

**AUDIT, STATUTORY AUDIT(C&AG), INTERNAL AUDIT (DAD)**

The term audit is derived from the Latin **AUDIRE**, which means, to hear.

In the olden days, accounts of expenditure were recited verbally to the authority. As civilization developed, and with the growth of the economy, the number and the complexities of financial transactions became so large that verbal accounting had to be replaced by scripted recordings. This led to bookkeeping. Audit also developed into a profession dedicated to verification of maintained accounts and reporting on their authenticity and propriety. Gradually it developed into a powerful instrument of Financial Control to safeguard against extravagance, negligence and fraud.

In the Government, Audit of Public finances has been given such a high position that the **COMPTROLLER & AUDITOR GENERAL OF INDIA (C&AG)** has been made a statutory authority by the Constitution of India.

The audit of Defence Services Receipts and Expenditure is carried out by both (i) the C&AG as the Statutory Authority as well as (ii) the **DEFENCE ACCOUNTS DEPARTMENT (DAD)** as the Departmental agency. The audit of Accounts and rendition of Reports on the results of audit is a Continuous process.

In the case of the Defence Services, both the maintenance of accounts, as well as their audit is the responsibility of the *DAD* and *INTERNAL AUDIT* is conducted with reference to the Rules and Regulations of the subject as laid down by the Government.

The DAD, therefore, carries out the audit of the following documents:

- a) Cash Accounts
- b) Store Accounts
- c) Works Accounts
- d) Subsidiary Accounts.

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The DAD thereafter renders the following Audit Reports:

- a) Report on Appropriation Accounts.
- b) Annual Review of MES Expenditure
- c) M.F.A.I. (Major Financial and Accounting Irregularities)
- d) A.A.C. (Annual Audit Certificate)
- e) I.A.R. (Internal Audit Report)

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The basic objective of these Reports is to highlight on the following points: -

- a) Improper Maintenance of Accounts
- b) Losses (Cash & Store)
- c) Overpayments.
- d) Infructuous Expenditure
- e) Defective Planning and Implementation of Projects.
- f) Variations between Estimates & Actual.
- g) Abnormal inventory Holdings.
- h) Irregularities and Frauds, etc.

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### **INTERNAL AUDIT – CONCEPTS:**

The generally accepted definition of Audit is a formal examination of accounts and records in order to enforce propriety and secure regularity in expenditure, whether public or private.

It should be clear to all that primary responsibility for observance of financial integrity rests on the concerned executive authority. INTERNAL AUDIT is only to watch the due compliance of all directions of the organization of a financial or quasi-financial character.

INTERNAL AUDIT by definition is a review of all financial operation and accounting records. This is generally undertaken on a continuous basis within an organization by specially assigned staff. The scope of internal audit is determined by the authorities of the organization. The internal audit's objective is to ensure that the accounting system and mechanism are efficient and the accounting reports are accurate and disclose all material facts. They are also to suggest corrective measures, when called for.

INTERNAL AUDIT involves conducting a systematic examination of records, systems and procedures and operation of an organization as a service to the Management. In the modern concept, Internal Auditing is an independent appraisal function to examine and evaluate its activities as a service to the organization and furnishes the management with analysis, appraisals recommendations, counsel and information concerning the activities reviewed. Thus, Internal Auditing is concerned

with an evaluation of both internal controls as well as the quality of actual performances. It has been viewed as an agency, which assists the management in ensuring that the money and other resources have been properly accounted for and there have been no frauds, misappropriations, leakage or mis-utilisation of resources and the assets have been properly accounted for and safeguarded. It will also ensure that the structure, operating systems and internal control systems are cost effective and efficient and that the objectives of performance have been achieved with optimum *EFFICIENCY, ECONOMY AND EFFECTIVENESS*.

ECONOMY: Requires that Goods and Services are procured at a Minimum cost consistent with quality

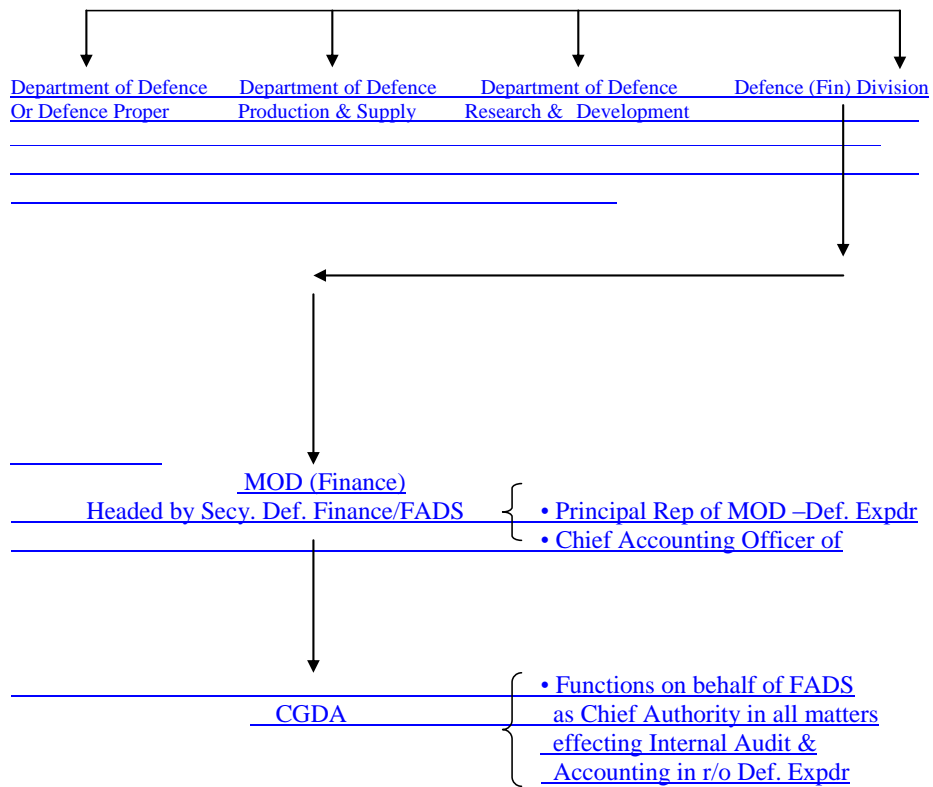
EFFICIENCY: Is concerned with maximization of output for a given Quantum of inputs.

EFFECTIVENESS: Is the extent to which the goods or Services produced and procured satisfying the purpose envisaged.

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**POSITION OF DAD/ INTERNAL AUDIT & LOCAL AUDIT**  
**MINISTRY OF DEFENCE**

(Defence Secretary)



**One of the Objectives of DAD:**

To provide necessary Accounting, Financial and INTERNAL AUDIT information and ADVICE to the authorities of the Defence Services to help them in the discharge of their Management Functions.

**Why Local Audit is necessary?**

Two distinct different authorities carry out audit of Public Finances in respect of Defence Expenditure.

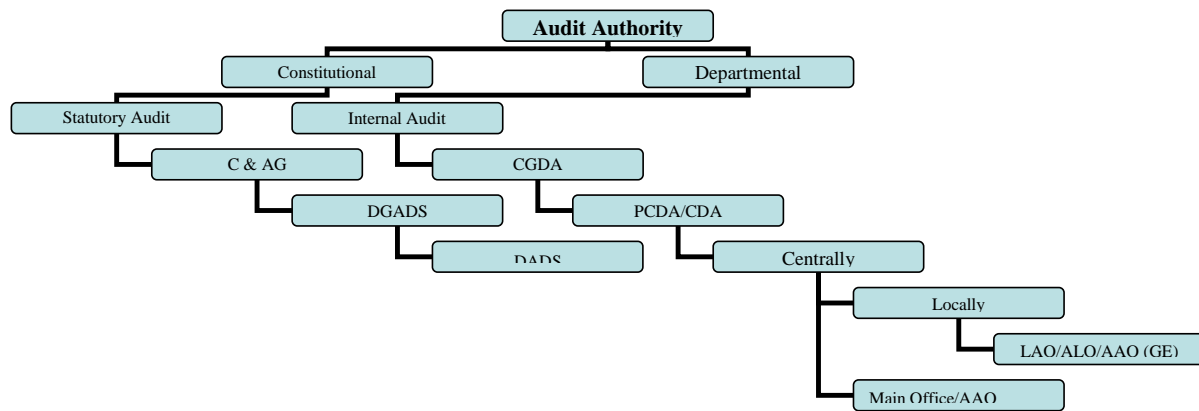
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ARMY LOCAL AUDIT

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**PRIMARY FUNCTION OF LOCAL AUDIT:**

To verify the accounts maintained and to report on their authenticity and propriety.

**LOCAL AUDIT & LAO/ALAO:**

The verification of accounts maintained by different and numerous Defence Units and formations stationed/located at far off places throughout the country is carried out locally by visiting /attaching audit officials. This type of audit which is part of Internal Audit is termed as LOCAL AUDIT Viz. LAO's AUDIT.

In other words, the agency by which local audit i.e. Part of Internal Audit is carried out is termed as LOCAL AUDIT. This field duty is done by LAO.

**OBJECTIVES OF LOCAL AUDIT:**

To ensure that the Cash and Stores placed at the disposal of the Units/Formations Authorities are utilized in the best interest of the State as per laid down norms observing Standards of Financial Propriety

**LINK BETWEEN LOCAL AUDIT & MAIN OFFICE OF PCDA/CDA:**

Amongst other duties PCDA/CDA is responsible for LOCAL AUDIT of the Stores and MES accounts of Units and Formations under their audit jurisdiction. This responsibility is discharged locally through LAO. As such a constant link is maintained with LAO over his function through various sections of Main Office of PCDA/CDA.

The main link between LAO & MO is maintained through:-

**SECTION**

**LINK THROUGH**

<u>FA section:</u>	<u>for audit Progress, Monitoring of objections, and various reports and returns i.e. AAC, MFAI, IAR, Appropriation Accounts (DS) of losses, reference on audit and procedural matters etc.</u>
<u>Store Contract Section:</u>	<u>Scheduling of Local Purchase of Vouchers (ASC, AOC etc.) For Credit Verification</u>
<u>Store Audit Section:</u>	<u>Scheduling of CP Vouchers for credit Verification, Cash Account of Military Farm, Packing Accounts of Imported Stores</u>
<u>'D' Section:</u>	<u>Scheduling Cheque Slips for Cash Inspection.</u>

**FUNCTIONS OF LAO:**

1. Local Audit of Stores Accounts maintained by Units/Formations
2. Inspection of Cash Accounts (i.e. Public Fund Accounts, Field Imprest Accounts etc.) of Units/Formations
3. Local Audit of
  - (i) Miscellaneous Documents (i.e.) Issue of Railway Warrants, Concessional Vouchers, Form 'D', MC Notes etc.
  - (ii) Service Books of Civilian Personnel
  - (iii) Check Rolls (Industrial Personnel)
  - (iv) Stamp Accounts etc.
4. Rendering FINANCIAL ADVICE to Units/Formations up to Sub-Area level.
5. Liaison with Units/Formations
6. Raising/Settlement of Audit Objections

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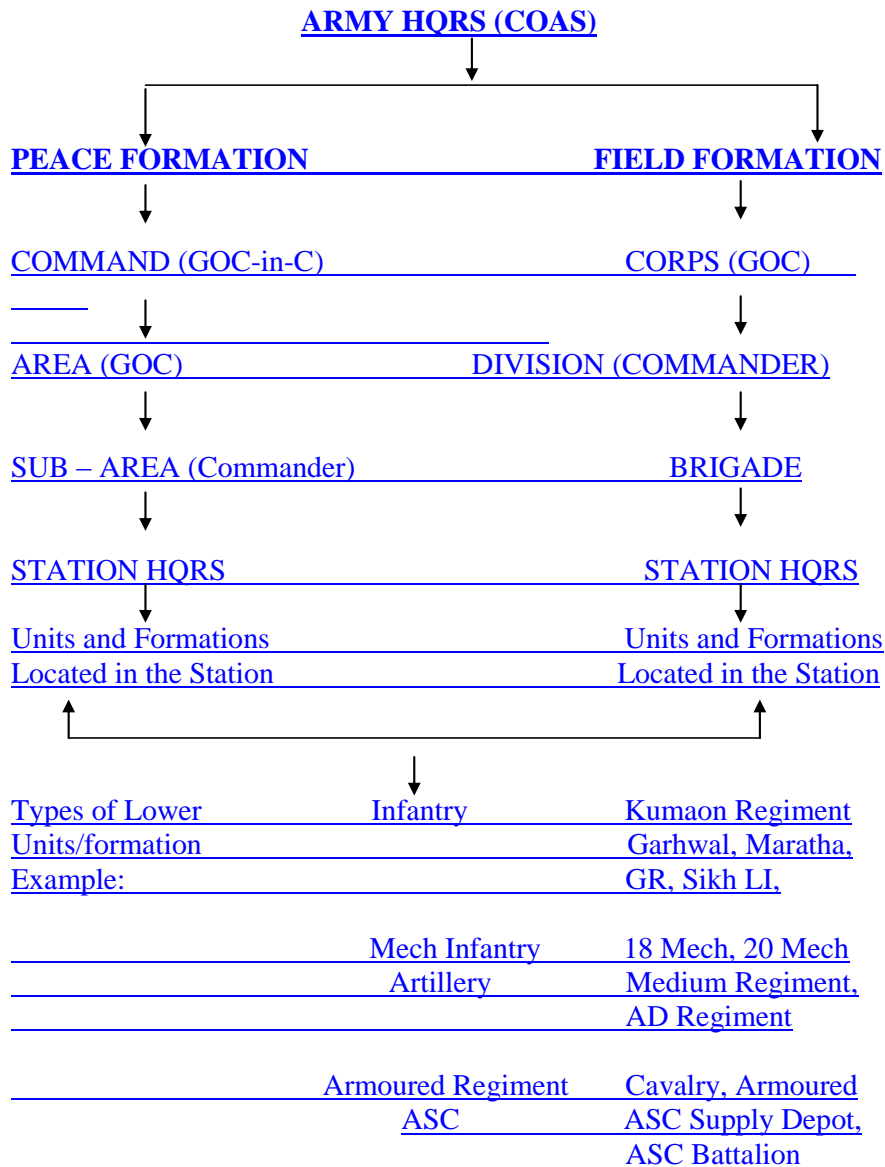
7. Rendition of: -

- (i) AAC
  - (ii) MFAI
  - (iii) IAR
  - (iv) Appropriation Accounts  
of DS relating to losses(Stores/Cash)
- } to PCDA/CDA

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**CHAPTER-II**  
**ORGANISATION CHART INDICATING THE TYPES OF UNITS**  
**UNDER ARMY LOCAL AUDIT**



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ARMY LOCAL AUDIT

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<u>AOC</u>	<u>COD, OD, DOU etc.</u>
<u>AMC/ADC</u>	<u>CH, MH, Base</u>
	<u>Hospital</u>
	<u>MDC, AFMSD, Field</u>
	<u>Ambulance</u>
<u>EME</u>	<u>Base Workshop,</u>
	<u>EME Station Wksp,</u>
	<u>Field Workshop</u>
<u>RVC</u>	<u>Military Farms</u>
<u>NCC</u>	<u>NCC Battalions,</u>
	<u>Directorate, Gp.Hqrs</u>

**ACTION REQUIRED TO BE TAKEN BEFORE COMMENCEMENT OF LOCAL AUDIT:**

- Preparation of Half Yearly Local Audit Programme as per authorized Mandays and obtaining the approval of CDA (through FA Section) i.e. PTP (Proposed Tour Programme)
- Advance intimation of Audit Programme to Units/Formations Selection Order as regards to auditable documents & Linking/ Credit Verification of 'E' copy of Vouchers is to be obtained from LAO and kept as confidential till audit is undertaken.
- Preparation of Audit Certificate showing names of auditors and Register/ledger/Accounts audited and detailed checked.
- Rendering Monthly Completion Report of Local Audit to CDA (ATP (Actual Tour Programme) for approval.

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**STORE ACCOUNTING IN DEFENCE**

**General Accounting Procedure**

The accounting of stores in Defence formations is generally done on:

**i) Quantative Basis:**

ii) **Cost Basis:** In the case of manufacturing establishment to facilitate preparation of the Annual Production, Trading and Profit and Loss Account

iii) **Quantity and Condition:** In store holding establishments

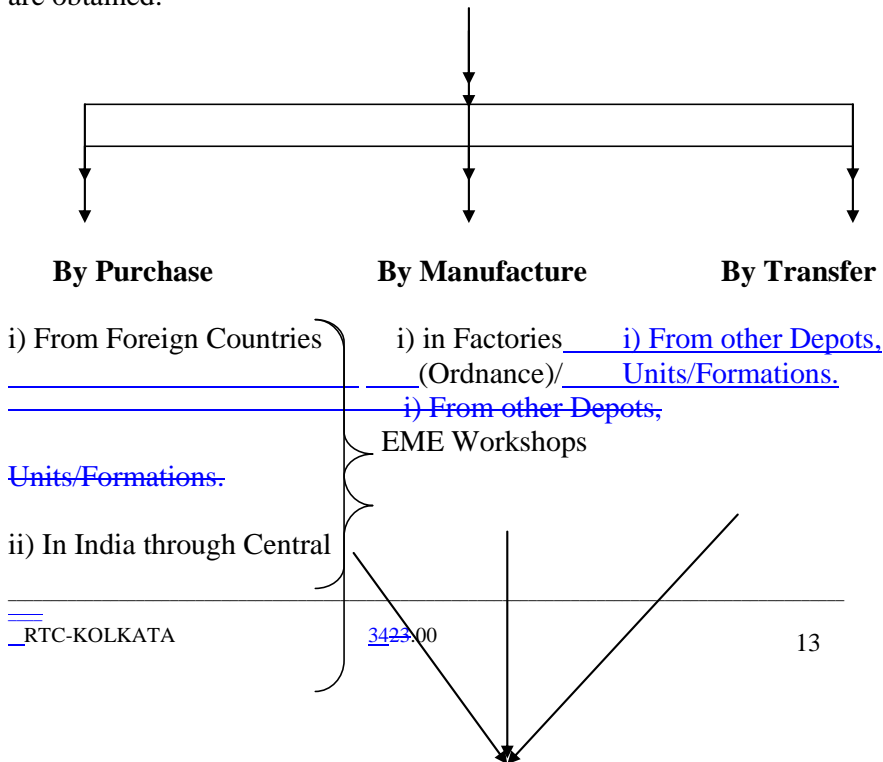
- a) Serviceable
- b) Repairable
- c) Unserviceable
- d) PWS/ doubtful

- All records pertaining to the Receipt and Issue of Stores in Depots and manufacturing establishment, Units and formations (including HQrs. Formation) will be maintained by the Store Holder in Charge of the Stores.
- Store Holder will maintain Ledgers, Account Cards, Bin Cards, and other records prescribed in departmental regulations.
- All transactions in the accounts will be supported by relevant vouchers (Receipt/Issue/Expenses/Transfer Voucher/Loss Statement etc)
- Balance shown in the accounts will represent the actual stocks in hand.

**RECEIPTS**

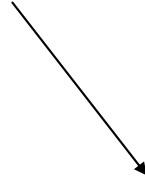
**DEFENCE STORES STOCKS: OBTAINED FROM**

Stores Stocks in *DEPOTS & MANUFACTURING ESTABLISHMENT* are obtained: -



Agency

iii) In India through Local Executive authorities



DEFENCE STORE STOCK

(See page/23; scheduling In and page/26;Receipt Audit)

**PURCHASE:**

The main 2 (Two types of Purchases in India are known as:

1. Central Purchase and

Local Purchase

2.

1.

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**PURCHASE**

~~The main 2 (Two) types of Purchases in India are known as:-~~

~~Central Purchase~~

**Local Purchase.**

a) **Central Purchase:** \_\_\_ —Such purchases are made in for the Defence \_\_\_ e—Services through the following Central Agency:

i) \_\_\_\_\_  
DGS&D, i.e., Director General of Supply and Disposal (Min. of Works, Housing & Supply): \_\_\_\_\_ ) —Responsible for ~~purchase~~ Purchase ~~e—other~~ Other than Food Stuff

ii) \_\_\_\_\_ Chief Director of Purchase, Ministry of Food and Agriculture: \_\_\_\_\_ Responsible for  
  
Purchase ~~of Food~~ of Food Grains, ~~Wheat~~ Wheat \_\_\_\_\_ Products Tinned \_\_\_\_\_ Provisions etc

**2. Local**

~~b) Local Purchase:~~ The Purchase: The Supply of Stores is arranged locally by the ~~executive~~ Executive Authorities through contracts on a station or area basis

(See Page 23 “Scheduling In” and page 26”Receipt Audit”)

**ISSUES:**

**Classes of Issues:** - Stores issued from a supply or Stores Depot, ~~manufacturing~~Manufacturing establishment or Unit is of various classes viz.

**1. ~~1.~~ Free Issues**

~~For Issues:~~ For Transfer

For Final Issues

For Consumption

**2. ~~2.~~ Issues on Payment**

**3. ~~3.~~ Issues on Loan: With or without recovery of hire charges ~~as~~ permissible**

permissible under rules-

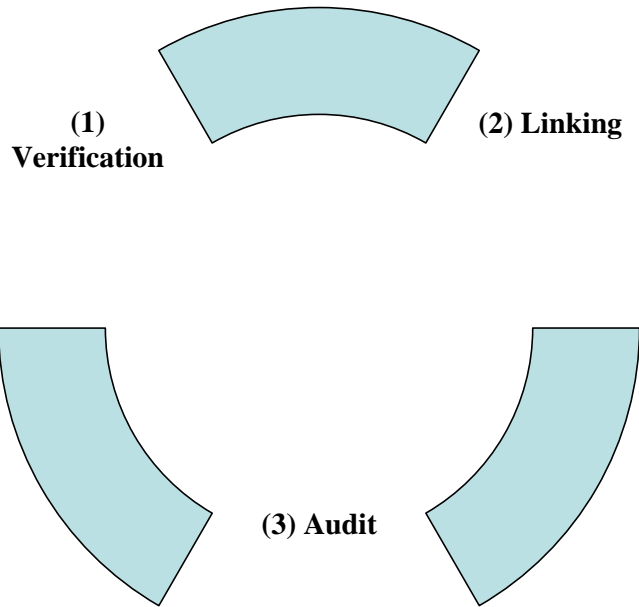
(See Page 23 “Scheduling In” and page 26”Receipt Audit”)

**SCOPE OF LOCAL AUDIT:**

-The various audit processes carried out —during the audit of Store Accounts of Army Units and Formations fall —generally under the **3 (Three)** Main categories: -

(V.L.A)





<u>(1) Verification</u>	<u>(2) Linking</u>	<u>(3) Audit</u>
<u>Of i) 'Casting'</u>	<u>i) On receipt side</u>	<u>Of i) Final receipt</u>
<u>ii) 'Closing book balances</u>	<u>of 'transfers</u>	<u>(surplus of stock</u>
<u>&amp; iii) 'opening book balances</u>	<u>Inward' and</u>	<u>taking)</u>

purchase

(See Page 21, 23 and page 26)

ii) **On issue side**

of 'transfers  
outwards'

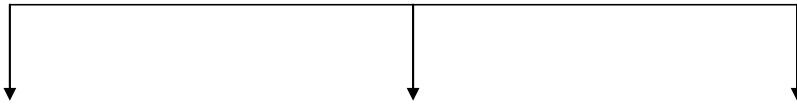
ii) **'Final issues'**

iii) Issues on  
payment

iv) Quantities  
charged off  
on loss statt

(See Page 14, 24 and page 27)

(See Page 17 and page 25)



\*A. Verification

#B. Linking

∞C. Audit

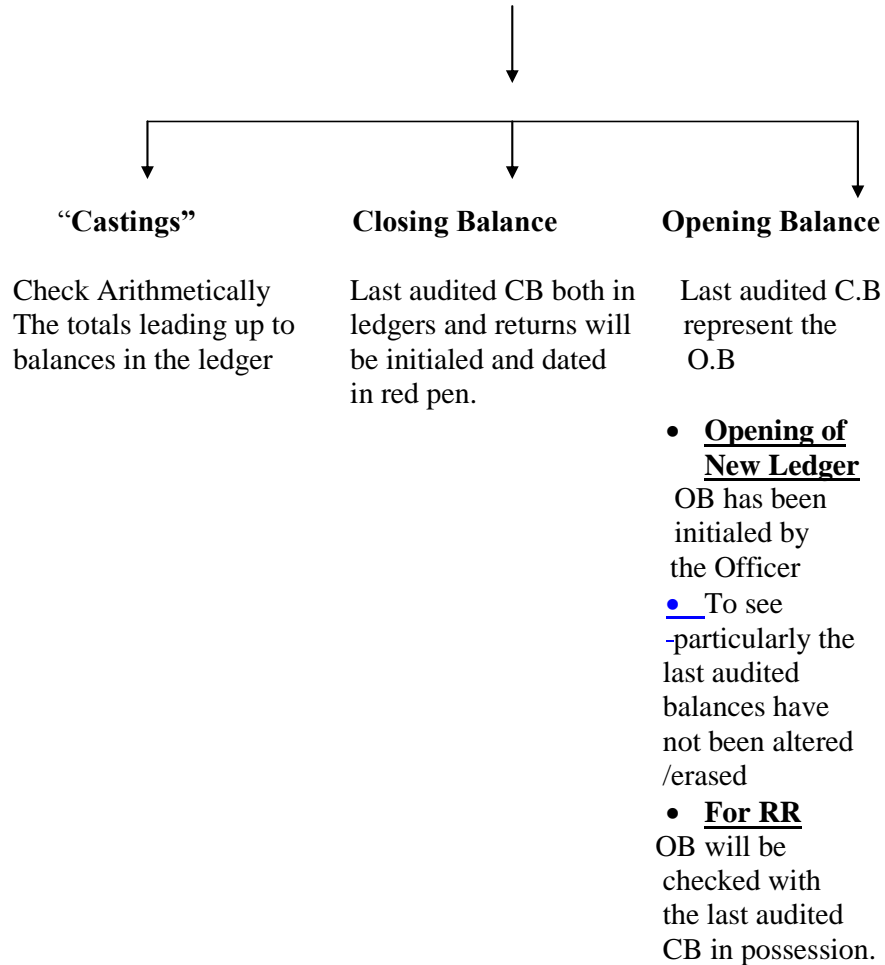
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ARMY LOCAL AUDIT

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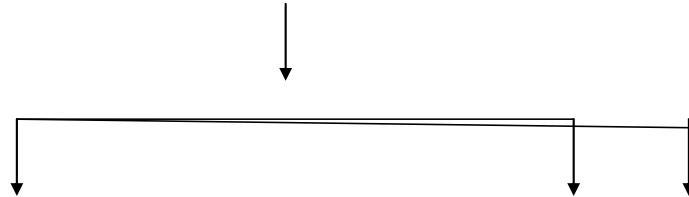
of i) 'Casting' \_\_\_\_\_ i) **On receipt side** \_\_\_\_\_ of i) **Final receipt**  
— ii) 'Closing book balances \_\_\_\_\_ of 'transfers \_\_\_\_\_ (surplus of stock  
& iii) 'opening book balances \_\_\_\_\_ Inward' and \_\_\_\_\_ taking)  
\_\_\_\_\_ purchase  
  
\_\_\_\_\_ ii) **On issue side** \_\_\_\_\_ ii) **'Final issues'**  
\_\_\_\_\_ of 'transfers \_\_\_\_\_ iii) Issues on—  
\_\_\_\_\_ outwards' \_\_\_\_\_ payment  
\_\_\_\_\_ iv) Quantities  
\_\_\_\_\_ charged off  
\_\_\_\_\_ on loss statt

**\*A. VERIFICATION OFF**



[\(See Page 16 and page 25\)](#)

**#B. LINKING**

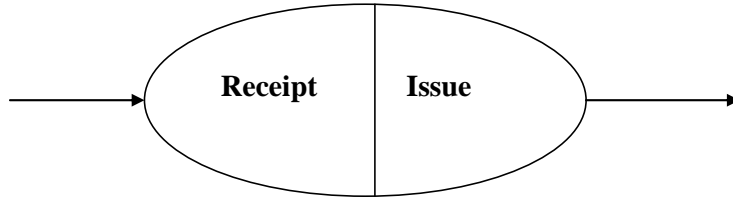


i) On Receipt Side

— ii) On Issue Side

Of “Transfer Inward” and of Purchase  
Of “transfer Out-ward”  
and of Purchase

(See Page 23 ‘Scheduling In’ (See Page 24 ‘Scheduling Out’ and  
and page 26 ‘Receipt Audit’) page 27 ‘Issue Audit’)



*One of the most important Functions of the local Audit is to link of receipt and purchase vouchers into store Ledgers, Stock and due Sheets, returns etc.*

**NOTE:**

**‘Linking’** means bringing together an entry in a ledger and supporting voucher to ensure that the entry in the ledger is strictly in accordance with the voucher or vice versa.

**'Pairing'** means bringing together two documents, which are supposed to be facsimile, copies one of the other, to ensure that they are in fact identical.

| [\(See page 21\)](#)

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**LINKING**

ARMY LOCAL AUDIT

During transactions of stores the following Depots and Units are involved: -

		CONSIGNOR		CONSIGNEE	
		STORE & SUPPLY DEPOT	CONSUMING UNIT	STORE & SUPPLY DEPOT	CONSUMING UNIT
<b>(A) STORES TRANSFERRED (ISSUING)</b>					
i) From		One store & Supply Depot (S&SD)	→	To another S&SD	→
ii) From		one S&SD	→		To a consuming Unit (C.U.)
iii) From		→	One C.U. →	To another S&SD.	→
iv) From		→	One C.U.	→	To another C.U.
<b>REVERSELY</b>					
		CONSIGNEE		CONSIGNOR	
		S&SD	C.U	S&SD	C.U
<b>(B) STORES RECEIVED IN (RECEIVING)</b>					
v) In		One S&SD	←	From another S & S&SD	←
vi) In		One S&SD	←	From C.U	←
vii) In		←	One C.U.		←
viii) In		←	One C.U.	From another S&SD	From another C.U.

**NOTE:** -Issue Voucher: A Voucher on which stores are issued.  
 Receipt Voucher: A voucher on which stores are received.

The "Issue Voucher" of the consignor is the same as the "Receipt -Voucher" of the consignee.

**DISPOSAL OF ISSUE VOUCHERS**

When stores are transferred/ issued from one depot to another depot or to a Unit, the ISSUE VOUCHER is prepared/ disposed off as under: -

CONSIGNOR (ISSUING)		CONSIGNEE (RECEIVING)	
LAO	(Store and Supply Depot) & Unit	LAO	-S&SD & Unit
	<p>Prepares Issue /Vr. In 5 copies (viz. A, B, C, D, E) Retains as ← Office copy (A)</p> <p>Sent to Consignee &amp; received back/ kept (B)</p> <p>Sent to..... (C)</p> <p>← Sent Through *SKELETON LIST (D)</p> <p>Retain 'D' copy for issue audit (From ledger into Voucher)</p>		<p>Returned to Consignor duly received (B)</p> <p>Retained (C)</p>



ARMY LOCAL AUDIT

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**ROLE OF CONSIGNEE LAO**

CONSIGNOR LAO	CONSIGNEE LAO
	<ul style="list-style-type: none"> <li>• On receipt of 'E' copies through <i>TOP LIST</i>; the same is noted in <i>SCHEDULE (INWARD) Register</i></li> <li>• Vouchers sorted out by depots and Units through "<i>Distribution Statement</i>"</li> <li>• "Sub-List will be prepared separately for each depot/ Unit Showing total No. of vouchers.</li> <li>• Sub-list 'E' copies of vrs. and other equivalent vr. (LP/CP/Vr.) Will be numbered serially (1, 2, 3, 4 etc) to facilitate the Selection of voucher for Linking.</li> <li>• Take the Jacket of the depot/ Unit concerned. <a href="#">(see page 23)</a></li> </ul> <p><b>To Pair</b> the vouchers selected for linking with the Corresponding consignee's Receipt Voucher and fact endorsed on the Voucher/document with no &amp; date of Consignee's Receipt Voucher.</p> <p><b>After Pairing</b></p> <p><b>To Link</b> form 'E' copies of voucher (other equivalent) into the consignee's ledgers (and not vice-versa) to the extent prescribed.</p> <ul style="list-style-type: none"> <li>• LAO/ALAO will test link a number of vouchers</li> <li>• Following types of objections may be raised (MFAI) during pairing/linking.</li> </ul>

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ARMY LOCAL AUDIT

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	<p><b>PAIRING STAGE:</b> Non production of primary or basic document <b>LINKING STAGE:</b> Credits have not been afforded in the ledger. <a href="#">(See page 23)</a></p>
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Linking & Credit Verification of Stores is also carried out in respect of: -  
~~A Linking & Credit Verification of Stores is also carried out in respect of:~~

Bakeries

B ~~Military Farm~~ Military Farm

C ~~Local Purchase Vouchers~~

D ~~Paid Transport Indent~~

E ~~Central Purchase Vouchers~~

F ~~Imported Stores (Packing Accounts)~~

G ~~Stores issued from Army to Navy/ Air Force/ M.E.S~~

(See page 23 'Scheduling In' and page 26 'Receipt Audit')

**C. AUDIT**

¶ S.

C. AUDIT

No Stores have been struck off Charge, unless the ~~Charge~~ Charge off is covered by Regulations or by the Sanction of the CFA

ARMY LOCAL AUDIT

¶ The Stores issued for internal use or consumption are of expendable nature likely to be expended for the purpose stated and that the authorized Scales, where fixed, have not been exceeded.

¶ All Stores issued on temporary purposes (i.e. on loan or on hire) to other Units or factories have been struck off ledger Charge and their return watched through loan Book.

**Issues on Payment**

The payment Issues are ~~authorized~~  
~~Departmental~~ Authorized.  
Departmental and additional Charges have been correctly charged at the prescribed rate.  
100 % audit is conducted to ensure that all MRO's are forwarded to CDA etc.  
(See page 27)

**DUTIES AND RESPOSIBILITIES OF AUDITOR, SO (A)/AAO & LAO FOR THE FOLLOWINGS:**

- A) Scheduling (IN)
- B) Scheduling (OUT)
- C) Verification of casting, opening balance & closing balance
- D) Receipt audit
- E) Issue audit

**A. SCHEDULING (IN)**

	<u>SCHEDULING (IN)</u>	<u>POINTS TO BE SEEN BY</u>		
		<u>AUDITOR</u>	<u>SO (A)/AAO</u>	<u>LAO</u>
<u>This is an important job in LAO. The vouchers received from other LAOs/Local purchase /CP Vrs. received from CsDA comprises scheduling</u>	<u>1. After receipt verify correctness of vouchers received.</u>	<u>1. Ensure immediate acknowledgment of vouchers</u>	<u>1. Ensure review of: Scheduling (IN) Register. 2. Give selection order for conducting</u>	

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**ARMY LOCAL AUDIT**

<p>(IN) vouchers.</p> <p><b><u>RECEIPT AUDIT IS CARRIED OUT WITH REFERENCE TO THESE VOUCHERS.</u></b></p>		<ol style="list-style-type: none"> <li>2. Acknowledge the vouchers.</li> <li>3. Enter in Schedule (IN) Register.</li> <li>4. Reschedule the vouchers, which do not pertain to his jurisdiction.</li> <li>5. Sort out the vouchers Unit wise.</li> <li>6. Prepare reconciliation statement at the end of the month.</li> <li>7. Hand over the concerned vouchers to the Audit Party for conducting receipt audit</li> </ol>	<p>received.</p> <ol style="list-style-type: none"> <li>2. Rescheduling has been done correctly as per the distribution list</li> <li>3. Reconciliation has been done correctly and there is no discrepancy.</li> <li>4. CP vouchers/LP vrs. are correctly batched for carrying out 100% verification where the value is above Rs.....</li> </ol>	<p>receipt audit.</p>
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**(See page 21- 'Role of Consignee LAOs) and page 26 'Receipt Audit'))**

**B. SCHEDULING (OUT)**

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<u>SCHEDULING (OUT)</u>	<u>POINTS TO BE SEEN BY</u>		
	<u>AUDITOR</u>	<u>SO(A)/AAO</u>	<u>LAO</u>
<p>Vouchers-"E" copies received/collected from the units are recorded in a Register for outward scheduling-"<b>Outward</b></p>	<ol style="list-style-type: none"> <li>1. Receipt of "E" Copies from units and copies collected by audit staff under Top List.</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure voucher are received, entered in the register, scheduled out LAO wise as per distribution of units and</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure receipt of proper accounting LAO wise distribution and dispatch.</li> <li>2. Check the Register and initial.</li> </ol>

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ARMY LOCAL AUDIT

<p><u>Scheduling Register</u> The register shows the receipt of voucher-distribution of vouchers and its reconciliation. The vouchers are scheduled out by the consignor LAOs to the consignee LAOs for <b>CREDIT</b></p> <p><b><u>VERIFICATION</u></b></p>	<p>2. Verify to see that the voucher bears RV No. and is 'paired' and initiated by the auditor.</p> <p>3. Enter the No. &amp; date of forwarding of memo under which the vrs. Are received along with details of no. of vrs. in the respective col. of the Register.</p> <p>4. Sort out the vouchers unit wise/LAO wise as per the distribution list.</p> <p>5. Prepare memo with LAO wise Top List and dispatch the vouchers.</p> <p>6. Enter the details of distribution of vouchers LAO wise in the Register.</p> <p>7. Watch for acknowledgement from LAO and note in the respective column of the Register when received</p> <p>8. Purse the wanting acknowledgement cases.</p>	<p>dispatched</p> <p>2. Test checks few vouchers to ensure that 'Paired' endorsement with dated initial of auditor is available in the voucher.</p> <p>3. Check the reconciliation register for its correctness and initial and submit to LAO.</p>	<p>3 LAO's personal linking vrs are selected, paired, initialed and dispatched to the consignee LAO for personal linking and acknowledgement received and recorded.</p>
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**(See page 14 and page 27)**  
**C. VERIFICATION OF CASTING, OPENING BALANCE & CLOSING BALANCE**

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<b><u>POINTS TO BE SEEN BY</u></b>			
<b><u>VERIFICATION OF CASTING, OPENING BALANCE AND CLOSING BALANCE</u></b>	<b><u>AUDITOR</u></b>	<b><u>SO(A)/AAO</u></b>	<b><u>LAO</u></b>

**ARMY LOCAL AUDIT**

<p>This is another important mechanism in Local Audit of Store Accounts.</p> <p><b>CASTING</b> means checking arithmetically vertical and horizontal totals leading up to the balance in the ledger.</p>		<ol style="list-style-type: none"> <li>1. See in a store ledger that each article is accounted for in a separate page and balance struck off after each transaction.</li> <li>2. The arithmetical accuracy of totaling is checked and the closing balance initialed and dated in red ink to avoid alteration of figures.</li> <li>3. A line is drawn neatly against the closing balance of each article in each ledger.</li> <li>4. When a store ledger is closed and a new ledger is opened it is seen that the balances are correctly carried forward page wise and initialed by an officer. See that a closing certificate and opening certificate duly signed by an officer is given in the closed/newly-opened ledger.</li> <li>5. 100% checking is done in casting, closing and opening balance.</li> <li>6. See that there is entry in each page regarding Annual Stock Verification and stock figure are not scored, rewritten and there is no over lapping of date.</li> <li>7. Serial numbers of ledger pages are maintained consecutively and no ledger page is missing.</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure store account is maintained properly and auditor had done casting to see arithmetical accuracy 100% and initialed and dated in each page in red ink.</li> <li>2. Ensure closing balances are correctly brought forward. Certificates are given in the ledger and are checked by the auditors.</li> <li>3. Test check to ensure that the audit work is done correctly as per manuals.</li> </ol>	<ol style="list-style-type: none"> <li>1. See that the auditor has done his work as per manual and test checked by SO (A)/AAO.</li> <li>2. Test check to see that the work is done correctly</li> </ol>
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**(See page 16 and page 17)**

**D. RECEIPT AUDIT**

<b>POINTS TO BE SEEN BY</b>			
<b>RECEIPT AUDIT</b>	<b>AUDITOR</b>	<b>SO(A)/AAO</b>	<b>LAO</b>
<p>It is a very important mechanism in local audit to ensure that the stores issued from Depots to Units and from Units to Units and charged off from the consignor ledger is promptly and properly taken in the</p>	<ol style="list-style-type: none"> <li>1. Auditor collects vouchers for audit from the 'Scheduling In' Task Holder for the respective period /respective Unit.</li> <li>2. Obtain selection order from LAO on the top sheet of the voucher bundle, which are page numbered.</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure auditor has taken selection order correctly and has checked the vouchers as per the selection orders.</li> <li>2. Test check 1/6<sup>th</sup> of the vouchers checked by the Auditor.</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure different methods of selection and not done in a routine manner.</li> <li>2. Ensure Auditor has verified credit all the selected vouchers and SO (A)/AAO Test Checked the required quantum of vouchers.</li> </ol>

**ARMY LOCAL AUDIT**

<p>consignee Ledger. RECEIPT VERIFICATION in the consignee ledger is carried out with reference to : (A) 'E' copies received from consignor LAO (B) Inspection Note/RV in respect of Central Purchase Items. (C) CRV/abstract in respect of Local Purchase Item.</p> <p><b>RECEIPT AUDIT IS CONDUCTED FROM VOUCHER TO THE LEDGER AND NOT VICE VERSA</b></p>		<p>3. Ensure 1/6<sup>th</sup> of the total 'E' copies is selected for receipt check.</p> <p>4. Ensure that Special Linking Vouchers LP/CP Vouchers are not mixed with other vouchers but are bundled separately.</p> <p>5. Carry the vouchers bundle with him and not to leave with the unit authorities at any time.</p> <p>6. Ask the store holder to produce corresponding receipt</p> <p>7. Pair both the vouchers to see that the vouchers are identical, facsimile copy and there is no correction etc.</p> <p>8. Verify the credit in the ledger, item wise and ensure that the quantity is correctly taken and totaling is correct.</p> <p>9. Round off the quantity shown in the ledger which is as per the voucher and initial with date.</p> <p>10. Make an endorsement in the voucher "Paired and Credit Verified" with Receipt Voucher No &amp; Date.</p> <p>11. Check the RV Control Register maintained in the unit to see that RV No. is controlled serially and there is no omission.</p> <p>12. Ensure that verification of the receipt of stores is done from <b>Voucher to the Ledger and not vice versa</b></p> <p>13. Wherever vouchers are not produced/items not taken on charge, concerned vouchers are removed from the bundle and placed under objection.</p>	<p>3. Scrutinize the voucher bundle and Test Check some vouchers of Costly items, which are not selected by LAO. Make Test Check (TC) endorsement wherein receipt checking is done</p>	<p>3. Test Check #/16<sup>th</sup> vouchers checked by Auditor/SO(A)/AAO</p> <p>4. Credit verifies 100% the vouchers received for personal linking.</p> <p>5. Make necessary TC endorsement on the voucher/ledger page where receipt check is done.</p> <p>6. In case large numbers of vouchers are not produced/items not taken on charge and are objected, include the same in MFAI (Major Financial &amp; Accounting Irregularities).</p>	<p><b>Formatted: Bullets and Numbering</b></p>
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(See page 21 and page 23)

**E. ISSUE AUDIT**

<b>ISSUE AUDIT</b>	<b>POINTS TO BE SEEN</b>		
	<b>AUDITOR</b>	<b>SO(A)/AAO</b>	<b>LAO</b>
<p>Linking of issues i.e. items charged off from the Consignor's Ledger in the Issue Vouchers/Expense Vouchers/Transfer Vouchers etc. This is done from</p>	<p>1. Call for the Ledgers and connected vouchers as per the list of auditable documents during audit visit</p> <p>2. Take each ledger one by one and see that the pages are serially numbered and there is no missing of pages in the Ledger</p> <p>3. See in each page of the Ledger whether any item is charged off with reference to issue voucher pertaining to the month/period selected for detailed audit and link the</p>	<p>1. Ensure auditors have audited all the ledgers as per the list of auditable documents.</p> <p>2. Ensure items charged off/issued for the month selected for detail audit is</p>	<p>1. Ensure that the units ledger/vouchers are audited by the auditor and test checked by the SO(A)/AAO with reference to basic orders, rules, codes</p>

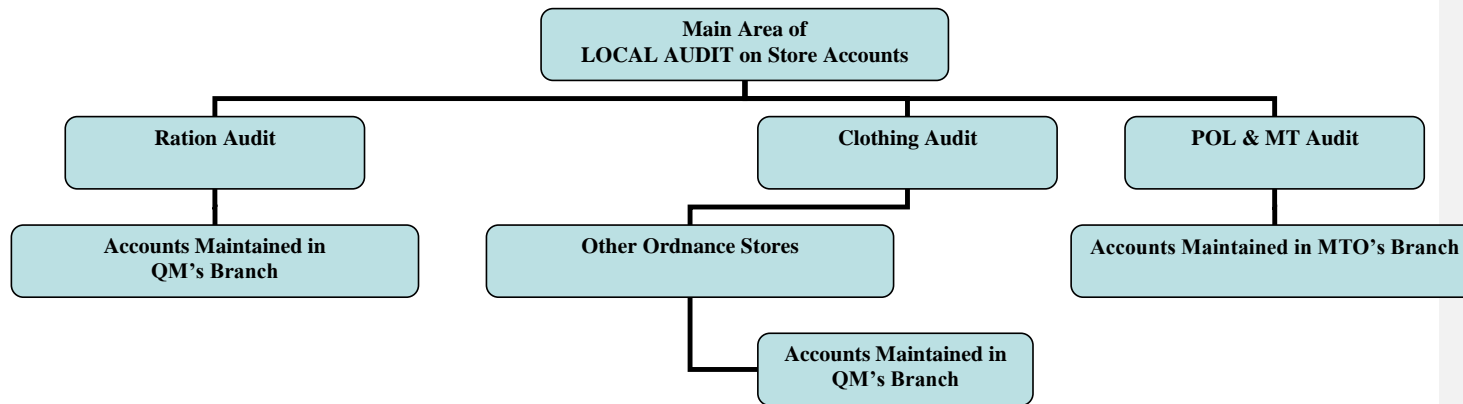
ARMY LOCAL AUDIT

<p><u>the Ledger to the Voucher</u> This is one of the very important mechanism in Local Audit of Store Accounts</p>	<p>quantity charged off with the Issue Voucher (One month transaction selected for detailed audit in a Half yearly audit)</p> <p>4. Check all the pages in all the Ledgers the same way as para.3 above.</p> <p>5. Take the Issue Control Register maintained by the Unit to see that all the Issue vouchers issued are noted in the Register serially and are available without any missing number/voucher.</p> <p>6. Verify vouchers pertaining to the detail audit month and see that all the items in the vouchers are linked and ticked with reference to the ledger entry. If there is any difference place under objection.</p> <p>7. Scrutinise the vouchers to see that:</p> <p>i) Stores are issued as per Govt. rules/orders on the subject.</p> <p>ii) Authority for the same is noted in the voucher.</p> <p>iii) Issue is supported by indent.</p> <p>iv) Entitlements worked out carefully.</p> <p>v) Make an endorsement on the voucher as "Audited" with dated initial.</p> <p>8. Check the receipt voucher for its correctness and collect the 'E' copy with RV number duly 'paired' and initialed with date.</p> <p>9. Make an endorsement in the unit copy of the voucher Receipted Copy (RC) collected. In case receipt copy is not received/available with the unit collect the voucher duly paired and make an endorsement <b>RC awaited</b> and place under objection as RC awaited.</p> <p>10. Where there is consolidation of sub details supporting vouchers/Nominal Roll etc. check the vouchers with reference to sub details/supporting vouchers, nominal roll and ensure casting is done to see the correctness of the item charged off</p> <p>11. Where consumable items are charged off on expense voucher see that a certificate is endorsed on the voucher that the items are issued for the Govt. bonafide purposes and signed by the officer</p>	<p>100% checked by the auditors.</p> <p>3. Ensure that the auditor has audited all the vouchers pertaining to the detail audit month.</p> <p>4. Test check and scrutinize vouchers pertaining to other months also to see that the unit properly maintains accounts</p> <p>5. Ensure that the auditor has collected all the 'E' copies of the vouchers and also RC awaited vouchers, which are placed under objection.</p> <p>6. Ensure necessary certificates are given in the expense vouchers and checked by the auditor.</p>	<p>and manual</p> <p>2. The audit for the detailed selected month is done cent percent by the Auditor and test checked by the SO (A)/AA and there is no omission.</p> <p>3. Test check issue transaction to the extent of 1/16<sup>th</sup> to see that the accounts maintained by the units are correct as per the laid down rules, orders and procedures and wherever not done place them under objection.</p> <p>4. Ensure that necessary audit endorsements are made on the documents, which are audited and initial as a token of test check.</p>
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(See page 14 and page 24)



**Main Areas of Local Audit**



**AUDIT OF RATION RETURNS (IAFZ 1519)**  
**&**  
**RATION ACCOUNTS (IAFZ 3033)**

1. Ration Accounts (IAFZ 3033) & Ration Returns (IAFZ 1519) have been prepared on the prescribed Proforma at the end of each month separately.

**IAFZ 3033:** A record showing the number of rations drawn by the unit.

**IAFZ 1519:** An account showing rations received, issued or consumed by the authorized personnel as per entitlement

1. Daily ration strength reflected in the Ration Return (RR) should tally with Ration Accounts of the month. In case of difference in the strength the objection is to be raised in audit.
2. The strength of Meat eater and Non-Meat eater should be shown separately and the consumption of meat should only be made in respect of Meat eater.
3. All the receipts of Rations from Supply Depots should be accounted for categorically in the same month. The receipted copies of the vouchers should be appended with the RR.
4. Rations have not been drawn in respect of the personnel while on leave/Temporary Duty/Admitted in the hospital and granted Ration Money.
5. All the names from last month's Statement will be brought forward. The casualties published in the Part II orders on account of leave/ Temporary duty/Hospitalization or grant on Ration Money must be quoted in the Ration Accounts (IAFZ 3033) and to be linked 100% with Part II orders casualties.
6. Every page of the Ration Accounts has been signed/stamped by the commissioned officer.
7. Attachment of individuals for ration purposes should be supported with LRC (Last Ration Certificate) issued by commissioned officers.
8. Each type of rations should be accounted for separately under each heading (i.e. Rice, Dal Channa, Dal Arhar... Atta, Sugar etc.

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**~~AUDIT, STATUTORY AUDIT(C&AG), INTERNAL AUDIT  
(DAD)~~**

~~———— The term audit is derived from the Latin AUDIRE, which means, to hear.~~

~~In the olden days, accounts of expenditure were recited verbally to the authority. As civilization developed, and with the growth of the economy, the number and the complexities of financial transactions became so large that verbal accounting had to be replaced by scripted recordings. This led to bookkeeping. Audit also developed into a profession dedicated to verification of maintained accounts and reporting on their authenticity and propriety. Gradually it developed into a powerful instrument of Financial Control to safeguard against extravagance, negligence and fraud.~~

~~In the Government, Audit of Public finances has been given such a high position that the **COMPTROLLER & AUDITOR GENERAL OF INDIA (C&AG)** has been made a statutory authority by the Constitution of India.~~

~~The audit of Defence Services Receipts and Expenditure is carried out by both (i) the C&AG as the Statutory Authority as well as (ii) the **DEFENCE ACCOUNTS DEPARTMENT (DAD)** as the Departmental agency.~~

~~The audit of Accounts and rendition of Reports on the results of audit is a Continuous process.~~

~~In the case of the Defence Services, both the maintenance of accounts, as well as their audit is the responsibility of the **DAD** and **INTERNAL AUDIT** is conducted with reference to the Rules and Regulations of the subject as laid down by the Government.~~

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ARMY LOCAL AUDIT

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~~The DAD, therefore, carries out the audit of the following documents:~~

- ~~a) Cash Accounts~~
- ~~b) Store Accounts~~
- ~~c) Works Accounts~~
- ~~d) Subsidiary Accounts.~~

~~The DAD thereafter renders the following Audit Reports:~~

- ~~A. Report on Appropriation Accounts.~~
- ~~B. Annual Review of MES Expenditure.~~
- ~~C. M.F.A.I. (Major Financial and Accounting Irregularities)~~
- ~~D. A.A.C. (Annual Audit Certificate)~~
- ~~E. I.A.R. (Internal Audit Report)~~

~~The basic objective of these Reports is to be highlighted on the following points:—~~

- ~~i) Cash Accounts~~
- ~~ii) Improper Maintenance of Accounts~~
- ~~iii) Losses (Cash & Store)~~
- ~~iv) Overpayments.~~
- ~~v) Infructuous Expenditure~~
- ~~vi) Defective Planning and Implementation of Projects.~~
- ~~vii) Variations between Estimates & Actual.~~
- ~~viii) Abnormal inventory Holdings,~~
- ~~ix) Irregularities and Frauds, etc.,~~

9. Summary of ration strength should be prepared and to be signed by the commissioned officer.
10. Dal each type should be accounted for separately but the consumption should be linked with entitlements.
11. Casting of RR should be 100% and variation if detected should be objected in audit.
12. The consumption of ration made should be as per entitled scales of ration laid down. Excess consumption is to be adjusted by underdrawal in the subsequent month through RR
13. Total Fresh items of rations should be consumed as per drawl and any overdrawal is to be adjusted by underdrawal in the subsequent month through RR.
14. Separate CIV should be prepared in respect of rations consumed for i) officers ii) JCO/Ors.
15. Payment Issue (P.I.) rations must not be mixed up with the rations drawn for free issues. P.I.Rations has been issued to the entitled personnel only.
16. Payment Issue Rations have been issued at the current rate and amount realized have been promptly deposited into Govt. Accounts through MRO
17. No unusual heavy balance of ration in RR is permissible.
18. Acknowledgement of TR is to be watched and to be verified.
19. Ration Accounts and RR must be prepared and signed by the OC unit along with prescribed certificate by 10<sup>th</sup> of each following month
20. Cutting /Erasures are not permissible in Ration Accounts/RR. Must be attested.
21. The working sheet for the drawl of rations for the entitled individuals is correctly prepared i.e. number of rations is multiplied by the authorized scales of rations for each item.

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Example: Scale of Atta 620gram per man per day  
No. of Rations: 100nos  
Quantity of Atta-100x620= 62.00 Kg per day

### AUDIT OF CLOTHING ACCOUNTS

While auditing of clothing Accounts of JCO/Ors the following points are to be seen: -

1. All the documents:

- a) Unit Clothing Ledger,
- b) Individual Clothing Card (I.C.C)
- c) Manuscript Register for ICC
- d) Salvage Ledger of Clothing have been properly maintained.

2. The Life Cycle concept of New Clothing system as laid down in AI 22/83 has been observed by unit/formation in respect of issue of free clothing to the JCO/Ors w.e.f. 1.1.1983.

3. All the issues and receipts of the clothing have been properly accounted for supporting with the relevant CIV/RV to the Unit Clothing Ledger (Central)

4. The free issues of clothing have been made in respect of the individual entitled for free clothing after expiry of the life of the particular clothing.

5. The following items of the clothing may only be issued after return of the old items after the expiry of life.

- i) Blanket EI
- ii) Blanket BK
- iii) Net Mosquito
- iv) Cap Water Proof
- v) Sheet Ground
- vi) Overall Combination.

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vii) Boot Ankle

viii) Hat Gorkha

6. Where two or more items are authorized, the replacement of only one No. of items will be made at a time i.e. Socks woolen quantity 3 are authorized and were issued on 1.1.2005. The life of one pair of socks is seven months, the life of 3 pair of socks is (7x3) 21 Months. The replacement of one pair of socks will be made after 7 months i.e. on 1.8.2005, second on 1.3.2006 and third on 1.10.2006.

7. Additional pair of clothing items may only be issued under the orders of GOC-in-C in exceptional circumstances before the expiry of the fair life of only one of the clothing items

8. Individual Clothing Card (I.C.C) is prepared in duplicate. Original will be with the individual concerned while duplicate will be with the unit QM. Audit is conducted with reference to the duplicate copy of I.C.C. All the issue of clothing items, initial issue or replacement is required to be entered in the individual's Clothing Card (ICC).

9. All the clothing items received after the replacement are to be accounted for in the Salvage Ledger of clothing items and to be back loaded to the Salvage Depot through Issue Vrs. Receipted copies are to be watched in audit.

10. On discharge/Transferred to Pension Establishment:

- o As regards to costly items of clothing recovery will be considered.
- o If individual wants to retain those items, 25% of the cost of the Clothing is required to be recovered from the individuals for items and to be deposited in Govt. Accounts if the half of the life has not been expired

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11. In case of transfer to Pension Establishment after expiry of the tenure of their services, the following items in possession of the individuals is to be retained:-

- a) Blanket BK 1no.
- b) Sheet Ground 1no.
- c) Net Mosquito 1no

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12. The individual attached to the units are also authorized to get the clothing items replaced by the unit where they are attached

13. In case the individual has not returned the replacement item to the unit the recovery is to be made at PV rate.

14. In case of non-availability of the items of the clothing in the unit/QM Store, the life of the new Store will be counted from the date on which the replacement takes place.

15. Officers are not entitled for Free Clothing. The Clothing items if required to the officer may only be issued on payment issue rates if available for officers' payment clothing stock.

16. **Unit Clothing Record Register** is maintained by the unit to record all issues made to the individual by allotting a separate page to each individual.

17. The receipt and transfer of ICC (duplicate copy) is controlled through a **Manuscript Register**.

18. The issue of clothing items is audited at the sliding scale (Fixed by CGDA with reference to the cost of clothing items) in the following sequences:

FROM TO

i) The Issue entries in the Clothing Ledger → the Issue Voucher.

ii) The Issue Voucher → the Nominal Roll

iii) The Nominal Roll → the Duplicate Copy of ICC

(To ensure that the new items are issued only after the expiry of the stipulated fair life of the item in possession of the individual)



### **AUDIT OF POL ACCOUNTS IN ARMY UNITS & FORMATIONS**

The following auditable documents are maintained in connection with POL Accounts by Units /Formations:-

1. POL Stock Ledger
2. Kilometer Card
3. Vehicle Register
4. Requisition for POL
5. POL Retail Issue Vr.
6. Vehicle/Equipment Log Book.
7. Ledger for Vehicle Kits.
8. Car Diary
9. Payment Transport Register.
10. Register showing duty/Journeys, before or after office hours on Holidays.

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**These documents are to be seen when POL audit is made**

#### **A. VEHICLE REGISTER (IAFZ 2186)**

1. The number of vehicles held on charge is not in excess of those authorized in PE/WE.
2. Transfer of Vehicle from one unit to another is under the orders of Army Headquarters.
3. Stock Taking has been carried out every year.

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#### **B. POL LEDGER**

1. Stock has not been held in excess of normal requirement.
2. Receipt and Issue of POL items have been properly accounted for and recorded through RV/CRV/ & IV/CIV and kept separately.

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3. POL charged off as issued to vehicles agrees with that taken on charge in Car Diary/KM Card against the Vehicle concerned.
4. Oil & Lubricants charged off in the Ledger as issued to unit's Vehicle are in accordance with the authorized proportion.
5. Monthly Stock Verification Certificate has been endorsed.
6. 1/3<sup>rd</sup> portion of Engine Oil has been retrieved and kept as "Used Engine Oil" and deposited in to Supply Depot concerned.

### **C. CAR DIARY (IAFZ 2209):**

Car Diaries are required to be maintained in the case of all types of vehicles viz. Staff Car including Jeeps, Station Wagons, Ambulances, Motor Cycles and Load Carriers. These are very important auditable documents and must be properly completed and maintained.

1. The specific duty performed is shown under col.2 heading 'specific nature of duty' e.g. inspection, to attend meeting, to receive a dignitary, conveyance of stores to railway station for dispatch by rail or drawing ration from Supply Depot.
2. If duty performed has not clearly been specified will be treated as 'non-duty purpose' and officers using Government transport will be charged for the mileage at the normal rates.
3. Car diary should be completed and signed by the officer using the vehicle/User of Vehicle in case of load carrying vehicles.
4. In no case Car diaries will be completed by the driver themselves.
5. Petrol is filled to the maximum capacity on last day of the month and result recorded in the Car Diary in red Ink.
6. All pages of Car Diary are numbered and stamped and blank lines are cancelled and signed by an officer to avoid their misuse.
7. Kilometer readings and Petrol drawn have been recorded on the relevant columns.
8. Authority for use of load carrying vehicle will be entered in the 'Remarks' column.
9. Journeys performed on amenity (Payment or Free) and other payment duties will be recorded in red ink. No. and date of relevant Treasury receipt is noted in the 'Remarks' column.

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### **D. KILOMETRE (MILEAGE) CARD:**

1. The various columns of the KM Card have been properly completed with reference to the Car Diaries.

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2. The distance run as shown in the Car Diary agrees with that shown in KM Card.
3. POL (Petrol/Diesel) issued to the vehicles on day-to-day basis as per POL retail Issue voucher has been accounted for in the Car Diary as well as KM Card.
4. The KM Card is signed monthly by the unit CO/OC or an officer nominated by him.
5. Authorized KM per litre as enfaced/certified by EME Workshop is the Log Book is achieved.

**E. VEHICLE LOG BOOK:**

1. It contains:
  - a) Particulars of vehicle,
  - b) Record of KM run,
  - c) Record of maintenance carried out.
  - d) Record of repairs and replacement
  - e) Tyre Record
  - f) Cleaning of Petrol Tank etc.
2. Maintained for each individual Vehicle by the unit on whose establishment the vehicle is held.
3. All casualties affecting the vehicles regarding test carried, replacement made, POL consumed for Test and static run will be recorded therein.
4. KPL as fixed by the workshop is recorded in Log Book for checking KPL achieved as shown in KM card.
5. To see that no discrepancies exist in the particulars recorded in the logbook and those recorded in relevant records of EME Workshops as to the period of vehicle's stay in the workshop and nature of repairs done to vehicle.

**F. REQUISITION FOR POL/POL RETAIL ISSUE VOUCHER:**

1. Agree with those in POL Stock Ledger.
2. Issue has been accounted for in Car Diary & KM Card against vehicle concerned.

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### **INTERNAL AUDIT - CONCEPTS**

—The generally accepted definition of Audit is a formal examination of accounts and records in order to enforce propriety and secure regularity in expenditure, whether public or private.

—It should be clear to all that primary responsibility for observance of financial integrity rests on the concerned executive authority. **INTERNAL AUDIT** is only to watch the due compliance of all directions of the organization of a financial or quasi financial character.

—**INTERNAL AUDIT** by definition is a review of all financial operation and accounting records. This is generally undertaken on a continuous basis within an organization by specially assigned staff. The scope of internal audit is determined by the authorities of the organization. The internal audit's objective is to ensure that the accounting system and mechanism are efficient and the accounting reports are accurate and disclose all material facts. They are also to suggest corrective measures, when called for.

**INTERNAL AUDIT** involves conducting a systematic examination of records, systems and procedures and operation of an organization as a service to the Management.

#### *INTERNAL AUDIT CONCEPT*

In the modern concept, Internal Auditing is an independent appraisal function to examine and evaluate its activities as a service to the organization and furnishes the management with analysis, appraisals recommendations, counsel and information concerning the activities

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reviewed. Thus, Internal Auditing is concerned with an evaluation of both internal controls as well as the quality of actual performances.

It has been viewed as an agency, which assists the management in ensuring that the money and other resources have been properly accounted for and there have been no frauds, misappropriations, leakage or mis utilisation of resources and the assets have been properly accounted for and safeguarded. It will also ensure that the structure, operating systems and internal control systems are cost effective and efficient and that the objectives of performance have been achieved with optimum ***EFFICIENCY, ECONOMY AND EFFECTIVENESS.***

**ECONOMY:** Requires that Goods and Services are procured at a Minimum cost consistent with quality.

**EFFICIENCY:** Is concerned with maximization of output for a given Quantum of inputs.

**EFFECTIVENESS:** Is the extent to which the goods or Services produced and procured satisfying the purpose envisaged.

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**AUDIT OF RAILWAY WARRANTS:**

During audit it will be seen that: -The forms are kept in safe custody under lock and key:

- a) A register in IAFZ 2012, recording the receipt and disposal of the books, is maintained and monthly certificate endorsed thereon by the officer commanding the unit/formation to the effect that all the forms on charge have been checked personally and physically showing the result of the check

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- b) In the case of 'cancelled' counterfoils the relevant warrants (foils have been effectively cancelled and pasted to the respective counterfoils.
- c) The numbers and dates of Part II orders authorizing the move are in general, quoted on the counterfoils of warrants.
- d) No blank forms have been signed by the issuing officer. Instances of this will be reported to the CDA who will report the matter to Brigade Headquarters or other administrative authority.
- e) The word Mail/Express/Ordinary whatever inapplicable is scored out.
- f) In the column 'VIA' the complete name of the station has been indicated,
- g) The particular nature of duty or leave has been noted. Railway Warrants and Credit notes have been signed in ink by the person authorized to sign them.
- h) No alteration has been made. If railway warrant has been incorrectly prepared, it should be cancelled and a fresh one issued.
- i) Losses of railway warrants have been promptly reported to the ARMY/NAVAL/AIR HEAD QUARTERS as the case may be, through staff channels and the PC of A (Fys) Kolkata
- j) Losses of blank forms have been regularized under the orders of the Government of India as the losses on account of the probable misuse of the lost forms cannot be ascertained.

**AUDIT ENFORCEMENT:**

The official checking the forms will endorse 'checked' under his dated signature and designation, on the reverse of the counterfoil of the last warrant issued up to the date of the check.

**DETAILED CHECK OF RAILWAY WARRANTS:**

5% of the warrants issued during the period under audit will be selected for detailed check. It will be seen that the numbers and dates of Part II Orders quoted and details regarding names, particulars, purpose of journey, etc., shown on the counterfoils are authentic. (The check should be made from the counterfoils to Part II Orders and not vice versa)

**AUDIT OF CREDIT NOTES:**

Credit note will be checked on general lined to see that:-

- The forms are kept in safe custody under lock and key;
- A register recording the receipt and disposal of the book is maintained and a certificate endorsed thereon every month by OC Unit/Formation to the effect that all the forms on charge have been personally and physically checked showing the result of the check;
- In the case of cancelled counterfoils the relevant credit note (Foils) have been effectively cancelled and pasted to the respective counterfoils;
- The numbers and dates of Issue Vouchers or other communications forwarding stores are quoted on the counterfoils of credit note so as to ensure that only bonafide government stores are conveyed on credit notes;
- No blank form has been signed by the issuing officer; instances of this will be reported to the CDA who will report the matter to Brigade Hqrs or other administrative authority.
- The sanction of the competent financial authority for Credit Note issued for wharfage or demurrage has been obtained;
- Demurrage charges incurred due to negligence on the part of consignor/consignee have been treated as loss of Public money and dealt with accordingly.
- Losses of blank forms of credit notes have been regularized under the orders of the Government of India, as the losses on account of the probable misuse of the lost forms cannot be ascertained.

#### **AUDIT ENFACEMENT ON CREDIT NOTES:**

The official checking/reviewing the forms will endorse checked/reviewed under his dated signature and designation, on the reverse of the counterfoils of the last credit note issued up to the date of check/review.

#### **DETAILED CHECK OF CREDIT NOTES:**

5% of the credit notes issued during the period under audit will be selected (with due regard to the amount involved on each) for checking in detail with corresponding Issue Vouchers to see that:

- (a) The stores stated to have been dispatched were actually issued and were Government property
- (b) Credit Notes were not used for the dispatch of stores, issued on loan to Civil Department.

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**Note:** The counterfoil thus checked will be initialed and dated by the official carrying out the check.

### CHAPTER-III

#### FORMATION SPECIFIC AUDIT

##### AUDIT OF MES FORMATION INCLUDING BSO

###### Introduction:

The Engineer-in-Chief is the Head of the Corps of Engineer and of the Military Engineering Services. The levels of the MES for the purpose of works Services are as under:



- Engineer-in- Chief
- Command Chief Engineer
- Chief Engineer Zone/Project
- CWE
- GE
- AGE

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A Chief Engineer Command is divided into a number of MES Districts each under the control of the CWE. Districts are further sub divided into Divisions and Sub-Divisions under the control of GEs and AGEs respectively.

Internal Audit of these MES Formations is carried out by Defence Accounts Department. As GE is the executing officer in the Division, we will discuss about the audit of documents maintained by GEs and his Sub-Division.

The list of auditable documents maintained in GEs formation is listed in Appendix –I of MES Local Audit Manual.

**E-I SECTION:**

As the documents maintained in E/I Section related to his administrative matter and these documents are also similar to the other unit/formation.

**E-II SECTION:**

The following Registers are audited to see that the administrative approvals accorded by the competent authority are entered in the appropriate column of the Registers:

- i) Register of Administrative Approval (Carried Over Works)
- ii) Register of Administrative Approval (Major Works and Minor Works)

**E-III SECTION:**

In E/3 section of GE's office, Purchase Registers are audited with reference to Quotation Register and Register of Approved Suppliers. Register of Losses, Register of Railway Claim and Register of Barrack Damages are also audited to satisfy that the transactions occurred are regularly posted in the respective Register.

**E-V SECTION:**

In this Section Cash Assignment Cash Book and Public Fund Account Cash Book are audited with reference to paid vouchers and cheque slips issued by the CDA/AAO. It is also seen that Cash Assignment is not exceeded the limit prescribed in the Cash Assignment placed by the CDA. **Appropriation Register** is audited to see that the Budget Allotment of the year has been noted and watched.

**E-VI SECTION:**

While checking the Register of Permanent Building and Register of Temporary Building, it is seen that the expenditure incurred which affects the capital cost of the building are noted with reference to CR Part "B" and it is also seen that Annual Stock Taking of the buildings are carried out. Similarly expenditure incurred on account of Construction of Road or any Special Repairs are entered in the Register of Military Road maintained in E/6 Section.

**E-VIII SECTION:**

While auditing the Register of Contract, it is seen that the Contract Agreements are noted therein. It is further seen that the tenders are issued to the contractor in the approved list of contractors maintained and the contract was awarded to the lowest one. All approved contractors have lodged their Security Deposit as per existing order and noted in the **Security Deposit Register** maintained for the purpose.

**AUDIT OF B&R SUB-DIVISION:**

B/R Sub-Division in GE's office executes the works of civil nature i.e. construction of building, road etc.

B/R Section maintains the following ledgers which are audited by Defence Accounts Department as well as Test Audit Party.

**STORES IN HAND LEDGER:**

While auditing stores in Hand Ledger, **receipt column** of the ledger is checked with original copies of indent in case of stores drawn in bulk from maintenance stock, with demolition Register in case of stores received from demolition, with the original transfer voucher in case of stores drawn from material register of another work or from local purchase bills and from receipt voucher in respect of stores receipt from MES Stores organization.

Issues will be checked with reference to Sub-Indents and will be linked with list of stores submitted in support of muster Roll, temporary work charged personnel bill etc. for services concerned.

In case of stores issued to different works for which stores were not booked originally, whether requisite adjustment vouchers prepared and adjusted are also checked.

Unused stores for a considerable period should be utilized for other work or return to stock.

**UN-STAMPED RECEIPT:**

Unstamped receipt supported with Baby Indent duly receipted by the contractor is also verified with the Stores In Hand Ledger.

**ROAD METAL REGISTER:**

Receipt column of this register is checked with the original vouchers on which payment have been made for the collection of road metal Issue will be checked with IAFW-2305 approved and signed by the AGE and specifies the particular work in which stores have been used. It will also be linked with the list of stores attached with Muster Roll bills or other relevant bills.

**DEMOLITION REGISTER:**

Demolition Register is the original record of materials obtained from demolitions. Hence the demolition Statement or sanctions for demolition are linked with the entry of the register. It will also be seen that the stores entered in the Register have been disposed of and adjustment made.

**CONSTRUCTION ACCOUNT:**

The construction Account is maintained by the concerned GE/AGE for each work or services to exercise financial control over the expenditure of an allotment he has received.

While auditing the construction Account, it will be seen that sanctions and allotments are noted in the construction Account and entries agrees with the entries in the **Register of Approval of works and Register of Appropriations**. It should also agree with the entry made in the

contractor's Ledger. It should be ensured that the liabilities are correctly posted in the construction Account.

**MEASUREMENT BOOK:**

In checking the Measurement Book it is seen that:-

The arithmetical calculations are correct. Printed rules contained in the MB have been complied with. The entries are clear, explicit and self-contained and the quantitative value of each items of work agrees with the corresponding amounts appearing in the abstract attached to the Bill.

**PERIODICAL SERVICE MEASUREMENT BOOK:**

Periodical Service Measurement Book will be examined to see that each PSMB contains a certificate to the effect that not less than 5% of the measurements have been checked by an officer. The books are kept up-to-date and certified by GE as correct and all corrections are authenticated. Particulars of check exercised by Local audit staff i.e. the date of check and pages or items checked have been recorded in flyleaf of each PSMB signed by Auditor.

**TOOLS AND PLANT LEDGER:**

While auditing Tools and Plant Ledger it will be seen that the receipt column of the items is checked with the paid bills or vouchers in case of purchase, receipt voucher in case of receipt from other division. Similarly all issues will be checked with reference to the issue vouchers in respect of Tools and Plants issued to other division, loss statement or through survey reports. It would also be seen that T&P Purchased and charged to a particular work are disposed of on completion of the service which should be credited with depreciated value to the work for which it was procured.

**FAN AND METER REGISTER:**

The Register will be examined to see that it is maintained in accordance with flyleaf instruction printed therein. All new purchases are receipts of Meters and Fans ascertained from the original Bill, consignors issue voucher, I.D Schedule etc. should be linked with the entries in the register. Location of the Fans as noted in the Register will be scrutinized and verified with the Consumer's Ledgers or Return of Recoveries to determine whether hire charges have been levied where due.

**BULB ACCOUNT:**

Bulb Account is also maintained in MES formation and Receipt is checked with relevant store indents and Issues with the bulb requisition in respect of bulbs supplied to unit, departments and individual.

**REVENUE LEDGER:**

In revenue ledger, all the rentable buildings are entered and licence Fee Bills are floated against the occupants of the building based on Occupation/Vacation Return and Return of Recoveries. This register is audited to verify that the rent and allied charges are recovered regularly and all the required information has been transcribed in the ledger. In Revenue section of BSO, Consumer Ledger of electricity and water charges, Special consumer Ledger (Private Party) are also maintained. These registers are checked with reference to Meter Reader Book of water and electricity.

**PROVISION OF FURNITURE:**

BSO under the organization of GE's division provides furniture to units, officers, JCOs and others occupying the Govt. accommodation. For this purpose BSO maintains Register of Authorized Furniture, Station Furniture Register and Furniture Distribution Ledger.

Authorized Furniture Ledger is checked to see that the furniture are issued within the authorized scale to units and formation and to the occupants of the buildings.

Station Furniture Ledger is checked to see that receipts of furniture noted in the register are correctly entered. To ensure that paid bill relating to the purchase of furniture, Transfer voucher received from other AAO are also linked.

Furniture Distribution Ledger is checked to see that the quantities shown in unit and the quantities distribution ledger agree and any variation reconciled duly signed by the representative of MES and representative of Unit.

**VISITOR BOOK FOR MES INSPECTION BUNGLOW:**

While checking the above register, it will be seen that the book is maintained and all visitors sign their name, address and the amount paid. Recoveries are made at the rates prescribed by CWE. The amount realized is credited with the cashier of the GE concerned and accounted for in the cash Book.

**DIVISIONAL STOCK REGISTER:**

Divisional Stock Register maintained by BSO is audited. Receipt in the Stock Register are audited with reference to CP Vouchers received from PCDA/CDA/DAD Cell ; from Cash vouchers for supplies paid from Cash Assignment or imprest and receipt voucher prepared by MES (Received from other MES Formations).

Issues are checked from the Issue Voucher/Indents prepared by BSO.

**MILITARY FARM**

**INTRODUCTION**

Military Farms were originally established as grass farms in order to supply fodder and hay to horses and mules of British Indian Army. Later on, due to prevalence of infectious disease caused by local milk, the necessity was felt to establish Dairy Farms. First MF was established in 1889 at Allahabad. In 1930 grass farms were merged into Dairy Farms to form the Military Farm Department. Later in 1948 they were merged with Remount and Veterinary Corps to form RVFC but they were again bifurcated in 1960 as experience showed loss of functional efficiency of both the wings due to merger. Presently 43 MFs are functioning in all the Commands.

**ROLE OF MILITARY FARM:**

**Primary Role:**

- 1) Production and supply of hygienic milk and Milk products to the troops;
- 2) Supply of dry fodder (hay) to animals

**Secondary Role (On call/or on required basis)**

- 1) Production and supply of

- Poultry/Meat/Mutton/Fish  
2) Production and supply of vegetables
- Supplementary Role** 1) Protection and gainful utilization of  
Defence land in their custody  
2) Environmental Development  
3) Arboriculture.

**MAINTENANCE OF ACCOUNTS:**

Military Farm being a manufacturing concern, run on quasi-commercial lines and their accounts are maintained on a cost account basis. It is therefore, necessary that all transaction connected with the running of the farms are accounted for in their books whether cash payments are involved or not. For this purpose cash accounts are divided into 3 (three) main headings:

- i) All Cash receipts including drawing from treasuries through DMF and through PCDA/CDA and all payments in cash.
- ii) BT Cash Transactions:-Receipts and payments for which actual cash realization or cash payment is not made by the firm directly but which involves budget provisions items requiring financial adjustment.
- iii) BT Cost Transaction: Transactions for which no financial adjustment for budget purposes is involved but which affect the Trading Account of the firm. These transactions require only proforma adjustments.

**SECTIONS:**

A full fledged Military Farm consists of the following sections:-

1. Cash Section
2. Establishment Section
3. Cattle yard Section
4. Dairy Section
5. Fodder and Stack-Yard Section
6. Store Section
7. MT Section

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ARMY LOCAL AUDIT

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- 8. Cultivation Section
- 9. Young/Calves Section
- 10. Veterinary/Stock Live Section

**DOCUMENTS MAINTAINED**

- a) Cash Account
- b) Establishment Account
- c) Dairy Produce Account
- d) Coupon Account
- e) Store Account
- f) Annual Trading & Profit and Loss Account.

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**EXTENT OF LOCAL AUDIT:**

The extents of local audit to be applied to the Farm's account including each section are as follow: -

- a) Verification of casting, closing and opening book balances will be done 100%
- b) Linking of receipt including purchase and issues on account of stores appearing in: Cash Account, Store Account and Miscellaneous Account is 16 ½ for vouchers below Rs.20, 000/- in respect of local purchase and below Rs.50, 000/- in respect of Central Purchase Vouchers.
- c) Audit of Final receipts and Final Issues of stores appearing in Store Account and Miscellaneous Accounts will be 161/2% in general except Rent Return, Register of conservancy charges due from non-entitled persons in which case 100% audit will be made.
- d) Audit of Final Receipt and Issue of stores appearing in Annual Trading and Profit and Loss Account and the connected statement, Cash Account, Establishment Account and Dairy Produce Account will be done 100%.

**PROCEDURE OF AUDIT:**

Before commencement of audit the monthly abstract of the Cash Book together with supporting vouchers and statement will be asked for from PCDA/CDA, if not already received by LAO. During audit, these abstracts and statements will be checked with Cash Book and other Books of Account to ensure that there is no variation between the account shown in the abstract and statement and that recorded in Cash Book and other books of Account maintained by MF. After audit, the



abstracts and statements will be returned to CDA with the certificate of audit endorsed thereon.

**GENERAL POINTS TO BE SEEN IN AUDIT:**

It will be seen in audit that:-

1. No items of expenditure pertaining to the working of MFs are omitted from the Cash Book and Annual Trading and Profit and Loss Accounts. All Liabilities of the farm are charged against the assignment of the year to which they pertain.
2. Sale proceeds of all firm products sold have been realized and credited in the Cash Book.
3. Issues of fodder on payment by Military Farms is made only in station where ASC do not function and to those authorized under regulation and orders and that the sale proceeds are credited in Cash Book. Fodder should not be issued to officers direct from firm's stock.
4. The value of rations and clothing issued to firm personnel has been adjusted in the Cash Book at payment Issue rate. Store purchased by firms from Govt. Supplying Department.
5. Products and by-Products of the firm which are not required for Govt. use are to be sold to the best advantage of the state under the orders of the superior authority concerned.
6. Triplicate copy of the Sale Account of surplus, obsolete and unserviceable stores have been received from the CDA for verification of struck of stores from the relevant store books and that credit for sale proceeds have been accounted for in the Cash Book.
7. All account Books have been properly linked and inter linked. All quantitative ledgers and returns have been maintained for audit.

**AUDIT OF CASH ACCOUNTS:**

- a) Immediately on the date of visit by LAO to Military Farm cash in hand to be counted and see that it agrees with the closing cash balance as per Cash Book.
  - b) Thereafter the Cash Book should be taken up for audit.
- Entries of the cash book consist of the following:-

**RECEIPTS:**

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ARMY LOCAL AUDIT

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- a) Sale of Dairy Produce, Grain, Fodder etc.
- b) Sale of Coupons
- c) Cheques received from PCDA/CDAS/DMF, other farm.etc.
- d) Rent and allied charges, Misc. receipt etc.

**PAYMNTS:**

- a) Salary to Establishment
- b) Advance to Farm Hands
- c) Remittance in to treasury
- d) Local purchase of stores, supplies and services
- e) Contingent expenditure
- f) Refunds for coupons, bottles etc.

*Ensure that*

- a) The cash column on receipt and payment sides of the Cash Book are totaled daily and balances struck and that the totals are written in ink and carried forward to the subsequent date.
- b) The balance in hand on a particular day agrees with the total amount held by the cashier and the Officer-In-Charge.
- c) The cashier and officer-in-Charge have signed the Cash Book.
- d) The authorized limit of Cash Balance is not exceeded and the cash held by the cashier does not exceed his Security Deposit.
- e) That the amounts charged off from the Cash Book on payment of advances are entered in the Demand Register.
- f) Outstanding demand as per Demand Register should be placed under objection and their clearance should be watched.

**JOURNAL:** The Journal is maintained for entering all transactions other than cash. It should be verified with reference to I.D.B/O.D.B and other allied documents that such transactions are passed through the Journal on a day-to-day basis. These documents are audited with reference to the accounts maintained by the concerned section and verify the relevant entries in the Journal. For examples: -

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ARMY LOCAL AUDIT

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- No.2 copy of issue order (prepared by indenting section and forwarded to the Administration Section)
- Daily Cattle Yard Stock Sheets
- Central/Local purchase voucher
- Issue/Receipt voucher for stores issued to/received from other Farms/ASC/Ordnance/Medical Store Depot etc.
- Loss Statement for stores written off.
- Daily consolidated receipts and connected documents for issue to Dairy Produce to troops and others on credit.
- Issue Vouchers for issue of fodder and vegetable etc. to Supply Depot.
- Vouchers for over head and indirect charges.
- Vouchers for stores issued to other departments.

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**AUDIT OF NCC UNITS:**

1. Local audit officers of Defence Accounts Department are responsible for the Audit of Store Accounts ( in exceptional cases may be assisted by Inspection Auditor as authorized by the PCDA/CDA) and Inspection of Cash Accounts of the NCC Units only in respect of the fund allotted by Central Government with the exception as mentioned in the succeeding paragraphs:-

2. Government of India is responsible for the following in respect of NCC Units:-

(i) Provision of Equipment including vehicles, their repair and maintenance

Note: The cost of running of the vehicles is the responsibility of State Govt.

(ii) Provision of Clothing Uniforms to new Units and replacement of uniforms of the existing and new Units to the prescribed Scales

Note:

(a) From the year 2004, radical changes have been made in provisioning of Clothing items to Officers/Cadets of NCC Bns

(b) While some items are issued on life cycle system to cadets, some are issued on 100% retention basis.

(c) In accordance with above, projection of demand is to be made by School / College authorities to the NCC Bns Who in turn examine the same, and place the indent to the Ordnance Depot for provisioning issue

Note: While calculating the Indent, all Unit of the NCC will hold a reserve of 20% over and above of the authorized scale of clothing and necessities in Andaman and Nicobar Island it is 40%.

iii) 75% of expenditure on Annual and Cadre Camps of all Units and balance 25% to be borne by the State Government and 100% of said expenditure is subject to audit by respective State Accountant Generals

3) Audit of Store Account of NCC Units is done in accordance with the procedure adopted for consuming Units in Army / Navy /Air Force. Ledgers in general are to be maintained in accordance with the ledgers maintained by the consuming Units. All entries in the ledger should be supported by Receipt / Issue/ Expense Vrs .and vouchers corresponding to Navy/Air Force Battalions. As per extent order EME Sections of NCC are authorized to draw 10 (Ten) Gallons of petrol per month per vehicle free of cost from ASC Depots/Installation for training purposes. Where ASC facilities are not available, the petrol may be obtained locally from the trade and cost thereof claimed from the CDA concerned on a Contingent Bill in a normal manner. Petrol is to be accounted for in the POL Ledger by the Unit.

It may be mentioned that all the stores issued by Ordnance/ASC Depots are on payment Issue basis and booked against the allotment of fund made by Central Government under various heads by the respective PCDA/CDA on receipt of Payment Issue Vouchers duly scheduled by LAOs/ALAOs Supply Depots/Ordnance Depots.

OCs of the Unit is authorized to indent for and issue of the Railway Warrants forms to themselves and other regular Service Personnel with NCC.

In audit, provisions of A.O. 570/73 as amended from time to time regarding indenting, care and safe custody of Railway Forms will be looked into by LAOs.

**CASH ACCOUNTS:**

So far as Cash Accounts are concerned, LAOs will see: -

- i) That the Cash Book for the Funds obtained from Govt. of India is maintained separately from that relating to the amounts received from State Government.
- ii) The transactions pertaining to the two Cash Accounts are separately entered in the relevant accounts and that no wrong posting occur.

Besides that LAO will inspect the Cash in the line as done during Inspection of other Army Units.

**LOCAL AUDIT OF A.S.C. SUPPLY DEPOTS**

1. The functions of Army Service Corps include: -

- Operation of the Supply and transport services of the Army
- Catering and inspection of food articles

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- Supply services to the Air Force.
- Supply services of the Navy.

**A.S.C SUPPLY DEPOT:**

2. There are in all 146 Supply Depots including Composite Platoons located all over the country.

**FUNCTIONS OF A SUPPLY DEPOT:**

3. The main functions of ASC Supply Depots are:-

- (a) To receive supplies of ASC articles procured through Central Purchase or Local Purchase or by Transfer from other Depots
- (b) To hold stocks of ASC items up to authorized or specified limits from time to time.
- (c) To issue ASC articles to the various units/formations and also authorized paying consumers who are dependent on the Depots.
- (e) To account for, in the prescribed accounting documents, all Receipts and Issues
- (f) To receive, hold issue and account for POL items at stations where Petroleum Depots Platoons are not functioning.

**RESPONSIBILITY FOR PROVISIONING ASC ITEMS:**

4. All items of Dry Rations like Rice, Wheat, Sugar, Oil Hydro, pulses etc, are procured centrally by the Army Purchase Organization by conclusion of periodical contracts with the supplying agencies. The procurement of fresh items of supply like meat, fish, vegetables, fruits etc. are arranged through contracts concluded by the Staff authorities which are operated by the ASC authorities. In cases of emergency created by break down of supplies for whatever reason, local purchases of these items are resorted to under sanctions issued by the Staff authorities. These local purchases may be at the risk and cost of the contractor with whom a contract has been concluded in cases where there is default.

**SCALES FOR PROVISIONING:**

5. The quantum of requirements for issue to entitled consumers is worked out based on the scales laid down in Scales of Ration and Supply (SRS) and Army Instructions 7/S/24 Naval Instruction 06/86 and Air Force Instruction 18/S/68., these scales form the basis for assessing the requirements for purposes of conclusion of contract. The scales

multiplied by the strength of troop and other entitled consumers would give the total estimated requirements.

**STOCK TO BE HELD:**

6. In addition to requirements stated above, Supply Depots are also required to maintain at all times reserves like GS Reserve and Maintenance Reserve etc. based on the specified number of days requirements for each of these reserves.

**GUIDELINES FOR LOCAL AUDIT:**

7. (i) It should be seen that the total stocks held with reference to the quantum of Maintenance and GS Reserves etc. to be maintained based on total strength of entitled personnel dependent on the depot and with reference to applicable scales are within the above limits. This should be seen periodically and any tendency to hold excess stocks, or stocks lower than the prescribed limits should be gone into to identify the reasons and for corrective action by the Depot, if the excess holding is persistent phenomenon, the matter should be reported to the CDA for taking up with the Command.

(ii) The stores required for contingent purposes are not obtained in excess of requirements.

(iii) It should be seen that items with limited shelf life are not stocked in large quantities and there is regular turnovers of such items.

(iv) It should be seen that there is regular turnover of the stocks of various dry items held so that cases of losses due to deterioration while in stock are kept to the minimum.

(v) Cases of transfer of items into and out of the Depot require close scrutiny. The expenditure incurred on such Inter-Depot transfers should be looked into to appreciate the implications of such transfers.

(vi) If the transfers out of the Depot are frequent, this would call for a deeper study into the reasons for transfer, items transferred, depots to which transferred, number of such transfers during a quarter or half year etc. which should be examined to see whether these transfers were to liquidate the excess stocks held.

(vii) If the transfers are to liquidate excess stock, it should be seen whether the quantities indented have been reduced to avoid overstocking. The norms for projecting indents should also be studied for appropriate modifications.

**ISSUES ON PAYMENT:**

8. (i) It should be seen whether the issues on payment are made only to the entitled personnel prescribed from time to time.
- (ii) It should be seen whether the Register of entitled personnel is kept updated. Some specific cases selected at random every quarter should be cross checked with this register.
- (iii) It should be ensured that the issues made are as per the prescribed scales and there are no cases of over issues.
- (iv) The pricing of the payment issues should be done as per the latest rates in SBRL or rates fixed and circulated by CDA ( fresh items).if the SBRL available in the depot is old, the latest available rates should be obtained either from the neighboring Depots/LAOs or from CDA.
- (v) It should be seen whether the Cash Accounts in respect of these payment issues are being maintained properly and also that the amounts deposited into treasury is the same as the total amount collected with reference to the Cash Accounts/Cash Memos.
- (vi) It should be seen that the original MROs on which the amounts are deposited are sent to the CDA and acknowledged by them.

#### **DEPOT CONTINGENCIES:**

9. It should be seen:

- The various items of expenditure are directly related to the role, and functions of the Depot.
- The quantum of expenditure is reasonable and justified keeping in view the quantum of work load handled by the Depot.
- The number of casual labour employed on day to day basis is justified keeping in view the quantum of work done /tonnage of stores handled.
- Depot contingent charges drawn are paid promptly and no amounts are drawn unless required for immediate payment.
- All items of expenditure have been sanctioned by the CFA
- Any peculiar or unusual features noticed should be brought to the notice of FA Section and 'M' Section of CDA's Main Office.

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#### **PACKING MATERIALS:**

10. After meeting the requirements of units and Formations, of packing materials, the stocks held over and above normal issue requirements, should be disposed of. Cases have come to notice where large quantities of packing material like gunny bags, Ghee Tin etc. are



allowed to accumulate and remain in the open for considerable time due to which these deteriorates in condition without any reasonable realizable value. To avoid such losses to State and situation, it is necessary that accumulation of packing materials is kept under constant review for their disposal on a regular basis, periodically.

**DISPOSAL OF STORES:**

11. It should particularly be seen:

- a) That the stores have been approved for disposal by the empowered authorities complying with the prescribed requirements
- b) **RGP (Reserve Guiding Prices) has been properly fixed.**  
Disposals are conducted properly-by tenders or auctions and where prescribed, CDA's rep is associated with the disposals.
- c) Amount of bid is realized within the prescribed time limit and the amount is deposited into Treasury and MRO forwarded to CDA along with the Sale Account.
- d) Quantity and items allowed to be lifted by the bidder are the ones actually disposed off and the same agree with the voucher and Gate Pass and also those charged off the ledgers

**LOSSES**

12. Cases of losses regularized during the last 2 years would be reviewed to see that nature of losses, values involved, frequency of occurrence etc. This review is to find out whether there is any particular pattern or trend in the type of losses occurring and also whether the same repeat at periodical intervals. In such cases this has to be gone into further details to identify whether these losses involve any malafides as also reasons for similar type of losses repeating periodically. If the study reveals any deficiencies or loopholes in the system, corrective measures to pug the loopholes to prevent recurrence should be suggested to the OC Supply Depot. Depending on the nature of response, the matter should be taken up with the CDA for further processing.

**UTILISATION OF MANPOWER:**

13. In case there is any material change in the role and functions of the Depot resulting in reduction, it should be seen whether the manpower resources have also been scaled down correspondingly from the date the reduction in workload has taken place. This should be particularly seen in the case of casual labour employed because such

employment results in almost recurring expenditure. In the case of regular establishment, any surplus manpower consequent on the reduction in work load may have to be posted out of the depot to other units and formations where there are deficiencies. Results of the study should be taken up with the OC also with the CDA to whom further responses and reactions of the OC should be intimated. The CDA may take up these cases with MGASC, where required.

**ISSUE OF FRESH ITEMS OF ASC:**

14. It should be seen whether the various items of ASC(Fresh) including substitutes are issued as per scales and in respect of fruits, the percentage prescribed (citrus /non-citrus) are adhered to.

**LOSSES IN HANDLING:**

15. It has to be ensured that the losses on account of handling of various items are not charged off at their maximum permissible limits, as matter of course. If such a tendency is noticed the same should be examined further and taken up with OC Depot for corrective action.

**TRANSIST LOSSES:**

16. It should be seen whether claims on account of transit losses claimed on carrying agencies on account of transit losses are properly recorded and followed up adequately to ensure realization of the amounts due.

**STOCK VERIFICATION:**

17. It has to be seen whether stock verification is carried out as per prescribed rules and the same is completed before the expiry of the year. Stock taking discrepancies should be got regularized without delay and serious cases of discrepancies which may involve frauds or misappropriations should be taken up with the OC and pursued for appropriate corrective action.

**PERFORMANCE STUDIES:**

18. Based on his experience of the role and functions of the Depots audits actual functioning on ground, the LAO, after one or two cycles of audit, may be in a position to identify important or critical areas of functions. Such identification may be on the basis of the total value of inputs on a particular activity or area or the quantum of expenditure on

such activities etc. it maybe worthwhile to take up these areas, one after another, for more detailed and critical analysis and examination to see whether any significant economies in expenditure or savings without compromising on the basic objectives, is possible. Such studies should be undertaken in consultation with CDA and this should be carried out with the full knowledge, association co-operation and assistance of the Depot authorities. The findings and recommendations of such studies should be projected to the OC Supply Depot for active consideration for implementation and also the CDA, who may, if considered necessary, take up the matter with command HQrs.

### **LOCAL AUDIT OF MILITARY HOSPITAL**

- i) Military Hospital renders medical facilities to the Defence Service Personnel and their families
- ii) Hospital Admission & Discharge Book-Shows the date of admission, nature of disease and the date of discharge of the patient in the Hospital. This register is checked to work the correctness of ration drawn.
- iii) Hospital Stoppage Rolls are prepared based on the entries in the A & D Book and sent to CDAs/PAOs for necessary recovery in respect of Attendants/Dependents of Officers/JCOs /ORs.
- iv) Hospital Ration Account (Diet & Extras)  
Service Personnel admitted in Hospital are given free ration as per ration scale laid down in A.I. Hospital maintains the following documents in regard to ration accounts for the patients: -
  - (i) Ward Diet Sheet (IAFM-22)
  - (ii) Daily Diet & Extras Summary (IAFM-1266)
  - (iii) Store Keepers Diet Sheet (IAFM-1267)
  - (iv) Monthly Summary of Diet & Extras (IAFM-1268)

In a month 3 days account of Ward Diet Sheets selected by LAO at random is checked. Casing of Daily Diet Sheet Summary is checked for 10 days.

The following diets are prescribed for the patients:

- (i) 'O' Diet: Ordinary Diet (as per normal scale per day)
- (ii) 'F' Diet: Fluid Diet
- (iii) 'N' Diet: No Diet
- (iv) 'S' Diet: Sick Diet
- (v) 'C' Diet: Convalescent Diet

- Sick attendants are given 'O' diet and children below 10 are given diets of half the scale authorized for Adult. Extras and items "on as required basis" are assessed and authorized by Medical Officer i/c ward. Extras are not prescribed for 'O'Diet.
- Ward Diets Sheets: are initiated by the Medical Officer in charge for the ward daily and furnishes certificate in the monthly summary of totals of Daily Diet and Extras.
- Rations in kind are worked out based on the scales and total number of Diets and Extras as prescribed by the Medical Officer and charged off from the Ration Return.
- Over drawals of diets & extras are paid for or written off by CFA and is not made good by subsequent under drawals.

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**Medical Stores are accounted in:**

- Expendable Ledger (Medicine- Short Life/Long Life) and Medical Equipment Ledgers
- Issues of Medicines are accounted for and Monthly Expense Vouchers are prepared (Item/Qty-written in words and figures) and signed by the Officer-in-Charge Medical Stores and Countersigned by the CO of the hospital.
- X-Ray taken only for entitled persons and recorded in the Register of X-Ray.
- 'Hypo Waste 'collected from X-Ray Lab is taken on charge and sold on Auction-amount realized is remitted to Govt.

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**Hospital clothing:**

Hospital Clothing such as Jackets sleeping, Trousers Sleeping, Bed Sheets, Blanket Hospitals etc will be accounted for in the same way as other clothing articles. These articles are issued to patients on their admission and withdrawn on discharge from the hospital.

*In the event on transfer of patients:*

- When escorted: Items are not struck off from ledgers. Individuals escorting the patients will bring back the items.
- When not escorted: Struck off from the ledgers and vouchered over to the hospital where patients are transferred

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**MILITARY DENTAL CENTRE/UNITS:**

a) In addition to Store Ledgers and returns required to be maintained by consuming Units, the following Ledgers and Returns are to be maintained by MDC/Units:

- i) Dental Medical Equipment Ledger,
- ii) Instrument Ledger,
- iii) Expense Book,
- iv) Dental Treatment Book,
- v) Dental Appliances Book,
- v) Register for treatment of non-entitled patients

b) Register for treatment of non-Entitled patients. This register will be checked to see that:

- Register has been correctly maintained as per prescribed proforma.
- All the columns of the register have been properly completed.
- Correct amount shown
- Amount has been accounted for in the Public Funds Cash Book on the same day on which it was received from the patient.
- The amount has been credited to Government every month.

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**IDENTIFICATION OF IMPORTANT/CRITICAL AREAS WHERE ECONOMY IN DEFENCE EXPENDITURE COULD BE ACHIEVED**

Based on LAO's experience of the role and functions of the Depot and its actual functioning on ground, the LAO after a few cycles of audit may be in a position to identify important or actual areas of functions which may be on the basis of the total value of inputs on a particular activity or areas or the quantum of expenditure on such activities. It may be worthwhile to take up these areas one by one, for more detailed and critical analysis and examination to see whether any significant economy in expenditure or savings without compromising on the basic objective.

The following areas would be given more importance where economy in Defence Expenditure could be achieved:

- Slow and Non-Moving items held with units.
- Disposal of obsolete and surplus stores.
- Delay in execution of Projects leading to time over run/cost escalation.

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- Plant & Machinery procured but not commissioned – leading to lock up of funds.
- Justification of Local Purchase made
- Utilization of Defence Land.

#### **CHAPTER-IV**

### **REPORTING RESULT OF AUDIT AND FINANCIAL IRREGULARITIES**

Audit depends for its effective value in its right and duty:

**1. To report results of Audit: To the proper Authority FOR APPROPRIATE ACTION: -**

- To rectify the irregularity or impropriety
- To prevent a recurrence of it
- \_\_\_\_\_

These 'Authority' may be: -

**i) Departmental Authority**

**ii) Government itself**

**OR**

**iii) The Legislature through PAC- In the last resort**

**AUDITORIAL FUNCTION DEMANDS:**

- Highest qualities of understanding,
- Balanced judgment
- Sense of proportion
- To develop an instinct for assessing the importance of an individual irregularity

**PRIMARY FUNCTIONS OF AUDIT OFFICE:**

- To secure the substantial correctness of accounts
- To secure the regularity and propriety of individual transaction
- To avoid undue insistence on trifling errors and technical irregularities
- To devote more time and attention to the investigation of really important and substantial irregularities
- To appreciate the significance of what appears to be a trifling irregularity may lead to discover an important fraud and defalcation
- To take note of the cumulative effect of numerous petty errors or irregularities as indicating carelessness and inefficiency in the maintenance of accounts or in the financial administration

**RAISING, DRAFTING & SETTLEMENT OF AUDIT**

**OBJECTIONS**

- Identify and understand the functions of Units and Formations.
- Raising of Objections**

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- No audit objection will be raised for the sake of increasing the number of objections.
- Undue insistence on trifling error and technical irregularities should be avoided.
- Objections relating to lapses on the part of executives, stock holders and irregularities in Store Accounts, Losses, Procedural irregularities should be raised by quoting specific authority
- Items of Financial Advice will not be included in the objection statement but to be reported to the CDA.
- Items of doubtful character will not be incorporated.
- Repeated evasive and dilatory notes between LAO staff and the executive authorities should be avoided.
- As far as possible the financial implication should be highlighted.

**Drafting of the objections:**

- Must be conveyed in courteous and impersonal terms.
- Must be brief, legible and intelligible.
- Must be accurate, fair, moderately worded and dispassionate.
- Always quote authority in support.

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**Objection:**

The under mentioned irregularities should be classified as “Objections” and money values should also be given in respect of them:

- Unauthorized Free Issue of Stores.
- Stores issued in excess of prescribed scales
- Stores issued to a Unit/or Formation for which credits are not traceable in the accounts
- Want of receipted Copies of Issue Vouchers from the Consignee Units (RCA)
- Non-Maintenance/Improper Maintenance of auditable documents
- Non Production of documents
- Loss of audited documents
- Unauthorized use of Government Transport
- Irregular use of Railway Warrants/Credit Notes etc
- Want of sanction to advances, losses, etc.
- Want of sanction of special charges
- Want of any specific sanction required by rule
- Overpayment and short recoveries

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- Delays in the recovery of sums due to Government
- Expenditure involving infringement of any of the canons of financial propriety
- Want of appropriation

(These are illustrative and not exhaustive)

**Observations:**

The instructions, enquiries etc. of the following nature or on the following subjects will be classified as “Observations”. These will follow the objections and will be recorded and numbered separately under the heading ‘AUDIT OBSERVATION’. Money values need not be indicated in these cases.

- A simple direction for future guidance or a call for a document, the absence of which is not likely to affect the amount admissible
- Delays in the submission of accounts or returns
- Fictitious adjustments and manipulations in accounts unless an actual loss has occurred
- Deviations from rules which are indicative of disregard or evasion of rule but do not represent charges incurred without proper sanction
- Errors in accounts, vouchers, etc. which do not indicate any deficit or surplus
- Instructions and other remarks regarding the form of accounts, etc
- Demands for information not received
- Enquiries and remarks in respect of doubtful points
- Remarks calling attention to minor errors of procedure
- Want of vouchers

(These are illustrative and not exhaustive)

**OBSERVATION CONVERTED TO OBJECTION:**

If, as a result of ‘observations’ any unusual or doubtful feature regarding an item is brought to light or the information or document considered essential for admitting an item finally in audit is not forthcoming, such an item should then be treated as an OBJECTION and dealt with accordingly thereafter.

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**MAJOR FINANCIAL AND ACCOUNTING IRREGULARITIES (M.F.A.I)**

1. Name of the Report : Major Financial & Accounting  
Irregularities (Short Form: MFAI)
2. Periodicity : Quarterly
3. Time Schedule : Quarter ending June, September,  
December & March each year by 20<sup>th</sup> ~~of~~  
~~of~~  
the month following the quarter
4. Prepared by : PCDA/ CDA
5. (i) addressed to. : In the case of Army Units/  
~~Formations~~  
GOC -in -C Command (By Name)

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(ii) Copies endorsed to. : -(i) The CGDA New Delhi -66  
: -(ii) The DGA (DS)  
: (iii) Head Quarters/Area/ Sub Area  
\_\_\_\_\_ Commander enclosing  
items  
\_\_\_\_\_ ~~pertaining~~ Pertaining  
to their areas

\_\_\_\_\_6. Content of the Report \_\_\_\_\_: The following type of  
irregularities will

be included in the report: (Coming  
~~\_\_\_\_\_ will be included in~~  
the report:—

~~(Coming~~ to the  
notice of Controllers  
\_\_\_\_\_ through audit  
Processes ~~\_ins\_~~ MO/ LAO/  
\_\_\_\_\_ ~~Admin~~ Authorities

Sub Office /  
and reports from Admin authorities

—**Financial Irregularities:**

<b><u>A (i) A-(i) Cases of :-</u></b>
<b><u>1. Irregular maintenance of Accounts:</u></b>
<b><u>2. Non-Maintenance of Accounts:</u></b>
<b><u>3. Financial irregularities involved is Rs.5-Lakhs or more</u></b>
<b><u>4. Loss involved is Rs.5-Lakhs or more:</u></b>
<b><u>A (ii) Controller's discretion Regardless of Financial <del>limit</del>.limit: -</u></b>
<b><u>1. Cases, which disclose loopholes for Fraud, defalcation etc</u></b>
<b><u>A (iii) Controller's Personal Opinion: -</u></b>
<b><u>1. Serious irregularities, which cannot be translated into Financial Term</u></b>

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**Financial Irregularities:**

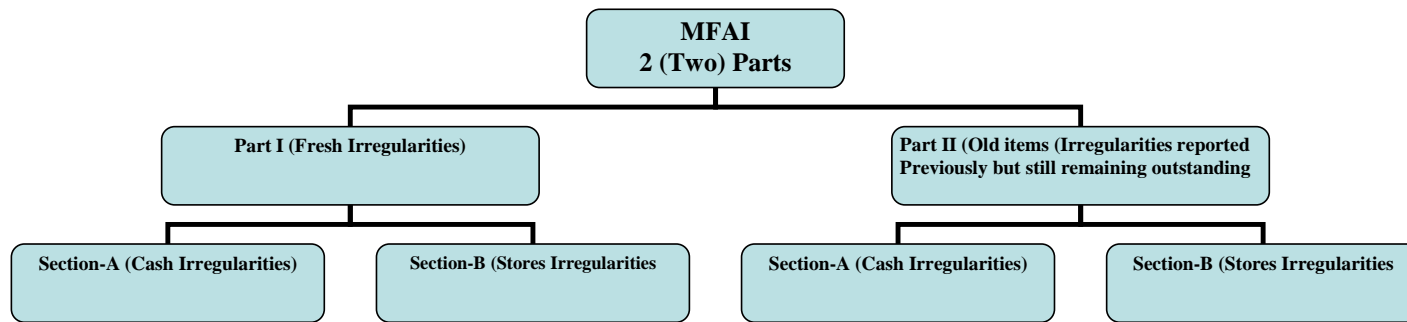
<b><u>B.(B) Special Attention to:-</u></b>
(i) Non- utilization of Plant & Machinery for the purpose for which it was purchased and installed.
(ii) Slow moving /Non-Moving Stores
(iii) Deterioration in the condition of Stores due to unduly long, inadequate storage
(iv) Defective Planning and implementation of Projects involving Significant investments highlighting in particular, major deviations from original time and cost targets.

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MFAI  
FORMAT OF THE REPORT



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**FRESH ITEMS**

PART-I (Section-A, B)

Sl. No	Name of the Unit/Formation	Particulars of Irregularity	Financial Effect	Periods of Accounts Effected	When was the Irregularity first noticed in audit and to whom it was reported	Latest position of case indicating action taken so far by lower authorities.	REMARKS
1	2	3	4	5	6	7	8

**OLD ITEMS**

PART-II (Section-A, B)

Sl. No	Name of the Unit/Formation	Item number and quarter of reporting	Brief gist of the irregularities	Latest position	Remarks
1	2	3	4	5	6

**8) Write Up:**

- Drawn Up & edited with the greatest care
- Narration should be
- Brief
- Self contained and
- Lucid

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∞ ***Bring Forth Clearly***

- The nature of irregularity-
- The extent of its seriousness
- The amount involved
- The precise point at which failure is revealed
- The relevant rules and orders etc-
- The action taken till the time of reporting

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(Both at Command level and CDA's level)

∞ ***Points to be explicitly mentioned:***

1)    ~~i)~~ Whether the irregularity has come to light during Percentage audit

∞ ~~Or~~

Process of Check over selected items

2)    A case of erroneous certification by the executive

∞

3)    ~~ii)~~ The precise point at which and the extent to which failure on the   

  —part of the executive is revealed.



**APPROPRIATION ACCOUNTS OF THE DEFENCE SERVICES**

<b>A</b>	Prepared by	Secretary (Defence /Finance) /FA(DS)
<b>B</b>	Submitted to:	C & A G & DGADS
<b>C</b>	Time schedule	15th January of the year following that to which relates
<b>D</b>	Deals with	i) A general review of expenditure on Defence Services. ii) Changes in form and Classification in the accounts iii) Miscellaneous observations iv) Appropriation Accounts with explanations for variations between the final appropriations and actual Expenditure. v) Review of MES Expenditure

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<b>E</b>	Object:	To present the audited accounts of expenditure from the appropriation for the year with full explanations of all important variations between the final Appropriation and the actual expenditure.
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**F) — Include the following Statements as appendices:**

Section	Appendix	Statement of
<b>V</b>	<b>A</b>	Various categories of total amount of <b>Cash losses</b> pertaining to Defence Services finally dealt with during the year.....
	<b>B</b>	Various categories of total amount of <b>Sore Losses</b> pertaining To Defence Services finally dealt with during the year.
	<b>C</b>	<b>Infructuous Expenditure</b> regularized during the year with annotations of individual cases exceeding Rs.1.00lakh in each case.
	<b>D</b>	Details of <b>Gifts and cases of Transfer</b> of Government property of the value of Rs.1.00lakh each and above free or at concessional rates to non-government organizations.

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Besides above statements, the following statements form as Annexure to Section IV:

Section	Annexure	Part	Statement of
IV	V	I	i) Variation of over 50 %Between the year's original allotment and expenditure in r/o works costing Rs.25lakhs and above carried out during the year. ii) Details of Non Budgeted works costing Rs.10-Lakhs and above.
IV	VI	II	iii) Variations of over 10 % between the Original Estimates and the actual final cost in r/o works costing Rs.25lakhs and above completed during the year.
IV	VII	III	iv) Amount of Expenditure objected to by the Internal Audit Authorities for non-compliance of the Rules governing Normal/ Revised/ Defence Works Procedure for period ending the Financial year.

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<b>IV</b>	<b>VIII</b>	<b>IV</b>	v) Expenditure incurred under Part11 & 12 of DWP awaiting formal sanction of the CFA at the end of the year.
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**EXHIBITION OF LOSSES IN THE APPROPRIATION ACCOUNTS & ROLE OF LAO**

Losses of Cash, Overpayments etc., & Stores & over issues of Stores written of by the Government of India and other Competent Financial Authorities are shown in the Appropriation Accounts (DS) under the following categories. :

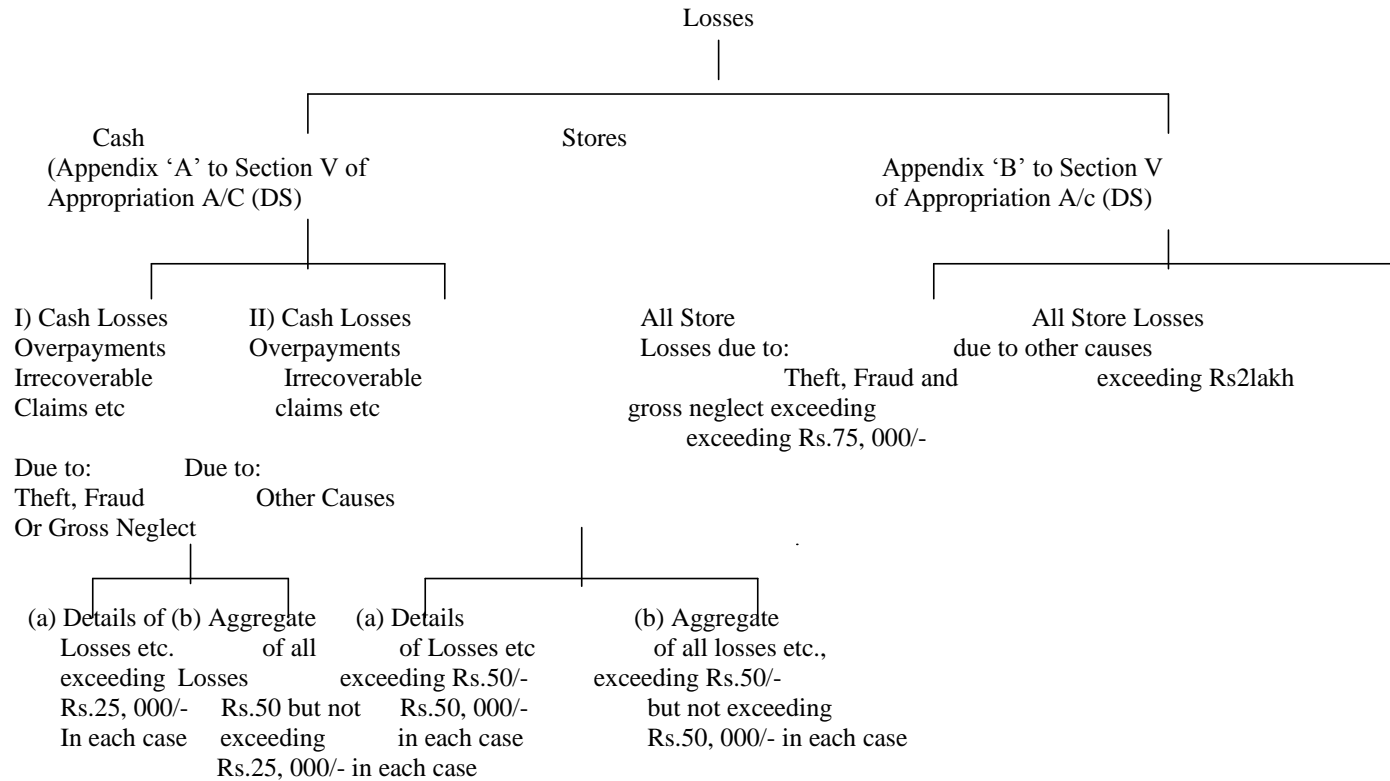
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**ROLE OF LAO IN PREPARATION OF APPROPRIATION ACCOUNTS**

**1. Maintenance of Statistics in respect of Losses:** LAO will maintain Statistics in respect of Losses ~~of Losses~~ of Stores (excluding animals) & Cash written off by the CFA

REGISTER ~~Of~~ LOSSES WRITTEN OFF



CASH LOSS	STORE LOSS
In IAF (CDA) 182 :All losses of Cash exceeding Rs.50/-	In IAF (CDA) 341 All losses of store in Supply and Store Depot including Quasi –Commercial concerns and Manufacturing Establishments & those Rs.500/- and above in Value in consuming unit.

**2. SUBMISSION OF REPORT:**

2.

LAO will submit 2 (Types) of report on account of Losses in respect of Cash and Stores to the PCDA/ CDA for onward submission to the CGDA for eventual exhibition of Losses in the Appropriation Accounts of the Defence Services.

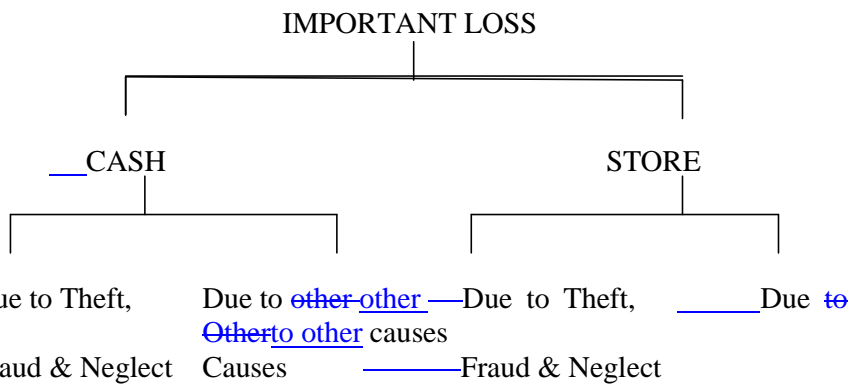
**(A) Quarterly Report:** Statement showing the Important Losses actually ~~of~~ written off during the quarter by the CFA both cash & Stores with ~~of~~ Certain monetary value with specific information duly categorized.

Quarter Ending ~~E.~~ June, September, December, March  
Report to be received ~~by CGDA~~ by CGDA ~~Office~~ Office ~~by~~ by 15th August, 15th November, 15th February and 31st May.

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~~15th November, 15th February and 31st May.~~

~~(i) Category of Losses:~~



~~Specific Information:—(for Important Losses):~~

~~In respect of CASH & STORE will be collected from the parties concerned and recorded in the Register, for incorporation— in the quarterly report QUARTERLY REPORT, with the following information:-~~

~~Following are the information:~~

- Name of Unit or Formation
- Particulars of the Loss:-
- Exact period to which the loss pertains
- Amount
- Action, if any, taken towards its investigation-
- Exact and detailed circumstances of the Loss:-
- Recommendation of the Court of Inquiry:-

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- Particulars of disciplinary action taken-
- Remedial measures instituted.
- No. & Date of the Loss Statement or Government Letter under which regularized
- -Other remarks, if any-

**QUARTERLY REPORT**

Sl. no	Name Of the Unit/ Formation In which The loss occurred	Particulars Of the Loss	Periods to which loss Pertains	Amount	Circumstances under which the Loss occurred	Details of the recommendation of the Court of Inquiry, if held	Particulars of Disciplinary action taken	Remedial measures instituted or proposed to be Instituted for the prevention of Losses in future	No. & Date of the Loss Statement or Govt. letter under which regularized	Other remarks if any.
1	2	3	4	5	6	7	8	9	10	11

**(B) YEARLY REPORT:**

LAO will furnish consolidated statement of total Losses written of during a year both Store and Cash with category of losses, to the CDA

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enabling him to furnish the same duly test audited to the CGDA by 31st May each year.

**DUTIES AND RESPONSIBILITIES OF AUDITOR, SO (A)/AAO & LAO FOR THE FOLLOWINGS:**

- Scheduling in
- Scheduling out
- Verification of casting, opening balance & closing balance
- Receipt audit
- Issue audit

**SCHEDULING (IN)**

SCHEDULING (IN)	POINTS TO BE SEEN BY		
	AUDITOR	SO (A)/AAO	LAO
<p>This is an important job in LAO. The vouchers received from other LAOs/Local purchase/CP Vrs. received from CsDA comprises scheduling (IN) vouchers.</p> <p>RECEIPT AUDIT IS CARRIED OUT WITH REFERENCE TO THESE VOUCHERS.</p>	<p>After receipt verify correctness of vouchers received.</p> <p>Acknowledge the vouchers.</p> <p>Enter in Schedule (IN) Register.</p> <p>Reschedule the vouchers, which do not pertain to his jurisdiction.</p> <p>Sort out the vouchers Unit wise.</p> <p>Prepare reconciliation statement at the end of the month.</p> <p>Hand over the concerned vouchers to</p>	<p>Ensure immediate acknowledgement of vouchers received.</p> <p>Rescheduling has been done correctly as per the distribution list</p> <p>Reconciliation has been done correctly and there is no discrepancy.</p> <p>CP vouchers/LP vrs. are correctly batched for carrying out 100% verification where the value is above</p>	<p>1. Ensure reviewing of: Scheduling (IN) Register.</p> <p>2. Give selection order for conducting receipt audit.</p>

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		the Audit Party for conducting receipt audit	Rs.....	
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SCHEDULING (OUT)

SCHEDULING (OUT)		POINTS TO BE SEEN BY		
	AUDITOR	SO(A)/AAO	LAO	
<p>Vouchers "E" copies received/collected from the units are recorded in a Register for outward scheduling "Outward Scheduling Register". The register shows the receipt of voucher distribution of vouchers and its reconciliation. The vouchers are scheduled out by the consignor LAOs to the consignee LAOs for CREDIT VERIFICATION</p>	<p>Receipt of "E" Copies from units and copies collected by audit staff under Top List. Verify to see that the voucher bears RV No. and is 'paired' and initiated by the auditor. Enter the No. &amp; date of forwarding of memo under which the vrs. Are received along with details of no. of vrs. in the respective col. of the Register. Sort out the vouchers unit wise/LAO wise as per the distribution list. Prepare memo with LAO wise Top List and dispatch the vouchers. Enter the details of distribution of vouchers LAO wise in the Register. Watch for acknowledgement from LAO and note in the respective column of the Register when received Pursue the wanting</p>	<p>: 1. Ensure voucher are received, entered in the register, scheduled out LAO wise as per distribution of units and dispatched 2. Test checks few vouchers to ensure that 'Paired' endorsement with dated initial of auditor is available in the voucher. 3. Check the reconciliation register for its correctness and initial and submit to LAO.</p>	<p>Ensure receipt, noting, proper accounting, LAO wise distribution and dispatch. Check the Register and initial. LAO's personal linking vrs are selected, paired, initialed and dispatched to the consignee LAO for personal linking and acknowledgement received and recorded.</p>	

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		acknowledgement cases.		
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VERIFICATION OF CASTING, OPENING BALANCE & CLOSING BALANCE

		POINTS TO BE SEEN BY		
VERIFICATION OF CASTING, OPENING BALANCE AND CLOSING BALANCE	AUDITOR	SO(A)/AAO	LAO	
<p>This is another important mechanism in Local Audit of Store Accounts.</p> <p>CASTING means checking arithmetically vertical and horizontal totals leading up to the balance in the ledger.</p>	<ol style="list-style-type: none"> <li>1.— See in a store ledger that each article is accounted for in a separate page and balance struck off after each transaction.</li> <li>2.— The arithmetical accuracy of totaling is checked and the closing balance initialed and dated in red ink to avoid alteration of figures.</li> <li>3.— A line is drawn neatly against the closing balance of each article in each ledger.</li> <li>4.— When a store ledger is closed and a new ledger is opened it is seen that the balances are correctly carried forward page wise and initialed by an officer. See that a closing certificate and opening certificate duly signed by an officer is given in the closed/newly opened ledger.</li> <li>5.— 100% checking is done in easting, closing and opening balance.</li> <li>6.— See that there is entry in</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure store account is maintained properly and auditor had done casting to see arithmetical accuracy 100% and initialed and dated in each page in red ink.</li> <li>2. Ensure closing balances are correctly brought forward. Certificates are given in the ledger and are checked by the auditors.</li> <li>3. Test check to ensure that the audit work is done correctly as per manuals.</li> </ol>	<ol style="list-style-type: none"> <li>1.— See that the auditor has done his work as per manual and test checked by SO (A)/AAO.</li> <li>2.— Test check to see that the work is done correctly</li> </ol>	

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		each page regarding Annual Stock Verification and stock figure are not scored, rewritten and there is no over-lapping of date. 7.—Serial numbers of ledger pages are maintained consecutively and no ledger page is missing.		
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**D.—RECEIPT AUDIT**

		POINTS TO BE SEEN BY		
RECEIPT AUDIT	AUDITOR	SO(A)/AAO	LAO	
<p>It is a very important mechanism in local audit to ensure that the stores issued from Depots to Units and from Units to Units and charged off from the consignor ledger is promptly and properly taken in the consignee Ledger.</p> <p><b>RECEIPT VERIFICATION</b> in the consignee ledger is carried out with reference to:-</p> <p>(A) 'E' copies—received from consignor LAO</p> <p>(B) Inspection Note/RV in respect of Central Purchase Items.</p> <p>(C) — CRV/abstract in respect of Local Purchase Item.</p> <p><b>RECEIPT AUDIT IS CONDUCTED FROM VOUCHER TO THE LEDGER AND NOT VICE VERSA</b></p>	<ol style="list-style-type: none"> <li>1. Auditor collects vouchers for audit from the 'Scheduling In' Task Holder for the respective period /respective Unit.</li> <li>2. Obtain selection order from LAO on the top sheet of the voucher bundle, which are page numbered.</li> <li>3. Ensure 1/6th of the total 'E' copies is selected for receipt check.</li> <li>4. Ensure that Special Linking Vouchers LP/CP Vouchers are not mixed with other vouchers but are bundled separately.</li> <li>5. Carry the vouchers bundle with him and not to leave with the unit authorities at any time.</li> <li>6. Ask the store holder to produce corresponding receipt</li> <li>7. Pair both the vouchers to see that the vouchers are identical, facsimile copy and there is no correction etc.</li> <li>8. Verify the credit in the ledger, item wise and ensure that the quantity is correctly taken and totaling is correct.</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure auditor has taken selection order correctly and has checked the vouchers as per the selection orders.</li> <li>2. Test check 1/6th of the vouchers checked by the Auditor.</li> <li>3. Scrutinize the voucher bundle and Test Check some vouchers of Costly items, which are not selected by LAO. Make Test Check (TC) endorsement wherein receipt checking is done</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure different methods of selection and not done in a routine manner.</li> <li>2. Ensure Auditor has verified credit all the selected vouchers and SO (A)/AAO Test Checked the required quantum of vouchers.</li> <li>3. Test Check 1/16th of the vouchers checked by Auditor/SO(A)/AAO</li> <li>4. Credit verifies 100% the vouchers received for personal linking.</li> <li>5. Make necessary TC endorsement on the voucher/ledger page where receipt check is done.</li> <li>6. In case large numbers of vouchers are not produced/items not taken on charge and are objected, include the same in MFAI (Major Financial &amp; Accounting Irregularities).</li> </ol>	

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		<p>9. Round off the quantity shown in the ledger which is as per the voucher and initial with date.</p> <p>10. Make an endorsement in the voucher "Paired and Credit Verified" with Receipt Voucher No &amp; Date.</p> <p>11. Check the RV Control Register maintained in the unit to see that RV No. is controlled serially and there is no omission.</p> <p>12. Ensure that verification of the receipt of stores is done from Voucher to the Ledger and not vice versa</p> <p>13. Wherever vouchers are not produced/items not taken on charge, concerned vouchers are removed from the bundle and placed under objection.</p>		
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E. ISSUE AUDIT

ISSUE AUDIT	POINTS TO BE SEEN		
	AUDITOR	SO(A)/AAO	LAO
<p>Linking of issues i.e. items charged off from the Consignor's Ledger in the Issue Vouchers/Expense Vouchers/Transfer Vouchers etc. This is done from the Ledger to the Voucher. This is one of the very important mechanism in Local Audit of Store Accounts.</p>	<p>1. Call for the Ledgers and connected vouchers as per the list of auditable documents during audit visit</p> <p>2. Take each ledger one by one and see that the pages are serially numbered and there is no missing of pages in the Ledger</p> <p>3. See in each page of the Ledger whether any item is charged off with reference to issue voucher pertaining to the month/period selected for detailed audit and link the quantity charged off with the Issue Voucher (One month transaction selected for detailed audit in a Half yearly audit)</p> <p>4. Check all the pages in all the Ledgers the same way as para.3 above.</p> <p>5. Take the Issue Control Register maintained by the Unit to see that all the Issue vouchers issued</p>	<p>1. Ensure auditors have audited all the ledgers as per the list of auditable documents.</p> <p>2. Ensure items charged off/issued for the month selected for detail audit is 100% checked by the auditors.</p> <p>3. Ensure that the auditor has audited all the vouchers pertaining to the detail audit month.</p>	<p>1. Ensure that the units ledger/vouchers are audited by the auditor and test checked by the SO(A)/AAO with reference to basic orders, rules, codes and manual</p> <p>2. The audit for the detailed selected month is done cent percent by the Auditor and test checked by the SO</p>

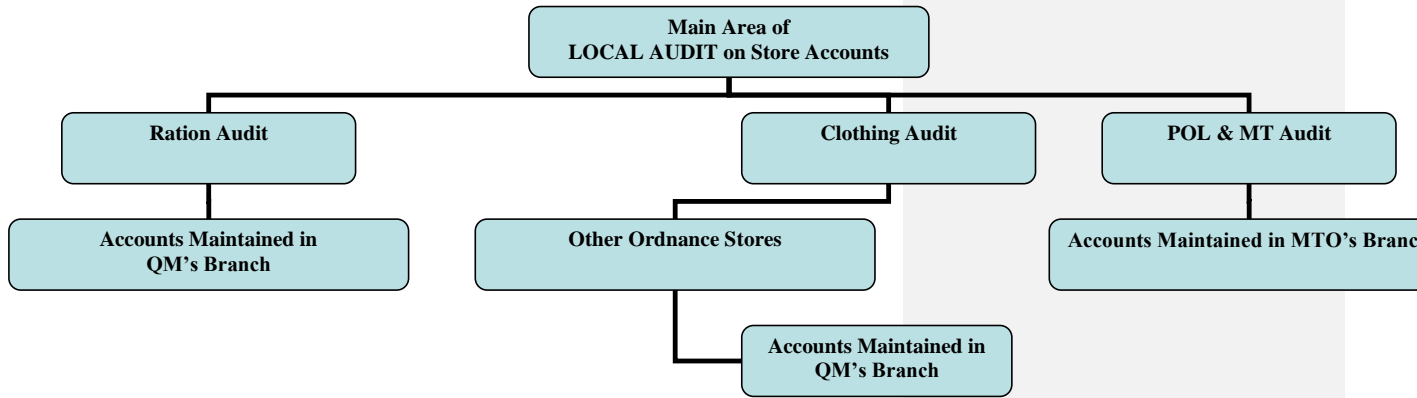
ARMY LOCAL AUDIT

	<p>are noted in the Register serially and are available without any missing number/voucher.</p> <p>6. Verify vouchers pertaining to the detail audit month and see that all the items in the vouchers are linked and ticked with reference to the ledger entry. If there is any difference place under objection.</p> <p>7. Scrutinise the vouchers to see that:</p> <p>i) Stores are issued as per Govt. rules/orders on the subject.</p> <p>ii) Authority for the same is noted in the voucher.</p> <p>iii) Issue is supported by indent.</p> <p>iv) Entitlements worked out carefully.</p> <p>v) Make an endorsement on the voucher as "Audited" with dated initial.</p> <p>8. Check the receipt voucher for its correctness and collect the 'E' copy with RV number duly 'paired' and initialed with date.</p> <p>9. Make an endorsement in the unit copy of the voucher Receipted Copy (RC) collected. In case receipt copy is not received/available with the unit collect the voucher duly paired and make an endorsement RC awaited and place under objection as RC awaited.</p> <p>10. Where there is consolidation of sub details supporting vouchers/Nominal Roll etc. check the vouchers with reference to sub details/supporting vouchers, nominal roll and ensure casting is done to see the correctness of the item charged off</p> <p>11. Where consumable items are charged off on expense voucher see that a certificate is endorsed on the voucher that the items are issued for the Govt. bonafide purposes and signed by the officer</p>	<p>4. Test check and scrutinize vouchers pertaining to other months also to see that the unit properly maintains accounts</p> <p>5. Ensure that the auditor has collected all the 'E' copies of the vouchers and also RC awaited vouchers, which are placed under objection.</p> <p>6. Ensure necessary certificates are given in the expense vouchers and checked by the auditor. _____.</p>	<p>(A)/AA) and there is no omission.</p> <p>3. Test check issue transaction to the extent of 1/16th to see that the accounts maintained by the units are correct as per the laid down rules, orders and procedures and wherever not done place them under objection.</p> <p>4. Ensure that necessary audit endorsements are made on the documents, which are audited and initial as a token of test check.</p>
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ARMY LOCAL AUDIT

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**AUDIT OF RATION RETURNS (IAFZ-1519)  
&  
RATION ACCOUNTS (IAFZ-3033)**

**1. Ration Accounts (IAFZ-3033) & Ration Returns (IAFZ-1519) have been prepared on the prescribed Proforma at the end of each month separately.**

**IAFZ-3033: A record showing the number of rations drawn by the unit.**

**IAFZ-1519: An account showing rations received, issued or consumed by he authorized personnel as per entitlement**

**Daily ration strength reflected in the Ration Return (RR) should tally with Ration Accounts of the month. In case of difference in the strength the objection is to be raised in audit.**

**The strength of Meat eater and Non-Meat eater should be shown separately and the consumption of meat should only be made in respect of Meat eater.**

**All the receipts of Rations from Supply Depots should be accounted for categorically in the same month. The receipted copies of the vouchers should be appended with the RR.**

**Rations have not been drawn in respect of the personnel while on leave/Temporary Duty/Admitted in the hospital and granted Ration Money.**

**All the names from last month's Statement will be brought forward. The casualties published in the Part II orders on account of leave/Temporary duty/Hospitalization or grant on Ration Money must be quoted in the Ration Accounts (IAFZ-3033) and to be linked 100% with Part II orders casualties.**

**Every page of the Ration Accounts has been signed/stamped by the commissioned officer.**

**Attachment of individuals for ration purposes should be supported with LRC (Last Ration Certificate) issued by commissioned officers. Each type of rations should be accounted for separately under each**

**heading (i.e. Rice, Dal Channa, Dal Arhar... Atta, Sugar etc. Summary of ration strength should be prepared and to be signed by the commissioned officer.**

~~Dal each type should be accounted for separately but the consumption should be linked with entitlements.  
Casting of RR should be 100% and variation if detected should be objected in audit.  
The consumption of ration made should be as per entitled scales of ration laid down. Excess consumption is to be adjusted by underdrawal in the subsequent month through RR  
Total Fresh items of rations should be consumed as per drawl and any overdrawal is to be adjusted by underdrawal in the subsequent month through RR.  
Separate CIV should be prepared in respect of rations consumed for i) officers ii) JCO/Ors.  
Payment Issue (P.I.) rations must not be mixed up with the rations drawn for free issues. P.I. Rations has been issued to the entitled personnel only.  
Payment Issue Rations have been issued at the current rate and amount realized have been promptly deposited into Govt. Accounts through MRO  
No unusual heavy balance of ration in RR is permissible.  
Acknowledgement of TR is to be watched and to be verified.  
Ration Accounts and RR must be prepared and signed by the OC unit along with prescribed certificate by 10th of each following month  
Cutting /Erasures are not permissible in Ration Accounts/RR. Must be attested.  
The working sheet for the drawl of rations for the entitled individuals is correctly prepared i.e. number of rations is multiplied by the authorized scales of rations for each item.~~

~~Example:— Scale of Atta 620gram per man per day  
No. of Rations: 100nos  
Quantity of Atta-100x620= 620.00 Kg—— per day~~

**AUDIT OF CLOTHING ACCOUNTS**

**While auditing of clothing Accounts of JCO/Ors the following points are to be seen:-**

**All the documents:  
Unit Clothing Ledger,  
Individual Clothing Card (I.C.C)  
Manuscript Register for ICC  
Salvage Ledger of Clothing have been properly maintained.**

**The Life Cycle concept of New Clothing system as laid down in AI 22/83 has been observed by unit/formation in respect of issue of free clothing to the JCO/Ors w.e.f. 1.1.1983.**

**All the issues and receipts of the clothing have been properly accounted for supporting with the relevant CIV/RV to the Unit Clothing Ledger (Central)**

**The free issues of clothing have been made in respect of the individual entitled for free clothing after expiry of the life of the particular clothing.**

**The following items of the clothing may only be issued after return of the old items after the expiry of life.**

**Blanket EI  
Blanket BK  
Net Mosquito  
Cap Water Proof  
Sheet Ground  
Overall Combination.  
Boot Ankle  
Hat Gorkha**

**Where two or more items are authorized, the replacement of only one No. of items will be made at a time i.e. Socks woolen quantity 3 are authorized and were issued on 1.1.2005. The life of one pair of socks is months, the life of 3 pair of socks is (7x3) 21 Months. The replacement of one pair of socks will be made after 7 months i.e. on 1.8.2005, second on 1.3.2006 and third on 1.10.2006.**

~~Additional pair of clothing items may only be issued under the orders of GOC in C in exceptional circumstances before the expiry of the fair life of only one of the clothing items~~

~~Individual Clothing Card (I.C.C) is prepared in duplicate. Original will be with the individual concerned while duplicate will be with the unit QM. Audit is conducted with reference to the duplicate copy of I.C.C. All the issue of clothing items, initial issue or replacement is required to be entered in the individual's Clothing Card (ICC).~~

~~All the clothing items received after the replacement are to be accounted for in the Salvage Ledger of clothing items and to be back loaded to the Salvage Depot through Issue Vrs. Receipted copies are to be watched in audit.~~

~~On discharge/Transferred to Pension Establishment:~~

~~As regards to costly items of clothing recovery will be considered.~~

~~If individual wants to retain those items, 25% of the cost of the Clothing is required to be recovered from the individuals for items and to be deposited in Govt. Accounts if the half of the life has not been expired~~

~~In case of transfer to Pension Establishment after expiry of the tenure of their services, the following items in possession of the individuals is to be retained:-~~

~~Blanket BK 1No.~~

~~Sheet Ground 1No.~~

~~Net Mosquito.~~

~~The individual attached to the units are also authorized to get the clothing items replaced by the unit where they are attached~~

~~13. In case the individual has not returned the replacement item to the unit the recovery is to be made at PV rate.~~

~~14. In case of non-availability of the items of the clothing in the unit/QM Store, the life of the new Store will be counted from the date on which the replacement takes place.~~

~~15 Officers are not entitled for Free Clothing. The Clothing items if required to the officer may only be issued on payment issue rates if available for officers' payment clothing stock.~~

~~16. Unit Clothing Record Register is maintained by the unit to record all issues made to the individual by allotting a separate page to each individual.~~

~~17. The receipt and transfer of ICC (duplicate copy) is controlled through a Manuscript Register.~~

~~18. The issue of clothing items is audited at the sliding scale (Fixed by CGDA with reference to the cost of clothing items) in the following sequences:~~

~~FROM \_\_\_\_\_ TO~~

~~i) The Issue entries in the \_\_\_\_\_ the Issue Voucher.  
\_\_\_\_\_ Clothing Ledger~~

~~ii) The Issue Voucher \_\_\_\_\_ the Nominal Roll~~

~~iii) The Nominal Roll \_\_\_\_\_ the Duplicate Copy of ICC~~

~~(To ensure that the new items are issued only after the expiry of the stipulated fair life of the item in possession of the individual)~~

**AUDIT OF POL ACCOUNTS IN ARMY UNITS & FORMATIONS**

**The following auditable documents are maintained in connection with POL Accounts by Units /Formations:-**

**POL Stock Ledger  
Kilometer Card  
Vehicle Register  
Requisition for POL  
POL Retail Issue Vr.  
Vehicle/Equipment Log Book.  
Ledger for Vehicle Kits.  
Car Diary  
Payment Transport Register.  
Register showing duty/Journeys, before or after office hours on  
Holidays.**

**These documents are to be seen when POL audit is made**

**A. VEHICLE REGISTER (IAFZ 2186)**

**The number of vehicles held on charge is not in excess of those authorized in PE/WE.  
Transfer of Vehicle from one unit to another is under the orders of Army HeadQuarters.  
Stock Taking has been carried out every year.**

**B. POL LEDGER**

**Stock has not been held in excess of normal requirement.  
Receipt and Issue of POL items have been properly accounted for and recorded through RV/CRV/ & IV/CIV and kept separately.  
POL charged off as issued to vehicles agrees with that taken on charge in Car Diary/KM Card against the Vehicle concerned.  
Oil & Lubricants charged off in the Ledger as issued to units's Vehicle are in accordance with the authorized proportion.  
Monthly Stock Verification Certificate has been endorsed.**

~~1/3rd portion of Engine Oil has been retrieved and kept as "Used Engine Oil" and deposited in to Supply Depot concerned.~~

**C. CAR DIARY (IAFZ 2209)**

~~Car Diaries are required to be maintained in the case of all types of vehicles viz. Staff Car including Jeeps, Station Wagons, Ambulances, Motor Cycles and Load Carriers. These are very important auditable documents and must be properly completed and maintained.~~

~~The specific duty performed is shown under col.2 heading 'specific nature of duty' e.g. inspection, to attend meeting, to receive a dignitary, conveyance of stores to railway station for dispatch by rail or drawing ration from Supply Depot.~~

~~If duty performed has not clearly been specified will be treated as 'non-duty purpose' and officers using Government transport will be charged for the mileage at the normal rates.~~

~~Car diary should be completed and signed by the officer using the vehicle/User of Vehicle in case of load carrying vehicles.~~

~~In no case Car diaries will be completed by the driver themselves. Petrol is filled to the maximum capacity on last day of the month and result recorded in the Car Diary in red Ink.~~

~~All pages of Car Diary are numbered and stamped and blank lines are cancelled and signed by an officer to avoid their misuse.~~

~~Kilometer readings and Petrol drawn have been recorded on the relevant columns.~~

~~Authority for use of load carrying vehicle will be entered in the 'Remarks' column.~~

~~Journeys performed on amenity (Payment or Free) and other payment duties will be recorded in red ink. No. and date of relevant Treasury receipt is noted in the 'Remarks' column.~~

**D. KILOMETRE (MILEAGE) CARD**

~~The various columns of the KM Card have been properly completed with reference to the Car Diaries.~~

~~The distance run as shown in the Car Diary agrees with that shown in KM Card.~~

~~POL (Petrol/Diesel) issued to the vehicles on day-to-day basis as per POL retail Issue voucher has been accounted for in the Car Diary as well as KM Card.~~

~~The KM Card is signed monthly by the unit CO/OC or an officer nominated by him.~~

~~Authorized KM per litre as enfaced/certified by EME Workshop is the Log Book is achieved.~~

~~E. VEHICLE LOG BOOK~~

~~It contains:~~

- ~~a) Particulars of vehicle,~~
- ~~b) Record of KM run,~~
- ~~c) Record of maintenance carried out.~~
- ~~d) Record of repairs and replacement~~
- ~~e) Tyre Record~~
- ~~f) Cleaning of Petrol Tank etc.~~

~~Maintained for each individual Vehicle by the unit on whose establishment the vehicle is held.~~

~~All casualties affecting the vehicles regarding test carried, replacement made, POL consumed for Test and static run will be recorded therein.~~

~~KPL as fixed by the workshop is recorded in Log Book for checking KPL achieved as shown in KM card.~~

~~To see that no discrepencies exist in the particulars recorded in the logbook and those recorded in relevant records of EME Workshops as to the period of vehicle's stay in the workshop and nature of repairs done to vehicle.~~

~~F. REQUISITION FOR POL/POL RETAIL ISSUE VOUCHER~~

~~Agree with those in POL Stock Ledger.~~

~~Issue has been accounted for in Car Diary & KM Card against vehicle concerned.~~



**IDENTIFICATION OF IMPORTANT/CRITICAL AREAS  
WHERE ECONOMY IN DEFENCE EXPENDITURE COULD BE  
ACHIEVED**

~~Based on LAO's experience of the role and functions of the Depot and its actual functioning on ground, the LAO after a few cycles of audit may a be in a position to identify important or actual areas of functions which may be on the basis of the total value of inputs on a particular activity or areas or the quantum of expenditure on such activities. It may be worthwhile to take up these areas one by one, for more detailed and critical analysis and examination to see whether any significant economy in expenditure or savings without compromising on the basic objective.~~

~~The following areas would be given more importance where economy in Defence Expenditure could be achieved.~~

~~Slow and Non-Moving items held with units.~~

~~Disposal of obsolete and surplus stores.~~

~~Delay in execution of Projects leading to time over run/cost escalation.~~

~~Plant & Machinery procured but not commissioned—leading to lock up of funds.~~

~~Justification of Local Purchase made~~

~~Utilization of Defence Land.~~

**ANNUAL AUDIT CERTIFICATE (AAC)**

The CGDA's Certificate on Internal Audit conducted by DAD is known as "ANNUAL AUDIT CERTIFICATE" (AAC). CGDA certifies that to the best of knowledge and belief no part of the expenditure has been incurred without sanction of the Govt. of India where such is required by regulations or other orders with the exceptions of the items where the sanction is awaited.

Particulars of such items of Rs.-50,000/- and above in value in such case are furnished in the Statement attached to the Certificate in the prescribed Proforma.

**IN BRIEF:**

1. Name of the Report : A.A.C.
2. Furnished by : CGDA  
(Based upon a similar Certificate furnished by PCDA/CDA on the basis of the reports/certificate Rendered by LAOs / RAOs / Audit Sections to the Main Office)
3. Furnished to : Secretary (Defence/Finance)/FA (DS)
4. On : ~~1st~~ 1st September each Year.

**TIME SCHEDULE FOR:**  
(PCDAs'/CDAs'/LAOs' etc)

- a. PCDAs'/CDAs' to CGDA : 1st August
- b. LAO/RAO/Others to CDAs' : 1st week of July.

5. Final Place of AAC : In Appropriation Accounts (DS) duly Countersigned by Secretary (Defence /Finance)/FA (DS)

## **6. CONTENTS OF AAC:**

i) The Certificate contains all important types of irregularities such as ~~as~~ as:

- Unauthorised Expenditure
- Irregular issue of stores
- Items involving extra irregular expenditure
- Unauthorised provision of Free conveyance
- Extra Issue of Rations/Stores
- Non accounting of Stores
- Non –Maintenance of Accounts
- Improper Maintenance of Accounts
- Non Verification or partial verification of Stock noticed during the year to which the Certificate relates and thus depicts the result of internal audit conducted by the DAD.

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ii) Cases in which ex-post-facto sanction of the Government of India has been refused for any item or items of expenditure already incurred or any other special features and/or major changes introduced during the period covered by the certificate are included in the body of the certificate.

iii) The relative position (i.e. extant of improvement and deterioration noticed) as compared to the immediately preceding years in regard to certain important features of accounting such as state of accounts, position of stock verification, outstanding on account of payment issue, arrears in linking of invoices with accounts etc. are brought out in the Certificate.

## **7. PREPARATION OF THE STATEMENT**

Narration of each item should be self-contained and complete giving full particulars of the expenditure indicating clearly the circumstances in which the payment was made or expenditure incurred in the absence of the necessary Govt. orders.

### **PREPARATION OF ANNUAL AUDIT CERTIFICATE IN LAOs/RAOs OFFICE**

Necessary instructions as contained in Appendix. 'F' of ALAM on the subject and contents of circulars issued by CGDA/ PCDA/CDA is required to be kept in view while preparing the AAC. The areas involve:

- Certificate Proper
- Statement of items awaiting Government Sanctions
- Units whose accounts could not be audited
- List of more important cases in which Consignees of Defence Services Stores could not in practice link the items actually received against particular consignments notified as having been dispatched to them and wherein it could not also be verified in audit that the stores were satisfactorily brought to account by the consignees.
- a) Non-Production
- Non-Maintenance
- Improper Maintenance of Accounts
- Stock Verification
- Unauthorized use of Govt. Transport

Items of outstanding payment issues for which debits could not be raised against State Departments for want of receipted copies of vouchers.

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### INTERNAL AUDIT REPORT (IAR)

1. Name of the Report      :—INTERNAL AUDIT REPORT (IAR)
2. Object                      :—To bring to the notice of the highest echelons of Ministry of Defence and Service Headquarters about items of importance and significance which has come to notice during Internal Audit —conducted by DAD. Individual's

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items are brought to the notice of PSOs at Service HQrs and Heads of Organizations concerned for initiating necessary remedial action.

3. Submitted by \_\_\_\_\_:\_\_\_\_\_CGDA (Based on report of \_\_\_\_\_)

PCDA/CDA/LAOs/RAOs

4. Submitted to \_\_\_\_\_Secretary (Defence/Finance)/FA (DS)

5. Periodicity : \_\_\_\_\_Half-Yearly (Covering audit period

\_\_\_\_\_ up to 31st March and 30th September of every Year)

6. Content \_\_\_\_\_:\_\_\_\_\_The report is prepared under the following broad categories:

- \_\_\_\_\_ a) Regulatory Audit
- \_\_\_\_\_ b) Loss of Revenue
- \_\_\_\_\_ c) Generation of Revenue
- \_\_\_\_\_ d) Optimal-Resource Management and
- \_\_\_\_\_ e) \_\_\_\_\_-Economy Suggestion

7. Write Up:

- a) As in the case of other report, the reporting of very important cases must be very clear, vivid, lucid and final as a one time measure
- b) The proposals are supported by details viz. voucher, amount involved, any copy of relevant communications exchanged between executives and DAD.

- c) The issue raised is quite significant.
- d) The issue has been accepted in writing by the executive authorities. Comments of DAD in the assessment of irregularities are to be offered
- e) Expenditure of selected fields, where extravagance is more likely to occur should be pointed out which may bring economy/Financial savings to the State.
- f) Some points on which proper attention should be devoted are: -
- Booking of expenditure in excess of allotment
  - Splitting up of sanctions
  - Holding of stores in excess of its authorization.
  - Non-Verification of Stores
  - Non-Credit of Stores
  - Non-Maintenance of Documents

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**REPORTING**

**RESULT OF AUDIT AND FINANCIAL IRREGULARITIES**

Audit depends for its effective value in its right and duty:

To report results of Audit → To the proper Authority

————— FOR APPROPRIATE ACTION ←———— ↓

————— To rectify the irregularity or impropriety  
————— To prevent a recurrence of it

This ' Authority ' may be:—

- i) Departmental Authority
- ii) Government itself

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~~OR in the last resort~~

~~iii) the Legislature through PAC~~

**AUDITORIAL FUNCTION DEMANDS**

~~Highest qualities of understanding,~~

~~Balanced judgment~~

~~Sense of proportion~~

~~To develop an instinct for assessing the importance of an individual irregularity.~~

**PRIMARY FUNCTIONS OF AUDIT OFFICE**

~~To secure the substantial correctness of accounts~~

~~To secure the regularity and propriety of individual transaction~~

~~To avoid undue insistence on trifling errors and technical irregularities~~

~~To devote more time and attention to the investigation of really important and substantial irregularities~~

~~To appreciate the significance of what appears to be a trifling irregularity may lead to discover an important fraud and defalcation~~

~~To take note of the cumulative effect of numerous petty errors or irregularities as indicating carelessness and inefficiency in the maintenance of accounts or in the financial administration~~

**RAISING, DRAFTING & SETTLEMENT OF AUDIT OBJECTIONS**

~~Identify and understand the functions of Units and Formations.~~

~~Raising of Objections~~

~~No audit objection will be raised for the sake of increasing the number of objections.~~

~~Undue insistence on trifling error and technical irregularities should be avoided.~~

~~Objections relating to lapses on the part of executives, stock holders and irregularities in Store Accounts, Losses, Procedural irregularities should be raised by quoting specific authority~~

~~Items of Financial Advice will not be included in the objection statement but to be reported to the CDA.~~

~~Items of doubtful character will not be incorporated.~~

~~Repeated evasive and dilatory notes between LAO staff and the executive authorities should be avoided.~~

~~As far as possible the financial implication should be highlighted.~~

~~3. Drafting of the objections:~~

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Must be conveyed in courteous and impersonal terms.  
Must be brief, legible and intelligible.  
Must be accurate, fair, moderately worded and dispassionate.  
Always quote authority in support.

4. Objection:— The under mentioned irregularities should be classified as “objections” and money values should also be given in respect of them:

Unauthorized Free Issue of Stores.  
Stores issued in excess of prescribed scales  
Stores issued to a Unit/or Formation for which credits are not traceable in the accounts  
Want of receipted Copies of Issue Vouchers from the Consignee Units (RCA)  
Non Maintenance/Improper Maintenance of auditable documents  
Non Production of documents  
Loss of audited documents  
Unauthorized use of Government Transport  
Irregular use of Railway Warrants/Credit Notes etc.  
Want of sanction to advances, losses, etc.  
Want of sanction of special charges  
Want of any specific sanction required by rule  
Overpayment and short recoveries  
Delays in the recovery of sums due to Government  
Expenditure involving infringement of any of the canons of financial propriety  
Want of appropriation  
(These are illustrative and not exhaustive)

5. Observations :— The instructions, enquiries etc. of the following nature or on the following subjects will be classified as “observations”. These will follow the objections and will be recorded and numbered separately under the heading ‘AUDIT OBSERVATION’. Money values need not be indicated in these cases.

A simple direction for future guidance or a call for a document, the absence of which is not likely to affect the amount admissible  
Delays in the submission of accounts or returns  
Fictitious adjustments and manipulations in accounts unless an actual loss has occurred  
Deviations from rules which are indicative of disregard or evasion of rule but do not represent charges incurred without proper sanction  
Errors in accounts, vouchers, etc. which do not indicate any deficit or surplus  
Instructions and other remarks regarding the form of accounts, etc.  
Demands for information not received  
Enquiries and remarks in respect of doubtful points  
Remarks calling attention to minor errors of procedure  
Want of vouchers

(These are illustrative and not exhaustive)

~~OBSERVATION CONVERTED TO OBJECTION~~

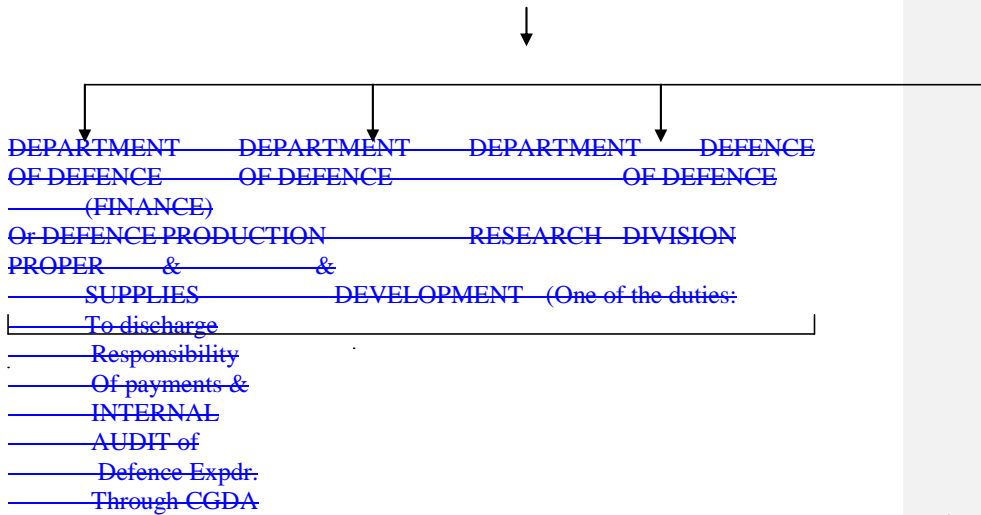
~~———— If, as a result of ‘observations’ any unusual or doubtful feature regarding an item is brought to light or the information or document considered essential for admitting an item finally in audit is not forthcoming, such an item should then be treated as an OBJECTION and dealt with accordingly thereafter.~~

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~~POSITION OF DAD/ INTERNAL AUDIT & LOCAL AUDIT~~

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MINISTRY OF DEFENCE  
(Defence Secretary)



MOD (FINANCE)  
Headed by: Secretary Defence (Finance)/FA(DS) — Principal rep. of MOD  
In the field of Defence Expenditure.  
Chief Accounting Officer of DS  
DEFENCE ACCOUNTS DEPARTMENT (DAD)  
Headed by : CGDA — Functions on behalf of  
Sec.(Def/Fin)/FA(DS)  
As Chief Authority in  
all matters affecting  
INTERNAL AUDIT  
& ACCOUNTING in  
r/o Def. Expenditure

One of the Objectives of DAD

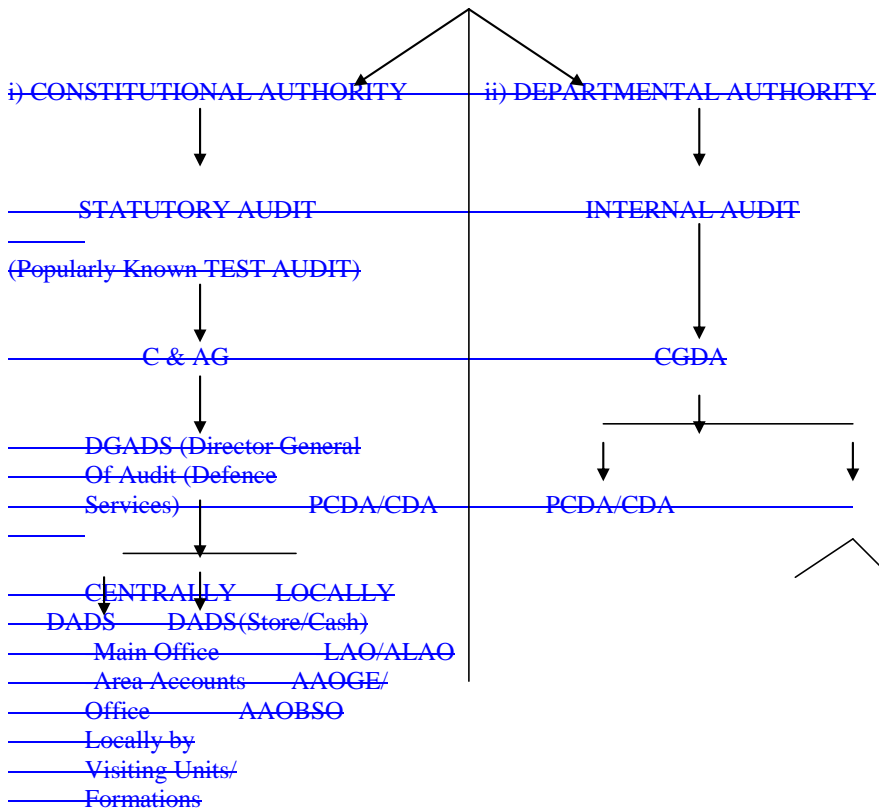
To provide necessary Accounting, Financial and INTERNAL AUDIT information and ADVICE to the authorities of the Defence Services to help them in the discharge of their Management Functions.

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WHY LOCAL AUDIT IS NECESSARY

Two distinct different authorities carry out audit of Public Finances in respect of Defence Expenditure.

AUDIT AUTHORITY (DEFENCE)



PRIMARY FUNCTION OF AUDIT:

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## ARMY LOCAL AUDIT

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To verify the accounts maintained and to report on their authenticity and propriety.

### LOCAL AUDIT & LAO/ALAO

The verification of accounts maintained by different and numerous Defence Units and formations stationed/located at far off places through out the country is carried out locally by visiting /attaching audit officials. This type of audit which is part of Internal Audit is termed as LOCAL AUDIT Viz. LAO's AUDIT.

In other words, the agency by which local audit i.e. Part of Internal Audit is carried out is termed as LOCAL AUDIT. This field duty is done by LAO.

### OBJECTIVES OF LOCAL AUDIT

To ensure that the Cash and Stores placed at the disposal of the Units/Formations Authorities are utilized in the best interest of the State as per laid down norms observing Standards of Financial Propriety

### LINK BETWEEN LOCAL AUDIT & MAIN OFFICE OF PCDA/CDA

Amongst other duties PCDA/CDA is responsible for LOCAL AUDIT of the Stores and MES accounts of Units and Formations under their audit jurisdiction. This responsibility is discharged locally through LAO. As such a constant link is maintained with LAO over his function through various sections of Main Office of PCDA/CDA.

The main link between LAO & MO is maintained through:-

SECTION ——— LINK THROUGH

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FA section:— for audit Progress, Monitoring of objections, and various reports and returns i.e. AAC, MFAI, IAR, Appropriation Accounts (DS) of losses, reference on audit and procedural matters etc.

Store Contract Section:— Scheduling of Local Purchase of Vouchers (ASC, AOC etc.)

— For Credit Verification.

Store Audit Section:— Scheduling of CP Vouchers for credit Verification, Cash Account of Military Farm, Packing Accounts of — Imported Stores.

‘D’ Section:— Scheduling Cheque Slips for Cash Inspection.

#### FUNCTIONS OF LAO

Local Audit of Stores Accounts maintained by Units/Formations  
Inspection of Cash Accounts (i.e. Public Fund Accounts, Field Imprest Accounts etc.) of Units/Formations

Local Audit of Miscellaneous Documents

i.e.) Issue of Railway Warrants, Concessional Vouchers, Form ‘D’, MC Notes etc.

— ii) Service Books of Civilian Personnel

— iii) Check Rolls (Industrial Personnel)

— iv) Stamp Accounts etc.

Rendering FINANCIAL ADVICE to Units/Formations up to Sub Area level.

Liasion with Units/Formations

Raising/Settlement of Audit Objections

Rendition of i) AAC to PCDA/CDA

— ii) MFAI

— iii) IAR

— iv) Appropriation Accounts of DS

— relating to losses(Stores/Cash)

#### ACTION REQUIRED TO BE TAKEN BEFORE COMMENCEMENT OF LOCAL AUDIT

Preparation of Half Yearly Local Audit Programme as per authorized Mandays and obtaining the approval of CDA (through FA Section) i.e. PTP (Proposed Tour Programme)

Advance intimation of Audit Programme to Units/Formations

Selection Order as regards to auditable documents & Linking /Credit Verification of ‘E’ copy if Vouchers is to be obtained from LAO and kept as confidential till audit is undertaken.

Preparation of Audit Certificate showing names of auditors and

Register/ledger/Accounts audited and detailed checked.



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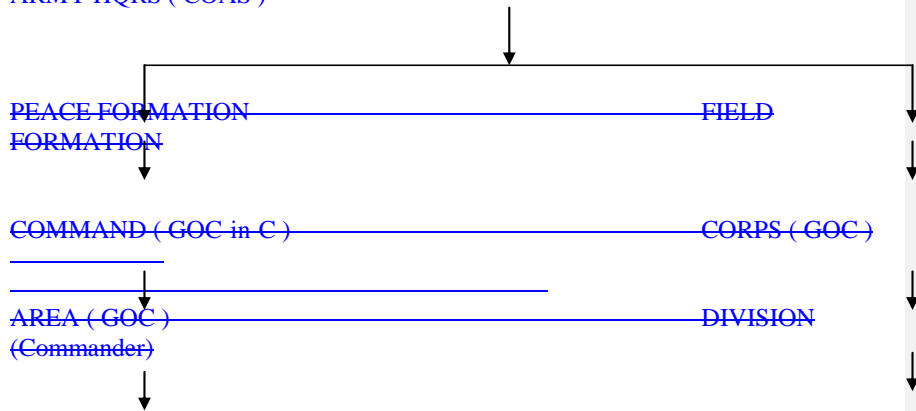
ARMY LOCAL AUDIT

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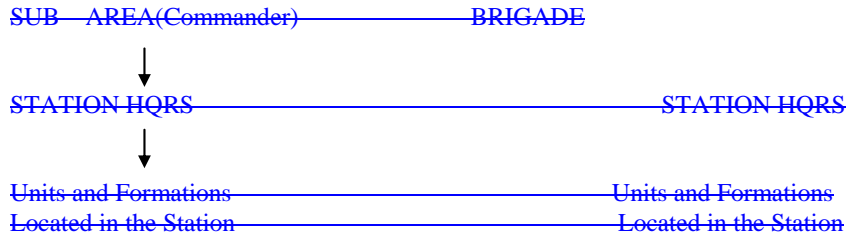
Rendering Monthly Completion Report of Local Audit to CDA i.e. ATP (Actual Tour Programme ) for approval.

ORGANISATION CHART INDICATING THE TYPES OF UNITS UNDER  
ARMY LOCAL AUDIT

ARMY HQRS (COAS)



ARMY LOCAL AUDIT



- Types of Lower Units/formation Example:
- Infantry Kumaon Regiment
  - Garhwal, Maratha, Sikh, GR...
  - Mech Infantry 18 Mech, 20 Mech
  - Artillery Medium Regiment, AD Regiment
  - Armoured Regiment Cavalry, Armoured
  - ASC ASC Supply Depot, ASC Battalion
  - AOC COD, OD, DOU etc.
  - AMC/ADC CH, MH, Base Hospital
  - MDC, AFMSD, Field Ambulance
  - EME Base Workshop, EME Station Wksp, Field Workshop
  - RVC Military Farms
  - NCC NCC Batallions, Directorate, GpHqrs

FORMATION SPECIFIC AUDIT

AUDIT OF MES FORMATION INCLUDING BSO

Introduction:

The Engineer in Chief is the Head of the Corps of Engineer and of the Military Engineering Services. The levels of the MES for the purpose of works Services are as under:

- Engineer in Chief
- Command Chief Engineer
- Chief Engineer Zone/Project
- CWE
- GE

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ARMY LOCAL AUDIT

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**AGE**

A Chief Engineer Command is divided into a number of MES Districts each under the control of the CWE. Districts are further sub divided into Divisions and Sub-Divisions under the control of GEs and AGEs respectively.

Internal Audit of these MES Formations are carried out by Defence Accounts Department. As GE is the executing officer in the Division, we will discuss about the audit of documents maintained by GEs and his Sub-Division.

The list of auditable documents maintained in GEs formation are listed in Appendix I of MES Local Manual.

**E/1 SECTION**

As the documents maintained in E/1 Section related to his administrative matter and these documents are also similar to the other unit/formation.

**E/2 SECTION**

The following Registers are audited to see that the administrative approval accorded by the competent authority are entered in the appropriate column of the Registers:

- i) Register of Administrative Approval (Carried Over Works)
- ii) Register of Administrative Approval (Major Works and Minor Works)

**E/3 SECTION**

In E/3 section of GE's office, Purchase Registers are audited with reference to Quotation Register and Register of Approved Suppliers. Register of Losses, Register of Railway Claim and Register of Barrack Damages are also audited to satisfy that the transactions occurred are regularly posted in the respective Register.

**E/5 SECTION**

In this Section Cash Assignment Cash Book and Public Fund Account Cash Book are audited with reference to paid vouchers and cheque slips issued by the CDA/AAO. It is also seen that Cash Assignment is not exceeded the limit prescribed in the Cash Assignment placed by the CDA.

Appropriation Register are audited to see that the Budget Allotment of the year has been noted and watched.

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ARMY LOCAL AUDIT

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**E/6 SECTION**

While checking the Register of Permanent Building and Register of Temporary Building, it is seen that the expenditure incurred which affects the capital cost of the building are noted with reference to CR Part "B" and it is also seen that Annual Stock Taking of the buildings are carried out. Similarly expenditure incurred on account of Construction of Road or any Special Repairs are entered in the Register of Military Road maintained in E/6 Section.

**E/8 SECTION**

While auditing the Register of Contract, it is seen that the Contract Agreements are noted therein. It is further seen that the tenders are issued to the contractor in the approved list of contractors maintained and the contract was awarded to the lowest one. All approved contractors have lodged their Security Deposit as per existing order and noted in the Security Deposit Register maintained for the purpose.

**AUDIT OF B/R SUB-DIVISION**

B/R Sub-Division in GE's office executes the works of civil nature i.e. construction of building, road etc.

B/R Section maintains the following ledgers which are audited by Defence Accounts Department as well as Test Audit Party.

**STORES IN HAND LEDGER**

While auditing stores in Hand Ledger, receipt column of the ledger is checked with original copies of indent in case of stores drawn in bulk from maintenance stock, with demolition Register in case of stores received from demolition, with the original transfer voucher in case of stores drawn from material register of another work or from local purchase bills and from receipt voucher in respect of stores receipt from MES Stores organization.

Issues will be checked with reference to Sub-Indents and will be linked with list of stores submitted in support of muster Roll, temporary work charged personnel bill etc. for services concerned.

In case of stores issued to different works for which stores were not booked originally, whether requisite adjustment vouchers prepared and adjusted are also checked.

Unused stores for a considerable period should be utilized for other work or return to stock.

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ARMY LOCAL AUDIT

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~~UNSTAMPED RECEIPT~~

~~Unstamped receipt supported with Baby Indent duly receipted by the contractor is also verified with the Stores In Hand Ledger.~~

~~ROAD METAL REGISTER~~

~~Receipt column of this register is checked with the original vouchers on which payment Have been made for the collection of road metal. Issue will be checked with IAFW 2305 approved and signed by the AGE and specifies the particular work in which stores have been used. It will also be linked with the list of stores attached with Muster Roll bills or other relevant bills.~~

~~DEMOLITION REGISTER~~

~~Demolition Register is the original record of materials obtained from demolitions. Hence the demolition Statement or sanction for demolition are linked with the entry of the register. It will also be seen that the stores entered in the Register have been disposed of and adjustment made.~~

~~CONSTRUCTION ACCOUNT~~

~~The construction Account is maintained by the concerned GE/AGE for each work or services to exercise financial control over the expenditure of an allotment he has received. While auditing the construction Account, it will be seen that sanctions and allotments are noted in the construction Account and entries agrees with the entries in the Register of Approval of works and Register of Appropriations. It should also agree with the entry made in the contractor's Ledger. It should be ensured that the liabilities are correctly posted in the construction Account.~~

~~MEASUREMENT BOOK~~

~~In checking the Measurement Book it is seen that:- The arithmetical calculations are correct. Printed rules contained in the MB have been complied with. The entries are clear, explicit and self contained and the quantitative value of each items of work agrees with the corresponding amounts appearing in the abstract attached to the Bill.~~

#### ~~PERIODICAL SERVICE MEASUREMENT BOOK~~

~~Periodical Service Measurement Book will be examined to see that each PSMB contains a certificate to the effect that not less than 5% of the measurements have been checked by an officer. The books are kept up to date and certified by GE as correct and all corrections are authenticated. Particulars of check exercised by Local audit staff i.e. the date of check and pages or items checked have been recorded in flyleaf of each PSMB signed by Auditor.~~

#### ~~TOOLS AND PLANT LEDGER~~

~~While auditing Tools and Plant Ledger it will be seen that the receipt column of the items is checked with the paid bills or vouchers in case of purchase, receipt voucher in case of receipt from other division. Similarly all issues will be checked with reference to the issue vouchers in respect of Tools and Plants issued to other division, loss statement or through survey reports. It would also be seen that T&P Purchased and charged to a particular work are disposed of on completion of the service which should be credited with depreciated value to the work for which it was procured.~~

#### ~~FAN AND METER REGISTER~~

~~The Register will be examined to see that it is maintained in accordance with flyleaf instruction printed therein.~~

~~All new purchases are receipts of Meters and Fans ascertained from the original Bill, consignors issue voucher, I.D Schedule etc. should be linked with the entries in the register.~~

~~Location of the Fans as noted in the Register will be scrutinized and verified with the Consumer's Ledgers or Return of Recoveries to determine whether hire charges have been levied where due.~~

#### ~~BULB ACCOUNT~~

~~Bulb Account is also maintained in MES formation and Receipt is checked with relevant store indents and Issues with the bulb requisition in respect of bulbs supplied to unit, departments and individual.~~

#### ~~REVENUE LEDGER~~

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ARMY LOCAL AUDIT

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~~In revenue ledger, all the rentable buildings are entered and licence Fee Bills are floated against the occupants of the building based on Occupation/Vacation Return and Return of Recoveries. This register is audited to verify that the rent and allied charges are recovered regularly and all the required information has been transcribed in the ledger.~~

~~In Revenue section of BSO, Consumer Ledger of electricity and water charges, Special consumer Ledger (Private Party) are also maintained. These registers are checked with reference to Meter Reader Book of water and electricity.~~

~~PROVISION OF FURNITURE~~

~~BSO under the organization of GE's division provides furniture to units, officers, JCOs and others occupying the Govt. accommodation. For this purpose BSO maintains Register of Authorised Furniture, Station Furniture Register and Furniture Distribution Ledger.~~

~~Authorized Furniture Ledger is checked to see that the furniture are issued within the authorized scale to units and formation and to the occupants of the buildings.~~

~~Station Furniture Ledger is checked to see that receipts of furniture noted in the register are correctly entered. To ensure that paid bill relating to the purchase of furniture, Transfer voucher received from other AAO are also linked.~~

~~Furniture Distribution Ledger is checked to see that the quantities shown in unit and the quantities distribution ledger agree and any variation reconciled duly signed by the representative of MES and representative of Unit.~~

~~VISITOR BOOK FOR MES INSPECTION BUNGLOW~~

~~While checking the above register, it will be seen that the book is maintained and all visitors sign their name, address and the amount paid. Recoveries are made at the rates prescribed by CWE. The amount realized is credited with the cashier of the GE concerned and accounted for in the cash Book.~~

~~DIVISIONAL STOCK REGISTER~~

~~Divisional Stock Register maintained by BSO are audited. Receipt in the Stock Register are audited with reference to CP Vouchers received from PCDA/CDA/DAD~~

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ARMY LOCAL AUDIT

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~~Cell ; from Cash vouchers for supplies paid from Cash Assignment or imprest and receipt voucher prepared by MES ( received from other MES Formations)  
Issues are checked from the Issue Voucher/Indents prepared by BSO.~~

~~MILITARY FARM~~

~~INTRODUCTION~~

~~Military Farms were originally established as grass farms in order to supply fodder and hay to horses and mules of British Indian Army. Later on, due to prevalence of infectious disease caused by local milk, the necessity was felt to establish Dairy Farms. First MF was established in 1889 at Allahabad. In 1930 grass farms were merged into Dairy Farms to form the Military Farm Department. Later in 1948 they were merged with Remount and Veterinary Corps to form RVFC but they were again bifurcated in 1960 as experience showed loss of functional efficiency of both the wings due to merger. Presently 43 MFs are functioning in all the Commands.~~

~~ROLE OF MILITARY FARM~~

~~Primary Role~~

~~Production and supply of hygienic milk and milk products to the troops;~~

~~Supply of dry fodder(hay) to animals~~



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ARMY LOCAL AUDIT

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Secondary Role( On call/or on required basis)  
Production and supply of Poultry/Meat/Mutton/Fish  
Production and supply of vegetables

Supplementary Role  
Protection and gainful utilization of Defence land in their custody.  
Environmental Development  
Arboriculture.

**MAINTENANCE OF ACCOUNTS**

Military Farm being a manufacturing concern, run on quasi-commercial lines and their accounts are maintained on a cost account basis. It is therefore, necessary that all transaction connected with the running of the farms are accounted for in their books whether cash payments are involved or not. For this purpose cash accounts are divided into 3(three) main headings:

- i) All Cash receipts including drawing from treasuries through DMF and through PCDA/CDA and all payments in cash..
- ii) BT Cash Transactions: Receipts and payments for which actual cash realization or cash payment is not made by the firm directly but which involves budget provisions items requiring financial adjustment.
- iii) BT Cost Transaction: Transactions for which no financial adjustment for budget purposes is involved but which affect the Trading Account of the firm. These transactions require only proforma adjustments.

**SECTIONS:**

A full fledged Military Farm consists of the following sections:-

Cash Section  
Establishment Section  
Cattle yard Section  
Dairy Section  
Fodder and Stack Yard Section  
Store Section  
MT Section  
Cultivation Section  
Young/Calves Section

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ARMY LOCAL AUDIT

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~~10 Veterinary/Stock Live Section~~

~~DOCUMENTS MAINTAINED~~

~~Cash Account  
Establishment Account  
Dairy Produce Account  
Coupon Account  
Store Account  
Annual Trading & Profit and Loss Account.~~

~~EXTENT OF LOCAL AUDIT~~

~~The extent of local audit to be applied to the Farm's account including each section are as follow:-~~

- ~~a) Verification of casting, closing and opening book balances will be done 100%  
b) Linking of receipt including purchase and issues on account of stores appearing in-  
Cash Account, Store Account and Miscellaneous Account is 16 1/2% for vouchers below rs.20,000/- in respect of local purchase and below Rs.50,000/- in respect of Central Purchase Vouchers.  
c) Audit of Final receipts and Final Issues of stores appearing in Store Account and Miscellaneous Accounts will be 16 1/2% in general except Rent Return, Register of conservancy charges due from non-entitled persons in which case 100% audit will be done 100% audit will be made.  
d) Audit of Final Receipt and Issue of stores appearing in Annual Trading and Profit and Loss Account and the connected statement, Cash Account, Establishment Account and Dairy Produce Account will be done 100%.~~

~~PROCEDURE OF AUDIT~~

~~Before commencement of audit the monthly abstract of the Cash Book together with supporting vouchers and statement will be asked for from PCDA/CDA, if not already received by LAO. During audit, these abstracts and statements will be checked with Cash Book and other Books of Account to ensure that there is no variation between the account shown in the abstract and statement and that recorded in Cash Book and~~

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ARMY LOCAL AUDIT

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other books of Account maintained by MF. After audit, the abstracts and statements will be returned to CDA with the certificate of audit endorsed thereon.

**GENERAL POINTS TO BE SEEN IN AUDIT**

It will be seen in audit that:-

- i) No items of expenditure pertaining to the working of MFs are omitted from the Cash Book and Annual Trading and Profit and Loss Accounts.
- ii) All liabilities of the farm are charged against the assignment of the year to which they pertain.
- iii) Sale proceeds of all firm products sold have been realized and credited in the Cash Book.
- iv) Issues of fodder on payment by Military Farms is made only in station where ASC do not function and to those authorized under regulation and orders and that the sale proceeds are credited in Cash Book. Fodder should not be issued to officers direct from firm's stock.
  
- v) The value of rations and clothing issued to firm personnel have been adjusted in the Cash Book at payment Issue rate.
- vi) Store purchased by firms from Govt. Supplying Department.
- vii) Products and by Products of the firm which are not required for Govt. use are to be sold to the best advantage of the state under the orders of the superior authority concerned.
- viii) Triplicate copy of the Sale Account of surplus, obsolete and unserviceable stores have been received from the CDA for verification of striking of stores from the relevant store books and that credit for sale proceeds have been accounted for in the Cash Book.
- ix) All account Books have been properly linked and inter linked.
- x) All quantitative ledgers and returns have been maintained for audit.

**AUDIT OF CASH ACCOUNTS**

- a) Immediately on the date of visit by LAO to Military Farm, cash in hand to be counted and see that it agrees with the closing cash balance as per Cash Book.
- b) Thereafter the Cash Book should be taken up for audit. Entries of the cash book consists of the following:-  
**RECEIPTS:**  
Sale of Dairy Produce, Grain,  
Sale of Coupons.  
-Cheques received from PCDA/CDAS/DMF, other farms etc.  
Rent and allied charges, Misc. receipt etc.

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ARMY LOCAL AUDIT

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**PAYMENTS:**

- \_\_\_\_\_ 1) Salary to Establishment
- \_\_\_\_\_ 2) Advance to Farm Hands
- \_\_\_\_\_ 3) Remittance into Treasury
- \_\_\_\_\_ 4) Local purchase of stores,  
\_\_\_\_\_ Supplies and services
- \_\_\_\_\_ 5) Contingent Expenditure
- \_\_\_\_\_ 6) Refunds for coupons, bottles etc.

**Ensure that**

The cash column on receipt and payment sides of the Cash Book are totaled daily and balances struck and that the totals are written in ink and carried forward to the subsequent date.

The balance in hand on a particular day agrees with the total amount held by the cashier and the officer in Charge.

The cashier and officer in Charge have signed the Cash Book.

The authorized limit of Cash Balance is not exceeded and the cash held by the cashier does not exceed his Security Deposit.

That the amounts charged off from the Cash Book on payment of advances are entered in the Demand Register.

Outstanding demand as per Demand Register should be placed under objection and their clearance should be watched.

**e) JOURNAL**

The Journal is maintained for entering all transactions other than cash. It should be verified with reference to I.D.B/O.D.B and other allied documents that such transactions are passed through the Journal on a day to day basis. These documents are audited with reference to the accounts maintained by the concerned section and verify the relevant entries in the Journal. For examples:-

No.2 copy of issue order( prepared by Indenting section and forwarded to the Administration Section).

Daily Cattle Yard Stock Sheets

Central/Local purchase voucher

Issue/Receipt voucher for stores issued to/received from other

Farms/ASC/Ordnance/Medical Store Depot etc.

Loss Statement for stores written off.

Daily consolidated receipts and connected documents for issue to Dairy Produce to troops and others on credit.

Issue Vouchers for issue of fodder and vegetable etc. to Supply Depot.

Vouchers for over head and indirect charges.

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ARMY LOCAL AUDIT

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Vouchers for stores issued to other departments.

AUDIT OF NCC UNITS

1) Local audit officers of Defence Accounts Department are responsible for the Audit of Store Accounts ( in exceptional cases may be assisted by Inspection Auditor as authorized by the PCDA/CDA) and Inspection of Cash Accounts of the NCC Units only in respect of the fund allotted by Central Government with the exception as mentioned in the succeeding paragraphs:-

2) Government of India is responsible for the following in respect of NCC Units:-

i) Provision of Equipment including vehicles, their repair and maintenance.  
—Note: The cost of running of the vehicles is the responsibility of State Govt.

ii) Provision of Clothing Uniforms to new Units and replacement of uniforms of the existing and new units to the prescribed Scales.

—Note: (a) From the year 2004, radical changes have been made in provisioning of Clothing items to Officers/Cadets of NCC Bns.

(b) While some items are issued on life cycle system to cadets, some are issued on 100% retention basis.

(c) In accordance with above, projection of demand is to be made by School/College authorities to the NCC Bns. Who in turn examine the same and place the indent to the Ordnance Depot for issue.

(Note: While calculating the Indent, all Unit of the NCC will hold a reserve of 20% over and above of the authorized scale of clothing and necessities

— In Andaman and Nicobar Island it is 40%.

iii) 75% of expenditure on Annual and Cadre Camps of all Units and balance 25% to be borne by the State Government and 100% of said expenditure is subject to audit by respective State Accountant Generals

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## ARMY LOCAL AUDIT

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3) Audit of Store Account of NCC Units are done in accordance with the procedure adopted for consuming Units in Army/Navy/Air Force. Ledgers in general are to be maintained in accordance with the ledgers maintained by the consuming Units. All entries in the ledger should be supported by Receipt/Issue/Expense Vrs. and vouchers corresponding to Navy/Air Force Battalions.

As per extant order EME Sections of NCC are authorized to draw 10(Ten) Gallons of petrol per month per vehicle free of cost from ASC Depots/Installation for training purposes. Where ASC facilities are not available, the petrol may be obtained locally from the trade and cost thereof claimed from the CDA concerned on a Contingent Bill in a normal manner. Petrol is to be accounted for in the POL Ledger by the Unit. It may be mentioned that all the stores issued by Ordnance/ASC Depots are on payment Issue basis and booked against the allotment of fund made by Central Government under various heads by the respective PCDA/CDA on receipt of Payment Issue Vouchers duly scheduled by LAOs/ALAOs Supply Depots/Ordnance Depots.

OCs of the Unit are authorized to indent for and issue of the Railway Warrants forms to themselves and other regular Service Personnel with NCC. In audit, provisions of A.O. 570/73 as amended from time to time regarding indenting, care and safe custody of Railway Forms will be looked into by LAOs.

### CASH ACCOUNTS

So far as Cash Accounts are concerned, LAOs will see:—

- i) that the Cash Book for the Funds obtained from Govt. of India is maintained separately from that relating to the amounts received from State Government.
- ii) the transactions pertaining to the two Cash Accounts are separately entered in the relevant accounts and that no wrong posting occur.

Besides that LAO will inspect the Cash in the line as done during Inspection of other Army Units.

#### LOCAL AUDIT OF A.S.C.SUPPLY DEPOTS

1. ~~The functions of Army Service Corps include:—  
Operation of the Supply and transport services of the Army.  
Catering and inspection of food articles.  
Supply services to the Air Force.  
Supply services of the Navy.~~

A.S.C Supply Depot.

2. ~~There are in all 146 Supply Depots including Composite Platoons located all over the country.~~

#### FUNCTIONS OF A SUPPLY DEPOT

3. ~~The main functions of ASC Supply Depots are:—~~

— (a) ~~To receive supplies of ASC articles procured through Central Purchase or Local Purchase or by Transfer from other Depots.~~

~~To hold stocks of ASC items up to authorized or specified limits from time to time.  
To issue ASC articles to the various units/formations and also authorized paying consumers who are dependent on the Depots.~~

~~To account for, in the prescribed Accounting documents, all receipts and Issues.~~

~~To receive, hold, issue and account for POL items at stations where Petroleum Depots Platoons are not functioning.~~

#### RESPONSIBILITY FOR PROVISIONING ASC ITEMS

~~All items of Dry Rations like Rice, Wheat, Sugar, Oil Hydro, pulses etc., are procured centrally by the Army Purchase Organization by conclusion of periodical contracts with the supplying agencies. The procurement of fresh items of supply like meat, fish, vegetables, fruits etc. are arranged through contracts concluded by the Staff authorities which are operated by the ASC authorities. In cases of emergency created by break down of supplies for whatever reason, local purchases of these items are resorted to under sanctions issued by the Staff authorities. These local purchases may~~

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## ARMY LOCAL AUDIT

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be at the risk and cost of the contractor with whom a contract has been concluded in cases where there is default.

### SCALES FOR PROVISIONING

The quantum of requirements for issue to entitled consumers is worked out based on the scales laid down in Scales of Ration and Supply (SRS) and Army Instructions 7/S/24 Naval Instruction 06/86 and Air Force Instruction 18/S/68. These scales form the basis for assessing the requirements for purposes of conclusion of contract. The scales multiplied by the strength of troop and other entitled consumers would give the total estimated requirements.

### STOCK TO BE HELD

In addition to requirements stated above, Supply Depots are also required to maintain at all times reserves like GS Reserve and Maintenance Reserve etc. based on the specified number of days requirements for each of these reserves.

### GUIDELINES FOR LOCAL AUDIT

6 (i) It should be seen that the total stocks held with reference to the quantum of Maintenance and GS Reserves etc. to be maintained based on total strength of entitled personnel dependent on the depot and with reference to applicable scales are within the above limits. This should be seen periodically and any tendency to hold excess stocks, or stocks lower than the prescribed limits should be gone into to identify the reasons and for corrective action by the Depot, if the excess holding is persistent phenomenon, the matter should be reported to the CDA for taking up with the Command.

(ii) The stores required for contingent purposes are not obtained in excess of requirements.

(iii) It should be seen that items with limited shelf life are not stocked in large quantities and there is regular turnover of such items.

(iv) It should be seen that there is regular turnover of the stocks of various dry items held so that cases of losses due to deterioration while in stock are kept to the minimum.

(v) Cases of transfer of items into and out of the Depot require close scrutiny. The expenditure incurred on such inter Depot transfers should be looked into to appreciate the implications of such transfers.

(vi) If the transfers out of the Depot are frequent, this would call for a deeper study into the reasons for transfer, items transferred, depots to which transferred, number



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ARMY LOCAL AUDIT

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of such transfers during a quarter or half year etc. which should be examined to see whether these transfers were to liquidate the excess stocks held.

(vii) If the transfers are to liquidate excess stock, it should be seen whether the quantities indented have been reduced to avoid overstocking. The norms for projecting indents should also be studied for appropriate modifications.

#### 7. ISSUES ON PAYMENT

It should be seen whether the issues on payment are made only to the entitled personnel prescribed from time to time.

It should be seen whether the Register of entitled personnel is kept updated. Some specific cases selected at random every quarter should be cross checked with this register.

It should be ensured that the issues made are as per the prescribed scales and there are no cases of over issues.

The pricing of the payment issues should be done as per the latest rates in SBRL or rates fixed and circulated by CDA ( fresh items). Of the SBRL available in the depot is old, the latest available rates should be obtained either from the neighboring Depots/LAOs or from CDA.

It should be seen whether the Cash Accounts in respect of these payment issues are being maintained properly and also that the amounts deposited into treasury is the same as the total amount collected with reference to the Cash Accounts/Cash Memos.

It should be seen that the original MROs on which the amounts are deposited are sent to the CDA and acknowledged by them.

#### DEPOT CONTINGENCIES

8. It should be seen:

The various items of expenditure are directly related to the role, and functions of the Depot.

The quantum of expenditure is reasonable and justified keeping in view the quantum of work load handled by the Depot.

The number of casual labour employed on day to day basis is justified keeping in view the quantum of work done /tonnage of stores handled.

Depot contingent charges drawn are paid promptly and no amounts are drawn unless required for immediate payment.

All items of expenditure have been sanctioned by the CFA.

Any peculiar or unusual features noticed should be brought to the notice of FA Section and 'M' Section of CDA's Main Office.

#### PACKING MATERIALS

9. After meeting the requirements of units and Formations, of packing materials, the stocks held over and above normal issue requirements, should be disposed of. Cases have come to notice where large quantities of packing material like gunny bags, Ghee Tin etc. are allowed to accumulate and remain in the open for considerable time due to which these deteriorates in condition without any reasonable realizable value. To avoid such losses to State and situation, it is necessary that accumulation of packing materials is kept under constant review for their disposal on a regular basis, periodically.

#### DISPOSAL OF STORES

10. It should particularly be seen:

That the stores have been approved for disposal by the empowered authorities complying with the prescribed requirements  
RGP(Reserve Guiding Prices) have been properly fixed.  
Disposals are conducted properly by tenders or auctions and where prescribed, CDA's rep is associated with the disposals.  
Amount of bid is realized within the prescribed time limit and the amount is deposited into Treasury and MRO forwarded to CDA along with the Sale Account.  
Quantity and items allowed to be lifted by the bidder are the ones actually disposed off and the same agree with the voucher and Gate Pass and also those charged off the ledgers

#### LOSSES

Cases of losses regularized during the last 2 years would be reviewed to see that nature of losses, values involved, frequency of occurrence etc. This review is to find out whether there is any particular pattern or trend in the type of losses occurring and also whether the same repeat at periodical intervals. In such cases this has to be gone into further details to identify whether these losses involve any malafides as also reasons for similar type of losses repeating periodically. If the study reveals any deficiencies or loopholes in the system, corrective measures to pug the loopholes to prevent recurrence should be suggested to the OC Supply Depot. Depending on the nature of response, the matter should be taken up with the CDA for further processing.

#### UTILISATION OF MANPOWER

In case there is any material change in the role and functions of the Depot resulting in reduction, it should be seen whether the manpower resources have also been scaled down correspondingly from the date the reduction in workload has taken place. This should be particularly seen in the case of casual labour employed because such employment results in almost recurring expenditure. In the case of regular establishment, any surplus manpower consequent on the reduction in work load may have to be posted out of the depot to other units and formations where there are deficiencies. Results of the study should be taken up with the OC also with the CDA to whom further responses and reactions of the OC should be intimated. The CDA may take up these cases with MGASC, where required.

#### ISSUE OF FRESH ITEMS OF ASC

13. It should be seen whether the various items of ASC (Fresh) including substitutes are issued as per scales and in respect of fruits, the percentage prescribed (citrus /non citrus) are adhered to.

#### LOSSES IN HANDLING

14 It has to be ensured that the losses on account of handling of various items are not charged off at their maximum permissible limits, as matter of course. If such a tendency is noticed the same should be examined further and taken up with OC Depot for corrective action.

#### TRANSIST LOSSES

15. It should be seen whether claims on account of transit losses claimed on carrying agencies on account of transit losses are properly recorded and followed up adequately to ensure realization of the amounts due.

#### STOCK VERIFICATION

16. It has to be seen whether stock verification is carried out as per prescribed rules and the same is completed before the expiry of the year, Stock taking discrepancies should be got regularized without delay and serious cases of discrepancies which may involve frauds or misappropriations should be taken up with the OC and pursued for appropriate corrective action.

**PERFORMANCE STUDIES**

17. Based on his experience of the role and functions of the Depots and its actual functioning on ground, the LAO, after one or two cycles of audit, may be in a position to identify important or critical areas of functions. Such identification may be on the basis of the total value of inputs on a particular activity or area or the quantum of expenditure on such activities etc. it may be worthwhile to take up these areas, one after another, for more detailed and critical analysis and examination to see whether any significant economies in expenditure or savings without compromising on the basic objectives, is possible. Such studies should be undertaken in consultation with CDA and this should be carried out with the full knowledge, association co-operation and assistance of the Depot authorities. The findings and recommendations of such studies should be projected to the OC Supply Depot for active consideration for implementation and also the CDA, who may, if considered necessary, take up the matter with command HQrs.

LOCAL AUDIT OF MILITARY HOSPITAL

Military Hospital renders medical facilities to the Defence Service Personnel and their families.

Hospital Admission & Discharge Book Shows the date of admission, nature of disease and the date of discharge of the patient in the Hospital. This register is checked to work the correctness of ration drawn.

Hospital Stoppage Rolls are prepared based on the entries in the A & D Book and sent to CDAs/PAOs for necessary recovery in respect of Attendants/Dependents of Officers/JCOs /ORs.

Hospital Ration Account ( Diet & Extras)

Service Personnel admitted in Hospital are given free ration as per ration scale laid down in A.I.

Hospital maintains the following documents in regard to ration accounts for the patients:-

Ward Diet Sheet (IAFM 22)

Daily Diet & Extras Summary (IAFM 1266)

Store Keepers Diet Sheet (IAFM 1267)

Monthly Summary of Diet & Extras (IAFM 1268)

In a month 3 days account of Ward Diet Sheets selected by LAO at random is checked. Casing of Daily Diet Sheet Summary is checked for 10 days.

The following diets are prescribed for the patients:

(i) 'O' Diet — Ordinary Diet (as per normal scale per day)

(ii) 'F' Diet — Fluid Diet

(iii) 'N' Diet — No Diet

(iv) 'S' Diet — Sick Diet

(v) 'C' Diet — Convalescent Diet

———— Sick attendants are given 'O' diet and children below 10 are given diets of half the scale authorized for Adult.

Extras and items "on as required basis" are assessed and authorized by Medical Officer i/e ward. Extras are not prescribed for 'O' Diet.

Ward Diets Sheets: are initiated by the Medical Officer in charge for the ward daily and furnishes certificate in the monthly summary of totals of Daily Diet and Extras. Rations in kind are worked out based on the scales and total number of Diets and Extras as prescribed by the Medical Officer and charged off from the Ration Return. Overdrawals of diets & extras are paid for or written off by CFA and is not made good by subsequent under draws.

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ARMY LOCAL AUDIT

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Medical Stores are accounted in Expendable Ledger (Medicine – Short Life/Long Life ) and Medical Equipment Ledgers

Issue of Medicines are accounted for and Monthly Expense Vouchers are prepared ( Item/Qty written in words and figures) and signed by the Officer – in – Charge Medical Stores and Countersigned by the CO of the hospital.

X Ray taken only for entitled persons and recorded in the Register of X Ray. ‘Hypo Waste ‘ collected from X Ray Lab is taken on charge and sold on auction amount realized is remitted to Govt.

———— 8) Hospital clothing

Hospital Clothing such as Jackets sleeping, Trousers Sleeping, Bed Sheets, Blanket Hospitals etc will be accounted for in the same way as other clothing articles. These articles are issued to patients on their admission and withdrawn on discharge from the hospital.

———— In the event on transfer of patients:

When escorted: Items are not struck off from ledgers. Individuals escorting the patients will bring back the items.

When Not escorted: Struck off from the ledgers and vouchered over to the hospital where patients are transferred

#### 9. MILITARY DENTAL CENTRE/UNITS

a) In addition to Store Ledgers and returns required to be maintained by consuming Units, the following Ledgers and Returns are to be maintained by MDC/Units:

———— i) ——— Dental Medical Equipment Ledger,

———— ii) ——— Instrument Ledger,

Expense Book,

Dental Treatment Book,

Dental Appliances Book,

Register for treatment of non-entitled patients

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ARMY LOCAL AUDIT

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b) Register for treatment of non Entitled patients: This register will be checked to see that:

- i) Register has been correctly maintained as per prescribed proforma.
- ii) All the columns of the register have been properly completed.
- iii) Correct amount shown
- iv) Amount has been accounted for in the Public Funds Cash Book on the same day on which it was received from the patient.
- v) The amount has been credited to Government every month.

AUDIT OF RAILWAY WARRANTS

During audit it will be seen that:—

- (a) The forms are kept in safe custody under lock and key
- (b) A register in IAFZ 2012, recording the receipt and disposal of the books, is maintained and monthly certificate endorsed thereon by the officer commanding the

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ARMY LOCAL AUDIT

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unit/formation to the effect that all the forms on charge have been checked personally and physically showing the result of the check.

(e) In the case of 'cancelled' counterfoils the relevant warrants (foils have been effectively cancelled and pasted to the respective counterfoils.

(d) The numbers and dates of Part II orders authorizing the move are in general, quoted on the counterfoils of warrants.

(e) No blank forms have been signed by the issuing officer. Instances of this will be reported to the CDA who will report the matter to Brigade Headquarters or other administrative authority.

(d) the word Mail/Express/Ordinary whatever in applicable is scored out.

(e) in the column 'VIA' the complete name of the station has been indicated,

(f) the particular nature of duty or leave has been noted,

(g) Railway Warrants and Credit notes have been signed in ink by the person authorized to sign them,

(h) No alteration has been made. If railway warrant has been incorrectly prepared, it should be cancelled and a fresh one issued.

(i) Losses of railway warrants have been promptly reported to the ARMY/NAVAL/AIR

HEAD QUARTERS as the case may be, through staff channels and the PC of A (Fys)

Kolkata

(j) Losses of blank forms have been regularized under the orders of the Government of India as the losses on account of the probable misuse of the lost forms cannot be ascertained.

#### AUDIT ENFORCEMENT

The official checking the forms will endorse 'checked' under his dated signature and designation, on the reverse of the counterfoil of the last warrant issued upto the date of the check.

#### DETAILED CHECK OF RAILWAY WARRANTS

5% of the warrants issued during the period under audit will be selected for detailed check.

It will be seen that the numbers and dates of Part II Orders quoted and details regarding names, particulars, purpose of journey, etc., shown on the counterfoils are authentic. (The check should be made from the counterfoils to Part II Orders and not vice versa)

#### AUDIT OF CREDIT NOTES

Credit note will be checked on general lined to see that:-

(a) The forms are kept in safe custody under lock and key;



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ARMY LOCAL AUDIT

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(b) A register recording the receipt and disposal of the book, is maintained and a certificate endorsed thereon every month by OC Unit/Formation to the effect that all the forms on charge have been personally and physically checked showing the result of the check;

(c) In the case of cancelled counterfoils the relevant credit note (Foils) have been effectively cancelled and pasted to the respective counterfoils;

(d) The numbers and dates of Issue Vouchers or other communications forwarding stores are quoted on the counterfoils of credit note so as to ensure that only bonafide government stores are conveyed on credit notes;

(e) No blank form has been signed by the issuing officer; instances of this will be reported to the CDA who will report the matter to Brigade Hqrs or other administrative authority.

(f) The sanction of the competent financial authority for Credit Note issued for wharfage or demurrage has been obtained;

(g) Demurrage charges incurred due to negligence on the part of consignor/consignee have been treated as loss of Public money and dealt with accordingly.

(h) Losses of blank forms of credit notes have been regularized under the orders of the Government of India, as the losses on account of the probable misuse of the lost forms cannot be ascertained.

#### AUDIT ENFORCEMENT ON CREDIT NOTES

The official checking/reviewing the forms will endorse checked/reviewed under his dated signature and designation, on the reverse of the counterfoils of the last credit note issued upto the date of check/review.

#### DETAILED CHECK OF CREDIT NOTES

5% of the credit notes issued during the period under audit will be selected (with due regard to the amount involved on each)