month;
- (vii) that after names are struck off readmission, if any, is allowed on full payment of the arrear fees;
- (viii) that the figures of demand, collection and outstandings agree with those of statement E attached to monthly pay bills;

(ix) that seat rents and furniture rents are realized from boarders of hostels attached to schools unless exempted under the rules (*vide* Rule 23 of the Draft Education Rules).

The list of schools whose accounts are audited should be recorded in the list of registers and accounts audited and appended to the report. It should be seen that the accounts of no school escape audit in one year or the other.

(iii) *Fee Receipt Books of Schools.*—It should be seen that receipts are granted for the school fees collected from students as required by the rules and that the amounts as per the receipts are correctly entered in the fee collection register. 10% receipts of the middle schools the accounts of which are subjected to detailed check should be checked.

IV. Miscellaneous Receipts

10. *The auditor should exercise cent per cent checks.*—General principles laid down in paras 37, 38 and 39 of Chapter VIII of this volume should be observed.

11. *Expenditure.*—Before the audit of paid vouchers is commenced, the following records and registers should be obtained and kept ready:—

- (1) Budget estimate and Annual Accounts.
- (2) Guard file of vouchers.
- (3) Cash Book.
- (4) Subsidiary Cash Book.
- (5) Cheque Books.
- (6) Pass Books.
- (7) Monthly accounts of receipts.
- (8) Monthly accounts of expenditure.
- (9) Quarterly accounts of receipts.
- (10) Quarterly accounts of expenditure.
- (11) Chalcans.
- (12) Register of bills for Payment.
- (13) Audit Register.
- (14) Register of advances.
- (15) Quarterly list of advances.
- (16) Register of deposits.
- (17) Quarterly list of deposits.
- (18) Register of Government grants.
- (19) Schedule of rates.

- (20) Estimates, tenders, agreements.
- (21) Muster Rolls.
- (22) Materials at site.
- (23) Register of works and Day Books.
- (24) Measurement Book.
- (25) Register of Loans.
- (26) Register of Investments.
- (27) Appropriation Register of Loans and endowments.
- (28) Inventory of immovable property.
- (29) Register of suits.
- (30) Register of tools and plant.
- (31) Stock account of forms.
- (32) Stock account of stationery.
- (33) Stock account of furniture and fittings.
- (34) Security Register of employees.
- (35) Service Books.
- (36) Leave Accounts.
- (37) Postage and Revenue Stamp account.
- (38) Minutes Book.
- (39) Order Book.
- (40) **Stock account of Schools.**
- (41) Permanent Advance Register.
- (42) Adjustment Register and vouchers.
- (43) Register of Money orders issued.
- (44) Register of undelivered money orders.
- (45) Roster of remittances by Postal money orders.
- (46) Contingencies and special charges.
- (47) **Provident Fund Accounts—**
 - (a) Provident Fund ledger.
 - (b) Provident Fund vouchers.
 - (c) Provident Fund Abstract.
 - (d) Register of temporary withdrawals.
 - (e) Register of Policies.
 - (f) Register of Life Assurance Premia.
 - (g) Annual Account of Provident Fund subscribers.
 - (h) Post Office Savings Bank Pass Book.

12. In the case of the following registers and records audit checks as prescribed against each should be applied :—

Serial No.	Register and Records	Reference to para No. of Manual in which instructions have been laid down.
1	2	3
1	(i) Cash Book (Accountants)	41 and 43 of Chapter II and 5 of Chapter IX. Cent per cent.
	(ii) Subsidiary Cash Book .	79 of Chapter VIII. Cent per cent.
2	Treasury Pass Book	44 of Chapter II and 5 of Chapter IX. Cent per cent.
3	Cheque Books	45 of Chapter II. Cent per cent.
4	Advice lists of Cheque issued .	General scrutiny to see that system of sending advice is in force.
5	Chalans	46 of Chapter II. Cent per cent.
6	Payment vouchers	42 of Chapter II and other instructions contained in the chapter.
	(a) (i) Payees' receipts . . .	In respect of payments by postal money orders by drawal of cheques in favour of the Post Master, it should be carefully watched that the system of comparison of the names of actual payees as per the bills with those as per the Money Order lists by responsible officer and of obtaining a certificate of such comparison having been exercised exists in the local office and records of such internal checks are maintained. It should be seen that certificate has been furnished by all teachers of their having received the pay for the previous month as required by Rule 24 (a) (i) and (b)(i) of the Draft Education Rules.
	(ii) Hand payments by drawal of cheques in office.	Cent per cent checks should be exercised.
	(b) Other detailed checks . . .	Same as prescribed in Chapter II for audit of expenditure and for audit of Public Work vouchers.
		In respect of the bills of Schools it should be seen—
	(i)	that the procedure for submission, scrutiny, and countersignature of bills of schools of the various categories as prescribed in the Education Rules is observed and that the prescribed forms are adhered to ;
	(ii)	that the rates of pay of teachers of managed schools to be checked (through the Audit Register) conform to the rates approved by Government according to qualifications ;

1	2	3
		(iii) that the rates of grants-in-aid are in accordance with the agreements and sanctions (through the Audit Register);
		(iv) that sanctions for aid are renewed after three years or after their expiry [Rule 58 (a) of Draft Education Rules];
		(v) that the rules and procedure for expenditure on school buildings (Rules 71—77 <i>ibid</i>) are followed ;
		(vi) that the lower primary scholarships are granted and paid according to rules 78—87 <i>ibid</i> ;
		(vii) that purchases as per contingent bills for books and equipments are made after obtaining competitive rates in the open market ;
		(viii) that the books and periodicals purchased are from firms which are on the approved list or specially sanctioned by the competent authority ; and
		(ix) that a certificate of receipt is attached in respect of the articles paid for.
7	Monthly and quarterly accounts of receipts and expenditure.	47 of Chapter II. It should be seen that the receipts and expenditure have been posted under correct heads.
8	Register of bills for payment	91 of Chapter VIII. A general scrutiny to watch delay in payment and outstanding liabilities should be made.
9	Audit Register	92 of Chapter VIII.
10	Register of advances and deposits	Chapter II and 69, 84, 72 and 85 of Chapter VIII.
		The total balances outstanding at the end of the year as per the ledger and the quarterly lists of outstandings should be agreed with the total balance worked out from the figures of abstracts and receipts and expenditure under the Advance and deposit heads and the opening balances at the beginning of the year.
11	Quarterly outstanding list of advances and deposits.	As in Chapter II. The outstanding balances at the end of the year should be checked cent per cent with the balances as per the ledger and memo of agreement every quarter. Old advances outstanding for more than a year should be scrutinized.
12	Expenditure on Works	57 to 63 of Chapter VIII and instructions contained in Chapters II and IX.
13	Register of loans	As in Chapter II and para 88 of Chapter VIII. Cent per cent checks to be exercised.

1	2	3
14	Register of Investments	Chapters I & II and 87 of Chapter VIII. Cent per cent checks to be exercised.
15	Appropriation Register of Loans and Endowments.	Chapter II and para 90 of Chapter VIII.
16	Register of Lands and Buildings (Inventory of immovable property).	101 of Chapter VIII. Cent per cent.
17	Register of Government grants and grants for special purposes.	As prescribed in Chapter IV. Cent per cent checks to be exercised.
18	Adjustment Register and Adjustment vouchers.	81 of Chapter VIII and instructions contained in Chapter II.
19	Register of Permanent Advance.	48 of Chapter II and 83 of Chapter VIII.
20	Register of Money orders issued	General scrutiny.
21	Register of undelivered money orders and Register of cheques received.	82(A) and 82(B) of Chapter VII. See that all undelivered money orders and cheques received are entered in the respective registers.
22	Roster of remittances by Postal Money Orders.	Only a general scrutiny to see that the roster prescribed is duly observed.
23	Service Books and Leave accounts.	Chapters I & II and 93 of Chapter VIII.
24	Register of Security deposits and sureties.	86 of Chapter VIII. Cent per cent.
25	Stock and Store Accounts of the office of the District Education Fund (if properties do not belong to Government).	Checks relating to Stores as laid down in Chapters I and II. Cent per cent.
26	Stock account of forms stationery furniture and fittings, etc.	103, 104 of Chapter VIII and instructions contained in Chapters I & II.
27	Public Work—General	The expenditure on construction and maintenance of School buildings should be regulated not only by the Public Works Account Rules applicable to the District but also by the special procedure laid down in Section VI of the Education Rules.
28	Schedule of rates	Same checks as prescribed in Chapter II of Local Audit Manual Volume II. As the check is to be exercised in the course of audit of the District Board, no separate check will be necessary.
29	Detailed Estimates	As prescribed in Chapter II Cent per cent for all final bills to be checked in audit.

1	2	3
30	Tenders of contractors and agreements.	As prescribed in Chapter II. General scrutiny over— (i) lists of tenders of each work of a value exceeding Rs. 500; (ii) Tenders and agreements for all works in respect of which final bills, are to be checked in Audit.
31	Day Books and Register of Works	As prescribed in Chapter II.
32	Contractors' ledger	As prescribed in Chapter II.
33	Measurement Books	As prescribed in Chapter II. (i) General scrutiny as to proper upkeep. (ii) Abstract of quantities and values and totals cent per cent for all final bills to be checked in audit. Detailed measurements for all items of final bills rates for which exceed Rs. 10.
34	Muster Rolls	As prescribed in Chapter II.
35	Materials-at-site	As prescribed in Chapter II. Cent per cent for all original works the accounts of which checked in audit.
36	Stores	As prescribed in Chapter II. Cent per cent for valuable materials, such as iron, cement, wood, etc.
37	Public Work Bills	As prescribed in Chapter II.
38	Register of suits	56(d) and 105 of Chapter VIII.
39	Register of Tools and Plant	102 of Chapter VIII.
40	Postage and Revenue Stamps account.	As prescribed in Chapter II.
41	Minutes Book	General scrutiny to see that powers are not exceeded. In the scrutiny of sanctions resolutions should be referred to.
42	Travelling Allowance Bills	54 of Chapter VIII and instructions contained in Chapter II.
43	Stock account of Schools	Instructions contained in Chapter II. Cent per cent checks on the store accounts of the Schools which are subjected to detailed check.
44	Contingencies and special charges	55 of Chapter VIII.
46	Provident Fund Accounts	(a) General The accounts should be examined as indicated in Chapters II and VI. (b) Provident Fund Ledger with vouchers. As prescribed withdrawals. Cent per cent.

1	2	3
	(c) Provident Fund Ledger with Totalling and balancing.	As prescribed.
	(d) Provident Fund Ledger with abstract of balances.	Ditto.
	(e) Total of abstract and balances	Ditto.
	(f) Pass Book and Provident Fund Cash Book.	Cent per cent.
	(g) Vouchers in support of withdrawals.	Ditto.

13. Preparation of the Annual Account.—After the monthly and quarterly accounts of receipts and expenditure have been completely checked, the annual account of receipts and charges which should be submitted along with the audit report should be prepared from the entries in the Quarterly accounts. The figures to be entered under the head "final budget appropriation" should be taken from the original budget sanctioned by the board and transfer of allotments, if any, ordered by it during the course of the year. It should particularly be borne in mind that the figures given in the revised budget for that year submitted along with the budget estimate for the subsequent year should not be adopted.

The abstract of account for the Annual Account should then be prepared with reference to the previous year's accounts as regards opening balances and the body of the account as regards receipt and expenditure. The closing balance should be worked out and tallied with the closing balance of the cash book or cash books. It should be seen that earmarked funds such as balances of Government grants, Loan Funds, etc., have not been diverted for ordinary expenditure under General Account without the specific sanction of Government. It should be particularly seen that no portion of Provident Fund balance has been diverted as such diversion even temporarily is not permissible.

It is, however, not necessary to show the general account as having a deficit where long term diversions are sanctioned.

14. Statements to be appended to the Audit Report.—The following statements shall be appended to the report:—

(a) **Endowments Account.**—If there is no separate subsidiary account for endowments the figures under Receipts and Expenditure should be compiled from the head "Endowments" appearing under each minor head in the body of the account. These should agree with the figures appearing in the Appropriation Register of Loans, Endowments and other Funds. The opening balance, receipts charges and closing balance should be noted in the Endowments Account of the Annual Account which should correspond to the figures noted in the

abstract of the Annual Account. It should be seen that the balance in excess of the amount required for probable expenditure during the year have been invested in any of the permissible forms of securities.

(b) *Government grants for specific purposes.*—This statement should be compiled from the Government grant Register. It should be seen with reference to this register and the statement that the grant is utilised only for the purpose for which it was sanctioned and that the unutilised balance after the completion of the work has been refunded to State Funds.

(c) *Loans Account.*—This account also should be compiled from the Appropriation Register of Loans. The checks to be applied in the case of special Government grants apply to loan funds also.

(d) *Loans Statement.*—This should be compiled from the Register of Loans.

(e) *Investment Account.*—This should be prepared with reference to the Register of Investments.

(f) *Statement of liabilities and assets.*—After the statement has been prepared totals should be made and by noting the difference as closing balance the totals of both the sides should be agreed.

(g) *Abstract account of deposits in cash and security and other deposits not in cash.*—These will be compiled from the respective registers.

(h) *Abstract of Provident Fund Account.*—The opening balances would be the closing balances of the previous year. The other figures should be compiled from the Provident Fund Cash Book.

(i) *Abstract of transactions under advances.*—This should be compiled from the register of advances.

It should be seen that the closing balance of the deposit and advances account are correctly worked out from the ledgers, adjustment registers, etc.

15. General.—Lodgement of Funds.—Every District Superintendent of Education should conduct all the transactions of the Fund under his control with the Government District Treasury.

The fund money in the custody of the Executive authority should be kept in a cash chest under double locks of different patterns the key of one lock being kept apart from and in a different person's custody from the key of the other lock. The key of one lock should accordingly be with the cashier and the key of the other lock should be with the executive authority or under his personal responsibility with an officer, other than the cashier, authorised by him in this behalf.

16. Delegation.—A list of powers delegated to the different officers should be looked into and it should be seen that the powers are not exceeded. The duty charts of the employees should also be examined to assess responsibility whenever necessary.

17. On the conclusion of audit, an audit report on the general fund accounts dealings with important irregularities should be prepared and forwarded to the Executive Authority along with an audited annual account of receipts and charges with a request that replies to the report may be furnished within two months from the date of receipts. Other irregularities relating to general fund should be included in separate objection statements which should be forwarded to the Executive Authority for return with replies within two months.

Copies of the Audit Reports shall be endorsed to :—

- (i) the Chairman, District Board;
- (ii) the District Officer;
- (iii) the Commissioner of the Division ; and
- (iv) the Secretary to the Government of Bihar, Education Department.

CHAPTER XI

PROCESSES OF AUDIT OF DISPENSARY ACCOUNTS

1. *Cash Book, Pass Book, Cheque Books and Chalang.*—Check the Cash Book and the Savings Bank Pass Book. In the case of Class III-A dispensaries, check the Treasury Pass Book, with chalang and Cheque Books.

2. *Budget Estimates.*—Check the Budget Estimate and see that it is prepared by the Managing Committee and approved by the controlling local authority.

3. *Miscellaneous Receipts.*—Check receipts from sale of property, rent of rooms, etc., with subsidiary accounts, such as bid lists, register of rents, etc.

4. *Subscription and Donation Register.*—Check the Subscription and Donation Register. See that the collections are remitted in full not less often than once a week, that the register is put up before the Managing Committee every month and that no item has been written off without the sanction of the Committee. Comment on the amount of subscriptions outstanding if the arrears are heavy.

5. *Diet Register.*—(1) Check the Diet Register, diet slips and diet charges. See that tenders are invited for the supply of dietary articles.

6. *Miscellaneous Registers and Accounts.*—Check the following registers and accounts:—

- (1) Permanent Advance Register.
- (2) Monthly Account.
- (3) (i) Account of grants, etc., for special objects.
(ii) Account of dispensary grants.
- (4) Miscellaneous receipts.
- (5) Stock Register.
- (6) Service Books.
- (7) Provident Fund Ledger and Abstract of balances.
- (8) Order Book.
- (9) Vouchers.
- (10) Stock Registers of furniture, medicines and instruments.
- (11) Investment Register.
- (12) Postage Stamp Account.

7. *General.*—The checks laid down for the audit of the accounts of the controlling local authority should generally be applied to the audit of Dispensary accounts also.

CHAPTER XII

PROCESSES OF AUDIT OF WORKMEN'S COMPENSATION FUND ACCOUNTS

1. Before the audit is taken up, the auditor should acquaint himself with the relevant portions of the Workmen's Compensation Act, 1923, (Act VIII of 1923) as amended from time to time and the rules made thereunder.

2. The receipts of the fund consists mainly of deposits paid by the employers of labour towards compensation of non-fatal injuries causing permanent disablement to Workmen or Compensation for the dependants of workmen who died of injuries sustained during their work. The amount of compensation is the 'award' determined by the Commissioner for Workmen's Compensation, sitting in Court. The expenditure of the fund consists in payment of compensation to the workmen or the dependants of deceased workmen as the case may be. In the case of ignorant, uneducated or child dependants (i.e., persons with legal disability) the Commissioner has got discretion either to pay the compensation in full to these persons or their guardians or to deposit the amount in the Post Office Savings Bank and pay the amount in instalments to the dependants or their guardians. Sometimes the amounts are invested on lands or houses at the discretion of the Commissioner on the application of the dependants or their guardians. In such cases, the valuation of the lands or houses is generally ascertained by the commissioner through the Revenue Officials of the district in which the lands or houses are situated and payments made through the Collector or the Revenue Officer. In all cases, acknowledgments, stamped when necessary, are obtained from the dependants or their guardians.

3. There is also another class of deposits—deposits under Workmen's Compensation (Transfer of money) Rules, 1935. These are amounts of compensation awarded by the Commissioner for Workmen's Compensation in the other Provinces in India or other countries on behalf of dependants of deceased workmen residing in the State of Bihar. In such cases, the Commissioner will have to ascertain the whereabouts of the real heirs of dependants of the deceased workmen and pay them the compensation awards as described above. The acknowledgments obtained will be forwarded to the Commissioners from whom the amounts were received.

4. The following registers and records are maintained in the Commissioner's Office in connection with the administration of this fund and they have to be checked in audit.

- (1) Cash Book.
- (2) Treasury Schedules.
- (3) Order for lodgement.
- (4) Payment order book.
- (5) Receipt Books.

- (6) Case files.
- (7) Register of receipts of deposits.
- (8) Register of repayments of deposits.
- (9) Register of deposits received from and repayments made to parties.
- (10) Investment ledgers.
- (11) Post Office Savings Bank Pass Books.
- (12) Security deposit of the clerk.

The list of registers should be called for as laid down in para 23 of Chapter II.

5. *Cash Book*.—It should be seen that all amounts received as per the counterfoils of receipts issued are immediately entered in the Cash Book and remitted to the Reserve Bank of India through the order for lodgement without delay. As the account with the bank is of the nature of a civil court deposit, the Commissioner, has powers to utilize the receipts by way of witness batta, etc., direct for expenditure as prescribed in Treasury Rule 7(2). It should be seen that a reconciliation of the balance in the cash book with the bank balance is effected every month and recorded in the cash book over the signature of the Personal Assistant to the Commissioner or any other responsible officer duly authorised by him.

6. *Treasury Schedules*.—The credits in the Treasury should be traced from the cash book through the order for lodgement and it should be seen that all amounts remitted are correctly credited in the Treasury. Similarly, the withdrawals noted in the Schedules should be traced from the cash book through payment orders.

7. *Order for Lodgement*.—All amounts to be remitted into the Treasury are paid through the order for lodgement.

8. *Payment order book*.—Amounts for expenditure are all withdrawn from the Treasury through payment orders. When the order for payment is in favour of self, it should be seen that the amounts received are credited in the cash column of the cash book.

9. *Receipt Books*.—There are three sets of receipt books in use at the same time. One is intended for acknowledging the receipt of deposits of compensation awarded for fatal cases; one for the receipt of deposits of compensation awarded for non-fatal cases and one for receipt of amounts under Transfer of Money Rules. It should be seen that receipts are made out for the full amounts received in each case the same day and they agree with the credits noted in the cash book.

10. *Case files*.—The files should be gone through and the award of the Commissioner verified with a view to seeing that the full amount of award has been recovered correctly and that the payment of the amounts deposited are in accordance with the orders of the Commissioner.

NOTE.—The auditor should not question the decision of the Commissioner in the matter of an award. He has only to see that the amount of award as decided on by the Commissioner has been recovered and disposed of according to his orders.

11. *Register of receipts of deposits*.—It should be seen that all deposits received by way of compensation awards granted by the Commissioner or those received from Commissioner in other Provinces or countries are entered in this register in the order in which they are received in the office with full particulars of the names of persons, etc. When a deposit is either paid to the parties concerned or withdrawn for investment in the Post Office Savings Bank, it should be seen that the payments are noted in the respective columns against the original entry in the register to avoid double claims. The receipts should be traced from the counterfoils of the receipt books while the payments should be traced from the payment order book.

12. *Register of repayments of deposit*.—All refunds of deposits either by way of payments to the heirs or dependants or by investment in the Post Office Savings Bank or to the depositors themselves in the case of non-existence of proper dependants, are also noted in this register in the order in which payments are made according to the payment order book. They should be traced into the Register of receipt of deposits.

13. *Register of deposits received from and repayments made to parties*.—This register is intended to note all the awards made by the Commissioner for Workmen's Compensation, under Section 8 of the Act and the repayments made against them in compliance thereof.

14. *Investment Ledgers*.—When the Commissioner decides that the compensation due to a person or persons should not be paid to him in full immediately and should be paid in instalments only or should be kept with him till such time as it is possible to invest the money in lands or buildings, etc., he withdraws the amount from the bank and invests the same on behalf of the dependant or dependants in the Post Office Savings Bank. Such investments are noted in the Investment Ledger and when instalment payments are made from the invested sums they are noted in the ledger. It should be seen in audit that the amount invested on behalf of a person or persons are correctly noted in the ledger and that the amount of each instalment to be paid and the intervals of each instalment according to the Commissioner's order are also noted on the top of the page. All withdrawals of invested amounts and their payments should be noted in the ledger.

15. Post Office Savings Bank Pass Book.—It should be seen that all amounts drawn for investment are invested in the Post Office Savings Bank and Pass Books showing the correct amounts are forthcoming. The investments should be verified with reference to the connected orders of the Commissioner in the files and should be traced from the 'Self payment order' to the cash column of the cash book and from there to the pass book through the Investment Ledger. All amounts withdrawn from the pass book for payments should be traced into the ledger account concerned and acknowledgments of the parties verified.

NOTE.—It should be seen that interest due on investment is noted by the Postal authorities in the Pass Books and that interest accrued is paid along with the principal to the parties concerned.

16. Security Deposit of the clerk.—The clerk in charge of the Workmen's Compensation Fund has furnished a security for the amount prescribed by executive order. It should be verified in audit.

The audit is conducted annually for the calendar year in the office of the District Officer and Commissioner for Workmen's Compensation. An audit report containing the irregularities is forwarded to the Commissioner. Report of the action taken on the audit report and the objection statement is called for and verified. Copies of the Report are endorsed to (i) the Commissioner of the Division, and (ii) to the Secretary to the Government of Bihar, Labour Department.

PROCESSES OF AUDIT OF UNIVERSITIES

1. Preliminary information required.—Before the audit for a year is commenced the auditor should pursue the University Act 1951, Statutes and Account Rules framed thereunder, a copy of the latest administration report, the budget and the Government orders relating to them, if any, annual statement of accounts, etc., and gain a general knowledge of the state of finance of the University. He should go through the previous year's audit report, Inspection Notes, Government orders sanctioning grants, contributions, etc., the proceedings of the Senate and Syndicate and other committees and the Internal Auditor's and the Accounts Officer's objection statements regarding general defects in accounts and registers.

2. Scope of Audit.—The accounts of the University are audited annually. The University consists of the following departments:—

- (i) University Office Proper.
- (ii) University Engineer's Office.
- (iii) Text Publication Fund.
- (iv) University Press.
- (v) University Library.
- (vi) University Departments.
- (vii) (a) University Hostels.
(b) Board of Health and Residence.
- (viii) Offices of Deans.
- (ix) Trust and Endowment Funds.
- (x) Constituent Colleges.
- (xi) Dispensary Accounts.

3. (a) The audit consists of the check of revenue, expenditure and stores accounts and of the examination of records connected therewith—

(b) Auditors should refrain from giving the University, rulings on doubtful points of procedure or expressing independent opinions connected with the interpretations of the Act without obtaining the orders of the Examiner.

4. The audit comprises the following detailed processes:—

- (i) Check of collections;
- (ii) Verification of remissions and writes off.
- (iii) Verification of outstanding items of revenue.
- (iv) Verification of demand, collection and balance.
- (v) Audit of payment vouchers.

- (vi) Review of advances and deposits.
- (vii) Check of expenditure against allotment.
- (viii) Review of the general financial position.
- (ix) Examination of several accounts and registers.
- (x) Check of the Annual Account and the statements to be attached to the report.
- (xi) Verification of the Cash Book balance with that shown in the Pass Book as at credit of the University in the Bank.

5. The revenue of the University may be divided into the following classes for purposes of check :—

- (1) Government Grants—
 - (a) Recurring—
 - (i) Government of India's grants.
 - (ii) State Government grants.
 - (iii) Statutory grants.
 - (b) Non-recurring—
 - (i) Government of India grants.
 - (ii) State Government grants.
- (2) Registration Fees—
 - (a) Registration of students.
 - (b) Registration of College Teachers.
 - (c) Registration of Graduates.
- (3) Miscellaneous Receipts—
 - (a) Hire of gowns.
 - (b) Sale of Miscellaneous publications.
 - (c) Sale of Stores, wastepaper, etc.
 - (d) Centre expenses from Nepal.
 - (e) Unclassified receipts including Government scholarships received through Treasury or through Bank Drafts, Cheques, etc.
 - (i) Government of India Scholarships.
 - (ii) State Government scholarships.
 - (iii) Scholarships from other sources.
 - (iv) Discretionary grants from Ministers.
 - (v) Government of India's contribution for payment of fellowship to the French and German scholars, etc.
 - (vi) Contribution from Government for sending out delegates.
 - (vii) Government grant for payment of examination fees of scheduled caste students.
 - (viii) Grants from other sources.

- (4) Endowed Chairs—
 - (i) From the Rameshwar Singh Maithili Chair Fund.
 - (ii) From Tatas for the Tata Chair in Geology.
 - (iii) From the Trust of Rai Bahadur Ganga Prasad Singh for R.B.G.P.S. Chair in Hindi.
 - (iv) From the Hathwa Fund towards the cost of Readership in Statistics.
- (5) Contribution of the savings of the Bihar School Examination Board.
- (6) Savings of the Text Publication Fund.
- (7) Savings of the Patna University Press.
- (8) Rent of quarters.
- (9) Interest from—
 - (i) Investments
 - (ii) Endowments and Trust Funds.
- (10) Matured value of Fixed Deposits.
- (11) Amount transferred from different accounts.
- (12) Examination Fees—
 - (i) M.A., M.Sc. and M.Com.
 - (ii) B.A. { (a) Annual.
B.Sc. {
B.Com. { (b) Supplementary.
 - (iii) M. O. L. & B. O. L.
 - (iv) I.A., I.Sc. & I.Com. { (a) Annual.
(b) Supplementary.
 - (v) Law Parts I & II { (a) January.
(b) July.
 - (vi) Master of Education.
 - (vii) Diploma in Education.
 - (viii) I.Sc. (Eng.) { (a) Annual.
(b) Supplementary.
 - (ix) B.Sc. (Eng.) { (a) Annual.
Parts I & II. { (b) Supplementary.
 - (x) First M.B.B.S. { (a) Annual.
(b) Supplementary.
 - (xi) Final M.B.B.S. { (a) Annual.
(b) Supplementary.
 - (xii) D.Litt.
 - (xiii) Ph.D.
 - (xiv) M.D.
 - (xv) M.S.
 - (xvi) M.L.

- (21) Other sources of income, if any, should also be ascertained in writing from the University authorities. For all these receipts separate registers are prescribed by the University and kept in the different branches of the University. The registers should be called for for the verification of credits of receipts in the Subsidiary Cash Book of the University and subsequently in the University Fund. The University maintains a list of registers kept in the different branches of the University mentioned in para 4 *ante*. Auditor should get a copy of the list duly certified by the University authority for purposes of audit scrutiny. Any register which is not authenticated by the Executive authority should not be accepted in audit. Instructions laid down in para 23 of Chapter II should be followed.

6. (a) **Processes of Check.**—Before exercising detailed checks over receipts, the auditor should make himself fully conversant with the accounting system of the University. The following points should be looked into in particular in this regard :—

- (1) Where the funds of the University are lodged and if they are supported by proper authority?
- (2) In addition to the Main Account, how many Subsidiary Accounts are there and where they are lodged?
- (3) Which of the receipts are to be accounted for in the Main Account and which should be accounted for in the Subsidiary Accounts?
- (4) If the accounts of the University are lodged with more than one Bank, what are the reasons for having more than one account?
- (5) Whether transactions with the respective Banks are carried out according to the instructions laid down by the University authorities?
- (6) What is the procedure for crediting different types of collections, namely, Cash, Postal Orders, Cheques, Drafts, Bills, etc., and whether they are credited according to the prescribed rules of the Bank.
- (7) Money is received by the University in the shape of Cash, Money orders, Indian Postal Orders, Cheques, Drafts, etc. What is the procedure for accounting for these receipts in the Subsidiary Cash Book or Cashier's Cash Book of the University?

(b) The following should be looked into in general in respect of audit of receipts.

- (1) The Cashier is required to issue Miscellaneous receipts to the tenders of money for all money tendered to him.
- (2) In some cases receipts are also prepared by the Cashier though they are not meant to be issued to the parties but only to keep record of serial number of entries in such cases the

receipts are prepared. It should be particularly noticed that the outer foils meant for issue to the parties are kept attached with the foil in such cases.

- (3) All the miscellaneous receipts issued by the Cashier are traced into the subsidiary cash book.
 - (4) In case of the receipts, the outerfoils of which have not been detached, the sources from which the amounts had been received and the relevant papers should be examined to see that they had been correctly accounted for.
 - (5) In case of cheques and drafts, the entries have been attested by the Registrar in all cases.
 - (6) In case of money orders received by the University, a list of money orders received daily by the University is prepared and attested by the Registrar. This list should be checked with the Subsidiary Cash Book and Money Order coupons.
 - (7) In case of direct credits, the entries in the Subsidiary Cash Book should be compared with the Bank's Chalan.
 - (8) In case of bills it should be particularly seen that all such bills before they are sent to treasury for encashment for credit by transfer are entered in a register and all such entries are attested by the Registrar.
 - (9) The totals of the Subsidiary Cash Book under various heads and also the grand total of daily collection should be checked.
 - (10) It should be seen if the classifications on account of different items of collection such as Cash and M.O., Postal Orders, Drafts, cheques and direct credits to Banks are correctly recorded.
 - (11) The remittances should be traced into respective Bank Accounts.
 - (12) Daily receipts under different heads as per the Subsidiary Cash Book should be traced into the General Cash Book of the University and also remittances as shown in the Subsidiary Cash Book into the General Cash Book.
 - (13) The Bank Pass Book should be examined at the close of each month to see if there are receipts in the Bank which have not been entered into the Subsidiary Cash Book. The receipts should be scrutinised to see that they have been entered in the General Cash Book and monthly and annual account of the University.
- (c) The process of check to be exercised in each case is described below :—
- (1) Government grants both recurring and non-recurring (other than statutory grants).
 - (a) All receipts of grants in the Government grant statement supplied by local office should be traced from the Cash Book and the Government grant register.

(b) Other instructions contained in Chapters II and IV of this Volume should be observed.

(c) The totals of receipts and expenditure should be compared with the figures booked in the annual accounts and reasons of difference looked into.

N. B.—With respect to Statutory grants it should be seen that they have been credited to the University Fund. No details of expenditure are required to be checked.

(2) Registration Fees—

(i) The daily collection register for each type of collection maintained in the University office should be checked with the receipts issued. It should be seen that receipts have been issued for money received.

(ii) Totals of receipts booked in the register should be agreed with the annual accounts and reasons for difference looked into.

(iii) Credits should be traced in the subsidiary cash book and in the General Cash Book and Bank Pass Book of the University.

(iv) Totals of demand, collection and balance should be checked.

(3) Miscellaneous receipts—Auditor should—

(i) See that separate registers are maintained for all categories of receipts.

(ii) See that receipts have been granted for all collections made. In the cases when the receipts are not meant to be issued to the parties, both the foils are preserved.

(iii) See that receipts are signed by the officer authorised to grant such receipts.

(iv) Trace credits in the subsidiary cash book under proper heads and in the general cash book and bank pass book.

(v) See that total of receipts are agreed with the figures booked in the annual accounts and reasons for difference, if any, looked into.

(vi) Check the totals of demand, collection and balance.

N. B.—Cent per cent checks should be exercised over the registers of cheques, drafts, discretionary grants, scholarships, etc. It should also be seen whether payments have actually been made to the parties concerned. Certificates of credits on the payment vouchers should be verified from the Subsidiary Cash Book and General Cash Book and Bank Pass Books.

(4) Endowed Chairs—

(i) It should be seen that receipts have actually been credited to the University Fund in due time.

(ii) The receipts are utilised for the purposes specified.

(5) Contribution of the Savings of the Bihar School Examination Board.

It should be verified from the Cash Book and Pass Book and the connected correspondence that the contribution of the Savings of the Bihar School Examination Board has been credited to the University Fund.

(6) Savings of the Text Publication Fund—

As against item 5.

(7) Savings of the Patna University Press.

As against item 5.

(8) Rent of quarters—

Auditors should see—

(i) that rent is realised according to rules on the point.

(ii) that the money exemption is covered by requisite sanction,

(iii) that the register contains the names of all the employees of the University provided with quarters duly certified by the University authorities,

(iv) that the rents realised are credited to the University Fund,

(9) Interest from Endowments and Trust Funds—

Auditor should see—

(i) that the interest is realised on due dates and credited to the University Fund,—

(ii) that the credits are made in the subsidiary Cash Book, General Cash Book and Bank Pass Book,

(iii) that the receipts are utilised for the purposes for which they are meant.

(10) Matured value of Fixed Deposits—

Auditors should see that the matured value of Fixed Deposits is realised in time and credited to the University fund if not reinvested. There should be no loss of interest.

(11) Amount transferred from different accounts—

It should be seen that correct amounts are transferred to the University Fund from different accounts. The accounts of the different branches should be checked to ascertain this.

(12) Examination Fees—

A very heavy amount is collected by the University on account of Examination fees for different examinations conducted by the University. The auditor before taking up check of this account should make himself familiar about the

different kinds of examinations conducted by the University. The following checks in particular should be applied:—

- (1) In case of I.A., I.Sc., B.A., B.Sc., I.Com. and B.Com. examinations, the examination fees are collected by the Principals of colleges and then deposited into the University Fund. See that the number of Admit Cards had been issued to the Principals of the colleges only for the number of students for whom fees had been deposited.
- (2) See that fees for different examinations have been correctly realised by the Principals according to the prescribed rates.
- (3) In case of other examinations, see that admit cards have been issued only to those students who paid fees according to the prescribed rates.
- (4) See that the total fee demand of the University according to the prescribed rates is correct considering the total number of students permitted to appear in different examinations. See that this demand agrees with the actual collection of fees as exhibited in the Annual Account.
- (5) In case the University conducts examination of other States, such as, Nepal, etc., see that examination fees, cost of holding the examinations, etc. are correctly realised.

(13) Other Fees—

It should be seen—

- (i) that separate Daily Collection registers are maintained for different types of fees;
- (ii) that money receipts issued are noted in the Daily Collection Register;
- (iii) that credits of daily totals of collections are traced in the Subsidiary Cash Book;
- (iv) that credits to the University Fund are traced from the Subsidiary Cash Book to the General Cash Book and Bank Pass Book;
- (v) that receipts are traced from the Daily Collection Register to the Demand and Collection Register;
- (vi) that the totals of collections as per registers agree with the figures booked in the annual accounts and the differences, if any, are carefully looked into.

(14) Fee collections from University Students:—

The University has several teaching departments in which post-graduate courses are taught. The students prosecuting studies in such courses are required to pay certain prescribed rates of fees.

The following checks should be applied in this connection:—

- (1) Ascertain the number of teaching departments in the University.
- (2) Ascertain which department of the University has been entrusted with the collection.
- (3) See that receipts are granted to the students for fees paid by the students. Check also the stock account of such receipts.
- (4) See that all such fees collected are entered in the Daily collections.
- (5) Check the daily totals of the Daily Collection Register.
- (6) See that the amounts collected were remitted intact to the Bank and that no part of it has been retained in hand.
- (7) Trace the daily remittances into the Subsidiary Cash Book of the Cashier.
- (8) Check the fee demand and collection of each Teaching Department of the University to see that fees had been regularly paid by the students and that no student was allowed to sit for the examinations having outstanding tuition fees against his name.
- (9) See that the counterfoils of pay-in-slips are signed by the Executive in charge of the Collection Department before the amounts are credited to the University fund.
- (10) See that the counterfoils and foils record details of cheques, drafts, cash, etc., under the dated initials of the executive authority.
- (11) See that the credits are traced in the General Cash Book and the Bank Pass Book.
- (12) See that the postings of Daily Collection Registers are traced in the Demand and Collection Registers.
- (13) See that the total collections are agreed with the figures booked in the annual accounts (differences, if any, should be carefully examined).
- (15) Hostels and Board of Health and Residence—
Daily Collection Registers of Hostels and Board of Health and Residence and Demand and Collection Registers, etc., should be checked on the same lines as indicated in item (14) above.
- (16) Constituent Colleges—
(i) Daily Collection Registers and Demand and Collection Registers should be checked on the lines as indicated in item (14).

- (ii) It should be seen that prescribed registers are maintained for all types of receipts including grants, scholarships, cheques, drafts, discretionary grants, etc.
 - (iii) Figures of collections as per collection register should be agreed with the figures as booked in the annual accounts of the college and of the University as a whole. Differences, if any, should be carefully examined and pursued.
 - (iv) Rates of fees should be as prescribed by rules.
- (17) **Advances recovered—**
The register of advances, connected vouchers and adjustment vouchers should show the amount of advances recovered. All recoveries to be traced either in the cash book or the Adjustment Register. The figures as per advance ledger should agree with the annual accounts.
- (18) **Deposits received—**
All deposits received are noted in the Deposit Ledger and traced in the Cash Book. Total of deposits received should agree with the figures booked in the annual accounts.
- (19) **Patna University Press—**
- (i) Daily Collection Registers and Demand and Collection Registers should be checked on the lines as indicated in item (14).
 - (ii) Rates of printing charges are prescribed under competent orders and it should be seen that charges realised are correct.
- (20) **Text Publication Fund—**
- (i) Daily Collection Registers and Demand and Collection Registers should be checked on the lines as indicated in item (14).
 - (ii) The total of receipts in the Demand and Collection Registers should be agreed with the figures booked in the Annual Accounts and, differences, if any, should be carefully examined.
7. To prove the correctness of credits of receipts the following processes of audit should be adopted :—
- (i) **Subsidiary Cash Book.**—Check all entries on the receipt side of the subsidiary cash book with the counterfoils of money receipts throughout. In the case of money recovered through Postal Money Orders for which no money receipts are granted, see that the Registrar has initialled the respective entries in the Subsidiary Cash Book in token of their correctness. Check all totals and remittances to Bank.
 - (ii) **General Cash Book.**—Trace all receipts into this Cash Book from the Subsidiary Cash Book and the receipt side of the Pass Book.

- (iii) **Stock Register of Miscellaneous Forms.**—Trace the purchases of miscellaneous forms from vouchers of payments into the Stock Book. See as far as possible that all issues are *bona fide*.
- (iv) **Stock Register of blank mark-sheets, cross-lists, provisional certificates, money receipts and registration receipts.**—See that all books issued are produced in audit. Check the totals and verify the book balances with the balances in hand.
- (v) **Stock Register of diplomas and certificates.**—Compare the issues with the vouchers of writing fees paid to the staff and note any discrepancy. Check the totals and verify the book balances with the balances in hand. See that the prescribed fees are realised for issuing the duplicates; this may be done by a comparison with the Register of duplicate diplomas and the certificates issued.
- (vi) **Stock Register of Answer Books.**—Verify issues with the acknowledgments of the centre Superintendents concerned. Check the blank books received back from the Centre Superintendents with the corresponding forwarding letters. See that the used up answer books have been sold by auction and the sale proceeds credited to the University Fund. Check the totals of the register.
- (vii) **Registers of Registered Graduates, College and School teachers.**—Check the entries with the counterfoils of Registration receipts and trace the credit of fees realised into the subsidiary cash book. See that the prescribed fees have been realised.
- (viii) **Register of University Students.**—Same checks as in item (vii) above.
- (ix) **Register of migration fees.**—Check the entries with the credits of corresponding fees in the Subsidiary Cash Book.
- (x) **Registers of Sales of Publications, e.g., question papers, pamphlets, minutes, calendars, regulations, courses of studies, readership lectures.**—Check the sales with the subsidiary cash book. Check balances of the stock books and see if there is any evidence of physical verification of the book balances periodically.
- (xi) **Register of Examination Fees.**—Verify the credits of the Examination Fees as entered in the Subsidiary Cash Book and the register of Examination Fees with reference to the certificates of credits as noted on the roll sheets concerned.
- (xii) **Register of written diplomas and certificates.**—Generally examine the register and see that the undelivered diplomas have been destroyed after the prescribed period and a certificate of destruction furnished by the Executives.
- (xiii) **Registers of duplicate certificates, diplomas and provisional certificates.**—Check the entries with reference to the counterfoils of duplicate certificates and the subsidiary cash book.

- (xiv) **Scrutiny Fees Register.**—Check the credit of fees with those appearing in the subsidiary cash book.
- (xv) **Register of enquiry.**—Same checks as in item (xiv) above.
- (xvi) **Duplicate admit cards (in counterfoils).**—Trace all credits of fees into the subsidiary cash book and check the entries in the register of duplicate cards.
- (xvii) **Register of Marks-sheet and Cross Lists.**—Check the counterfoils of marks-sheets and cross lists issued to the students and trace the credits of the fees realised in these cases into the subsidiary Cash Book.

8. General Process of Accounting.—The transactions relating to each fund are recorded in the relevant Cash Book. The sums due to the University are generally credited by the parties direct to the State Bank of India, Patna Branch or Allahabad Bank, Patna or any other bank with which the University has a banking account. In a number of cases sums are received by cheques, drafts, money orders, etc., in the University office and in some cases cash is also received direct from the parties in the office of the University. Sums received by money orders, cheques, drafts, or in cash in the office of the University are, on their receipt, entered in relevant subsidiary cash books maintained for different purposes. They are remitted by chalans or pay-in-slips to the relevant banking accounts. They are at the same time taken over to the day book in the case of fee receipts and in other cases to the relevant cash books. Direct payments into the banks to the credit of the University by parties relate mostly to the University fee account. In cases where credits are made by parties direct into the relevant account in the Bank the sum is credited straightaway in the cash book of the account concerned on receipt of advice of credit from the party with the chalan or pay-in-slip in support. Sums paid by the parties into the State Bank or the Allahabad Bank or into any bank or to the credit of the University are entered in day books with reference to the bank receipt received from the parties. The entries are booked under the head of account to which the fee or other item of receipt relates. It sometimes happens that amounts pertaining to one account are credited to the banking account pertaining to other account. In such cases, the sums are transferred by means of cheques to the credit of the account to which they relate.

The Bank has a separate banking account for one or the other of the accounts. The payments are made by cheques on the bank on the Account concerned.

9. General processes of audit common to all accounts.—

(a) **Subsidiary Cash Book.**—The register should be maintained in accordance with the instructions laid down in the Account Rules of the University. While examining the register it should be seen—

- (i) that all sums for which receipts have been granted according to the counterfoil receipt book have been promptly credited in the subsidiary cash book;

- (ii) that sums have not been received without the grant of receipts;
- (iii) that there has been no avoidable delay in the remittance to the bank;
- (iv) that the receipts are remitted into the bank and that no portion has been utilised directly for expenditure;
- (v) that separate registers are kept for the receipt of cheque, drafts, scholarships, stipends, discretionary grants, etc.

The remittance should be traced through the chalan or pay-in-slip into the relevant pass book. The sums should be traced into the day book of the funds or the relevant cash book to which they are taken from the subsidiary cash book.

(b) **Scale Register.**—The register corresponds to the Audit Register. Every detail is noted in the main column itself and the payment made to each person for any month is noted against him in the month concerned. The audit is conducted on the general lines adopted for the audit of establishment bills. The powers of the Senate, the Syndicate, the Registrar and the Vice-Chancellor in the matter of sanction to scales of pay, sanction to the creation of posts and sanction to the appointment of persons should be studied and kept in view during audit.

In the Scale Register are also recorded the payments made in respect of recurring charges against the month for which the claim is paid to guard against a second or subsequent payment of the same claim. Such payments should, therefore, be traced in the register.

(c) **Stock Accounts.**—Stock accounts are maintained in respect of—

- (i) Stationery for office use;
- (ii) Furniture, tools and plants and other stores;
- (iii) Electrical goods;
- (iv) Answer Books;
- (v) Calendars and question papers;
- (vi) University publications;
- (vii) Receipt Books;
- (viii) Cheque Books;
- (ix) Diplomas, etc.;
- (x) Postage stamps;
- (xi) Sundry articles like liveries;
- (xii) Apparatus and chemicals for the Science departments;
- (xiii) Books and periodicals in the library;
- (xiv) Etc., etc.

It should be seen that the purchases are entered in the relevant stock account, that the registers are maintained in accordance with the provisions of rules, that the balances have been correctly struck

and that the stock is verified annually by an officer appointed for the purpose. The report of the verifying officer should be gone through to know generally the nature of his remarks, and also to ensure whether necessary action has been taken with regard to the shortages, if any, in stock noticed during verification. The Stock accounts maintained in the office of the Registrar are examined concurrently during the audit of the vouchers themselves. Those maintained in the colleges, Departments, etc., are examined during the audit of the institutions concerned. Similarly, the registers in the library should be thoroughly gone into in course of audit of library.

(d) *Cash Books, Pass Books and Bank statements.* After the audit of the vouchers is completed, they should be traced into the relevant cash books to ensure that all vouchers had been produced and audited. The vouchers, if any, which were not made available for audit should be called for in the objection statement. The banks furnish statements indicating the opening balance, the details of receipts and charges in chronological order and the closing balance.

The receipt side of the statements should be compared in the relevant cash book. Care should be taken in checking credits through cheques and drafts. It should be seen that all cheques and drafts credited to Bank are traceable in the Cash Book and subsidiary cash book. Similarly all receipts of cheques and drafts recorded in subsidiary cash book should be traced in the cash book and in bank statements or Pass Book. With respect to payments, the counterfoils of cheques should be compared with the entries in the cash book and traced into the Bank Pass Books and statements. It should be seen that an agreement has been secured between the balance according to the Cash Book and that appearing in the bank pass book or that a detailed note of reconciliation has been recorded in the Cash Book.

(e) *Classified abstract.*—This corresponds to the Postings Register. A separate abstract is maintained for each one of the several accounts. The entries are made from the entries in the receipt side of the Cash Book and from the vouchers concerned. The entries in the classified abstracts should be traced in audit from the original receipt entries in the cash book and the vouchers. It should be seen that the classification adopted is correct and the total expenditure against each head of account is within the budget allotment. In cases where it exceeds the provision it should be seen whether the sanction of the competent authority has been obtained to the necessary reappropriation.

(f) *Securities and Investment Register.*—In this register is recorded in detail the nature and the face value of the securities in which the accumulated and surplus cash balances of the University are invested. Separate pages are set apart for the several accounts of the University and the transactions of each account are kept distinct from every other. The Syndicate shall decide on the nature of the investment and the amount to be invested. When, with the sanction of the Syndicate moneys are drawn on any account for investment, it should be seen that the investment is made in the security decided upon by the Syndicate; that necessary entry is made in the Register of Securities; and the scripts, or the receipts furnished by the bank are held

in safe custody and are forthcoming. The same procedure applies to reinvestment as well. The register should, thereafter, be gone through to see whether the interest has been realised by about the dates mentioned therein. The credits of the sums noted as investment realised in the register should be traced in the relevant cash book. The interest on investments pertaining to any account is credited in the Cash Book of that account.

(g) *General points for examination of all vouchers.*—The auditor should see that every voucher in support of payment is a complete and legal discharge for the payment and covers an item of authorised expenditure. It should be supported by a separate acknowledgment of receipt of the payment.

(h) *Verification of balance in hand, balance of postage stamps and saleable forms, etc., at the commencement of audit, disposal of previous audit objections, and budget estimate.*—The same checks as in Chapter II of Local Audit Manual Vol. II.

EXPENDITURE

10. *General.*—Before the audit of the paid vouchers is commenced, the following records and registers should be obtained and kept ready :—

- (1) Bundle of vouchers.
- (2) Cash Book.
- (3) Subsidiary Cash Book.
- (4) Monthly, quarterly and annual accounts.
- (5) Cheque Books and Pass Book, Bank statements, Register of cheque books.
- (6) Register of Bills for payment.
- (7) Audit Register.
- (8) Register of Government Grants.
- (9) Register of cheques, drafts.
- (10) Register of Discretionary grants.
- (11) Register of money orders received and undelivered money orders.
- (12) Register of scholarships.
- (13) Register of Advances and quarterly list of advances.
- (14) Register of deposits and quarterly list of deposit.

- (15) Register of Loans.
- (16) Register of Investments.
- (17) Budget Estimate.
- (18) Register of Endowments.
- (19) Stock account of forms.
- (20) Stock account of stationery.
- (21) Stock register of furniture, gowns, liveries, etc.
- (22) Order Book.
- (23) Minutes Book of Syndicate and Senate.
- (24) Postage and Revenue Stamp account.
- (25) Service Book.
- (26) Leave accounts.
- (27) Security Register.
- (28) Adjustment Register.
- (29) Adjustment vouchers.
- (30) Refund vouchers.
- (31) Estimates, tenders, agreements, etc.
- (32) Contractor's Ledger, personal ledger, etc.
- (33) Schedule of Rates.
- (34) Register of Works.
- (35) Road Metal Statements.
- (36) Measurement Book.
- (37) Provident Fund Accounts—
 - (a) Provident Fund vouchers.
 - (b) Abstract Register.
 - (c) Register of temporary withdrawals
 - (d) Register of Policies.
 - (e) Register of Life Insurance Premia.
 - (f) Register of Subscribers.
 - (g) Provident Fund ledger.
 - (h) Annual account of Provident Fund subscribers.

- (38) Imprest Accounts.
- (39) Demand and collection register of fee of Constituent Colleges.
- (40) Stock Register of Blank sheets, cross lists, provisional certificates, money receipts and registration receipts.
- (41) Stock Register of Diploma and Certificates.
- (42) Stock Register of Answer Books.
- (43) Register of Liveries.
- (44) Register of Registered Graduates of college teachers.
- (45) Register of University students.
- (46) Register of sales of Publications, *e.g.*, question, pamphlets, Minutes, Calendars, regulations, courses of studies, Readership lectures.
- (47) Register of Migration Fees.
- (48) Register of Examination Fees.
- (49) Register of written diplomas and certificates.
- (50) Registers of Duplicate certificates, diplomas and periodical certificates.
- (51) Scrutiny Fees Register.
- (52) Register of enquiry.
- (53) Duplicate Admit Cards (in counterfoils).
- (54) Registers of Marks sheet and cross list.
- (55) Stock Register of Strong Room.

N. B.—It should be ascertained from the Registrar whether registers other than those enumerated above are maintained by the University. If so, the registers should be called for in audit through objection sheets.

AUDIT OF CHARGES

11. (a) All payments of charges relating to University Departments and constituent colleges are disbursed either by the Heads of the Department or by the Principals of the colleges. It should therefore be seen that claims on this account drawn from the University Main Account are acknowledged by the officer in whose favour the amounts are drawn and disbursed to the persons concerned as per the bills submitted by them.

(b) The vouchers should be required to be sorted for the period of audit into establishment, Public Works, Contingencies, Refunds, Scholarships, discretionary grants, etc., the voucher of a particular

nature and relating to a particular establishment being put together. Each class of vouchers appertaining to each department should then be taken up for audit and examined before another department is taken up. After the establishment and contingent vouchers have been audited, the Public Works vouchers may be taken up. They should be arranged in the order of works, vouchers relating to each work being put together by the office with the estimates, contract agreements, measurement books with their pages marked, etc. Similarly, scholarship vouchers, discretionary grant payment vouchers, stipend payment vouchers, etc., should be checked.

12. The following are the general points on which objections should be raised whenever necessary:

- (a) Want of vouchers, sub-vouchers and payees' receipts or acknowledgments, stamped where necessary.
- (b) Payments made without proper authority, to persons other than the rightful payee.
- (c) Excess payments.
- (d) Objectionable charges.
- (e) Illegal payments and want of competent sanction for charges.
- (f) Losses.
- (g) Amounts collected and not brought to account.
- (h) Wasteful expenditure.
- (i) Advances wrongly and unnecessarily made.
- (j) Advances wrongly charged off to service head direct.
- (k) Want of or defects in—
 - (i) Check measurement certificates.
 - (ii) Disbursement certificates.
 - (iii) Other certificates.
 - (iv) Countersignatures.
 - (v) Pass orders.
 - (vi) Paid endorsements.

N. B.—All certificates relating to credits as recorded on the payment vouchers should be verified from the subsidiary cash book and General Cash book and Bank statements.

13. As in para. 49 of Chapter VIII.

Audit Procedure

14. After the vouchers are audited they should be traced into the Posting Register and the entries in the latter initialled and missing vouchers called for at once. If not forthcoming step should be taken for their production in accordance with the standing instructions. The classification of the charges as recorded on the vouchers should also be examined. Whenever sanction of the Senate or Syndicate is quoted in support of an expenditure, the auditor should verify the sanction in the minutes book.

Payment Vouchers

15. The check over payment vouchers should be exercised in detail as laid down in Chapter II.

Establishment Bills

16. As in Chapter II and paras 51, 52 and 53 of Chapter VIII.

Remuneration Bills

17. See that remuneration is paid according to rules on the point.

Travelling Allowance Bills

18. As in Chapter II and para 54 of Chapter VIII.

Contingencies and Special charges.

19. As in Chapter II and paras 55, 56(a), (d), (e), (f), (g), (h), (i) and (m) of Chapter VIII.

Expenditure on Works

20. As in Chapter II and paras 57 to 63 of Chapter VIII.

Miscellaneous Supply Bill

21. As in para 64 of Chapter VIII.

Refund vouchers

22. As in paras 65 and 66 of Chapter VIII.

Advances

23. As in Chapter II and para 69 of Chapter VIII.

Recoupments of Permanent Advance

24. As in para 70 of Chapter VIII.

Imprest

25. As in Chapter II and para. 71 of Chapter VIII.

Deposit

26. As in para 72 of Chapter VIII.

Investments

27. As in para 73 of Chapter VIII.

Examination of Records

28. Several of the Registers will already have been examined in the course of the processes referred to in the preceding paragraphs but the auditor should make it a point for seeing that all the required registers are maintained and that they are in the prescribed printed forms, any not maintained or not in the standard forms being detailed in the objection statement provided there have been transactions necessitating their use. The following special points should also be noted in addition to those already mentioned.

Dail Collection Register

29. As in para 75 of Chapter VIII.

Cheques

30. As in Chapter II and para 76 of Chapter VIII.

Cash Book

31. As in Chapter II and para 77 of Chapter VIII.

Bank Pass Books and Bank Statements

32. As in Chapter II and para 78 of Chapter VIII.

Subsidiary Cash Book

33. As in para 79 of Chapter VIII.

Remittance chalang

34. As in para 80 of Chapter VIII.

Adjustment Register

35. As in para 81 of Chapter VIII.

*Register of Cheques and Drafts received
in payment of dues*

36. As in para 82(A) of Chapter VIII.

Register of Money Orders received

37. As in para 82(B) of Chapter VIII.

*Registers of Discretionary Grants and
Scholarships, stipends, etc.*

38. (a) *Discretionary grants*.—Such grants are received by the University for payment to students as an aid to their study. These grants are quite distinct from the Vice-chancellors Discretionary

grants. These are Ministers' discretionary grants paid out of their annual allotments. The Accountant General issues letter of authority for drawal of such grants either to the Vice-Chancellor or to the Registrar or to the District Magistrate of the District. In the cases where the authority for drawal of grants is issued to the District Magistrate bills on the above account are drawn out by the District Magistrate and are made payable to the Registrar or Vice-Chancellor of the University in case of Post-graduate students and, in case of Under-graduate students, in favour of Principals of the colleges. The auditor should, therefore, ascertain from the office of the District Magistrate, details of such bills made over to the Vice-Chancellor; Registrar and Principal of colleges and should see that all such bills were duly taken into account, encashed by transfer and paid to the student concerned. In case of authorities issued direct to the Registrar or to the Vice-Chancellor of the University by the Accountant General it should be seen that all such authority slips had been duly entered in a register and the entries had been attested by the Registrar of the University before drawing the amount from treasury by transfer. It should be seen that a proper account of receipt and disbursements are kept by the University Office and Principals of the colleges.

(b) *Scholarships, stipends, etc.*—Scholarships and stipends under various schemes are received by the University for disbursement to the students from Government of India, State Governments and even Private Institutions and Bodies. Scholarships and stipends paid by the Bihar State Government are drawn by the University on the letter of authority issued by the Accountant General, Bihar whereas scholarships and stipends paid by the Government of India and other public bodies and institutions are generally received through cheques or drafts. Audit should, therefore, satisfy at the first instance that all these scholarships and stipends received from various sources had been duly accounted for and credited to the University Fund. The Disbursement Register for scholarships and stipends would indicate the receipts invariably as no scholarships or stipends could be disbursed unless they are received and credited to the University Fund. So for all disbursements of scholarships and stipends trace the corresponding credit and also ascertain from the letter of the sanctioning authority if the scholarships or stipends had been disbursed as per the condition laid down therein.

Register of Permanent Advances

39. As in para 83 of Chapter VIII.

Register of Advances

40. As in para 84 of Chapter VIII.

Register of Deposits

41. As in para 85 of Chapter VIII.

*Security Register of University Employees,
Lessees and Contractors*

42. As in para 86 of Chapter VIII.

Register of Investments

43. As in para 87 of Chapter VIII.

Register of Loans

44. As in para 88 of Chapter VIII.

*Appropriation Register of Loans, Endowments
and other Funds*

45. As in Para 90 of Chapter VIII.

Register of Bills for payment

46. As in para 91 of Chapter VIII.

Audit Register

47. As in para 92 of Chapter VIII.

Service Book and Leave Accounts

48. As in para 93 of Chapter VIII. Service Books of Government servants on deputation to the University should be checked in all cases.

Postage Stamp Register

49. Auditor should—

- (i) Trace purchases of stamps into the register;
- (ii) Check totals and closing balances;
- (iii) Verify balance in hand.

*Register of contributions due from the University towards pension
and Leave Salary of officers and servants lent on Foreign
Service or on deputation*

50. As in para 94 of Chapter VIII.

Register of Works

51. As in Chapter II and para 95 of Chapter VIII.

Schedule of Rates

52. As in Chapter II and para 96 of Chapter VIII.

Contractor's ledger

53. As in Chapter II and para 97 of Chapter VIII.

Measurement Book

54. As in Chapter II and para 99 of Chapter VIII.

Inventory of Immovable property.

55. As in para 101 of Chapter VIII.

Register of furniture, tools, etc.

56. As in para 102 of Chapter VIII.

Stock account of forms

57. As in Chapters II & VIII.

*Stock account of stores, stationery, Public Works and other
miscellaneous articles.*

58. As in Chapter II, paras 103, 104(a) of Chapter VIII.

Suit Register

59. As in para 105 of Chapter VIII.

Other records

60. As in para 106 of Chapter VIII.

Monthly accounts of Receipts and Expenditure

61. As in para 107 of Chapter VIII.

Provident Fund Accounts

62. As in Chapters II and VI. The balances at the end of the year should be checked with the acknowledgments of the subscribers in all cases. The withdrawals may be checked in detail.

*Demand and Collection Register of Fees of Constituent
Colleges (in the University)*

63. Auditors should trace into this register all the collections of fees, etc., shown as credited to the University Fund from the Cash Books of the Constituent Colleges. To ensure that the postings are correctly made and that they are also genuine the total annual receipts of the colleges should agree with those booked in the University records.

Check of Remittances

64. After the accounts records of the University are checked, a list of remittances to other branches of the University, *viz.*, Constituent colleges, Text Publication Fund, University Press, University Departments, Hostels, Library, offices of Deans, Dispensary, Trust and Endowments, etc. should be prepared and credits traced in the institutions concerned. The accounts of all the branches should be checked on the lines as indicated in the previous paras as far as applicable. A list of remittances by each institution to the University Fund should also be prepared in course of check of the accounts of the institution concerned and credits traced in the University accounts. Separate lists of registers maintained in the University office should also be obtained and requisite audit checks exercised over them on the lines indicated in Chapter II and in the previous paras. Particular attention should be given to all remittances by cheques and drafts and it should be seen whether all such remittances have been credited to the University Fund.

Press Accounts

65. A list of registers maintained should be obtained from the University. Checks should be exercised as in Chapter II in respect of District Board Press and in this Chapter in respect of General Fund.

Text Publication Fund

66. A list of registers maintained should be obtained from the University.

Checks should be exercised as in respect of General Fund of the University. Particular attention should be paid on checks relating to the subsidiary Cash Book, Stock Register of Strong Room and Sales Book. Auditors should trace all purchases from the vouchers of purchases to this register and all issues to the sale book. Totals should be checked and balances verified. The totals of sale book should be checked and balances verified. The credits of all the collections should be traced from the subsidiary cash book to the Text Publication Fund. The credits of amounts received by cheques or otherwise from the University Fund should also be traced.

Library Fund

67. A list of registers maintained should be obtained from the University.

Checks on registers should be exercised in the same manner as in the case of General Fund of the University.

Auditors should trace the purchases from the purchase vouchers. It should be seen that general inspection of the library and the records of the books issued has been carried out by the Executive Committee as required by rule 8 of the Library Rules.

Offices of Deans University Departments, Hostels, Dispensary accounts, etc.

68. Auditors should—

- (i) obtain a list of registers maintained by the Departments;
- (ii) exercise checks in the same manner as in the case of University;
- (iii) ascertain the sources of receipt and see whether all receipts have been accounted for;
- (iv) exercise cross checks with respect to remittances from the University to the offices of Deans, Department, or Hostel and *vice versa*.

*Special Funds**Trust and Endowment Funds*

69. The checks prescribed for Trust Fund are to be applied.

Constituent colleges

70. Auditors should exercise checks in the same manner as laid down in respect of General Fund of the University as far as applicable. Special attention should be paid to the following points :—

(a) *Cash Book*—

- (i) The same checks as are applicable to the General Cash Book with challans, cheque counterfoils and Bank Pass Books of the University Fund are to be applied.
- (ii) Auditors should trace all the collections made daily from the Subsidiary Cash Book or the abstract of the Daily Collection Register as the case may be.
- (iii) Auditors should trace all the amounts entered in the Cash Book and shown as receipt from the University Fund by cheques or otherwise on account of the salaries of the staff, scholarships or contingent charges from the Cash Book of the University or ledgers maintained for the purpose and amounts of the scholarships received for disbursement to the students from Government or any other source with the relevant records.

(b) *Abstract of Daily Collection Register of fee, fines, etc., or Subsidiary Cash Book*.—Auditors should—

- (i) trace the daily collections into this register from the class daily collection registers or attendance registers.
- (ii) check the totals, Counterfoils of receipts for collection of fees, fines, etc., stock book of receipt forms, challans and cheque counterfoils, Bank Pass Books, Imprest accounts, Stock Books of forms, furniture, fittings, Science apparatus, Chemicals and Stationery, Postage Stamp account, Monthly and Annual Accounts, etc. The same checks as in the case of University.

(c) *Demand and Collection Register of Fees.*—Auditor should—

- (i) see that there is a separate demand and collection register kept for each class;
- (ii) see that the demands and balances are correctly worked out.

(d) *Payment vouchers.*—The rules for check of payment vouchers in the case of the University should be applied.

Auditors should—

- (i) See that duplicate copies of all the bills are kept for record in the college files;
- (ii) examine the payment side of the Cash Book generally and notice any irregular items of expenditure, if any.

(e) *Acquittance Rolls.*—Auditors should see that acquittance rolls are kept for all disbursements of salaries, scholarships, etc., made through the Principal and check them with the copies of the payment vouchers. The original vouchers should also be compared with the duplicate copies selected for audit.

(f) *Miscellaneous Funds, such as Athletic Fund, Magazine Fund etc.*—Auditors should—

- (i) trace all the amounts shown as receipts in the general cash book of the college on account of these funds into the cash book of the Fund account;
- (ii) see that articles purchased, if any, through these vouchers are properly accounted for in separate stock registers for the funds concerned.

Preparation of the Annual Account

71. After the posting register has been completely checked the annual accounts of receipts and charges which should be submitted along with the audit report should be prepared from the entries in the posting register. The figures to be entered under the head "final budget appropriation" should be taken from the Original Budget sanctioned by the board and transfer of allotments, if any, ordered by it during the course of the year. It should particularly be borne in mind that the figures given in the revised budget for that year submitted along with the budget estimate for the subsequent year should be adopted.

The abstract of account for the Annual Account should then be prepared with reference to the previous year's account as regards opening balances and the body of account as regards receipts and expenditure. The closing balance should be worked out and tallied with the closing balance of the cash book or cash books. It should be seen that earmarked funds, such as, balances of capital receipts

from sale of capital assets, loan funds, special State or Central grants, etc., have not been diverted for ordinary expenditure under General Account without the specific sanction of Government. It should be particularly seen that no portion of Provident Fund balance has been diverted as such diversion even temporarily is not permissible.

It is, however, not necessary to show the general account as having a deficit where long-term diversions are sanctioned.

After the preparation of Annual Account the budget figures should be compared with actuals and all cases of deficits in receipts and excesses in expenditure should be specially looked into. The reasons for any difference should be thoroughly investigated and explanation called for from the University office wherever necessary.

Statement to be appended to the Audit Report

72. The following statements shall be appended to the Audit Report :—

(a) As there is separate subsidiary account for endowments, the figures under Receipts and Expenditure should be compiled and balances drawn. These should agree with the figures appearing in the Appropriation Register of Loans, Endowments and other Funds. The opening balances, receipts, charges and closing balances should be noted in the Endowments account which should correspond to the figures noted in the abstract of Annual Account.

(b) As in paras 114(b), (c), (d), (e), (f), (g), (h), (i), (j), and (k) of Chapter VIII with respect to Government Grants Loans account, Loans Statement, Investment account, statement of assets and liabilities, medical institution, advances, deposits, Provident Funds, etc.

General

72-A *Lodgement of Funds.*—It should be seen that the University Fund is kept in the approved bank.

The University money in the custody of the Executive Authority should be kept in a Cash Chest under double locks of different patterns the key of one lock being kept apart from and in a different person's custody from the key of the other lock. The key of one lock should accordingly be with the Cashier and the key of the other lock should be with the executive authority or under the personal responsibility with an officer, other than the cashier, authorised by him in this behalf.

Cash and Account Branches

73. It should be seen that the Cash and account branches have been kept distinct. If not, the attention of the Executive authority should be invited to the relevant rule on the subject.

*Delegation of powers to officers and duty
chart of employees*

74. A list of powers delegated to the different officers of the University should be looked into and it should be seen that the powers are not exceeded. The duty chart of University employees should also be examined to assess responsibility, whenever necessary.

Audit Report

75. On the conclusion of audit an audit report dealing with important irregularities should be prepared and forwarded to the executive authority along with an audited annual account of receipts and charges, with a request that replies to the report may be furnished within two months from the date of receipt. Other irregularities relating to general fund should be included in separate objection statements which should be forwarded to the Executive Authority for return with replies within two months.

Copies of Audit Reports shall be endorsed to—

- (i) The Registrar,
- (ii) The Vice-Chancellor,
- (iii) The Chancellor,
- (iv) The Secretary to the Government of Bihar, Education Department.

One Audit Note containing the irregularities noticed in course of audit of the accounts of the University other than those embodied in Audit Report referred to above should also be issued to the Registrar for the rectification of defects.

Form A

STATEMENT A

[Referred to in Rules 4(12) and 7 of Chapter I.]

*Irregularities in payment and adjustment vouchers to be disposed of finally before
the next audit*

Serial No.	Vouchers			Particulars charge	of	Nature of objection and instruction
	Number	Date	Amount			
			Rs. nP.			
1	2	3	4	5		6

STATEMENT B

[Referred to in Rules 4(12) and 7 of Chapter I.]

*Showing irregularities and omissions in accounts and registers (other than those in
payment and adjustment vouchers) with instructions and suggestions for future guidance*

Serial Num- ber	Particulars	Instruction or suggestion
-----------------------	-------------	---------------------------

Form C

[Referred to in rule 4(14) of Chapter I.]

Audit Objection Statement on the accounts of.....for.....

Date of transaction and number of voucher	Particulars of transaction	Objection or suggestion	Reply of Local Authority	Note or admission or further remarks by Auditor	Further explanation by Local Authority	Final remarks by Auditor
1	2	3	4	5	6	7

Received on.....	Returned on.....	Re-issued on.....	Returned on.....
Initials.....	Initials.....	Initials.....	Initials.....
Designation.....	Designation.....	Designation.....	Designation.....

NOTE.—In two sizes—half and foolscap size. Each size in two colours—Red and buff.

Form D

STATEMENT D

[Referred to in rule 4(14) of Chapter I.]

Daily objection statements issued and received back.....office.

Report No.....of 19 19 .

Issued or re-issued			Returned			Issued or re-issued			Returned		
Page of objection statements	Dated initials of Secretary or Head of ministerial establishment	Date	Page of objection statements	Dated initials of Auditor	Remarks	Page of objection statements	Dated initials of Secretary or Head of ministerial establishment	Date	Page of objection statements	Dated initials of Auditor	Remarks
1	2	3	4	5	6	7	8	9	10	11	12

STATEMENT

Form E

STATEMENT E

[Referred to in rules 4(14) and 7 of Chapter I.]

Unrectified objections of previous audit report

Serial No.	Date of transaction and number of voucher	Reference to previous audit reports	Particulars of transaction	Objection or suggestion	Reply of local authority	Notes of admission or remarks by auditor
1	2	3	4	5	6	7

STATEMENT F

[Referred to in rule 7 of Chapter I.]

List of Registers and Records Examined.

1.
2.
3.
4.
5.
6.

APPENDIX I

[Referred to in rule 7 of Chapter I]

Abstract of Annual accounts for this year.....

Head of receipts	Budget	Amount	Head of Expenditure	Budget	Actual
1	2	3	4	5	6

Total

Add-opening balance

GRAND TOTAL

Total

Add-Closing balance

GRAND TOTAL

Checked and found correct. Subject to the remarks in paragraph of the report.

Auditor.

NOTE.—Auditors should carefully look into the reasons of difference between the budgeted figures and actuals and offer comments thereon.

APPENDIX II

[Referred to in rule 7 of Chapter I.]

Receipt of and expenditure from Government grants for specific purposes for the year.....

Serial No.	Date of receipt	Purpose for which the grant was made	Reference to sanction		Amount of grant	Contribution payable as a condition of the grant	Total	Expenditure previously incurred	Expenditure incurred this year	Total expenditure	Balance outstanding	Remarks e.g. time limit imposed
			Letter No.	Date								
1	2	3	4	5	6	7	8	9	10	11	12	13

The conditions attached to the grants have been fulfilled subject to the remarks contained in paragraph.....of the report.

Auditor.

APPENDIX III

[Referred to in rule 7 of Chapter I.]

Surcharge statement

Serial No.	Name of office	Reference to paragraph of Audit Report	Notice No.	Person(s) responsible		Amount	Remarks
				Name	Designation		
1	2	3	4	5	6	7	8

Rs. As. P.

APPENDIX IV

[Referred to in rule 7 of Chapter I.]

Statement of recoveries

Serial No.	Reference to		From whom received		Amount	Name	Designation	Nature of short recovery or overpayment	Amount to be recovered	Remarks
	Para-graph No.	Vr. No.	Date							
1	2	3	4	5	6	7	8	9	10	

APPENDIX V

[Referred to in Note 5 below Rule 12 of Chapter I.]

(a) Outline of Draft Audit Report on Municipal Accounts

PART A

I. INTRODUCTORY

The Accounts audited.....
 The period of accounts audited.....
 The time taken for audit.....
 The number of working days.....
 Chairman.....
 Vice-Chairman.....
 Cash Book Balance.....
 Pass Book balance.....
 [Note reasons of discrepancy if any.]

Scope of Audit

A list of accounts and registers examined will be found in Statement F.

II. FINANCE

Abstract of Receipts and Disbursements for the last three years.
 Assets and Liabilities.
 Analysis of Cash balance.
 Review of monthly cash balance.
 Comments on Financial position.
 Loans.
 Budget.
 Depreciation Fund.

III. ACCOUNTS OF TAXES RAISED FOR SPECIFIC PURPOSE

Latrine Tax.
 Water Tax.

IV. GOVERNMENT GRANTS

Receipts and Disbursements.
 Comments on refundable balances.
 Comments on registers maintained.
 Comments on sanctioning letters of authority.
 Suggestion for improvement.

V. OVERRIDING POWERS OF SANCTION

Comments on irregular orders sanctioning expenditure.

VI. FINANCIAL IRREGULARITIES

Apparent Misappropriations.

- (A) Extent. (C) Breach of Rules
(B) Modus Operandi (D) Liabilities.
(E) Surcharge.

Non-credit or short-credit of collection including delay in crediting collection (quoting infringement of rules).

Collection without the issue of proper receipts (quoting infringement of rules).

Expenditure not covered by appropriations.

Drawal of money in advance of requirements or to avoid lapse of budget grants.

Other infringement of financial rules.

Security deposits of employees.

VII. ASSESSMENT AND COLLECTION OF REVENUE

Irregularities in connection with assessment.

(i) Assessment of taxes.

The following statement shows the demand, collections, arrears and percentages of collection of the house, latrine and water taxes as per progress statement :—

		House	Latrine	Water	Total
I. Demand					
	Arrear .	.	.	.	.
	Current .	.	.	.	.
	Total .	.	.	.	.
II. Remission					
	Arrear .	.	.	.	.
	Current .	.	.	.	.
	Total .	.	.	.	.
III. Effective Demand					
	Arrear .	.	.	.	.
	Current .	.	.	.	.
	Total .	.	.	.	.
IV. Collection					
	Arrear .	.	.	.	.
	Current .	.	.	.	.
	Total .	.	.	.	.
V. Balance					
	Arrear .	.	.	.	.
	Current .	.	.	.	.
	Total .	.	.	.	.
VI. Percentage					
	Arrear collection on arrear effective demand.....				
	Current collection on current effective demand.....				
	Total collection on total effective demand.....				

Analysis of Arrear taxes, according to the Outstanding list drawn out from the bank spaces of the Demand and Collection Register.

Municipal Commissioners, Government Buildings and Government and Municipal servants in arrears.

Time barred taxes.

Taxes written off as irrecoverable.

Warrants issued.

Distress warrants, etc.

(ii) Other taxes and fees.

As in cases of item VI(i) above, under this head all other taxes and fees, such as Cart, Ekka, Cycle. Offensive and Dangerous trades, Platform fees (Temporary).

(iii) Fixed rents.

Land rents, building rents, Pucca Platforms, etc., to be dealt with on the lines of item VII(i) as far as applicable. Cases of unprofitable dispose of any municipal property or right should be commented upon.

VIII. LAW ACCOUNTS

(1) Criminal Cases.

Defects in Registers—

Cases instituted.

Year	Pending cases	No. of prosecutions in the year	Total	No. of cases compromised	Cases compromised without realisation of cost	Cases dropped for want of proper address, stayed etc.	Cases acquitted	Fine imposed	Cases Pending
1	2	3	4	5	6	7	8	9	10

Comments on cases.

(2) Food Adulteration Cases.

Year	Number of samples taken	Number sent for chemical analysis	Particulars of report of analysis				No. of prosecutions
			Genuine	Not genuine	Broken in transit	Not analysed because of short quantity	
1	2	3	4	5	6	7	8

Comments on cases.

APPENDIX V

(3) Civil Suits.

Defects in Registers—

Cases instituted.

(i) Civil Suits.

Particulars	Pending cases in beginning of the year	Cases filed in the year	Total	Cases disposed of	Cases lost	Cases pending at the close of the year
1	2	3	4	5	6	7

(a) Tax suits

(b) Title suits and money suits.

(c) Appeals

(ii) Decrees.

Year	Pending in the beginning of the year	Decrees executed during the year	Total No. of execution cases	Execution disposed of during the year	Execution pending on the last day of the year	Decrees pending on the last day of the year
1	2	3	4	5	6	7

Comments on cases.

IX. EXPENDITURE

(a) General Vouchers

Payments not covered by law or rule having the force of law.

Unprofitable and wasteful expenditure.

Irregularities in connection with the creation and entertainment of establishment.

Overpayment of pay, leave salary, travelling allowances, etc.

(b) Works Accounts

Double payments, excess payments and irregular payments.

Schedule of rates.

Tender.

Estimate.

Agreements.

Works executed without estimates, tenders and agreements.

Works not given to contractors quoting the lowest rates.

APPENDIX V

Irregularities connected with the award of contracts for execution of works.
Inception of works without adequate investigation of their utility or feasibility.

Execution of works by an agency which lacks the ability or facility to execute them properly.

Financial assistance to contractors.

Deviation of contract being in favour of the contractors.

Non-levy of penalties for delay in the execution of work.

Omissions to enforce the terms of contracts.

Rush of expenditure in March.

Materials at site accounts.

(c) Stock Accounts

Purchase, custody and consumption of stores.

Other irregularities.

Stock accounts of dead stock.

Register of properties.

Other miscellaneous objections.

X. ADVANCES, DEPOSITS AND PROVIDENT FUND ACCOUNTS

(i) Advances—

Advances outstanding

Advances made

Total

Advances adjusted

Balance outstanding

Time barred advances (to be surcharged without fail)

Irregularities relating to advances.

(ii) Deposits—

Deposits refundable

Deposits of taxes adjustable.

Deposits outstanding

Deposits recovered.

Total

Deposits refunded.

Balance outstanding.

Irregularities relating to refund of deposit.

(iii) Provident Fund Accounts—

Agreement of abstract of balances with ledger balances.

Comments on investments, securities, etc.

Irregularities in connection with the payment of contribution, maintenance of accounts, issued and recovery of advances, etc.

XI. ACCOUNT RECORDS AND REGISTERS

Taxation Accounts.

The following are the outstanding taxes on..... taken from the sources noted below :—

- (i) Worked out by auditor by adding the total demand for and deducting the sum of the remissions and collections from..... to..... for the balance outstanding on..... worked out by him and showing in last audit (para.....)
- (ii) worked out from blank spaces in the demand and collection registers.
- (iii) Progress statements.

Particulars of tax	Worked out by the auditor	Worked out from the blank spaces in the demand and collection register	Progress statement
1	2	3	4
Holding			
Latrine			
Water			

(For details Please see Appendix VIA)

Comments on reasons of differences.

Other defects

Other defects and omissions in accounts together with suggestion for their rectification have been set out in part B to which attention is invited.

XII. LAST AUDIT

XIII. RESULTS OF AUDIT

XIV. ANNUAL ACCOUNTS

XV. SUPERVISION OF WORKS BY GAZETTED OFFICERS OF THE DEPARTMENT AND NAMES OF ASSISTANT AUDITORS WHO ASSISTED THE AUDITOR

XVI. DISCUSSION WITH HEAD OF OFFICE

General

Camp. }
The.....19 . }

Auditor

(b) Outline of Draft Audit Report on District Board Accounts

PART A

I. INTRODUCTORY

The Accounts audited.
The period of accounts audited.
The time taken for audit.
The number of working days.
Chairman.
Vice-Chairman.
Cash Book balance.
Pass Book balance.

[Note Reasons of Discrepancy, if any.]

Scope of Audit

A list of accounts and registers examined will be found in Statement F.

II. FINANCE

Abstracts of Receipts and Disbursements for the last three years.

Assets and liabilities.

Analysis of cash balance.

Review of monthly cash balance.

Comments on Financial position.

Cess.

Loans.

Budget.

Depreciation Fund.

III. GOVERNMENT GRANTS

Receipts and disbursements.

Comments on refundable balances.

Comments on registers maintained.

Comments on sanctioning letters of authority.

Suggestions for improvement.

IV. OVERRIDING POWERS OF SANCTION

Comments on irregular orders sanctioning expenditure.

V. FINANCIAL IRREGULARITIES

Apparent misappropriations.

- | | | |
|---------------------|---------------------|----------------|
| (a) Extent. | (c) Breach of Rules | (e) Surcharge. |
| (b) Modus operandi. | (d) Liabilities. | |

Non-credit or short-credit of collection including delay in crediting collections (quoting infringement of rules).

Collection without the issue of proper receipts (quoting infringement of rules).

Expenditure not covered by appropriations.

Drawal of money in advance of requirements or to avoid lapse of budget grants.

Other infringement of financial rules.

Security deposits of employees.

VI. ASSESSMENT AND COLLECTION OF REVENUE

Settlement, collection and arrears of rents from ferries, pounds, lands, roadside trees, Cart taxation, etc.

Figures for Arrear Demand, Current Demand, Collection and Balance in each case should be worked out. The balance should be classified according to the years to which they relate.

Irregularities in connection with the filing of suits and execution of decrees.

Cases of unprofitable disposal of the board's properties or rights.

Security deposits of employees.

VII. LAW ACCOUNTS

(1) Criminal cases.

Defects in Registers—

Cases instituted.

Pending cases in the beginning of the year	No. of prosecutions in the year	Total	No. of compromised cases after re-litigation of cost	Cases mis- with- out rea- lisa- tion of cost	Cases dropped for want of pro- per add- ress, stayed, etc.	Cases acquitted	Cases convicted	Fine impos- ed	Cases pend- ing
1	2	3	4	5	6	7	8	9	10

Comments on cases.

(2) Civil Suits.

Defects in Registers—

Cases instituted.

(i) Civil Suits.

Particulars	Pending cases in beginning of the year	Cases filed in the year	Total	Cases disposed of	Cases lost	Cases pending at the close of the year
1	2	3	4	5	6	7

(a) Tax suits

(b) Title suits and money suits.

(c) Appeals

(ii) Decrees.

Year	Pending in the begin- ning of the year	Decrees executed during the year	Total No. of execu- tion cases	Executions disposed of during the year	Executions pending on the last day of the year	Decrees pen- ding on the last day of the year
1	2	3	4	5	6	7

VIII. EXPENDITURE

(a) General Vouchers

Double payments.

Payments not covered by law or rules having the force of law.

Unprofitable and wasteful expenditure.

Irregularities in connection with the creation and entertainment of establishment.

Overpayment of pay, leave salary, travelling allowances, etc.

(b) Works Accounts

Double payment and excess payments to contractors.

Schedule of rates.

Tenders.

Estimates.

Agreements.

Works executed without estimates, tenders and agreements.

Works not given to contractors quoting the lowest rates.

Irregularities connected with the award of contracts for execution of works.

Inception of works without adequate investigation of their utility to execute them properly.

Financial assistance to contractors.

Deviation of contract being in favour of the contractors.

Non-levy of penalties for delay in the execution of work.

Omission to enforce the terms of contract.

Rush of expenditure in March.

Materials at site accounts.

(c) Stock Accounts

Purchase, custody and consumption of stores.

Other irregularities.

Stock accounts of dead stock.

Register of properties.

Other Miscellaneous objections.

APPENDIX V

IX. ADVANCES, DEPOSITS AND PROVIDENT FUND ACCOUNTS

(i) Advances—

Advances outstanding
Advances made
Total
Advances adjusted
Balance outstanding

Time barred advances (to be surcharged without fail).

Irregularities relating to advances.

(ii) Deposits—

Deposits refundable Deposits of taxes
adjustable.

Deposits outstanding
Deposits received.
Total
Deposits refunded
Balance outstanding

Irregularities relating to refund of deposit.

(iii) Provident Fund Accounts—

Agreement of abstract of balances with ledger balances, and Post Office Savings Bank Balance.
Comments on investments, securities, etc.
Irregularities in connection with the payment of contributions, maintenance of accounts, issue and recovery of advances, etc.

X. ACCOUNTS, RECORDS AND REGISTERS

Major defects in accounts and registers.

Other defects

Other defects and omissions in accounts together with suggestions for rectification have been set out in Part B to which attention is invited.

XI. LAST AUDIT

XII. RESULTS OF AUDIT

XIII. ANNUAL ACCOUNTS

XIV. SUPERVISION OF WORKS BY GAZETTED OFFICERS OF THE DEPARTMENT AND NAMES OF ASSISTANT AUDITORS WHO ASSISTED THE AUDITOR

XV. DISCUSSION WITH HEAD OF OFFICE

General

Camp.

Dated 19

[Authority—Examiner's Circular No. L. A. (R. & S.) 50 of 1956-57.]

Auditor.

APPENDIX VI

A-24

[Referred to in para 10 of Chapter I.]

District Board

I. The following statement exhibits the assets and liabilities of the District Board as they stood on the.....

Assets

	Rs.	As.	Ps.
1. Cash balance			
1A. Cash in the hand of the Cashier			
2. Investments—			
(i) for revenue purpose			
(ii) for special fund			
(iii) of Government grant			
3. Permanent Advance			
4. Advances outstanding			
5. Outstanding countervailing grant from Government on account of pounds & ferries etc.			
6. Outstanding land rent			
Less irrecoverable			
7. Outstanding 'cess'			
8. Outstanding taxes Cart taxes			
TOTAL			

Liabilities.

	Rs.	As.	Ps.
(a) Investments for specific purpose			
(b) Outstanding Government grants made for specific purposes			
(c) Unspent balance of recurring medical and educational Government grants on the 31st March			
(d) Balance of minima contribution required to be made as a condition of the acceptance of Government grants			
(e) Outstanding instalments of loan			
(f) Balance of unexpended loan money taken for a specific purpose			
(g) Deposits (refundable)			
(h) Outstanding bills—			
(i) Bills presented but not paid			
*(ii) Bill for work done or charges incurred but not paid			

(i) Pay of establishment earned up to the last working day of the month	
(j) Outstanding contributions to hospitals, etc.	
(k) Provident Fund contribution outstanding	
(l)	
(m)	
TOTAL	
Excess of assets over liabilities	
liabilities over assets	

NOTE.—The above statement shows the position, as it would stand, if the District Board were to be wound up immediately. As, however, the District Board will continue to function, some modifications of the statement are necessary in order to give a clear idea of the state of the finances during the year. Neither the balance of the loan (item) nor the outstanding deposits (item) are wholly repayable during the year; the loan is refundable in annual instalments of Rs. while the average net $\frac{\text{receipts}}{\text{outgoings}}$ on account of deposits during the past three years amounted to Rs. and it may reasonably be expected that an approximate amount will be $\frac{\text{received}}{\text{paid out}}$ during the current year. If these two sets of figures are substituted for those at items and of the above statement, the $\frac{\text{assets}}{\text{liabilities}}$ will exceed $\frac{\text{liabilities}}{\text{assets}}$ by Rs.

A-25

Municipality.

II. The following statement exhibits the assets and liabilities of the municipality as they stood on the

Assets	Rs.	As.	Ps.
1. Cash balance			
(i) As per Cash Book			
(ii) Cash in hand of the Cashier			
2. Investments—			
(i) for revenue purposes			
(ii) of special fund (nature of the fund should be noted)			
(iii) of Government grant			
3. Permanent advance			
†4. Advances outstanding			
5. Depreciation Fund (not merged in the cash balance)			
6. Outstanding taxes			
Less 10%			
7. Outstanding fees			
Less 5%			
8. Outstanding demand of fixed nature			
Less 5%			
TOTAL			

Liabilities	Rs.	As.	P.
(a) Investments for specific purposes			
(b) Outstanding Government grant for specific purposes			
(c) Balance of contribution required to be made as a condition of the acceptance of Government grants			
(d) Outstanding instalments of loan			
(e) Balance of unexpended loan money (as per Appropriation Register of Loan Funds)			
(f) Deposits (refundable)			
(g) Outstanding Bills—			
(i) Bills presented but not paid			
*(ii) Bills for works done or charges incurred but not presented			
(h) Pay of establishment earned up to the last working day of the month			
(i) Outstanding contribution to hospitals, etc.			
(j) Outstanding Provident Fund contribution			
(k) Depreciation Fund			
(l) Credit balance of Latrine Tax			
(m) Credit balance of Water Tax			
(n)			
(o)			
TOTAL			

	Rs.	As.	P.
Gross excess of $\frac{\text{assets}}{\text{liabilities}}$ over $\frac{\text{liabilities}}{\text{assets}}$			
Add taxes outstanding			
deduct			
Less irrecoverable			
Miscellaneous rents outstanding			
Less irrecoverable			
Miscellaneous rents and taxes			
Less irrecoverable			
Net excess of $\frac{\text{assets}}{\text{liabilities}}$ over $\frac{\text{liabilities}}{\text{assets}}$			

*In the case of District Boards this will include bills pending both in the District Board and the District Engineer's Office and also value of works done and supplies received as estimated by the local office. In the case of municipalities, this figure will be based on the unpaid claims as per the Order Book and Register of Deferred bills supplemented by an Estimate of other liabilities by the local office.

†As all outstanding claims will be taken as liabilities, advances adjustable will be taken as assets and not only advances recoverable in cash.

APPENDIX VI

Analysis of Cash balance

Gross closing balance	
Add cash in hand	
Deduct—	
Outstanding grants	
Outstanding Special funds	
Outstanding Credit balance of Latrine fund	
Outstanding Credit balance of water fund	
Deposits refundable	
Net closing balance	

NOTE.—The above statement shows the position, as it would stand, if the Municipality were to be wound up immediately. As, however the Municipality will continue to function some modifications of the statement are necessary in order to give a clearer idea of the state of the finances during the year. Neither the balance of the loan (item) nor the outstanding deposits (item) are wholly repayable during the year the loan is refundable in annual instalments of Rs. , while the average net receipts on account of deposits during the past three years amounted to Rs. and it may reasonably be expected that an approximate amount will be received during the current year. If these two sets of figures are substituted for those at times and of the above statement, the assets will exceed the liabilities by Rs.

APPENDIX VI-A

[Referred to in Appendix V(a) (II)]

Statement showing the demand, collection and remission of taxes

The demands, collections and remissions of the tax upon the value of holdings, the tax upon occupiers of holdings, the water and the latrine tax since the last period of audit were shown as follows :—

	House	Latrine	Water	Total	
	1	2	3	4	5
	Rs. As. P.	Rs. As. P.	Rs. As. P.	Rs. As. P.	Rs. As. P.
Outstanding demand as per paragraph of last report					
Demand for the quarter of 19 .					
Ditto	Ditto				
Ditto	Ditto				
Ditto	Ditto				
Ditto	Ditto				
Ditto	Ditto				
Ditto	Ditto				
Ditto	Ditto				
up to the last completed quarter)					
TOTAL DEMAND .					

APPENDIX VI-A

	House	Latrine	Water	Total
	2	3	4	5
	Rs. As. P.	Rs. As. P.	Rs. As. P.	Rs. As. P.
Collections remitted to the Treasury from _____ to _____ (last day of late completed quarter).				
Remissions from Ditto to Ditto				
Outstanding demand on the last day of the last completed quarter.				

The operations upon the above balance and the demand for the current quarter, from _____ (the beginning of the current quarter) to _____ (the date of verification of the outstanding taxes), are as follows :—

	House	Latrine	Water	Total
	Rs. As. P.	Rs. As. P.	Rs. As. P.	Rs. As. P.
(a) Against current demand				
Demand for current quarter				
Collections remitted to Treasury from _____ to _____				
Remissions from Ditto to Ditto				
Balance of current demand				
(b) Against outstandings as in paragraph 7 above				
Collections remitted to Treasury from _____ to _____				
Remissions from Ditto to Ditto				
Balance of outstanding demand				
Total balance still outstanding				

APPENDIX VI-A

The outstanding demand for the period above indicated according to the blank spaces in the Demand and Collection Register on the amounted to as per details given below :—

		As worked out from records of demand, collections and remissions		Amount outstanding of bills		As per Progress statement	
		House	Latrine	House	Latrine	House	Latrine
1	2	3	4	5	6	7	8
Rs. As. P. Rs. As. P. Rs. As. P. Rs. As. P. Rs. As. P. Rs. As. P.							
Belonging to the quarr. of 19							
Ditto	Ditto						
Ditto	Ditto						
Ditto	Ditto						
Ditto	Ditto						
Ditto	Ditto						
Ditto	Ditto						
Ditto	Ditto						
TOTAL							

APPENDIX VII

[Referred to in para 118 of Volume II of the Manual]

Instructions contained in letters, orders, brouchures, etc., with respect to audit of Grants-in-aid

I. EXTRACT FROM ACCOUNTANT GENERAL'S O.O. No. 1861 (TM), DATED 5-8-55

Item (iv)—Quantum of Local Audit.

The quantum of local audit may be the same as prescribed for Central Audit, *vide* item 15 of para 4 of the Memorandum of Instructions regarding the Extent of Audit. The local audit party may ascertain from the D.A. Section whether the office to be inspected is sanctioning or disbursing grants. The relevant vouchers should be taken and test-checked with the initial records maintained by the sanctioning or disbursing officers to the extent indicated above.

Item (vi)—Scrutiny of the accounts at the premises of the institution receiving the grants.

The scope of local audit should be confined to local bodies in terms of the Comptroller and Auditor General's letter No. 2074-Admn. I/204-54, dated the 1st November, 1954, and it is not considered practicable to extend audit, to the accounts of various private concerns.

Item (vii)—Provision in the sanctioning order regarding the inspection of accounts by the L.A.D.

The D.A. Section should see that, in the case of grants of a capital nature and for specific purpose, the sanctioning order, communicated to Audit, *vide* Rule 341 of the Bihar Financial Rules, invariably contain a clause to the effect that, if so, required by the Comptroller and Auditor General, the accounts together with all the relevant papers of the institution shall have to be produced for inspection by the Indian Audit Department. But no local audit of such institutions should actually be undertaken without the prior approval of the Comptroller and Auditor General. The D.A. Section should keep full details of such grants in the Register of Grants-in-aid.

Decisions contained in Comptroller and Auditor General of India letter No. 867-Admn. II/162-53, Volume II, dated the 25-6-55 to all Accountants General and Comptrollers.

(i) *Utilisation of the grant for the purpose for which it was sanctioned.*—Para. 208 of General Financial Rules already provides that the sanctioning authority should prescribe statements, returns, etc., to enable him to see that the conditions are fulfilled by the grantee. Article 192(a) of the Audit Code read with note 1 thereunder also provides for audit scrutinising during local audit the methods by which the sanctioning authority gives the certificate of utilisation of grants. It is necessary that audit of the office of the sanctioning authorities should be arranged at some regular intervals.

(ii) *Conditions attached to the grants.*—The administrative authorities should clearly specify the conditions attached to the grants.

This requirement has already been enjoined in para 207 of the Central Government Compilation of the General Financial Rules. It should be seen that similar provisions are embodied in the State Government Rules.

(iii) *Refund of unspent balances.*—In a number of cases the unspent balances of the grant are not refunded inspite of repeated reminders.

Para. 209(ii) of the Central Government Compilation of General Financial Rules already provides for the refund of the unspent balances of grants. Corresponding provision is required to be made in the State Government's rules, if not provided for therein. Audit will watch that refund is only made by the grantee where necessary *vide* Article 194(ii) of the Audit Code.

(iv) *Quantum of Local Audit.*—As Central Audit has no means of seeing that the Administration has exercised the necessary checks, the quantum and extent of the local audit may be decided by the Accountant General himself as he considers necessary.

(v) *Audit of accounts of Private institutions receiving grants-in-aid.*—In the case of private institutions receiving grants-in-aid exceeding Rs. 10,000 where audit does not come under the Local Audit Department or Outside Audit Department the requirements of the case could be met, if the State Government prescribed before sanctioning the grant of such a big amount, that the sanctioning authority should see that there is proper arrangement for the audit of the institution concerned, audit may see to this, during audit conducted under Article 192(a) of the Audit Code.

(vi) *Scrutiny of the accounts at the premises of the institution receiving the grants.*—A scrutiny of the correctness of the accounts at the premises of the institution receiving the grant as large amounts are generally involved, is not considered practicable in respect of all institutions in view of Comptroller and Auditor General's letter No. 2074-Admn. I/200-4-54, dated 1-11-54.

(vii) *Provision in the sanction order regarding inspection of accounts by the L.A.D.*—In the case of grants of a capital nature and for specific purposes sanctioned to Institutions, etc., the sanctioning order should contain a clause to the effect that if so required by the Comptroller and Auditor General the accounts together with all relevant papers of the institution shall have to be produced for inspection by the L.A.D. As this is a necessary safeguard, it has been decided that the Accountant General should take up the matter with the State Government.

2. In accordance with para. 2 of Comptroller and Auditor General's letter No. 911-Admn.II/162-53, dated the 30th June, 1953 a mere certificate from Government or other authority to the effect that the money has been spent for the purposes for which the grant was made will not suffice unless the checks to be exercised are fully laid down and there is evidence of the checks having been exercised. Where necessary the matter may be pursued with the State Government to see that as far as possible rules regulating sanctions etc., of grants-in-aid are duly made and observed by the administrative authorities. Most of the irregularities in connection with grants-in-aid can be avoided if the rules in Paras. 206 to 209 of the Central Government Compilation of General Financial Rules are strictly observed. The Accountant General may ensure that corresponding rules exist in the State Codes.

II. EXTRACT FROM ACCOUNTANT GENERAL'S OFFICE ORDER No. TM-16-1-4785, DATED DECEMBER, 1955

1. A register, in the following form, should be maintained to record the irregularities noticed in audit, both Central and Local. This Register should contain separate pages for each scheme having an index to facilitate reference and should be put up to the Branch Officer, on the 10th of every month.

Form of the Register

1. Name of the scheme (Central or State).
2. Designation of the Controlling Officer.
3. The amount sanctioned as grants-in-aid during the year..... together with the designation of the sanctioning authority.
4. Period audited.
5. Important irregularities noticed.
6. Number and date of Inspection Reports
Voucher (in case of Central audit only).
7. Remarks.

2. The Register, mentioned in para 1 above, should be sent to T.M. not later than the 5th April, and 5th October every year and the report mentioned in para. 3 of the office order No. 1895 (TM), dated the 20-9-55 need not be sent to TM., henceforward.

3. While submitting the report to the Comptroller and Auditor General, T.M. should keep a note of the Comptroller and Auditor General's Orders contained in his letter No. 2436-Admn-I/1472-55, dated 2-12-55 and prepare the report in two parts, viz., (a) containing irregularities in respect of the Central Grants (b) embracing State Grants.

III. EXTRACTS FROM EXAMINER OF LOCAL ACCOUNTS, BIHAR'S CIRCULAR No. L.A. 37 OF 1956-57.

As audit of local bodies is done exclusively by the Local Audit Department, there is a special responsibility laid on this department to see that these amounts are spent for the specific purposes for which they are given and the Audit Reports should devote special paras relating to Grants-in-aid audit. Auditors have to look into Grants-in-aid accounts thoroughly and bring to light serious irregularities in spending or in diverting such amounts. This is a very important duty which our field auditors should do as we have to insert paras later on in our Annual Reports and in the A.G.'s Audit Reports and furnish quarterly statement to the Comptroller and Auditor General, based on the material obtained from Audit Report.

The records connected with the audit of Grants-in-aid should be carefully examined by the Auditors and Assistant Auditors to see that no important point escapes audit scrutiny and the report on the audit of Grants-in-aid is precise, compact and self-contained.

IV. EXTRACT FROM A.G.'S O.O. No. TM-16-1-1376, DATED THE 2ND JULY, 1956

In order that the half yearly reports submitted to the Comptroller and Auditor General may be prepared strictly in compliance with his instructions, it is hereby ordered that the irregularities dealt with in the report should distinctly show those detected in Central Audit in course of audit of sanction and expenditure of grants-in-aid and those detected in the local audit.

2. In order to make the report really useful it is necessary that the report of irregularities to be furnished to T.M. Section should describe the irregularities in specific terms, e.g., (i) their precise nature, (ii) number and money value, (iii) the action taken on the irregularities, and (iv) the final results etc.

3. The Register prescribed in Statement II of this appendix should be sent to T.M. on the 5th April and 5th October without fail so that the report to the Comptroller and Auditor General is not delayed.

V. EXTRACTS FROM COMPTROLLER AND AUDITOR GENERAL OF INDIA LETTER No. 1433-ADMN.I/274-56, DATED THE 11TH JUNE, 1956

The half yearly reports showing the important irregularities detected in the course of audit of grants-in-aid should be in specific terms and also indicate what action has been taken and with what result.

VI. COPY OF A.G.'S OFFICE ORDER No. 3004(H.A.), DATED THE 29TH JUNE, 1956

Chief points to be looked into during the local audit of expenditure on grants-in-aid.

1. **General remarks.**—The rules for the sanction of grants-in-aid are contained in the different departmental codes and manuals, e.g., the Education Code, etc. The financial principles regulating these grants are enunciated in rules 340—345 of the Bihar Financial Rules (Corresponding rules 206—211 of the G.F.R.). The Financial powers of the various authorities to sanction grants-in-aid are contained in Part IV of the compendium to financial delegations.

The rules for the audit of grants-in-aid are laid down in Chapter 3—Section IV of the Audit Code as supplemented by the Comptroller and Auditor General's orders circulated with O.O. No. 1861(TM), dated the 5th August 1955.

2. The points enumerated below are intended to serve as guiding instructions only and are not meant to be exhaustive. The audit staff conducting the local audit should exercise their discretion in detecting or pursuing other irregularities or points which might strike them in the course of the performance of their duties.

3. The rules enjoin that (a) grants should be made properly and also (b) utilised properly. The duty of audit is to see that both conditions are fulfilled.

4. **Sanction of grants.**—The following points should be seen—

(i) That the grant has been sanctioned for a public purpose or for object specified in the rules regulating the specific class of grants. That the reasons for the grant are recorded in the files of the sanctioning authorities.

N.B.—It is not necessary to state the reasons on the body of the sanctions.

(ii) That the amount sanctioned is not *prima facie* more than the occasion demands. This envisages an examination of the primary records, e.g., audited statement of accounts furnished by grantee. So see how the grant sanctioned has been assessed. This examination may require consultation of relevant files in the office of the sanctioning authorities. The Comptroller and Auditor General's instructions are that a decision regarding audit should be taken not below the level of D.A.G.

5. **Drawal of grants.**—The following points should be seen—

(i) There is no advance drawal of grants in anticipation of sanctions or for avoiding lapse of grants.

(ii) Where the grant is to be drawn on the authority of the Accountant General, or on the countersignature of a higher authority, etc., it should be seen that the drawal has been made with due regard to the prescribed conditions, e.g., drawal in instalments or according to scales, etc.

6. **Utilization of grants.**—The following points should be seen—

(i) Where the grantee is required to furnish a statement of expenditure to a particular officer, e.g., the accountant General or the sanctioning authority, it should be seen that the same has been furnished.

(ii) The utilization certificate has been furnished within a reasonable time or by the appointed date.

(iii) There is evidence on record to show that administrative checks over the correctness of the utilization certificate have been exercised.

(iv) Records are available to show that the grantee has fulfilled all the conditions, e.g., achievement of targets and objects for which the grant was made.

(v) Where the grant is for execution of a work, e.g., construction of a school building, audit should see that the grant paid was utilized for that work and that the completion certificate has been furnished by the grantee. There should be administrative arrangements to inspect the progress of work at some stage of construction after the work is completed. The work should be locally inspected by a technical expert who should certify that the total expenditure incurred in the work was not less than the estimated expenditure on the basis of which the grant was sanctioned.

(vi) There is no unauthorised diversions of funds.

(vii) The departmental control over expenditure on grants-in-aid is adequate and that there is arrangement for watching surrender of unspent balances and for enforcing such surrenders.

(viii) Where different sanctioning authorities make grants for the same purpose, audit should see that there is proper arrangement for sending copies of sanctioning orders by one sanctioning authority to another to avoid overlapping grants.

(ix) The grantee has spent the grant with due regard to economy and there is no waste of extravagance.

VII. COPY OF A.G.'s O.O. No. 3006 (H.A.), DATED THE 27TH JUNE, 1956

Chief points to be looked into during Central Audit of expenditure on grants-in-aid.

1. **General remarks.**—The rules for the sanction and payment of grants-in-aid are contained in the different departmental codes and manuals, e.g., the Education Code, etc. The financial principles regulating these grants are enunciated in rule 340—345 of the Bihar Financial Rules (corresponding rules 206—211 of General Financial Rules). The Financial powers of the various authorities to sanction grants-in-aid are contained in part IV of the Compendium of Financial delegations and/or embodied in the respective departmental regulations. The rules for the audit of grants-in-aid are laid down in Chapter 3. Section IV of the Audit Code read with para. 145 of Audit Manual.

2. The points enumerated below are intended to serve as guiding instructions only and are not meant to be exhaustive. The audit staff entrusted with the work should exercise their discretion in detecting or pursuing other irregularities or points which might strike them in the course of the performance of their duties.

3. **Audit of sanctions to grants-in-aid.**—Auditors should see—

(i) That every order sanctioning grant specifies the object for which it is given and the conditions attached to the drawal or payment or utilization of the grant. The object should generally conform to the principles of propriety unless there exist specific rules governing a particular class of grants, e.g., Discretionary grants, etc.

(ii) That the order specifies if the grant is recurring or non-recurring and whether it should be paid in instalments.

(iii) That the authority sanctioning the grant has been vested with the power of sanction by rule or by general or special orders of Government.

(iv) That the sanction is definite and thus needs no reference either to the sanctioning authority itself or to any higher authority.

(v) That the amount sanctioned is not *prima facie* more than the occasion demands.

4. **Audit of expenditure on grants-in-aid.**—Auditors should see—

(i) That there is no advance drawal of grants in anticipation of sanction or for avoiding lapse of budget grants.

(ii) That where the rules so require that the grant should be drawn on the authority of the Accountant General or on the countersignature of a higher authority, the drawals conform to the prescribed conditions or are in accordance with the scales, etc.

(iii) That the bills have been prepared in proper form and correct classifications have been recorded on the bills and the drawals are in accordance with rules.

(iv) That where the grant is conditional, i.e., if any conditions are attached to grant which usually take the shape of specification of the particular objects on, or the time within which the money must be spent, audit should see that the conditions are fulfilled. The statement and certificates of the executive authorities that the conditions have been fulfilled by the grantee are given on or attached with the vouchers.

(v) That when time-limit has been fixed by the sanctioning authority it should be seen that the grant has been spent within that period and in other cases, within a reasonable period, and that any portion of the amount which is not ultimately required for expenditure is surrendered.

(vi) That a utilization certificate has been furnished by the sanctioning or disbursing authority.

(vii) That the circumstances in recognition of which the grant was sanctioned still continue to exist.

(viii) That the grant was not drawn and placed in deposit for future utilization in order to avoid lapse of budget provisions.

N.B.—A reference on points (vii) and (viii) may be necessary in cases of doubt or in pursuance of important irregularities.

VIII. EXTRACTS FROM A.G.'S OFFICE ORDER No. TM-1895 (TM), DATED SEP. 1955

The Public Accounts Committee and the Comptroller and Auditor General attach great importance to the effective audit of grants-in-aid to states, autonomous bodies and other institutions, especially in respect of the grants given by the Government of India, wherein re-imbursement is allowed on the basis of percentage of expenditure.

2. Accordingly, a report is required to be sent to Comptroller and Auditor General's office half yearly showing therein the important irregularities detected during the course of audit of grants-in-aid during the half year ending 30th September and 31st March.

3. A report in the following proforma should be sent to T.M. duly approved by the Branch Officer, not later than the 5th October and 5th April, every year. These dates should be noted in the Sectional Calendar of Returns and be strictly adhered to. The sections are required to furnish T.M. the details of the Schemes which receive grants-in-aid from the Government of India on the expenditure basis and O.A.D. and L.A.D. may furnish a list of such schemes which are audited by them half yearly through their Branch Officers. The report should show the following informations also:—

- (i) Whether the Government of India grants have been made in excess of what is justified by the actual expenditure (scheme-wise).
- (ii) whether the Government of India grants have been made for schemes which have not yet been started.
- (iii) Whether any unexpended portion of the Government of India grants has not been refunded.
- (iv) Whether reimbursement has been claimed by the State Government on items other than approved ones.
- (v) Cases of diversion of grants.

Nature of the Grants-in-aid	Authority which sanctioned the grants-in-aid	Amount incurred during the half year	Defects found in the Central Audit	Steps taken in this behalf	Defects found during local audit
1	2	3	4	5	6

4. If there be no irregularity a "NIL" report should be submitted to T.M.

IX LIST OF IMPORTANT IRREGULARITIES REPORTED BY THE ACCOUNTANT GENERAL, ETC., IN THE AUDIT OF GRANTS-IN-AID DURING THE HALF YEAR ENDING 30TH SEPTEMBER, 1955 (CIRCULATED *vide* CR. & AR. GL.'S MEMO No. 2435-ADMIN. 1/472-55, DATED 2-12-1955.)

1. Grants drawn from the Treasury were neither accounted for in cash book nor disbursed and utilized nor refunded to the Treasury but retained in hand for indefinite period.

2. Conditions of grants were not fulfilled and the amounts were spent without any planning and estimate and departmental control over expenditure and without following the usual financial rules of Government to safeguard economy. In one case, a Development Commissioner has issued instructions not to demand accounts from the Mandal Panchayats for the amounts paid to them for execution of works.

3. Cash Book was not maintained properly, transactions were not brought to account as soon as they took place. No proper check was exercised by the head of the institution. Details of the expenditure were not recorded.

4. Utilization certificate was not furnished and utilization of grant was not checked.

5. Actual payees' receipts were not available for audit check in proof of the payment.

6. Scale of expenditure was not approved as a condition of grant and purchases were made without calling for tender or obtaining quotations.

7. Stock register of books, maps and furniture purchased out of the grant was not maintained.

8. Contingent register not maintained properly. Payment made without obtaining completion certificate of work and technical scrutiny.

9. Grant sanctioned for one year was utilized in another without obtaining fresh sanction.

10. Large amounts were drawn from the treasuries during the month of March, 1955 evidently to avoid lapse of grants. In some cases sanctions to individual works were accorded in the course of the next financial year or are yet to be issued.

11. Statement of expenditure on schemes for which grant-in-aid was given was not submitted to audit punctually in many cases.

12. Amounts drawn in a year for execution of work were not utilized during the year. In some cases the amounts were redeposited into the Treasuries.

13. Certain works were left incomplete because the anticipated public contribution was not forthcoming. In a few others the amount of the grant was drawn and spent but the construction is reported as still to be undertaken.

14. Defective maintenance of register in respect of flood relief. No stock books of articles of clothing and rice purchased for relief was maintained. No account was kept of a large amount of grant made to a local body for relief work.

15. Diversion of grant from one head to another without previous approval of authority sanctioning the grant.

16. There are a few cases in which the amount of the grant sanctioned was much in excess of the amount that could be utilized during the course of the year and where the unspent balance was subsequently allowed to be utilized in the following year.

17. Certain local bodies and institutions have not surrendered the unspent balance of grants.

18. Overlapping of grants and duplicate sanctions.

19. Miscellaneous irregularities in the accounts of works e.g., improper maintenance of muster rolls, payments of final bill in advance of the execution of work or without detailed measurements; expenditure in advance of requirements, avoidable and unauthorised expenditure and execution of works on the basis of revised estimates which have not been sanctioned etc.

X. EXTRACTS FROM A.G.'S OFFICE ORDER No. 3222 (T.M.), DATED THE 23RD MARCH 1957

1. While it is the duty of the Central Audit Section (i) to see that the sanctions accorded for payment of grants-in-aid conform to the principles enunciated in Arts. 58 and 66 of Audit Code and (ii) to audit the payment in accordance with the instructions contained in chapter 3 of section IV *ibid* it would be duty of the O.A.D./L.A.D. to conduct the test-check of the accounts of the grantees to see how the grants-in-aid have actually been utilized by them and whether the amounts maintained by them make it possible to ascertain that the grants have been actually spent for the purpose for which they were sanctioned and in conforming with the condition attached thereto.

2. To enable to O.A.D./L.A.D. to conduct the requisite audit check, they should be supplied by the Central Departmental Audit, sections concerned with a copy of each of the relevant sanctions after exercising the necessary scrutiny which devalues on them. The Departmental Audit Sections should also intimate to O.A.D./L.A.D. any points or objections which require to be further investigated in local audit. Before a "file order" on such a letter is signed by the Superintendent and B.O. it should be seen that a copy thereof has actually been furnished to O.A.D./L.A.D.

3. On receipt of copies of such sanctions by the L.A.D. the proposals for local audit of the accounts of the grantees (institutions) should be submitted to the Accountant General. After he has approved the proposals L.A.D. should request the administrative Ministry or the sanctioning authority to make necessary arrangements with the institution to afford facilities to audit parties of this office for the conduct of such audit.

4. With a view to getting an idea of the magnitude of such expenditure, all the departmental audit sections are directed to send to T.M. a separate statement showing separately the sanctions issued by the Government of India and State Government regarding payment of grants-in-aid to institutions for the year 1956-57 tabulating the grants-in-aid in excess of Rs. 1 lakh per annum recurring and Rs. 5 lakhs non-recurring.

The statements should be sent to T.M. in the following *pro forma*, through the respective Branch Officers, not later than the 15th April. T.M. Section should take action to incorporate these orders in the Departmental Audit Manual of this office.

Pro forma

1. Name of the Ministry/Department of the Central/State Government sanctioning the grants-in-aid.
2. Number and date of the sanctioning order.
3. Name and address of the institution to which the grant-in-aid was sanctioned.
4. Amount of the grants-in aid.
5. Purpose for which sanctioned.
6. Whether recurring or non-recurring.
7. Whether conditional or unconditional.
8. Conditions attached to drawal or disbursement of the grant.
9. Conditions attached to spending of the grants.
10. Remarks.

In case, no sanction for grant-in-aid, in excess of Rs. 1 lakh per annum recurring and Rs. 5 lakhs non-recurring has been received by any of the sections, a 'Nil' statement should be sent to T.M.

EXTRACT FROM OFFICE MEMORANDUM F. No. 11(39)-E-II(A)/56, DATED THE 4TH JANUARY 1957 FROM THE GOVERNMENT OF INDIA, MINISTRY OF FINANCE (EXPENDITURE DEPARTMENT), NEW DELHI

Paragraph 208 of the General Financial Rules, Volume I, stipulates *inter alia* that in respect of grants sanctioned by competent authorities with specific conditions attached to their utilization, the sanctioning authority should satisfy itself that the grant has, as a matter of fact, been applied for the purposes for which it was intended and a certificate to this effect has to be furnished to the Accountant General. The certification of such utilization has been left to the departmental authorities and the audit officer normally accepts the certificates furnished as adequate for purposes of audit under Articles 192 (a) and 193(c) of the Audit Code.

2. The Government of India after consultation with the Comptroller and Auditor General have decided that grant-in-aid in excess of Rs. 1 lakh per annum recurring and Rs. 5 lakhs non-recurring should normally be sanctioned by the competent authorities with the specific condition laid down in the sanctioning orders that the accounts of the institution receiving the grant should be open for a test check by the Comptroller and Auditor General at his discretion.

3. The Comptroller and Auditor General has agreed that any audit in pursuance of these provisions will be undertaken in consultation with the administrative ministry concerned who will make these necessary arrangements with the institution for conduct of such audit.

4. The monetary limits prescribed above shall not, however, be treated as in any way fettering the discretion of Comptroller and Auditor General in approaching Government, if in any very special case, he considers that an audit of the receipt's books even when the amount is less, is called for.

5. Even in respect of unconditional grants-in-aid, Government reserve the right to have the accounts of the receipt body audited by the Comptroller and Auditor General on their own initiative, if and when occasion demands, to satisfy themselves generally regarding the manner in which the affairs of the receipt body are being managed.

6. Attention is also invited to paragraph 209 of the General Financial Rules, Volume I, according to which every grant made for a specific object is, unless declared as unconditional, subject to the implied conditions mentioned therein.

APPENDIX VIII

[Referred to in para 132 of the Manual]

registers and forms pertaining to surcharge

Serial I.

Serial No. of Notice		Name of local body	No. of Audit Report	No. of paragraph	Subject	Name and designation of party	Amount	Date of order of issue	Date of issue of notice	Date of service	Reminder for service Chairman	Reminder for service Commissioner	Date of a receipt of show-cause petition	Recovered, waived, reissued surcharge	Orders of Examiner and No. of surcharge Order if issued	Remarks
New	Old							Examiner's signature								
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17

APPENDIX VIII

246

APPENDIX VIII—contd.

[Referred to in para 132 of the Manual]

Surcharge order register

Serial II.

Sl. No. of surcharge order	Reference to Notice Register	Amount	Reference to para No. of Audit Report	Name of Party	Date of surcharge order signed	Date of surcharge order issued	Date of Service	Reminder for service to Collector	Reminder to Commissioner	Whether recovery reported	Whether Appeal filed	Whether Certificate Requisition filed	Examiner's orders	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

APPENDIX VIII

247

APPENDIX VIII

APPENDIX VIII—contd.

[Referred to in para 132 of the Manual]

Office of the Examiner of Local Accounts, Bihar.

Form.....

Serial III

Notice under Section 9(2)(b) of the Bihar and Orissa Local Fund Audit Act, 1925.

NOTICE NO. N.

Dated Ranchi, the 19

To

Through the _____:

After considering the paragraph(s) noted below (copies enclosed) of Audit Report No. _____ of 19 . 19 on the accounts of the _____ I hereby serve a notice on you under section 9(2)(b) of the Bihar and Orissa Local Fund Audit Act, 1925, and require you to show cause within one month why the sums referred to in the said paragraphs, noted below, should not be recovered from you and credited to the _____ Fund.

Examiner of Local Accounts,
Bihar

Rs. As. P.

Paragraph

APPENDIX VIII

APPENDIX VIII—contd.

[Referred to in para 132 of the Manual]

Office of the Examiner of Local Accounts, Bihar.

Form.....

Serial IV

Reference.—Surcharge Notice No. _____, dated, the _____ 19 .

Order _____

MEMO No. L. A.

Dated, Ranchi, the _____ 19 .

Forwarded to the Chairman,

District Board,
Municipality,
Dispensary Committee

for information and necessary action with reference to his Letter
Memo

No. _____, dated _____ 19

Examiner of Local Accounts,
Bihar

APPENDIX VIII—*contd.*

[Referred to in para 132 of the Manual]

Office of the Examiner of Local Accounts, Bihar

Serial V

Surcharge Order under Section 9(3) of the Bihar and Orissa Local Fund Audit Act, 1925

No. S.

To

Through

In pursuance of this office Notice No. _____ dated _____
I hereby surcharge on you the amounts covered by the said notice and certify the same under
section 9(3) of the Bihar and Orissa Local Fund Audit Act.

If the amounts are not paid by you within one month of date, steps will be taken to recover
the same as a public demand under the Bihar and Orissa Public Demands Recovery Act.

*Examiner of Local Accounts,
Bihar.*

APPENDIX VIII—*contd.*

[Referred to in para 132 of the Manual]

Office of the Examiner of Local Accounts, Bihar.

Serial VI

Surcharge Order under Section 9(3) of the Bihar and Orissa Local Fund Audit Act, 1925.

No. S.

To

Through

After considering the cause shown by you in your letter No. _____
dated _____ in response to this office notice No. _____
dated _____, I hereby surcharge on you the amounts
covered by the said notice and certify the same under section 9(3) of the Bihar and Orissa
Local Fund Audit Act, 1925.

If the amounts are not paid by you within one month of date, steps will be taken to recover
the same as a public demand under the Bihar and Orissa Public Demands Recovery Act.

*mine of Local Accounts,
Bihar.*

APPENDIX VIII—contd.

[Referred to in para 132 of the Manual]

Form No. 2.

Requisition for a certificate. (Section 5)

Serial VII

TO

The Certificate Officer of the District of

Name of Certificate Debtor	Address of Certificate Debtor	Amount of public demand for which this requisition is made	Nature of public demand for which the requisition is made
1	2	3	4
		Rs. As. P.	

I request you to recover the above mentioned sum of Rs. _____ which,
 I am satisfied after enquiry, is due from the said person in respect of _____
 day of _____ verified by me on the
 19 .

Examiner of Local Accounts,
 Bihar.

APPENDIX VIII—contd.

[Referred to in para 132 of the Manual]

Register of Appeals

Serial VIII

Serial No.	Audit Report No.	Name of Fund	Surcharge Order No. and date	Amount	Reference to Govt. letter under which appeal petition was received	Date of issue of comments on appeal by the Examiner	Stage of surcharge proceedings	Order of Government on appeal petition	Amount to be recovered finally	Name of Appellant
1	2	3	4	5	6	7	8	9	10	11

APPENDIX VIII—contd.

[Referred to in para 132 of the Manual]

Register of Requisitions for certificates under Public Demands Recovery Act

Serial IX

Serial Number	Reference to S. O. No.	Number of Audit Report and Name of Accounts	Person(s) responsible	Amount	Date on which requisition is made to certificate Officer	Case No. allotted by Officer
1	2	3	4	5	6	7
						8

Reminder to	Whether amount recovered	Realization	Number of chalan	Date	Reference for verification if recovered	Whether certificate stayed over appeal	Examiner's orders	Remarks
Collector								
Commissioner								
Government								
9	10	11	12	13	14	15	16	17

GIPN—S₂—8 A.G. Bihar(57)—8-7-58—250.

348

CIVIL ACCOUNT CODES

Chap. XV]

[Contd. from page 345].

11-9-60—	8.	Contractor B submits bill for Rs. 350 and after making the recovery of an advance given to him in April, 1960, his bill is paid by cheque	Rs.
14-9-60—	9.	The Ranger renders an account for Rs. 185 and refunds the balance in cash	150
16-9-60—	10.	Made cash purchases of sundry articles for office	15
22-9-60—	11.	Paid for office furniture by cheque	50
	12.	Contractor A submits a bill and the same is adjusted against the advance given to him.	250
25-9-60—	13.	Debit raised against Executive Engineer X Division for timber and firewood supplied.	625
27-9-60—	14.	A cheque issued to contractor C on 15-3-60 received back from him un-encashed. It is decided to pay him after a check measurement of his work next month.	1,450
30-9-60—	15.	Remitted into Treasury— In cash By cheque	Rs. 650 Rs. 150
			800

(S. A. S. Nov., 60)

Ans. 9. Please see on page 349.

Important Notes

Note 1. The certificate prescribed in Article 289 of Account Code, Vol. III must be appended to each Cash Account.

Note 2. Schedules and Statements accompanying the [Contd. on Page 350]

Chap. XV] ACCOUNTS OF THE FOREST DEPARTMENT

[b/f from page 339]

disburser by way of advance

15-6-60 Received on account of sale of forest produce which is remitted to Treasury on the same day

18-6-60 Issued a cheque to Mr. X.Y.Z. in payment of small stores purchased for use on works in the Division

20-6-60 Accepted an invoice from Stationery Office, Calcutta for supply of stationery during 1959-60

22-6-60 Supplied teak wood to Central Public Works Department

27-6-60 An intimation was received from a Contractor that a cheque for Rs. 500 issued to him on 5-4-60 had been lost. The intimation was supported by a non-payment certificate from treasury.

30-6-60 The count of Cash at the end of the day revealed a shortage of Rs. 5. (S.A.S. May, 5)

Ans. 6. Please see on page 342.

Question 7. Prepare the Cash Account of Deputy Conservator of Forests for the month of August, 1960 from the particulars given below—

	Cash balance in hand on 31-7-60	Rs. 350
1-8-60	Paid salaries of staff	1,360
	Recoveries made from the Establishment	
	Pay Bill—	
	G.P. Fund	Rs. 150
	Income Tax	Rs. 31.69
	P.L.I. Fund	Rs. 26.31
	Leave salary over-paid in January 1960	Rs. 18.00
	Paid pay bill of the Divisional Officer	750
	Recoveries made—	
	Income Tax	Rs. 28.37
	G.P. Fund	Rs. 75.00
8-8-60.	Paid by cheque an advance to Contractor A	700
	A cheque is issued in favour of a Forest Ranger for meeting the expenditure of X-Range.	400

[Contd. on page 343].