

## A.P State Audit Manual

### CHAPTER - I Introduction to A.P. State Audit Manual & General Principles of Audit

#### 1. Introduction

##### i. Evolution of the Department

- a) The Local Fund Audit Department has been in existence from the year 1880. It was originally under the control of the Accountant General of the then composite Madras State. The audit of the Accounts of the Local Bodies was entrusted to the Department. The Local Bodies comprise of several Institutions like Municipalities, Municipal Corporations, Zilla Parishads, Mandal Parishads, Gram Panchayats, Agricultural Market Committees, Zilla Grandhalaya Samsthas, Religious Institutions including TTD, Universities, A.P. Housing Board, A.P. Wakf Board, AP Residential Educational Institutions Society, Official Receivers, State and District Chambers of Panchayat Raj etc. Gradually, the Department is also entrusted with the Audits of the Accounts of Natural Calamity Relief Fund administered by the District Collectors, and A.P. Employees Welfare Fund. Recently, the Department is entrusted with the Internal Audit of Government and Aided Educational Institutions.
- b) Besides conducting the audits of the Institutions as specified above, the Department was entrusted with certain additional functions as detailed below :-
- 1) Pre-check of Bills relating to Pay Revision arrears in respect of PRC 1986, PRC 1992, PRC 1998 and PRC 2003 for employees of all Auditable Institutions as well as for Teaching Staff of Aided Educational Institutions.
  - 2) Issue of PPOs/ FPPOs/GPOs in respect of retired / deceased employees of Municipal Corporations, Municipalities etc.
  - 3) Issue of PPOs /FPPOs / GPOs in respect of retired / deceased Class IV employees of all Government Departments including Police Constables and Head Constables., Constables and head constable of Excise department and Guards and head guards of Forest departments
  - 4) Authorisation of Pensionery/ Gratuty benefits of village servants
  - 5) Authorisation of Financial Assistance claims of Spouses of Diseased teachers of Local Bodies
  - 6) Authorisation of Claims relating to FBF/ APGIS to retired/ deceased employees of all Local Bodies etc. etc.
- c) Consequent on enactment of AP State Audit Act 1989 (Act 9 of 1989) and issue of Rules thereunder with GOMS No. 130 Finance and Planning (FW. Admin II) Dept dt: 8-9-2000 (Notified in the AP Gazette dt. 25-09-2000), this Department has been renamed as State Audit Department and the officers of the Department have been redesignated as follows, Vide GOMS No. 137 Finance and Planning (FW Admin II) Dept dt: 21-9-2000.

Existing nomenclature	Re-designated nomenclature
1. Director of Local Fund Audit	Director of State Audit
2. Dy Director of Local Fund Audit/Regional deputy Director of Local Fund Audit	Deputy Director of State Audit/Regional Deputy Director of State Audit
3. Audit officer, Local Funds	District Audit officer, State Audit
4. Assistant Audit Officer, Local Funds	Assistant Audit Officer, State Audit

- d) The Director of State Audit is authorized under the State Audit Act (Act 9/1989) to audit the Accounts relating to Local Authorities and other Authorities as detailed in sub-para (v) below.
- e) The Department is headed by the Director of State Audit at Hyderabad, who is assisted by 6 Regional Deputy Directors at Zonal Headquarters and 22 District Audit Officers in all District Headquarters with field Offices located in all District Headquarters and some Sub Divisional Headquarters. Besides these, there are 12 District Audit Officers for audit of the Accounts of Natural Calamity Relief Funds. The total number of personnel of different categories viz:- Director, Regional Deputy Directors / Deputy Directors, District Audit Officers, Assistant Audit Officers, Senior Auditors and Junior Auditors aggregate to 2000

## ii. A.P. State Audit Act, 1989

<p>The following Act of the Andhra Pradesh Legislative Assembly received the assent of the Governor on the 19<sup>th</sup> April, 1989 and the said assent is hereby first published on the 20<sup>th</sup> April, 1989 in the Andhra Pradesh Gazette for general information:</p> <p><b>Act No. 9 of 1989</b> An act to authorize the Director of State Audit to Audit the Accounts relating to Local Authorities or other Authorities and for matters connected therewith or incidental thereto.</p> <p>Be it enacted by the Legislative Assembly of the State of Andhra Pradesh in the Fortieth Year of the Republic of India as follows :-</p> <p>1. (1) This Act may be called the Andhra Pradesh State Audit Act, 1989.</p> <p>(2). It extends to the whole of the State of Andhra Pradesh</p> <p>(3). It shall be deemed to have come into force on the 7<sup>th</sup> January, 1989.</p> <p>2. In this Act, unless the context otherwise requires:-</p> <p>(a) 'audit' means pre-audit, current audit, post audit, cent percent audit, resident audit, test audit, Special audit and such other examination of Accounts as the Government may from time to time specify;</p> <p>(b) 'auditor' means the Director of State Audit appointed under section 3 and includes any other persons on whom all or any of the powers of the auditor under this Act, are conferred;</p> <p>(c) 'cent percent audit' means a post audit of all the transactions of a particular account of specified period;</p> <p>(d) 'Chief Executive Officer' means the officer or authority vested with powers to administer the fund of Local authority or any other authority specified in the Schedule (herein after referred to as other authority) and includes every officer by whatever designation know dealing with such local authority or other authority;</p> <p>(e) 'Concurrent audit' means a post audit of a day-to-day accounts of specified period, with a general review of the accounts from time to time;</p> <p>(f) 'Director' means the Director of State Audit appointed under section 3;</p> <p>(g) 'Fund' means any fund the control and management of which a local authority or other authority is legally entitled to and includes any cess, rate, duty fee or taxleviable by, and any property vested in, such authority;</p> <p>(h) 'Government' means the State Government of Andhra Pradesh;</p> <p>(i) 'Local authority' means:</p> <p>(a) a municipal corporation constituted under the law relating to municipal corporation for the time being in force;</p> <p>(b) a municipal council constituted under the Andhra Pradesh Municipalities Act, 1965;</p> <p>(c) a Mandal Praja Parishad, a Zilla Praja Parishad or Zilla Abhivrudhi Sameeksha Mandali constituted under the Andhra Pradesh Mandala Praja Parishads, Zilla Praja Parishads and Zilla Abhivrudhi Sameeksha Mandals Act, 1986;</p> <p>(d) A Gram panchayat or a township constituted under the Andhra Pradesh Gram Panchayats Act, 1964;</p> <p>(e) A market committee constituted under the Andhra Pradesh (Agricultural produce and Livestock) Market Act, 1966;</p> <p>(f) Rashtra Karshaka Parishads, Commodities Federations and Mandal</p>	<p>Short title, extent and Commencement.</p>
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<p>Karshaka Parishads constituted under the Andhra Pradesh Rashtra Karshaka Parishad and Allied Bodies Act, 1988; and</p> <p>(g) A Zilla Grandalaya Samstha constituted under the Andhra Pradesh Public Libraries Act, 1960;</p> <p>(j) 'notification' means a notification published in the Andhra Pradesh Gazette and the work 'notified' shall be construed accordingly;</p> <p>(k) 'post audit' means the detailed audit conducted after the transactions are completed;</p> <p>(l) 'pre audit' means the preliminary audit before receiving the money or arranging the payments;</p> <p>(m) 'prescribed' means prescribed by rules made under this Act;</p> <p>(n) 'resident audit' means concurrent or pre-audit of expenditure and review of receipts;</p> <p>(o)'schedule' means the Schedule appended to this Act;</p> <p>(p) 'special audit' means an audit of accounts pertaining to a specified item or series of items required through examination.</p> <p>(q) 'surcharge' means the amount for which, the auditor in exercise of powers vested in him under this Act, makes a person liable for the loss, waste misapplication or misappropriation, of any money or other property belonging to any local authority.</p>	
<p>3. (1) There shall be appointed by the Government a Director of State Audit to be in charge of the audit of the fund of local authorities specified in the Schedule in the whole of the State hereinafter referred to as 'Director' and as many other persons as they consider necessary to exercise the powers and perform the functions of the Director under this Act in relation to such areas as may be specified.</p> <p>(2) The powers to be exercised and functions to be performed by the Director shall be such as may be prescribed.</p> <p>(3) The Director shall exercise general control and superintendence over the officers of the State Audit Department in the performance of their functions under this Act or the rules made there under.</p> <p>(4) Notwithstanding anything in sub-section (1), the Director of Local Fund Audit functioning before the commencement of this Act, shall continue to be such Director and function as such until a new Director is appointed under sub-section (1) and the Department known as the Local Fund Audit Department' prior to the commencement of this Act, shall here-in-after be known as the 'State Audit Department'.</p>	<p>Appointment of Director</p>
<p>4. Notwithstanding anything in any other law for the time being in force but without prejudice to the powers and functions of the Comptroller and Auditor General (Duties, powers and conditions of service) Act, 1971, it shall be lawful for the Director to conduct an audit in respect of any local authority or any other authority specified in the Schedule in the manner provided by or under this Act and to recover the cost of audit in respect of such authorities as may be specified by the Government, by order subject to such rules as may be made in this behalf.</p>	<p>Audit of Accounts Central Act 56 of 1971</p>
<p>5. Every Chief Executive Officer shall present or cause to be presented for audit all the accounts of the fund which he administers annually within such period in such form and in such manner may be prescribed.</p>	<p>Presentation of Accounts for Audit.</p>
<p>6. (1) for the purpose of any audit under this Act an auditor may..</p> <p>(a) require the Chief Executive Officer concerned in writing the production, at the head office of the local authority or other authority of such receipts, vouchers, statements, returns, correspondence, notes or other documents in relation to the accounts he may think fit;</p> <p>(b) require in writing.....</p> <p>(i). any salaried employee of the local authority or other authority</p>	<p>Production of documents and attendance of persons for Audit.</p>

<p>accountable for or having the custody or control of such receipts, vouchers, statements, returns, correspondence, note or other documents; or</p> <p>(ii). any person having directly or indirectly by himself or his partner any share or interest in any contract with or under the local authority, or other authority to appear in person or by an authorized agent before him at the head office of the said authority and answer any question or sign a declaration with respect thereto;</p> <p>(c) in the event of an explanation being required from the Chief Executive Officer, invite such officer in writing specifying the points on which his explanation is required to meet him at the head office of such officer; or</p> <p>(d) exercise such other powers as may be prescribed.</p> <p>(2) The auditor may fix a reasonable period of not less than three days for the purposes of compliance of the provisions of sub-section (1).</p> <p>(3) The auditor shall give the local authority or other authority not less than one week notice in writing of the date on which he proposes to commence the audit:</p> <p>Provided that for special reasons to be recorded in writing the auditor may give a shorter notice than a week or commence a special or detailed audit on the authority of the Government or the Director without such notice.</p> <p>7. The Director shall, as soon as practicable after the completion of audit prepare a report on the accounts audited and examined by him and send such report to the concerned local authority or other authority in such manner, as may be prescribed.</p> <p>8. The audit report shall contain a statement of -----</p> <p>(a) every payment which appears to him to be contrary to law;</p> <p>(b) the amount of any deficiency, waste or loss which appears to have been caused by the gross negligence or misconduct of any person in the performance of his duties;</p> <p>(c) the amount of any sum received which ought to have been accounted but is not brought into account by any person; and</p> <p>(d) any material impropriety or irregularity which he may observe in the expenditure or in the recovery of money due.</p> <p>9. (1) On receipt of the audit report under section 8 the Chief Executive Officer shall remedy any defect or irregularity which may have been pointed out in the report and shall place the audit report, together with statement of action taken or proposed to be taken thereon and an explanation in regard thereto before a meeting of the concerned local authority or other authority specially convened for the purpose within a period of two months from the date of receipt of the audit report. He shall also within one month of the said meeting, send to the Director a report of his having remedied the defects or irregularities, if any pointed out in the audit report or shall, within the said period, supply the Director any further explanation in regard to such defects or irregularities as the local authority or other authority may wish to give.</p> <p>(2) On receipt of such intimation or explanation, the Director may, in respect of all or any of the matters referred to in his report:-</p> <p>(a) accept the explanation given by the Chief Executive Officer;</p> <p>(b) direct that the matter be further investigated at the next audit or any earlier date;</p> <p>(c) hold that the defects of irregularities pointed out in the audit report or any of them have not been removed or remedied;</p> <p>(d) condone any objection, the compliance of which is not possible</p>	<p>Furnishing Audit Report</p> <p>Contents of Audit Report.</p> <p>Procedure to be followed after furnishing the report.</p>
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<p>due to loss of records connected with its disposal due to any natural calamity;</p> <p>(3) Nothing in this section or section 8 shall preclude the Director at any time from bringing to the notice of the Government for such action as he may consider necessary any information which appears to him to support a presumption of criminal misappropriation or fraud or which in his opinion deserves special attention or immediate investigation.</p> <p>10. (1) The Director may disallow every item of expenditure incurred contrary to law and surcharge the same on the person incurring or authorizing the incurring of such expenditure, and may charge against any person responsible therefore the amount of any deficiency, loss or unprofitable outlay occasioned by the negligence or misconduct of that person or of any sum which ought to have been accounted but is not brought into account by that person and shall, in every such case, certify the amount due from such person.</p> <p>Explanation: - It shall not be open to any person whose negligence or misconduct has caused or contributed to any such deficiency or loss, to contend that notwithstanding his negligence or misconduct the deficiency or loss would not have occurred, but for the negligence or misconduct of some other person.</p> <p>(2) The Director shall state in writing the reasons for his decision in respect of every disallowance, surcharge or charge and a copy to such decision shall be served on the person against whom it is made in the manner laid down for the service of summons in the Code of Civil Procedure, 1908.</p> <p>(3) Any person aggrieved by any disallowance, surcharge or charge may, within 60 days after the date of service on him of the decision of the Director either---</p> <p>(a) make an application to the concerned principal civil court of original jurisdiction to set aside such disallowance, surcharge or charge and the court, after taking such evidence as is necessary may confirm, modify or remit such disallowance, surcharge or charge with such orders as to costs as it may think proper in the circumstances; or</p> <p>(b) in lieu of such application, may appeal to the Government who shall pass such orders as they think fit.</p> <p>(4) Where an application is made to the court under clause (a) of sub-section (3), the Director shall be the sole respondent thereto, and the applicant shall not make either the Government or any other person a party to the proceedings.</p> <p>(5) From the decision of the court under clause (a) of sub-section (3), an appeal shall lie to the High Court.</p> <p>(6) Every sum certified by the Director to be due from a person under this Act shall be paid by such person to the local authority or the other authority as the case may be, within sixty days after the date of service on him of the decision of the Director unless within that time such person has made an application to the court or an appeal to the Government against the decision, and such sum, if not so paid, or such sum as the Court or Government declare to be due, shall be recoverable as if it were an arrear of land revenue.</p> <p>11. (1) The Director shall submit annually a Consolidated Audit and Review Report on the accounts of the local authorities, or other authorities in such form and in such manner as may be prescribed and furnish the same to the Government.</p> <p>(2) The annual Consolidated Audit and Review Report in respect of local authorities shall be laid on the table of the Legislative Assembly.</p> <p>12. (1) (a) Any person who willfully neglects or refuses to comply with any requisition lawfully made upon him under clause (a) or clause (b) of sub-section (1) of section 6, shall on conviction be punishable with fine which may extend to five thousand rupees.</p>	<p>Director to surcharge illegal payment or loss caused by gross negligence or misconduct.</p> <p>Central Act V of 1908.</p> <p>Director to submit audit and review report.</p> <p>Penalties</p>
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<p>(b) Any person who is convicted under clause (a) fails to comply with any such requisites shall be for each day after conviction during which he continues to persist in his offence with a fine not exceeding five hundred rupees.</p> <p>(2) No prosecution for any offence punishable under this Act shall be instituted except with the previous sanction of the Director.</p> <p>(3) Before issuing such sanction under sub-section (2), the Director shall give reasonable opportunity to the person against whom the proceedings are to be instituted, to show cause why the sanction for such prosecution shall not be given.</p> <p>(4) No court inferior to that of a Magistrate of the First Class shall try any offence punishable under this Act.</p> <p>13. The Director or any other person appointed to exercise any of the powers or perform any of the functions under this Act shall be deemed to be a public servant with in the meaning of section 21 of the Indian Penal Code, 1860.</p> <p>14. No suit, prosecution or other legal proceedings shall be instituted against the Director or any person acting under the provisions of this Act for anything which is in good faith done or intended to be done under this Act or under the rules made thereunder.</p> <p>15. The Government may by notification and for reasons to be recorded therein, add any other authorities to or omit any such authority from the Schedule and on the publication of such notification such authority shall be deemed to be included in, or as the case may be, omitted from the schedule.</p> <p>16 (1). The Government may by notification, make rules for carrying out all or any of the purpose of this Act.</p> <p>(2) Every rule made under this Act shall immediately after it is made be laid before the legislative Assembly of the State if it is in sessions, and if it is not in session, in the session immediately following for a total period of fourteen days which may be comprised in one session or in two successive sessions, and if , before the expiration of the session in which it is so laid or the session immediately following the Legislative Assembly agrees in making any modification in the rule or in the annulment of the rule, the rule shall, from the date on which the modification or annulment is notified, have effect only in such modified from or shall stand annulled as the case may be so, however, that any such modification or annulment shall be without prejudice to the validity or anything previously done under that rule.</p> <p>17. The Andhra Pradesh State Audit Ordinance, 1989 is hereby repealed.</p>	<p>Officers and Employees of State Audit Dept to be public servants-Central Act of 1860.</p> <p>Protection of action taken in good faith.</p> <p>Amendment of the Schedule.</p> <p>Power to make rules.</p> <p>Repeal of ordinance 1 of 1989.</p>
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## THE SCHEDULE

[See Section 2 (0)]

1. All Hindu Religious and Charitable Endowments and Institutions.
2. Tirumala Tirupathi Devasthanams.
3. Andhra Pradesh Wakf Board.
4. An University established or incorporated by State enactment.
5. Andhra Pradesh Housing Board.
6. Only pre-audit of Integrated Tribal Development Agency and Engineering Division. (G.O. Ms.No.115 Fin & Plg; dated 26-4-1995)
7. An Urban Development Authority Constituted under the Andhra Pradesh Urban (Development) Act, 1975.
8. District Rural Development Agencies.
9. A Society for Training and Employment Promotion in the State.
10. Andhra Pradesh Employees Welfare Fund.
11. All Private engineering Colleges receiving grant-in-aid from the Government.
12. All Aided Colleges and Schools other than Government Colleges and Schools.
13. All Polytechnics, receiving aid from the Government.
14. Aided Women Hostels and other institutions other than Government under the Women Welfare Department.
15. Telugu and Urdu Academies.
16. Ravindra Bharathi.

17. All Official Receivers.
18. Parakala Seshavatharam Andhra Pradesh State Chamber of Panchayati Raj.
19. All District Chambers of Panchayati Raj.
20. Medical Lending Libraries at Visakhapatnam, East Godavari, West Godavari, Guntur, Chittoor, Kurnool and Warangal Districts.
21. District Sailors and Soldiers Board at East Godavari, West Godavari, Krishna, Guntur, Nellore, Chittoor, Anantapur, Cuddapah, Kurnool, and Ranga Reddy Districts.
22. T.B. Sanitorium in Chittoor Districts.
23. Prize Endowments in East Godavari, Chittoor and Anantapur Districts
24. N.C.C.Trophy, Anantapur.
25. District Leprosy Fund, Ananthapur.
26. Andhra Pradesh Medical Council, Hyderabad.
27. Andhra Pradesh Medical pharmacy Council, Hyderabad.
28. Andhra Pradesh Medical Residential Educational Institutions Society, Hyderabad.
29. Official Trustee, Hyderabad.
30. Andhra Pradesh Bhoodana Yagna board, Hyderabad.
31. Aradhana Magazine.
32. Andhra Pradesh State Council of Higher Education.
33. Andhra Pradesh Dental Council.

### iii. A.P. State Audit Rules, 2000

#### **RULES RELATING TO ANDHRA PRADESH STATE AUDIT ACT, 1989.**

**[G.O. Ms. No. 130, Finance and Planning (FW.Admn.II), 8<sup>th</sup> September, 2000]**

#### **ORDER:**

In exercise of the powers conferred by sub-section (1) of section – 16 of the Andhra Pradesh State Audit Act, 1989 (Act No.9 of 1989), the Governor of Andhra Pradesh hereby makes the following rules.

#### **(RULES)**

##### 1. Short Title and commencement: -

- (1) These rules may be called the Andhra Pradesh State Audit Rules, 2000.
- (2) These rules shall come into force at once.

##### 2. Definitions: -

In these rules unless the context otherwise requires,

- (a) 'Act' means the Andhra Pradesh State Audit Act, 1989
- (b) "Group basis audit 'in relation to audit means conduct of audit of a group of Local or other Authorities by a group of Auditors,
- (c) 'Illegal Payments' means all the payments referred to in sections 8 and 10 and read with correspondingly in these rules.
- (d) 'Other Authority' means the authorities specified in the schedule appended to the Act.
- (e) 'Review' means check by higher authority wherever necessary in respect of the audit work done by an Auditor or Auditors who conduct the basic work on items most susceptible of misapplication of rules or orders which lead to illegal payments.
- (f) 'Special letter' means the letter or letters containing the list of audit objections of surchargeable nature,
- (g) 'Surcharge Certificate' means the certificate by which the charge or the liability of a surchargee is communicated.
- (h) The words and expressions used in these rules but not defined shall have the same meaning assigned to them in the Andhra Pradesh State Audit Act, 1989.

##### 3. Powers and Functions of the Director :-

- (1) The Director shall, in addition to the powers vested in him under the Act, and the rules made there under, exercise the powers and perform the functions of the Head of the Department under the various rules, codes and orders of the Government.
- (2) The Director may inspect the accounts of Local Authorities and other Authorities specified in the Schedule.

- (3) The Director may condone the audit of accounts of any Local Authority or other Authority, where the audit is not possible due to loss of records on account of floods, fire and theft and other natural calamities in consultation with the heads of Administrative Departments of the Local Authorities or other Authorities concerned.
- (4) The Director shall have to power to initiate disciplinary action against the authorities who are found negligent in enforcing and misusing the powers under the provisions of the Act and the rules and they are liable for disciplinary action in accordance with the procedure laid down in the Andhra Pradesh Civil Services (CCA) Rules, 1991:

Provided that in the cases where the Government is the disciplinary authority, such cases shall be referred to the Government for taking disciplinary action as per the Andhra Pradesh Civil Services (CCA) Rules, 1991:

Provided further that the disciplinary cases pending as on the date of commencement of these rules shall be finalized by the Director as per these rules.

- (5) The Director may call for all the files including the files relating to confidential nature which are not produced to auditors, by the Chief Executive Officer and deal with them in accordance with the standing instructions for the handling and custody of such documents issued from time to time in this regard.
- (6) In respect of non-notified Gram Panchayats and other authorities of smaller transactions, and where the individual audit or group basis audit to such authority by an Auditor for audit is not considered desirable or feasible in terms of time spent on transits etc., the Director may through his

Subordinate Staff organize to conduct the audit of the said authorities on group basis, at Mandal Headquarters or at such other places as Specified. The responsibility for making available the records at Mandal Headquarters or at the specified places shall continue to rest with the Chief Executive Authority concerned. The Authority or the Authorities having the administrative control over the said Local or other Authorities shall take all necessary measures to ensure production of all records as desired by the auditors.

- (7) If any difficulty arises in enforcing the various provisions of these rules, unless they require orders from the Government, the same can be clarified by the Director.

#### 4. Procedure for conduct of Audit:

- (1) The Director shall arrange to conduct the audit of any Local authority and other authorities specified in the Schedule to the Act in the manner indicated below:
- (i) Post – Audit of the accounts of local authorities other than those falling under Section 6 (a) of the Andhra Pradesh Charitable and Hindu Religious institutions and Endowments Act, 1987.
  - (ii) Concurrent audit of the accounts of Hindu Religious and Charitable Endowments and institutions falling under Section-6 (a) of Andhra Pradesh Charitable and Hindu Religious institutions and Endowments Act, 1987.
- (2) The Director may with permission of Government change the type of audit of any local authority of other authorities.
- (3) The Director may arrange concurrent audit of the institutions working under the Tirumala Tirupathi Devasthanams in addition to post-Audit in consultation with the Chief Executive officer, Tirumala Tirupathi Devasthanams.
- (4) Where it is found necessary on account of special circumstances, the Director may arrange Special audit of the accounts of the local authority and other authorities specified in the schedule to the Act.
- (5) The Director may also arrange Pre-audit of the Local authority or other authorities with the permission of Government.
- (6) The Director shall arrange to complete the Audit of accounts of local authority and other authorities, after receipt of accounts and related records, in a reasonable time not exceeding two years from the date of receipt of accounts and records. If the audit could not be completed within the said period, he shall report forthwith to the Government in Finance Department, explaining the reasons and the circumstances therefore.

#### 5. Preparation and Furnishing Accounts:

- (1) Every Chief Executive Officers shall prepare an Annual Account in the form prescribed, under the respective Acts, rules Statutes or any other order of the Government and where such form is not



prescribed in respect of any Local Authority or other Authority, in the form prescribed by the Director and send a copy of it to the Auditor authorized by the Director.

- (2) A copy of the Annual Account referred to in sub-rule (1) shall be sent within the time specified, under the respective Acts or Rules or Statutes and where a time limit is not specified in respect of any Local Authority, it shall be submitted by 31<sup>st</sup> of May of the succeeding Financial year.
- (3) The failure on the part of any Chief Executive Officer to produce the accounts for Audit within the time stipulated in accordance with the provisions of the Acts or rules or to get the audit completed without following the procedure, amounts to negligence and punishable under Section 12 of the Act.
- (4) The Government shall have the right to impose a cut or withhold the release of grants, if the Local or other authorities fails to submit their utilization Certificates without valid reasons.

#### 6. Production of Records to Audit :-

- (1) The auditor shall give notice to the Authority before the commencement of audit. During the course of audit, the auditor may indicate in writing the nature of information and the kind of documents, registers and records which are necessary or the explanation for the purpose of audit, through a half margin letter. The person or the authority to whom such requisition is made shall comply with the requirements.
- (2) The persons who are being addressed with the half margin letters shall be either the persons who are having custody or control of the information called for and accountable to it or he must be the chief executive authority.
- (3) The person or persons called upon to furnish the information by the auditor shall sign the letter issued by the Auditor in token of having acknowledged the same.
- (4) Any person who fails to comply with any requisition under this rule shall be punishable under Section 12 of the Act.

#### 7. Submission, Approval and issue of audit reports:

- (1) The Director may authorize any of his or her subordinates to prepare a report on the accounts audited, registers, examined and to send such report after approval, to the concerned local authority or other authorities.
- (2) The Auditor who audited the accounts shall prepare and submit the audit report to the officers noted in column (2) who in turn shall approved and issue the reports to the authority noted in column (3) as mentioned in the table below.

**TABLE**

<b>Sl. No.</b>	<b>Designation of the Officer</b>	<b>Name of the Local Authority or other authority</b>
(1)	(2)	(3)
1	Regional Deputy Director/ Deputy Director	Zilla Parishads, Municipal Corporations, Tirumala Tirupathi Devasthanams, Urban Development authorities, District Rural Development Agencies and Universities.
2	Deputy Director (Directorate)	A.P. Housing Board, Hyderabad. A.P. Employees Welfare Fund.
3	Audit Officer	Local Authority or other Authority other than those mentioned in items (1) and (2) above.

Provided that the Director may authorize any of his subordinate authorities to approve and issue reports of any Local authority or other Authorities in the manner other than that provided above.

- (3) Every auditor who completes the audit shall submit the report to the authority as specified in sub-rule (2). Where the institution is reviewed with reference to the said report, the reviewing authority shall submit the report after the completion of the review. The responsibility for submission of the report shall therefore lie on the reviewing authority wherever such review is conducted.
- (4) (a) Not with standing anything contained in the A.P. Traveling Allowances Rules, A.P. Finance Code and the A.P. Treasury Code, if no reports are submitted within a period of 45 days from

the last day of the month in which audit was conducted, and by the reviewing authority within a period of 15 days from the date of completion of such review, the auditor or the reviewing authority as the case may be shall not automatically be entitled for the full pay and allowances, traveling allowances and daily allowances for the said period of audit or of the review. The pay and allowances, traveling allowances and daily allowances for the said periods, if drawn, shall be recoverable from them and remitted to State Funds at such percentage rates, and the period spent on audit shall be subjected to such treatment as specified in Sub-Rule (5).

Provided that in case of reports pending as on the date of issue of these rules, the period of two months shall be computed from the date of coming into force of these rules.

Provided further that the Draft audit reports returned with objections by the competent authority for rectification of defects shall be resubmitted within a period of seven days from the date on which the Auditor receives such reports. If the reports are further returned for rectification, such returned reports shall be resubmitted within a period of three days from the date of receipt. If such reports are still found to be not free from the objections as earlier noticed they are liable for penal action according to sub-rule (4) thereof. The competent authority to issue orders imposing the penalty is the authority next above the authorised authorized to approve the reports.

- (b) The Director may with specific reasons to be recorded in writing and in exceptional cases, grant extra time, for submission of the reports.
- (5) (a) The rate of recovery of the amount mentioned in sub-rule (4) shall be
- (i) at 100% of the traveling allowance, Daily Allowance, if the reports are not submitted within the stipulated period including the extended period under sub-rule (4).
  - (ii) at 100% of the traveling allowance, Daily Allowance and 50% of Pay and Allowances if they are not submitted in the period of ten (10) days from the day of the expiry of the said period including the extended period, and
  - (iii) at 100% of the traveling allowance, Daily Allowance and Pay and Allowances if the Reports are not submitted within a period of five (5) days thereafter.
- (b) Where 100% recovery of traveling allowance and Daily Allowance alone, has been imposed, there shall be no effect on the period spent on duty. Where 50% recovery on pay and allowances alone, has been effected, the first half of the period spent on audit shall be treated as non-duty and where 100% recovery of traveling allowance, Daily allowance and pay Allowances, has been effected, the entire periods of audit shall be treated as non-duty. Fraction of a day equal to 0.5 shall be treated as one day. If the month and the number of days spent on audit are not verifiable the days as ascertained from the observed data/work-norms including the transit days for the particular Local or other authority and the month or months from the beginning of the second quarter of the Accounting year following the one to which the pending report relates, shall be adopted.

Provided that where recovery has been 100% of traveling allowance, Daily Allowance and Pay and Allowances and that the chances of submission of reports are remote or unlikely to be obtainable even after a reasonable time of 30 days, the entire period spent on audit or the review as the case may be shall be treated as "Dies non" and the institutions whose reports could not be obtained as such be ordered in the circumstances for re-audit under the written orders of the Director, and the auditor subjected to further disciplinary action.

**Note:1.** Where an institution has been audited by a team of auditors headed by an Assistant Audit Officer or by senior most of them, the audit notes obtained from an auditor, shall be treated as a report for purpose of the rule -7 and the report of the institution composed of the said notes of all the Auditors including that of the head of the audit party, shall be so treated for the purpose of the said rule. However the delay in submission of the report of the Institution on account of delay in obtaining the notes shall lie on the head of the team only, if work distribution among auditors is found to be unscientific or uneven.

**Note: 2.** When more than one Institution has been audited on a single day by an auditor or team of auditors, the reports of all the institutions, audited shall be treated as one single report due from an auditor or team of auditors for purpose of rule-7.

- (6) The Director before issue of orders under the proviso to sub-rule-(5), shall take into account such factors which throw light on the circumstances under which an auditor was unable to submit the reports and where the non-submission was reasonable to be considered he may consider postponing to a reasonable time for the issue of such orders, and in the public interest also, he shall pass such orders.
- (7) Where the period of audit has been treated as non-duty under sub-rule (5) and where an Auditor applied for sanction of leave to which he is entitled, he may be sanctioned with such leave

following the leave rules or the Fundamental Rules by which such Auditor or Auditors are governed.

- (8) All Audit reports on approval by the competent authority shall within the time as prescribed by the Director, be communicated to the Chief Executive authority or concerned Local Authority or other Authority along with Special Letter by Registered Post With Acknowledgement due containing all items of objections which fall under the purview of clause (a) of sub-rule (4) Of rule-9.

Provided further that such Special letter containing the Surchargeable audit objections shall be issued by Registered Post with Acknowledgement due to all prospective surchargees individually.

Provided further that in the event of the non-availability of required information for fixing responsibility and accountability, the District Collector shall conduct enquiry and furnish details of the loss caused and of the person or persons responsible thereof, within a period not exceeding six months.

- (9) Failure to conduct audit and submit audit report within the stipulated time shall be construed as willful absence from duty and shall be dealt with in accordance with the provisions of F.R. 18.

#### 8. Follow up Action on Audit Reports and Settlement of Objections:

- (1) On receipt of the audit report the Chief Executive Officer concerned shall submit, a report within a period of two months from the date of receipt of the audit report rectifying all the defects pointed out in the report and within four months from the date of receipt of Special letter mentioned in sub-rule (9) of Rule-7, a report of having rectified the defects pointed out in the said audit report and in the Special letter, to the officer who issued the Audit Report and the Special letter.
- (2) On receipt of the report from the Chief Executive Officer, the Director or Authority authorised by him for the purpose, shall take up a further examination of the report under clauses (a), (b) and (c) of sub-section (2) of section 9 of Act.
- (3) The Director may under clause (d) of sub-section (2) of section 9 of the Act condone any objection wherein the compliance of which is not possible due to loss of records connected with its disposal due to any natural calamity.
- (4) The Director, if he considered that any case which appears to support a presumption of criminal misappropriation of fraud deserving special attention or immediate investigation, he shall bring to the notice of the Government for such action as they consider necessary.

#### 9. Initiating Surcharge Proceedings, Appeal and the Recovery:

- (1) (a) Under section -10 of the Act, the Director is empowered for initiating surcharge proceedings against the persons responsible for causing loss to the funds of Local Authorities or other authorities.

(b) The powers of Director under section 10 of the Act, shall also be exercised by the authorities Specified in column (2) in respect of the Local authority or other Authority specified in the corresponding entry in column (3) of the table given hereunder.

**TABLE**

<b>Sl. No.</b>	<b>Name of the Authority</b>	<b>Name of the Local / other Authority</b>
<b>1</b>	<b>2</b>	<b>3</b>
1	Regional Deputy Director	<ol style="list-style-type: none"> <li>1. All Hindu Religious and Charitable endowments and Institutions whose Executive Authorities are in the rank of Deputy Commissioner and above except Tirumala Tirupathi Devasthanams.</li> <li>2. All Private Engineering Colleges receiving grants-in aid from the Government.</li> <li>3. All aided Colleges and Schools other than Government Colleges and Schools.</li> <li>4. All Polytechnics receiving aid from the Government.</li> <li>5. Municipal Councils (Special grade and selection grade).</li> <li>6. Mandal Parishads.</li> <li>7. Zilla Grandalaya Samsthas constituted under the A.P. Public Libraries Act, 1960.</li> <li>8. Agricultural Market Committees.</li> </ol>
2	Audit Officer	<ol style="list-style-type: none"> <li>1. Gram Panchayats.</li> <li>2. Municipal Councils (up to and inclusive of first Grade) including notified Area Committees.</li> </ol>

		<ol style="list-style-type: none"> <li>3. All Hindu Religious and Charitable endowments and Institutions whose Executive Authorities are in the rank less than that of Deputy Commissioner.</li> <li>4. Andhra Pradesh Employees Welfare Fund.</li> <li>5. Aided Women Hostels and other institutions other than Government under the welfare Department.</li> <li>6. All Official Receivers.</li> <li>7. All District Chambers of Panchayat Raj.</li> <li>8. Medical lending Libraries at Visakhapatnam, Chittoor, East Godawari, Guntur, Kurnool and Warangal.</li> <li>9. District Sailors and Soldiers Board at East Godawari, West Godawari, Krishna Guntur, Nellore, Chittoor, Anantapur, Cuddapah, Kurnool and Ranga Reddy Districts.</li> <li>10. T.B. Sanitorium in Chittoor District.</li> <li>11. Prize Endowments in East Godawari, Chittoor and Anantapur Districts.</li> <li>12. N.C.C. Trophy, Anantapur.</li> <li>13. District Leprosy Fund, Anantapur.</li> <li>14. Andhra Pradesh Medical council, Hyderabad.</li> <li>15. Andhra Pradesh Medical Pharmacy council, Hyderabad.</li> <li>16. Official Trustee, Hyderabad.</li> <li>17. Andhra Pradesh Bhoodana Yagna Board, Hyderabad.</li> <li>18. Aradhana magazine.</li> <li>19. Andhra Pradesh Dental Council.</li> </ol>
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- (2) The objections of the Audit report which are not rectified under clause (c) of Sub-Section (2) of Section 9 of the Act read with Sub-rule (2) of rule 8 of these rules, which had been included in the body of special letter under sub-rule (9) of Rule-7, shall be subject to surcharge under section -10 of the Act.

Provided that the objections raised and pending in the audit reports of Gram Panchayats, Mandal Parishads, Zilla Parishads, Agricultural Market Committees and Zilla grandalaya Samsthas, as on the date of commencement of these rules and also those objections on which surcharge was not barred by the limitation, if any, under the existing provisions, shall continue to be subjected to surcharge proceedings even after these rules came into force.

- (3) (a) The onus for production of records for audit shall lie on the Chief Executive authority concerned, under rule-6 and if the records are not produced willfully the same shall be subject to surcharge proceedings under sub-rule (2) above. The Chief Executive authority shall produce the records within four months as specified in sub-rule (1) of Rule-8 for compliance. Failure to produce records within the time prescribed shall be liable for surcharge proceedings.

(b) The special letter or letter wherever required shall be caused to be re-issued in the same manner as was provided for in the first proviso to sub-rule (9) of rule-7 after audit on subsequent production of records. The report to be submitted after such audit or review shall be deemed to be a report and to form part of original report, for purpose of various other provisions of rule-7.

**Note:** Report and the special letter or letters consequent to conducting of special audit shall also be treated in the same manner as the report and the special letter or letters covered in clause (b) of sub-rule (3).

- (4) (a) Auditor may disallow every item contrary to law and surcharge the same on the person making or authorizing the making of the illegal payments and may charge against any deficiency, loss or unprofitable outlay incurred by the negligence or misconduct of the person or of any sum which ought to have been, but is not brought to account, by that person and shall in every case, certify the amount due from such person, and cause to serve his decision to Surcharge in the form of Surcharge Certificate by Register Post with Acknowledgement due, to the person against whom it was made.

(b) The auditor shall state in writing the reasons for his decision in respect of every such disallowance, surcharge or charge and serve the Surcharge Certificate in the manner laid down for the service of summons in the code of Civil Procedure, 1908.

(c) If the person to whom the Surcharge Certificate has been sent by Register Post with Acknowledgement due, refuses to receive it, he shall nevertheless be deemed to have been duly furnished or issued with a copy of the certificate within the meaning of clause (a) of sub-rule (4) and the period of sixty days fixed in sub-rule (5) and (8) shall be calculated from the date of such refusal.

**Explanation:** I. For purpose of clause (a) sub-rule (4), the person making or authorising to make of the illegal payments, is the person, who on his own acts or neglects or makes a final decision leading to illegal payments. Person who is authorized to draw the funds and disburse unless he himself is a party to such decision, is not necessarily the person charged with authorising or making such payments. Person who raises the claim on account of pay and

allowances leading to illegal payments or in the alternative a person who fails to initiate corrective measures for stopping and for recovering the said illegal payments, are the persons said to be authorising such payments. But the person who raises the claim of such allowances on account of the express orders of some other authority is not the person said to be authorising such payments. Person making payments or responsible for deficiency, loss or waste etc., originating from his own neglect, misconduct or misinterpretation of the provisions, viewed in terms of the relevant provisions of the Act, rules or orders governing the Local Authority or Other Authority concerned, is said to be the person authorising such illegal payments, deficiencies etc.

**Explanation: II.** When there is more than one person charged to have authorised or made illegal payments, all such persons shall be equally treated for purpose of clause (a) of Sub-rule (3).

**Explanation: III.** It shall not be open to any person whose negligence or misconduct has caused or contributed to any such deficiency or loss, to contend that notwithstanding his negligence or misconduct, the deficiency or loss would not have occurred but for the negligence or misconduct of other person.

(5) Every person aggrieved by any disallowance surcharge, or charge, may within sixty days after the date of service on him of the Surcharge Certificate issued by the Auditor either:-

(a) File an appeal before the Government who shall pass such orders as it deems fit.

**OR**

(b) Make an application to the concerned Principal Civil Court of Jurisdiction to set aside such disallowance, surcharge or charge and the court after taking such evidence as is necessary may confirm, modify or remit such disallowance, surcharge or charge with such orders as to costs as it may think proper in the circumstances;

(c) The orders passed by the respective appellate authority shall be final.

(d) From the decision of the Court under clause (b) of sub-rule (5) an appeal shall lie to the High Court.

(6) Where an application is made in the Court under Clause (b) of sub-rule (5) or an appeal made under Clause (d) *ibid*, the authority who issued the surcharge under clause (a) or as the case may be under clause (b) of sub-rule (1) shall be the sole respondent thereto, and the applicant shall not make either the Government or any other person a party to the proceedings.

(7) Notwithstanding the requirement under the first and second provisos to sub-rule (9) of rule -7, that the special letter or letters be sent by Register Post with Acknowledgement due, the Surcharge shall not be appealed under sub-rule (5) on the ground that the said letter or letters were not received by him nor acknowledged by him. It shall however be open for him to contest or appeal on the contents of the Surcharge Certificates so received by him with reference to the objection or objections the copy of which has already been available in the audit report sent to the Chief Executive Authority concerned under sub-rule (9) of Rule-7. However in case a copy of the objection on which Surcharge was served, is required to be supplied, the authority who issued the surcharge shall forthwith supply such copy.

(8) Every sum certified by the Director or other authority subordinate to him, to be due from a person under these rules shall be paid by such person in the nearest Government treasury or in the office of the Local Authority or other Authority as the case may be within sixty days after the date of service on him of the Surcharge Certificate issued by the Director or other Authority subordinate to him and unless within that time such person has made an application or an appeal to the authorities mentioned in sub-rule (5), against the Surcharge Certificate, such sum, if not paid, or such sum as the said authorities declare to be due, shall be recoverable as if it were arrear of land revenue.

(9) All payments within the meaning of sub-rule (8) shall be reported to the authority who issued the Surcharge Certificate, by the Chief Executive Authority or the Surchargee soon after such payments are made. Copies of all surcharge certificates on which no action has been taken for recovery under sub-rule (8) shall be communicated to the District Collector concerned, by the surcharge issuing authority, for initiating action for recovery as if they were the arrears of land revenue. The Collector shall send the particulars of the said recovery to the said surcharge issuing authority. The District Collector shall designate field level officers concerned of Local authorities or other Authorities for filing Execution Petitions and attending to other matters related thereto.

#### 10. Furnishing of Audit Reports:

The Director shall submit annually a consolidated Audit Report and review report on the accounts of the Local authorities or other authorities in such form and in such manner as he thinks fit or as may be prescribed by the Government and furnish the same to the Government.

#### 11. Preservation of Audit Reports:

Audit Reports issued to the Chief Executive Authorities, are the records of permanent nature, unless orders have been issued by the Director for destruction. The entire responsibility for their preservation shall rest with the auditors in charge of the audit of the Local authorities or other authorities under the supervision of the officer immediately superior to them. Auditors or authorities who found guilty of violation of this rule shall suitably be dealt with under the relevant provisions of the law or the rules.

#### 12. Saving:

Consequent on framing of these rules, the matters relating to audit, settlement of audit objections, surcharge and disallowance covered in any provisions of the rules and the Acts of the Local Authorities or other Authorities, shall to the extent they are not consistent with these rules and the Act, be deemed to have ceased to be in force from the date of coming in to force of these rules, and all orders, rules, amendments or enactments proposed to be made and bearing on the provisions of the Act and these rules, shall be made only in consultation with the Government in Finance Department.

#### iv. Powers and functions of the Director of State Audit

a) The Director of State Audit and his subordinate staff are independent of the Auditable Institutions, since he is subordinate to Government in Finance Department. He used to derive powers and functions from different Acts and Rules of the Local / other Authorities till 24-9-2000. The AP State Audit Act, 1989 and AP State Audit Rules, 2000 came into force from 25-9-2000. Thus, there is an exclusive legislation for the appointment, powers and functions, duties and other responsibilities of the Director of State Audit and his subordinate Officers under the provisions of the above said Act and Rules.

b) The powers and functions of the Director of State Audit and his subordinates are detailed in Chapter 2 of the Local Fund Audit Departmental Manual, Chapter 3 of the Local Fund Audit Functionary Manual and also in AP State Audit Act read with Rule 3 of the AP State Audit Rules.

#### v. Auditable Institutions

The Director of State Audit is authorized under the State Audit Act (Act 9/1989) to audit the Accounts relating to Local Authorities and other Authorities. Local Authorities as defined under Sub-Section (i) of Section-2 of the said Act are

- a) A municipal corporation constituted under the law relating to municipal corporation for the time being in force.
- b) A municipal council / Nagar Panchayat constituted under the Andhra Pradesh Municipalities Act 1965.
- c) A Mandal Praja Parishad, (deemed to have been constituted as Mandal Parishad under APPR Act 1994).
- d) A Zilla Parishad (deemed to have been constituted as Zilla Parishad under APPR Act 1994).
- e) A Gram Panchayat or a township constituted under the AP Gram Panchayats act 1964 (later under APPR Act 1994).
- f) A market committee constituted under the AP (Agricultural Produce and Livestock) Market Act, 1966.
- g) Rashtra Karshaka Parishad, (now defunct).
- h) Zilla Grandhalaya Samsthas constituted under the AP Public Libraries Act 1960.

Other Authorities are those listed in the Schedule appended to the Act under Section 2(o) of the said Act comprising of 16 institutions, which include all HR and CE and Institutions and Universities established or incorporated by the State enactment. So the audit done in respect of the funds of Local Authorities and other Authorities is statutory audits whereas the audit done in respect Relief accounts, entrusted by Govt by executive orders is, non-statutory.

#### vi. Director to be under the technical guidance of the C&AG of India

The 11<sup>th</sup> Finance Commission, in its Report, among other things, stated that substantial Amounts are being sanctioned to the Urban Local Bodies and Panchayat Raj Bodies by the Union and State Governments and the respective State Audit Authorities may not be in a position to effectively conduct the Audits. It was further mentioned therein that the Accounting formats of these Bodies may not be uniform in all States. As such, it was recommended that the Examiners of Local Fund Accounts/ Directors of Local Fund Audit of all the State Governments may be placed under the technical guidance of the Comptroller & Auditor General for better Auditing standards and also in bringing uniformity across all Local Bodies in the country. It was further recommended by the 11<sup>th</sup> Finance Commission that the Accounting formats of the ULBs and Panchayat Raj Bodies may also be prescribed by the CAG. On being referred to about this proposal, the CAG accepted to concede with the request of the Union Government, provided the State Governments agree to the proposal. In our case, Govt. of AP, has accepted to this proposal and issued orders in G.O. Ms. No. 613 Fin. (Adm.II) Dept., dated 24-08-2004 to entrust the technical guidance and supervision over the Audit of Panchayat Raj Institutions and Urban Local Bodies to the CAG. However, the Director of State Audit would remain the statutory auditor for local bodies under the State Audit Act and will continue to work under the administrative control of the Finance department as per the orders vide para 3 of the

above GO. The scope of the Technical Guidance and Supervision by the CAG is as envisaged in para 4 of the above GO.

## **2.General Principles of Audit**

### **i. General**

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

1) Audit should be conducted by an agency independent of the authority charged with the duty of carrying on the business and of maintaining accounts of transactions, which pass through his hands.  
(Paragraph-19 of "An Introduction to Indian Government Accounts and Audit")

2) It must ensure that the accounts maintained truly represent facts that the rules and orders framed by competent authority in regard to financial matters have been obeyed, that expenditure has been incurred with due regularity and propriety and it must bring to notice of competent authority any irregularity or impropriety in connection therewith.  
(Paragraph of "An Introduction to Indian Government Accounts and Audit")

In other words, the auditor has an inherent right of independent criticism and his primary function is:

a) to verify the accuracy and completeness of accounts to ensure that all revenue and receipts due under the respective Acts or rules made thereunder are properly demanded and realized,

b) that all revenue and receipts so collected are brought to account under the proper head, that all disbursements and expenditure are authorized, vouched, and correctly classified, and

c) that the final account represents a complete and true statement of financial transactions it purports to exhibit.

(Generally follows Articles 21 and 22 of the Audit Code)

3) The statutory and non-statutory audits are conducted on behalf of Government. Hence, audit cannot criticize the orders passed by Government. But it may not be beyond the scope of audit to see that financial rules and orders passed by Government satisfy the provisions of law and are otherwise free from audit objections and bring the same to their notice.

4) It is, however, one of the important functions of audit to see that the rules and orders passed by Government are properly observed.

5) It is also an important function of audit to see that the financial rules and orders framed by local bodies or their subordinates satisfy the requirements of law and are otherwise in order and are properly applied.

6) All queries/objections shall be couched in language, which is courteous and impersonal.

7) In auditing accounts of local bodies, audit should not make independent enquiries from private individuals or members of the general public. Audit should confine itself to call upon the Executive Authority to furnish any necessary information or documents.

8) At the beginning of the year, the auditor should call for a list of registers maintained in each department from the executive head of the institution. The executive authority should at the same time be requested to communicate a list of registers newly brought into use during the course of the year as and when they are brought into use. If the list is exhaustive and complete, the auditor should mark out the registers, which should undergo scrutiny. On the completion of audit, the auditor should record a note in the list that the registers marked out were examined and objections, if any, included in the objection statement or audit report. The list should be filed in the special file of the institution for the year of audit.

### **ii. Audit of Receipts**

#### **A) Taxes & Non -Taxes**

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

2) In conducting the audit of receipts, audit should ascertain that adequate regulations and procedure have been framed to secure an effective check on the assessment and collection of revenue and to see by an adequate detailed check that any such regulations and procedures are being observed and that demand, collection and balance statements are regularly prepared and agreed with the subsidiary

registers of demand and collection and that balances are regularly reviewed or checked in the manner specified by the statutory rules, Government orders or regulations, if any. In the audit of receipts ordinarily, the general is more important than the particular.

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

**Note:** At the instance of the Audit Department, the executive authority of Municipal Councils has been required to compare at least 5 percent of the originals of the receipts given to tax payers in each month with the relevant entries in the demand register concerned and to record in a separate register of the receipts so compared. This work is required to be done by District Panchayat Officers in respect of Gram Panchayats.

4) The audit of receipts should be regulated mainly with reference to the statutory provisions or financial rules or orders, which may be applicable to the particular receipts involved. If the test check reveals any defect in such rules or orders the advisability of amendment should be brought to notice.

5) It is, however, rarely if ever the duty of audit to question an authoritative interpretation of such rules or orders and in no case may audit review a judicial decision or a decision given by an administrative authority in a quasi-judicial capacity. This instruction does not, however, debar an auditor from bringing to notice any conclusion deducible from the examination of the results of a number of such decisions.

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

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

8) A claim or demand may be either (i) a specific demand fixed or fluctuating – all taxes are of this nature or (ii) a demand which arises in consequence of some outgoing of property, or cash, advance or service in which case it is a Quid Pro Quo. Of the latter nature are the demands set by the sale or lease of land, property, farm produce, etc., by cash advances and services such as transport. The check that can be exercised in audit against (ii) will depend upon the nature of the demand and the exact circumstances in which it is made. The demand will in all cases be entered in a demand register or miscellaneous bill register or miscellaneous sales register or miscellaneous receipts register or register of advances or some other suitable register prescribed for the purpose in the rules or regulations.  
(Paragraph 243 of An Introduction to Indian Government Accounts and Audit.)

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

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

11) The more important points to be noticed in the audit of assessment, collection and accounting of taxes and other receipts are given below:

**a) Assessment and collection of taxes**

It should be seen –

- (1) that the tax levied is authorized by the Act governing the fund or the institution;
- (2) that the prescribed procedure such as the obtaining of higher sanction, the publication of a proper notification, has been observed whenever a new tax is levied or the rate of an existing tax is revised;
- (3) that the assessment is in accordance with the scale, if any, fixed in the Act or Regulations;



**(Note:** Only a few assessments need be checked.)

- (4) that as far as can be made out from the records, there are no omissions in the assessment;
- (5) that exemption has been granted only in cases entitled to exemption under the provisions of the Act, or the rules;
- (6) that all taxable items have been entered in the appropriate demand register, half-yearly assessment list, etc., required to be maintained, that the total demand for the half-year has been arrived at and certified to by the executive authority;
- (7) that a watch is kept over the growth of revenue by obtaining supplemental lists of persons or property liable to tax;
- (8) that collections have been posted in the appropriate column of the demand and arrear demand register or half-yearly/yearly assessment list, etc.;
- (9) that a Demand, Collection and Balance Statement has been prepared in the register at the end of the half-year/year;
- (10) that the collection as noted in the Demand, Collection and Balance Statement agrees with the collection as entered in the challan registers or collection registers;
- (11) that the writes-off are supported by competent sanction and there is a record to show that the items are really irrecoverable;
- (12) that the grant of remissions is in accordance with the rules or orders;
- (13) that the arrears have been transferred at the end of the year to an arrear demand register; and
- (14) that the arrears are not time-barred.

In cases where demand notices and bills are made out in advance and entrusted to bill collectors or other collecting agency, it should be seen in audit –

1) that bills issued for collection are in the prescribed printed form;

2) that a stock account of bill books, receipt books, etc., is maintained and also an account of books issued for collection with provision therein for noting the date of issue, the person to whom issued and his initials and the date of return;

3) that the demand entered in the receipt or bill agrees with the figure in the demand register;

**(Note:** A percentage of cases need be checked and this may be done when the outstanding bills are checked.)

4) that collections have been promptly remitted into the office of the local body at such intervals as has been prescribed in the rules or regulations; and

**(Note:** The dates of collection and remittance need be checked only in a few cases.)

5) that the bills shown as outstanding in the demand and arrear demand registers are available.

**Note:**

(1) Audit should conduct a complete verification all of outstanding bills. Before the commencement of the verification of the outstanding items, all the bill books and receipt books issued to the bill collectors for the collection of all items of revenue should be collected from them and the auditor should verify that all the bill books and receipt books issued up to the date of audit according to the entries in the register of bills issued are produced and secure them in a box or almirah in the local office and have the key of the lock thereof in his charge.

(2) Some of the bill books relating to each bill collector should be released as expeditiously as possible after verifying the out standings in those books in such manner that there might not be serious dislocation of collection work and then the remaining bill books of each bill collector taken up for verification.

(3) The work of verification of the out standings should be taken up at a stretch and completed within the minimum time possible so that the collection work of the institution may not suffer.

6) that bills in respect of items of demand written off as irrecoverable and unused blank bills are available.

**Note:** The bills should after verification be cancelled and the signature portion clipped off, if this had not been done already.

**b) Levy and collection of fees**

The levy and collection of fees that local bodies are authorized to levy should be examined on the following lines :-

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

**B) Other Income**

The items of other income vary from institution to institution. They are dealt with in the chapters relating to the institutions concerned. But items of income from leases and rents, Miscellaneous Sales are common to all the institutions. The general principles of audit of these items are as follows.

**a) Leases:**

With regard to leases of property belonging to a local body or managed by it, it should be seen in audit –

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

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

- (2) that ordinarily, leases of markets, cart-stand etc., have been sold in public auction after due publicity, that sale notices and sale lists are in such cases available and that the amount of bid has been accepted by competent authority;
- (3) that a registered agreement has been taken setting for the conditions of lease;
- (4) that security has been taken for the due fulfillment of the terms of the lease;
- (5) that the payment of instalments is watched through the miscellaneous demand register or some other register prescribed in the rules or orders;
- (6) that penal interest, if any, due under the agreement for belated payments has been correctly calculated and recovered;
- (7) that in cases of persistent default action has been taken to terminate the lease as provided for in the agreement;
- (8) that remissions, if any, granted satisfy the conditions prescribed in the rules or orders;
- (9) that printed receipts have in all cases been issued; and
- (10) that the collection has been promptly brought to account in the chitta or day book, cash book, etc.

**b) Miscellaneous sales:**

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

**Note:** No additional amount towards sales tax should be collected in respect of sales of condemned and unserviceable articles conducted by local bodies as it has been held that local bodies cannot be assessed to sales tax in respect of these sales.

**C) Assigned Revenue**

The Assigned Revenues of PR institutions and Municipal Councils comprise of the following items.

- a) Surcharge on stamp duty,
- b) Seigniorage Fees,
- c) Entertainment Tax,
- d) Magisterial fines.

It should be seen in audit whether the above items of revenue are received by the institutions at the rates as prescribed in the relevant Acts and Rules and action has been taken by the institutions concerned in case of non-receipt of the items of revenue.

**D) Grants-in-aid**

Grants-in-aid paid by Government to local bodies are of two kinds, viz., statutory and non-statutory. A non-statutory grant is further classified as conditional and unconditional. Where conditions are attached to the utilization of the grant, these usually take the shape of specification of the particular objects on or the time within which the money must be spent. Whatever the nature of the conditions, audit is not divested of responsibility for seeing that they are fulfilled. Where no conditions are attached to a grant, audit is in no way concerned with the manner in which the grant is utilized by the grantee. It should be seen in audit that the local body has claimed and realized all the grants due to it under the provisions of the statutes and also under the administrative rules and orders of Government. It should also be seen that the amount of grant due has been noted in the Miscellaneous Demand Register or some other register and its realization watched through it and the grant has been claimed in proper time. In respect of grants adjusted in the accounts at the treasury and credited in the pass book of the local body it should be seen that they have been taken for in the cash book and the accounts of the local body, that the local body is eligible for them, that conditions, if any, attached to the drawal of grant have, as seen from the accounts, statement of expenditure prepared for the purpose and the concerned vouchers have been fulfilled and that the grants were utilized properly.

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

- a) that the grant will be spent upon that object within a reasonable time, if no time-limit has been fixed by the sanctioning authority; and
- b) that any portion of the amount which is not ultimately required for expenditure upon that object will be surrendered. Audit scrutiny, when applied, should pay due attention to these points.

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

**E) Donations & Contributions**

Donations and contributions will be generally received from Public, Philanthropists, NRIs and such other rich people for a specified cause or causes like for construction of Hospital Buildings, opening of new schools or for such other purposes. These categories of receipts shall be entered in the Register of Donations & Contributions and their utilization for the purpose for which the amounts are received shall be checked in audit.

**F) Endowments**

Endowments may be in the shape of lands, buildings or cash which will be donated to Local bodies by donors such as Philanthropists, NRIs and such other rich people with a condition to utilize the lands and buildings for specific purposes and proceeds / interest as the case may be for a specific purpose such as grant of scholarships to a certain category of meritorious students. The Endowments of defunct Institutions like District Boards, Taluk Boards etc. would have been transferred to the successive Local Bodies. The different categories of Endowments of the Institutions will be recorded in the Register of Endowments in different sets of pages. The main purpose of audit is to ensure that the various items are utilized / appropriated for the purpose for which they are endowed.

**G) Loans**

The borrowings of local bodies are governed by the provisions of the Acts and Rules of the institutions concerned. It should be seen in audit –

- (1) that the loan sanctioned is drawn only when it is required for expenditure;
- (2) that the proceeds of loans are properly brought to account;
- (3) that they are expended only on the objects for which the loans were originally raised; and
- (4) that adequate arrangements have been made for amortization of debts.

**H) Investments**

It should be seen in audit that investments of surplus balances, Provident Fund amounts, etc., conform to the rules, that proper accounts of such investments are maintained, that interest is realized on the due

dates and brought to account and certificates, bonds or receipts in support of investments are provided for verification. It should also be seen in audit that surplus funds are invested in Nationalized Banks only.

#### **I) Provident Fund**

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

#### **J) Deposits**

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

#### **K) Advances**

Advances are usually made by local bodies to individuals. Audit should see that the conditions of repayment are complied with and should keep a close watch over the repayment of principal and interest, if any.

The items of advances pending should be examined and a paragraph regarding items, which have become time-barred during the year under report should be included in the audit report of the concerned institution. The audit report should also detail in separate paragraphs advances granted in the year which are considered irregular and advances pending for over two years from date of payment and suggest expeditious adjustment of the advances. The officer who authorized an irregular advance should be held responsible and special letter issued to him if the advance is not recovered or adjusted before the close of the same year. In the case of other advances the officer who failed to recover or adjust the same within three years from date of payment should be held responsible unless he can prove he could not do so because of any defect in the original payment. In the latter case warning letter should issue to the officer who authorized the payment also.

### **iii) Audit of Expenditure**

#### **A) General**

a) Expenditure from the funds of local bodies is subject to the following essential audit checks: -

- 1) that the funds have been expended only on the purposes authorized by the Acts or Rules;
- 2) that the moneys made available for the expenditure have been provided for in the manner specified in the Acts or Rules;
- 3) that the funds earmarked for specific purposes have been utilized for such purposes alone; and
- 4) that the sanction, either special or general, of the authority competent to sanction the expenditure has been obtained.

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

Conditions (1), (2) & (4) mentioned in the foregoing paragraph are mainly governed by the Acts of the legislature or rules or regulations issued by authorities empowered in this behalf. Auditors must,

therefore, familiarize themselves with the relevant sections of the Acts and the schedules thereto and the rules and regulations contained in the Codes and the Manuals.

#### **B) Salaries including Wages, Surrender of Earned leave etc. and verification of Service Books**

(1) The audit of pay, leave salary and other allowances admissible to the various classes of servants of local bodies is mainly conducted with reference to the Establishment Rules and regulations, if any, issued by a competent authority governing their conditions of service.

(2) The essential points to be observed in the audit of pay bills beyond the test of the formal completeness of the voucher are (a) to check the title of the servant of the local body to the pay drawn by or for him, that is, that it is claimed and is admissible in respect of a post to which he has been duly

appointed, and of which he is actually in charge; and (b) in the case of servants of local bodies whose pay is drawn for them, to verify that they receive the remuneration to which they are entitled.

(3) It should also be seen –

1) that the bill is according to the sanctioned scale, that the substantive pay and the increase thereto of an officiating servant are distinctly shown where necessary, that the arrear pay and pay of temporary establishment are drawn on separate bills, that the name of any person on leave, suspension or deputation, as well as the name of the officiating person, is shown in the bill and in the absentee statement accompanying the bill;

2) that the increment certificate is attached when an increment is drawn; and

3) that in the case of a servant passing an efficiency bar in a time-scale, a declaration from the authority empowered to allow the increment that it has satisfied itself that the servant is fit to cross the efficiency bar is received.

4) An annual establishment return of the permanent establishment existing on first April, with such exceptions as may be prescribed in the financial rules of Government, should be obtained from each head of the office for audit purposes. The return should be checked and compared with the book of establishment of previous year and any new orders quoted in support of alterations verified.

5) No pay should be passed for a Local Fund servant beyond the date of attaining superannuation or on the expiry of a term of extension of service sanctioned by competent authority.

6) It is not the duty of audit to watch the observance of the provisions of the following nature relating to recruitment or appointment to posts or services as these are the concern of the administrative authorities:-

- a) Rules relating to representation of communities; and
- b) Rules relating to educational or other qualifications.

(4) Audit should insist on a certificate in pay bills that persons on whose behalf pay has been claimed in the bills possess the qualifications prescribed for the posts held by them. Appointment of an unqualified person under a wrong certificate brought to notice may be pursued in audit.

5) It is also part of auditor's duties to check the service books and accounts of officers and servants of local bodies to see that they are maintained up to date and that all incidents in an officer's or servant's career such as increase in pay, completion of probation, promotion, leave and punishments are noted in them. In respect of institutions whose vouchers are audited in the District Audit Offices, a note should be kept as vouchers are audited of increases or reduction in pay, leave, suspension, etc., so that the admissibility of increase in pay, leave, etc., may be examined with reference to service books and leave accounts during the local audit of the accounts of the local body. The general scrutiny of service books should, except where otherwise specially provided, be conducted at the time of annual audit. The service books maintained in a subordinate office also should be called for and scrutinized.

### **C) T.A., T.T.A., L.T.C.**

The fundamental requirements which Audit must find satisfied in traveling allowance bills are –

- (1) that the journey was actually performed;
- (2) that it was necessary and authorized by general or special orders;
- (3) that it was performed as expeditiously as possible;
- (4) that no bill has been submitted for it before
- (5) that the claim has been preferred within the time limit prescribed under the relevant rules and
- (6) that the amount drawn is correct with reference to rates and general conditions.

As some of the checks prescribed above cannot be exercised by an Audit Office independently the duty of scrutiny of travelling allowance bills is divided between controlling officers and audit officers. It is an important function of Audit to conduct an occasional test check to see that the scrutiny entrusted to controlling officers under the rules in relation to these bills is exercised by them properly.

### **D) Pensions**

1) The term "Pension" used in the following paragraphs includes "gratuity."

2) The audit of pensions consists in verifying that the conditions governing the grant of a pension are fulfilled and that the amount of pension and other Pensionary benefits sanctioned are drawn correctly.

3) Except under orders from Government this department should as a rule decline to advise upon any questions connected with the claims of an officer or servant to pension until he retires or is about to retire.

4) When an authority, which is competent to sanction Anticipatory Pension / Family Pension without previous reference to the Audit office, the Auditor should satisfy himself that the amount sanctioned, is

correct and that the rules governing the grant of pension in question have been properly applied before admitting the first payment.

5) The audit of payment of pensions, besides testing the formal accuracy of vouchers, should be directed to seeing –

- a) that the amount of pension drawn is not greater than the amount sanctioned;
- b) that the voucher is duly supported by the prescribed life certificate, if the pensioner does not appear in person to receive payment; and
- c) that the prescribed certificates regarding non-employment, marriage, etc., are furnished in evidence of the continued title to pension.

**Note:** Audit Officers should also see that the rules regarding periodical identification of pensioners are duly observed by disbursing officers.

#### **E) Contingencies**

Audit of contingent expenditure consists of ensuring;

- 1) that the bill is in proper form and the classification is correctly recorded thereon;
- 2) that the requisite sub-vouchers are enclosed to the bill;
- 3) that any certificate required under the rules have been furnished;
- 4) that the expenditure is a proper charge against the funds of the local body;
- 5) that the expenditure has received such sanction as is necessary;
- 6) that the expenditure has been incurred by an officer competent to incur it; and
- 7) that the rates are apparently not extravagant.

#### **F) Maintenance of vehicles**

It should be seen in Audit that,

- 1) Log book is maintained properly for all trips
- 2) All trips are certified official, otherwise propulsion charges recovered for private trips at the prescribed dates
- 3) All tyres, tubes and other items replaced to the vehicles have been entered in the log book under proper attestation.
- 4) All unserviceable material like tyres, tubes etc., have been put to auction
- 5) The ceiling for petrol / diesel prescribed, if any, is not exceeded.
- 6) Repairs to vehicles are carried out only at the workshops as approved by the Collector of the District.

#### **G) Works expenditure**

a) The following general principles govern audit of works expenditure:-

- 1) Estimates should have been prepared and administrative approval and technical sanction should have been obtained to the estimates. Complete vouchers setting forth the claims should have supported charges and the acknowledgements of the payees legally entitled to receive the sums paid.
- 2) Necessary funds should have been provided for incurring the expenditure.
- 3) Measurements should have been taken and recorded in a measurement book wherever possible.
- 4) Works should have been check measured before final payment.
- 5) The selection of a contractor should have been made on the basis of competitive tenders, and the lowest tender should have been accepted or reason for not accepting it should have been recorded.
- 6) An agreement should have been executed by the selected contractor.
- 7) The terms of contract must be precise and definite and there should be no ambiguity or misconstruction therein.
- 8) Standard forms of contract should have been adopted wherever possible, the terms having been subjected to adequate prior scrutiny.
- 9) Provision should have been made in the contract agreement for the safeguarding of property of the local body entrusted to the contractor.
- 10) Sufficient security should have been taken from the contractor for the due fulfillment of the contract.
- 11) Payments made should be in accordance with the agreement.

b) The work bills or vouchers should be audited on the lines indicated below:

## i) Contract Certificates:

- 1) The amounts drawn on vouchers are arithmetically correct.
- 2) The charges are correctly classified.
- 3) The rates at which payments are made do not without proper sanction exceed those in the contract agreement.
- 4) Amounts provided in the estimate for "unforeseen contingencies" have not been paid in the absence of details of work done.
- 5) The measurements of work done as shown in the certificate agree with those recorded in the Measurement Book.
- 6) The quantity and value of work done since last certificate and up to date have been correctly shown.
- 7) The signature of the contractor as noted in his receipt at foot of the "Memorandum of payments made" agrees with that appearing at the foot of the bill.
- 8) The payments have been duly witnessed and attested in the case of illiterate payees.

## ii) Nominal Muster Rolls:

- 1) The amounts paid to several labourers as recorded in Part I are correct.
- 2) The value of work turned out has either been shown in Part II or an alternative certificate has been furnished.
- 3) The value of work turned out compares favourably with the cost of labour employed.
- 4) The certificate of payment has been signed.

**H) Parks**

It should be seen in Audit that,

- 1) The expenditure for maintenance of the parks is covered by proper estimates approved by Municipal Council / Gram Panchayats
- 2) Adequate Budget allotment is forthcoming for maintenance of Parks
- 3) Post sanctions have been obtained for the watchman / watchmen of the parks along with the quantum of salary / pay scale etc.
- 4) The plants purchased are from recognized nurseries only.

**IV Capital expenditure****A) General**

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

2) As regards purchase of stores, audit will see that –

- a) these are properly sanctioned, are made economically and in accordance with any rules or orders made by competent authority for purchase of stores: in particular when stores are purchased from contractors the system of open competitive tender is adopted and the purchase is made from the lowest tenderer unless there are recorded reasons to the contrary;
- b) the rates paid agree with those shown in the tender accepted and the contract or agreement made, for the supply of the stores;
- c) certificate of quality and quantity are furnished by the passing and receiving officers before payment is made except where the contrary is allowed by the rules regulating purchase of stores; and
- d) purchase orders have not been split up so as to avoid the necessity for obtaining the sanction of higher authority required with reference to the total amount of the orders. Audit may call attention to uneconomical purchases of stores and any losses which may be clearly and definitely attributed to the defective or inferior nature of stores which were accepted and certified to be satisfactory in quality.

3) Audit should ascertain that the accounts of receipts of stores whether purchased, or otherwise obtained, and of their issues and balances are correctly maintained. When a scale has been prescribed by Government or other authority for issue of stores of any particular kind, It should be seen that the scale has not been exceeded.

4) Stores, in many cases, represent a locking up of capital, which is not justifiable unless essential. In order to effect economy in this direction, audit will see that the balance in hand does not exceed the maximum limit prescribed by competent authority and is not in excess of the requirements for a reasonable period.

5) The accounting for and maintenance of unserviceable stores which cannot be utilized by the local body or institution in whose custody they are kept involve waste of labour and space. The retention of stores in excess of the probable requirements of the local body or institution may result in loss through deterioration. Audit will therefore see that measures are taken to survey, segregate and consider the disposal of unserviceable surplus and obsolete stores in accordance with the procedure prescribed in this behalf.

6) It is an important function of audit to ascertain that the articles are counted periodically and otherwise examined to verify the accuracy of the quantity balances in the books. Audit shall not, except when specially authorized to do so, assume responsibility for the physical verification of stores but it has the right to investigate balances of stores if any discrepancies in the stores account suggest that such action is necessary. Audit has, however, to see that a certificate of verification of stores is recorded periodically by a responsible authority, that the system of verification adopted by the Executive is adequate and proper, that discrepancies found on stock-taking are properly investigated and adjusted and that wherever possible the staff responsible for verification is independent of the staff which is responsible for the physical custody of the stock or for keeping accounts of it.

7) When a priced account is maintained audit will see that –

a) the stores are priced with reasonable accuracy and the rates initially fixed are reviewed from time to time, are correlated with market rates and revised where necessary;

b) the value accounts tally with the accounts of works and of departments connected with stores transactions, that the total of the valued account tallies with the outstanding amount in the general accounts, that the numerical balance of stock of materials is reconcilable with the total of value balances in the accounts at the rates applicable to the various classes of stores; and

c) steps are taken for the adjustment of profits or losses due to revaluation, stock-taking or other causes and that these are not indicative of any serious disregard of rules.

8) The procedure for the conduct of audit of any stores and stock accounts and the extent to which these accounts should be examined by audit will be such as is laid down in the instructions relating to the audit of stores accounts in the other chapters of the Manual.

## **B) Purchase of vehicles**

Government in G.O.Ms.No. 5, Finance & Planning Dept., Dt. 4-01-1994 issued orders imposing ban on purchase of new vehicles by Govt. Departments / Govt. affiliated organizations and ordered for hiring of private vehicles in case of extreme necessity. Various further orders on this subject have been issued from time to time. According to these orders it should be seen in Audit that,

- 1) The sanction of Finance Department is taken for all cases of hiring of private vehicles.
- 2) Private vehicles are hired in case of dire necessity only
- 3) The hiring charges do not exceed Rs. 17,000/- per vehicle per month for distance not exceeding 2,500 kms in districts.
- 4) The hiring charges do not exceed Rs. 18,000/- per vehicle per month for distance not exceeding 2,500 kms in Major cities i.e. Hyderabad, Vijayawada, Visakhapatnam and towns in Rangareddy District.
- 5) For hiring charges exceeding 2,500 kms per month, the specific sanction of Finance Department is obtained.
- 6) The private vehicles which are registered as taxies shall only be hired for Government duty
- 7) The owner of the vehicle hired for Government duty should produce pollution control certificate for every 6 months.
- 8) The owner of the vehicle hired for Government duty should produce valid documents like Permit, Fitness Certificate, Insurance, Tax etc for plying for hire.
- 9) The owner of the vehicle hired for Government duty should also produce the Professional Driving License with badge of the driver proposed to be engaged.
- 10) An agreement shall be executed with the owner of the vehicle incorporating all the conditions above.

## **C) Tools and Plant, Furniture and Equipment**

It should be seen in Audit that,

- 1) Estimates are prepared for purchase of tools and plant, furniture and equipment and got approved by the competent authority
- 2) Budget allotment is available for purchase of material



- 3) Competitive tenders are called for purchase of equipment etc and lowest tenders accepted
- 4) The lowest tender need not necessarily be accepted when it is felt that the quality of the material with the firm is not up to good standard and next lowest tender may be accepted duly explaining the reasons for such approval.
- 5) Adequate deposit is insisted before supply of material
- 6) Agreement is executed from the lowest tenderer incorporating all precautionary conditions
- 7) Payment is made only after receipt of all items in good condition covered by purchase order.
- 8) All purchases of stock are entered in the register of tools and plant.
- 9) Security deposit is refunded only after receipt of all stock and expiry of observation period

## V. AUDIT AGAINST REGULARITY

1) Audit against regularity consists in verifying that the expenditure conforms to the relevant provisions of the Act or rules made thereunder and is also in accordance with the financial rules, regulations and orders issued by a competent authority either in pursuance of any provisions of the Act or in virtue of powers formally delegated to it by a higher authority. The rules, regulations and orders against which audit is conducted mainly fall under the following categories: -

- a) Rules and orders regulating the powers to incur and sanction expenditure from the revenues of the local bodies;
- b) Rules and orders dealing with the mode of presentation of claims against local bodies, withdrawing moneys from the accounts of the local bodies, and in general the financial rules prescribing the detailed procedure to be followed by officers and servants in dealing with the transactions of local bodies; and
- c) Rules and orders regulating the conditions of service and pay and allowances and pensions of officers and servants of local bodies.

2) The work of Audit in relation to regularity of expenditure is of a Quasi-judicial character. It involves the interpretation of statute, rules and orders with reference to the case-law of previous decisions and precedents. Interpretation by Audit should be based on the plain meaning of the section, rule or order, except where this is inconsistent with another section, rule, or order; in such a case the inconsistency should be referred to the competent authority for resolution or removal. In no case must interpretation by Audit ever verge on legislation.

3) Provision of funds is required to be watched at two different stages. The first is the provision of funds for the local body for all items of expenditure as a whole for a year and the second is the actual release of funds to be expended on any particular item that calls for payment. The first stage is the sanction of the budget and the second is the sanction to expenditure. A grant or appropriation is intended to cover all the charges, including the liabilities of past years to be paid during a financial year or to be adjusted in the accounts of that year. It is operative until the close of that year. Any unspent balance lapses and is not available for utilization in the following year. Audit against budget provision is simple. It is enough to see that a properly prepared budget has been sanctioned by the competent authority and that provision is available in the particular budget head which is to receive the charge when the expenditure is incurred. The audit has to satisfy itself that the expenditure which is being audited falls within the ambit of an allotment or appropriation duly sanctioned and that it is within the amount of that allotment or appropriation. Expenditure in excess of the amount of an allotment or appropriation as well as expenditure not falling within the scope or intention of any allotment or appropriation as entered in the sanctioned budget unless regularized by a supplementary budget or reappropriation statement, should be treated as unauthorized expenditure.

4) But audit against sanctions to expenditure is a complicated affair and requires the careful attention of the auditor. Authorities competent to sanction expenditure out of funds of local bodies are mentioned in the Acts, rules, regulations or by-laws relating to such bodies and it is the primary duty of audit to see that every item of expenditure is covered by the sanction of the proper authority. The determination of the proper authority will depend upon whether, (a) the sanctioning authority possesses full powers in respect of expenditure under audit or (b) whether the sanctioning powers are subject to any limitations. In respect of expenditure sanctioned by authorities having full powers of sanction it is enough to confine audit merely to considerations of propriety, but in respect of others the effect of conditions and restrictions should be clearly grasped, and audit should challenge every item if higher sanction is necessary. This is a field where controlling authorities depend upon audit to control the financial operations of the local bodies. It is here that audit can perform useful function as an instrument of financial control. In judging which items require sanction, difficult cases often arise when the spending authorities split up schemes to avoid higher sanction. What is a single scheme, audit is not infrequently called upon to decide especially in the case of expenditure on works.

5) Audit, to ensure the four conditions indicated so far, carries out what may be called the formal examination of sanctions and rules regulating such expenditure. It is an essential function of audit to bring to light not only cases of clear irregularity but also every matter which in its judgement appears to involve improper expenditure or waste of public money or stores, even though the accounts themselves may be in order and no obvious irregularity has occurred. It is thus not sufficient to see that sundry rules or orders of competent authority have been observed. It is of equal importance to see that the broad

principles of orthodox finance are borne in mind not only by disbursing officers but also by sanctioning authorities. No precise rules have been laid down for regulating the course of audit against propriety. The general principles which have long been recognized as standards of financial propriety are laid down in Article 5 of the A. P. Financial Code, Vol. I are extracted below:-

- a) The expenditure should not be prima facie more than the occasion demands. Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- b) No authority should exercise its powers of sanctioning expenditure to pass an order, which will be directly, or indirectly to its own advantage.
- c) Public moneys should not be utilized for the benefit of a particular person or section of the community unless;
  - i) the amount of expenditure involved is insignificant; or
  - ii) a claim for the amount could be enforced in a court of law; or
  - iii) the expenditure is in pursuance of a recognized policy or custom.
- d) The amount of allowances such as traveling allowances, granted to meet expenditure of a particular type, should be so regulated that the allowances are not on the whole sources of profit to the recipients."
- e) The proper discharge of duties by an Audit Officer in this field is a very delicate matter and requires much discretion and tact. A challenge against expenditure should not be expressed as based on "cannons of financial propriety," but as transgressing a universally accepted standard of official conduct or financial administration. The same principles hold good in respect of expenditure from local funds also.
- f) The audit of rates paid for work done and supplies made should receive special attention, but as objections can be raised only on grounds of financial propriety this audit will usually present considerable difficulty. It demands the exercise of great intelligence and care. Individual abnormalities in rates should of course be watched, but the institution, from time to time, of a comparative examination, through the vouchers and accounts received for audit, of the rates paid by various officers in the same or neighboring localities may indicate cases in which, the rates being abnormal, further enquiry may be desirable. It is of considerable importance that the audit checks prescribed should be observed in spirit and not in the letter as opposed to the spirit. The instructions relating to detailed audit of vouchers in support of payments are contained in the other succeeding chapters of the Manual.
- g) The general instructions set out in the preceding paragraphs can be expressed in a more detailed form as below.

The objects of audit of expenditure are to ensure –

- i) that there is provision of funds for the expenditure duly authorized by a competent authority;
  - ii) that the expenditure is in accordance with a sanction properly accorded and is incurred by an officer competent to incur it;
  - iii) that the claims are made in accordance with rules and in proper form;
  - iv) that all prescribed preliminaries to expenditure are observed such as proper estimate prepared and approved by competent authority for works expenditure, etc.;
  - v) that expenditure sanctioned for a limited period is not admitted in audit beyond that period without further sanction;
  - vi) that the rules regulating the method of payment have been duly observed by the disbursing officer;
  - vii) that payment has, as a fact, been made to the proper person and that it has been so acknowledged and recorded that a second claim against the local body on the same account is impossible;
  - viii) that the charge is correctly classified and that if a charge is debitable to the personal account of a contractor, employee or other individual or is recoverable from him under any rule or order it is recorded as such in a prescribed account;
  - ix) that the rates paid for work done or supplies made are in accordance with any scale or schedule prescribed by competent authority; and
  - x) that the payments have been correctly brought to account in the original accounts.
- h) Recurring charges which are payable on the fulfillment of certain conditions or up till the occurrence of a certain event should be admitted in audit on receipt of a certificate from the drawing officer to the effect that the necessary conditions have been duly fulfilled or the event has not yet occurred, as the case may be.

#### **vi. Efficiency – cum – Performance Audit**

The scope of audit has been extended to cover efficiency, economy and effectiveness audit or performance audit, or full scope audit. In Efficiency Audit, whether the various schemes/projects are executed and their operations conducted economically and are yielding the results expected of them are inquired into. It refers to the relationship between goods and services produced and resources used to

produce them; examination aimed at to find out the extent to which operations are carried out in an economical and efficient manner. In Economy Audit, whether Government have acquired the financial, human and physical resources in an economical manner, whether the sanctioning and spending authorities have observed economy, etc. are examined. In Effectiveness Audit, appraisal of the performance of programmes, schemes, projects with reference to the overall objectives achieved as well as efficiency of the means adopted for the attainment of the objectives are looked into. The efficiency-cum-performance audit, wherever used, is an objective examination of the financial and operational performance of an organisation, programme authority or function and is oriented towards identifying opportunities for greater economy, efficiency, and effectiveness. The procedure for conducting performance audit is laid down. by different countries, which *inter alia*, cover identification of topic, preliminary study, planning and execution of audit, and reporting. While trend towards a comprehensive approach for conducting the performance or full scope audit is visible, the coverage and depth of evaluation vary according to the statutory limitations, and the organizational constraints.

a) Audit against provision of funds to ascertain whether the moneys shown as expenditure in the Accounts were authorized for the purpose for which they were spent.

b) Audit against rules and regulations to see that the expenditure incurred was in conformity with the laws, rules and regulations framed to regulate the procedure for expending public money.

c) Audit of sanctions to expenditure to see that every item of expenditure was done with the approval of the competent authority in the Government for expending the public money.

d) Propriety Audit which extends beyond scrutinizing the mere formality of expenditure to its wisdom and economy and to bring to light cases of improper expenditure or waste of public money.

e) Efficiency cum Performance audit to see that Government programmes have achieved the desired objectives at lowest cost and the intended benefits.

While conducting the audit of receipts of the Central and State Governments, this office examines whether the rules and procedures ensure that assessment, collection and allocation of revenue are done in accordance with the law and there is no leakage of revenue, which legally should come to Government.

f) After Independence, there has been a tremendous spurt in economic development and social welfare activities with the attendant increase in expenditure-revenue and capital - and in receipts and borrowings to match the expenditure. The change in the character of government and the complex nature of its activities called for a change in the nature and scope of audit. Audit has evolved from mere accounting and regularity check to evaluation of the systems and the end results of the operations of government, testing their economy, efficiency and effectiveness.

#### **vii. Verification of Annual Accounts**

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

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

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

4) An Inspecting Audit Officer is not expected merely to confine himself to the routine audit and inspection work. He should avail himself of the opportunity of assisting the departmental officers and accountants with his advice in matters affecting accounts, budget, etc., or the financial regularity of transactions. He may even offer suggestions bearing on the economy of public money and is expected to do so in all cases of superfluous clerical work connected with accounts and audit. There are various directions in which an intelligent Inspecting Officer can find scope for his enquiries. In case of Public Works he may find that there are chronic delays either in measuring work done or in making payments after measurements have been taken, and it may reasonably be presumed that such delays lead to enhancement of rates. He may notice that no attempt is made to invite competition amongst contractors, or that the arrangements for giving out contracts for work or supplies are, otherwise, so defective as to suggest that possibly the local body does not receive full value for payment made. An examination of the authorized schedules of rates, or a comparative study of them may show that the data on which estimates of the cost of works are framed for sanction of competent authority are not so satisfactory as to secure economical results. He may observe any peculiar features of the revenue receipts or expenditure, which may be suggestive of possible leakage of revenue realized, of untapped sources of revenue or of want of attention to economical considerations. An Inspecting Officer, must however, keep prominently in his mind that he is concerned primarily with the accuracy of accounts and regularity of financial procedure and not with administration. Suggestions, which affect financial or departmental administration, should

not be included in a report unless they have been discussed with the responsible departmental officer either personally or by demi-official letter.

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

### **viii. Drafting of Audit Reports and Follow up Action**

1. Audit depends for its effective value in its right and duty to report results to the proper authority, so that appropriate action may be taken to rectify the irregularity and impropriety, where possible, or to prevent a recurrence of it. This authority may be a departmental authority or local authority, and Government.

2. It is in the treatment of the results of audit that the auditorial function demands the highest qualities of understanding, balanced judgment and sense of proportion; and it is to enable him to deal with results adequately that the auditor has been accorded a high degree of independence and prestige. An auditor must develop an instinct of assessing the importance of an individual irregularity.

The auditor must keep before him his primary functions of securing the substantial correctness of accounts, and the regularity and propriety of individual financial transactions. He must decide, therefore, when the detailed audit of accounts and transactions has been completed and all infractions of rules and orders noticed whether to demand regularization or correction in an individual case, or whether to be satisfied with prevention of the error or irregularity for the future. In particular it will be remembered that, while financial rules and orders must be observed, mere rigid and literal enforcement of such rules and orders may degenerate into wholly unintelligent audit. As a general rule, undue insistence on trifling errors and technical irregularities should be avoided and more time and attention devoted to the investigation of really important and substantial irregularities with the object not only of securing rectification of the particular irregularity but also of ensuring regularity and propriety in similar cases for the future. At the same time failure to appreciate the significance of what appears to be trifling irregularity may lead to failure to discover important fraud or defalcation. Again notice may be taken of the cumulative effect of numerous petty errors or irregularities as indicating carelessness and inefficiency in the maintenance of the accounts or in financial administration generally.

3. Audit shall be conducted locally after giving due intimation to the Executive Authority concerned. The audits may be conducted by a single auditor or a batch of auditors or an audit party headed by the Assistant Auditor Officer depending upon the volume of the transactions of the auditable institution. The programme of audit shall be chalked out as per the Quarterly/Annual Programme. 4. During the course of audit, the auditors shall apprise the Executive Authority about the progress of audit and may indicate in writing to the said authority or the persons having custody of records through half margin letters the kind of documents, records and registers, which are necessary for the purpose of audit and the said authority or the person shall sign the half margin letter issued to him in token of having acknowledged the same. In case of noncompliance, necessary action as per the provisions of Section 6 of the AP State Audit Act read with Rule 6 of the AP State Audit Rules shall be taken and such non-production of records shall also be noted in the Audit Report duly mentioning about the non-production of records inspite of issue of half margin letters.

4. Audit Reports: -- The Audit Reports shall contain a statement of every payment which appears to be contrary to law ;

- the amount of any deficiency, waste or loss, which appears to have been caused by the gross negligence or misconduct of any person in the performance of his duties;
- the amount of any sum received which ought to have been accounted but is not brought into account by any person; and
- any material impropriety or irregularity in the expenditure or in the recovery of money due.

(Section 8 of AP State Audit Act 1989)

5. All observations and objections must be conveyed in courteous and impersonal terms and must be legible and intelligible. It is of utmost importance that any statement of criticism or irregularity in audit report should be accurate, fair, moderately worded and dispassionate. Innuendo is forbidden; if a charge cannot be substantiated, there should not be even any hint of it.

6. The Audit Report should be in the form as prescribed by the Director of State Audit. The objections have to be grouped under 19 categories duly indicating the code number as per the instructions issued in Circular Memo No. 16808/W/WHOMP/98-9 dt. 24-07-2003 and Circular Memo No. 25248/1117/A2/2003 dated 20-12-2003 of the Director of State Audit, AP, Hyderabad.

7. The Audit Reports should be drafted with utmost care. They should be as brief as possible consistent with lucidity and should not be in loose or ambiguous language. It is not sufficient merely to quote the rule or order violated; the substance of the rule or order and the effect of the violation of it on the financial interests of the institution, should, as far as possible, be explained, so as to be intelligible to an outsider. Objections should be self-contained, as far as possible. Large tabular statements should not be included in the Audit Report, but wherever necessary they shall be appended as annexures thereto.

8. While submitting Draft Audit Reports to the District Audit Office, Assistant Audit Officer should note on a docket sheet, irregularities of serious nature and irregularities that have been recurring inspite of

repeated objections, appearing in the audit report. District Audit Officer/Regional Deputy Director will, while approving the Audit Report examine the objections carefully and mark for consideration of the Regional Deputy Director\ Director of State Audit such of the paragraphs as require his special attention. In such cases, fair copies of reports should be issued only after the paragraphs have been seen by the Regional Deputy Director/ Director of State Audit. In cases where there are no such irregularities, Assistant Audit Officer should attach a nil docket.

9. In cases where paragraphs are deleted from or new paragraphs added on to Audit Report or paragraphs rearranged by the DAO/RDD, the necessary correction should be carried out by his office in the special letters and Draft Audit Reports.

10. The Audit Reports shall, on approval by the Director of State Audit, and other officers, who are authorised to approve and issue the reports as per sub-rule 2 of Rule 7 of the AP State Audit Rules, be communicated with forwarding letter to the Chief Executive Officer of the local authority or other authority by Registered post with acknowledged due.

11. Special letters containing all items of objections fit for initiating surcharge proceedings should be issued to all the CEOs or other persons responsible, within the meaning of sub-rule-4 of Rule-9 and Explanation I&II there under of AP State Audit Rules, by Registered post with Acknowledgement due.

**Note: -**

(1) In the event of non-availability of required information for fixing responsibility and accountability, the District Collector shall conduct enquiry and furnish details of the loss caused and the person or persons responsible thereof, within a period of six months.

(Second proviso under sub-rule 8 of Rule 7 of the AP State Audit Rules)

(2) Where data is not available to examine the loss or deficiency caused to the Auditable Institution in the matter of execution of works, the concerned administrative authorities may be addressed to get the works evaluated for assessing the loss or excess payment.

(3) Where there is no required material for assessing the loss due to non-levy/non-collection of taxes/fees to Gram Panchayats or Municipal Councils, the administrative authorities of the concerned institutions shall be addressed to intimate the actual loss caused to the institution on account of the above inaction.

12. The service of special letter should be pursued till acknowledgment of the addressee is received, by addressing the Postal Authority wherever necessary for the reason that without service of the special letter no further action can be taken.

13. Great care should be taken in selecting the paragraphs for including in the special letter. The items, which cannot be pressed to the point of surcharge, should not be included in the special letter.

14. Follow up action of Audit Reports: The CEO concerned shall place the Audit Report and the action taken report before a General Body meeting of the concerned local authority or other authority specially

convened for the purpose within a period of two months from the date of receipt of the Audit Report, and send the rectification report within one month of the said meeting to the Audit officer, who issued the Audit Report.

(Section 9 of the A.P State Audit Act read with Rule 8 of the A.P. state Audit Rules)

15. On receipt of the report from the Chief Executive Authority, the authority who issued the audit report shall take further action under clauses (a), (b) and (c) of sub-section (2) of Section 9 of the Act read with Rule 8 of the Rules. The Director may also take action under sub-rule (3) and (4) of the Rule *ibid*, as the case may be.

16. The CEO and the persons responsible for the irregularities have to submit, within a period of four months from the date of receipt of the special letter, report of having rectified the irregularities or explanation thereof, to the officer, who issued the special letter.

17. After issue of special letter and receipt of Acknowledgment thereof, a file has to be constructed with the special letter issued in original and the acknowledgment, and extracts of relevant paras.

18. The particulars of special letter have to be entered in the Register of special letters, in the format available in page 438 of the Functionary Manual.

19. If replies to special letter are not received within the time allowed, the AAos may wait for a month more and issue two reminders in the meanwhile. If replies are not received even after the issue of reminders, the disposal of special letter should be taken up at once on the material already available.

20. In the case of objections relating to non-production of records, the RDD/DAO should review such objections periodically, address the Executive Authority who made the payment and also the Executive Authority in office and take all steps to verify locally by deputing the AAO/Auditor who conducted the audit duly intimating the Executive Authorities in advance and if all the efforts fail and it is established that records are not produced willfully, surcharge proceedings have to be initiated on such objections.

(Memo.Roc. No. 507/M/2001 Dated: 29-06-2001 of the Director of State Audit, AP, Hyderabad)

21. The notes on special letter should be put up in the form of sectional notes. In the case of each objection included in a special letter, which has not been admitted or cleared, the paragraph number of the audit report, the substance of the objection in as few words as possible and the gist of the reply should follow. If further notes are to be submitted on the orders already passed on an objection, such notes should be written in continuation sheets so that the notes and orders on each paragraph might be continuous until the item is finally dropped or surcharge certificate issued. In the case of objections admitted it would be sufficient if the number and heading of the paragraph are written and a remark recorded that the objection has been admitted.

22. When it is decided that no surcharge should be made in respect of an objection, it should be treated as closed in the special letter file. Whereas the objections in respect of which surcharge certificates have been issued should be treated as closed in the Audit Reports.

23. Government have permitted waiver of audit objections by the officers of State Audit Department upto the monetary limits as indicated below: -

- (i) Director of State Audit: Upto Rs. 1000 in individual case.
- (ii) Deputy Director/Regional Deputy Director, State Audit : Upto Rs. 500 in individual case.
- (iii) District Audit Officer, State Audit: Upto Rs.200 in individual case.
- (iv) Assistant Audit Officer, State Audit: Upto Rs.100 in individual case.

**Note:** The waiver of audit objections permitted shall not be routine and mechanical and the cases involving malafides or negligence or incompetence of an exceptionally gross or culpable nature on the part of the executive authority concerned shall be brought to the notice of the concerned administrative department in the Government.

(G.O.Ms.No. 158 Finance and Planning (F.W.L.A.) Deptt. Dt. 16-04-1991)

24. It should be got verified locally and ensured by the Assistant Audit Officer before taking a decision to initiate surcharge proceedings on a paragraph included in a special letter, that the objection in the paragraph has not been rectified and it is proposed to the correct person. When a decision is taken to issue surcharge certificate on an objection in a special letter, a surcharge certificate should be drafted by the AAO, SA in the format at pages 592 to 601 of the Functionary Manual and submitted to the District Audit Officer, State Audit, who will approve and issue the same if he is competent or submit it to the Regional Deputy Director, State Audit of the Zone concerned or to the Director of State Audit, whoever is competent to issue the surcharge certificate depending upon the institution to which it relates as per the provisions of Rule 9 of the AP State Audit Rules. The file should be submitted by the AAO with the following documents:

- (1) An attested copy of the special letter and acknowledgement.
- (2) An attested copy of the paragraph.
- (3) An attested copy of the reply received.
- (4) The note file and draft surcharge certificate

25. After approval, the competent authority will issue the surcharge certificate to the person responsible for the deficiency or loss or unprofitable outlay or for any sum not accounted for, under copies to the concerned administrative authorities and the District Collector of the district concerned, by Registered Post with acknowledgement due.

26. The person aggrieved by the surcharge, may within sixty days after the date of service of the surcharge certificate on him,

a) file an appeal before the Government in Finance Department who shall pass such orders as it deems fit  
Or

(b) make an application to the concerned Principal Civil Court of Original Jurisdiction  
(Sub-rule 5 of Rule 9 of AP State Audit Rules)

**Note :-** It has been clarified by Government in Govt. Memo no. 18682/280/A1/Admn II/01 dated. 13-09-2001 of Finance Department, that since the appeal is made against the orders of the Director of State Audit and since he is under the administrative control of Finance Department, the appellate authority is the Finance Department in Government.

27. The person to whom surcharge certificate has been served, has to pay the amount due in the nearest Government treasury or in the office of the local authority or other authority as the case may be within sixty days after the date of service on him of the surcharge certificate unless he has made an application or appeal to the authorities mentioned above failing which such amount due shall be recoverable as if it were arrear of land revenue. (Sub-rule 8 of Rule 9 of AP State Audit Rules)

**Note:** (1) If the Surchargee refuses to receive the surcharge certificate sent by Registered Post with acknowledgement due, he shall be deemed to have been duly issued with a copy of the certificate and the period of sixty days mentioned above shall be calculated from the date of such refusal. (Clause (c) of sub-rule 4 of Rule 9 of AP State Audit Rules)

(2) The Surchargee cannot prefer an appeal on the ground that the special letter was not received by him nor acknowledged by him. (Sub-rule 7 of Rule 9 of AP State Audit Rules)

28. All the payments by the surchargees shall be reported by the Chief Executive Authority or the Surchargees to the authority who issued the surcharge certificate.

29. Copies of all Surcharge Certificates on which no action has been taken for recovery shall be communicated to the District Collector concerned, by the surcharge issuing authority, for initiating action for recovery as if they were the arrears of land revenue. (Sub-rule 9 of Rule 9 of AP State Audit Rules)

30. Register of surcharge certificates issued and Register of appeals received, to watch the recovery of the amounts and to watch action on the appeals received respectively have to be maintained in the Offices of Assistant Audit Officers/District Audit Officers/Regional Deputy Directors/Director of State Audit.

## APPENDIX I

### AUDIT CHECKS OF ESTABLISHMENT VOUCHERS

The auditor should acquaint himself with the general principles of audit and also the rules relating to Establishment Bills contained in the Rules relating to Receipts and Expenditure in respect of GPs issued with G.O.Ms.No. 496 PR dt. 11-6-1966 as amended, the Rules relating to Purposes for which the Mandal Parishad Funds and ZP Funds shall be applied, issued with G.O.Ms.No. 764 PR dt. 5-11-1994, as amended and G.O.Ms.No. 229 PR dt. 17-6-1997, as amended respectively and the Rules relating to Receipts and Expenditure in respect of Municipalities issued with G.O.Ms.No. 686 MA dt. 30-7-1968, as amended. The audit checks of Establishment Vouchers, TA Bills, LTC Bills, Surrender Leave Bills, Education Reimbursement Bills, Medical Reimbursement Bills and Loans and Advances are detailed below.

#### 1. Establishment Vouchers

It should be seen that

- i) that Establishment Audit Register is maintained properly duly entering the information under the columns prescribed therein and the correctness verified,
- ii) that pay and allowances are claimed in the bill for those who are working in the sanctioned posts,
- iii) that the pay bills are prepared in the prescribed form,
- iv) that the pay and allowances claimed for each individual are according to the sanctioned scale of pay and at the rates admissible in each case according to the entries made in the Establishment Audit Register and in accordance with the rules relating to the conditions of service,
- v) that the pay claimed is admissible in respect of a post to which the incumbent has been duly appointed and of which he is actually in charge,
- vi) that no claim is admitted for service in a post not duly sanctioned or pay not assigned or provided for the post,
- vii) that the charge drawn in the bill is arithmetically correct and supported by necessary certificate printed on the bill,
- viii) that in respect of posts for which qualifications have been prescribed, a certificate that the persons holding the posts are duly qualified or have been exempted by the competent authority is furnished in the bill,
- ix) that the pay bill is supported by a certificate in the bill that no leave has been granted to any member of the establishment,
- x) that in the case of appointment for the first time the following particulars are furnished along with the bill and to verify that
  - a) the appointment is in accordance with recruitment rules in force,
  - b) the authority for creation of the post,
  - c) the authority for the filling up of the post,
  - d) authenticated copies of qualification, age, health and vaccination certificates of the person in whose favour the pay is drawn,
- xi) that an increment certificate in the prescribed form has been attached to the first pay bill in which periodical increment is drawn,
- xii) that the pay of an officer or servant lent by the Government or transferred from any other local authority is drawn only after receipt of a last pay certificate in the prescribed form issued by the head of his former office and that the increment certificate is attached to the first pay bill drawn,
- xiii) that the loan or transfer of service is in accordance with the rules, that joining time taken is correct and transit pay drawn is admissible and correctly allocated and the allocation of leave and leave salary between different bodies has been correctly made,

**Note:** In case where leave salary and pension contribution are to be paid by the local authority, a suitable note should always be kept to see that such contributions are credited at proper rate by the local authority,

- xiv) that pay, leave salary, allowances or pension is drawn for the day of an employee's/ pensioner's death, irrespective of the hour of death,
- xv) that payments due to a deceased officer or servant have been made only on the production of an authority of the nature specified in sub-clauses (i), (ii), (iii), (iv) of the clause (b) of sub-section (1) of Section-214 of the Indian Succession Act, 1925 (Central Act XXXIX of 1925)

**Note:** - Payment may be made without such authority in certain cases specified in the relevant rules of the institution indicated above.

- xvi) that the grant of leave and payment of leave salary are correct according to the rules,
- xvii) that pay, transit pay, leave salary and acting allowance, are distinctly shown,
- xviii) that in cases where officiating promotions have been given, they are admissible with reference to the orders of Government or the rules relating thereto,
- xix) that a certificate of no demand signed by the executive authority is attached to the bill in which last payment of pay and allowances or leave salary is claimed, in respect of an officer or servant,



- xx) that the arrears of pay and allowances are drawn on a separate bill duly indicating the bill in which the charge was omitted or withheld or in which it was refunded by deduction and that the provisions of Art.53 of APFC Vol-I are followed,

**Note:** - the original bills should be verified and the number and amount of the subsequent voucher should be quoted against the entry in the original bills.

- xxi) that the pay bills are signed and passed by the Executive Authority,  
xxii) that it has been indicated in the cheques in respect of payments of salary and fixed allowances of the month are payable on the first working day of the following month,

**Note:-** When an officer or servant finally quits the service of the local authority or transferred to the service of another local authority or the Government, cheques may be issued on the date of such event.

- xxiii) that the amount drawn by the executive authority is disbursed to a proper person or persons and their acquittances (stamped where necessary) have been obtained, and in case the payee does not present himself within fifteen days from the date of drawal of money, the amount drawn for him has been refunded to the funds of the local authority,  
xxiv) that the amount of salary and allowances drawn is not placed under deposit in any circumstances,  
xxv) that FTA is drawn in the pay bill of the officer or servant concerned and not on Traveling allowance bills, that it is according to the rate sanctioned for the post and that a certificate from the Controlling Officer to the effect that in respect of FTA claims drawn in previous month/half year/year as the case may be, he has obtained the necessary journals and has satisfied himself that the officers and servants of the Local Authority made the requisite tours and that in cases where requisite tours have not been made, necessary recoveries have been effected in the bills (to be specified)

**Note:**

- 1) In cases where the period for which minimum tour is prescribed is a half year or a full year, the certificate should be attached to the pay bills relating to the second month after the expiry of the half year or full year to which period the FTA relates to
- 2) The tour journals should be verified in audit in at least 10% of the cases
- 3) The FTA of an officer who uses on tour the Zilla Parishad vehicle, is reduced by 25% proportionately for the number of days on which he has used the Zilla Parishad vehicle, if such days go to make up the period of minimum touring

- xxvi) that in the case of temporary posts, the sanction of the competent authority for the creation of the post and orders for continuance of such posts after expiry of the period for which sanctioned is forthcoming and that the pay, allowances etc. claimed are according to the sanctioned rate and according to the rules,

**Note:** Temporary establishment should be entered in the Establishment Audit Register on a separate page and not mixed up with permanent establishment.

- xxvii) Income tax deductions are made wherever necessary and remitted into Treasury,

**Note:**The treasury challans should be verified for the purpose.

- xxviii) that subscriptions towards Provident Fund are deducted according to the rules and credited to the PF Accounts of the Zilla Parishad,  
xxix) that the Contributory Pension Scheme has been implemented in respect of the employees recruited on or after 01-09-2004 and that monthly contribution at 10% of the Basic Pay and DA is deducted from the salaries of such employees and remitted to the relevant head of account as per the orders in G.O.Ms.No. 655 Finance (Pension-I) dept. dt. 22-09-2004,  
xxx) that the subscriptions under APGLI, APGIS, P.T, LIC(SSS) etc. are deducted at the rates prescribed under the schemes and remitted to concerned departments through challans with details of fund to be credited to and cheques written in the name of the bank concerned with endorsement on the reverse to credit the amount as per the challan,

**Note:** The cheques should not be drawn on self for this purpose.

- xxxi) that the deductions made if any, such as those towards repayment of advance for the purpose of conveyance, security deposits and recoveries of excess payment are properly credited to the respective accounts,  
xxxii) that the deductions towards APEWF @ Rs.50/- in respect of those who are new entrants and @ Rs.20/- in respect of others have been made every year in the pay for March payable in April and that Flag day contributions @ Rs.50/- in respect of Gazetted Officers and @ Rs.20/- in respect of NGOs has been deducted in the pay bill for the month of December payable in January,  
xxxiii) that annual verification of services has been conducted in respect of each member of the establishment with reference to pay bills and acquittances and a certificate to that effect recorded in the Service Register at the end of the financial year,  
xxxiv) that the appointments to the grades in the Automatic Advancement Scheme and fixation of pay in the grade scales are in accordance with the provisions of the connected Government Orders issued from time to time,

**Note:-1.** The representations for step-up of pay of a senior to that of a junior due to application of Automatic Advancement Scheme and introduction of FR-22-B, made beyond five years after promotion of the junior should not be allowed

(As clarified by Government in Cir. Memo No.5476-A/137/FRII/07 dt. 12-3-07 of Fin (FRII) dept.

2. AAS cannot be made applicable to the employees if the Government provides the opportunity for promotion and the employee misses promotion due to disciplinary case pending against him/her due to misconduct or relinquishes his/her promotion, as clarified by Government (Fin(PCII) deptt Cir.Memo No.216-A/2/A2/PCII/2007-1 dt.23-3-2007)

3. Increment accrues only after 12 months consequent on fixation of pay under FR 22(a)(iv), but not on the date of increment in the old post. (Government Memo No. 14497/188/A1/FRII/2004 dt.15-10-2004 of Fin (FRII) deptt read with Government Memo No.8401/147/A1/AdmnV/2005 dt.7-6-2005 of Fin (AdmnII) Deptt.)

4. Protection of pay under FR22 (a)(iv) not admissible to the employees who had rendered service in the Grant-in-aid institutions and appointed to Government post on direct recruitment (Govt.Cir.Memo No: 3208/353/FRII/2005 dt.26-5-05 of Fin(FRII)Deptt.)

5. Advance increments for acquiring higher qualification and sanction of Family Planning incentive increment not admissible w.e.f.1-7-1998. (GM No: 1943/32/A1/PLI/2006 read with GM No: 4377/86-A/A1/PLI/2007 dt. 17-3-2007 of Fin(PLI)Deptt.)

6. Anomaly between the pay drawn by the senior and the junior arising out of reintroduction of pay fixation under FR 22-B for those employees who are holding special grade/ special promotion post Scale- I and got regular promotion after 1-7-2003 cannot be rectified. (GM No: 2620-A/65/FR-II/07 Dated 20.02.2007 of Fin(FRII)Deptt.)

## 2. Traveling Allowance Bills

(a) The APTA Rules 1996 apply to all the officers and other employees of Gram Panchayat, Mandal Parishad, Zilla Parishad and Municipalities

It should be seen –

- i) that Register of TA Bills is maintained properly duly entering the relevant details in all the columns
- ii) that the Budget allotment is noted under each head of account at the top of the corresponding section, that the entries in the register are totaled monthly and progressive total checked against the Budget allotment

(b) The following are the important checks to be exercised in the audit of TA bills for the journeys on tour and transfer

- i) that the scale of pay of the incumbent in the feeder category post as shown in the TA bills is correct with reference to the pay bill and as recorded in the Establishment Audit Register
- ii) that claim is preferred for the journeys as admissible to the grade of the incumbent
- iii) that the railway fare claimed is correct as verified with the Railway Time-table
- iv) that the claims of daily allowance, mileage and cost of transport of personal effects are correct with reference to rules
- v) that the certificates required by the rules in support of the claim for the railway fare/APSRTC Bus mileage and transport of personal effects are furnished
- vi) that the bills bear the countersignature of the competent authority wherever necessary

### Note:

1) The duty of countersignature cannot be delegated.

2) Countersignature does not dispense with the necessity for formal audit.

3) Ordinarily, the countersignature by proper authority or the signature of the drawing officer when a bill does not require countersignature, should be accepted as final evidence, that the facts of the journey on which the claim is based are correct, and that the Controlling Officer or Drawing Officer as the case may be, has exercised the scrutiny entrusted to him under the rules by Controlling Officer. Occasionally, a test check should be exercised to see that these officers scrutinize the bills properly.

4) T.A is not a source of profit. It is accordingly the duty of audit to see that apart from the correctness of the claim made, the general principles of legitimate finance are borne in mind by the touring officers. For this purpose, an intelligent scrutiny ordinarily expected of the Controlling officers under Rule-7 of the APTA Rules should be made from a higher audit point of view, and it should be seen interalia that tours are ordinarily so arranged by the officer as to economize time and traveling allowance as much as possible and that as many contiguous places on the way or nearby are visited in the same tour as possible. The performance of a second or subsequent journey in the same direction within a reasonable interval either to the same place or any other place on the way or nearby should not however be questioned in audit unless the traveling allowance bills of any particular officer indicate that he is habitually arranging his tour programme uneconomically.

- vii) that payment of traveling allowance for special purposes are covered by special sanction or authority.

### Note:

1) The TA claims for journeys on tour preferred after three months (90 days) from the date of last journey in the month in which journeys on tour are performed should not be entertained. (Art.54 of APFC Vol.I)

2) TTA claims for the journey on transfer in respect of the Government employee, his family members and personal effects preferred after three months from the respective dates should not be entertained. (Art.54 of APFC Vol. I)

### 3. Leave Travel Concession Bills

(a) Leave travel concession is reimbursement of the expenditure incurred by the Government employee and family members to travel from his head quarters to Home Town/Any place within the State. These rules under the scheme are contained in Annexure-VII to Rule-92 of the APTA Rules. The LTC claim has to be preferred in TA Bill form (APTC Form No.52).

(b) The following are certain important audit checks:

- i) that the concession is allowed to the employees including to those appointed on temporary basis and on contract basis who have put in a continuous service of not less than five years,
- ii) that prior permission is obtained to avail the concession,

**Note:** Prior permission has to be obtained before commencing the upward journey (Government Memo No.1165/PC/72-1 dt, 12-5-72 of Fin & Plg (PC) dept.)

- iii) that the availment is correct with reference to the block periods,
- iv) that the employee has submitted Home Town Declaration in the prescribed form, which is approved by the Controlling Officer and recorded in the Service Book under attestation,
- v) that the authority competent to grant Earned Leave has permitted the employee to avail the concession,
- vi) that the employee has applied for leave including Casual Leave for availment of the concession

**Note:** The employee in vacation dept. may avail the concession during the period of vacation.

- vii) that the employee has touched the destination for which he/she is permitted  
(GM No.39873/1005/TA/85-1 dt.16-12-85 of the Fin & Plg (FW-TA) dept.)

**Note:** If the Home Town is situated outside the State, the claim should be limited to the last point within the State in that direction.

- viii) that the ticket number is noted when the journey is performed by train and the actual bus fare tickets purchased are enclosed when travel journeys are performed by regular public motor service.

**Note:** Officer eligible for First Class travel by Rail on tour, is not entitled to travel by AC II-Tier Class while availing LTC

- ix) that the LTC is limited to only two dependent children from 1-4-96 onwards and any child born after 1-4-96 is not entitled to LTC, but in respect of children born before 1-4-96, all the dependent children are eligible for the benefit  
(G.O.Ms.No. 140 Fin & Plg (FW-Admn-II) dept. dt.3-4-96)

**Note:**

- 1) The parents of Gazetted Officers should not be treated as family members.
- 2) Parents of married female government employees will be treated as members of family provided they are dependent on them.
- 3) Pensioners do not come under dependent parents.

x) that when both the employee and his/her spouse are Government employees or one of them is a Government employee and the other is an employee in a non-Government organization, certificate of non-availment or non-availability of the concession, as the case may be, has to be furnished in the bill by the Government employee who is availing the concession, along with a certificate obtained from the DDO of the Govt. dept. or the organization concerned,

- xi) that the claims for journeys by private services on private taxi/van/hired car are not accepted,
- xii) that the claims preferred within 30 days from the date of return journey are accepted and the claims preferred after 30 days and upto one year from the date of return journey are accepted after imposing 15% cut on the gross amount of the bill,

**Note:** The claims preferred after one year should not be accepted.

- xiii) that the certificates to be furnished by the claimant as per rules have been furnished in the claim,
- xiv) that the LTC Advance drawn has been adjusted in the bill,
- xv) that the bill has been countersigned by the Controlling Officer,
- xvi) that an entry of granting permission to avail LTC and of availment of LTC by the employee with block period is recorded in the SR and certificate to that effect also recorded on the bill,
- xvii) that the advance drawn has been refunded in full if the outward journey is not commenced within thirty days of the drawal of the Advance,
- xviii) that, if the Advance was sanctioned for both onward and return journeys, and if the return journey is not performed in time, 50% of the Advance has been refunded,
- xix) whether action has been taken under Rule 14 and 15 of the LTC Rules on the employees who misused/abused the concession and the Advance drawn for the purpose,
- xx) that Watch Register of LTC Advances is maintained to watch the recovery.

#### 4. Surrender of Earned leave Bills

The scheme of surrender of Earned Leave not exceeding 15/30 days in a block period of one/two calendar years by an employee and payment of leave salary in lieu of such surrender, was introduced in G.O.Ms.No. 172 Fin & Plg (FW-FR-I) dept. Dt.1-7-74 read with G.O.Ms.No. 221 Fin & Plg (FW-FR-I) dept. Dt. 23-8-74, and G.O.Ms.No. 334 Fin & Plg (FW-FR-I) dept. Dt. 29-9-77. The scheme was modified vide G.O.Ms.No. 294 Fin & Plg Dt. 16-11-88 according to which the employee may be permitted to surrender not exceeding 15/30 days' EL once in one/two financial years as the case may be in lieu of payment of leave salary there of. For this purpose, month consists of 30 days irrespective of the month in which leave is surrendered. Government has been regulating the availment of surrender of Earned Leave every year fixing a time schedule as follows:

September & October	Class-IV employees.
November & December	NGOs including Police Personnel and teachers.
January & February	Gazetted Officers.

It should be seen –

- i) that the EL Account in the SR is correctly worked out under attestation of the competent authority,
- ii) that permission is granted to the employee for surrender of 15/30 days as per entitlement with reference to the entries in the SR,
- iii) that the employees appointed on temporary basis under 10(a)/7(a) of the AP State & Sub Service Rules/AP Last Grade Service Rules are granted permission to surrender for the first time after they put in 24 months of service,
- iv) that the availment of surrender leave is entered in the SR.

#### 5. Education Fee Reimbursement Bills

- (1) Sanction orders should be supported by school fees receipts in original or school fee card in the event of school fee receipts having been lost. (Government Memo No. 155-P2/66-4, dated 16-03-1966 of Education Department)
- (2) The school should be recognized by the government of A.P. irrespective of whether grant-in-aid is received or not. (Registered schools or recognized by CBSE or studying in institutions of other states) (G.O.Ms.No.1725 Education Department, dated 26.04.1959)  
S(Rule206 of A.P, Educational Rules published in supplement to part I of A.P.Gazette, dated 26.05.1966)
- (3) If the pupil remains for more than one year in one and the same class, the concession thus withdrawn shall be revived when the pupil is promoted to the next higher class.
- (4) If one of the parents is a Gazetted Officer and the other is a Non-Gazetted Officer (NGO), concession is not admissible.
- (5) Certificate stating whether spouse is employed either under State Government, Central Government, Quasi Government etc., where similar concession is available and has not been availed is to be furnished by the Government servant and attested by the DDO.
- (6) If the Government servant is under suspension, concession is admissible pending result of the enquiry.
- (7) If the NGO is appointed as Gazetted Officer, the concession is not admissible from the month following the month of promotion. If reverted to Non-Gazetted cadre, the concession is not admissible during the month of reversion.
- (8) The concession is claimed up to the month in which the NGO is ousted for want of vacancy/dismissed/retired from service and not till the end of the school year.
- (9) The claim is restricted to Rs 70/- per child per Annum in respect of students studying Nursery, LKG, and or UKG. (Govt. Memo No.2701 Y 2/3-4 Education, dated 15.12.1983)
- (10) The claim is restricted to Rs.400/-per pupil per annum uniformly for all the classes I to X respect of the children of N.G.Os who are in the R.S.P.2003 of Rs.7770-17455 and below, subject to the condition that the scheme is limited to two children of the employee. (G.O.Ms.No. 119 Education [SE-Ser.IV] Department, dated 22.09.2005).
- (11) Bills shall be drawn on pay bill form

#### 6. Medical Reimbursement Bills

Government Employees and employees of Local bodies and members of their families are eligible for reimbursement of medical expenses incurred by them for treatment of diseases from State funds or from the funds of the Local bodies, as the case may be, under A.P. Integrated Medical Attendance Rules 1972, subject to the terms and conditions specified therein.

- (1) Sanction orders should be supported by medical bills in original along with application in prescribed Performa and Essentiality Certificate. In the case of All India Service officers no sanction is required.
- (2) Cash Memo and essentiality certificate are countersigned by Medical Officer authorised to do so.
- (3) The office seal of the hospital to which the Authorised Medical Officers is attached or the seal of the dispensary, including the name of the hospital to which the dispensary is attached, should be affixed.
- (4) The Medical Reimbursement bill is counter signed by the controlling officer. In the case of AIS officers, this is not necessary.
- (5) The bill is received within 6 months after the last date of the period of treatment, or otherwise 15% cut is imposed.

- (6) The cash memo contains the name of the entitled person.
- (7) Treatment simultaneously both under the modern and indigenous systems is not admissible.
- (8) The period of treatment and nature of illness is clearly indicated in the Essentiality Certificate by Authorised Medical Officer.
- (9) The Reimbursement claim is not admissible in respect of items, which are not medicines but are primary foods, tonics, toilet preparations and disinfectants.
- (10) The bill containing any consultation or other fees is prohibited (Rules 4 [5] of APMA Rules 1972)
- (11) The Maximum ceiling limit of reimbursement of medical expenses is Rs.2 lakhs for major ailments, in respect of the serving employee and their dependants and Rs.1 Lakh in respect of retired employees and their dependants and family pensioners (G.O.Ms.No105 HM&FW{KI} department dated 9-4-07.
- (12) (i) In G.O.Ms.No 74 Health Medical and Family Welfare (KI) department dated 15-3-05 the rates prescribed in Central Government Health Scheme package by Govt of India, Ministry of Health and Family Welfare, New Delhi, for Central Government Health Schemes Hyd, are adopted for the purpose of reimbursement of medical expenses incurred by the State Government employees both in service /retired and their dependants and family pensioners.
  - ii) The district level officers of all the departments are, under the powers delegated, competent to sanction the claims upto a value of Rs 25,000/- subject to scrutiny done by the District Medical Board/Supdt of Teaching Hospitals.
  - iii) The claims of the value over and above Rs.25, 000/-should be sanctioned by the respective Head of the department after getting scrutiny report of Director of Medical Education, or Nizam's Institute of Medical Sciences, Hyd or Sri Venkateswara Institute of Medical Sciences, Tirupati, as the case may be, and where relaxation of rules are not involved.
  - iv) The cut prescribed on the eligible amount in cases of treatment obtained under emergency condition in Private hospitals recognized by Government without referral letter from Govt hospitals or NIMS, Hyd, or SWIMS Tirupati is reduced from 20% to 10%.
  - v) This facility be allowed only to adopted son or daughter and it is restricted to the family as defined under Rule 3 (7) of AP Integrated Medical Attendance Rules1972.
- (13) The State Government Employees both in service and retired and their dependants are allowed to secure treatment under emergency cases, in the AP State Government recognized Private Hospitals outside state with 10%cut on the eligible amount and as per CGHs rates. (Para 9(17) of G.O.Ms.No.74 HM and Family Welfare Department dated 15-3-05 as amended in G.O.Ms.No.105 dated 9-4-07)

## 7. LOANS AND ADVANCES TO OFFICERS/ EMPLOYEES

The eligibility ceiling of House Building Advance is as laid down in G.O. (P) No.77 Finance (A & L) Department Dated: 03-04-2006. The ceilings in respect of Marriage Advance, Motor Cycle Advance, Motor Car Advance, Cycle Advance etc., are as laid down in G.O.(P) No.78 Finance (A & L)Department Dated: 03-04-2006. The checks are as detailed below.

### A. Marriage Advance

- (1) Sanction claim and recovery of Marriage Advance should be checked with reference to the orders issued in G.O.Ms.No 98 Finance Department, dated 26.03.1970.
- (2) A Certificate to the effect that no previous advance is pending recovery be enclosed.
- (3) The advance sanctioned shall be drawn and disbursed not earlier than two (2) months of the anticipated date of marriage.
- (4) The date of marriage should be furnished in the proceedings on a separate certificate indicating the same.
- (5) a) If the date of marriage is already performed, the certificate under Para 6(b) of G.O.Ms.No.90 Finance, dated 26.3.1970 be furnished.  
b) The sanction should be within one year of the marriage.
- (6) The Personal Security Bond in Form-II may be obtained and retained in the office and certificate indicating this be enclosed to the bill.
- (7) A Certificate to the effect that his/her spouse is not a Government servant or if he/she is a Government servant, no marriage advance is sanctioned to him/her should be obtained and enclosed.
- (8) Rate of interest chargeable is @ 8.5% to Gazetted Officers and 6.5% to Non-Gazetted Officers. This should be mentioned in the proceedings.
- (9) Budget Slip-A should be enclosed to the bill.
- (10) Correct Head of account as per Budget Book, i.e. M.H.800 Other Advances-S.H.05-Marriage Advances, may be indicated on the bill.
- (11) Full eligible amounts shall be sanctioned (Govt.Memo.No.36851/1413/AI/A&L/83, Finance Department dated 18.11.1983). Distribution of budget among various applicants without sanctioning full eligible amount is against Government Orders.
- (12) For self-marriage, the following certificate be obtained and enclosed to the bill.
  - a) A certificate to the effect that father and mother are not Government Employees.
  - b) Certificate to the effect that the individual has completed 5 years of regular service.
- (12) A Watch Register observing the recovery of the advance sanctioned should be maintained. (Annexure - 20)

## **B. Motor Cycle/Motor car/cycle Advances**

### **a) Motor Cycle/Motor Car Advance**

1. Full eligible amount of advance shall be sanctioned as per Government Memo No 36851/1413/AI/A&L/83 of Finance Department.
2. Certificate should be furnished to the effect that agreement and security bonds have been obtained from the individuals and retained in the office.
3. Certificate that no previous advance is pending if the M.C.A. is sanctioned for the second time and that the earlier advance is fully recovered with interest and clearance certificate is obtained from the Accountant General, Andhra Pradesh and enclosed.
4. Certificate to the effect that his/her spouse is not a Government servant and if either of them happens to be Government servant certificate that no advance is sanctioned to him/her be obtained and enclosed.
5. Certificate that the loanee has not been sanctioned any other conveyance advance during the preceding five years be enclosed.
6. The rate of interest to be charged is 7.5% p.a. for motor cycle advances and 8.5% for motor car advances as per G.O.Ms.No.86, Finance Department, dated 09.07.2001.
7. Sanction of Moped Advance is accorded to drivers of Government vehicles as per G.O.Ms.No333, Finance Department, dated 14.12.1983.
8. As per Para(4) of G.O.Ms,No333,Finance Department dated 14.12.1983, Account Payee Cheque shall be issued in favour of the dealer from whom the driver intends to purchase the vehicle and cheque is not to be issued in favour of the Drawing Officer.
9. A watch Register observing the recovery of the advances sanctioned should be maintained. (Annex-21).

### **b) Cycle Advance**

1. Certificate that Agreement and Security bonds have been obtained from the loanee and retained in the office be enclosed.
2. Certificate that the loanee's spouse is not a Government servant.
3. Certificate that the loanee has not been sanctioned any other conveyance advance during the preceding three years be enclosed.
4. Correct Head of Account as per the budget book be furnished on the bill.
5. Budget slip-A be enclosed.

## **C. House Building Advances**

### **a. Purchase of site (partly for site and partly for construction)**

- (1) As per G.O.Ms No.105 Finance Department, dated 19-04-1975,the Cheque has to be issued in favour of the vendor only from whom the loanee proposes to purchase the site and not in favour of the Drawing Officer.
- (2) Certificate that he has not been sanctioned any kind of House Building Advance previously be furnished.
- (3) Certificate that Agreement Bond in (Form-IV) and surety bond are obtained from the individual be furnished.
- (4) Certificate that his/her spouse is not a Government servant.
- (5) Correct Head of Account as per Budget book be furnished.
- (6) Details of the Plot number, Survey number, Location, etc., of the site proposed to be purchased be furnished.
- (7) Budget Slip-A be enclosed.
- (8) Proceedings be enclosed in duplicate duly signed in ink.

### **b. For Construction**

1. Full eligible amount as per Government Memo No.36851/1413/A&L/83 Finance Department, dated 18.11.1883 be sanctioned. Distribution of budget among various applicants is not correct. An amount equal to a 3<sup>rd</sup> of the total amount sanctioned is to be released in each installment.
2. Certificate that the site owned by the applicant is mortgaged in favour of Government in Form VII A along with the house to be built thereon (For 1<sup>st</sup> installment) be furnished.
3. Certificate that the Mortgage deed, duly registered, has been obtained from the Loanee along with a certificate and construction of the house has reached lintel level (For 2<sup>nd</sup> instalment)
4. Certificate to the effect that construction of the house has reached roof level and that the sanctioning authority is satisfied that the development of the area in which the house is built is complete in respect of amenities such as water supply, drainage, sewerage etc. (For 3<sup>rd</sup> installment).
5. Certificate that the loanee has not been sanctioned any other kind of House Building Advance previously.
6. Certificate that his/her spouse is not a Government employee.
7. The amount to be released in the instalments fixed should tally.
8. As per G.O.Ms.No.286 Finance Department, dated 09.07.1976, the rate of interest should be charged @ 7.5% p.a. to Class IV employees and at 8.5% p.a. to others, which should be indicated in the proceedings.
9. Certificate that Agreement and Security Bonds have been obtained from the loanee and retained in the office.

10. In terms of G.O.Ms.No 125 Finance Department, dated 13.05.1987, and G.O.Ms.No.150 Finance Department dt.18-06-1987 be sanctioned as "Differential amount of House Building Advance" not as "Additional Loan". Orders issued in G.O.Ms.No.108 Finance Department, dated 27.04.1987 permitting sanction of additional loans to the extent of Rs 20,000/- are superseded by G.O.Ms.125&150.
11. Head of Account be indicated as per the Budget book.
12. Budget Slip-A be enclosed.
13. A register noting all the mortgage deeds and overseeing should be maintained. (Annex-22).

#### **c. For Ready Built House**

- (1) House number and location of the house proposed to be purchased be furnished.
- (2) In terms of G.O.Ms.No.105 Finance & Planning (F.W.) Department, dated 19.04.1975, the Cheque is to be issued in favour of vendor only and not in the name of Drawing Officer.
- (3) It may be stated whether full eligible amount is sanctioned as per Government Orders or amount is sanctioned to the extent of cost of the house as agreed to by the vendor.
- (4) The agreement bond in Form-VI is obtained from the individual.
- (5) Certificate that the loanee has not been sanctioned any kind of HBA previously may be furnished.
- (6) Certificate that the loanee's spouse is not a Government servant be furnished.
- (7) Differential amount for Ready Built Houses in terms of G.O.Ms No.150 Finance Department, dated 18.06.1987 cannot be sanctioned to the individual as per Govt. Memo No. 175-A/317/A&L/88, dated 23.06.1988, if the loanee has not fulfilled the formalities in time. The balance of loan is to be refunded with interest and he/she may apply afresh for sanction of loan.
- (8) Head of Account is correctly indicated in the bill as per the Budget book of the year.
- (9) Budget Slip-A is enclosed.

#### **d. Repairs, Addition/Alterations & Improvements**

- (1) House number, location, etc., of the house for which repairs are proposed to be undertaken have to be furnished.
- (2) Certificate to the effect that the repairs, addition for which advance now sanctioned is for the first time or second time. If it is second time, it may be certified that the first advance is fully repaid with interest and that there is a gap of five (5) years from the date of sanction of original H.B.A. or first repairs loan (G.O.Ms No.99 Finance Department, dated 27.04.1981).
- (3) Certificate that plans and estimated duly approved by the competent authority have been obtained from the individual be enclosed.
- (4) Certificate that Mortgage deed has been obtained from the loanee and filed in the office be enclosed. In cases of applicants who have already been sanctioned H.B.A. and furnished (M.D.) additional Mortgage deed for the amount of repair loans now sanctioned be obtained (G.O.Ms No.99).
- (5) Repair loans cannot be sanctioned in installments (U.O.Note No. 871/u/A&L/87 Finance Department, dated 15.01.1987).
- (6) Certificate that agreement and surety bonds have been obtained from the loanee be furnished.
- (7) Certificate that two surety bonds have been obtained in lieu of Mortgage of house at \_\_\_\_\_ be furnished as required in Government Memo No.3135-A/387/A&L/86, dated 31.07.1986.
- (8) If full eligible amount has not been sanctioned as per Government Memo No.36851/1413/A1/A&L/83, dated 18.11.983, it may be clearly certified in case the repairs advance is sanctioned now to the extent of the plans/estimates furnished by the loanee.
- (9) Certificate that the loanee's spouse is not a Government servant be furnished.
- (10) Head of Account be correctly furnished in detail as per the Budget book of the year.
- (11) Budget Slip-A is enclosed.
- (12) Proceedings duly signed in ink should be enclosed in duplicate.
- (13) A watch Register observing the recovery of all HBA advances sanctioned should be maintained.(Annex-23).

#### **D. Write off of Loans & Advances**

Govt. have delegated powers of sanctioning long term loans and advances also to the Drawing & Disbursing Officer vide G.O.Ms.No. 131, Fin & Plg, (FW. A & L) Dept., dated 19-8-1997. Further, as per G.O.Ms.No. 212, Fin & Plg. (FW.A & L) Dept., dated 20-6-1977, sanctioning authority is the authority to write off the loans and advances.

**House Building Advance** (G.O.Ms.No.401, Fin & Plg, (FW. A&L)Dept. dt. 14-11-1990):

For writing off HBA, the DDO has to verify

- i) whether the loan sanctioned was fully utilized for the purpose or substantial effort was made by the loanee to utilize the loan amount for the purpose for which it was sanctioned. If the loan sanctioning authority is satisfied about one of the conditions mentioned above, the other conditions, viz. condition relating to fulfilment of HBA formalities by the deceased Govt. servant.
- ii) The benefit shall be extended to all employees who are entitled to receive HBA without any restriction relating to age at the time of sanction of loan (Earlier this facility was available to those who have received HBA before attaining age of 45 only).

**Motor Car/ Motor Cycle/ Moped/ Computer Advance** (G.O.Ms.No.167, Fin & Plg, (FW.A & L) Dept., dated 4-10-1999 & G.O.Ms.No. 154, Fin & Plg, (FW, A& L) Dept., dated 9-11-2000):

Entire principal and interest will be written off provided formalities prescribed in the rules fulfilled.

**Marriage/ Bicycle/ Festival/ Special Festival (APCO)/ Educational Advance and Advance for Purchase of solar cookers** (G.O.Ms. No. 388, Fin & Plg, (FW, A& L) Dept., dated 27-11-1993):

Entire principal amount has to be written off and in respect of marriage & bicycle advance, entire interest amount has also to be written off.

**Action to be taken after write off:**

As per the instructions issued in Govt. Memo No.37360-F/1146/BG/75-3, dated 14-7-1976, it must be indicated in the orders that the amount so written off shall be adjusted against the outstanding loan by obtaining supplementary grant under revenue head of account to be debited. The departments were requested to send necessary proposal duly enclosing the relevant copies of orders of write off for provision of funds to Finance (A & L) Department through concerned administrative department.

## APPENDIX II

### Expenditure on Works – Audit Checks.

The audit of works expenditure consists of:

- a) the check of estimates,
- b) an examination of tender files,
- c) verification of sanctions to estimates and of selection of contractors, and
- d) check of bills with the measurement books, agreements, metalstatement and contractor's ledger.

#### (a) Estimate

It should be seen –

- i) that estimate is prepared with reference to the plan i.e. measurements, quantities of each item of work calculated,
- ii) that the material and labour component is worked out with reference to the standard data,
- iii) that the schedule of standard rates is adopted to work out the value of the items of work in the Estimate,
- iv) that the Estimate was administratively and technically sanctioned by the competent authorities,
- v) that a lumpsum provision is made in the Estimate towards insurance for two years, being the defect liability period for both original works and maintenance works,
- vi) that a lumpsum provision is made to meet the expenditure to be incurred by the contractor on engaging Technical Personnel based on number of persons indicated in the tender document,
- vii) that a lumpsum provision is made towards Banker's charges for obtaining Bank Guarantee for payment of E.M.D, performance security, and release of retention amount as per the prevailing procedure based on the period of completion plus defectliabilityperiod.
- viii) that a provision @ 1% of the cost of cement towards construction of temporary shed is added in the data of relevant items.

**Note:** Necessary conditions should be incorporated in the tender document in respect of the items (vi), (vii), and (viii) above for suitable reimbursement to the contractors from out of the above provisions, however not exceeding the amounts indicated against each. The reimbursement shall be against production of necessary documents like Insurance policies, appointment orders, payment vouchers, Bank guarantee etc. Failure to comply with the above, reimbursement shall not be allowed, and suitable penalty shall be imposed for not engaging technical personnel.

- ix) that the material required for execution of work has not been supplied departmentally and that the Engineering officers have inspected and satisfied themselves that good quality material has been used on the works
- x) whether any development of a project or work which is not fairly contingent on the proper execution of work as first sanctioned, but thought necessary while the work is in progress is covered by a supplementary estimate, accompanied by a full report of the circumstances,
- xi) that Revised Estimate has been submitted when the expenditure is likely to exceed the amount of sanctioned estimate plus such excess as can be passed by the appropriate authority for any case whatever other than tender premium or when developments or deviations necessitate revised administrative approval,
- xii) that the estimates are not split up to avoid calling of tenders
- xiii) that in respect of works done departmentally payments are made of NMR, that the amounts paid on each date noted in words as well as in figures and stamped receipt has been obtained from the party wherever required

#### (b) Tenders

It should be seen –

- i) that tenders are called for for execution of the works, the value of the estimate is more than Rs.5000/- only, when they could not be executed through other agencies/systems,



**Note:** As per orders of Government in G.O.Ms.No. 37 PR&RD dt.18-3-05 the works of the estimate value upto Rs.5,00,000/- may be entrusted on nomination basis to the works committee/self-help groups at the village level and the nominee of the committee or the group leader enter into agreement with the executing agency with the guidelines issued therein.

- ii) the tenders quoting more than 5% of the estimate value are rejected outright,
- iii) that in respect of the tenders quoting less by more than 25% of the estimate value, a Bank Guarantee or Demand Draft for the difference between the tendered amount and 75% of the estimate value has been taken,
- iv) that the rates quoted by different tenderers have been tabulated and scrutinized by the authority competent to accept the tenders,
- v) that the authority competent to accept the tender i.e. the authority who accorded technical approval has accepted the lowest tender or reasons for the non-acceptance of the lowest tender have been recorded,
- vi) that in no case has a tender been accepted at other than the rates specified in the tender,

**Note:**

- 1) If tenders are either not received or higher rates are quoted in respect of the works of the estimate value not exceeding Rs.20,000/-, the tenders may be cancelled.
- 2) If the estimate value of the work is more than Rs.20,000/- but less than Rs.60,000/-, the tenders as mentioned above may be cancelled with the approval of the Superintending Engineer.
- 3) If the estimate value of the work is more than Rs.60,000/- but less than Rs.1,00,000/-, such tenders may be cancelled with the approval of Chief Engineer.
- 4) In all other cases, only Government may cancel the tenders.

**(c) Agreement**

It should be seen that written agreements have been entered into with the contractors whose tender has been accepted and work order is issued to him.

It should be seen –

- i) that the rates, conditions as per the tender are incorporated in the Agreement,
- ii) that the time schedule is mentioned in the Agreement,
- iii) that the penal provisions in case of failure to abide by the conditions in the Agreement are also incorporated,

**Note:** After Agreement has been entered into, the rates should not be altered under any circumstances, and if rates are to be altered, fresh tenders have to be invited.

- iv) Whether supplemental agreement has been obtained consequent on approval of supplemental estimate,
- v) That the contractor is made liable for the defects in works noticed within two years in respect of both the original works and maintenance works.

**(d) Measurement Book**

It should be seen –

- i) that all measurements of work done by means of daily labour, by contract, and of materials received or used have been recorded in the measurement book,
- ii) that the arithmetical calculations and totals in the book are correct,

**Note:** About 20% of calculations need be checked for this purpose.

- iii) that the corrections, if any, are attested by the officer concerned.
- iv) that there are no undue delays in measurement and check-measurement of work done,

**Note:** The following are the measuring and the check-measuring officers in respect of PR Institutions.

SNo	Category	Measuring Officer	Check Measuring Officer
1	Gram Panchayat	A.E/A.E.E	A.E/A.E.E for the works upto Rs.5000/- D.E.E for the works above Rs.5000/-
2	Mandal Parishad/Zilla Parishad	A.E/A.E.E	D.E.E in respect of all works. But E.E has to compulsorily check measure the works of the value of Rs.1 lac and above. S.E has to compulsorily checkmeasure the works of the value of Rs.10 lacs and above.

- v) that all entries which have been transcribed into the bill have been neatly crossed in ink,
- vi) that there are no erasures or unattested alterations,
- vii) that pencil entries have not been inked over except in the contents column, which should invariably be in ink,
- viii) that reference is given in all cases to the vouchers on which payments were made,

- ix) that the book evidences check at the hands of the check-measuring officer,
- x) that the used-up books have been returned to the institution and that they are carefully filed,
- xi) that the measuring officer has authenticated each set of measurements by his signature or initials,
- xii) that the rules issued by Government regarding measurement and check-measurements of works of Gram Panchayats have been observed.

**(e) Contract Certificates**

It should be seen that –

- i) that the certificate is either prepared by the contractor himself or at his request, by the executive subordinate, and that it bears the contractor's signature or mark at foot,
- ii) that the measuring officer's certificate is duly signed;
- iii) that any excesses over the contract rates are duly explained in the remarks column and are supported by sufficient sanction, and that the quantities are not in excess of those provided for in the estimate, or of the deviations permissible;
- iv) that payment for lumpsum items provided for in the estimate for which the contractor has tendered at a percentage above or below the estimate rate are made with reference to the rates mentioned in the schedule attached to the agreement. If no rates are mentioned in the schedule, payment should have been made as per the conditions stipulated in the agreement.
- v) that the value of work done as entered in column since last certificate is shown item by item correctly with reference to the entries in that certificate; and also that the deduction on account of value of work as per last certificate is correctly shown;
- vi) that the 'other deductions' duly detailed as provided for at foot of the certificate;
- vii) that all bills for final payments have been invariably passed by the Engineer and that bills for intermediate payments have been passed by the Engineer or the sub-divisional officer as the case may be and that in cases of final payment the works 'as a final payment in settlement of all demands' are added; it should also be seen whether the date of check-measurement has been always entered in the check-measurement certificate;
- viii) that the amounts shown in the 'memorandum of payment made' are correct;
- ix) that the signature of the contractor, as noted at foot of the memorandum of payments made, agrees with that appearing at foot of the bills;
- x) that the payments have been duly witnessed in the cases specified in the note on the reverse of the form;
- xi) that in the case of bills for materials a certificate as to the correctness of the claim and the receipt of the materials is duly given;
- xii) that when previous payments have been made correct references are given in the certificate not only to the previous contract certificate but also to the number in the previous schedule;
- xiii) that penalty imposed on contractors has not been remitted after payment of final bill;
- xiv) that the works are measured and check-measured by the competent authority ;
- xv) that where rates for finished items of works are provided in the estimate pre-measurements are taken;
- xvi) that the Technical supervision charges limited to 1% of the value of work done are charged and exhibited in the contract certificate as shown below:-

	Rs.	Ps.
Gross value of work done		
Add T.S.Charges: _____		
	Total:	_____
Gross amount payable to the contractor:		
Deduct payment already made to the contractor: _____		
	Total:	_____

- xvii) that Further Security deposit at 7.5% of the value of work done in part bills and at 2.5% of the value of work done in the final is deducted,
- xviii) that Seigniorage charges wherever necessary have been deducted
- xix) that deductions towards VAT at 4%, IT at 2.24% and NAC at 0.25% are made in the bills,

**Note:** Completion reports should be obtained before final payments are made. It should show all the deviations and placed before the GP for sanction at the time of passing the completion report.