

# AUDIT OF GOVERNMENT ACCOUNTS

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# AUDIT – WHAT IS?

- Audit is a systematic and independent examination of Data, Statements, Records, Operations and Performance (Finances or Otherwise) or Financial Information/Accounts of an Organization/Institution by a Professional Person/Party for a stated purpose with a view to express Qualified Opinion

# AUDIT – WHY?

- Constitutional Responsibility
- Instrument of Financial Control
- Financial Accountability
- Rectification of Defects
- Suggestions for Corrections

# AUDIT – BY WHOM?

- Comptroller & Auditor General of India (C&AG)
- Director of Local Fund Audit (DLFA)/Director of State Audit (DSA)
- Internal Audit Wing of Finance Department
- Chartered Accountants empanelled by the by the C&AG or DSA/DLFA
- Social Audit by the Community Groups or Society constituted by the Government

# AUDIT OF

- Consolidated Fund of India/States – Art 266
- Contingency Fund of India/States – Art 267
- Public Account – Art 266 (2) & 284
- Local Fund – Fund maintained by the Local Self Government (PRIs and ULBs) and Autonomous Institutions

# TYPES OF AUDIT

- Compliance Audit
- Performance Audit
- Social Audit



- Test Audit
- Pre-Audit
- Special Audit
- Detailed Audit
- Concurrent Audit

# C&AG

- Articles 148-151 of Indian Constitution
- Dr BR Ambedkar said that C&AG is the most important Functionary created by Indian Constitution
- C&AG has overall Powers on Government Accounting and Audit of the Accounts
- Indian Audit and Accounts Department will assist the C&AG to perform its functions
- Principal Accountant Generals, popularly called as AG, in the States are under the control of C&AG
- C&AG submitted Audit Reports to the President of India/ Governors of respective States

# DIRECTOR OF LOCAL FUND AUDIT/DIRECTOR OF STATE AUDIT

- DLFA/DSA is a State Department to Audit on the Accounts of Local Funds of Local Self Government
- DLFA/DSA is part of the Finance Department
- DLFA/DSA works under the Technical Guidance and Supervision (TGS) of C&AG
- DLFA/DSA works as per the DLFA Act enacted by the State Legislature (AP State Audit Act 1989) and TGS of C&AG
- DLFA/DSA submits Consolidated Audit and Review Report (CARR) to the State Government and State Legislature through Finance Department



# INTERNAL AUDIT

- Internal Audit Wing is part of the Finance Department
- It will Audit on the Accounts of Autonomous Bodies or Corporations
- It submits its Audit Report to the Secretary, Finance Department for necessary action
- Government will act upon the findings of Internal Audit Wing

# PROCEDURE OF AUDIT

- Audit Intimation

(Annual Accounts, Budget, Administrative Report, previous Audit Reports along with replies, if any)

- Entry Conference

- Conducting Audit in the o/o Executive Authority

- Perusal of the Draft Audit Objections to the Executive Authority before Exit Conference

- Exit Conference

# AUDIT OBJECTIONS

- Ignorance towards Constitutional Mandate
- Financial Management
- Procedural Irregularities
- Policy Deviations
- Performance Assessment
- Study Report
- Evaluation of Internal Controls
- Serious Irregularities
- Frauds and Misappropriations

# CONTENTS OF AUDIT REPORT

1. Every payment which appears to him to be contrary to law
2. 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
3. The amount of any sum received which ought to have been accounted but is not brought into account by any person and
4. Any material impropriety or irregularity which he may observe in the expenditure or in the recovery of money due

# AUDIT REPORT

- C&AG Submit Audit Report to the President/Governor
- Governor/President place Audit Report in the Legislature
- DLFA/DSA will issue Audit Report to the Executive Authority after its approval by the Audit Officer
- Finance Department will issue Audit Report to the Autonomous Institutions whose Audit done by the Internal Audit Wing
- Chartered Accountants will submit Audit Report to the C&AG or DLFA/DSA for issue

# INSPECTION REPORT OF C&AG

- Inspect Accounts for a Particular Period as Test Check
- Issue of Inspection Report to the Executive Authority for necessary action
- Executive Authority has to submit his replies to the Audit Findings of Test Check of C&AG/AG within one month from the date of receipt of the Inspection Report

# FOLLOW-UP ACTION – C&AG

- Legislature/Parliament refer the Audit Report of C&AG to the Public Accounts Committee
- C&AG, through AG, address the Government and HoDs to settle the Audit Objections raised by them
- While processing the Pension Papers for authorization of the DDOs/Officers, AG will check the pendency of Audit Objections against those DDOs/Officers
- In case of Audit Objections on Local Fund/Local Self Governance, C&AG authorized the Audit Officers of DLFA/DSA to settle the Audit Objections based on merits of the Reply

# PUBLIC ACCOUNTS COMMITTEE

- Parliament/Legislature refer the Audit Report of the C&AG to Public Accounts Committee
- Public Accounts Committee (PAC) is most powerful committee of the Legislature
- PAC of Parliament composition – 22 members (15 Lok Sabha and 7 Rajyasabha)
- PAC of AP Legislature – 20 members (15 Legislative Assembly and 5 Legislative Council)
- Leader of the Opposition or member nominated by him is the Chairman of PAC
- Period of the Committee – one year



# PUBLIC ACCOUNTS COMMITTEE

- Examination of accounts showing the appropriation of sums granted by the Legislature for expenditure of the State Government
- Examination of Annual Financial Accounts and Appropriation Accounts of the State
- Examination of Reports of Comptroller and Auditor General of India (Civil and Revenue Receipts)
- Examination of other such Reports of Accounts laid before the House, as the Committee may think fit

# PUBLIC ACCOUNTS COMMITTEE

- In scrutinizing the Appropriation Accounts of the State and the Report of the Comptroller and Auditor General of India, it shall be the duty of the Committee to satisfy itself
  - A. that the money shown in the Accounts as having been disbursed were legally available for, and applicable to, the service or purpose for which they have been applied or charged
  - B. that the expenditure conforms to the authority which governs it, and
  - C. that every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by competent authority

# PUBLIC ACCOUNT COMMITTEE

- The PAC examines the cases involving losses, nugatory expenditure and financial expenditure irregularities.
- When any case of proved negligence resulting in a loss or extravagance is brought to the notice of the PAC, it calls up the Ministry/ department concerned to explain what action, disciplinary or otherwise it had taken to prevent its recurrence
- In such a case it can also record its opinion in the form of disapproval or pass strictures against the extravagance or lack of proper control by the Ministry or Department concerned

# FOLLOW-UP ACTION – DSA/DLFA

- DSA will issue Audit Report along with Special Letter on Serious Irregularities/Serious Nature of Audit Objections to the Executive Authority concerned
- Executive Authority has to submit approved replies within 2 months from the date of receipt of Audit Report
- Executive Authority has to submit approved replies within 4 months from the date of receipt of Special Letter on serious nature of Audit Objections
- Audit Officer/DSA will verify the replies and settle if he satisfied with the reply

# FOLLOW UP ACTION – DSA/DLFA

- If DSA/Audit Officer did not satisfy with the Approved Replies of Executive Authority, then Audit Officer/DSA will send further remarks for calling additional information
- Executive Authority has to furnish information required by the Audit Officer otherwise the Grants/Funds will not be released from the Treasury
- Executive Authority's failure to submit approved replies to the Special Letter will attract Surcharge Proceedings from DSA/Audit Officer