

**MOST IMPORTANT**

**DIRECTORATE OF STATE AUDIT  
ANDHRA PRADESH: HYDERABAD.**

**Circular Memo No 16808/W/WHOMP/98-9, Dated 24-07-2003.**

**SUB:** AUDIT-Audit of Local Bodies-Issue of Audit Reports-Revised classifications of Audit Objections-Grouping of Audit Objections under relevant Categories-Instructions-Issued

**REF:** This office Circular Memo Roc. No. 16808/W/WHOMP/98 Dt. 16-5-98 and Memos of even No Dt. 9-9-98, 8-10-98, 10-10-98, 12-10-98, 21-10-98 and 29-10-98

\*\*\*\*\*

The attention of all the subordinate officers is invited to the references cited above particularly to the last reference Dt. 29-10-98 wherein instructions were issued on classification of various audit objections in to 19 categories and grouping of the audit objections under these 19 categories. Two more Heads were also intimated under which the Cadre Strength and Receipts and Charges are also to be mentioned in the Audit Reports.

On review of the above instructions the following revised instructions are issued

1. The various types of audit objections are classified in to 19 Categories with distinct Code Numbers indicated against each Category as shown in the Annexure. The Code Number allotted to each Category of audit objection should be indicated in the Audit Report as explained below.

After mentioning the name of the Executive Authority, in the 1<sup>st</sup> para of the Audit Report, the various audit objections shall be reported under the caption "Audit Objections" from 2<sup>nd</sup> para onwards. The Code Numbers assigned to the various categories of Audit Objections shall be mentioned on the right side of the Heading of the Audit Objection in brackets as depicted below

2. Miss-Utilisation of Grant(s)/Funds (5)

2 is the Serial number of the Audit Para in the Report whereas 5 in brackets is the Code Number assigned to that particular Category of Audit Objection.

3. All the objections falling under a particular Category shall be given Sub-Para Numbers under the same Para number as shown below

4. Excess Payments (13)-Rs.9,800/-

(1) Excess payment of T.A Needs recovery-.Rs. 520/.

- (2) Excess payment consequent on adoption of higher rate than the agreed rate as per Agreement-Needs recovery-Rs.1230/-
- (3) Excess payment of Pay and Allowances due to wrong fixation of pay.Rs.8,050/-

(Para description needs to be given)

No separate para Nos. should be given to the audit objections falling under the same Category.

2. To facilitate the classification and grouping of Audit Objections under these 19 categories, certain illustrations are given under each of the category.
3. The Revised Classification of audit objections under 19 categories shall be followed with immediate effect i.e., for the Audits conducted from 2003-04 on wards (Relating to the year 2002-03)
4. Where there are no objections under a particular Category of Audit Objection, the heading of that particular category need not be mentioned in the Audit Report indicating as 'Nil'. Such of those Categories of Audit Objections under which audit objections are noticed only shall be reported in the Audit Report assigning the serial number of the paras in the Audit Report indicating the Code Number of the Category of the Audit objection in brackets as shown above.
5. The serial Nos.20 and 21 in the Annexure are only informative. They are not Audit Objections .The relevant information should be given in the Audit Reports under these headings giving them Sl. Nos. of Audit Paras.

In case of Gram Panchayats as Audit Reports are issued in 3 parts, i.e., one for General Funds, one for Tenth/Eleventh Finance Commission Grants and the other for the JRY/SGRY grants, the categorization of Audit Objections communicated now shall be followed in all the three parts.

Categories of Audit objections for Universities, Temples and other Audit Parties are being communicated separately. Until such time existing ones may be continued.

The receipt of the Circular Memo shall be acknowledged immediately and the instructions issued should be followed scrupulously.

Sd/ P. Ramaiah  
**DIRECTOR**

Encl: Annexure.

To,  
All the D.A.Os, State Audit in the State,  
All the R.D.Ds, State Audit in the State  
Copy to all the Heads of other Audit Parties,  
“ to all the Officers in the Directorate,  
“ to the A.A.Os, A, B, G, K, U and Q sections in the Directorate,  
“ to the Director's table.

## ANNEXURE

### **CLASSIFICATION OF AUDIT OBJECTIONS GROUPING OF AUDIT OBJECTIONS CERTAIN ILLUSTRATIONS FOR GUIDANCE**

**(Vide Circular Memo No 16808/W/WHOMP/98-9, Dated 24-07-2003.)**

#### **1. Variation in Account figures-(Rs.....)-Common to all Institutions. (Code No.1)**

- (1) Difference between consolidated closing balance of Annual Account and closing balance of Cash Books
- (2) Difference between the Cash Book balances and Treasury Pass Book not explained by preparing the Reconciliation Statement
- (3) Monthly abstracts not recorded in the S.T.Pass Book and Certificate of balance not done by the Treasury Authorities – resulting in difference between the Cash Book balance and pass Book balance.
- (4) Difference between the figures shown in the Annual Account with those in the Subsidiary Registers.
- (5) Difference between the amounts recorded in the Cash Book and amounts posted in the Arrear/Current Demand Registers in case of Municipalities and Gram Panchayats.
- (6) Lack of follow up action on the discrepancies pointed out in the earlier Audit Reports.
- (7) Errors in the Treasury Pass Book entries.

#### **2. Excess utilisation of Grants/Funds-(Rs.....)-Common to all Institutions.**

**(Code No.2)**

- (1) Expenditure incurred in excess of the actual receipt of the grant in anticipation of receipt of further grant.
- (2) Expenditure not confined to the extent of grant received.
- (3) Expenditure incurred in anticipation of sanction of grant inspite of non receipt of any amount.
- (4) Excess expenditure over and above the budget provision.

#### **3. Diversion of Grants/Funds-(Rs.....)-Common to all Institutions.**

**(Code No.3)**

- (1) Grants sanctioned for a specific purpose spent for another purpose.
- (2) Incurring of expenditure for implementation of a particular scheme for which grant is yet to be released.

- (3) Temporary diversion of deposits like salary deductions/recoveries, i.e., GPF, Insurance premium, Profession Tax etc for the general purposes of the institutions without remitting them to the relevant Heads of account.
- (4) Inter- transfer of funds from General Funds to Education Funds and vice versa.

**4. Non-utilisation of Grants before the lapsable date - (Rs.....) - Common to all Institutions. (Code No.4)**

- (1) Non drawal of grants sanctioned and consequent Non-utilisation.
- (2) Grants drawn but not fully utilized before the lapsable date.
- (3) Unspent balances of grants at the close of the permitted period of utilisation not refunded to State funds.
- (4) Inaction to seek extension of time to utilize the balances left out of the grants already drawn after expiry of the utilisation period permitted.

**5. Mis-utilisation of Grants/Funds-(Rs...)-Common to all Institutions. (Code No.5)**

- (1) Utilisation of Teaching grant for payment of wages/salaries to sweepers working in schools and towards contingent expenditure like purchase of stationery in schools etc;
- (2) Utilisation of grants meant for repair works like R.R.M and special R.R.M. grants on original works.
- (3) Utilisation of grants meant for creation of assets on non-durable assets like formation of earthen roads.
- (4) Utilisation of institutions funds/grants received on expenditure of the Government offices like
  - a) Utilisation of Engineering funds towards contingent expenditure of the offices of Superintendent Engineer and
  - b) Meeting the expenditure on the vehicles of Inspecting Officers for P.O.L fund repairs.
- (5) Utilisation of a particular grant on expenditure not connected with the purpose of the grant.
- (6) Utilisation of the funds of the institution for purposes/objects other than the permitted ones under the relevant Act/Rules.
- (7) Indiscriminate sanction of contingent advances and non-watching of adjustment of such advances and booking of such advances as expenditure under the grant.
- (8) Incurring of expenditure on items specifically prohibited by Government.
- (9) Incurring of expenditure without sanction by the competent authority.

**6. Non-utilisation of Earmarked funds-(Rs.....)-Applicable to Zilla Parishads, Mandal Parishads and Municipalities.**

**(Code No.6)**

- (1) Non-utilisation of earmarked funds fully towards S.C, S.T and Women Development and Child Welfare activities.
- (2) Non-implementation of Government instructions issued in G.O.Ms. No.704 of P.R&RD. Department Dt. 5-11-94 and G.O.Ms.No.34 of Women Development & Child welfare Department Dt. 29-5-98 and G.O.Rt. Nos 450&451 of Panchayat Raj and Rural Development Department Dt. 9-4-2001 in ear-marking of the funds of Zilla Parishads and Mandal Parishads including non-remittance of 1/3<sup>rd</sup> ear-marked amounts to towards S.C, S.T, &Women Development and Child Welfare Activities to the respective Corporations at the beginning of the year and also the unspent balances to these Corporations at the close of the year.

**7. Non-collection of dues-includes cases of office management resulting in short realization of dues-(Rs.....)-Common to Zilla Parishads, Mandal Parishads, Gram Panchayats and Municipalities.  
(Code No.7)**

Non collection of projected demand in respect of various taxes, fees, cess, leases and rents etc; cent percent or percentage of collections falling short of previous years percentage of collection.

- (1) Revenue by way of rent/lease amounts of residential staff quarters, guest houses, commercial complexes usufruct of gardens/trees not realized and remitted to institutions funds.
- (2) Non initiation of legal action for realization of revenue like issue of Notice of Distraint, Filing of law suits against defaulters in payment of Taxes, Fees, Lease amounts etc;
- (3) Hire charges of Plant and tools and heavy machinery not realized from the contractors.

**In respect of Agricultural Market Committees.**

- (1) Non collection of market fees levied under Section-12 of the Act.
- (2) Non collection of License fees in respect of purchaser and sellers of notified commodities.
- (3) Non collection of License fees from Commission Agents, Weighmen etc;
- (4) Miscellaneous receipts like sale proceed of grass, cattle draping in the Market Yard not collected properly.
- (5) Non collection of lease amounts of shops/godowns etc.

**In respect of Zilla Grandhalaya Samsthas.**

- (1) Non collection of Library Cess from Municipalities and Gram Panchayats.
- (2) Non recovery of cost of Library Books lost/unreturned by the barrowers.

**8. Advances pending adjustment-(Rs.....)-Common to all Institutions. (Code No.8)**

Personal Advances like Festival, Educational, Marriage, House Building, Conveyance advance paid to the individuals not recovered.

- (1) Contingent advances paid for specific purpose like purchase of materials, goods and services not adjusted soon after the purpose is over.
- (2) Advances paid to the Contractors as special cases not recovered and adjusted in the Work Bills.
- (3) Non refund of unspent balances out of the advances paid.

**9. Violation of Rules-(Rs.....)-Common to all Institutions and includes. (Code No.9)**

- a) Procedural lapses.
- b) Failure to discharge certain obligations under the Rules.
- c) Purchases-Non-observation of Rules.
- d) Cases of promotions / appointments made contrary to Rules.

**a) Procedural lapses (Rs.....)**

- (1) Issue of work orders without administrative and technical sanctions.
- (2) Billing of work executed without measurements/check measurements and such payments.
- (3) Payment of final work bills without scrutiny by the Accounts Officer, Zilla Parishad.
- (4) Refund of deposits without verification of the original credit in the Register of Deposits.
- (5) Payment of advances without noting in the Register of Advances Recoverable.
- (6) Non-recording of entries in the service books of the employees and non-attestation of the entries in the service books by the competent authority.
- (7) Irregularities in assessment of taxes, fees etc., and their collection.

**b) Failure to discharge certain obligations under the rules (Rs.....) - incase of Zilla Parishads, Mandal Parishads and Gram Panchayats.**

- (1) Lack of monitoring mechanism in implementation of various schemes entrusted to the institution
- (2) Failure to take timely action to safeguard the assets of the institution and putting them in use.
- (3) Failure to take timely action to lease out the assets to earn income.
- (4) Failure to respond on time to the lawsuits filed by the employees/outsideers against the institution to safeguard the interest of the institution.
- (5) Failure to discharge obligatory and discretionary functions under relevant Acts/Rules.

**Incase of Municipalities.**

- (1) Failure to provide various civic amenities like Roads, Sanitary facilities, Street lighting and Public health etc to the inhabitants.
- (2) Lack of timely action to control epidemics and contagious diseases.
- (3) Inaction incase of lawsuits against the Municipalities.
- (4) Non-payment of library cess to Zilla Grandhalaya Samasthas.

**Incase of Agricultural Market Committees.**

- (1) Non-payment of contribution to the Central Market Fund.
- (2) Non-payment of contributions at the prescribed rates to the pension cum gratuity fund of Market Committee Employees.
- (3) Inaction to check the leakages in collection of Market fees.
- (4) Irregularities in assessing the Market fees and its collection.
- (5) Non-payment of instalments of loans obtained on time.
- (6) Inaction to defend the interest of Market Committees where lawsuits were filed against the Market Committees.
- (7) Non-payment of Audit fees to Government account.

**Incase of Zilla Grandhalaya Samasthas.**

- (1) Lack of interest in maintaining the library books in proper condition.
- (2) Non-purchase of reading material for the public.
- (3) Non-pursuance of action with the Executive Authorities of Municipalities and Gram Panchayats for realization of Library cess from them.
- (4) Non-payment of Audit fees to Government account.

**c) Purchases – Non-observance of Rules. (Rs.....).**

- (1) Non-invitation of tenders/quotations wherever required for purchase of materials and services.
- (2) Resorting to purchases without assessing the actual requirement and utility of materials.
- (3) Purchases from other than the Government approved organizations like APCO, APVC, SSI units and as per approved rate contracts.
- (4) Purchase of materials from firms situated outside the state when they are manufactured and available in the state.
- (5) Purchases in heavy quantities over and above the actual requirement.
- (6) Purchases without realising the beneficiaries contributions.
- (7) Non-following the rules prescribed vide Articles 122 to 129 of AP Financial Code in case of purchase of stores.
- (8) Payments for the supplies ordered without receiving the material/without verification of quantity/quality indented for the supply.

**d) Cases of Promotions/Appointments made contrary to Rules-(Rs.....)**

- (1) Appointments made without following the Service Rules relating to qualifications, age, rule of reservation and ignoring the agency of recruitment and orders of Government.
- (2) Promotions ordered without observing the conditions prescribed in the respective Service Rules and without following the procedure prescribed for promotions.
- (3) Appointments to Automatic Advancement scales of ineligible employees.
- (4) Appointments contrary provisions of Act 2 of 1994.

**10. Non-remittance of deductions/recoveries from work bills/pay bills/contingent bills etc. (Rs.....) (Code No.10)**

- (1) Deduction / recoveries of Income Tax not remitted or partly remitted  
(Sub Code No.101)
- (2) Deduction / recoveries of Sales Tax not remitted or partly remitted  
(Sub Code No.102)
- (3) Deduction / recoveries of Seigniorage fee not remitted or partly remitted  
(Sub Code No.103)
- (4) Deduction / recoveries of G.I.S not remitted or partly remitted  
(Sub Code No.104)
- (5) Deduction / recoveries of A.P.G.L.I not remitted or partly remitted  
(Sub Code No.105)
- (6) Deduction / recoveries of G.P.F not remitted or partly remitted  
(Sub Code No.106)
- (7) Deduction / recoveries of Employees Welfare Fund not remitted or partly remitted  
(Sub Code No.107)
- (8) Other recoveries such as Marriage Advance / H.B.A etc., not remitted or partly remitted.  
(Sub Code No.108)
- (9) Income tax not deducted. (Sub Code No.109)
- (10) Sales tax not deducted. (Sub Code No.110)
- (11) Seigniorage Fee not deducted. (Sub Code No.111)
- (12) G.I.S not deducted. (Sub Code No.112)
- (13) A.P.G.L.I not deducted. (Sub Code No.113)
- (14) G.P.F not deducted. (Sub Code No.114)
- (15) Employees Welfare Fund not deducted. (Sub Code No.115)
- (16) Other recoveries such as Marriage Advance / H.B.A etc., not deducted.  
(Sub Code No.116)



- (17) Library cess collected but not remitted to Zilla Grandhalaya Samasthas.  
(Sub Code No.117)

**11. Non-production of records-(Rs.....)-common to all Institutions. (Code No.11)**

Vouchers not produced.

- (1) Files not produced.
- (2) Service books not produced.
- (3) Stock registers not produced.
- (4) Log books not produced.
- (5) Registers not produced (All Subsidiary Registers, Register of Money Value Forms, Register of M-books etc)
- (6) Used MR books not produced.

**12. Misappropriations and Fraud - (Rs.....) -Common to all Institutions. (Code No.12)**

Amounts collected but not brought to account.

- (1) Amounts collected not fully brought to account.
- (2) Amounts drawn on self-cheques not entered in the Petty cash Book.
- (3) Un-disbursed amount neither refunded nor physical cash available.
- (4) Drawal of amount in excess of the amount of the voucher passed for payment (net amount payable after adjustments, if any) and non accounting of such excess drawal.
- (5) Drawal of amount without proper voucher or without voucher.
- (6) Tampering of amount noted in the remittance challans.
- (7) Amounts shown in the Cash Book as remittance in the Treasury noting fictitious challans or non availability of challans in support of remittance shown in the Cash Book
- (8) Drawal of amount more than once against a particular claim/charge not supported by disbursement particulars.
- (9) Drawal of amount on self cheques for remittance purpose like deductions/recoveries towards G.P.F, A.P.G.L.I premium, G.I.S subscription long term advances like H.B.A, Marriage Advance etc; but non remittance/disbursement of the same. and also not recording such drawal in the Petty Cash Book.
- (10) Drawal of amount on self cheque in excess of the actual amount by wrong totaling of amounts of different vouchers and non-exhibition of such excess amount in the Petty Cash Book as balance available.
- (11) Drawal of amount on self cheques in excess of the actual amount of the voucher by arriving at incorrect amount and non accounting for such excess amount drawn.
- (12) Non-accounting for of the cheques, demand drafts and cash received.

**13. Excess payments-(Rs.....)-Common to all Institutions. (Code No.13)**

- (1) Erroneous calculations in the bills/vouchers resulting in excess payments like, errors in arithmetical calculation like additions, subtractions, multiplications etc in works bills, pay bills etc;
- (2) Adoption of higher rates other than agreement rates either in work bills or purchase bills of stores.
- (3) Excess payments due to wrong fixation of pay.
- (4) Excess payments due to adoption of higher rates of D.A./Mileage/Fares and claims for ineligible persons in T.A., T.T.A. and L.T.C.I bills.
- (5) Non recovery/deduction of I.T., C.T., seigniorage charges, previous payments, F.S.D etc from works bills/suppliers' bills.
- (6) Erroneous calculation of quantities of items of work executed in work bills.
- (7) Non recovery of cost of material supplied departmentally to the contractors of civil works.
- (8) Payments of hire charges of vehicles in excess of the rates fixed and period if any, permitted by Government.
- (9) Omissions in arrear bills like non deduction/wrong deduction of amounts already drawn and commissions in working out the "to be drawn" amount.
- (10) Non-deduction of previous payment made to the contractors in the final bills.
- (11) Cases of fixation of pay on promotion of employees already enjoying the benefit of Automatic Advance Scheme under FR-22B instead of under FR 22 (a) (i).
- (12) Release of increment before completion of 12 months service from the date of refixation/stepping up of pay.
- (13) Allowing family planning incentive increment to ineligible employees.
- (14) Irregularities in casting leave account and sanction of leave.
- (15) Irregularities in permitting encashment of leave while in service and after retirement.
- (16) Irregularities in drawing pension/dearness relief to the pensioners.

**14. Wasteful Expenditure-(Rs.....)-Common to all Institutions. (Code No.14)**

- (1) Expenditure on works which were abandoned halfway.
- (2) Expenditure on works which are sub-standard.
- (3) Drilling of bore wells without precautionary measures like ground water survey resulting in failure of bore wells.
- (4) Expenditure on assets which are not put to use.
- (5) Loss due to damage of stores like cladding of cement, leakage of bitumen, rusting to steel on failure in proper storage of the stores.
- (6) Expenditure on publication of booklets, soveniers, highlighting the achievements and arranging welcome/greeting banners.
- (7) Purchase of stores/services without immediate requirement and also in excess of requirement.

- (8) Payment of Honorarium to R.M.Ps in Mandal Parishad Ayurvedic Dispensaries with out supplying medicines.

**15. Instances of cases of unaccounted cash/stores-(Rs...) - Common to all Institutions (Code No.15)**

- (1) Cash balance not handed over at the time of change of incumbents.
- (2) Closing balances not brought forward as opening balances.
- (3) Stores purchased like cement, steel pipes, and electrical materials. Furniture stationery, and P.O, Ls not properly entered in the relevant Stock Registers and log books.
- (4) Replaced parts of vehicles and unserviceable articles condemned not taken to the concerned Stock Registers for further disposal.
- (5) Non-return of unused stock to the stores incase of Departmental execution of works.
- (6) Wrong balancing of stock accounts resulting in shortages.
- (7) Cases of disagreement of book balances with the physical stocks of stores/material.

**16. Pendency of Utilisation Certificates-(Rs...) – Common to all Institutions. (Code No.16)**

- (1) Utilisation period of the grant expired during the current year – but Utilisation Certificates not furnished to the grant sanctioning authority though the entire grant utilised.
- (2) Grant amount not fully utilised before the lapsable date, unspent balance not refunded and Utilisation Certificate for the amount utilised not furnished to the grant sanctioning authority.
- (3) Utilisation Certificates for the grants sanctioned submitted to the grant sanctioning authority without counter signature by Audit authorities.
- (4) 1The pendency of Utilisation Certificates may be furnished in the following proforma

Sl. No.	Name of the Grant/Sc heme	G.O./Proceedin gs No. & Date of the sanctioning Authority	Grant Amount	Laps able date of the Gran t	Amount utilised	Unspe nt balanc e	Challan No. in which unspen t balanc e retende d	Re marks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

**17. Surcharge Certificates-Recovery Pending-(Rs.....) (Code No.17)**

Information regarding Scs. Issued but recovery pending should be mentioned under this Category.in the following proforma.

S. No. S.C. No. & Date Name of the Surchagee Amount.

**18. Others. (Code No.18)**

Audit objections not covered under any of the above categories like Losses and thefts occurred, Non submission of Annual Accounts to Audit as per the time fixed under relevant Acts/Rules, Non-maintenance of Registers fall under this Category

**19. Status of Objections-(Rs. ....) - Common to all Institutions (Code No.19)**

Objections being raised for the year 2002-03 (i.e., Audits being done from 01-04-2003 for the year 2002-03) may only be noted under the item "19. Status of Objections".

S. No. Year Objections Code No.s Total No. of objections Total Amount.

**20. Receipts & Charges (Code No.20)**

Under this Fund wise totals of Receipts and Charges are to be furnished

**21. Employees' particulars. (Code No.21)**

Under this particulars of the employees working in the institution as on the date of audit have to be furnished in the following proforma

S.No. Designation No. of Employees.

**22. Demand Drafts/Cheques/Bankers Cheques etc received but not realized within time. (Code No. 26)**

Sd/- P. Ramaiah  
Director

**Note:** The numbers in brackets under each category of objection may be increased or decreased depending upon the cases of objections under that particular category.