

**GOVERNMENT OF ANDHRA PRADESH
FINANCE (PAC) DEPARTMENT**

(Appended to the GO Ms No 534 Finance (PAC) Department dated 28.06.2004)

Hand Book of Instruction for the speedy settlement of audit observations, inspection reports, speedy disposal of audit paragraphs and timely action on matters pertaining to the Public Accounts Committee, the Committee on Public Undertakings and the Estimates Committee

The audit of receipts and expenditure of the State Government is conducted by the Accountant General, AP, Hyderabad on behalf of the C&AG of India. The aim and purpose of this audit is, among other things, to bring to the notice of the Legislature, in terms of expenditure which are beyond the scope of the authorization made by the Legislature, cases of irregular expenditure, loss of public money caused by default, lack of supervision or other causes, as well as excess or short collection of taxes, erroneous assessments of taxes etc., Such of the audit observations as have to be brought to the notice of the Legislature are included in the Annual Reports of the C&AG of India on the accounts of the State Government. Separate Reports are prepared in respect of Public Undertakings.

Under Article 151(2) of the Constitution, the Reports of the C&AG of India are submitted to the Governor who will cause to be laid before the Legislature of the State. The Legislature, in turn refers the C&AG Report (Civil) along with the Appropriation and Finance Committee to the Committee on Public Accounts constituted under Rule 256 (1) of the Rules and Procedure and Conduct of Business of the AP Legislative Assembly.

In order to enable the Department Officers, Chief Controlling Officers and Secretariat Departments to deal with these matters expeditiously, the instructions issued from time-to-time are brought-out one place in this Hand Book.

Audit Observations

1. Speedy Settlement of Audit Observations - Importance

The results of audit are reported to Departmental Officers so that appropriate action is taken to rectify the defects and omissions where possible and to prevent their recurrence. The delay in the disposal of audit observations tends to defeat the very purpose of audit. Besides it may involve Government in avoidable loss on account of fraud, defalcation, misappropriation and other serious irregularities which may remain undetected for want of prompt action. As such these audit observations have to be attended on priority.

Moreover, with the lapse of time, it may be difficult to settle the audit observations due to difficulty in locating the relevant records or death, retirement or dismissal of the concerned officers and officials. In cases of taxes, delay may result in the time limit being over, rendering corrections or reopening of assessments or appeals impossible. In some cases immediate amendments to Legislation to prevent leakages or loopholes may become necessary.

2. Responsibility of Officers

The responsibility of replying to audit observations/paras and settlement issues raised in audit devolves primarily upon the Drawing and Disbursing Officers and Heads of Offices. A copy of the AG's Audit Report is also sent to the Directorate/Commissionerate concerned who are the Control Officers. Thus, the responsibility also lies on the Controlling Officers and respective Secretariat Departments according to the nature and gravity of the irregularity. In case of Major Irregularities commented in Part-II of the Audit Report and the Heads of the Departments of Chief Controlling Officers should take immediate action.

3. Time Limit for disposal of Audit Observations

Audit Observations/Notes/Reports received from the AG's Office should normally be replied to within a fortnight from the date of their receipt by the Officer except where consultation with other Officers is required to be made or orders of Superior Officers are required to be obtained for rectifying the defects and omissions. But in no case should the time exceed three months.

Heads of Offices should maintain a Register of Audit Observations in the form given in Annexure-I to this Hand Book to watch prompt disposal of Audit Observations. The following instructions should be followed by the departmental officers in the maintenance of this Register.

- (1) As soon as audit observation (Memorandum/Report) is received from the AG, it should be entered in the Register.
- (2) All the Audit Observations/Audit Paras received in a calendar year should serially be numbered. Each item of audit observation should be given a serial number. If there are two or more items in a single memo or letter or para received from the AG, separate serial numbers should be given to each of them.
- (3) An item should be treated as closed only after an intimation of acceptance of the reply is received from the AG if a reply is not received during the year and the item is not shown as outstanding in the next yearly list of outstanding objections/paras received from the AG, the item may be treated as closed or settled.
- (4) Items which are cleared should be rounded-off in red ink under the attestation of the Head of the Office.
- (5) There should be only one Register for the whole office and one of the clerks should be made responsible for the maintenance of the Register.

4. Review of Audit Observation Register

The Register should be closed monthly. It should be reviewed by the Head of the Office monthly and by the Superintendent or such intermediate Supervising Officer, if there is one, every one fortnight.

The review of the Register by the Head of the Office or any other Officer entrusted with this work should be critical and detailed and special attention should be given to the clearance of old observations/paras still pending.

5. Liaison with Audit Office

The Officer entrusted with the work of clearance of audit observations should keep a close contact with the office of AG and discuss with the concerned officers if there are special difficulties.

6. Special Instructions for disposal of Audit Observations

In spite of instructions issued by the Government from time-to-time the number of audit observations pending and the amount held under the objection are on the increase. This is pointed-out by Audit in almost every Report. The Public Accounts Committee are distressed about the large number of audit observations pending for petty long periods. Special instructions have been issued for clearing this backlog. It is necessary in the interest of sound financial administration that audit observations should be disposed-of within the stipulated time limit. They should not be allowed to accumulate.

7. Responsibility of the Secretaries to Government & Heads of Departments

The AG forwards to the Heads of the Departments and Secretaries to Government in the Administrative Departments half yearly statements of audit observations outstanding for more than six months. These statements will be forwarded in June and December every year. The statement in June/December shall be with detailed items of objections relating to the period dealing with the last preceding September/March which are outstanding at the close of the accounts of March/September.

8. Action by Heads of the Departments

Immediately on receipt of yearly statement, the Head of the Department should address the concerned Drawing and Disbursing Officer to clear all audit objections expeditiously. He should obtain from the Drawing and Disbursing Officers every month, reports showing the details of objections cleared during previous month and those awaiting clearance and the reasons for the delay in the clearance of the outstanding items.

The Head of the Department should closely watch the receipt of the monthly reports, review the progress in the clearance of the objections and issue suitable instructions to the drawing officers. He should also forward to the concerned Secretary to Government every month a Consolidated Report showing the extent of clearance achieved during the previous month with reference to the previous yearly report received from the AG. The serial numbers of the items actually cleared and the year-wise analysis of the number amount of such items should be indicated in the report. The details of action taken for clearing of outstanding items and the reasons for the non-clearance should also be reported. A copy of this monthly report should be forwarded to the Finance Department.

9. Action by Administrative Department of Government

The Secretary to Government in the Administrative Department should nominate one Senior Officer of the Department to ensure prompt attention to the audit objections. It shall be the responsibility of that officer to review the monthly reports received from the AG and assess the progress in the clearance of objections and the adequacy of the action taken by the Head of the Department. He should submit his report of the review to the Secretary to Government who will communicate to the Head of the Department his assessment of the position and give suitable instructions to them for further clearance. Copies of his communications to the Heads of Departments should be forwarded to the Finance Department.

10. Action by Finance Department

The Finance Department should pay special attention to the important items of observations involving pecuniary losses to Government which are specially reported yearly by the AG and pursue action thereon until final clearance.

11. Visit to AG's Office by Departmental Officers for clearing Audit Observations and Inspection Reports

The Heads of the Departments should specially nominate a Senior Officer for ensuring prompt attention to the audit observations and inspection reports. In those departments which have been provided with Financial Advisors or Accounts Officers, this work may conveniently be entrusted to them. It shall be responsibility of that Officer to keep a close watch on the clearance of all observations and inspection reports. In respect of items outstanding over a year, he should collect from the Offices concerned the details and documents required for clearance of the observations through correspondence and/or by visiting the Offices. He shall visit the office of the AG with particulars and documents so collected from the various offices and handover the required documents to the concerned Officer. He should also discuss with the Officer the outstanding items and decide on the further action to be taken for clearance. The process may be repeated until all items which are more than one year are cleared.

In cases where audit observations relate to regular claims or actions of officers, the officers concerned with the alleged irregularities should never themselves deal with the observations but should submit papers to the higher officers at each stage.

If the above procedure is strictly followed, there should hardly be any scope for the increase in number of audit observations. The administration should welcome suggestions from audit to enable them safeguard public funds by rectifying the errors and taking steps to minimize the irregularities.

Government have also issued orders that each Secretary to Government should constitute an ad-hoc committee consisting of Secretary to Government as Chairman and representative of Audit and Finance Departments and that this Committee should meet at least once in three months to review the action taken to dispose of audit observations and inspection reports/notes. The discussions at these Committee meetings will be useful if departmental officers meet audit officers in advance of the Committee Meetings and have a preliminary discussion on outstanding audit observations and also reconcile the differences if any in figures relating to audit observations etc.,

If any payment in recurring nature is considered inadmissible by audit, the concerned authority should provisionally accept the audit point of view that account should not normally be made till a final decision is obtained from the competent authority.

In exceptional cases where the administrative authorities consider that the continuance of such payments pending a final decision by the competent authority is absolutely necessary in the public interest, payments may be made provisionally with specific permission of the Secretary Finance subject to recovery from the payee if need be so that in the event of decision of recovery, the payee is bound to make good the excess payment. The fact that excess payments are being continued inspite of audit objections should also be reported to the authority to whom the case is referred for a final decision.

Inspection Reports

1. Introduction

During the course of local inspection, the audit staff will be issuing enquiries, half margin notes, calling for information on various points. The particulars given in reply to such enquiries should be corrected with reference to the records so that, at a later stage, the accuracy of figures and the facts contained in the Inspection Reports are not disputed. To ensure this, the replies to audit enquiries should be furnished only after approval by the proper authority. Incomplete replies with vague words like information is being collected/matter will be examined etc., should be avoided. The audit officer generally discusses with the head of the office the more important irregularities before finalizing his inspection report. The head of the office should properly avail this opportunity. The head of the office should seize the opportunity to check-up whether all relevant material has been made available to audit to enable them to bring-out the full facts of each case in the inspection report and by mutual discussion it may be possible to settle on the subject all the minor objection and irregularities.

2. Rectification on irregularities disclosed during the audit

The Head of the Office should also simultaneously without waiting for the receipt of the audit report, initiate action to rectify irregularities, defects and omissions etc., which come to light in the course of audit. For example it is discovered that a sanction issued by the head of the office was in excess of the power delegated to him, immediate steps should be taken to get his action ratified by the competent authority.

3. Reply to Inspection Report

All inspection reports received from the AG should normally be replied to within a period of one month from the date of their receipt. This time limit should be strictly adhered to except where consultation with other officers is required to be made on the orders of the competent authority or required to be obtained for rectifying the defects and omissions pointed-out. If replies to certain points mentioned in the Inspection Report cannot be furnished to the AG within the time limit specified, interim replies indicating the action taken or proposed to be taken to rectify the defects should be sent to the AG and action taken to give final replies within a maximum period of three months. The factual correctness of the replies should be ensured and proper steps also taken to recurrence of such defects.

In cases where the audit objection/paragraphs pertains to non-submission of utilization certificates/non-availability of paid vouchers/acquittances, a certificate of payment from the Drawing and Disbursing Officer may be obtained and sent to the AG and the para may be got settled particularly in case of acquittances of scholarships in Welfare Departments.

In cases where the amounts are drawn by one department and placed at the disposal of executive authority/Corporations/Societies for execution of the Work/Scheme, the utilization certificate may be obtained immediately and be produced to the AG and the para may be got settled.

Wherever misappropriation/defalcation/forged drawl of Government money is reported, special steps may be taken immediately to recover the Government money lime reporting the matter to Police authorities, Revenue officials, Registration Department and Banks so that movable and immovable property in the name of the accused is not transferred to others. In cases where periodical irregularities have been pointed-out by the audit in the Reports of the DDO/Head of the Office/Head of the Department should issue immediate instructions to rectify the defects and see that such irregularities do not recur.

Report of the C&AG and Draft Paragraphs

1. Receipt of Draft Paragraphs and Verification of its contents

As soon as the Ag considers that a case deserves to be mentioned in the reports of the C&AG, he sends a factual note/draft para proposed for inclusion in C&AG's Report to the concerned Secretary to Government by name for verification of fact simultaneously endorsing copies thereof to the Finance Secretary to Government. The letter is addressed to the concerned Secretary to Government by name to ensure that the irregularity commented upon the para is brought to the notice of the Officers who will appear as witnesses before the Public Accounts Committee when the Report is taken up for consideration by the Committee. It is duty of the Officers receiving the draft para to see that reply to the AG, after verification of the facts is sent only after obtaining his approval so that the facts mentioned in the audit para are not challenged when the Report is taken up for consideration by the Public Accounts Committee.

The result of the verification of the facts contained in the draft para should be communicated to the AG, AP within six weeks from the date of its receipt. Before sending reply, the concerned officers should collect all the facts which have a direct or indirect bearing on the irregularity commented upon the draft para and see that the audit para portrays a true account of the alleged irregularity or lapse. If the draft para proposed by the AG required modification to bring out the facts of case, it should be suggested in the reply. The reply should be sent from the Officer from whom it is referred by the AG. This will ensure that the reply is sent by the proper authority after careful examination of all the aspects of the case. Where the reply to the AG is not issued over the signature of the Secretary or indication should be given that the reply has had the approval of the Secretary. In exceptional cases where it is not possible to furnish final reply to the draft para within the time limit of six months referred to above, an interim reply should be given to the AG by the Officer to whom the draft para was forwarded indicating the time by which the final reply could be sent.

It is not necessary that the contents or the language of the draft paragraph should be specifically agreed to or that there should be any prior agreement as to what should be mentioned in the Report. But it is desirable that, on the facts as stated, there should be no dispute though the conclusions and opinions will be those of the AG. This does not, however, preclude a Secretary from taking up with the AG desirability or otherwise of mentioning particular cases in the Report.

Facts coming to the notice of the Department of the Secretariat after the draft para have been included in the C&AG's Report should be indicated in the Departmental Notes to be sent to the Legislature Secretariat so that the PAC may be posted with up-to-date information. Facts coming to the notice after submission of the Departments Note may be intimated to the Public Accounts Committee at the time of those cases re-taken-up for consideration by the Committee or earlier if there is sufficient time in the form of supplementary note.

In the Audit Para generally no names of individuals and officials connected with irregularities commented upon therein will be mentioned. The names of departments, organizations and parties concerned will be mentioned in the draft audit paragraphs except in cases where the paragraphs bring out some fraud or misappropriation on the part of an official against whom departmental or criminal proceedings have been initiated and any indication of the department or organization would give a clue to his identity. Where, however, such a name has been mentioned in the draft audit para and if the Government consider that it is not desirable, the same should be brought to the notice of the AG well in time.

2. Watching of disposal of draft audit paragraph

It has to be borne in mind that replies to the draft audit paragraphs to be sent within the prescribed time of six weeks. If no reply is sent within this period the paragraph as prepared by the AG will be treated as final and incorporated in the C&AG's Report. There should be no default on the part of the departments to inform the AG of the correct position well in time. In other words, there should be no occasion to question the correctness of facts mentioned in the draft audit paragraphs at a later stage.

The Public Accounts Committee has been observing that though the audit para based on records made available to audit and the para itself sent to the Secretary to Government concerned for remarks, the officers when they appear before the Committee sometimes give an altogether different explanation and try to dispute the fact. Such an attitude is not desirable and any modifications should be communicated to the AG in time before the draft para is finalized.

3. Files required by Audit for reference

Files required by the AG in connection with the preparation of audit paragraphs should normally be made available to him. If contents of the file are of confidential nature, the file may be sent to the AG by name specifying that fact. He will deal with the file in accordance with the standing instructions for the handling and custody of such documents. If for any reasons, it is not considered desirable to make available the papers asked for by the audit then the orders of the Government should be obtained.

4. Rectification of defects, irregularities, lapses etc., communicated upon in the audit paragraphs

Normally it has been presumed that a draft para forwarded to a Secretary to Government for verification will find a place in the C&AG's Report which will be laid on the table of the Legislature. The Reports so laid will be examined by the Public Accounts Committee and the concerned Secretary to Government will have to appear as witness before the Committee when it examines the particular paragraphs in the Report. There will normally be time lag ranging from six months to one year between the date on which the draft para is forwarded by Accountant General for verification and the date on which particular para is taken up for consideration by the Public Accounts Committee.

One of the questions which the Public Accounts Committee generally put to the witness is whether at least after the receipt of draft para the irregularity commented upon on in the audit para has been rectified wherever possible, whether adequate steps have been taken to see that such irregularities do not recur and also whether in cases of loss to Government, necessary action against those responsible had been taken.

If the Secretary to Government takes prompt action immediately on the receipt of the draft para to rectify the defects and to proceed against the Officers responsible to make good the loss, if any, incurred by the Government due to their negligence and also to issue detailed instructions for the avoidance of such irregularities, it should be possible to depose before the Committee that the irregularity has since been rectified and action has also been taken to avoid recurrence of such things in future.

Hence, the Secretary to Government should on receipt of a draft para, examine, among other things, the following aspects and taken suitable remedial measures immediately.

- (i) Whether the irregularity committed was due to negligence or culpability on the part of any Government servant, if so suitable action should be initiated against him.
- (ii) Whether there was lack of proper instruction or defect in the organization set up. If so, steps should be taken to rectify such defects.
- (iii) If there was loss to the Government, the responsibility for the same should be fixed and steps taken to recover the loss.
- (iv) If the irregularity committed was due to lack of proper supervision or ambiguity in the rules, steps should be taken to enforce adequate supervision to amend rules.

In other words, all possible ways should be thought to prevent recurrence of such irregularity and also to make amends for the irregularity committed.

The Secretaries to Government should have in their possession all the facts relating to the cases under examination when they appear before the Public Accounts Committee and for this purpose, the Departments of the Secretariat should take necessary action well in time by way of obtaining explanations, comments etc., on irregularities cited in the C&AG's Report.

5. Draft Paras relating to Statutory Corporations, Government Companies and State Undertakings etc.,

The draft paragraphs for inclusion in the C&AG's Report in respect of cases relating to AP State Financial Corporation, AP State Warehousing Corporation, APSRTC, AP State Electricity Board, Government Companies and Government Commercial Undertakings etc., will be forwarded to the Secretary to Government concerned by name and copies endorsed to the Finance Secretary to Government. The reports relating to Public Sector Undertakings are considered by the Committee on Public Sector Undertakings. The procedure explained above in respect of disposal of draft paras will apply in these cases also.

Appropriation Accounts, Finance Accounts and the Reports of C&AG of India

1. Introduction

After the Appropriation Accounts, Finance Accounts and the Reports of C&AG of India there on are laid before the Legislature as required by Article 151 (2) of the Constitution of India, copies of the same will be supplied by the Finance Department to all Secretariat Departments and Heads of the Departments. As soon as the copies of that are received, the departments should verify whether draft paras are proposed by the AG have been included in the Report of the C&AG. In some cases, the AG does not include the draft para proposed by him may be on account of reasons given by the departments in reply to draft paras. In some cases, the payments will have undergone a change. The Secretariat Department should collect all the relevant files and verify correct position with reference to the latest facts. This should study the audit paragraphs in these Reports after consulting the Heads of the Departments wherever necessary.

2. Furnishing of Note to the PAC by the Secretariat Department

Rule 5 of the Rules of Procedure (Inter working) of the Committee on Public Accounts required that within 3 months after laying of the Appropriation and Finance Accounts and Report of C&AG thereon before the Legislative Secretariat Department should send to the Legislative Secretariat, explanatory notes on the paragraphs included in the Report. The notes should be in the form prescribed by the Legislature Secretariat. There should be only one consolidated note for each one Secretariat Department and should contain complete information about the cases referred to in the Report.

As these notes are expected to give the views of the Government, the Secretariat Department should keep the notes received from the Heads of the Departments before sending them to the Legislature. The notes should be signed by the Secretary or the Deputy Secretary. Similarly notes and statistics with background information which may be required in respect of Public Undertakings should be furnished with the time fixed to the Committee on Public Undertakings.

In the case of Committee on Estimates, material should be furnished as required by the Committee but generally at initial stages material in the following form will be required. Any subsequent information and replies to the questionnaire should be forwarded later.

- (i) The organization of the Department and its attached and subordinate offices. (The information should be shown in the form of a diagram supported by short explanatory note)
- (ii) The functions of the Department and subordinate offices.
- (iii) Broad details on which the estimates are based.
- (iv) Volume of work in the Department and its attached and subordinate offices covering the period of estimates.

Points of conduct and etiquette to be followed by the Officers and other appearing before the Committee are given below:

- (a) Due respect to the Chairman and the Committee and Sub-Committee shall be shown by the witness.
- (b) The witness shall take the seat opposite to the Chairman.
- (c) The witness should answer specific questions put to him either by the Chairman or by the member of the Committee or any other person authorized by the Chairman.
- (d) All submissions to the Chairman and the Committee shall be couched in courteous and polite language.

- (e) The witness, without the permission of the Chairman, should not smoke or chew anything when he is seated before the Committee.

3. Breach of privilege and contempt of the Committee

Subject to the provisions contained in the Rules of Procedure and Conduct of Business in the Legislative Assembly/Council, the witness shall note that the following acts shall constitute breach of privilege and contempt of the Committee.

- (a) Refusal to answer the question unless it be on the ground that the disclosure of the information sought for, would be prejudicial to the safety or interest of the State.
- (b) Prevarication or wilful giving false evidence or suppressing the truth or misleading the Committee.
- (c) Trifling with the Committee or returning insulting answers.
- (d) Destroying or damaging a material document relative to inquiry.

4. Evidence before the Public Accounts Committee

The Secretary to Government should come fully prepared to furnish any information required by the Committee. If notes furnished to the Committee by the Secretary concerned are based on the facts, other material available with the Department, it will not be difficult to give supplementary information. Since Head of the Department or his subordinate officers should be in one way or other connected with the transactions of the Department, they would try to defend their action and may not be willing to disclose the details.

The Secretary to Government who represents Government and tenders evidence before the Committee will be able to take an objective and detached view while appearing before the Committee. However, there is no objection for the Secretary to Government to take the assistance of the Head of the Department/his subordinate/the Chairman/ the Executive Head of the autonomous body/company/corporation while furnishing replies and information furnished by the witness should be precise and based on the facts with reference to records, rules and regulations. It is necessary to avoid vague and generalized replies as also presumptions and individual ad-hoc comments.

As indicated above if the Secretary to Government has studied the case with reference to the audit para and notes already furnished by discussion beforehand and with reference to connected records, it will be possible to furnish many of the points which may be raised while examining the witness. In cases where the information is not readily available, the same should be admitted and time taken for furnishing the information. It is found that in practice the time schedule is not adhered to because of the lack of due attention by the Secretary concerned and this obviously invites criticism from the Committee.

5. Action to be taken on the Reports of PAC and CoPU etc.,

The Report of the Public Accounts Committee, Committee on Public Undertakings and the Committee on Estimates contain various recommendations and observations. As soon as the Reports are made available, the Secretary to Government should in consultation with the concerned officers take immediate action in all these cases. Wherever there are financial implications, the Finance Department should be consulted. In cases where there is delay in communicating action taken, Legislature Secretariat will seek the cooperation of the Finance Department.

The action taken on the various recommendations should be communicated to the Legislature in proforma as in the Annexure-II. Sixty copies of the proforma indicating the action taken should be sent to the Secretary, AP Legislature and five copies to the Accountant General. The replies should be complete in respect of each observation or recommendation and replies like “the matter is under consideration”, “action will be taken in due course”, “report have been called for” and such other general remarks should be avoided.

If any case Government desires to furnish a detailed note requiring further reconsideration by the Committee or indicating reasons for non-acceptance of the recommendations, the notes should accompany the proforma and the number of copies should be as in case of the proforma.

Since the Legislature Secretariat is expected to place the report of the Committee on the action taken before the Legislature, the Secretary to Government should avoid delay in taking action. The Legislature Secretariat shall in respect of recommendations of the Public Accounts Committee and Committee on Public Undertakings obtain the remarks of the Accountant General wherever necessary before the statement of action taken is considered by the Committee.

**D SUBBA RAO
SECRETARY TO GOVRMENT**

Annexure-I - Register of Audit Objections/Observations

#	Date of Receipt	No and Date of Objection Slip	Nature of Objection	Amount objected	Date of Reply	Initials of HoD	Remarks
1	2	3	4	5	6	7	8

Annexure - II - Statement showing action taken on the Recommendation of the Committee on the

#	Reference to page and para no of the Report and Name of the Department		Particulars of Recommendations	Reply by Government regarding action taken	Remarks
	Page No	Para no			