

REGIONAL STUDY CENTRE

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FUNDAMENTALS OF LOCAL AUDIT

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FUNDAMENTALS OF AUDIT

INTRODUCTION TO AUDIT

WHAT IS AUDIT:

Etymologically, the term audit has come from the Latin work “*audire*” which means “to hear”. We can link this as to how the words “audio” “audition” , “audible” would have come. We can also link this to the legal maxim “*audi alteram partem*” which translates into “Hear the other side”. It is believed that in ancient times the person responsible for transactions has to give a oral account which will be heard and passed by an independent person (auditor).

Humanity has traveled through great evolutions since then and the present definition of audit is that it is an examination of accounting records undertaken with a view to establishing whether they correctly and completely reflect the transactions to which they purport to relate.

EVOLUTION OF AUDIT SINCE INDEPENDENCE

The traditional audit conducted by the supreme audit institutions (SAI) is known as *Regularity audit* which implies checking upon the legality of an action taken by a public official or a person using public funds and whether the decision or its implementation is according to the law, rules or regulations governing that activity Gradually its dimension was extended to *Financial audit* and now to *Value for Money audit*. *Financial Audit* basically means audit of financial statement and whether they provide reasonable assurance that they present fairly the financial position, results of operations, and cash flows of an audited entity in accordance with generally accepted accounting principles. In Financial audit, State auditors do almost the same kind of job which the Chartered Accountants do while auditing a public limited company . *Value for Money or 3E's Audit*: also known as Performance audit is an independent assessment of the performance of an organisation, programme, project or an activity in terms of its goals and objectives-how far expected results have been achieved from the use of available resources of money, men and material. Put it differently an examination is made regarding economy, efficiency and effectiveness of public spending, which has come to be known as 3E's audit.

Economy: minimizing the cost of resources used or required - spending less;

Efficiency: the resources to produce them – spending well

Effectiveness: the relationship between the intended and the actual results of public spending – spending wisely.

The concept and technique of audit has undergone a major change during the last fifty years. Before India became independent, the government audit was mostly confined to check against provision of funds, rules and orders and competence of authority concerned to sanction expenditure. With the launching of the Five Year plans for economic and social development there has been change in the pattern of government expenditure necessitating shift in the emphasis, concept and practice of audit as scrutiny of individual transactions became inadequate as it tended to mistake wood for the tree. The Parliament and the public are more interested to know whether various development and welfare programmes are being executed efficiently and whether they were producing the expected results. This lead Audit department to enter in the area of *Performance Evaluation and Value for Money Audit*. Audit department is now producing a large number of performance reviews every year covering almost every facet of government's working.

FUNDAMENTAL PRINCIPLE GOVERNING AUDIT: The main principle governing audit is that it should be conducted by an agency independent of the authority charged with the duty of carrying on the business and keeping accounts of the transactions which pass through his hands. As far as DAD is concerned though it is vested with responsibility of keeping the accounts for the Defence Expenditure, it must be understood that the accounting (final compilation) is effected only after audit and therefore there is no breach of the aforesaid principle.

ROLE OF AUDITOR:

As back as in 1986 the auditor's duties were spelt out in an English case(Kingston Cotton Mills Co.(No,2), In re(1896) 2 Ch 279 (CA)

“It is the duty of an auditor to bring to bear on the work he has to perform that skill, care, and caution which a reasonably competent, careful and cautious person would use. What are reasonable skill, care and caution must depend on the particular circumstances of each case. And auditor is not bound to be a detective, or approach his work with suspicion or with a foregone conclusion that there is something wrong. He is a watchdog but not a bloodhound. He is justified in believing tried servants of the company in whom confidence is placed by the company. He is entitled to assume that they are honest and to rely upon their representation, provided he takes reasonable care. If there is anything calculated to excite suspicion he should probe it to the bottom. But in the absence of anything of that kind he is only bound to be reasonably cautious and careful”.

Even though the above observations of the Court are more relevant to the appointed Statutory Auditors of Joint Stock Companies, the basics of the approach to be adopted by the auditors spelt out above are mutatis mutandis applicable for Internal Audit in our Department also.

QUALITIES THAT AN AUDITOR SHOULD POSSESS:- An auditor must

- ∴ be well versed in the fundamental principles and theory of accounting.
- ∴ be aware of latest techniques
- ∴ ensure correctness of transactions he passes
- ∴ know the broad technical details of the organization .
- ∴ avoid false pride/fear of ignorance
- ∴ be aware of all orders
- ∴ be honest and transparent in his functions
- ∴ not be influenced
- ∴ not disclose secrets to others
- ∴ be tactful
- ∴ not be suspicious
- ∴ give patient hearing to arguments
- ∴ be vigilant and cautious ; and
- ∴ to crown all, possesses common sense in abundance

WHAT IS THE ROLE OF DAD:

Before we try to understand the role of DAD it is essential to know the inter-se status position of Parliament and Executives as stipulated in the IGA&A. Para of the IGA&A states that the Parliament/Legislatures may be regarded as the Shareholders of the “Government Concern” and the Executive Government as its Directors.

There are two parallel and concurrent agencies for audit of Defence transactions. Primarily the C&AG represented by the Director of Audit Defence Services is responsible for the Statutory audit of Defence transactions. However he carries out only a test audit of accounts as he relies on the internal audit which is being carried out by DAD on his behalf. Even though we categorize DAD as an Internal Audit agency, we must understand the reservations and qualifications that are attached to this description, in contrast to the Internal Auditors of Corporate field.

Functionally the Internal Auditors perform their duties for the Management. They have no responsibility directly to the Shareholders. The report of Internal Auditors in corporate business is seldom circulated to the Shareholders. In contrast, the DAD has to render Annual Audit Certificate, which is part of the Appropriation accounts submitted to the Parliament (Shareholders.) Further the scope and limits of audit are not designed or altered at the desire of the Executives who are akin to the Directors. Also we are functionally and administratively independent and stand delinked from the Executives.

Therefore while we have to play a very constructive role in helping the Executives in their financial management, our duties, role and responsibilities should be seen through the prism of Tax Payer’s interest.

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SIGNIFICANCE OF LOCAL AUDIT & LOCAL AUDIT PROCESS

Regional Controllers are entrusted with payment functions in respect of Stores procured by the Units. At the time of making payment the CDA is bound to act on certificates issued by the Unit which inter alia indicate that the items purchased were really necessary and the quantum and mode of purchases are justified and also the items actually purchased have been taken on charge. The process of internal audit would remain incomplete unless the action taken in conformity with these certificates have actually been verified on ground by DAD by linking the receipt entries in the ledger. Further, justification for the purpose for which purchases have been made, in terms of stock holding, usage or final consumption etc., can be verified only through a continuous audit of records maintained by the Unit.

Most of the payment functions are related to the bulk purchases made by the Depots who cater to the needs of their dependant units. The distribution and final consumption of these purchases can be audited only through audit of their dependant units.(Example: Rations and POL).

The Pay Section of CDA pre audits and makes payment to Non-Industrial personnel of Units. The actual proof of taking on record the receipt of cheque and making of payment is to be verified by a subsequent audit on the records maintained at the unit.

The Commanding Officers/OC s of the Unit look upon Internal Audit as means of assisting them in their financial management. In their day to day functioning, there may be many intricate cases of micro level functioning which can be better assisted by the Department through Field Officers who frequently visit the Units and are conversant with such micro level functioning.

All the above situations justify the necessity for the presence of field Officer who would frequently visit Units and attend to the above functions. This is what we have come to know as Local audit.

A majority of activities of Local audit functions is carried out on field. However some of its functions are performed in its own office (Example: Audit of Temporary Labour Bills, Personal Advances of Industrial personnel, Scheduling of vouchers, Rendition of reports and returns)

BASIC DUTIES OF LOCAL AUDIT

The basic duties of Local audit consist of the following:

- (i) To carry out detailed transaction audit as per the percentage of audit laid down by the Department for various transactions.
- (ii) To analyze transactions from a higher audit point of view.
- (iii) To render financial advice to the Units/Formations
- (iv) To carry out audit of Service Books of Defence Civilians
- (v) To audit the check rolls of industrial personnel of Units/Formations and pre-audit their personal claims such GPF, Tuition fee claims etc.,
- (vi) To render audit reports in respect of all cases where the CFA is upto the corresponding level of GOC; (Upto CE in the case of MES Units). Other cases of losses statements will be scrutinized and forwarded to CDA with their comments for the CDA to render Audit Report to the CFA.
- (vii) To raise, pursue and settle internal audit objections
- (viii) To pursue LTARs/LTANs and Draft Paras and obtain and forward replies from the Units/Formations.
- (ix) To carry out Cash Inspection of Units/Formations with reference to A.L.A.M Pt II.
- (x) To schedule vouchers to other LAOs for credit linking by the consignee LAOs and to receive and act on vouchers sent by other LAOs for credit verification in the ledgers of the Units/Formations under his audit jurisdiction as consignee LAO.
- (xi) Rendition of reports and returns
- (xii) Maintenance of prescribed registers/records Books of Regulations and Orders.

LOCAL AUDIT PROCESS IN FIELD:

Local audit is not confined to mere checking of arithmetical accuracy and linking of vouchers. It is a long and continuous process involving simple verifications/ scrutiny to complex analysis. Broadly, the following process involved in Local Audit of Units and formations are significant.

1. Checking the correctness and completeness of documentation.
2. Checking Arithmetical Accuracy (Casting)
3. Transaction linking with vouchers/supporting documents.
4. Checking the completion of Annual Stock Verification action taken on discrepancies.
5. Higher audit of transactions and financial advice.
6. Collection of vouchers for scheduling.
7. Finalization and Issue of Objections.
8. Pursuit and settlement of audit objections.

PRELIMINARY STEPS BEFORE COMMENCING LOCAL AUDIT:

The following are the basic two steps that are to be taken before commencement of local audit.

- (i) Local Audit Programme for each unit to be visited during the half year is drawn and sent for approval by CDA by 20th of the penultimate month of the preceding Half Year. After approval the dates have to be intimated to the units in advance (SEE SPECIMEN FORM) and the audit would be taken up as per the approved and intimated dates and with reference to the man-days authorized for each unit and No. of men proposed and approved.
- (ii) A list of documents to be audited with reference to each Unit will be kept in LAOs Office duly updated and these documents will be consulted before taking up audit to ensure that proper distribution of work amongst Local audit staff covers all the documents included in the list and on the whole no document is omitted to be audited during local audit.

DOCUMENTS TO BE KEPT READY BEFORE COMMENCING AUDIT:

The following documents will be kept ready for use in local audit before commencing audit of any unit/formation.

- (i) List of Auditable documents of the particular Unit duly updated
- (ii) Brief of all outstanding Internal Audit/Test Audit objections
- (iii) Last Audited ration balances
- (iv) Vouchers for scheduling duly stitched as bundles under Sub-List, indicating simple serial Nos (Separate Sub-lists for vouchers for credit verification in respect of vouchers received for special linking by Consignee LAO).
- (v) All relevant orders that are required for reference during the course of audit.
- (vi) Verification file containing inter-alia the acknowledgements for TRs received from CDA.
- (vii) Any other document for verification in local audit as CDA or other LAOs may have requested.

OBTAINING SELECTION ORDER FOR CARRYING OUT LOCAL AUDIT

Local audit is carried as per the percentages prescribed in Annexure 'A' of ALAM Pt. I (SEE ANNEXURE A). The period of accounts to be covered in relation to the percentage of audit prescribed will be selected by LAO through Selection Order, which would be specified by him only just before commencement of audit and will not be disclosed earlier to maintain the required element of surprise and secrecy in selection and to prevent possible last minute manipulation/adjustments in accounts. The selection order would also include the specific Service Books to be audited during local audit. For this purpose a Register of Service Books audited would be maintained in LAOs Office.

The importance of giving a very imaginative and effective selection order needs no overemphasis. It is common knowledge that in many fields accurate results have been predicted with reference to a miniscule sample population through a very effective sampling. The cardinal principle in audit sampling is that selection should not be stereo typed (eg., Every third voucher from sl. No.). The authority deciding the sampling selection should first have a perusal of the target population (eg., vouchers). He will be guided by past experiences, general trends, value significance and most significantly

the objectivity. As far as Local audit is concerned the additional factor to be considered is that that there must be an element of surprise.

The LAO would also give orders on the allocation of work to different Staff members in respect of each Unit separately. It must be ensured that the allocation of work is done in a manner that would allow the auditors to deal with and develop all round knowledge of various Local audit processes. Further, the omissions/ failures one auditor during a particular audit period can be checked through the system by another auditor. Therefore, tendencies to allot a particular area of work to an auditor in respect of an area of audit continuously or in a manner of unwarranted frequency deserves discouragement. A duty register would be maintained in each LAOs Office indicating the date and the Unit visited by each SA/Auditor. The entries in the register would be completed on day-to-day basis.

MAIN AREAS COVERED IN LOCAL AUDIT:-

- (a) Store Ledgers of various descriptions
- (b) Military Transport Accounts
- (c) Ration Accounts and Ration Returns
- (d) Audit of clothing Accounts
- (e) Audit of Railway Forms
- (f) Audit of Service Books.
- (g) Cash Inspection (Castings would be done at Auditor's level)

In all the above cases except (f) & (g) above, voucher linking forms an integral and critical part of local audit. A very detailed process of voucher collection and receipt and linking is discussed in subsequent chapters.

DIFFERENCE BETWEEN LEDGER AND RETURN: A ledger is a continuous record of transactions in respect of items or store generally grouped under a class or category (Eg., POL ledger consisting of Petrol, Diesel, oil etc.,)where entries are continued from transaction to transaction, from one accounting period to another and from year to year. Each ledger page contains transactions in respect of an item. On the other hand a Return is an account of opening balance, receipt issues and closing balance in respect of one or more of a group of items which is prepared for each month separately. For example, the Ration return is prepared for each month and documented as such for each month separately.

HOW TO PROCEED TO AUDIT

One of the most significant things to understand and appreciate in carrying out local audit, is the inter relationship between various documents, ledgers/returns and vouchers so that local audit is carried out in a logical manner the justification for provisioning of resources is brought under scrutiny in all aspects. It would be advisable to develop for each area of audit the process/ linkage chart

so that the journey of transaction is understood from its inception to final process/purpose. Once this is accomplished, the whole process of local audit becomes systematic, complete and effective. This is necessary for carrying out higher audit of transactions and rendering financial advice.

THE STARTING PROCESS:

Any auditor entrusted with a particular area of audit (Example : MT, Clothing etc.) should commence his audit process by first carrying out a preliminary check on the documentation. The correctness of documentation will be continuously checked during various stages. However the Initial check on documentation involves;

1. With reference to the list of auditable documents to be maintained in respect of each Unit/formation, it must be ensured that all auditable documents are maintained and produced for audit, Auditors must carry with them this list to ensure that no document is omitted to be audited.

2. It must be checked that the document is maintained in the prescribed form and is duly authenticated by the officers entrusted with such responsibility. Whenever a ledger is closed and new ledger is opened, it must bear a certificate from the OC or his authorized Officer that all balances have been correctly brought forward from the old ledger to the new ledger.

3. The significance of the above job lies in the fact that cases of non-maintenance, improper maintenance and non-production of documents are to be reflected in Annexure II and Statements 1A, 1B & 1C of Annual Audit Certificate. Needless to state, before inclusion in the above records the cases must have been brought to the notice of higher executive authorities.

GENERAL POINTS TO BE SEEN IN AUDIT OF STORE LEDGERS:-

- a) The ledger is in the prescribed format and in accordance with the instructions contained therein. Units have to mandatorily follow the accounting procedure prescribed under Govt. Regulations or orders. For example the accounting principle followed as regards receipt is that any item of stores received by a unit must be first taken on charge on the same day of receipt even if it does not pertain to it.
- b) The A.P authorized with reference to W.E.T or P.E.T is entered in the space provided in the format and the stock held is not in excess of the A.P.
- c) Only one page must be accorded for each item. The ledger page should indicate the correct category/Part No.
- d) The accounting unit is correctly indicated and consistently followed. It has been observed in local audit in one case that

Floor carpet purchased with reference to sq.mtrs were entered for in the ledgers w.r.t sq.ft for the same quantity in the voucher and this was also not detected during Annual Stock taking.

- e) Stock verification has been carried out at prescribed intervals and certified as such on the relevant ledgers and that prompt action has been taken to adjust the deficiencies (regularization) or surpluses.
- f) All alterations must be carried out neatly and attested by the officer concerned under his dated initials.
- g) Each ledger should contain the following certificate:-
 - i. Certificate that the ledger contains so many pages.
 - ii. Monthly inspection certificate by the responsible officer.
 - iii. Periodical stock taking certificate.
 - iv. In the case of new ledger, a certificate to the effect that all items have been correctly carried over from the old ledger to the new ledger.

IMPORTANT POINTS TO BE SEEN IN AUDIT OF STORE LEDGERS

- ✓ Transfer of stores on verbal orders should be objected to in audit even if such transfer is between independently accounting sub-units.
- ✓ Items which should have been taken on charge before stock taking board should not be allowed to be taken on ledger charge after the stock taking board has certified the quantities in the ledger before taking the items on charge.
- ✓ Items locally purchased will not be accepted in audit to be stocked without being put to use, as local purchase cannot be resorted for stocking.
- ✓ Items locally purchased but condemned with its fair life must be placed under objection.
- ✓ Tendency to charge off periodically expendible items on a fixed scale, as a matter of routine will be questioned and the parameters with reference to which the items will be charged off will be examined. (Ex: Writing off paint)
- ✓ In respect of certain stores the salvage items would be required to be required to taken on charge. For example, in the case of MT stores the issue entries of Cover Outer will have to be checked with the receipt of corresponding unserviceable items.

VERIFICATION OF OPENING BALANCES: In the case of store ledgers it is a simple process of ensuring that the last audited balances are not altered and subsequent issues and credits are carried out from thereon. In the case of returns, the opening balances are to be checked with the closing balances extracted during the last audit period and kept with Office records.

CASTINGS: The audit of ledgers for the period of accounts to be audited will generally begin from the closing balance upto which last audit was carried out. Before carrying out audit of transactions, castings (check of Vertical and horizontal totals) will be carried out. This is a very important aspect more so when local audit is done on percentage sampling basis. Minor casting errors detected before stock verification can be allowed to be rectified by the unit by adjustment entries. No alteration/adjustment entries will be allowed once the stock verification has been carried out and not pointed out by the board.

The results of the periodical stock verification are made in red ink and signed by the Presiding Officer of the Stock taking Board. This entry signifies the physical balance as against the ledger balance reflected through entries made by the unit authorities after each transaction. Therefore the surplus detected by the Stock taking board have to be taken on charge and loss regularized.

The closing balance arrived at will be tallied with the stock distribution shown on the reverse page "Distribution within the unit" and discrepancies if any will be pointed out in audit.

A line will be drawn after the last transaction/entry pertaining to the audit period in the Balance column and initialed (dated initials) by the auditor to check possible interpolations after audit. It is reiterated that castings will have to be carried out in respect of documents /returns except in the case of Payment Issue ledgers where the scope has been reduced to 33.33%.

AUDIT OF RECEIPTS: The receipt column in a ledger or return is operated in the following cases:-

- (i) When an item has been received from another unit/Depot, the item is taken on charge through a receipt voucher for which a number is assigned by means of "RV Control Register", and intimated to the issuing unit. The quantity taken on receipt is shown against the RV No. & Date in red ink.
- (ii) Items locally purchased are taken on charge through Certified Receipt Voucher (CRV). Surplus stock found during stock taking are also taken on charge by means of CRV.(Known as final receipts.) CRVs are also controlled through CRV control Register.
- (iii) Items transferred from one ledger page to another whether in the same ledger are carried out through Transfer Receipt Voucher and Transfer Issue Voucher. The contra entries have to be concurrently checked in audit.

CREDIT LINKING: Receipt linking is carried out by consignee LAOs with reference to vouchers received from the Consignor LAOs in the case of items of stores transferred from one Unit/Depot to another Unit/Depot and from CDA in case of local purchase vouchers. This exercise of ensuring that the quantity indicated in such vouchers has been taken on charge correctly and in time by the consignee unit is called "Credit Linking" or "Credit Verification". Please refer to the Chapter on "Significance of vouchers on Local Audit"

ISSUE LINKING: Linking means bringing together an entry in the ledger and entry in a voucher to ensure that the entry in the ledger is in conformity with the voucher. THE ISSUE LINKING IS CARRIED OUT FROM LEDGER TO VOUCHER AND NOT VICE VERSA. The detailed audit of issue linking is carried out only in respect of the detailed month selected for audit as per the selection orders of LAO.

Detailed audit signifies linking of supporting vouchers for the issues charged off from the ledger and their connected documents besides an intelligent analysis of transactions.

An item can be charged off from the ledger only on the authority of a voucher, which must be in the prescribed form and certified by a competent officer of the unit.

The most common types of vouchers used in charging of items are (i) Issue Voucher (IVs) (ii) Certified Issue Voucher (CIVs) (iii) Transfer Issue Voucher (TIVs) and (iv) Nominal Issue Vouchers (NIVs).

AUDIT OF ISSUE VOUCHERS IN RESECT OF CONSUMING UNITS: Stores transferred from one unit to another should be supported by a certified and signed voucher. Since we are only dealing with the fundamentals we do not propose to discuss the tenability factor involved in transfer. In the case of items which are transferred by consuming unit, to salvage depots .the voucher should be further supported by condemnation proceedings (IAFD – 931) which should also be verified to see that the items charged off correspond to the recommendations and that the Board proceedings are suitably linked. It is very important to note that the next condemnation board proceedings cannot be convened until all the items recommended by the Board have been actually disposed off as per the recommendations The relevant Military credit Notes will also be suitably linked.

The issue linking will be carried out in respect of all issues made during the detailed month selected for audit (from the ledger to voucher and not vice versa.) In this process the IV control Register will be consulted for the purpose of collecting one copy of all the Issue vouchers (since the last audited period) for the purpose of scheduling. It is significant to state that the vouchers should be collected for the entire audit period and not confined to the detailed month selected for audit. Suitable endorsement should be made in the Register.

The IV s thus collected will be dealt with under two categories. The Ivs for which receipted copies have been received and the RV Nos noted will be scheduled out to the consignee LAOs for their credit linking. Ivs for which the receipted copies have not been received will be placed under objection. The copies of such Ivs will be filed with the objections until such time the RVs are received and the objection cleared before scheduling the same to the consignee LAO for his linking. In respect of cases where the receipted copies have not been received for more than 3 months, extra copies of the Ivs should be collected from the Unit for scheduling to the Consignee LAO for special linking and confirmation(will be handed over to the scheduling task holder under covering memo where such task is centralized). The task holders should periodically review such objections and bring outstanding cases to the notice of LAO for his appropriate action. In all the cases the pairing enforcement will be made on the vouchers collected.

In carrying out issue audit primarily the correctness of both the item, quantity and date of charge will be correlated from the ledger to the voucher. The Unit's copy will be enfaced with the words "Linked" and most importantly marked with the Ledger and Page No, for test check by ALAO/LAO.

AUDIT OF CIVs: The Certified Issue vouchers are used for charging off "Final Issues" i.e., which are finally consumed or expended or burnt or destroyed on the support of a Board proceedings which will be a part of audit of the CIVs. The points stated regarding condemnation Board proceedings earlier in the case of transfer of stores to salvage depot will apply mutates mutandis here also. Where the CIVs are for final consumption (Example: Issue of free rations in Ration Return), it must be seen that the consumption is as per scales authorized (SRS in the case of rations). In simple terms it must be understood that every CIV must have a proper background document which itself would be audited for verifying the correctness of the CIV. The audit of such background document normally leads to interesting linkages. For example where the items in Workshop are charged off through CIV as having been expended in connection with the repair work, the Job card will be verified and items traced in the Log Book. Where items are charged off as having been issued for production of new items, the credit for the items produced in store ledgers will be traced. Where items are charged off as sold through public auction as scrap the auction proceedings must be seen and the MRO and TR acknowledgement from CDA must be linked.

AUDIT ENFACEMENTS: All ledgers/Registers/vouchers audited will be enfaced with the words "Audited" /"Linked" etc., at appropriate places with dated initials.

ANNEXURE - A
EXTENT OF LOCAL AUDIT PRESCRIBED

S.N	ITEM OF WORK	SCOPE
1.	Credit verification of "E" copies, LP Vouchers and CP Vouchers	16 ½ % for E copies, 100% audit above Rs. 20000/- for LP vouchers and 100% audit above Rs. 50000/- for C.P. Vrs.
2.	External and Internal issue audit.	16 ½% audit (i.e.) one month detailed audit in every six months.
3.	Audit of Ration Accounts (IAFZ – 3033)	33 1/3% detailed audit (i.e.) 2 months in every 6 months. For the remaining months the checking to be restricted to ensuring that the ration drawn is as per the average strength of the unit.
4.	Ration Return (IAFS – 1519)	100% casting verification & 33 1/3% detailed audit.
5.	Payment Issue Ration / POL	33 1/3% audit in respect of: - 1) Cash memos to Payment Register 2) Casting of Payment Register 3) Payment Register to Ration Return. 100% audit in respect of:- 1) Cash remittances into Public Fund Account. 2) Watching of remittances through MRO and their acknowledges from CDA.
6.	Audit of Clothing	16 ½% detailed audit.
7.	M.T. and P.O.L. Audit	16 ½% detailed audit.
8.	Service Books and Railway Warrants.	Existing System / Procedure will continue
9.	Cash Accounts (Public / Imprest cash book audit by LAOs).	Existing System / Procedure will continue
10.	Issue audit in OD / COD etc.	10% instead of present 33 1/3% (Note: - After computerization this will be reviewed)

AUDIT OF RATION ACCOUNTING

AN OVERVIEW OF RATION ACCOUNTING IN DEFENCE SERVICES:

ASC Supply Depot is responsible for central procurement and supply of ASC Rations and POL to Units. The consuming units place bi-monthly indents on Supply Depots which is passed and items are issued by Supply Depots. The items are taken on charge by the consuming units in the Monthly Ration Returns (Please recall the concept of Returns explained earlier) through receipt entries with RV Nos in red ink. The charging off from the ration return through CIV are broadly of the following the following types.

- (i) Free issues to Officers and JCOs/Ors. The supporting documents for this is (i) the working sheet which would reflect the entitlement as per fixed scales and the actual issues resulting in over/under drawal. (ii) IAFZ-3033 Showing the ration strength statement of a consolidation of Officers or company based JCOs/Ors, based on Part II orders with reference to leave, courses of instructions, hospital admission etc., for checking that the drawal of each item is not in excess of the strength so arrived at.
- (ii) Payment Issues to entitled personnel supported by Payment issue register showing issues to the entitled personnel as per Ration Entitlement Register. The proportionate cash receipt for the quantities charged off will be accounted in the cash book (through cash memos) and promptly remitted into Govt. Treasury through MRO and confirmed by TR acknowledgement.
- (iii) Handling losses (within the permissible 1.25%). Excess over the tolerance limit requires regularization in the normal course.

The extent of audit as revised is spelt out in the Annexure.

NOTE: Free Ration is not authorized in the following cases:-

- (a) If the individual proceeds on leave/Ty.duty/Transfer/Pension
- (b) If the individual is admitted to Hospital
- (c) If the individual is provided with train ration.
- (d) Family of Ors.

AUDIT OF IAFZ – 3033 (Ration strength statement)

Para 153 of STORE ACCOUNTING INSTRUCTIONS FOR ARMY 1965

A record showing the number of rations drawn by the unit will be maintained monthly on IAFZ-3033. The statement will be prepared separately for each month. All the names from last month's statement will be brought forward. All casualties affecting the ration strength i.e. on leave, hospital admission, posting in and out etc., will be posted citing reference to relevant part II orders in the appropriate

columns. All additions will be supported by “Last Ration Certificates” whenever necessary. The entries in the Part II orders and the ration strength statements will be suitably interlinked and the Serial No. of quoted in the other. The number of rations admissible for every individual during the month will be shown against each and the total number of rations admissible for the month will be worked out and agreed with that shown in Page 3 of IAFS 1519. The ration strength statement will be prepared in ink and signed by the officer.

While auditing the ration accounts, the following points may be seen:

- (1) The documentation should be only in the prescribed format, prepared in ink and signed by the Officer responsible for it.
- (2) That IAFZ 3033 should be prepared separately for (a) Officers Centrally and (b) JCOs / Ors Recruits either Centrally or Company-wise to facilitate their comparison with parade statement in RR (IAFS 1519) as the ration scales are different for officers & JCOs / ORs.
- (3) The No., Rank and names of the individuals indicated in the 3033 will be linked with the same in the previous month. For this purpose, the last IAFZ-3033 SI.Nos. will be quoted in all IAFZ-3033. Any addition / deletion of name is checked with the supporting D.O II.
- (4) The casualties regarding TORs, SORs hospitalisation, T/D, attachments, etc. must be supported by DOs Part II duly indicated in the remarks column. Audit of IAFZ-3033 will be carried out from DOs II to 3033 and not vice versa. For this purpose, it will be ensured in audit that all DOs II published during the audit period are serially maintained and no DO II is missing. The Serial No. of IAFZ-3033 will be quoted in DOs II in all affected cases. Even if the DO II pertains to the period already audited, the verification has to be carried out. Delay in publication of DO.II must be projected to unit / higher authorities.
- (5) The IAFZ –3033 would also give an account of cases where ration money is drawn. The Part II orders published in this regard is to be audited and linked into the IAFZ –3033.

Case Study: In one unit, it was found that with reference to a DO II in respect of Officers published in January the Last DO II published by the unit was in October of previous year. However, between October and January, it was noticed that a number of warrants under TR 177(A) / 177 (B) / 119 for officer’s journey were issued. The periodical Non publication of casualties was viewed as serious lapse in audit and the same placed under objection.

After completion of the above checks, the page totals of the rations strength should be checked and correct figures arrived at in case of any error found in the totals arrived at by the Quarter Master.

- (6) All the pages of the IAFZ – 3033 should be attested by the OC, Coy and a certificate regarding the total number of pages the IAFZ – 3033 contains should be insisted upon and recorded in the IAFZ – 3033.
- (7) Page-wise totals should be reconciled and the total no. of rations strength for each month arrived at. The audited IAFZ-3033 figure will be compared with the parade strength with reference to which ration entitlements are drawn and excess IAFZ-3033 figures over parade strength will be objected to as overdrawals.

AUDIT OF PAYMENT ISSUE OF ASC ITEMS

Before carrying out audit of payment issues, the control register (IAFZ-2012) wherein Payment Issue Cash Memo Books are recorded must invariably be consulted to ensure that the books are taken into use in serial order and that all the books recorded therein have been used or being taken into use in serial order. If due to non-receipt of the printed forms, the units resort to local printing of bill books such books must be got attested by the LAO and the details of the Book Nos so attested will be noted by the Local Audit Office in a separate register for consultation with the actual use of books. IAFZ-2012 maintained by the Unit will also be posted with such details.

The register of entitled personnel will be audited to see that new names are supported by attachment orders issued by Station Hqrs in respect of civilians paid from Defence Service Estimates. In the case of Unit personnel the Unit order notifying the names of personnel who are authorized to draw rations on payments can also be verified.

Payment issues are made strictly on pre-payment basis and in no case rations are issued on credit basis. The following documents are auditable in regard to Payment issues:-

- (a) Register of entitlements
- (b) Payment Issue register showing the details of quantities against each bill No.
- (c) Register of cash memos.
- (d) Cash memos
- (e) TR Register (or File)

The rates charged for the items should be with reference to latest rates notified by the MOD (Fin). Such rates are circulated by CDA. In case of incorrect application of rates the total effect must be worked out and placed under objection.

Cash Memos are to be prepared by the Unit in quadruplicate. The cash memos issued during the audit period will be checked to ensure that they are strictly used in serial order and that no cash memo is missing. In case of cancellation, all the four copies must be

produced for audit. (As regards the manner of preparation of audit and the copy which is to be audited, see Annexure)

The details of items issued on payment are required to be posted in the Register of entitlements. This register is also used for ensuring that the monetary ceiling limits prescribed by the Govt. from time to time are not exceeded.

The correctness of posting into payment issue register will be checked to the extent of 33 1/3rd % as per the selection orders (Under revised scope of audit). The casting in the payment issue register has now been scaled down to 33 1/3rd %. It must be ensured that the sale proceeds are correctly calculated by a crosscheck on the total quantities to charged off and the rate applicable. The sale proceeds should be deposited with the cashier on the same day as can be verified from the cash receipt. The amount must be remitted into treasury through MRO (by transfer from Public Fund Account) on the same day or the next day. The original MRO will be sent to CDA who on receipt will acknowledge the Top sheet (sent in triplicate) and forward one copy to the unit and one copy to the LAO. The verification of payment into treasury is required to be done with reference to the copy of acknowledgement received by LAO directly from Stores Section of CDA (see "S" section prefix in the letter No.) which is required to be consulted at the time of audit. However, if the same is not received the unit copy can be verified and a reference can be made to CDA calling for the copy.

The total quantities of ASC items issued on payment as arrived at in the payment issue register should be tallied with quantities charged off in the CIV through which the Items are charged off in the RR. Since issue audit is to be done from ledger/return to voucher and not vice versa, it must be ensured that for all issues there is voucher support which inturn is backed by detailed documents.

AUDIT OF RATION RETURN

REVISED SCOPE OF AUDIT:

The scope of audit of Ration return has been reduced from 100% to 33 1/3rd %. This means that two months ration accounts in a period of six monthly audit needs to be audited in detail. However castings verification is retained at 100% in respect of all the months.

DOCUMENTS TO BE CONSULTED FROM OFFICE RECORDS FOR AUDIT PURPOSES.

- (a) Last audited closing Balances which would have been extracted from the closing balances of the last month of the last audited period and got signed by the QM.
- (b) TR Verification file.
- (c) Scale for Rations

- (d) Details of previous overdrawals requiring verification as to their underdrawal in subsequent months.

The RR has to be prepared only in the prescribed form. The daily effective strength of the companies with reference to Daily Parade Statement is recorded in the inner page provided for in the RR. The company wise strength based on Daily parade statement is recorded at the end of each month. The total of all the companies strength would be the total strength for which rations are drawn with reference to the prescribed scales. It is important to note that this strength should not exceed the total strength arrived at in the IAFZ-3033, and where it exceeds, the excess will be placed under objection.

The opening balances will be checked with the last audited closing balances referred to in earlier para. The receipts from Supply depots are accounted for in RR through RV. The RV control register should be consulted to ensure that all RVs in respect of the audited are properly accounted by linking Unit copy of vouchers into RR. A test check can be made with reference to the indent control register to see that all indents have materialized. If there are missing Nos the matter can be taken up with the Supply depot/LAO auditing Supply Depot. The supply depot issue vouchers scheduled out by the LAO auditing supply depots to the consignee LAOs. Such vouchers are also to be linked within the prescribed percentage of audit. It is suggested that the consignee LAOs should watch for the time that is consumed between the date of voucher and the date of receipt for consignee linking and if deemed fit take up with the LAO auditing supply depots. Ideally there should not be more than 1-2 months gap. If this is ensured the Consignee LAOs would be able to directly link their "E" copies with the RR at the time of audit of ration. It would be rational to link all the "E" copy Supply depot vouchers 100%, while setting this off against less value vouchers.

The issues are generally of the following nature:-

- (a) Free issues to troops dining in the mess.
- (b) Free issues to Officers
- (c) Issues on account of payment rations.
- (d) Issues on account of issues of K.Oil, Charcoal etc., for Ironing based on the order of Station Commander
- (e) Handling losses (not exceeding 1.25% for Atta, Sugar and rice only).

Based on the audited strength the entitlements for each item should be worked out by the Local audit staff independently for officers and JCOs/ORS and compared with the actual drawals which will be linked from the RR to the CIV to the working sheet. (See specimen) The differences will be accounted for as overdrawals/underdrawals which will be regularized as under:-

The Overdrawals must be underdrawn in the same month or the next month or in the RR under preparation. Unreasonable carrying forward should be objected and regularization by payment insisted. Underdrawals would lapse to the Govt. and would neither be carried forward nor set off against underdrawals against other categories (officers to JCOs & vice versa).

NOTE: As per clarification issued by MOD (Fin/(QB) ID Note No. 10(17)/84/QB dated 24/11/05 circulated under CDA Chennai letter No. FA/II/05558/IV dated 23/1/2006, the entitlement of LPG scale to Officers both living in mess or with family is 150 gms per day per mem.

After carrying out all the above checks and ensuring 100% verification of the castings, the correctness of the closing balances reflected in the RR is to be checked. Except in the case of the RR of the last month of the audit period the correct carrying forward to the subsequent RR checked. In the case of RR for the last month of the audited period, the closing balances will at once be extracted and got signed by the QM. This will be filed along with Objections statement file.

Since the indents to supply depots are made by the consignee units on a weekly/fortnightly basis, the closing balances of ration items should not normally exceed 15 days requirement. In the case of Fresh items there would normally be no closing stock since they are issued for consumption on day to day basis. In case the closing balances are reflected the same will be objected to as overdrawals as the ration stand is not supposed to keep stock of fresh items.

The RR is prepared in legible ink and each page in the RR will be initialed by the QM and the last page signed by him and countersigned by the Commandant/OC of the Unit.

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AUDIT OF CLOTHING ACCOUNTS (REF: A.I 22/83)

PROCESS OF CLOTHING AUDIT:

LEDGER → CIV → NOMINAL ROLL → CLOTHING CARD

SCOPE OF AUDIT: As per the revised scope of audit, the detailed audit has been scaled down to 16 ½%. The castings in the ledger and the nominal roll has to be 100%. Detailed clothing audit signifies going through the above journey completely. Thus in an half yearly audit period, one month can be selected by the LAO for detailed audit. The CIVs for the two months selected for detailed audit should be linked from the voucher. The correctness of the quantity charged off through the CIVs of detailed audit month will be checked with reference to the entries in the Nominal Roll which in turn will be further linked in to the Clothing Cards. However the nominal roll of all the months should be called for and castings done cent percent.

The Nominal rolls should be subjected to a general scrutiny as to whether they bear the signatures of the individuals to whom the clothing items have been issued.

Clothing cards are maintained in duplicate in respect of each individual. Original card is held by the individual and the duplicate card is held by the quarter master, which is susceptible to audit. While linking the issues from the nominal roll into the duplicate clothing card, the following points must be seen.

- (i) The replacements must have been made only on or after the due date which is calculated by adding the prescribed months from the date on which the last due date fell due (and not the date on which issued). Premature issues are to be placed under objection.
- (ii) In the case of premature/ unauthorized issues due to Loss or due to unfair wear and tear the issue shall be made after effecting recovery as under as per Para 22 Of A.I 22/83.
 - 75% of P.V.Rate – If used up to half of its life
 - 50% of P.V.Rate – If used beyond half of its life.
- (iii) In the case of all posting in cases, it must be seen that the duplicate clothing cards have been audited by the LAO of the previous Unit. Unaudited/New Clothing cards produced by the Unit are not accepted and placed under objection.
- (iv) The Clothing Provisioning system in the Army permits the Army personnel to retain the old items during replacement, except the following:-
 - (a) Strap Chin Hat Gorkha
 - (b) Hat Gorkha
 - (c) Boot Ankle/DMS
 - (d) Blanket BK
 - (e) Net Mosquito

- (f) Ground Sheet
 - (g) Cap water-proof
 - (h) Blanket E.I
 - (i) Overall combination
- (v) While scrutinizing the Issues in respect of the above items irrespective of the detailed audit period, it must be ensured that the corresponding quantities of the above mentioned items are taken on charge of the salvage ledger by means of a CRV for further disposal to backload them to salvage depot. The above items are also required to be surrendered before proceeding to Records /Centres on normal discharge/release.

AUDIT OF D.Os II: Audit of D.Os II is an integral part of the Clothing audit system as in the case of audit of I.A.F.Z 3033. The following points will be observed while auditing the D.Os II.

- (i) All other items except the following items can be retained without payment if the individual retires after completion of three years of service (a) Shirt polyster (b) Trouser Polyster (c) coat combat with hood and (d) suit tery-wool and inner lining. The rates of recovery would be 25% of the PV rates if the residual life of the item is more than 50% (else no recovery).
- (ii) In the case of pre-mature retirement/voluntary release/discharge all items can be retained on payment of proportionate cost at the P.V rate for the residual life. The three items i.e., (a) Blanket BK (b) Net Mosquito and (c) Durrie will have to be retained.
- (iii) In the case of dismissal all items will be withdrawn and deficiencies will be debited against the individual.
- (iv) In the case of hospitalization upto one calendar month, the due date will not be postponed. A part of one month beyond a calendar month will reckon as full month and will postpone the due date. For this purposes suitable entries must have been made in the clothing card.
- (v) Period of absence, which is treated as dies-non, will postpone the due date.
- (vi) In respect of individuals proceeding on leave/Ty.duty or on course of instruction or attachment, items sue for replacement within the next one month can be issued. Normal due date shall not however be altered.

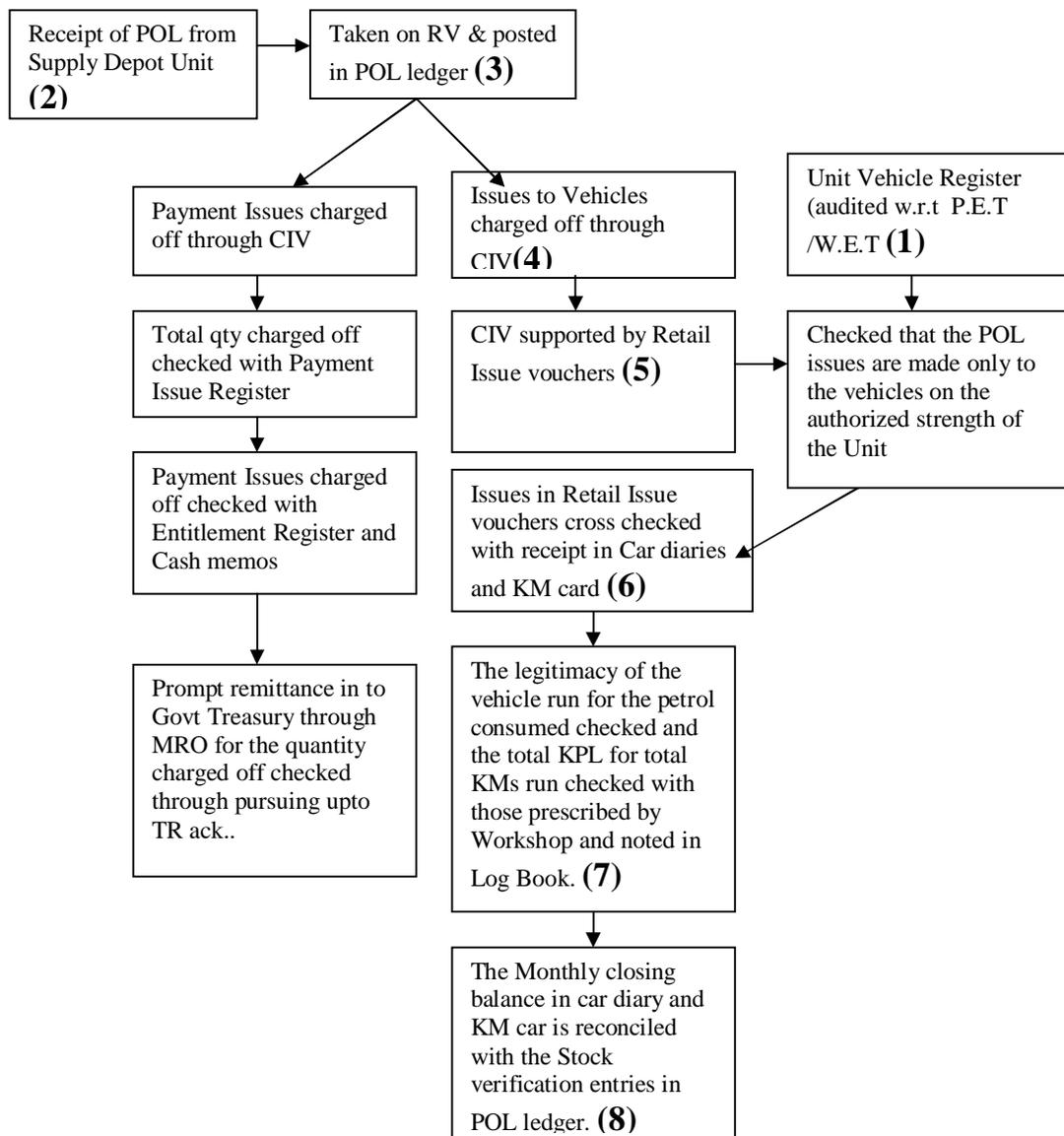
On completion of audit the duplicate card audited will be enfacd with the words “audited”. The Clothing cards are to be retained even after discharge for a period of three years after completion of audit.

The Authorized Proportion (AP) noted in the ledger in respect of each item must be test checked. The AP is fixed by adding up “Safety stock” with “Maintenance stock”. The Maintenance stock is calculated by dividing the normal mean strength of the Unit by the Normal life in months. The safety stock is arrived at by dividing authorized strength by the normal life (in month). If there are cases of holding of excess stock the same should be placed under objection.

AUDIT OF MECHANICAL TRANSPORT.

A thorough reading of ALAM (para 309) Part I, Store Accounting Instructions Army 1965, and Mechanical Vehicle regulations is necessary for carrying out effective audit of MT.

Before we go into the various activities involved in the audit of documents related to Military accounts let us see the flow chart of documentary linkage to understand how audit can check that the money spent on purchase of POL by the Defence from Trade Installations is ultimately used for the purposes authorized in the Rules.



AUDITABLE DOCUMENTS IN RESPECT OF MT (PARA 115 MVR)

The following documents will be subject to audit:-

- (a) Kilometre Card (IAFZ-2212 (Revised))
- (b) Car Diary (IAFZ-2209 (Revised))
- (c) Unit Vehicle register (IAFZ-2186)
- (d) Ledger of stocks and supplies (POL ledger (IAFZ-2109))
- (e) Requisition for FOL (IAFZ-2206)
- (f) FOL Retail Issue voucher (IAFZ-2206)
- (g) Vehicle Log Book (IAFZ-2197)
- (h) Payment Transport Register.

AUDIT OF UNIT VEHICLE REGISTER (SL.NO 1 in the chart): The Unit Vehicle register will be maintained in IAFZ-2186. This is the stock Register of Units vehicles held, under different categories as per the nomenclatures (eg., Jeeps, Car Amb etc.,). Vehicles attached to the Unit will be accounted for separately and will not be clubbed with the regular vehicles. The most significant point for audit is to see that the vehicles held are not in excess of those authorized in the PET/WET. This will be checked with reference to the Annual Stock Verification entries as in the case of other Ledgers and surplus vehicles should be objected insisting for early backloading. The significance of this Register also lies in the fact that this is the basis for ascertaining whether the Units petrol has been drawn only for authorized vehicles. If vehicles are found transferred from one unit to another, Sanction of Army HQRs w.r.t Para 185 of MVR should be called for in audit. In case of vehicles transferred to Salvage Depot the Downgradation Board proceedings and connected documents should also be audited.

AUDIT OF POL LEDGER : The POL ledger will be maintained on IAFZ-2209. The general principles involved in maintenance of store ledgers are equally applicable except that stock verification would be done monthly.

CREDIT LINKING OF SUPPLY DEPOT VOUCHERS INTO POL LEDGER(SL.NO.2&3 IN THE CHART): The LAOs auditing supply Depot are required to schedule the "E" copy of the Issue vouchers after pairing them with "D" copies of Issue vouchers which they would receive from supply depot by decades under skeleton lists. As consignee LAO these "E" Copies received from the LAO auditing Supply Depot are to be linked to the extent of 16 ½% as per the selection orders of LAO. The receipts in the POL ledger will be made with reference to the Receipted copies of issue vouchers by the Unit controlled through RV Register. A quick test check in respect of vouchers not selected for linking can be made by looking for the continuity of the RV Nos. Auditors of consuming units can bring to notice of their LAO cases of abnormal delay (say 3months or over)

between the date of drawal of POL and date of their linking for taking up with their counterpart.

ISSUES FROM POL LEDGER:

ISSUES TO UNIT VEHICLES (SEE SL.NO.4&5): Except in the case of Units having Kerb Side Pump and are authorized to issue POL of attached Units, there would normally be no lvs from POL ledger. The issues to unit vehicles would be charged off through CIV. The correctness of issues charged off would be checked with reference to the Retail Issue vouchers which will be in IAFZ-2206 suitably designed for entries on both the sides. Issues to individual vehicles over a period of one week will be recorded in this form and stock balance adjusted in the POL Stock ledger accordingly once in a week through CIV. From the Retail Issue vouchers the quantities charged off will be linked to the entries in the Car Diary and KM card. Castings in Retail vouchers are to be checked for all the months. However the linking from the Ledger to CIV and From CIV to Retail issue voucher and from thereon to Car Diary and KM card would be done only to the extent of 16 ½% as per the selection orders.

AUDIT OF CAR DIARY (SEE SL.NO. 6 IN THE CHART) (SEE PARA 98 OF MVR): Some of the important points to be seen in audit of car diaries are:-

- (a) The car diaries will be maintained in IAFZ-2209.
- (b) Two car diaries will be maintained for each vehicle and these will be used for alternate quarters till these are exhausted. The car diary for the previous quarter will be produced for audit while the current one will be used by the driver for recording current duties.
- (c) The Car diary will have columns for date, From, To, nature of duty, the KMS reading and the signature, besides the POL drawn against each date.
- (d) The specific duty performed is to be shown under the heading "Specific nature of duty". All journeys against which the nature of duty performed has not clearly been stated will be treated as for "non-duty purposes and officers using transport will be charged for the mileage at the normal rates laid down in A.I 928 of 1945 as amended from time to time. The nature of duty is to be filled in and signed by the officer using the vehicle/user in case of load carrying vehicles. However, when senior officers not below the rank of Brigadiers are the users of the staff cars, the staff officers accompanying them may sign the car diary. In no case will the car diaries be completed by the drivers themselves.
- (e) All pages in the car diary have been numbered to prevent risk of additional unauthorized journeys being recorded. Blank pages and lines in the car diaries will not be left while making the entries.

- (f) Authority for load carrying vehicles will be entered in the “Remarks” column. At the end of the quarter when the car diary is replaced by another, certificate of the OC or his representative will be endorsed on the car diary to the effect that the move entered therein have been authorized by him as per the authority quoted in the “Remarks” column.
- (g) Motor spirit in the tank will be checked on the last day of the month by filling the tank to the maximum and result recorded in the car diary in red ink. This will be reflected in the POL Ledger and KM car also (SEE SL.NO. 8 IN THE CHART).
- (h) Journeys performed on amenity (payment or free) and other payment duties will be recorded in the car diary in red ink and the No. and date of TR will be noted in the Remarks column. In addition Payment transport register is also required to be maintained in which the full details including sanction by competent authority will be recorded. (See Appx “B” MVR)
- (i) The Govt. transport must be used only for authorized bonafide purposes. The Mechanical Vehicle Regulations regulates the usage of MT for various duties, which must be referred to while carrying out audit. All detailments for unauthorized purposes (i.e., duties which are obviously for personal purposes (E.g Conveyance of officer’s family to Railway station) and those which are not covered by Mechanical Vehicle regulations must be placed under objection and regularization by payment at normal rates insisted for. Besides the above road move sanction is to be audited wherever the vehicles have been detailed outside the station.

AUDIT OF MILEAGE CARD: (Para 144 of MVR) While the focus of audit of car diaries is to ensure that the detailments are for authorized purposes, the accounting part is largely taken care of by the KM card. The entries in car diaries are to be checked with the entries in KM card. This card is printed on both the sides and record for 6 months can be maintained on each side. Thus complete record of one year for each vehicle can be kept on one card. Primarily it accounts for the POL drawn against various dates the KMs run on each day (the total kms of various detailments on each day in the car diary should be reconciled with this). With reference to the opening and closing balance of the POL, the KPL for the kms run would be reflected in the mileage card. Castings in KM card is to be done 100%. However linking of entries in KM card is to be done to the extent of 16 ½% as per the selection orders.

The fallout of the audit of KM card is the comparison of the KPL achieved with that fixed by the Dependant workshop as can be verified from the Log book of the vehicle, which is also an auditable document. Abnormal variations between the Target KPL and the actuals will have to be investigated and necessary action taken by the OC Units. Such cases in persisting can be brought to the notice of the Staff Officers

also. If a vehicle is found consistently to give KPL figure below the target KPL prescribed for it, the OC of the holding unit will have the vehicle inspected by the maintaining Workshop. OC Workshop is authorized to amend the KPL figure in the vehicle log book to one which he considers consistent with the age of the vehicle and conditions under which it is operation. Such corrections will be entered in red ink in the Log book and countersigned by the OC Workshops. (Para 113 MVR)

AUDIT OF LOG BOOKS: The Log books contains the complete history sheet and Bio data of the vehicle in which the Monthly Kms running will also be recorded. The details of repairs carried out by workshop will be entered in the Log book. Note under Para 310 (v) of ALAM requires LAOs of Station Workshop to take extract of entries (mainly of Kms) reading for comparison with the entries in the Log book. Since the KMS in the meter reader of the vehicle are entered independently by the workshop authorities a test check comparison of kms from Car diary to Log book on the dates on which the vehicle was sent to work shop as can be noticed during audit of car diaries will be useful.

SOME TYPICAL OBJECTIONS:

- (a) Detailment of vehicles without kilometers on free/payment recreational or amenity purposes.
- (b) Hiring of jeeps and motor for amenity and recreational purposes. (Para 63 MVR)
- (c) Hiring out without the sanction of Army HQRs with Vehicles for which hired charges are not laid down in A.I and are not notified in Govt. orders issued from time to time. (However, in exceptional cases Div/area commanders may sanction in relaxation of the above provided immediate action is taken to obtain the hiring rates from the Army HQRs) (Para 62 MVR)
- (d) Provision of free Govt. transport by officers when changing residential quarters. (
- (e) Provision of transport to troops for distance of 8kms or less.
- (f) Use of military motor cars except when required for training, operations IS duties or in connection with convoy.
- (g) Not pooling transport on station basis for collection or delivery of stores or supplies (Para 75 MVR).
- (h) Km reading in the car diary on the date of detailment of vehicle to dependant workshop varies with the entries in the logbook.
- (i) Vehicle noticed running when the vehicle is sentenced to class IV and engine demanded unless it is certified by the workshop to be fit for local duties.

AUDIT OF RAILWAY WARRANTS, FORM D, CVs MCN ETC.,

As in the case of Payment Issue memos (for ASC items) the forms are controlled through IAFZ-2012. The same checking methods and principles will be applied here also. This should ideally be the starting point of audit of Railway forms. The register should contain a monthly certificate by the OC regarding the results of personal physical checking. Local audit can also verify the correctness of the entries relating to the books in a store and in use by sample check. Credit linking of vouchers sent by LAO Stationery Depot Pune should be linked into this register. The entries in RV register can also be checked into the above register. In respect of each book after the last batch of counterfoils of the completed book is checked a note to this effect will be made in the above control register. Such books will not be checked again

Now call for all types of forms that are in stock and are to be audited as per the above register. The audit should commence in respect of each form, from the counterfoil after that in which the last audit enforcement is made.

SCOPE OF AUDIT: 5% of the forms issued during the audit period will be subjected to detailed check, as per selection orders. In the case of Railway warrants the detailed check involves checking the correctness of Part II order number and date and other particulars of the journey from counter foils into the Part II orders and not vice versa. In the case of Military Credit Notes the detailed check involves checking that the stores sent were actually despatched and were govt. properties and not used in connection with loan issues to civil departments.

The rest is subject to general scrutiny which involves the following aspects:- (for detailed study refer to Para 447 of ALAM)

- (a) Checking that in case of cancelled forms, the main part of the form has been effectively cancelled and pasted to the counterfoils.
- (b) D.Os / IVs are quoted in the counterfoils.
- (c) Cases in which blank counterfoils are seen countersigned will be implied as issue of blank forms and the case should be forthwith reported to CDA while simultaneously placing the same under objection.
- (d) The relevant under TR wherever applicable must be quoted.
- (e) When more than one warrant has been issued for break journeys etc., all the warrants should be suitably inter-linked.
- (f) All the columns should be found filled.

- (g) Loss of Railway forms should be reported to CDA who will in turn report to the respective Service HQRs through the Staff Channels and the CCFA (Fys) Calcutta. Loss of concessional vouchers will be reported to Railways.
- (h) Loss of blank forms should be promptly reported to CDA and the regularization under the orders of Govt. of India watched.
- (i) The word "Mail/Express/Ordinary" as may be applicable in each is to be distinctly stated.
- (j) The warrants are to be signed only by the officer.

SOME COMMON OBJECTIONS ON WARRANTS OTHER THAN VIOLATION OF SPECIFIC TR PROVISIONS:

- (1) D.Os II not quoted in counterfoils.
- (2) Blank form issued / columns not filled / not signed by the officer.
- (3) Warrants stated to be unused but originals not found pasted with counterfoils.
- (4) Recovery on account of cancellation of forms not made.
- (5) Tickets purchased against warrants cancelled but surrender certificate and credit to Defence from Railways not obtained.
- (6) Warrants issued for return journey under TR-70 (Pt duty)
- (7) Ty. Duty moves not having the sanction of the competent authority with reference to APPX. III TR as can be seen from the Movement order file which can be called for in audit. (TR is an indispensable book which must be available for ready reference during audit of Ty. Duty moves).
- (8) Officers posted out but warrant availed under TR 177-A not communicated and acknowledgement obtained.
- (9) Issue of warrants to an officer not on the posted strength of the unit except as authorized by the station order. (Issue of the warrant should be communicated to the Parent unit and acknowledgement obtained).

POINTS TO BE SEEN IN AUDIT OF FORM D:

- (1) The Form D Books in use should be checked with reference to the control register (IAFA 2012)
- (2) Link all the Form Ds issued during the audit period into the register and not vice versa
- (3) Check that the Form D is issued only for Self, spouse, Children or dependants.
- (4) Form D taken but not utilized must be pasted with the counterfoil and both the original as well as counterfoil must be en faced as cancelled. Recovery on account of cancellation must be remitted promptly into treasury.
- (5) No Form D should be issued as blank or incomplete.
- (6) The class of travel should be as per authorization.
- (7) Check that the total number of Form Ds issued during the year (excluding those for LTC purposes) does not exceed 6. Out of

the six dependants are entitled to use only 2 Form Ds.
(Dependants are not entitled to use Form D under TR 177B)

- (8) In the case of Officers posted in, the Form Ds already availed by the Officer in his previous unit as seen from the movement order or any separate communication must be recorded in the register.
- (9) In the case of officers posted out, the form Ds availed by the officer during the officer should be communicated by the unit to the new unit of posting and acknowledgement obtained.
- (10) Issue of Form D to Officers not on the posted strength would be made only on the basis of Station Order. After issue the fact of issue must be communicated to the parent unit and acknowledgement obtained.

SIGNIFICANCE OF VOUCHERS IN LOCAL AUDIT

BASIC RULE PROVISIONS APPLICABLE FOR VOUCHERS:

It is a fundamental accounting procedure that all transactions in the accounts will be supported by relevant vouchers (receipt/issue/expense/transfer vouchers, loss statement etc,) and the balance shown in the accounts will represent the actual stocks in hand. (PARA 1 OF SAI 1965)

The nomenclature of store will be shown in the vouchers as in the corresponding stock record. The instructions printed in the vouchers will be followed in the preparation of vouchers (PARA 22 OF SAI 1965). The vouchers shall be prepared in the prescribed form.

All vouchers required to support cash transactions shall be prepared on not less than a quarter sheet of foolscap paper and shall be forwarded to the CDA concerned in original unless otherwise provided in the separate pamphlet showing the list of claims preferred by the units, formations and individuals etc., or in the sub-clauses below.

Vouchers for store transactions (including supply orders) shall be typed or written in indelible pencil (nowadays pen) copies being prepared by the carbon process and care taken that all copies are legible. The original copy shall be signed in all cases except issue vouchers from AOC Establishments for other than payment issues which will not be signed.

The amount of each voucher should be written in words as well as in figures but when there are no paises the word “only” should be inserted after the number of whole rupees and care should be taken to have no space for interpolation.

All corrections and alterations in the total of a voucher shall be attested by the dated signature of the person signing the receipts as many times as such corrections and alterations. Any correction or alteration in the orders of payment shall be attested in the same way by the officer. No payment baring an erasure can be accepted and the payment of such voucher shall be refused and fresh voucher called for.

Dates of payment shall, when possible be noted by the payees in their acknowledgements in sub-vouchers, acquaintance rolls etc. If for any reason such as illiteracy or the presentation of receipts in anticipation of payment it is not possible for the dates of payment to be noted by the payees, the dates of actual payments shall be noted by disbursing officers on the documents under their initials either

separately for each payment or by groups as may be found convenient.

When several copies of a vouchers are need they shall be respectively marked numbered “original, duplicate” etc., or 1,2,3 etc.,

Vouchers relating to the supply of stores by one service to another shall be enfaced “ inter Services Adjustment” – “issue to army/navy/air force”.

Every voucher shall as far as possible be complete in itself and all information necessary to elucidate a charge be briefly noted thereon.

(AUTHY: PARA 39 F.R PART II)

No vouchers (meant for audit records) shall ordinarily be returned by an Audit officer to a disbursing or other officer who is therefore responsible that necessary copies of vouchers are kept to complete the records of his office. (PARA 42 F.R. PART II)

If a voucher required to support a charge is not forthcoming, a certificate in the following terms shall be furnished or entered on the documents supporting the charge.

“Certified thathas been lost and to avoid the possibility of a double charge being made, a note has been made inon record in my office”.

(PARA 43 FR PART II)

Erasures and overwriting etc., in any account, register, schedule, cash book or vouchers are absolutely forbidden. Of any correction be necessary the incorrect entry shall be cancelled neatly in red ink and the correct entry inserted. Each such correction or any interpolation deemed necessary shall be authenticated by the officer responsible, setting his dated initials against each.

If the documents containing erasures are received in the audit and accounts office they shall be returned and the officers submitting them shall be wholly responsible for any delay or inconvenience that may arise in consequence.

Special care shall be taken in the accounts and audit offices in respect of all vouchers and accounts showing signs of alteration and if such documents be frequently received from or presented by nay office, the attention of the head of the office (or unit or formation) shall be formally drawn to this irregularity.

(PARA 46 F.R. PART II)

SIGNIFICANCE OF VOUCHERS:

Vouchers give preliminary legitimacy to the entries made in the ledger. It fixes responsibility for the transactions recorded. It also helps to ensure that the transaction is genuine and proper. A voucher gets its sanctity only with the signature of the person authorized to sign. An unsigned voucher is no voucher in the first place.

In all cases of Central or Local purchases, the vouchers play a very significant role. The final payment for a transaction is released on the faith of the certificate in the vouchers that the items have been received and taken on charge. The vouchers should invariably contain the ledger and page no. Scheduling of vouchers is one of the most important tasks following payment function in respect of stores. The vouchers are scheduled by the concerned sections in CDA to LAO to verify on ground that the items for which payment is made as contained in the vouchers is in fact taken on the ledger charge by the due date. From hereon LAO proceeds to see that the items are utilized or expended for authorized purposes. It is obvious that in the absence of the voucher mechanism this important objective of ensuring that the payment made for stores is for justified reason or genuine purpose cannot be achieved.

In the case of transfer of stores from one unit to another, voucher serves as the medium for audit to ensure that the item description and quantity struck off by the issuing unit is the same as the item description and quantity taken on charge as receipt by the receiving unit. This is accomplished by what is commonly known in audit as scheduling of vouchers by LAO. This mechanism helps prevent fraud, manipulations and pilferage.

In the case of stores taken on charge as final receipts (eg., surplus on stock taking) or charged off as final charges (issued for final consumption or expended or destroyed during experiments etc.,) the CIV is only the preliminary document. However the real audit lies in the documents supporting it either as Condemnation Board proceedings with certificates, Statement of calculation with reference to prescribed scales etc.,

SCHEDULING OF VOUCHERS IN LOCAL AUDIT:

In this chapter we will focus on those vouchers which are collected from the Units and formations during audit and scheduled to the consignee LAO for his linking. Also we will take a look at the vouchers which are received from consignor LAOs for credit linking. We are not dealing with the scheduling of vouchers in respect of Depots, in this chapter, which would be a separate topic by itself. The procedure described here is partly to do with the manual provisions and partly to do with experience of various people on local audit on strengthening the system.

SCHEDULING OUT OF VOUCHERS COLLECTED DURING AUDIT:

Let us first understand the system of voucher control in Issue transactions of consuming units. The issue vouchers supporting transactions of units are prepared in four copies. Original copy is the Units copy. The duplicate and triplicate copies are sent to the consignee who after allocating the RV no from his control no. will return the duplicate copy to the consignor. The quadruplicate copy is meant for LAOs.

As we all know, every voucher is to be allotted a serial number, which is controlled through a register, which is also an auditable document. Every Issue voucher in respect of a unit is susceptible to scheduling to the consignee LAO. Therefore all the quadruplicate copy of Issue vouchers pertaining to the audit period, as can be verified from the IV Control register must be collected from the unit. While the issue linking is done on a percentage basis as per the selection orders the entire issue vouchers pertaining to the audit period must be paired and collected. At the time of collection it will be paired with the Original and Duplicate copy of the IV and the RV Nos noted in the duplicate copy of the voucher is verified with the RV no quoted in the quadruplicate copy collected. The issue linking will done from the ledger to the Original copy. Where the RVs have not come the copy of the voucher collected is to be enfaced as “ Paired / RCA” (i.e, Receipted copies awaited). There must be one consolidated objection is respect of the unit covering all cases of Issue vouchers in respect of which Receipted copies are awaited. This objection will be settled only when receipted copies for all the vouchers placed under objection are received. The transaction will however be linked with the quadruplicate copy of the issue voucher. Such issue vouchers will remain with the office copy of the objection file supporting the above objection. Suitable endorsement has to be made in the IV control register for having collected the copies.

The vouchers collected for which duplicate copies have come with RV nos and the same noted will be processed for scheduling to the consignee LAO. A detailed list on I.A.F(CDA) 627-A will be prepared for all the vouchers collected. As generally such vouchers will be small in number ALAM (para 60) permits that the scheduling out of such vouchers can be postponed for a period of not exceeding one month. It is general practice that in LAOs office a separate task for Scheduling out is kept. If so, the auditor who has collected the vouchers has to hand over to the scheduling out task holder the vouchers collected with the detailed lists, which will be the authority for accounting in the scheduling out register. At the end of each month at the latest, all such small detailed lists in hand will be collected and for the purpose of scheduling outwards, will be dealt with by the scheduling out task holder as if they were one detailed list relating to one unit. This will also include vouchers for which

receipted copies have come subsequent to raising of objection for receipted copies awaited. This means that he will pool vouchers collected from different consignor units and those for which receipted copies have subsequently come and sort out unit wise and then LAO wise. For each LAO (including the same LAO) a top list will be prepared.

From the vouchers meant for scheduling to consignee LAO, one percent or 60 vouchers whichever is less will be selected by the LAO for personal linking by the consignee LAO. These will have separate Top list. Such vouchers will be entered in a separate register and the same will be test checked 100% by the consignor LAO. Thus such vouchers will be checked 100% by consignor LAO on one end and by the consignee LAO on the other end.

A reconciliation statement will be prepared on the following lines:- The total number of vouchers under "A" will be reconciled with total number of vouchers under "B".

RECONCILIATION STATEMENT FOR THE MONTH OF

REF DETAILED LIST	UNIT	NO. OF VRS (A)	TOP LIST NO.	NAME OF LAO	NO. OF VRS. (B)

The detailed lists, reconciliation statements and office copies of top lists will all be filed together. A note of having filed the above will be noted in the objection file of the unit concerned with details of file no etc.,

The status position of objections outstanding on account of vouchers awaiting receipted copies should be periodically reviewed. A pro-active approach is contemplated in the manuals. Where the receipted copy of the issue voucher is not received by the consignor unit for over three months from the date of issue of stores, the consignor's local audit staff will during their visit to the unit for audit collect an extra copy each of such issue vouchers and schedule to the consignee's LAO under a separate top list after pairing with the quadruplicate copy of the voucher held by them. Particulars of all such cases in which an extra copy of such vouchers have been obtained and scheduled to the consignee's LAO in the above manner should be brought to the notice of higher administrative authorities for investigation and necessary action under intimation to CDA.

In the case of issue to units in field or operational areas whose store accounts are not subject to local audit, extra copies of such issue vouchers need not be collected and scheduled. However, particulars of such cases where the receipted copy of the voucher has not been received or over three months from the date of issue of stores will be furnished to higher administrative authorities for investigation and necessary action under intimation to CDA.

In order to have control over the progress of such cases and to pursue them effectively, such cases can be noted in a Manuscript Register.

In cases where the consignee's LAO is able to intimate credit verification in the consignee's ledgers, the consignor's LAO may clear the objection against the unit and they need not again schedule such vouchers. Where subsequent to the issue of stores, the consignee switches over to war system of accounting or is disbanded within three months, the time limit of three months prescribed above to furnish extra copies of issue vouchers to LAO will not apply. In these cases extra copies of issue vouchers will be collected by the LAOs at the time of final audit itself for all issues in respect of which the receipted copies have not been received till the final audit and scheduled to the consignee LAO, for special linking.

Thus it can be seen that there are effective channels for clearing the above type of objections. If there is no response from the administrative authorities, the matter can be referred to CDA for taking up demi-officially and finally the case can be considered for inclusion in MFAI Report.

Some LAOs follow the practice of carrying forward "RCA objections" from one period to another through consolidating all previous objections under the current period and issuing settlement for the old objection. But there is an important caveat to this. Such recourse should not dilute the inbuilt strength in the present system. The vouchers along with the objection will have to be transferred to the file under which it is consolidated and the same seriousness, which long outstanding objections deserve, should be applied in pursuing settlement of such objections instead of mixing them with the seriousness towards current objections. Suitable entries must be endorsed in the Register also.

SCHEDULING IN OF VOUCHERS AND CREDIT VERIFICATION:

The various types of inward top lists received in LAO's Office are:-

- (i) Top lists of Local Purchase vouchers from CDA.
- (ii) Top list for Central Purchase vouchers received from PCDA HQRs New Delhi or DAD cells.
- (iii) Top list of Depot vouchers received from LAOs auditing the depots.
- (iv) Top list of vouchers in respect of stores transferred by one consuming unit to another sent by the LAO of the consignor unit (including the same LAO, when the process can be simplified by the unit task holders directly forwarding the vouchers with detailed list to the scheduling in task holder instead of routing it through the scheduling out task holder).

- (v) Top list containing vouchers sent by the consignor LAO for personal linking by the consignee LAO.
- (vi) Top list containing vouchers sent by consignor LAO for consignee LAOs linking and certification regarding credit taken in respect of stores awaiting receipted copies by the consignor. (RCA objections)

On receipt of top lists and “E” copies of vouchers from the consignor’s local audit offices, the top lists will be stamped with the inward date stamp and examined to ensure that all vouchers in the lists have been received and correctly pertain to the units etc., mentioned therein. After ensuring this, the immediate task is to send acknowledgement (see standardized form) to the LAO/CDA from whom it was received. After acknowledgement, the top list with following distribution statement will be filed in a jacket. At periodical intervals of weekly, by decades or monthly, the vouchers received under top lists from the consignor LAOs will be sorted out unit wise and simple sub lists will be prepared giving sl no. for each voucher for facilitating selection order by LAO. Since the percentage of linking prescribed for CP and LP vouchers are different, they should be grouped separately unit wise. The vouchers received under sl. No. (v) and (vi) above will not be mixed with other vouchers and these will be batched separately for 100% linking with sub lists clearly marked “TO BE LINKED 100%”. Even amongst the vouchers received from the consignor LAOs it would be better if Supply depot vouchers are batched together so that cent percent linking of such high value vouchers can be done at a stretch and this can be set off against the other lesser value vouchers of similar category for the purpose of linking.

At the time of proceeding to local audit, the vouchers will have to be put up to LAO for his selection order as per the percentages prescribed. Conventionally, a selection order register is maintained to enable LAO to choose different patterns of selection with the parameters prescribed in ALAM. The Sl. Nos of vouchers selected for linking will be noted in the sub list. Since vouchers have the significance equivalent to cash it is important that these vouchers are handled with care by the local audit staff. These vouchers should be kept under personal custody of the staff and on no account these should be left out in the unit.

The vouchers selected for linking will first be paired with the unit’s copy and linked to the consignees’ ledger. The LAO’s Copy will be endorsed with the words “Paired with RV/CRV No. dated .. and credit verified. The ledger and page no. will be noted. All endorsements in ledgers and vouchers should bear the initials of the auditor entrusted with the work.

If in respect of any voucher credit could not be verified the same should be detached and all such vouchers in respect of the unit for

the audit period should be filed with the objection statement under a single audit objection. Such vouchers will be reported in Statement 4A,4B & 4C of Annual Audit Certificate. The sub lists should be suitably endorsed with appropriate remarks. Such vouchers will be allowed to remain with the objection statement even after final settlement. The sub list will also contain the endorsement of auditor and AAO for the fact of linking of vouchers as per selection orders with dated initials.

A statement in the form enclosed to the annexure will be completed to show the number of vouchers received and linked at one glance.

RAISING PURSUIT AND SETTLEMENT OF AUDIT OBJECTIONS:

Every auditor in local audit must realize the significance of the important task of raising objections consequent on his audit of the unit. Firstly the objections raised by the auditor becomes the measurable parameter for his performance. Secondly, he protects himself through the objections against the possible fraud/irregularities in the transactions, which he has passed through his audit scrutiny. Thirdly, he must realize that he is in a sense performing a duty that has supreme sanctity in a democracy i.e., reporting to the Parliament, which is akin to the Shareholders of a concern.

It is customary that whenever an objection is raised by test audit, the immediate supplementary is whether the same has been raised in internal audit and if not the reasons therefore. While the importance of bringing on record all deviations or irregularities can be studied from the enclosed "Annexure B" of ALAM, the task holder entrusted with specific units is accountable for proper documentation of the objection files. The ALAM prescribes that the audit certificate must be completed immediately and should form part of the Objection file. It is essential that each task holder entrusted with some allocation in the audit of the unit gives his objections with all supporting documents (including nil report) and this is filed. The unit task holder who will ultimately issue objection statement must ensure that the file is page numbered and pasted with a history sheet. The draft objections/observations must be consolidated and put upto the AAO for his approval and issue. The APR must be posted immediately.

The APR must be consolidated monthly through a summary at the end for reflecting in the APR. Outstanding objections must be pursued through a reminder and must not be left un-actioned till the next audit. (Please see A.O 481/73 enclosed).

Replies to outstanding objections/observations must be examined with reference to the orders relevant to that particular objection and settlement memos/re-audit remarks furnished. While issuing settlement memos/re-audit remarks, the target date for replies may be given. The memo should also called for replies to objections not replied in the same memo. The settlement of objections should be immediately noted in the History sheet and the APR.

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CASE STUDIES

LOSS OF REVENUE DUE TO NON-RECOVERY OF LICENCE FEES AT REVISED RATES - ORDNANCE FACTORY AMBERNATH

The rate of licence fee in respect of classified Government quarters were revise wef 1.7.1999 under Government of India, Ministry Urban Development OM 18011/2/98-POL-III Dated 29.6.99 and the same was circulates under Ordnance Factory Board letter No. 1001/QR/LF/A/W Dated 31.3.2002.

2. It was notice during the scrutiny of licence fee bills that the rate of licence fee in respect of classified Government quarters in Factory Estate at Ambernath has not been revised wef 1.7.99 contrary to Government orders dated 29.6.99 non recovery of a sum of Rs.9.29 lakhs for the period from 1.7.99 to 30.9.2002 from the concerned occupants of the classified accommodation. Inordinate delay in effecting recovery of revised Licence fee from the occupants of Government quarters may lead to loss on account of transfer/retirement/death etc of such occupants

3. The matter needs to be looked into immediately and action taken to recover the revised licence fee including the arrears for the period commencing from 1.7.1999. In case any of the amounts has become irrecoverable, the same will require regularisation as cash loss under the orders of Competent Financial Authority.

4. The matter stands reported to the Ordnance Factory Board.

Pr. Controller of Accounts (Fys)
Kolkata

CASE STUDIES (contd...)

RECURRING SAVING DUE TO REDUCTION IN MAXIMUM CONTRACTED DEMAND OF ELECTRICAL ENERGY AT HAPP, TRICHY

Under the agreement concluded on 12th January 1995 with the Tamilnadu Electricity Board by the Heavy Alloy Penetrator Project, Trichy, the Electricity Board was to supply electrical energy to the said project at HT with a recorded maximum demand of 3500 KVA per month at the rate of Rs.150 per KVA, The rate was enhanced to Rs. 300 per KVA from January 2002. As per the terms and conditions of the agreement, the payment of electricity for the maximum contracted demand of 3500 KVA per month is required to be made at the normal rate of Rs. 300 per KVA. If however the consumption goes beyond the maximum contracted demand of 3500 KVA, the excess consumption is to be paid at double the normal rate as penalty charges i.e. 600 per i.e. KVA.

2. The consumption of electricity of HAPP Trichy was reviewed for the years 2000-01 and 2004-02 and it came to light that the consumption was far less than the maximum contracted demand of 3500 KVA for which the payment was being admitted as per terms and conditions of the contract agreement. The maximum monthly consumption of electricity during the year 2000-01 was 3280 KVA which came further down to 3160 KVA during 2001-02 against the maximum contracted demand of 3500 KVA. This has resulted in excess payment for certain quantity of electricity which was not in fact consumed during the: month by the project.

3. Keeping in view the trend of consumption every month, the factory management was advised to take up the issue with Tamilnadu Electricity Board to revise the maximum contracted from 3500 KVA to 3300 KVA. The Factory Management accepted to the advice and, accordingly, the contract with Tamilnadu Electricity board was revised bringing down the maximum contracted demand to 3300 KVA from 3500 KVA. This has resulted in a recurring saving of Rs.7.20 lacs per annum.

Pr. Controller of Accounts (Fys)
Kolkata

CASE STUDIES (contd...)

Part I Section 'A' Cash Irregularity CE (Navy) Visakhapatnam

An agreement was made with Tamilnadu Electricity Board (TNEB) on 13.7.95 for Contracted Maximum Demand (CMD) of 250Q KVA assuming the total of demand within that range in r/o INS Kattaboman, Thirunelveli. The agreement was further revised on 26.1.99 and CMD reduced to 2000 KVA. A Board of Officers recommended further revision of CMD from 2000 KVA to 1450 KVA and got the approval by TNEB. The payment had to be made for the C.M.D. or the actual consumption whichever was higher as per the agreement. Whereas, the actual consumption was much less than the contracted demand which resulted in heavy extra payments to TNEB. A sum of Rs.2,20,000/- in 1/2002 and Rs.110,000/- in 4/2002 was paid to TNEB for reduction of CMD as one time payment and forwarded to CWE (N) Chennai on 18.4.2002. During May 2002, MES authorities suggested to the Unit whether reconsideration of the downward revision was required in this case. The Unit initiated the case with Hqrs. ENC for maintaining status quo of 2000 KVA without considering the fate of payment already made to TNEB. After reconsideration a decision was taken by the Unit to finalize the agreement for 1450 KVA in Nov. 2002 and it was executed on 27.8.03. The avoidable delay between the time of deposit of the amount to TNEB long back and finalization of the agreement, which was due for reducing the CMD to 1451) KVA, has caused extra expenditure of Rs.12.31lakhs.

CDA Chennai

CASE STUDIES (contd...)

Part I Section 'A' Cash Irregularity

1) OD Avadi Chennai

The case is about the non-accounting of Tanks costing Rs.5.62 crores. The irregularity was noticed during the audit of store accounts of Vehicle Sub Depot for the half year ended 4/03 to 9/03. 3 tanks (T-72) out of 126 have not been taken into ledger account. In reply to the objections raised by LAO, the OD authorities confirmed that neither the HVF Avadi nor the Tank BA Nos. mentioned in the (edger account have been received. As the Issue Voucher was prepared by HVF authorities before hand and on receipt of the IVs, OD Avadi reps have noticed many defects and intimated to HVF for rectification. Even after rectification, certain defects were again noticed and subsequently rectified. This resulted in delay in final classification and the tanks were taken on charge only after final classification. Two tanks are yet to be collected by the O.D. authorities. The case reveals (i) preparation of Invoices before hand and delay in receiving the same in O.D. even after a lapse of year and a half, (ii) booking of expenditure to Army Head without actual dispatch, (iii) manufacture of defective tanks and (iv) clearance of such tanks in inspection.

2) 231 Transit Camp

This case relates to the unauthorized holding of vehicle by the Unit, leading to unauthorized expenditure of Rs. 1, 53,769/-. The irregularity was noticed during the Local Audit of Store Accounts of 231 Transit Camp. The Unit is holding a Maruti Gypsy Car, which is unauthorized. As per Para 282 (iii) of Army Local Audit Manual Part I Vol-II and 123 of Stores Accounting Instructions, it is the duty of the units to ensure that Unit Holdings are within the authorized scale. This avoidable expenditure to the tune of Rs.1, 53,769/- requires regularization under the orders of the Govt. of India.

CDA Chennai

Programme
Program
Graduate

LOCAL AUDIT STANDARDS
PROVISION OF TRANSPORT FOR SCHOOL GOING CHILDREN (LAS-1)
PROCESSING OF CONCURRENCE OF CDA

1. INTRODUCTION: The basic orders governing the detailment of transport for school going children is contained in A.I 15/87. Defence Accounts Department plays its role in this whole exercise in two parts. Firstly the proposal for detailment of transport for school going children has to be finalized only with the sanction of the Station commander or other higher prescribed authorities and also with the prior concurrence of CDA, for which there are certain parameters. Once the concurrence for CDA has been accorded, the LAO has to ensure that the transport which has been detailed for school going transport is strictly in accordance with the concurrence accorded by CDA. Our experience is witness to the fact that often the proposals are not forwarded with all requisite inputs for processing the concurrence of CsDA causing avoidable back references. Since the officers and staff of LAOs office are subjected to periodical transfer, it is sometimes inevitable that LAOs office staff are not properly trained in this work area. This exercise is therefore our endeavor to address these issues and provide a ready reference compilation for the Units and LAOs. We expect that this compilation would be effectively used not only by the present incumbents but also by future incumbents through a process of systematic dissemination of knowledge and handing over.

2. IDEAL TIME TO INITIATE THE PROPOSAL: CDA Chennai has issued instructions in the past that the proposals should be initiated sufficiently early as soon the schools open in June in a manner that the proposals are processed to CDA's office invariably through LAO in triplicate to reach the former by 15th of JULY each year. Station commanders may be able to ensure this by prescribing a time schedule to units by working backwards. The LAOs would be expected to ensure through personal liaison that the units are taking necessary action in accordance with the time schedule.

3. PRELIMINARY DOCUMENTATION REQUIRED FOR AUDIT SCRUTINY:

3(i) BOARD PROCEEDINGS: The following points should be covered in the audit of Board proceedings:-

- (a) The Board must have been duly covered through a covering order by the Station commander and must be presided by an Officer.
- (b) The Board should identify the Schools which are recognized and for which school going transport is proposed to be deployed. The same should be certified.

- (c) The strength of students required to be covered in respect of each recognized school with the timings should be brought out.
- (d) The Number of school busses required the type of transport that would be deployed and the number of children who would be traveling in each bus should be decided. The seating capacity of each transport should be specified.
- (e) The concession should be limited to one journey each way and there is no provision for bringing the children for meals etc.,. (LAOs may note that the availability of public transport or school busses should not be a bar to the provisions of transport for school going children)
- (f) The Board should certify that the indemnity bonds from the parents/guardians of school going children in the form prescribed in Appendix "B" to A.I 15/87 will be obtained and kept on record.
- (g) The board proceedings should be signed by the Presiding Officer and all the nominated members and should be countersigned on the same document by the Station Commander.

3(ii) ENCLOSURES TO THE BOARD PROCEEDINGS:-

- (a) A statement of list of holidays should be enclosed, for LAOs to audit car diaries with reference to the approved copy of Board proceedings.
- (b) Sanction of the Station Commander, which would spell out the year for which sanction is given the No. and type of vehicles sanctioned, the strength for which sanctioned and a certificate therein to the effect that the requirements stated in A.I 15/87 has been fulfilled.
- (c) Bus-wise Route chart for each detailment which should show the starting point the various pick up points the distance between them and the total distance covered by each bus from the starting point to the school and back.
- (d) Bus-wise nominal roll of students containing the name, age, class of study, name of the parent/guardian with rank, No. and unit and relationship with the student, pick up point.

3(iii) SCRUTINY OF BOARD PROCEEDINGS AND CONNECTED DOCUMENTS:

The following points should be seen during scrutiny of Board Proceedings and connected documents:-

- (a) The proposal for obtaining concurrence has been initiated immediately after the re-opening of schools. LAOs are expected to place all detailments of school going transport under objection, which have not been concurred by CDA specifically for the year.

- (b) The proposal has been supported all necessary documents as detailed above.
- (c) The Board proceedings have been countersigned by the Station Commander below the signature of the Presiding Officer and members. The Board proceedings must have considered all the points as stated above.
- (d) The Board Proceeding must be supported by a Sanction. Para 4 of A.I stipulates that in regard to the stations including their suburbs and nearby towns where one way distance from central point to schools does not exceed 20 kms, provision of transport for children of officers, JCOs/Ors inclusive of war widows and civilians paid from the Defence Services Estimates and DAD staff, will be sanctioned by the Station Commander in consultation with CDA concerned, so long as other conditions are filled. As per para 5 of A.I 15/87, where one way distance from a central point and schools exceeds 20 Kms but does not exceed 30 kms, approval of Army HQRs is required to be obtained for authorization of service transport to the school going children of officers, JCOs/Ors, War Widows of JCOs/Ors, civilians paid from the Defence Service Estimates and DAD staff. However, for distance exceeding 30 kms the case will be referred to the Govt. for sanction for sanction before detailment of the transport. It is important to note that the distance factor is to be reckoned one way. Even though Para 4 ibid stipulates that the sanction will be accorded by the Station Commander in consultation with CDA concerned, so long as other conditions are fulfilled, for avoiding process delays, the sanction of the competent authority is obtained first before the concurrence of CDA is obtained. Once the concurrence of CDA is conveyed the Station HQRs publishes the Station Order for the detailment of transport. The sanction must specify inter-alia the period covered by the sanction, the No. and type of vehicles sanctioned and should certify that all conditions specified in A.I 15/87 has been fulfilled.
- (e) The Board proceedings should specify the carrying capacity of each of the vehicles recommended.
- (f) The total number of school going children at stations mentioned in Appendix "A" to A.I 15/87 must not be less than 10 and in respect of other stations it must not be less than 5 irrespective of the category of service personnel.

4. POINTS TO BE OBSERVED REGARDING DETAILMENT OF VEHICLES:-

- (i) The transport will be provided from the existing establishment of vehicles and personnel. (PARA 3(e) OF A.I 15/87)
- (ii) The Service transport belonging to a particular arm of service viz., Army, Navy or Air Force, detailed for conveying school going children of personnel of that Arm

of service is also to be utilized by school going children of personnel of other arms of Service, if otherwise admissible as if these personnel belonged to the same Arm of Service provided that the central point is the same and no deviation of route is involved and no additional vehicles are demanded. (PARA 6 OF A.I 15/87).

- (iii) As per AHQ QMG Branch letter NO.B/55079/Q/ST-11/Q1(B) dt. 20/8/76, due to limited carrying capacity and high cost of petrol, staff cars, jeeps one ton vehicles should not be used for conveyance of school going children of Officers JCOs/Ors. Only 3 ton vehicles running on diesel fuel should be used for this purpose.
- (iv) As per A.O 24 of 80 the personnel carrying capacity (without equipment) of Lorry 3 ton 4X4/4X2 GS TMB is 25 and that of Lorry 3 ton 4X4 GS Shaktiman is 30. Para 2 of the above A.O provides that the carrying capacity as shown above does not include the driver and one more person in the front seat, and will not normally be exceeded. Any increase/decrease may however, be made if operational or other conditions so dictate.
- (v) Use of School going transport for more than 1 trip is generally not permitted. However where the school going transport is detailed for two trips, the necessity for the same must be justified

5. NOMINAL ROLL TO THE BOARD PROCEEDINGS:-

The following points will be seen in the audit of Nominal Roll of school children attached to Board Proceedings.

I. ELIGIBILITY: Para 1 of A.I 15/87 clearly lays down the eligibility of those entitled for School going transport:-

- (a) Officers posted at the station who have been provided with married residential accommodation or permitted to make their own arrangements for residence.
- (b) JCOs/Ors borne on the authorized married establishment and provided with married accommodation or permitted to reside under their own arrangements.
- (c) JCOs/Ors not borne on the authorized married establishment but permitted to make their own arrangements for residence.
- (d) Officers, JCOs/Ors posted to concessional areas when they have been allowed to retain Government accommodation at the old duty station.
- (e) Officers, JCOs/Ors posted to field/operational areas and allowed to keep their families at those stations provided with married accommodation or permitted to make their own arrangements for residence.
- (f) Children of separated families of officers, JCOs/Ors posted to operational areas who though not allotted Govt. Accommodation reside at the particular stations under their own arrangements

as selected place of residence provided that (I) Their number is not taken into account in arriving at the minimum number of children required for authorizing use of transport in that particular station ; and (II) Accommodation is available in the transport already detailed for children otherwise eligible.

- (g) School going children of war widows of JCOs/Ors residing under their own arrangements, subject to the conditions as mentioned in Para (f) (I) and (II) above.
- (h) School going children of civilians paid from the Defence Service estimates and DAD staff, on payment basis subject to availability of space in the service vehicles already detailed for children otherwise available. The hire rates per month/per child as revised vide Govt. of India MOD letter NO. ON No. 76421/Q/ST-11/947/D/(QS) dt. 4/3/98 circulated under CDA Chennai Part I O.O 47 dt. 14/9/98 is as under:- (subject to periodic revision)

UPTO 12 KMS ONE WAY	RS.149-00
FROM 12 KMS TO 20 KMS ONE WAY.....		RS.195-00
20 KMS NOT EXCEEDING 50 KMS	RS.242-00

In case the schools remain closed for more than 15 days continuously in a calendar month or transport is used for less than 15 days continuously in a month, the charges will be recovered at half the prescribed rates mentioned above.

- (i) Defence Service Personnel who are on deputation to civil departments and are drawing service rates of pay will also be entitled to free service transport for the conveyance of their school going children. The expenditure at the above rates will be borne by the respective borrowing departments.

It may be noted that a clear distinction has to be retained between cases not eligible for free transport (like DAD employees) and cases not eligible for school going transport even on payment (EX: Children of bank staff of Extension counters). As per Army HQRs letter NO. 800509/Q/ST-11/Q1(B) DT. 29/10/90 Addressed to HQRs Southern Command, provision of service transport facility to the school going children of ex-servicemen even on payment is not authorized.

- 5.1 POINTS TO BE SEEN IN SCRUTINY OF THE NOMINAL ROLL:
 - 1. The Bus wise nominal roll should contain the details of name and age of the child, name of its parent/guardian with rank, and Unit and relationship with the child, the school and class attended, the pick up point and the distance between the pick up point to the school. The central Points will be fixed by the Station commander for each station.
 - 2. The type of Army vehicles detailed in each route is to be indicated on the top of the nominal roll and it will be seen that only the most economical type of vehicles depending upon the total number of children using the transport to a particular

- recognized school in the same direction is detailed and no hiring of vehicle from civil sources is done for this purpose.
3. It must be seen that the names of schools indicated in the Nominal matches with the list of recognized schools certified by the Station Commander.
 4. The total number of children as per the nominal roll in respect of each bus should be compared with the seating capacity of the vehicle. As per Appendix "A" to Para 2 of D.O letter No. B15703/WC/APS-1/AWES dated 9/3/03 from AG Branch Army HQRs to all Army Commanders, the Supreme Court has directed in the context of the safety of the school going Children that the no. of children inside the transport should not exceed 1.5 times the seating capacity
 5. Transport will be provided only when the distance between the central point in the area, where married residential accommodation is provided and the suitable school exceeds one kilometer in respect of children attending recognized elementary, primary including Montessori and secondary schools and three kilometers in the case of children attending recognized High/Higher Secondary schools.
 6. Use of Service transport beyond higher secondary school level is not possible under the rules.
 7. There should not be repetition of names.

6.0 ACTION POINTS FOR LAOs/RAO:

Once the concurrence of CDA for the proposal has been obtained, the same will be communicated to the Station Commander for publication of Station order, a copy of which is to be endorsed to CDA and LAO. One copy of the approved Board proceedings along with the nominal roll will be forwarded by FA Section of CDA to the LAO/RAO. The duties of LAOs/RAO in this area are as under:-

- (a) They will verify that the approved copy of the Station Board proceedings for the total number and type of Army Vehicles detailed for school duty during the academic year, with reference to entries in the Car diaries. Detachment of Vehicles not approved will be placed under objection and will be considered for inclusion in the Major Financial and Accounting Irregularities Report.
- (b) In respect of cases approved on payment basis it must be seen that recoveries have been effected at the rates in force and the amount remitted into Treasury without delay. Acknowledgements for TRs would be obtained from CDA by pursuit if necessary.
- (c) The LAO/RAO should take into account the position regarding detachment of transport for school going children clarified in Para 3 and 4 of A.O 388/73 (reproduced below) and should place under objection all detachments of transport for

concurrence of CDA has not been accorded for eventual inclusion in the MFAI Report.

EXTRACT OF PARA 3 & 4 OF A.O 388/73.

3. Attention is drawn to Rule 4(iii) of Travel Regulations, according to which an officer who sanctions the provision of conveyance at Govt. expense is personally responsible to ensure that his action is authorized under the rules and any extra expenditure caused to the State by the unauthorized provision of conveyance may be recovered from the individual who benefits by the grant of conveyance or from the officer responsible for detailing it. Under no circumstances, whatsoever, will the provision of Govt. Transport therefore be authorized without obtaining the prior concurrence of the CDA.
4. If due to changed circumstances, any prescribed conditions for authorization of Govt. transport cease to be fulfilled, the sanctioning authority should take cognizance of any changes in circumstances and order discontinuance of transport whenever he is satisfied that is no longer permitted under the rules. Where, however the sanctioning authority is satisfied that any changes in circumstances do not affect the necessity for or validity of provision of transport, he should then inform the CDA of the changed circumstances along with the reasons for non-discontinuance of the use of transport.
5. Where necessary cases of irregular use of Govt. Transport will be investigated by a Court of Inquiry with a view to fixing responsibility for the misuse and assessing the loss.

XXXXXXXXXXXXXXXXXXXXXXXXXXXX

CHECK LIST FOR PROCESSING CONCURRENCE OF CDA
FOR SCHOOL GOING TRANSPORT

SNO	POINT	REMARKS
1	Year for which the proposal pertains	
2	Date of receipt of Proposal in LAO's Office	
3	Whether pending concurrence detailments have been placed under objection?	
4	Whether Board convened through Convening Order of Station Commander?	
5	Whether the Board has identified the recognized schools and certified as such?	
6	Whether the strength of the students for each school bus is given with timings of the school?	
7	Whether the Number and type of transport has been furnished in the Board Proceedings?	
8	Whether the obtaining of Indemnity Bonds from Parents are certified?	
9	Whether the BPs are signed by the Presiding Officer and all the nominated members and countersigned by the Station Commander with specific recommendations / remarks?	
10	Whether the statement of holidays is enclosed?	
11	Whether sanction of the Station Commander spell out the No. and Type of vehicle and the year of sanction?	
12	Whether certificate from the Station Commander that all conditions mentioned in A.I 15/87 has been fulfilled is attached?	
13	Whether the bus wise route chart indicating the distance between the	

SNO	POINT	REMARKS
	pick up points is enclosed?	
14	Whether bus wise Nominal roll of students containing name, age, class of study name of the parent with rank, No. and Unit with pick up point	
15	What is the one way distance and whether the sanction is accorded by the CFA corresponding to the distance?	
16	How many vehicles are proposed and No. of children in each vehicle	
17	Seating capacity of each vehicle	
18	Whether there is scope for clubbing routes as ascertained from the practical knowledge or any other aspect of financial advice?	
19	Whether all the payment and non-entitled cases have been identified and marked by LAO's Office in the Board Proceedings?	
20	Whether all the conditions mentioned in A.I 15/87 and the Local Audit Standards are fulfilled? If not briefly narrate the deviations and reasons for not returning the case from your end for rectification.	
21	Whether vehicles have been detailed during the last 3 years only as per the concurrence of CDA? If Not please furnish details of objections in this regard.	

FINANCIAL
ADVICE
STANDARDS
(FAS-I)

Approved by HQrs Office vide their No. AT-
Coord/13009/FinAdv/Gen dated 29/12/2004

APPROACH PAPER TO FAS-I

The Role of DAD as Internal Financial Advisor to the Services has catapulted itself to a new plane of reckoning in recent times, especially with the enhancement of Powers to the Executives, to be exercised in consultation with the IFA.

As in the field of marketing, customer/user focus has become the defining factor for Business Process Reengineering in DAD. It is not merely sufficient to ensure that we render quality services, but it is equally important to gain the confidence of our end beneficiaries as this would ultimately lead to better value for our Services. It would be bold strategic shift to adopt for ourselves, certain processional Standards in our core areas of assigned responsibilities to facilitate harmony and Standardization of work amongst various Offices doing similar functions and also ensure consistency and uniformity within the Department.

Keeping this vision in view, we have embarked on a new venture to set Standards for the Officers entrusted with the responsibility of rendering Financial Advice in Internal Audit.

These Standards are not applicable for Financial Advice rendered in the Course of IFA Functions, for which separate Standards would be formulated in due course.

By these Standards, an attempt is made to sensitize ourselves towards the infrastructure, process, qualifications, code of conduct and reporting methods that form part of our prestigious profession called "Financial Advice".

FINANCIAL ADVICE STANDARDS FOR INTERNAL AUDIT (FAS-I)

CHAPTER I INTRODUCTION

1. FORMULATION OF FINANCIAL ADVICE STANDARDS(FAS-I)

- 1.1 The Controllers act as agents or representatives of the Secretary Defence (Finance). The Regional Controllers are Ex-officio financial advisors to the GOC-in-C of Commands as well as to the Area and Independent Sub-Area Commanders in their respective audit areas in respect of the expenditure sanctioned by them. CDA(Navy) and CDA(Air Force) have similar positions in respect of Naval and Air Force commands respectively. The C of FA (Fys) functions as the Financial Advisor to the General Manager of Factories under his audit control. The Controller discharges this responsibility through his Group Officers, Officers-in-Charge of Sections in Main Office and through Heads of Sub-Offices.
- 1.2 The Financial Advice Standards (FAS-I) has been framed in pursuance of the mandate and responsibility of the Department in its role as Internal Auditor and Financial Advisor for the Defence Services and to demonstrate our commitment to quality and transparency in providing services to the Defence Services.
- 1.3 The objectives of these standards are:
 - (a) To translate responsibilities of officers in terms of results rather than activities.
 - (b) To enhance the objectivity of the function by a paradigm shift towards professionalism.
 - (c) As custodians of Tax-Payer's interest, secure real value for the money for the Tax Payers.
 - (d) To assist the Executives in improving their financial administration.
- 1.4 These Standards would be recommendatory in the initial stages until further orders by CGDA.

2. SCOPE AND APPLICABILITY

- 2.1 The FAS-I shall cover all areas of Internal audit and accounting undertaken/ entrusted to the DAD including audit of Cantonment Boards and Military Farms, but shall not cover advice rendered in the capacity as IFA or as his representative for which separate Standards would be framed in due course.
- 2.2 The overall administration of the FAS-I shall be the responsibility of the respective Controllers, who may in turn delegate this responsibility to one or more Officers by name under their organization.

Provided that any amendment to the FAS-I shall be implemented by the Controller only after obtaining the Views of Other Controllers whose core responsibility is or is directly related to the subject for which amendment is proposed and after obtaining the prior consent of CGDA through an amendment to the FAS-I.

- 2.3 The responsibility for dissemination of knowledge about FAS-I, development of infrastructure for its implementation, administration of training and facilitating interaction between various levels of Officers Intra-organization and Inter-Organization shall vest with the Controller.
- 2.4 It shall be the duty of every LAO/RAO , Officer Passing Bills and every officer-in-charge of section dealing with audit and/or Payment or accounting to ensure that concurrently and continuously with their allotted audit function, the Defence transactions dealt with by them are analyzed from the angle of Financial Advice, in as much as the nature of transaction would offer scope for and also bring to the notice of his immediate Superior, cases which should be processed for rendition of Financial Advice. Whenever an Officer initiates a case for rendering Financial advice suo motto or receives a case for reference as aforesaid, he shall bestow his personal attention for processing it further expeditiously to its finality, through proper channel and shall not abandon or close or defer further action on the case except after recording his specific reasons on file. Details of all such cases shall be furnished as a separate annexure in the quarterly Financial Advice report to be rendered to the FA Section for review at Controller's Office.
- 2.5 These Standards shall be read and implemented in conjunction with various orders or instructions existing in the Codes, Manuals and Regulations and those already issued by CGDA and where the standards are in deviation of the extant orders (and not of practice), specific clarification shall be sought from CGDA for applicability of such standards.

3. BASIC POSTULATES

- 3.1 For the purpose of these Standards the term Financial Advice shall mean any advice or a proposal tendered by an Officer of the rank of Accounts Officer and above, after due process as hereinafter prescribed, to the Executive Authorities which is calculated to result in reduction of Expenditure or enhancement of revenue or improved utilization of Plant, Machinery, Tools, Assets or Technology, without compromising on the Effectiveness of operations and without involving denial of just and fair dues or entitlements to individuals or a group of persons entitled to one or more benefits lawfully conferred under any Rules or Regulations or Delegated authority. For the purpose of these Standards it does not include advice tendered to discontinue any violation of orders or to follow the prescribed procedure/comply with the extant orders.
- 3.2 The term financial advice can be divided into two types viz., (i) Original Financial Advice and (ii) Responding Financial Advice. Original Financial Advice consists of advising the Administration of any method by which equal efficiency can be achieved with less expenditure. Responding Financial Advice consists of (a) advice on definite points referred to Controllers and (b) advice as a result of investigation into facts which are normally accepted on the Statement of the Officers Commanding and Administrative Officers. While Original financial Advice normally will mean rendering advice on financial matters/expenditure after the event is over, the Responding Financial Advice can be understood as one which in most cases is rendered in response to a call from the Executive Authorities. The Financial Advice Section of a Controller Office will carry out only Original Financial Advice. The Responding Financial Advice will be dealt with by the audit sections of Controller's Office invoking the assistance of the Financial Advice Section in cases of special importance.
- 3.3 Rendition of financial advice involves a combination of Professional experience and Judgement based on evidence. This exercise relies on one's knowledge about orders, precedents and practicability.
- 3.4 It would be difficult to compile an exhaustive list of areas which offer scope for Financial advice or crystallize an exhaustive set of principles that would govern rendition of financial advice. Such an attempt would run contrary to the need for having a dynamic approach to the entrusted responsibilities. It is therefore essential and inescapable that the approach to Financial Advice involves some fundamental

assumptions, consistent premises in relation to types of situations, logical principles and high degree of personal judgement and interpretation, especially where the Standards are not fully or partly applicable. A few illustrative areas are listed as [Annexure I](#) to these Standards.

- 3.5 It is the Executive who is primarily responsible for proper financial administration and DAD as Internal Auditor and Financial Advisor has to advise the Executives for proper financial management.

CHAPTER-II
GENERAL STANDARDS IN RENDITION OF FINANCIAL ADVICE

4. GENERAL STANDARDS

- 4.1 MANNER OF DISCHARGING THE FUNCTION: The financial advice function will be discharged by a process of consultation and in the case of LAO/RAO, preferably by personal consultation with the Executives. Items of financial advice shall not be placed under objection. There shall not be any form of direct or indirect coercion or exercise of undue influence in the process of getting the financial advice accepted by the Executives.

Provided that cases of financial advice which could not be implemented due to unhelpful attitude of the Executives or their disinclination to take up the matter with financial and administrative authorities at Defence Head quarters shall be reported to the CGDA by or through the Controllers for his orders. While reporting cases of the above nature, it should be ensured that a self contained report giving full details of the advice tendered, the views of the administrative authorities and also the further remarks of the Controllers thereon is submitted to CGDA.

Provided further that cases of financial advice accepted for implementation by the Executives but not implemented shall be considered for inclusion in the various Audit reporting systems such as MFAI, IAR, AAC etc..

- 4.2 QUALITIES EXPECTED OF THE OFFICERS:

- 4.2.1 COMPETENCE: The Officer tendering Financial Advice must be competent in the discharge of his duties to do so. For the purpose of maintaining competence and skill in discharge of the Financial Advice functions, Each LAO/RAO shall maintain under his personal custody under separate files, information in respect of each unit under his audit jurisdiction in the proforma prescribed in [Annexure II](#) to these Standards. Group Officers -in - Charge of the Controller's office may require such information from the LAOs/RAO and on receipt of such request, the LAO/RAO shall forward the required information within 7 days from the date of receipt of such request. All such information shall be furnished through a confidential communication addressed by name to the G.O.

- 4.2.2 INTEGRITY AND OBJECTIVITY: The Officers must be straightforward, honest and sincere in their approach to discharge of the responsibilities assigned to him. They must at all times act with fairness and not allow bias/prejudice in performing their duties.
- 4.2.3 CONFIDENTIALITY: Every officer in possession of any document relating to official work shall ensure the confidentiality of the information with him and shall not disclose any of its contents or part with such information except in so far as the performance of his duties may reasonably demand or upon written directions from his Superior Officers.
- 4.2.4 DEVELOPING TEAMWORK: Every Officer should sincerely endeavour towards developing the standards of the working environment of which he is part of. He shall encourage his sub-ordinates to develop aptitude and skill for mooted financial advice proposals and it shall be his prime duty to ensure that whenever proposals tendered by his sub-ordinates are processed the names of all staff members / officers who were part of initiating the proposal are properly recognized and recorded on file.

CHAPTER-III
PROCESSING STANDARDS

5. WORK PLANNING.

- 5.1 The Officer Planning to carry out an examination /study of any area of work allotted to him which has prima facie potential for offering Financial Advice, is expected to accomplish his task in a thoroughly professional manner, which essentially starts with careful work planning.
- 5.2 Before commencing his work the Officer should precisely frame the issue that is to be addressed, the orders on the subject, the data support required (both internal and external) the corroborative evidence that would be needed, areas for expert consultation, estimated manpower requirement and the time schedule.
 - 5.2.1 The identification of the problem should be specific in terms of its area of work involved, the agencies connected with its administration.
 - 5.2.2 The orders on the subject constitute the most important Backward linkage for the work. It includes the relevant provisions contained in all Statutes, Codes, Manuals and Instructions issued by both Audit and Administrative Authorities. The Officer initiating proposal must ensure that the Library of his Office is in possession of all necessary books/ orders that he may require for the purpose of rendering financial advice. In case the relevant order required by the officer is not available in his office, he may take up the case demi-officially with the Officer-in-Charge of Records Section of Controller's Office, who shall where it is not feasible to provide the requested book/order, shall take up with the other Controller for obtaining Xerox copy of the specific order sought for. The Officer requesting Copies of order/ Book shall simultaneously make attempt to obtain copies of relevant order from the Units/Formations through personal liaison by LAO/RAO. While processing cases of Financial Advice, it is not merely sufficient to quote the authority, but it must also be ensured that a Xerox copy of the relevant order is brought on file to facilitate quick reference.
 - 5.2.3 The Internal data support may be from the files or records maintained in the office or through auditable documents of the respective units. The External data support may come from outside sources such as Technical advice, market price information etc.,

- 5.2.4 Normally no additional manpower should be sought for Financial Advice as this is a concurrent function along with Audit. However in exceptional cases CDA may at his sole discretion accord specific time bound prior sanction providing additional man power depending on the seriousness and length of the issue involved.
- 5.2.5 Where no external data support is required the entire process of rendering financial advice must be attempted to be completed within a period of 15 days. Where External data support is required, the task must be attempted to be accomplished within one month. This time limit will reckoned from the time the proposal is first recorded on file, and can be relaxed for reasons to be recorded in writing.

6. INITIAL VALIDATION.

- 6.1 The first task after planning the activity is careful preliminary examination of the case to ensure that
- (a) the issue on hand does not involve violation of any Orders on the subject and/or administrative / audit instructions or procedural violations, or discontinuance of Financial Advice earlier tendered and Accepted by the Executives, in which case the case will be processed as Audit objection and Not as Financial Advice. (For Guidelines see [Annexure III](#))
 - (b) the issue has not already been raised and further pursuance of the same would be contrary to the written instructions issued by any Superior authority.
 - (c) The scope for financial advice is real and that possible area for setting off can be identified and verified.

7. DATA COLLECTION

- 7.1 The data collected must have authentication. Xerox copies must be attested. Minutes must be signed by all concerned participants. Statements obtained from Executives must be signed by a responsible officer of the Unit. All external data must clearly bear indication about the source and standing of the individual / organization from whom the data has been obtained. All references to Internal Orders must have proper linking.
- 7.2 The Officers shall not take any document pertaining to the Units in their custody for the purpose of data collection. Wherever required, the information shall be called for and obtained duly attested.

- 7.3 Wherever applicable, relevant authority in support shall be quoted.

8. ANALYSIS OF DATA

- 8.1 The analysis of the data/information collected includes:
- (a) examination of its material significance to the issue in the back drop of overall data collection, and where deemed fit redundant or incorrect data/information will be eliminated for consideration.
 - (b) Comparison of one set of data with another in respect of the same unit for the same period(Ex. Comparison of Hospital Admission and Discharge Register with Diet Sheets in Military Hospitals)
 - (c) Comparison of the same type of data for different periods in respect of the same unit (Ex. Local purchase items issued on As Required Basis (OARB).
 - (d) Comparison of same or different set of data for the same or different periods in respect of similar units in the same station or other stations.
 - (e) Study of General trends.
 - (f) Variance analysis between the budgeted figures and the actuals.
 - (g) Concurrent Contract Management.
 - (h) Post contract Review.
- 8.2 The correct choice of sampling method has a direct bearing on the accuracy of the results. Where the data is collected through sampling the scope and extent of analysis would be suitably extended.
- 8.3 When sampling method is employed for analyzing the data, the Officer processing the proposal must involve the most appropriate method. In case of doubt he must invariably consult his superior Officer before taking a final decision on the method of sampling.
- 8.4 When the data is collected through Computer Processing Systems, the reliability of the data should be test checked.
- 8.5 Commitment received from the Executives should clearly indicate the date of implementation committed by the Executives and actual implementation confirmed before reporting the item to the Controllers.
- 8.6 All conclusions and suggestions should be strictly based on material evidence available on record and should be fair, reasonable and practicable. It is also essential that the implementation of the Financial Advice when accepted should be verifiable on ground.

- 8.7 The conclusion should clearly state whether the financial savings would be one time or recurring and also the period from which it would be implemented and the extent of savings projected to and accepted by the executives.
- 8.8 All suggestions involving Financial Advice should be supported with working details duly quoting the authority wherever involved.

9. DOCUMENTATION

- 9.1 Documentation involves bringing on record, data collected (internal and external), material evidence such as copies of relevant orders/ instructions, Minutes of discussions with the Executives, Expert Opinions, precedents etc., in a logical and sequential arrangement and in a manner that a man of average intelligence can easily understand the whole object, process and end result of the exercise to which the documentation relates.
- 9.2 The extent of documentation is a matter of professional judgement, since it is neither necessary nor practical to include all events or process or documents encountered during the exercise of rendering financial advice.
- 9.3 All significant matters which have influence on the proposal of the case shall be documented. All representations/replies/views of the Executives in relation to the proposal shall be documented.
- 9.4 Wherever feasible the documentation should be standardized through check lists, process charts etc.,.
- 9.5 Each case of Financial Advice will be processed through an effective Filing system. Files for financial Advice will be allotted separate block numbers and file Nos. will allotted for each unit separately by the audit sections/LAO/RAO. The Financial Advice Section of Controller's Office may open separate files for each sub-office/audit section or on each subject as per the orders of the Controller.
- 9.6 The file will be pasted with an index in the File inner cover to facilitate easy access to relevant documents.

CHAPTER-IV
REPORTING STANDARDS

10. OBTAINING THE CONCURRENCE OF CDA

10.1 APPROVAL FOR FINANCIAL ADVICE: No financial Advice shall be tendered to the Executives at the level of Area HQRs and above or their equivalent, by any officer sub-ordinate to the rank of Controller except after obtaining the written orders of the Controller. For this Purpose, Officer seeking orders of Controller shall submit through proper channel a special report bringing out full details of the case with all supporting documents. Before forwarding such reports to the Controller the Officer forwarding such reports shall personally satisfy himself as to the correctness of the details furnished by him and as to the availability of working details on file and minutes or summary of the preliminary consultations held with the executives. No item of financial advice will be pressed by the Controllers without the full knowledge of the Command or Area Staff with whom the proposition should be fully discussed. Financial Advice tendered to lower levels should be sent under a Demi-official letter simultaneously endorsing copy of the same to the Controller for his information and review.

10. REPORTING STANDARDS.

- 11.1 No item of financial advice will be included in the objection statement, or pursued as an objection.
- 11.2 The Financial Advice Report sent to the Executives will cover the following points:
- (a) Specific Point at issue
 - (b) Existing situation or practice.
 - (c) Results of analysis made.
 - (d) Specific suggestion with detailed justification.

- (e) Nature and extent of financial savings specifically stating whether it is recurring or non-recurring.
- (f) Details of discussion with and acceptance by the Executives.
- (g) Action already taken and proposed to be taken
- (h) Plans for review.
- (i) Difficulties if any experience during collection of data and its impact on the findings.
- (j) Reservation if any on the techniques used

11.3 The financial Advice tendered shall be signed with name and designation of the Officer signing the report.

11.4 A copy of the report shall also be enclosed to the Quarterly Financial Advice report to be sent of FA Section of the Controllers Office for FA Section to render a quarterly report to CGDA by 10th of the month following the quarter showing items of financial advice and higher audit tendered and accepted by the administrative authorities.

11.5 Details of Financial Advice tendered will be recorded in a register called Financial Advice register wherein all the details specified in Para 11.2 will be incorporated. All LAOs/RAOs will be posted with the details of Financial Advice tendered by CDA, which will be taken note of by LAO.

11.6 This Register of Financial Advice maintained by LAOs/RAOs together with Details of financial Advice tendered by CDA will be subjected to Review by LAOs/RAOs during their periodical visits to the Units/Formations and cases of Non-Implementation or discontinuance of financial advice accepted by the Executives will be reported with full details and replies of the Executives to the CDA.

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ANNEXURE I TO FINANCIAL ADVICE STANDARDS (FAS-I)
ILLUSTRATIVE AREAS OF INTERNAL AUDIT WHICH OFFER
SCOPE FOR FINANCIAL ADVICE.

BASIC POSTULATE: An example of advice to the Executives suggesting for discontinuation of an irregular procedure or violation of Rules would not be treated as financial advice as in such cases the violation is objectionable ab-initio.

I. USE OF MILITARY TRANSPORT:

1. Optimization of usage of three-tonner and one-tonner vehicles where the former is diesel run vehicle and latter is Petrol driven.
2. While hiring transport the availability of idle transport in the Station must be a key factor.
3. Attachment of vehicles to the nearest Kerb side pump, for the purpose of drawal of Fuel.
4. Scope for clubbing of routes and avoiding the number of transport for detailment of School going transport / ASC Supplies etc.,
5. Scope for enhancement of KPL by engine fine tuning as is accomplished on the civil side. It is not necessary that KPL should always show downward revision.
6. Where vehicles perform routine duties which can be avoided, scope for attachment of the vehicle or adoption of an alternate and equally effective system, as would result in avoiding unnecessary detailment of vehicle resulting in possible financial savings should be studied. (Eg. Vehicles going to a far distance for parking at its Depot can be arranged to be parked in a near by unit by Local military arrangement.)
7. Revision of Hire Charges corresponding to increase in fuel rates notified by the Govt on a standardized formula.
8. Review of downward classification of vehicles and disposal of Class V vehicles.

II. WORKING OF HOSPITALS

1. Comparison of Hospital Admission and Discharge Register, Diet Sheets and Ration Returns to identify that rations are not drawn as a matter of routine at the maximum of scales, with reference to a pattern of diets issued to various types of patients.
2. Periodical revision of Hospital Stoppage Rates.
3. While Concluding contracts for items to be issued on As Required Basis (OARB), there must be inbuilt flexibility to

- facilitate seasonal variations and variation on account of climatic conditions(Eg., Indent for and consumption of Ice)
4. Study of the average number of patients admitted over a defined period and comparison with the authorized strength with reference to which the Establishment Strength is fixed, for justification.

III. STATION WORKSHOP FME AND ORDNANCE DEPOTS

1. Frequency of Local purchases and the extent to which they are avoidable by better inventory planning is a significant area for study. A study of the periodicity and pattern of local purchase would give lead for understanding the scope for combining purchase requirements to avail economies of large scale purchases where resorting to local purchases is absolutely indispensable. It would also be a pointer of the extent to which Ordnance Depots have not been able to meet the requirements of the workshop for whatever reasons. The results of such a study would help effective decisions at Controllers levels to set right the imbalance.
2. Items and quantities which are locally purchased are correspondingly reduced/deleted from the indents placed by the OSS on the Mother Depot so that duplication of purchases resulting in unwanted accumulations and surpluses do not take place. This could be done by selecting at random, a few cases of Local purchases and linking it with the indents placed by the OSS.
3. Cases of units getting their work done through civil trade should be examined in detail to ascertain why the work could not be got executed by the workshop and what are the specific reasons for getting the work done through Civil Trade. The impact in the Station Workshop as a result of such a course in terms of idle time of the facilities created and resources made available to the workshop (Plant and machinery, Equipment, manpower etc.,).
4. During audit of job folders, the time lag between the date of entry of the item into the workshop and the date of commencement of repair and the date of completion of the repair should be studied and compared with repair work for similar items. The average time required should be ascertained by discussions with the Workshop authorities. Abnormal variations in execution of similar jobs should be brought to the notice of the Executive authorities. Further this study should be used as a tool to project how far the manpower has been effectively deployed by the workshop and also for justification of authorized strength.

5. Slow moving and non-moving items must be identified and brought to the notice of the Workshop authorities for initiation of corrective action like back loading etc..

IV. OPTIMAL UTILIZATION OF DEFENCE LAND:

1. Leasing out unutilized land in Cantonment on contract basis for parking and collection of parking fee.
2. Renewal of lease agreements and upward revision of rent commensurate with market rates.

V. OTHER MISCELLANEOUS AREAS

1. Whenever accommodation has been hired, the justification for continued hiring in comparison with the vacant accommodation available in the station must be studied, for suggesting de-hiring if feasible in terms of the leasing agreement.
2. Wherever various items are issued on ad-hoc basis within the ambit of an overall scale, (EG., In the case of ASC Free Rations Issue of Rice and Atta) it can be suggested that the proportion of issue should be based on scientific study, since there would be cost variation between different alternatives.
3. Where two units of activities occupy different accommodation (Eg.. Mess) and the functioning of two or more units of activities at different locations can be merged, the same, if it would not affect the purpose of such activities, can be suggested.
4. In the case of MES Formations where the actual trend of Electricity consumption is less than the Contracted Maximum Demand(CMD), action for revision of CMD can be suggested.
5. Payment of conservancy charges payable under agreement with reference to Assets valuation – the sale value of unserviceable and non-expendible items should also be reckoned.
6. Collection of fee for plan approvals in Cantonment Boards.
7. Entrusting parking fee collection on contract basis instead of collection by employing Cantonment Staff to benefit from market competition and also avoid saving expenditure on account of salary for this purpose.
8. Revision of rates for water supply by Cantonment Board.
9. Scope for optimizing purchase quantities where standing instructions are available for local purchase.

VI. NEW CHALLENGES:

1. Effect of computerization on the utilization of existing assets and resources and follow up action to be taken for optimal utilization.
2. Optimal utilization of computers and peripherals procured by the unit – Information base for processing future procurement proposals.

ANNEXURE II

LIST OF DETAILS TO BE MAINTAINED BY LAOs/RAOs IN RESPECT OF EACH UNIT / FORMATION (REF: PARA 4.2.1)

1. Knowledge about the Unit/Formation – its nature, role , functions and its place in the Defence Organization structure.
2. Its PE and Budget Allotments with reference to various heads.
3. The responsibilities assigned to various Ranks/ designations.
4. Internal control mechanisms
5. Core Activity Flow Chart (if feasible).
6. List of Documents to be maintained by the Unit.
7. Nature of Reports and Returns rendered by the Unit and to whom.
8. Level of automation/computerization.
9. General Orders and Special orders applicable for the Unit.
10. Details of significant Internal Audit and Test Audit Objections (settled / outstanding).
11. Areas which offer scope for financial advice.
12. Cases of financial advice rendered by the same or other Office in respect of same unit/type of unit.

ANNEXURE III

ILLUSTRATIVE CASES WHICH INVOLVE VIOLATION OF THE RULES OR NON-COMPLIANCE OF THE PRESCRIBED PROCEDURES AND WHICH SHOULD BE PROJECTED AS OBJECTION INSTEAD OF FINANCIAL ADVICE AND CASES WHICH SHOULD TAKE INTO CONSIDERATION THE NON-FINANCIAL SENSITIVITIES INVOLVED.

1. All cases in which a rule has already been violated and the violation is continuing and the suggestion has been made to discontinue the violation and adhere to prescribed Rules or Orders will be pursued as objection and not as financial advice.

The reason is that there are adequate provisions in the rules and regulations, which make the officers responsible for such violations.

Examples:

1. Observance of Dry days
2. Detailment of vehicles on Carter Patterson system.
3. Irregular exercise of sanctioning powers.
4. Suggestion to take back surplus rations.
5. Use of Motor Cycle for DR duties instead of one-tonner.
6. Non-detailment of vehicle for collection of items which as per contract are to be supplied by the contractor at the unit point.
7. Irregular downward revision of rent in favour of private parties.
8. Conclusion of contract for technical services where technicians locally available are not properly utilized.

2. In some cases the financial savings may not be disputable but while rendering the financial advice the non-financial sensitivities that may be brought or may be obviously discernible must be understood, as the object of Financial Advice is to look for financial savings which would not be directly or indirectly affect the normal functioning of the unit or those employed in it. s

Examples:

1. While suggesting for purchase or investment decision to avoid revenue expenditure, the Officer suggesting must have analyzed the proposal from the opportunity cost angle jointly with the Executives and also the availability of capital along with technical and financial repercussions.
2. Suggestions on transport for school going children should take into account the non-financial sensitivities that are significant for the overall purpose of the Govt. providing free transport to the Children.

3. Proposals for utilization of assets lying on disbandment of a project should be carefully studied. Where it involves defective planning the case should be projected as Objection and not as financial advice.