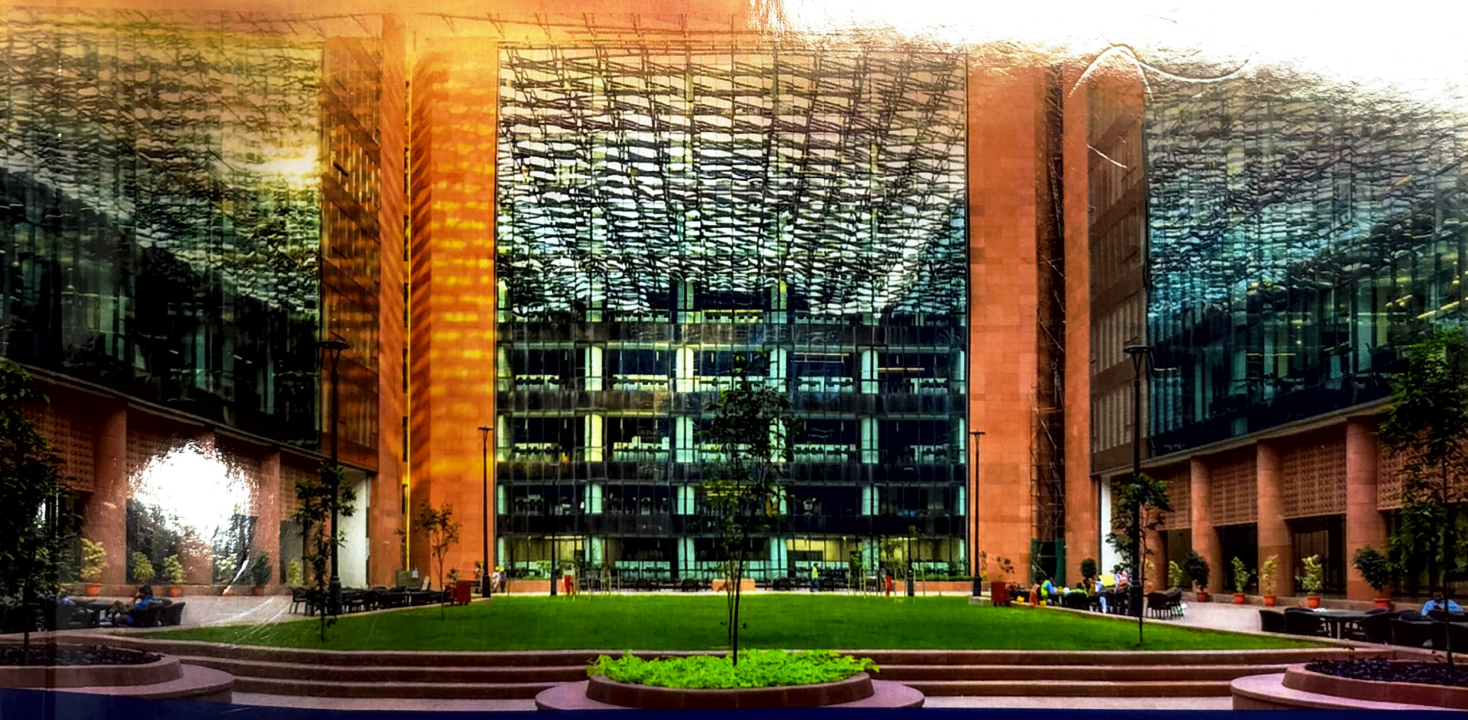
सत्यमेव जयते

Ministry of Home Affairs
Government of India

INTERNAL AUDIT MANUAL

2026

Assurance | Integrity | Efficiency | Accountability



Independent. Objective. Insightful
Enhancing Ex-cheque Control. Strengthening Governance



सत्यमेव जयते

INTERNAL AUDIT MANUAL

2025-26

A Guide to Planning, Performing and Reporting on

Internal Auditing Engagements

(For Internal Use)

ISSUED BY

O/o THE Pr. CHIEF CONTROLLER OF ACCOUNTS

MINISTRY OF HOME AFFAIRS

NEW DELHI

FOREWORD

Office of Pr. Chief Controller of Accounts plays a vital role in ensuring the accuracy and reliability of accounting records maintained by the executive offices of the Ministry/Department. It seeks to assess the extent to which prescribed rules, regulations, systems, and procedures in financial and accounting matters are being adhered to, and provides technical guidelines to field offices to assist them in understanding and adopting sound financial and accounting practices.

In view of these responsibilities, it is imperative for the Pr.CCA to have a comprehensive Internal Audit Manual clearly delineating its duties and functions, prescribing audit procedures for various units, and laying down uniform guidance and instructions for the conduct of internal audit.

Recent developments have necessitated this revision, including the implementation of Government orders arising out of the Seventh Central Pay Commission, amendments to existing rules and regulations, issuance of the General Financial Rules 2017, revision of the Charter for Financial Advisors in 2023, notification of the Delegation of Financial Powers Rules 2024, and roll-out of Ayushman CAPF Scheme. Additionally, the rapid advancement in technology, with tools such as data analytics, machine learning, and artificial intelligence has opened transformative avenues for analysis, monitoring, and assurance.

Every effort has been made to ensure that this Manual is comprehensive, up to date, and dependable as a reference document. However, it should not be construed as a substitute for statutory rules or orders. In case of any doubt or clarification, Pr.CCA of the Ministry of Home Affairs may be consulted.

(Govind Mohan)
Union Home Secretary
Government of India

Date: 09.09.2026
Place: New Delhi

PRELUDE

Internal Audit is an independent appraisal and assurance function designed to add value to an organisation by promoting improvements in its operations. It provides objective feedback on management practices and activities of the Government at both the departmental/agency level and across horizontal levels.

Through this systematic and disciplined approach, Internal Audit assists the Ministry/Department in achieving its objectives by evaluating and enhancing the effectiveness of risk management frameworks, internal control systems and Governance processes.

The internal audit activity evaluates risk exposure relating to the organisation's governance, operations and information systems in relation to effectiveness and efficiency of operations, reliability and integrity of financial and operational information, safeguarding of assets and compliance with laws, regulations and contracts.

The contemporary operating environment is increasingly multidimensional, marked by rapid advancements in technology and the expanding use of artificial intelligence. The evolving landscape of data and information necessitates a proactive, adaptive, and forward-looking approach to internal audit. Accordingly, this Manual seeks to emphasize the use of modern technological tools such as data analytics and artificial intelligence in the conduct of internal audit, with a view to enhancing audit coverage, depth, and effectiveness.

Suggestions for improvement in the contents of this Manual are welcome.

(Dr. Ajay S. Singh)
Principal Chief Controller of Accounts,
Ministry of Home Affairs

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CHAPTER - I

Structure and Management of Internal Audit Wing

1.1. Introduction

This introductory chapter provides a definition of Internal Audit, the types of audit activities performed by the Internal Audit Wing (IAW), the administrative setup of the IAW, the purpose of this manual, and guidance for managing the IAW. It identifies the mission of internal audit, role of the Principal Chief Controller of Accounts (Pr. CCA) as Chief Audit Executive (CAE), and lays down the minimum requirements for management of the IAW as well as the different stages of the internal audit process.

The Ministry of Home Affairs (MHA) aims to strengthen the financial management systems of various attached and subordinate offices under its control. An effective Internal Audit function strengthens the functioning of the Ministry and helps in achievement of the objective of efficient financial management and improved service delivery. IAW has prepared this manual to ensure transparency and accountability in audit procedures by providing a set of guidelines for directing and regulating the Internal Audit function in MHA.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It aims to help the organization accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. As per the Institute of Internal Auditors (IIA), USA, "Internal Auditing is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analysis, appraisals, recommendations, counsel and information concerning the activities reviewed." Likewise, the Institute of Chartered Accountants of India (ICAI) defines Internal Audit as "independent management function, which involves a continuous and critical appraisal of the functioning of an entity with a view to suggest

improvements thereto and add value to and strengthen the overall governance mechanism of the entity, including the entity's strategic risk management and internal control system."

Independence in Internal Audit is established by the organizational and reporting structure. Objectivity is achieved through an appropriate mindset. The internal audit activity evaluates risk exposure relating to the organization's governance, operations and information systems, in relation to:

- Effectiveness and efficiency of operations
- Reliability and integrity of financial and operational information
- Safeguarding of assets
- Compliance with laws, regulations and contracts

Based on the results of the risk assessment, internal auditors evaluate the adequacy and effectiveness of how risks are identified and managed in the above areas. They also assess aspects such as ethics and values within the organization, performance management, and communication of risk and control information to facilitate good governance.

The Internal Auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified. While management is responsible for internal controls, the internal audit activity provides assurance to the executive management and the Audit Committee that internal controls are effective and functioning as intended. The internal audit activity is led by the Chief Audit Executive (CAE). The CAE delineates the scope of activities, authority and independence for internal auditing in a written charter that is approved by the Audit Committee.

An effective internal audit activity is a valuable resource for the executive/ program divisions and the Audit Committee due to its understanding of the organization and its culture, operations, and risk profile. The objectivity, skills and knowledge of competent internal auditors can significantly add value to an organization's internal control, risk management and governance processes. Similarly, an effective internal audit activity can provide assurance to other stakeholders such as regulators, employees, providers of finance and shareholders.

1.2. Purpose of this Manual

This Internal Audit Manual is developed to guide and assist the IAW and its Internal Audit Parties to provide independent, objective, value-added, and advisory services to the executive authorities of the Ministry in order to achieve intended objectives.

More specifically, this manual is intended to:

- Act as a handbook for internal auditors and audit teams
- Identify roles and responsibilities of Internal Audit teams
- Shift the focus of Internal Audit from detection to a solution-oriented approach
- Introduce annual audit program planning through risk-based assessment
- Standardize reporting and monitoring mechanisms to improve audit effectiveness
- Provide tools and methodologies for assessing risk in processes and activities
- Enable development of appropriate Internal Audit work programs
- Establish consistent procedures for planning, performing and reporting on audit engagements
- Establish a basis for evaluating internal audit performance
- Foster improved organizational processes and operations through a systematic and value-adding internal audit approach

1.3. Applicability of This Manual

This manual is designed for officials posted in the IAW and its field parties who are primarily responsible for carrying out the Internal Audit function across different organizations of MHA, including:

- Central Armed Police Forces (CAPFs) - BSF, CRPF, ITBP, CISF, NSG, SSB, AR
- Central Police Organisations (CPOs)
- Other organizations and attached/subordinate offices under MHA (Details in Annexure – V)
- Delhi Police and J & K Home Department

Each organization is involved in different activities and functions assigned to them, and the scope of operation differs on various aspects. This manual contains guidance of a general nature and outlines common procedures for conduct of internal audit across these organizations.

1.4. Organisational Structure and Governance

1.4.1. Audit Committee

The Audit Committee is an apex body responsible for oversight of:

- Reliability of the entity's financial statements and disclosures
- Effectiveness of the entity's controls and risk management systems
- Compliance with various rules, regulations, laws and scheme guidelines
- Independence, qualifications, and performance of external and internal auditors

Composition of Audit Committee:

Role	Position
Chairman	Secretary, MHA
Member	Additional Secretary / Financial Advisor MHA
Member	Pr. Chief Controller of Accounts (MHA)
Member	Controller of Accounts (MHA)
Member Secretary	Deputy Controller of Accounts / Assistant Controller of Accounts (MHA) (Internal Audit)

Key Responsibilities:

- Finalize and approve the Internal Audit Charter
- Establish role, responsibility and structure of the Audit Organisation

- Periodically review administration of Internal Audit Function
- Specify direction in which Internal Audit function should move
- Review audits undertaken and follow up on serious issues identified
- Review quarterly reports on the Internal Audit Function
- Take up serious issues with the concerned through written communication and review meetings

1.4.2. Management Team

The Management Team discusses key risk areas and plans audit priorities. It supervises all phases of Internal Audit such as preparation of Annual Audit Plan, planning audit engagements, conducting audits, preparation and issuance of reports and monitoring and follow-up with auditees.

The management team would also finalize the available audit resources and their utilization. The management team would approve audit advisories for the audit team and would decide on scope of various types of audits. The management team would also discuss with various audit teams the focus, direction and emphasis of audits.

The management team would develop standard audit programs for various schemes and would provide it to the audit teams, which would then conduct the audit according to the work program.

Composition of Management Team:

Role	**Position**
Chairman	Pr. Chief Controller of Accounts
Member	Chief Controller of Accounts
Member	Controller of Accounts, Internal Audit Headquarter
Member	Controller of Accounts, J&K Home department

Member	Director Accounts, BSF /Director Accounts, CRPF
Member Secretary	Dy. Controller of Accounts / Assistant Controller of Accounts, Internal Audit

Key Functions:

- Identify key risk areas and finalize audit priorities
- Finalize available audit resources and their utilization
- Approve audit advisories for audit teams
- Decide on scope of various types of audits
- Develop standard audit programs for various schemes
- Provide guidance on focus, direction and emphasis of audits
- Supervise entire audit process and guide audit teams for quality delivery

1.5. Mission of Internal Audit

The IAW in MHA aspires to accomplish the following mission:

Primary Objectives:

- Provide assurance that public funds are used for the purpose for which they are meant
- Ensure that public funds handled by various divisions of MHA are spent as per prescribed procedures, rules, and regulations
- Prevent and identify leakages in fund utilization
- Build capacities of audit and accounts personnel across the Ministry
- Facilitate the reduction of audit observations in the Ministry and attached/subordinate offices
- Identify system weaknesses and bottlenecks in implementation of departmental plans/programs

- Recommend suggestions to improve systems and internal controls
- Monitor compliance on audit recommendations
- Facilitate settlement of statutory audit observations

1.6. Chief Audit Executive (CAE)

Role and Responsibilities

The Pr. Chief Controller of Accounts (MHA) serves as the Chief Audit Executive (CAE) and is responsible for overall management of audit processes, acting as the link between the Audit Committee and the audit organization.

1.6.1. Functions of CAE

- Plan and organize the Internal Audit function
- Communicate and obtain approval of audit plans
- Manage audit resources and budget
- Lay down policies and procedures for the IAW
- Coordinate across organizational units
- Report to Audit Committee
- Ensure quality assurance of audit work

1.6.2. Reporting Responsibilities

The CAE shall:

- **Report half-yearly** to the Audit Committee on:
    - Progress against Annual Audit Plan
    - Limitations to independence and objectivity
    - Challenges faced by audit teams
- **Report Performance Targets** on half yearly basis

- **Provide written assessment** of key risks to Audit Committee
- **Submit Annual Audit Plan** by January 15
- **Decide on Audit Resources** and composition of audit teams for particular audits
- **Provide guidance** on scope and depth of coverage
- **Issue Advisories** to Internal Audit Teams regarding focus areas
- **Approve major and/or Special Audit Reports** before final issuance to client and Ministry
- **Finalize Report Format** and specifications for maintaining working papers

1.7. Administrative Structure of Internal Audit Wing

1.7.1. Internal Audit works under the overall supervision of the Pr. CCA who is assisted by CCA/CA/DCA (IAW). Field audit offices are administered by IAW headquarters which is responsible for providing technical guidance as well as administrative directions to field audit parties. The Organisation Chart of IAW is given at Annexure-IV. The IAW presently has an indicative staff strength of approximately 188 personnel across Group 'A', Group 'B' and Group 'C' cadres. The actual strength may vary from time to time depending upon administrative requirements and deployment.

Composition of Internal Audit Party/Team



1.7.2. The Internal Audit should typically comprise of five officials including as above. The ACA/Sr.AO/AO would work as Inspecting Officer (I.O.) of the team. In the absence of Sr.AO/AO, the senior most AAO of the team would act as Inspecting Officer (I.O.).The role of the I.O. is to overall manage the execution of audit in the field, distribute the work among the members of the team and supervise their performance, issue of audit memos to the auditee, hold entry and exit meeting with auditee, to ensure that audit is being conducted as per existing rules, regulations and guidelines and only those observations/paras are raised which are supported by relevant rules/guidelines. After the completion of audit, I.O. will be responsible for submission of audit reports in a time-bound manner strictly as per prescribed format of the report. In case regular officials are not available due to staff constraint, consultants (retired officers from the accounting cadre or other domain experts such as IT professionals, CAs, ICWAs, etc.) can be hired with the approval of the competent authority.

1.7.3. The number of officials in an Internal Audit Team may vary for different Audit assignments considering various factors of the entity such as:

- Organizational structure
- Functional activities
- Financial data (budget, expenditure, funding, receipts, assets etc.)
- The period of records to be checked
- Staffing (actual staffing)
- Inherent risks in the functioning of the audit unit
- Scope of the Internal Audit

1.7.4. Organisational Overview

Internal Audit operates under overall supervision of the Pr. CCA, assisted by the Chief Controller of Accounts (CCA), Controller of Accounts, Deputy Controller of Accounts (DCA), and the IAW Headquarters.

Field audit parties are administered by the IAW Headquarter, which provides:

- Technical guidance to field audit parties
- Administrative directions to field audit parties
- Coordination and supervision of audit activities

1.7.5. Current Organisational Composition

Internal audit is conducted through teams based at the Headquarters and field level. Further, manpower has been deployed as per functional requirement also. HQ looks after the internal audit of respective verticals.

Headquarters Structure:

The headquarter has three sections:

1. **Administrative Section**
    - Preparation of Annual Audit Plan
    - Coordination with BSF, CRPF, etc. and Scheme Audit
    - Administrative oversight
2. **Technical Section** - Vetting and approval of audit reports
    - Review and approval of audit reports
    - Pursuit of audit objections
    - Quality assurance
3. **Scheme Audit Section** - Management of scheme-specific audits
    - Planning and execution of scheme audits
    - Development of audit checklists and questionnaires
    - Liaison with program divisions

Field Audit Parties:

Internal Audit parties' function under the administrative control of IAW:

- **BSF audit parties** - 10 audit parties are responsible for audit in BSF
- **CRPF audit parties** - 8 audit parties are responsible for audit in CRPF
- **J & K Home audit parties** – 2 audit parties are responsible for audit in J & K Home Department
- **MHA audit parties** - 8 audit parties are responsible for audit in other organizations of MHA
- **Special audits of Ayushman**- Audit teams for quarterly audit are constituted through internal deployment.

Note: This distribution is suggestive in nature, any audit party can be assigned responsibility for any organization of MHA.

Staff Strength:

	No. of Officials						**Category of officers**
Designation	**IAW(HQ)**	**Scheme**	**BSF**	**CRPF**	**J & K Home**	**Total**	**Group**
ACA	1					1	A
Sr. AO	10	1	17	15	2	45	A
AAO	8	2	8	10	2	30	B
Sr. Acctt.	12		22	30	3	67	B
Acctt.	4	1	15	15	3	38	C
LDC	1		3	2		6	C
MTS	1					1	C
	37	**4**	**65**	**72**	**10**	**188**	

Group A	46
Group B	97
Group C	45
Total	**188**

Total existing staff strength of IAW**: 188 personnel**, consisting of **Group A:** 46 positions**, Group B:** 97 positions and **Group C:** 45 positions. IA of Ayushman is conducted through internal deployment. Manpower proposal is under consideration.

The staff distribution across different units is as follows:

- **IAW (HQ): 37 officials**
- **Scheme: 4 officials**
- **BSF: 65 officials**
- **CRPF: 72 officials**
- **J & K Home: 10 officials**

Additional officials from **Pay & Accounts Offices (PAOs)** may be utilized for audit work on a requirement basis.

1.8. Role of Internal Audit Team

1.8.1. Responsibilities of the Chief Accounting Authority

The General Financial Rule (GFR) 2017, Rule 70, lays down the duties and responsibilities of the Chief Accounting Authority of the Ministry. It states that the Secretary/Chief Accounting Authority of the Ministry/Department shall –

- Be responsible and accountable for financial management of his Ministry or Department.

- Ensure that the public funds appropriated to the Ministry or Department are used for the purposes for which they were meant.
- Be responsible for the effective, efficient, economical and transparent use of resources of the Ministry or Department in achieving the stated project objectives of that Ministry or Department, while complying with the performance standards.
- Review and monitor regularly the performance of the programs and projects assigned to his/her Ministry to determine whether the stated objectives are achieved.
- Be responsible for preparation of expenditure and the other statements relating to her/his Ministry or Department as required by regulations, guidelines or directives issued by Ministry of Finance.
- Shall ensure that her/his Ministry or Department maintains full and proper records of financial transactions and adopts systems and procedures that provide adequate internal controls at all times.

An independent internal audit of the Ministry would help the Chief Accounting Authority in all these functions. Internal Audit and Internal Controls are an integral part of sound financial management systems world over. It should aim at looking both at the financial and non-financial aspects of the Government operations and ensuring full value for Government money. The Internal Audit function would help in improving economy, effectiveness and transparency in the Government administration in general and financial administration in particular. It would also help in maintaining a sound record keeping system with adequate checks and balances to ensure a sound information system for decision making by the executives. The audit of various schemes/programs would help in ensuring that a particular scheme/program is implemented as per scheme guidelines to achieve the intended targets in a time bound manner by optimum utilization of funds. In brief, the internal audit of the Ministry would have following roles & responsibilities:

- Planning of Annual Audit Risk Assessment and Sampling to narrow down areas of focus
- New schemes' evaluation with special reference to their economy, efficiency and effectiveness

- Ensure/Suggest adequate Capacity Building measures to the Ministry and Reconciliation of Budgeted and Actual Figures and analysis of the variances, thus strengthening the Financial Management System.
- Reporting on the adequacy and effectiveness of internal control systems, identifying major deviations therefrom, suggesting improvements to existing systems and procedures, and tracking compliance to audit findings for reporting to the Audit Committee.

The Internal Audit Wing works with the ultimate objective of facilitating reduction of audit observations in the ministry and its attached and subordinate offices by identifying system weakness and bottlenecks in implementation of the departmental plans/programs; recommending suggestions to improve the system; monitoring the compliance on recommendations. It also facilitates organizations in settlement of statutory audit observations / paras raised by internal audit.

1.8.2. Responsibilities and Job description of Head of the Internal Audit Team

- The Head of the Audit Team should ensure that the audit memorandum should be issued at least two weeks prior to the planned audit to give the audit entity sufficient time to make proper arrangements to ensure smooth conduct of the audit.
- The Team Head should discuss the audit plan with team members and should finalize the audit strategy considering the audit objectives, scope, and quantum of audit.
- On the first day of the audit, the Team Head should attend the entry conference with senior officers which should be used to introduce the team members and to discuss the specific issues relating to audit and to obtain the entity's views and also to develop an understanding of entity's functions, status of previous audit findings/recommendations and areas of higher risks.
- Team Head should guide the audit staff for various activities relating to developing the audit plan and program. A list of questions/checklists should be finalized to obtain information relating to audit objective.
- The Head of Audit Team should ensure that the audit team understands the audit objectives, scope and methodology and each team member is assigned specific audit

responsibilities in writing. The Team Head should conduct audits on key activities/ risk areas.

- Team Head should supervise each phase and activity of the audit. He should review and approve the working papers and primary observations to develop the final audit observations and recommendations. He should ensure that sufficient evidence is collected by the team members in support of audit observations/ findings.
- A formal exit conference concludes the audit field work. After all procedures on the audit program have been executed and the audit file reviewed, the Head of Audit Team should develop a brief on the main audit objectives, findings and recommendations from the audit and share the same with the Head of the audit unit/entity. The views of the officials of the entity on the audit observations including additional facts provided by the entity may be considered for finalizing the audit finding.
- The Head of the Audit Team should be satisfied with the quality and contents of the report and ensure that the draft audit report is prepared in the prescribed Report Template and is presented to the CAE with working papers and audit evidence within the prescribed time line.
- The Head of Audit Team should ensure that the approved Audit Report is issued within a month of completion of the audit.

1.8.3. Responsibilities and Job description of the Internal Audit Team Members

- The Team Members of the audit team should be assigned specific audit responsibilities in writing. Each team member should ensure that the duties assigned are completely verified as per audit procedures.
- Team members should verify that all the prescribed record books, ledgers are accurately maintained, compiled and reconciled correctly. The job responsibility also includes scrutiny of the sanctioning and purchase procedures in the office inspected, so as to ensure that they are free from any defects or lacunae.

- Team Members should verify that payments are correctly made in accordance with the rules and orders governing the same, all the payments and the due deductions and recoveries are timely accounted for.
- Team Members should also verify the general office management procedures adopted by the heads of entity in areas having financial and accounting implications, so as to suggest measures for strengthening administrative and financial controls, and streamlining of accounting.
- Team Members should review the implementation of the programs, schemes, projects etc. based on the scheme guidelines as notified by the Program Implementation Division/Agency and record their observations as per audit scope.
- Team Members should maintain records of the working papers and also collect relevant evidence related to observations.
- Team Members should develop their audit observations under the guidance of the Head of Team so that the quality and contents of the audit observations present a fair representation before the Management/Chief Audit Executive.

CHAPTER – II

Internal Audit Process

2.1. Introduction

2.1.1. The internal audit process comprises four main interconnected phases:

- Planning and preparing for audit, including the preparation of the Annual Audit Plan
- Performing the audit engagement
- Reporting on the audit engagement and
- Follow-up Action

2.2. Planning for Audit

2.2.1. Audit and Engagement Planning

The Internal Audit Organization of the MHA shall develop an audit plan focusing on extensive coverage of all kinds of risk areas and shall set up its audit priorities and coverage based on risk assessment and available resources. Audit planning starts with the preparation of the Annual Audit Plan.

2.2.2. The audit planning would entail:

- Preparation of Annual Audit Plan
- Review and document key management objectives
- Conduct management interviews and review process manuals, business plans, and budgets
- Review necessary documentation and conduct walkthroughs
- Review the existing programs administered by the department
- Review and update key audit objectives

- Review the effectiveness of existing control activities and recommend new controls to support organizational objectives
- Identify significant operational and compliance risks after reviewing compliance with provisions of GFR, Delegation of Financial Power Rules (DFPR) and scheme guidelines
- Assess the actual performance of the unit with respect to expenditure incurred and evaluate value for Government money

2.2.3. Risk Assessment and Evaluation

The risks would be evaluated on the basis of seriousness of impact and likelihood of occurrence. This would be followed by an analysis of the causes that have resulted in the discrepant condition and recommendations would be made to rectify the discrepant condition and minimize the impact of the risk.

2.2.4. Annual Audit Plan

The IAW is responsible for selection of offices for audit and preparation of an Annual Audit Plan of the Ministry for each financial year. Since it is not possible to audit all offices of the Ministry of Home Affairs every year, a scientific method should be in place to select offices carefully for audit purposes. Since the objective of conducting internal audit is to ensure effective conduct of activities and achievement of the desired goals of the Ministry, offices shall be selected based on the degree of risk parameters. An approved Annual Audit Plan of the Ministry shall be communicated to all concerned officials.

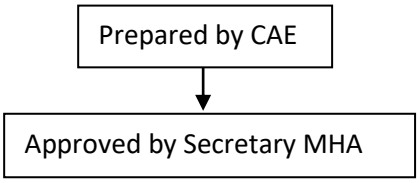
An essential step in internal audit planning is to clearly define and indicate the objectives of the Internal Audit. Each and every Department/auditee/organization has different objectives and operations and hence they will have certain unique audit objectives to be met, such as regularity audit, compliance audit, performance audit, risk-based audit etc. Generally, Annual Audit Plan contains the following details:

- Name of the Institutions/Offices selected for audit
- Name of the Sr. AO/ AAO assigned the work of audit
- Period of Accounts to be audited

- Number of working days allotted for completion of audit

The number of working days required for conducting the audit will be decided by the CAE, taking into consideration the experience from the last audit, quantum of receipt and expenditure to be audited, etc. Once the audit plan is finalized by the Head of the Internal Audit (CAE), he/she will obtain the approval of the Annual Audit Plan from the Secretary of the Ministry.

Annual Audit Plan



2.2.5. Activities to Implement Annual Audit Plan:

A. Preparing Audit Schedule: As the Annual Audit Plan provides only the number of working days allotted for each Institution/Office for carrying out audits, the respective Sr. AOs and AAOs shall schedule the visit dates to each Office/Institution. They need to list the activities to be taken up during the course of audit.

B. Communication of Audit Plan: The Head of the Internal Audit will communicate the audit plan to the concerned Head of the Office/Organization well in advance, preferably 15 days in advance. Names of the officials of audit team, period of accounts to be audited, date of commencement of audit and number of working days allotted for completion of audit are to be communicated. A copy of this communication will be provided to the Audit Team to take up and complete the audit within the stipulated time. In view of the time limit fixed, the Head of Office shall extend cooperation for completion of audit in due time.

C. Coordination with the Head of Auditee: The Audit Team Head/In-Charge shall seek cooperation of the Head of Office (HOO)/ Drawing and Disbursing Officer (DDO) and Other Office personnel responsible for maintaining accounts/ records for smooth conduct of audit.

For that purpose, an open meeting/introductory meeting may be conducted with Head of Office and other staff, on the date of commencement of audit.

2.3. Compliance Audit

Scope and Objectives:

The Internal Audit Wing conducts detailed compliance audit of auditees to ensure adherence to:

- Civil Accounts Manual provisions
- Departmental Instructions from Department of Expenditure, Ministry of Finance
- General Financial Rules 2017
- Government Accounting Rules and Service Rules
- Rules and regulations specific to the organization

Key Focus Areas for Compliance Audit:

- Financial sanctions and approval procedures
- Pay and allowances transactions
- Travelling allowances processing
- Children Education Allowance (CEA) claims
- Medical allowance claims
- Cash book maintenance
- Store management and accountability
- Machinery maintenance and disposal
- Receivables and recovery management
- General office management with financial implications

Output of Compliance Audit:

- Documentation of irregularities occurring in financial sanctions
- Identification of irregular and excess payments
- Highlighting shortcomings in records maintenance
- Recording losses of stores, surplus stores, idle machinery
- Documentation of improper disposal of unserviceable stores
- Recommendations for strengthening internal controls
- Suggestions for enhancing efficiency in accounting matters

2.4. Scheme Audit/ Special Audit

2.4.1. Security Related Expenditure Scheme (SRE)

The Internal Audit Wing conducts audit of specific schemes, including:

- Security Related Expenditure (SRE) Scheme
- Modernization of Police Forces Scheme (MoPF)
- Border Area Development Programme (BADP)
- Central Scheme for Assistance to Civilian Victims
- Civic Action Programme (CAP)
- Special Infrastructure Scheme
- Police Infrastructure Audits

2.4.1.1. Key Aspects of SRE Schemes

Purpose: To support State Governments in managing internal security challenges, particularly Left-Wing Extremism (LWE), insurgency in North Eastern states, and relief for Kashmiri migrants.

Funding mechanism: Primarily a reimbursement scheme, where states first incur expenses and the Centre reimburses, though advances are given for smooth functioning.

Covered Expenditures (Indicative):

- Training, operational needs, and insurance for police/security forces
- Ex-gratia payments and relief for victims of violence
- Rehabilitation of surrendered extremists
- Community policing, village defence committees (VDCs)
- Logistics, POL (petrol, oil, lubricants) for operations (75% for NE)
- Infrastructure for security (e.g. IR Battalions, mobile towers in LWE areas)

2.5. Civic Action Program for LWE Region

The scheme is intended to build rapport between CAPFs and local populations.

Main Objectives of the Instant Scheme:

- To increase direct interaction between CAPFs and local people to bridge the gaps between them
- Project human face of the Security Forces before the local population by fulfilling some basic small needs of the individual or community
- Counter the false propaganda of the Maoists against Government Administration
- To win the hearts and minds of the local population and keep them away from the influence of LWE cadres

2.6. Special Infrastructure Scheme

Left-Wing Extremism (LWE) is one of the most serious threats to the internal security of the country. At present, LWE insurgency is spread across the 38 districts of 9 States of the country viz. Andhra Pradesh (01), Chhattisgarh (15), Jharkhand (05), Odisha (07), Maharashtra (02), Telangana (02), West Bengal (01), Madhya Pradesh (03) and Kerala (02). Based on the latest review by the Ministry of Home Affairs (MHA), 11 districts in 05 States have been categorized as LWE affected districts for special attention with regard to planning, implementation and monitoring various interventions.

2.6.1. Objectives

- Up gradation and strengthening of Special Forces (SFs)/Special Intelligence Branches
- Funding training infrastructure, weaponry, vehicles, and any other related items for up-gradation and filling of critical infrastructure gaps of the Special Forces in LWE-affected States
- Providing support to LWE-affected States for strengthening their Special Intelligence Branches (SIBs) meant for LWE only

2.7. Strategy/approach adopted for conducting the Risk Based Audit:

2.7.1. Planning

- Update and firm up the audit universe on the basis of risk assessment for likelihood of significant or pervasive deficiencies for each process or program weighed against the likely Impact.
- The auditor-in-charge and team members should be finalized
- The auditor-in-charge should prepare an overview and planning memo that aids the team members in understanding the subject.
- The Auditor in charge should confirm the specific objectives of the audit engagement; identify the detailed scope, audit criteria and approach and the resource requirements
- Prepare the Terms of Reference for the audit engagement, its approval by the Audit management and forwarding to the management of the entity/organization to be audited to announce the audit.
- Terms of Reference includes the audit engagement's objectives, scope, approach and details of administration and reporting.
- The audit team must familiarize and develop a good working knowledge and understanding of the objectives, processes, operations and associated risks of the particular programme/scheme planned to be audited – so as to identify and document the significant risks and key controls.

2.8. The Demand for Grants operated by MHA

2.8.1. GrantNo.49–Ministry of Home Affairs: Broadly relates to expenditure in respect of the following:

- The Secretariat (General Services) of MHA
- The Council of Ministers, specifically the discretionary grant of the Home Minister
- Census, Survey and Statistics
- Grants-in-aid to State Governments for deployment of Home guards for election duty
- Reimbursement to States for Home guards, Civil Defence etc.

Other Administrative Services such as North-Eastern Council Secretariat, Special Commissions of Inquiry and Human Rights Commission, Intelligence Bureau, National Investigation Agency, National Fire Service College, International Co-operation, contributions to ICPO-Interpol, Bureau of Immigration, Official Language Department, Civil Defence, upkeep of Shrines, Temples etc.

2.8.2. Grant No.50 – Cabinet Secretariat and related cabinet expenditure handled through MHA.

2.8.3. GrantNo.51 – Police: A major part of this grant relates to the various para- military forces:

1.	Border Security Force (BSF)	5.	Central Reserve Police Force (CRPF)
2.	Indo-Tibetan Border Police (ITBP)	6.	Central Industrial Security Force (CISF)
3.	Assam Rifles (AR)	7.	Sashastra Seema Bal (SSB)
4.	National Security Guard (NSG)	8.	Delhi Police (DP)
9.	J&K Home Department (JKP)		

2.8.4. Grant No.52 – Andaman and Nicobar Islands

2.8.5. Grant No.53 – Chandigarh

2.8.6. Grant No.54 – Dadra and Nagar Haveli and Daman and Diu

2.8.7. Grant No.55 – Ladakh

2.8.8. Grant No.56 – Lakshadweep

2.8.9. Grant No.57 – Transfers to Delhi (Deals with Transfers to Delhi Government).

2.8.10. GrantNo.58 – Transfers to J&K (Deals with Transfers to Jammu & Kashmir).

2.8.11. GrantNo.59 – Transfers to Puducherry (Deals with Transfers to Puducherry Government).

2.9. Preparing for Audit

While preparing for audit, the following points should be considered:

- Audit objectives
- Risks, processes and transactions that are to be examined
- Procedures for identifying, analyzing, evaluating, and documenting information during the engagement
- Nature of testing required

CHAPTER - III

Duties of Internal Audit Wing at Headquarters

3.1. Introduction

While conducting audit, members of audit teams visit various field offices located across the country. Field work involves verification of accounts, relevant records, and compliance with rules, codes, and various orders.

However, the responsibility of audit officials extends beyond verification of accounts and procedures. Audit officials must also provide recommendations to improve the financial management system of the auditee.

The work of inspection parties at HQ and field inspection parties (including the field Inspection Parties of BSF and CRPF) will be coordinated by IAW (HQ). IAW (HQ) will be responsible for carrying out all the work of Internal Audit except actual inspection and initial drafting of Inspection Report. IAW (HQ) consists of three sections, each headed by a Sr. AO, reporting to the Dy. CA/CA.

- Administrative Section
- Technical Section
- Scheme Audit Section

3.2. Responsibilities of Administrative Section

- The Administrative Section is responsible for the preparation of the Annual Audit Plan for compliance as well as scheme audit for the ensuing financial year. The annual audit plan prepared by administrative section will include audit engagements to be undertaken by all the Internal Audit Parties stationed at HQ as well as in the fields including those of BSF and CRPF. The Director (A/Cs), PAD BSF, Director (A/Cs), PAO CRPF and Sr.AO (scheme audit) will forward the audit plan for BSF, CRPF and

schemes/programs respectively to the administrative section so that a consolidated Annual Audit Plan can be prepared and put up for approval of competent authority. However, as far as scheme audit is concerned, the role of administrative section will be limited to processing the file for obtaining the approval of annual audit plan from the competent authority and preparation of annual review of audit. The other administrative and technical function related to the scheme audit would be managed by the scheme audit section. While preparing the Annual Audit Plan for the compliance audit, the audit units will be selected based on the periodicity of the unit for audit, size and budget of the unit, time passed since last audit conducted, units left out from the previous year's audit plan keeping in view risk parameters and available resources.

- To prepare the quarterly tour program of all the field inspection parties (As per annexure I) against the approved annual audit plan and to send intimation to the Heads of Offices and the Inspecting Officers concerned at least one month before the commencement of audit. Tour programmes and deviations from the approved tour programme, if any, should be approved by the Pr. CCA. (Minor deviations in the approved tour programme may be permitted with post-facto intimation, whereas major deviations impacting scope, duration or coverage shall require prior approval of the Pr. CCA)
- To ensure that copies of all office orders and general circulars issued by the Government of India and the Controller General of Accounts are sent to each field party for information and guidance.
- To issue the correction slips for keeping the Internal Audit Manual up to date in accordance with the orders/instructions issued by the Government of India, Ministry of Finance, Controller General of Accounts (CGA) etc. from time to time.
- To select the month for detailed audit and intimate it confidentially well in advance to the inspection party as well as to the Pay & Accounts office (PAO) concerned who in turn will arrange for the passing on the original debit vouchers in the case of a Non-Cheque Drawing & Disbursing Officer (NCDDO) & list of payment of loans and advance in case of Cheque Drawing & Disbursing Officer (CDDO) for the selected month to the inspection party.

- To attend to all general queries/matters relating to Internal Audit Organization and coordinate with Controller General of Accounts (CGA), regarding Internal Audit procedures.
- To submit various periodical reports/returns to Pr.AO/CCA/Pr.CCA, CGA and the Ministry.
- To maintain a register of files and cases in accordance with instructions issued by the Department of Personnel & Training (DoPT).
- To watch the progress of the inspections carried out by the field parties and to ensure that approved programs are followed. Any deviation, where required, shall be placed before the competent authority for approval.
- To monitor the performance and attendance of consultants and outsourced staff, if any, and submit a periodical performance report to the higher authorities in this regard.

Unit Categorization and Periodicity:

- **Annual Audit**: Merged DDOs of Ministry, DGs of CAPFs, Procurement Divisions, Frontier Sector HQs, Police Academy, Zonal HQs of CISF (approximately 150+ units with budget >100 Crore)

- **Biennial Audit**: Directors/Dy. Directors Census Operations, Dy. Commandants of CISF units, Hindi Teaching Schemes, Sector HQs, Training Centers, Base Hospitals, Fire Service College (approximately 244 units with budget 20-50 Crore)

- **Triennial Audit**: Miscellaneous units including commissions, Inter-State Zonal Councils, NSG units, Regional Implementation Offices (approximately 871 units with budget <20 Crore)

Note: Periodicity may be increased or decreased on orders of Pr. CCA depending upon transaction volume, unit type, work nature, budget allocation, staff strength, expenditure type, and seasonal conditions.

3.3. Responsibilities of Technical Section

- To vet and issue audit reports within 15 days of receipt, as far as practicable after obtaining the approval of the CA/CCA/Pr.CCA as per the delegation.
- To pursue the audit reports and ensure the settlement of the objections included in the reports by issuing reminders at the level of the Accounts officer (HQ) and then the Dy. CA / CA (MHA).
- To scrutinize the audit reports received from the Internal Audit Parties of BSF and CRPF and to note serious irregularities/omissions in Annual Review Report.
- To prepare the Annual Review Report on the Performance of the Internal Audit on the basis of the Inspection Reports for sending to the Controller General of Accounts by 31st May.

Objection Settlement Process:

- For paragraphs with satisfactory replies/compliance, mark them as settled
- For remaining paragraphs, continue follow-up with the DDO
- Obtain approval before final settlement from competent authority
- Verify next audit compliance with settlement requirements
- Maintain proper documentation in settlement registers

Statutory Audit Coordination:

- Pursue and settle objections from Test Audit Notes of statutory audits
- Maintain registers to track the progress of DDOs
- Produce settlement records to statutory audit parties on request
- Verify compliance in next audit cycle
- To review the pendency of audit paras in various organizations and put up the program for conducting ad-hoc committee meetings for settlement of long pending audit paras

- To coordinate with the PAOs/RPAOs/ZPAOs and Internal Audit Parties and ensure that registers are maintained, reviewed periodically, and may be consolidated digitally wherever feasible, including:
    a) Control registers of Internal Audit
    b) Register for financial irregularities
    c) Register for selection of month for detailed audit
    d) Register for watching the receipt and issue of inspection reports
    e) Progress register for the settlement of paras/reports

3.4. Responsibilities of Scheme Audit Section

The Scheme Audit Section is responsible for:

Plan Development:

- Preparation of the annual audit plan for scheme audits
- Submission to the Administrative Section for inclusion in main audit plan
- Frequency-based audit scheduling per scheme guidelines

Audit Execution:

- Development of audit tour programs as per approved plan
- Submission to higher authorities for approval
- Conducting audits in accordance with approved programs

Scheme Guidelines, capacity building and Tools:

- Obtaining latest scheme guidelines from concerned divisions
- Preparation of necessary checklists for each scheme
- Development of questionnaires for scheme-specific issues
- Updates to checklists based on guideline changes

- Capacity building of team members of scheme audit
- Provide necessary guidance to the audit parties
- Provide suggestions to the concerned divisions for changes in scheme guidelines

Follow-up and Reporting:

- Scheduling follow-up audits to verify prior recommendations
- Monitoring implementation of audit recommendations
- Reporting on compliance status
- Monitoring of timely submission of audit reports from the concerned audit parties in the prescribed formats
- Vetting of reports to ensure that observations are made in accordance with scheme guidelines
- Submission of reports to the higher authorities for approval
- Issue reports to the concerned divisions
- Preparation of briefs for the SRE Standing Committee meetings, High Power Committee meetings on schemes and other meetings held in the ministry and states related to the implementation of schemes
- Preparation and submission of inputs for the annual review of audit to the administrative section
- Maintenance and updating of scheme-wise physical as well as electronic folders

3.5. Quality Assurance and Peer Review

Peer review shall focus on the audit process, methodology followed, quality of documentation, and adherence to prescribed audit standards and procedures, and shall not duplicate the scope of the audit itself.

3.6. Approval Matrix (Indicative)

The approval authorities for key activities under Chapter III are summarized below for clarity, without altering existing delegated powers:

- Approval of Annual Audit Plan – Secretary (MHA)
- Approval of tour programmes – Pr. CCA
- Approval of deviations (major) – Pr. CCA
- Approval of audit reports – CA / CCA / Pr. CCA as per delegation
- Final settlement of audit paras – Competent Authority as per delegation

CHAPTER – IV

Jurisdiction and Scope

4.1. Introduction

The account records and other subsidiary registers/books of the Principal Accounts Office, the Pay & Accounts Office (PAO), as well as the Office of the Drawing and Disbursing Officer (DDO)/Cheque Drawing and Disbursing Officers (CDDO) of the MHA, releases under various Schemes &Programs and institutions/autonomous bodies which are financed through grants from MHA shall be within the jurisdiction of IAW of the MHA. At present, except in BSF and CRPF, Internal Audit conducts scrutiny of records pertaining to government funds only.

There are approximately 1,925 auditee units, including Pay & Accounts Offices (PAOs) and Cheque Drawing DDOs under the control of IAW. Out of these, 293 units belong to BSF (audited by IAPs of BSF), 436 belong to CRPF (audited by IAPs of CRPF), 211 units belong to J&K Home department (audited by IAPs of J&K Home department)and 985 belong to other organizations of MHA (audited by IAPs of main IAW).The number of auditee units under the control of the IAW is indicative and may vary from time to time based on organizational restructuring, creation or merger of units, and administrative decisions of the Ministry.

The Internal Audit shall check the initial accounts maintained in the Departmental offices and Pay & Accounts Offices with a view to ascertain to what extent they are following the rules, regulations, systems, and procedures in accounting and financial matters. The Internal Audit should inter-alia cover the checking of all account records including those relating to fund accounts, loans and advances, review of installation and functioning of machinery and equipment, examination of records of physical verification of stores including equipment, tools and plants, disposal of confiscated stores, examination of accounts of autonomous bodies substantially financed by Govt. but which are not subject to statutory audit. Independent physical verification of stores is not to be carried out by the Internal Audit Parties.

No Inspection Party shall undertake any investigation that is outside the scope of Internal Audit. The Inspection Parties shall not undertake any enquiry or investigation on its own or on a complaint received from public. All such cases shall be referred to the Headquarter for instructions and Audit Parties shall act only on the basis of written instructions issued by IAW (HQ). When an enquiry or investigation is conducted on the specific instructions of the Headquarter the parties should strictly confine their investigation to the recorded facts only. It shall however, be appropriate in such cases not to confine the examination to a particular case, but to scrutinize a few more cases of the kind to ensure that the irregularity is not of a general nature. The result of the enquiry or investigation should be included in the inspection report and the attention of the Head of Office (HoO)/Unit is invited to the relevant para separately.

4.2. Frequency of audit

4.2.1. Audit Frequency Categories

Audit frequency is determined based on a risk-based approach, considering:

- Organisational size and budget
- Complexity of operations and financial transactions
- Previous audit findings and concerns
- Statutory requirements
- Available audit resources

Category 1: Annual Audit (High-Risk Units)

Units audited every year typically include:

- Merged DDOs of the Ministry
- Directorate Generals of CAPFs
- Procurement Wing of MHA
- Frontier Sector Headquarters (ITBP, BSF)

- Central Reserve Headquarters (CRPF)
- National Police Academy
- Zonal Group Headquarters (CISF)
- All major units/offices of CAPFs headed by IG-level officers
- Pay and Accounts Offices (PAD CRPF, PAD BSF)
- Registrar General of India
- Accounts offices of significant size

Characteristics: The budget generally exceeds ₹100 crore annually.

Category 2: Biennial Audit (Medium-Risk Units)

Units audited every two years typically include:

- Directors/Dy. Directors of Census Operations
- Dy. Commandant units of CISF
- Dy. Directors, Hindi Teaching Schemes
- Sector Headquarters (ITBP)
- Training Centers of ITBP and other forces
- North Eastern Council offices
- Outstation units of SSB
- Base Hospitals
- National Fire Service College

Characteristics: The budget generally ranges from ₹20 crore to ₹50 crore annually.

Category 3: Triennial Audit (Lower-Risk Units)

Units audited every three years typically include:

- Miscellaneous units including commissions

- Inter-State Zonal Councils
- All NSG units
- Regional Implementation Offices of Official Language
- Other lower-risk organizational units

Characteristics: The budget is generally below ₹20 crore annually.

4.2.2. Periodicity Adjustment

The periodicity of inspection may be increased or decreased by orders of the Pr. CCA depending upon:

- Volume of transactions handled
- Type of units and organizational structure
- Nature of work performed
- Allocation of budget
- Staff strength at auditee
- Type of expenditure incurred
- State of pending audit observations/arrears
- Seasonal and climatic conditions of location
- Previous audit findings and compliance record

The above categorization of Drawing & Disbursing Officers (DDOs) is illustrative and not exhaustive.

4.3. Duration of Internal Audit

In order to inspect all units included in the Internal Audit programme, the following norms for duration of inspection of various units may be observed:

Sl. No	Name of the Unit	No. of working days to be allowed for Inspection
1	Merged DDOs of the Ministry, Directorate Generals of CAPFs, Procurement Wing of MHA	08-10 days
2	Frontier & Sector HQ of CRPF & BSF, CRO-ITBP, National Police Academy, Zonal & Group HQ of CISF and all the Units/Offices of CAPFs headed by IG level Officers.	08-10 days
3	Pay & Accounts Offices including PADs of CRPF & BSF and Registrar General of India, A.O. (Accounts) Pr. Accounts Office	10 days
4	Audit of Schemes such as SRE, Police Modernization etc.	05-10 days
5	All Commandant units of CISF, ITBP battalions, SSB, BSF/CRPF/NSG/CAPFs. Director of Census Operation, Director/Joint Dy. Director of SIB and CRO-NSG	07 days
6	All Dy. Commandant Units of CISF, NSG units, Dy. Directors, Hindi Teaching Schemes and Miscellaneous units	05 days

The allocation of working days for the audit is suggestive and may be adjusted based on:

- Manpower available at IAW HQ and outsourced personnel
- Volume of the budget to be audited
- Sanctioned strength at the auditee unit
- Complexity of operations and transactions
- Prior audit findings and risk assessment
- Availability of records and cooperation from the auditee

CHAPTER – V

Compliance Audit

5.1. Introduction

While conducting an audit, members of the audit team are required to visit various field offices located across the country. Further, fieldwork involves verification of accounts, relevant records, and compliance with rules, codes, and various orders; however, the responsibility of the audit officials is not limited to verification of accounts and procedures but also to provide recommendations to improve the financial management system of the auditee, with emphasis on strengthening internal controls and addressing systemic risks

Any discrepancies noticed during the audit, non-production of any record, or non-cooperation by any Officer-in-Charge shall be brought to the notice of the Head of Office by way of issue of Audit Memos. In case there is non-compliance even after intervention of the Head of Office, the matter may be reported to the Administrative Department through IAW (HQ) for appropriate escalation.

Whenever any loss of money or stores is detected due to misappropriation or fraud, the fact shall be reported, through proper channel, promptly via an Interim Report to the Administrative Department who shall consider the gravity of the case and take appropriate action. Audit officials are expected to update themselves regularly with the various Departmental and other guidelines issued from time to time concerning audit.

5.2. Planning Individual Audits

It is the responsibility of the audit team to take the necessary steps to initiate the audit as planned in the Annual Audit Programme. Before commencing the audit, due consideration shall be given to the information available in previous audit files of the auditee. In the case of first audit, sufficient time should be given to the audit team to gain knowledge on the working of the organization/auditee. Audit planning shall be risk-oriented; areas of higher

financial exposure, recurring irregularities, and weak controls shall be prioritised. Preliminary planning involves:

5.2.1. Gaining an understanding of the Auditee functions: Audit team should have a sound knowledge of the organization and its operations. This includes understanding the rationale behind establishing the Department, structure of the Department and functions of the Department. Primary sources of information about the Department can be obtained through the following documents:

- Previous internal audit plans,
- Previous audit reports,
- AGs inspection reports,
- Budget estimates, revised estimates and actual expenditure,
- Auditee's policy and procedures manuals, if any,
- Rules and regulations framed by the Department that significantly govern the auditee,
- Important circulars issued by the Central Government from time to time
- Organisation charts and flow charts of processes,
- List of accounting registers and records maintained in the Department,
- MIS reports,
- Any other document relevant to audit.

5.2.2. Analyzing the earlier audit reports: Analysis of the earlier audit reports is required to verify the Department's compliance on the recommendations of the audit. Repeated or unresolved audit observations shall be specifically flagged for focused examination during the current audit. The following issues need to be verified to understand the environment:

- Errors corrected at the instance of the audit,
- Remedial recourse or penal actions taken on the recommendation of the audit,
- Improvements in internal control systems in response to auditor's recommendations,
- Any special audits conducted that reduce the significance of the present audit.

5.3. Audit Program on Drawing and Disbursing Officer

5.3.1. Preliminary Planning

- Prepare and send an entrance letter to applicable personnel in the area under review.
- Prepare a planning program and include a time budget for the preliminary survey work.
- Conduct an in-house review of the following:

  a) Financial Data
  b) Civil Accounts Manual
  c) General Financial Rules, and
  d) Prior internal audit reports and management comments

- Schedule and hold an entrance conference with the client department. Obtain the name of the departmental contact person and secure a place from which to conduct the fieldwork portion of the audit.
- Begin Preliminary Survey by interviewing the appropriate personnel in the Client Department. Document the interviews through narratives in the work file.
- Review and document the Internal Control System. (Include control points, such as the location within the system of approvals, authorizations, segregation of duties, supervision, reconciliations, computer-generated error and edit listings, exception reports, etc.)
- The extent of checking shall be based on risk assessment, materiality of transactions, and prior audit findings, adopting an exception-based approach rather than exhaustive verification.

5.3.2. Checking of all the registers, Cash Books

- Check the register of cheques drawn and the register of cheques delivered, to ensure that they are properly maintained as per the provisions of Civil Accounts Manual.

- The Cash Book shall be checked in detail for the month selected for detailed audit and subjected to intelligent scrutiny. Casting and carryovers of monthly balances shall be checked 100 percent. All receipts of cash as shown and particulars of the entry shall be reconciled.
- Every item shall be recorded in the name of the person from whom it is received and is passed through the accounts even though it is repaid on the date of its receipt and is kept distinct, however small it is, until finally disposed of.
- Every repayment, along with the date on which it is made, shall be duly recorded over the initials of the responsible officer against the credit entry.
- In the case of deposits adjusted by transfer credit to some other head of account, information as to the head of account to which it is included in the accounts is invariably recorded in the register.
- List of deposits to be treated as lapsed to Government as on 31st March every year and remarks to this effect recorded against the credit entries.
- All refunds are effected only in accordance with the procedure laid down and after exercising the required checks as contemplated in Rule 190 of (Receipts and Payments) Rules 1983.
- The register shall be closed on 31st March every year and the balance outstanding reconciled with ledger and compiled accounts.
- The application-cum-bill for refund of deposits and lapsed deposits are in the prescribed form General Accounting Rule (GAR)-43 and General Accounting Rule -46 respectively (Rule 186 to 190 of Receipts and Payments Rules).
- All items treated as lapsed are marked off in their respective counterfoils of receipt books, self-cheque drawn in payment of establishment bills and receipts from other sources and all payments shall be carefully traced into the cash books.
- The physical verification of the cash balance is done by the Drawing and Disbursing Officer at the close of each month and a certificate to that effect is recorded in the cash book. If the monthly verification has not been done during the preceding month of inspection, the Inspecting Accounts Officer may have it physically verified by the drawing and disbursing officer/departmental officer in his presence. Such cases shall, however, be rare.

- The pages of the Cash Book are machine-numbered and a certificate of count of pages has been recorded in the first page before cash books is brought into use. Surprise physical verification of cash has been conducted at periodical intervals by the DDO/HoO. No money is drawn in anticipation of demands and the permanent advance is not in excess of the normal monthly requirements.
- Monies received as revenue are remitted in full on the same day or next day into the bank for credit to Government account and expenditure is not incurred by diverting departmental receipts of the amount of undisbursed pay and allowance etc. as per Receipt & Payment Rule 6.
- The analysis of closing balance lying in the cash chest is given at the close of cash book for each month and does not include undisbursed balances which are more than three-month-old.
- A bill register in the Form General Accounting Rule (GAR)-9 should be maintained by the DDO.
- Bill register should be checked that it has been properly checked by a Gazetted Officer, all the columns are filled properly and every bill is entered into it chronologically and signed by DDO.
- The register of bank draft and the register for the requisition of the bank draft should also be checked as per the provisions of Civil Account Manual (CAM).
- Register of periodical charges, register of telephone bills, register of loans to individuals and register of individual securities should be checked as per the provisions of Civil Account Manual (CAM).
- Where records are maintained in electronic form or through systems such as e-Bill, PFMS or other approved IT platforms, audit shall include verification of system controls, user access, audit trails and reconciliation with underlying records.

5.3.3. Grant of Permanent Advance

It shall be seen that:

- The register is maintained in form Civil Account Manual (CAM)-61 (Civil Account Manual (CAM)para 10.12.2) as prescribed.

- All sanctions granting permanent advances are noted serially and chronologically.
- Advances shall be granted only to those officers who are required to make payments before they can obtain funds through regular bills. The amount advanced is prima facie not more than the circumstances demand.
- The numbers of such permanent advances are not multiplied unnecessarily.
- The advances are recouped at least twice a month so that the amounts sanctioned do not exceed half the amount of average monthly expenditure.
- In the case of transfer of charge and on 15th of April each year, the officer in whose favour the advance was sanctioned sends an acknowledgement for the amount due from and accountable for by him as on the 31st March preceding to the authority which sanctioned the permanent advances.
- The aggregate of the permanent advances as worked from this register tallies with the ledger balance.
- The register is closed yearly and reviewed by a responsible officer.

5.3.4. Deposits and their registers

Instructions for maintaining detailed accounts of deposit transactions under the departmentalized Accounting System are laid down in paras 16.3 and 16.7 & paras 18 and 19 of the Manual for Drawing & Disbursing Officers.

It shall also be seen that:

- The register of deposits is maintained in form Civil Account Manual (CAM)-63 (Civil Account Manual (CAM)para 17.2.2) and separate folios are allotted for each class of deposits.
- Each deposit received shall be entered in the register as distinct item irrespective of the amount and each entry is attested, by a responsible officer by token of having checked the amount receipts registers and credited to Government Accounts. Unless the receipt register for a year is destroyed, all refunds of lapsed deposits relating to that year continue to be noted against their original entries in the register so as to guard against a second repayment (Rule 635 of Central Treasury Rule).

In case of personal deposits, it should be seen that:

- A separate cash book and other allied registers and account records are maintained by the Personal Deposit Account holder for record of the transactions relating to his Personal Deposits Account.
- Only such transactions as legitimately within the intended sphere of the Personal Deposit Accounts are entered into the cash book and other accounts records.
- Balance as per cash book of personal deposit at the close of each month is reconciled with the accredited bank and a copy of the Bank Reconciliation Statement is sent to the Pay and Accounts Officer and
- At the end of each year Personal Deposit (PD) account holder sends an Annual proforma Account showing the opening balance in the Personal Deposit (PD) Account at the beginning of the year, the receipts credited into the account, payment made during the year and the closing balance together with a certificate of agreement of closing balance with that appearing in the books of the bank, is furnished to his Pay and Accounts Office.

5.3.5. Contingent Register

It shall be seen that:

- The register is maintained in Form General Accounting Rule (GAR)-27.
- The budget allotment is distributed under the authorized sub-heads of contingent charges and noted at the top in the appropriate columns of the register.
- Entries of particulars of each payment such as date of payment, name of payee, and number of sub-vouchers are made in the register as soon as payments are made and attested by drawing and disbursing officer.
- Expenditure is kept within the available appropriation and that steps are taken to obtain additional appropriation, if the original has either been exceeded or is likely to be exceeded.

- The monetary and quantitative limits prescribed in respect of certain classes of contingent expenditure, e.g. local purchase of stationery, are duly observed consistently and the certificates furnished on contingent bills.
- Charges which are inadmissible or in excess of the sanctioned scale, have not been concealed by splitting them into two or more different Bills.
- Monthly and progressive totals have been correctly made and carried forward.
- All charges adjusted by book transfer are also included.

5.3.6. Register of Rents

It shall be checked to ensure that:

- The register is maintained in Form 49 as prescribed in para 9.5.5 of Central Public Work account (CPWA) code.
- All the buildings for which rent is recoverable are entered in the register under proper attestation.
- In respect of Government residential accommodation, the standard rent is correctly worked out and noted in the register.
- Details like date of occupation, name of the occupant, and emoluments, etc., are correctly noted.
- The rent realized is properly posted and that there are no undue arrears in any case.

5.3.7. Register of Miscellaneous Receipts

It shall be checked to see that:

- Details of all recoveries to be affected are noted in the register.
- The recoveries are effected at the earliest possible time.
- Register is reviewed periodically and follow up action taken to recover the outstanding amounts.
- If the person from whom the recovery is to be affected is transferred to other unit, the unit should be addressed for the early recovery of Government dues.

- On receipt of the amount, the particulars such as, receipt no. & date challans No. etc. are noted in the register.
- The entries in the register are attested by a responsible officer having verified their correctness.

5.3.8. Demand register

The Demand register should be examined to see that:

- All demands have been correctly noted in it.
- All sums due are fully realized and duly checked. Full names and complete addresses of all persons from whom taxes or other revenues are due, have been noted in the register.
- All amounts shown in the counterfoils of receipts granted to the parties have been noted in the register and also entered in the cash book.
- The closing balances of unrealized demands of the previous years have been correctly brought forward. The demand register may also be checked with other allied registers to ensure correctness of the entries made therein, and the essential points to be seen in audit of expenditure are that:

a) There exists sanction, special or general, accorded by the competent authority.
b) There is provision of funds in the budget grant of the unit & necessary funds are available to meet the expenditure.
c) The expenditure has not been incurred merely to avoid the lapse of budget allotment or from the budget allotment of the next year.
d) In case of work done or purchase made, the accepted tender along with rejected ones, and comparative statements and notices etc., are available along with reasons for non-acceptance of the lowest tender, if any.
e) The payment has been made to the proper person and has been so acknowledged and recorded so that a second payment on the same account is not possible.
f) The charges do not exceed the rates of scales fixed under rules/orders issued by the competent authority and the arithmetical calculations are correct.

g) The expenditure is incurred with due regard to the prescribed canons of financial propriety.

h) The sub-vouchers retained by the disbursing officers are so defaced/cancelled after disbursement that they cannot be used again.

i) The expenditure has been correctly classified and accounted for under proper heads of accounts.

5.4. Nature of General Checks to be exercised

5.4.1. Conducting Audit of a Non-Cheque Drawing DDO

- All required accounts records are maintained in the prescribed forms.
- The instructions for maintenance of cash book, contingent register, liability register, register of short-term loans & advances, stock & stores accounts, log books & other accounts records are duly observed.
- 'Account Payee' Cheques (in favor of Govt. servant & third parties) issued by the Pay & Accounts Office (PAO) after pre-check of the relevant bills to Drawing and Disbursing officer (DDO) are not entered in their own Cash Book, and that delivery and acknowledgement of such cheques is being watched through a separate register required to be maintained for the purpose in prescribed Form of Civil Account manual (CAM)-12).
- Pay fixations are correct and amount of salary and other arrears is correctly worked out.
- The weekly accounts of receipts with duplicate copies of challans are being sent to the concerned Pay & Accounts Office (PAO).
- Purchases are made as per General Financial Rule (GFR) 2017 and orders governing them.
- All sub-vouchers pertaining to contingent charges/bills that are not required to be sent to Pay & Accounts Office (PAO)are available in the office, are otherwise in order and properly cancelled.
- The instructions for processing/submission of pension cases to the concerned Pay & Accounts Office (PAO) are observed.

- The instructions for maintenance of service books including leave accounts are observed.
- Every Personal Deposit (P.D. Account) shall be subject to Internal Audit.
- During the course of internal inspection of the office of Drawing & Disbursing Officer concerned, internal audit parties shall, however, verify referring to the vouchers etc. through which the advances were drawn that the payment entries are made properly in the Pay Bill Register (PBR) and that recoveries are being effected regularly from the Government servant concerned and check the correctness of entries in the monthly abstract of recoveries, especially entries relating to 'transfer-in and transfers-out' cases (para 10.8.4 of Civil Accounts manual (CAM).
- For all the store items purchased/received the following certificate should be recorded on the supplier's bill under the signature of authorized officer;

  a) Stores have been received in full quantity.
  b) Their quality is good & they are according to approved specifications wherever prescribed.
  c) Store items have actually been received & taken in charge at Page --- of the appropriate stock register.

- While conducting audit of provisioning branch, it may be seen that quantum of requirements approved by branch is as per scale laid down and the items purchased are not in excess of requirements approved by provisioning branch.
- All the Internal Audit Parties are to ensure that the audit report should be prepared in the prescribed format as Annexure-I.

5.5. Audit of Register showing the expenses by Heads of Accounts

The register maintained by Cash Branch serves the same purpose as bill-passing-cum-expenditure control register (Form Civil Account manual (CAM) -9) and Civil Account manual (CAM)para 2.3.3 in Pay & Accounts Office (PAO). The register should be examined to see that:

- The amounts of appropriation have been correctly incorporated in the relevant columns of the register with reference to original budget allotment/supplementary grant/re-appropriation orders etc.
- The bill is signed by the Drawing and Disbursing Officer only after ensuring that the bill under signature is covered by budget provision.
- The adjustments (e.g. supply department debits etc.) communicated by Pay & Accounts Office (PAO) are kept separately in a file and noted in the relevant columns of the register.
- The column total for the month in the register shall be worked out and compared with the expenditure figures for the month as well as progressive figures communicated by Pay & Accounts Office (PAO) and index is prepared.
- The balance of appropriation shall be worked out at the end of each month.

5.6. Audit of Pay Bill Register (PBR) in respect of new entrants to Central Government Service joining service on or after 01.01.2004

The Government of India has introduced a new defined contribution pension scheme, replacing the existing system of defined benefit pension scheme vide Government of India, Ministry of Finance, Department of Economic Affairs Notification dated 22.12.2003. The new pension scheme is applicable to all new entrants to Central Government Service, except armed forces, joining Government service on or after 01.01.2004. While checking the Pay Bill Register, etc., of a DDO/CDDO it may be seen that the instructions contained in OM No. F.1 (7)/2/2003/TA/11 dated 07.01.2004 of the Controller General of Accounts (CGA) with reference to the following items are completely followed:

- Allotment of PRAN to each New Entrant
- Maintenance of a separate Pay Bill Register (PBR) for New Pension Scheme (NPS)
- Preparation of separate pay bill
- Deduction of contribution towards the New Pension Scheme @10% of basic pay plus Dearness Allowance (DA) and Government will contribute @14% of basic pay plus DA from the salary of the month following the month in which the Government servant resumed duty.

- Status of nomination forms and other details required for NPS.
- Status of monthly contributions and their confirmation for each case of NPS covered employees.

During suspension, the subscriber need not pay any contribution. On exoneration or otherwise, the subscription will be based on emoluments to which he was entitled on the first day after his return to duty. If he elects to pay for the period of suspensions, the subscription will be based on emoluments allowed for the period of suspension. During Half Pay Leave (HPL), the subscription will be based on leave salary. During Extraordinary Leave (EOL) including on medical grounds, no contribution either from Government servant or from Government would be payable. As per Chapter III of Gazette Notification dated: 11.05.2015, issued by Pension Fund Regulatory and Development Authority (PFRDA), withdrawal for any employee covered under NPS is permitted (Max 3 times) only after completion of 03 years of continuous service, not exceeding 25% of accumulated pension/wealth of the employee's contribution subject to the other terms and conditions, frequency and limits for the following purposes only;

- Higher education of his/her children.
- Marriage of his/her children.
- Purchase/construction of residential home/flat provided the subscriber does not own any other house.
- Treatment of specified illness.
- Medical and incidental expenses arising out of the disability or incapacitation suffered by the subscriber.

5.7. Audit relating to Contingent Expenditure

The following checks may be exercised during the internal audit

- Check the system in vogue to ensure that payment against sanction of special charges does not exceed the amount sanctioned and the same sanction is not acted more than once. In cases where no separate registers are maintained, check whether bills drawn against the sanctions are noted on the original copy of the sanction over the initials of

the Drawing & Disbursing Officer, and that the total of part payments in cases where the expenditure is incurred in installments, does not exceed the sanctioned amount.

- Check that payment towards rent, telephone and other periodical charges which are sanctioned by an authority higher than the Drawing & Disbursing Officer are posted in the relevant register and safeguarded against the payment.
- In respect of vouchers for selected month, payments should be thoroughly checked with reference to the original sanctions and registers.
- Check whether the Drawing & Disbursing Officer has submitted the detailed contingent bills in respect of all the amounts drawn on abstract bills.

5.8. Audit of Receipts

The receipts of an Administrative Department mainly consist of revenue derived from taxes, duties, fees, fines, penalties, rents of government buildings and lands, receipts of loans, advances and deposits, interest or any other receipts. In MHA, there are major receipts collected due to deployment of CAPFs in PSUs, States and elsewhere.

The departmental authorities are primarily responsible to ensure that all revenues or dues to Government are correctly and properly assessed, realized, and credited to Government Account. It would be necessary for Internal Audit to see that adequate regulations and procedures have been followed in a department to ensure an effective check on collection and accounting of all revenue receipts and refunds. The nature of checks exercised by the Departmental authorities for detection & investigation of irregularities, leakage or loss of revenue due to double refunds, with reference to fraudulent and forged vouchers/challans or other types of omissions or commissions in process of levy/collection of taxes or their refunds may be scrutinized by the Internal Audit.

While conducting the audit of revenue receipts, the Internal Audit Party should, inter-alia, ensure the following by exercising such test checks as considered necessary:

- That the demands are raised promptly in the manner required by law or Act of Parliament and that no amount due to Government is left outstanding in its books without sufficient reasons.
- That the collections & refunds are accounted for regularly and properly under the appropriate Heads of accounts and that no other amount is credited to Government by debiting the suspense head. Credit must follow and not precede realizations.
- That proper safeguards exist to ensure that there is no willful omission or negligence to levy or collection of taxes and in arranging refunds, wherever due.
- That double refund, fraudulent or forged refund orders or other losses of revenue through fraud, default or mistake are promptly brought to light and investigated.
- That all revenue receipts collected by departmental officers are promptly remitted to the bank or the Pay & Accounts Officer as the case may be and that the reconciliation between their books of records and those booked in the Government Accounts on the basis of receipted challans as per procedure laid down in Chapter 1 of Civil Accounts Manual.
- To check whether claims of receipts have been raised and collected as per the MoU/agreement or deployment terms in the case of CAPF deployment.

5.9. Checks to be exercised while conducting the audit of a CDDO

As a General Rule in the Departmentalized system of accounting, all payments are to be made only by the Pay & Accounts Office (PAO) after proper pre-check. However, as a partial exception to this rule contained in Para 3.1.1 of Civil Accounts manual (CAM), the Drawing & Disbursing Officer (DDO) of the offices which are not located at the same station as the Pay & Accounts Office (PAO), have been permitted to draw funds directly from local branches of the bank accredited to the Ministry, by means of cheques for payment for categories of bills specified in CAM Para 3.1.3.

In addition to general checks prescribed, the Internal Audit Parties will, inter-alia, exercise the following checks while conducting the Audit of Cheque Drawing & Disbursing Officer (CDDO)s:

- Only those claims for which they are empowered and have specifically been permitted to draw funds by means of cheques/e-Payment are actually drawn after obtaining the sanction of competent authority. Bill for all other kinds of payments like payment of long terms loans and advances, withdrawal from provident funds under rule 15 & 16 of General Provident Fund rules and payments under sub rule 3 (V) of rule 34 of General Provident Fund rules will be presented by them to the Pay & Accounts Office concerned for pre-check and payment. Such payments should not be made by the Cheque Drawing DDO against their quarterly assignment of letter of credit (Para 3.1.1 of Civil Accounts manual (CAM)). However, in respect of Government Servants joining service on or after 01.01.2004, the CDDO will only prepare the pay bill and not make the payment. Such bills will be sent by them to the Pay & Accounts Office (PAO) for pre-check & payment.
- The payments made by the Cheque Drawing DDO are in accordance with the rules and orders governing them, their arithmetical calculations are correct, and recoveries/deductions made from bills are in order.
- Proper records have been maintained to watch drawl against quarterly assignment of letter of credit and payments made do not exceed the limits specified therein.
- Two copies of weekly list of payments along with paid vouchers are sent to the Pay & Accounts Office on due dates and in prescribed form as laid down in Para 3.4.3 of Civil Accounts Manual (CAM)
- Cheques of the category “Not Transferable” after issue are entered in the Cash Book.

As per Civil Accounts Manual (CAM)para 3.4.2, the monthly bank reconciliation statements in r/o payments & receipts in Form (CAM)-20 &Form (CAM)-22 are drawn up and submitted to the Pay & Accounts Office every month explaining the difference between the total payments made as per bank scroll and total payments made during the month as per register of cheques issued indicating the details of cheques issued during the month but not uncashed and the cheques issued in the earlier months but uncashed during the month. Discrepancies, if any, noticed in the scrolls should be taken up with the bank immediately. Similarly, electronic payments through PFMS can also be reconciled and can be audited.

While Auditing Public Financial Management System (PFMS) reports involves assessing their effectiveness as a tool for transparent financial management, including Direct Benefit Transfers (DBT), scheme-related information, and decision support, focusing on data validation, adherence to rules (like DBT beneficiary mapping via Aadhaar), and efficiency, with external auditors like the CAG examining data reliability and system controls against standards for legality, economy, and effectiveness, identifying issues like data discrepancies or lack of awareness.

Key Areas of Audit Focus

- **Data Accuracy & Validation:** Checking if beneficiary data, bank details, and financial figures (expenditure, receipts) are correctly processed and validated by PFMS through bank/NPCI interfaces.
- **Compliance & Process Adherence:** Ensuring Ministries/Agencies follow correct procedures for beneficiary registration, data entry, user management (DDOs, Makers, Checkers), and digital sign-offs.
- **Transparency & Reporting:** Assessing PFMS's ability to provide real-time, reliable management information (MIS/DSS) for stakeholders and legislatures, looking at scheme-wise expenditure reports and overall financial health.
- **Effectiveness & Efficiency:** Evaluating if PFMS achieves its goals of transparent payments, efficient fund flow, and better financial management, noting instances where processes deviate from norms or rules.
- **System Controls:** Examining IT aspects like data security, access controls, and the overall functioning of integrated modules (HRMIS, Pension) to prevent fraud or error.

- To the extent possible, the bills of the office are checked independently by a person other than the one responsible for preparation of bills.
- The instructions for the maintenance and completion of register of bills received and cheques issued are observed.
- Procedure prescribed in Annexure – C to Chapter – 1 of Civil Accounts Manual (CAM for safe custody of cheque books is followed by the Cheque Drawing DDO. It should be specifically seen: -

a) That Cheque Books on receipt have been carefully examined by the DDO and a certificate of count of cheque forms contained in each book has been recorded.

b) That the intimation about the Cheque Book to be used is being sent to the accredited bank in the prescribed form attached with the cheque book, before the book is brought into use. That all the cheques in the cheque book are being affixed with the Code No. of the bank on which the cheques are drawn before the cheque book is brought into use.

c) That the cheque books have been kept in the safe custody of the DDO under lock and key.

d) That correct type of cheque forms are used by Cheque Drawing DDO as laid down in Para 1.5.1 to 1.6.4 of Civil Accounts Manual (CAM).

e) That the stock register of cheque books in prescribed form Civil Accounts Manual Form (CAM)-1 is maintained by the DDO.

f) That the periodical stock taking of cheque books as required in Para 11 of Appendix – 3 to Chapter -1 of Civil Accounts Manual (CAM) in the prescribed form is undertaken by the DDO.

g) That the register of daily account of cheque forms used during the day is maintained properly in Form CAM -2 (Civil Accounts Manual (CAM) Para 09 of Appendix – 3 to Chapter – 1) and all columns have been completely filled in and attested by the Drawing & Disbursing Officer.

h) That in case of loss of any cheque, the bank has been informed immediately so as to avoid any payment.

i) That the cheques are not signed unless required for immediate encashment of delivery to the person concerned.

j) That the amount on cheques is written both in words as well as in figures. All corrections and alterations/over writings are attested by the Drawing Officer under his full signature.

k) That time barred cheques are cancelled & fresh cheques issued in lieu of them wherever necessary.

- That the receipt and payment scrolls received from the accredited bank are checked with reference to the register of cheques issued regarding the name of the payee and

the amount of cheque paid and relevant records/challans register. The date of encashment should be noted in the relevant column of the bill register and register of cheques issued.

- From the receipt scroll, the Drawing & Disbursing Officer should ensure that all remittances made in the bank have been included in the scroll. Electronic payments, PFMS-generated reports and bank reconciliations shall be examined to ensure completeness, accuracy, and timely reconciliation with books of accounts.

5.10. Checks to be exercised for conducting the audit of a merged DDO

In order to avoid duplication in maintenance of accounts in the office of DDO and PAO, merged DDO scheme at Secretariat level was introduced with effect from 1st April, 1986 and these DDOs have been placed under the control of Chief Controller of Accounts w.e.f. 01.04.1987 under the overall charge of the Financial Advisor of the Ministry/Department concerned.

Under the revised arrangements the functions of the Pay & Accounts Office (PAO) have been merged with those of the DDO in the Ministry. Consequently, the records maintained by the Cash branch and the Drawing & Disbursing Officer at the Secretariat level have become basic accounts records. The need for maintenance of duplicate accounts records in the PAOs has been eliminated. Accordingly, in addition to the general checks prescribed for merged DDO, the following checks as enlisted in CGA's letter No. G-25014/76/85/MF-CGA Insp./235 dated 07.05.1986 may be exercised by the Internal Audit while conducting the audit of merged DDO.

5.11. Audit of General Provident Fund Accounts

- An account number has been allotted to each employee and noted promptly in the Pay Bill Register (PBR) and a reference to old General Provident Fund A/C number is also given.

- The receipt of nomination has been noted in Pay Bill Register.
- The extracts of accounts for the year along with nominations have been received from the Pay & Accounts Office (PAO) and promptly filed in a separate file.
- The closing balance has been noted in the relevant column of the Pay Bill Register and duly attested by the DDOs.
- The monthly reconciliation sheet in prescribed proforma is prepared every month and the discrepancies, if any, settled in the following month at the latest.
- In case of closure of accounts either due to retirement or transfer etc. the words "accounts closed in"- along with reason for closing has been written prominently in red ink over the initials of the DDO and the amount paid posted in the withdrawal column of the abstract.
- The missing credits/debits intimated by the Pay & Accounts Office (PAO) are separately noted and the matter pursued with the Pay & Accounts Office (PAO) regularly & such of the missing credits transferred subsequently by the Pay & Accounts Office (PAO) are posted correctly in PBR with suitable remarks.
- The recoveries/withdrawals for the year are summed up and posted in the abstract portion of GPF at the close of the year.
- The interest as credited to subscriber's accounts during the year and the total figures there of intimated to the Pay & Accounts Office (PAO) for carrying out the accounts adjustment, and the interest calculation sheets are available and initialed by the person who calculated and by the person who checked them.
- The closing balance has been worked out correctly and carried forward in the Pay Bill Register (PBR) for the next year and the opening entries attested by the DDO.
- The Annual Accounts Statements to the subscribers are issued by 31st July.
- Acknowledgements of subscribers towards the final payment of GPF are being watched by the DDO.

5.12. Audit of recovery of Foreign Service Contributions

- The essential particulars for calculation and recovery of Leave Salary/Pension contributions (e.g. date of commencement of Foreign Service/Period of F.S./Leave availed during foreign service/joining time) in Pay Bill Register (PBR).
- The contributions determined are correct based on the data available in the Pay Bill Register (PBR), Service Book etc.
- The recoveries relating to pension and Leave Salary contribution and payment of Leave Salary if any, are posted in the Pay Bill Register (PBR) based on the intimation received from PAO and the outstanding recovery worked out at the close of each year.
- The penal interest has been levied in case of non-recovery/belated receipt of contributions from the foreign employer/individual.
- On completion of Foreign Service, the service book is sent to the PAO for making entries relating to receipt of contributions.

5.13. Audit of Payments

5.13.1. Leave Travel Concession (LTC) Checklist

As per CAM para 4.15.3 and in accordance with the C.C.S. (Leave Travel Concession) Rules, 1988, as amended from time to time, following checks may be exercised to see

- That the claim is submitted in the prescribed form.
- That travel entitlements of Government employees for the purpose of LTC post Seventh Central Pay Commission has been adhered to, based on Pay Level.
- That the claim is signed by the officer himself and countersigned by the Controlling Officer.
- That the full details of family members (i.e., name, age, relation, etc.) are filled in the claim form.

- That the dependency certificate mentioning income, for Father/Mother and children more than 21 years is enclosed.
- That the details of leave sanctioned are mentioned on the claim, if officer is availing the LTC.
- That the Home town declared by the officer at the time of commissioning is treated as his declared home town.
- That LTC facility shall be admissible only in respect of journeys performed in vehicles operated by the Government or any corporation in the public sector run by the Central or State Government or a local body.
- That the air tickets must be booked through Govt. Authorized travel agents i.e. Balmer & Lawrie, Ashok Travels or IRCTC. Tickets booked through private agencies or private websites like makemytrip.com, yatra.com etc., are not admissible.
- That the onward and return journey should be done in the same chronology and claim of return journey first & onward journey at latter date is not permissible.
- That the Government servant has purchased tickets at the lowest rate available at the time of booking for the date and time of scheduled journey, and a self-certificate in this regard is submitted by government servant after completion of the LTC journey. (OM No. 31011/3/2013-Estt (A.IV)).
- That the details of advances taken for the move are invariably mentioned in the claim. Tickets purchased through (Air/Rail) should be treated as advance and incorporated in the claim by adding in the total amount claimed as well as in advances for proper adjustment.
- That a government servant who has been granted LTC Advance has submitted copies of the tickets within 10 days of drawl of advance.
- That the adjustment claim is submitted within 30 days from the date of completion of return journey. Preference should be given to separate claims for self and Family if

moves have taken place on different dates, if claim for any family member is submitted at latter date.

- That a government servant has submitted a declaration that he and the members of the family in respect of whom the claim is submitted have indeed travelled up to the declared place of visit.

5.13.1.1. LTC to Anywhere in India

- That the officer and spouse & children can travel from duty station to any station in India once in alternate year in which LTC to home town is not availed.
- That the officer and spouse & children can travel at different dates in batches but all the members have to visit the same station only. Return journey of family members must be within six months.
- That the full reimbursement as per the entitlement of the Government servant shall be allowed for journey(s) performed on LTC by the family members from any place in India to Headquarters/place of posting of the Government servant and back.
- That the journey performed by circular routes is not admissible. Officer has to choose one destination and LTC is admissible from duty station to that destination by direct shortest route only.
- That the claim will be limited to the amount admissible from the government servants' headquarters to the declared place of visit.

5.13.1.2. LTC in lieu of Home Town

- That the officers and their family members may avail LTC in lieu of home town to visit any place in NER / Andaman & Nicobar / Jammu & Kashmir by forgoing home town LTC of that year.
- That the officers whose home town and place of posting is the same are not allowed to avail this LTC.

- That the officers who are serving in field area and their families are residing at home town, family of these officers are not allowed to avail this LTC, as family do not have entitlement for home town LTC.

- That the LTC in lieu of home town can be split by family members, i.e. officer can avail LTC to visit his home town and family residing at home town can avail the LTC in lieu of home town to visit J&K, A&N, NER.

5.13.1.3. LTC for a Fresh Recruit

- That the Fresh Recruit has availed LTC as per entitlement.

- That the Fresh recruits to the Central Government are allowed to travel to their home town along with their families on three occasions in a block of four years and to any place in India on the fourth occasion.

- That the first two blocks of four years shall apply with reference to the initial date of joining the Government service even though the Govt. servant may change the job within the Government subsequently.

- That the carryover of LTC to the next year is not allowed in case of a fresh recruit as he is already entitled to every year LTC.

- At the end of the eighth year of LTC, when the new LTC cycle of a fresh recruit coincides with the beginning of a regular four-year block, his entitlement in the regular block will be exercised as per the usual LTC Rules.

- That a fresh recruit whose Home Town and Headquarters are same, cannot avail LTC to Home Town. He may avail LTC to any place in India on the fourth and eighth occasion only. (OM No. 31011/7/2013-Estt. (A4V) dated: 26th September, 2014

5.13.2. Audit of Travelling Allowance Bills

As per CAM Para 4.15.1 checking the bills of travelling allowance the under mentioned checks may be exercised in order to see: -

- that the journey was actually performed
- that it was authorized by general or special sanction orders
- that no bill has been submitted for it before
- that the dates and hours of the commencement as well as end of the journeys (where necessary) and the purpose of journey are clearly stated in the columns provided for the purpose in the travelling allowance bill form
- that the bills are countersigned in all cases except where specifically authorized otherwise (see F.R.S.R. Part-II 2017 191-193); and that the prescribed certificates have been furnished by the D.D.O
- that the instructions for preparing travelling allowance bills as printed on the form of the T.A. Bill are duly complied with and irrelevant certificates scored out
- that the claims for the conveyance of motor-cycles, bicycles etc.; during tour are supported by special orders of the authority competent to pass such orders, as required under F.R.S.R. Part-II 2017 81(a)
- that in case of journeys performed by road between places connected by rail, the charge for travelling allowance is supported by an order of the competent authority under F.R.S.R. Part-II 2017 31
- that the claims for travelling allowance for journeys performed to give evidence in a court under F.R.S.R. Part-II 2017 154 are supported by the necessary certificates (a) of attendance and (b) non-payment of expenses by the court
- that the TA/DA bills should be claimed as per F.R.S.R. Part-II 2017 54 to F.R.S.R. Part-II 2017 116

In addition to these, consequent upon issuance of O.M. No.19030/1/2017-E.V dated: 13th July, 2017 by Ministry of Finance, Department of Expenditure, following other checks may also be exercised:

5.13.2.1. Entitlements for Journeys on Tour or Training

- Whether the claim is as per the Travel Entitlements allowed according to pay level in pay matrix of 7th CPC. (prescribed in ibid OM dated 13.07.2017)

- Whether Travel entitlement for the journey in Premium/Premium Tatkal/Suvidha/ Shatabdi/Rajdhani/ Duronto, Vande Bharat, Gatimaan, Trains is as per pay level matrix (prescribed in ibid OM dated 13.07.2017)
- Whether the following revised travel entitlements are adhered to:
  a) In case of places not connected by rail, travel by AC bus for all those entitled to travel by AC ll Tier and above by train and by Deluxe/ordinary bus for others is allowed.
  b) In case of road travel between places connected by rail, travel by any means of public transport is allowed provided the total fare does not exceed the train fare by the entitled class.
  c) All mileage points earned by Government employees on tickets purchased for official travel shall be utilized by the concerned department for other official travel by their officers.
  d) ln case of non-availability of seats in entitled class, Govt. servants may travel in the class below their entitled class.
  e) Whether Mileage Allowance are claimed as per specific rates prescribed for each pay level for Journeys by Road
- Whether Daily allowance is claimed as per prescribed rates based on pay level.
- Whether Reimbursement of Hotel charges are claimed as per prescribed rates based on pay level. For levels 8 and below, the amount of claim (up to the ceiling) may be paid without production of vouchers against self-certified claim only.
- Reimbursement of travelling charges: similar to reimbursement of accommodation charges, for levels 8 and below, the claim (up to the ceiling) may be paid without production of vouchers against self- certified claim only.

Reimbursement of Food charges - There will be no separate reimbursement of food bills. Instead, the lump sum amount payable will be as per prescribed rates and depending on the length of absence from headquarters. Since the concept of reimbursement has been done away with, no vouchers will be required.

5.13.2.2. T.A. on Transfer Travel Entitlements

Travel entitlements as prescribed in ibid OM dated 13.07.2017 will be applicable in case of journeys on transfer. The general conditions of admissibility prescribed in S.R.114 will, however, continue to be applicable.

- **Composite Transfer and packing Grant (CTG)**

  The Composite Transfer Grant shall be paid at the rate of 80% of the last month's basic pay in case of transfer involving a change of station located at a distance of or more than 20 kms from each other. (details prescribed in ibid OM dated 13.07.2017).

- **Transportation of Personal Effects**

  The claim for reimbursement shall be admissible subject to the production of actual receipts/ vouchers by the Govt servant. Transportation of personal effects by road is as per kilometer basis only. The classification of cities/towns for the purpose of transportation of personal effects is done away with.

- **Transportation of Conveyance as per prescribed rates based on pay level**

  The general conditions of admissibility of TA on Transfer as prescribed in S.R. 116 will, however, continue to be applicable.

5.13.2.3. T.A. Entitlement of Retiring Employees

- **Travel Entitlements**

  Travel entitlements as prescribed in ibid OM dated 13.07.2017 will be applicable in case of journeys on retirement. The general conditions of admissibility prescribed in S.R.147 will, however, continue to be applicable.

- **Composite Transfer Grant (CTG)**

  The Composite Transfer Grant shall be paid at the rate of 80% of the last month's basic pay in case of those employees, who on retirement, settled down at places other than last station(s) of their duty located at a distance of or more than 20 km.

- **Transportation of Personal Effects**: Same as Para 2(iii) above

- **Transportation of Conveyance**: Same as Para 2(iv) above

5.14. Audit of Children Education Allowance Bills

As per CAM Para 4.14 consequent upon the decision taken by the government to implement the recommendations made by the VII Central Pay Commission, DoPT has issued an OM of even number dated 16-08-2017 revising the rates of CEA/Hostel Subsidy and simplifying the procedure for claiming reimbursement of the same. In line with the OM, following checks may be exercised in order to see:

- That the maximum ceiling amount for the reimbursement of Children Education Allowance (CEA) is Rs. 2,250/- per month per child and Rs. 6,750/- per month per child for Hostel Subsidy. The CEA amount is fixed irrespective of actual expenses incurred. But for claiming Hostel Subsidy a certificate from the Institute where the child is studying shall indicate the amount of lodging and boarding charges paid by the employee to the residential educational institute. The reimbursable amount of Hostel Subsidy will be the actual expenses incurred or Rs.6,750/- per month whichever is less. Hostel Subsidy is admissible only if the residential educational institute is located at least 50 KM away from the residence of the employee.
- That the reimbursement of CEA for Divyaang children shall be payable at the double of the CEA rate i.e. Rs. 4,500.00 per month {Rs. 2,250x2}.
- That the above rates/ceiling would be automatically raised by 25% every time the Dearness Allowance on the revised pay structure goes up by 50%.

- That the reimbursement of Children Education Allowance (CEA) and Hostel Subsidy shall have no nexus with the performance of child in his class. In other words, even if a child fails in a particular class, the reimbursement of Children Education Allowance/Hostel Subsidy shall not be stopped. However, if the child is admitted in the same class in another school, although the child has passed out of the same class in previous school or in the mid-session, CEA shall not be reimbursable.
- That the CEA and Hostel Subsidy can be claimed by only one employee if both spouses are employed.
- That the reimbursement of CEA shall be limited to only first two surviving children whose names are declared by the employee in the nomination form. The claim of reimbursement of CEA and Hostel subsidy shall be verified by administration section in case of non- academic staff and DOFA office for academic staff.
- That the reimbursement of CEA and Hostel subsidy will be made once in a year after the completion of a financial year i.e. in the month of April/ May or October/ November.
- That the reimbursement of CEA/Hostel subsidy can be claimed from nursery to 12th class. Nursery is two classes before class one. CEA/Hostel subsidy is also admissible for Initial 2 years of Diploma/Certificate course from polytechnic/ ITI/ Engineering college if the child resumes the above course after 10th standard and CEA/ Hostel Subsidy has not been granted in respect of the child for studying in 11th & 12th standards.
- That the upper age limit for reimbursement of CEA is 20 years or till the passing of 12th standard whichever is earlier. But for Divyaang children, it has been raised to 22 years.
- That in case of retirement, discharge, dismissal or removal from service, CEA/Hostel Subsidy shall be admissible till the end of the academic year in which the government servant ceases to be in service due to retirement, discharge, dismissal or removal from service in the course of an academic year.
- That the CEA/Hostel subsidy shall be admissible to a government servant while he/she is on duty or is under suspension or is on leave (including Extra ordinary leave). Provided that during any period which is treated as ‘dies-non’ the Govt. servant shall not be eligible for the CEA/Hostel Subsidy for the period.

- That the Bonafide Certificate from the Head of Institution/School is attached with the claim.

5.15. Audit of Medical Allowance Bills

As per CAM Para 4.16 for bills of medical reimbursement claims, the under mentioned checks may be exercised in order to see: -

- That the bill for medical reimbursement shall be prepared in Form GAR–23.
- That the amount drawn in the bills shall be supported by proper receipts and vouchers in all cases, submitted by the Government servant along with essential certificates in Form 'A' or 'B'.
- That the copy of CGHS card is attached with the claim.
- That the emergency certificate (original) is attached in case of emergency
- That the copy of discharge summary is attached with the claim.
- That the employees and their family members are entitled to reimbursement for medical attendance and treatment.
- That if the spouse is in receipt of fixed medical allowance, the Government servant can avail medical facilities under Medical Attendance Rules for himself and members of family residing with him except for the spouse.
- That if judicially separated, pending decision on guardianship, reimbursement for children may be allowed to either spouse.
- That the medical treatment abroad requires a certificate from the Standing Committee established for the purpose.
- That the details in regard to dependents of the Government servants and residential addresses must be obtained from the government servants for keeping the same in the relevant records.
- That the PAO shall examine as to whether the fees charged by the Authorized Medical Attendant is in accordance with the prescribed rates.
- That all the sub-vouchers tests etc. are duly countersigned by the Medical Officer and by the competent authority accepting the claim of medical reimbursement.

- That Special care shall be taken in regard to the diet charges because the charges normally included in the hospital bills submitted by the Government servants, as these charges are not reimbursable except in case of persons of group 'C' who are to undergo treatment of T.B./mental diseases or leprosy etc.
- That the treatment at the consulting room of AMA is limited to ten days with a maximum of four consultations and normally ten injections. The number of injections may go up to fifteen depending on patient's ailment.
- That separate claim is to be preferred for each spell of illness or an entirely new disease.
- That to justify a claim for a second time, for the recurrence of the same disease, there should be a reasonable gap between the closing of the first spell and the recurrence of the second spell.
- That purchase of Allopathic medicines and drugs shall be made from any chemist/druggist licensed under the Drugs and Cosmetics Act and rules framed thereunder. Purchase of Ayurvedic/Siddha/Unani medicines shall be made from approved pharmacies.
- That the controlling authorities shall ensure that the prices charged and reimbursed shall be in accordance with the Drugs price Control Order issued from time to time.
- That the time limit for submission of final claims for reimbursement of medical expenses is 6 months. Only the cases in which the bills are submitted after 6 months from the date of completion of medical treatment/discharge of the patient from the hospital are required to be taken up for condonation.

5.16. Audit of Procurement

- As per General Financial Rule (GFR) 2017, procurement of goods is governed by Rule 142 to 176.
- As per General Financial Rule (GFR) 2017, procurement of services is governed by Rule 177 to 206.

5.16.1. Audit of Procurement of Goods

- Check the organization's total budget in Office Expenses and specifically that utilized for procurement.
- Check if the goods procured were available on GeM. As per GFR 2017, and also subsequent amendment by Deptt. of Expenditure dated 2nd April, 2019, goods available on GeM are mandatorily procured through GeM (Rule 149 of GFR).
- If goods are not available on GeM, then as per Rule 147 of GFR 2017, ministries and department have full powers delegated to them for procurement of such goods. Rules 150 for registration of suppliers, Rule 154 for purchase without quotation, Rule 155 for purchase through local purchase committee, Rule 225(xiii) for contracts above value of Rs 25 lakh, etc are also relevant in such cases.
- Check if purchase of goods is up to the value of Rs.25,000, or 25,000 to 500,000 or above 5 lakh. The GeM portal shall be utilized by the Government buyers for direct on-line purchases as under: (ceilings are subject to amendments and applicability from time to time)

  a) Up to Rs.50,000/- through any of the available suppliers on the GeM, meeting the requisite quality, specification, and delivery period.
  b) Above Rs.50,000/- and up to Rs.5,00,000/- through the GeM Seller having lowest price amongst the available sellers, of at least three different manufacturers, meeting the requisite quality, specification and delivery period. The tools for online bidding and online reverse auction available on GeM can be used by the Buyer if decided by the competent authority.
  c) Above Rs.5,00,000/- through the supplier having lowest price meeting the requisite quality, specification and delivery period after mandatorily obtaining bids, using online bidding or reverse auction tool provided on GeM.
  d) The invitation for the online e-bidding/reverse auction will be available to all the existing Sellers or other Sellers registered on the portal and who have offered their goods/services under the particular product/service category, as per terms and conditions of GeM.

e) The Ministries/Departments shall work out their procurement requirements of Goods and Services on either “OPEX” model or “CAPEX” model as per their requirement/ suitability at the time of preparation of Budget Estimates (BE) and shall project their Annual Procurement Plan of goods and services on GeM portal within 30 days of Budget approval.

f) The Government Buyers may ascertain the reasonableness of prices before placement of order using the Business Analytics (BA) tools available on GeM including the Last Purchase Price on GeM, Department’s own Last Purchase Price etc.

g) A demand for goods shall not be divided into small quantities to make piecemeal purchases to avoid procurement through L-1 Buying / bidding / reverse auction on GeM or the necessity of obtaining the sanction of higher authorities required with reference to the estimated value of the total demand.

- Payment against the procurement made through GeM has been made in online mode.
- Check about the assessment of requirement for all these kinds of purchases being properly done.
- Check the value of purchases in four quarters for the organization and look for some visible patterns in the purchases such as quarter which has maximum purchases, amount of purchase incurred in the last month etc.
- Check whether any fund release was done in the last two weeks of March and whether it was used to settle pending liabilities or the purchases were initiated around that time.
- Check whether all the procedures prescribed in General Financial Rule (GFR) – 2017 for such kinds of purchases have been followed- such as having technical and financial bids for specialized purchases, purchase process monitored by a duly constituted purchase committee, terms and conditions of contract or delivery clearly and elaborately specified etc.
- Check whether any advance payment was made to the supplier and whether it is complying with the provisions of General Financial Rule (GFR) – 2017 and in case of any exceptions whether the same has been duly approved by the Financial Advisor of the Ministry.

- Check the time frame in procurement and comment upon any inordinate delay at any stage.
- After the award of contract, the time taken by the supplier in actual delivery of goods to the organization.
- Check whether, terms and conditions regarding delivery and subsequent payment has been clearly specified in the contract.
- Test check whether the goods procured conform to the specification provided in the work order.
- Check for purchases under limited tender inquiry that whether the process of selection of vendors is transparent.
- Check whether the organization has registered the vendors based on their credentials for different categories of purchases.
- Check the methodology used by the organization in identifying vendors for different types of purchases.
- Check whether organization is resorting to splitting to avoid open competitive bidding.
- Check whether the same vendors are being repeated again and again.
- Check whether the vendors selected has got proper Goods and Service Tax Identification Number (GSTIN) and is registered.
- Check whether the vendor is specialized in a particular type of good and identify such anomalies as a security agency bidding for computer or maintenance contract or providing data entry operators.
- Check whether the delivery of goods has been timely made in Limited Tender Contracts.
- Check whether bank guarantee or some security deposits have been taken both in the case of open tenders and limited tenders.
- Check whether the provisions of e-procurement wherever applicable have been adhered to.
- Whether adequate time was given for submission of bids and where time provided was less whether it was justified on file through adequate reasoning.
- If the goods are available on rate contract, the reasons for not using it should be determined.

- In case of specialized purchases, whether a team comprising of experts in the area has been nominated to supervise the procurement process to ensure that specifications etc. are as per the requirement.
- Check whether a market survey has been done by the purchase committee members to ascertain reasonableness of rates.
- Check whether adequate care has been taken to ensure that rates are reasonable and there is full value for the government money.
- Take a sample of purchases up to Rs.25,000 as well and check for all the provisions of GFR and the certificate to be recorded in this regard.
- Check whether all the goods purchased under above mentioned categories of purchases have been taken and entered into the stock register as well.
- Test a sample about the goods procured which have been put into actual use and have been inspected and installed properly.
- Check whether the guidelines for specialized purchases such as laptop and staff car have been followed and proper approval has been obtained.
- In case of single source purchases, whether adequate justifications have been provided or not.
- Check whether EMD and performance security of the appropriate amount were obtained wherever applicable
- Check whether there is an adequate plan for putting the procured goods to proper use and steps have been taken in this regard.
- Check whether necessary PAC certificates have been issued for the single source purchases under GFR-164.
- Check whether bills are generated online against the GeM purchases in compliance to the M/o Finance instructions. If off-line, then necessary entries have been affected on GeM portal.
- Advance payments to suppliers, if any, shall be made as per rule 172 of GFR2017.
- Standard methods of obtaining bids followed i.e. advertised tender enquiry, limited tender enquiry, two bid system etc.
- E-publishing of tender enquiry.

- Check if the important clause relating to earnest money, Delivery Schedule, Payment terms, Performance/Warrantee Bank Guarantee, and liquidated Damages/penalty for the delayed supplies etc. are being incorporated in the bid documents.
- Whether fresh tender is awarded in case of failure of L1 bidder, etc.
- Check the organization's total budget in office expenses and specifically that utilized for procurement.
- Check whether all the procurements proposals are sanctioned as per financial powers delegated to the concerned authority.
- Audit shall verify compliance with mandatory procurement through GeM wherever applicable, use of e-procurement, and online generation of bills and payments. Patterns such as year-end bulk purchases, repeated vendors, or splitting of demand shall be examined from a risk and propriety perspective

5.16.2. Audit of Procurement of Services

- Check whether the requirement of the services to be procured has been justified properly and duly approved by the competent authority. Check whether the services to be procured are of routine nature or are some specialized tasks requiring some high level of skilled manpower.
- In case of routine service procurements such as unskilled labourers or security guards, terms and conditions with respect to type of work, hours of work, days of work etc. should be clearly specified.
- In routine service procurements, a proper competitive bidding according to the value of contract should be done.
- In routine service procurements, all the phases of procurement should be adequately checked such as sufficient time for submission of bids, a fair competitive bidding process, NIQ to reputed agencies, agency selected must have a Goods and Service Tax Identification Number (GSTIN), advertisement through website of the organization along with letters sent to certain selected agencies etc.
- The provision of providing minimum wages as per the local government rules should be ensured in terms and conditions of the contract.

- Applicable tendering process has been adopted for the procurement of services and tender was published on CPP portal for the procurement made outside GeM.
- Proper justification has been recorded against the single source selection. As per Rule 194 of GFR 2017, for Single Source Selection/Consultancy by nomination, the selection by direct negotiation/nomination, on the lines of Single Tender mode of procurement of goods, is considered appropriate only under exceptional circumstances such as:

  a) Tasks that represent a natural continuation of previous work carried out by the firm.
  b) In case of an emergency situation, situations arising after natural disasters, situations where timely completion of the assignment is of utmost importance and
  c) Situations where execution of the assignment may involve use of proprietary techniques or only one consultant has requisite expertise.
  d) Under some special circumstances, it may become necessary to select a particular consultant where adequate justification is available for such single-source selection in the context of the overall interest of the Ministry or Department. Full justification for single source selection should be recorded in the file and approval of the competent authority obtained before resorting to such single-source selection.
  e) It shall ensure fairness and equity, and shall have a procedure in place to ensure that the prices are reasonable and consistent with market rates for tasks of a similar nature; and the required consultancy services are not split into smaller sized procurement.

- Procurement of non-consulting services by nomination as per Rule 204 of GFR 2017- Should it become necessary, in an exceptional situation to procure a non-consulting service from a specifically chosen contractor, the Competent Authority in the Ministry or Department may do so in consultation with the Financial Adviser. In such cases the detailed justification, the circumstances leading to such procurement by choice and the special interest or purpose it shall serve, shall form an integral part of the proposal.

- It should be checked that the agencies quoting below the minimum wages should be excluded from the competitive bidding.
- In case of skilled manpower for routine work such as Data Entry Operators and programmers, the terms and conditions should be adequately specified.
- The performance of Data Entry Operators and Programmers should regularly be measured and audit should check that there is at least some system for ensuring adequate performance by the hired manpower.
- In case of specialized tasks requiring very high skills, a team to monitor the project should be constituted from the organization which would work in coordination with the hired agency to ensure proper service delivery.
- A purchase committee should help the project implementation team in ensuring that all the provisions of GFRs are adhered to.
- The terms of reference, the work specification etc. should be clearly stated and there should be a regular interaction between the project implementation team and the external agency to ensure that it is able to understand the work and deliver adequate level of performance. The audit must check these aspects.

5.17. Audit of Grants-in-Aid

The main aim of audit of grants-in-aid is to ensure that the amounts sanctioned as grants for the purposes are not mis utilized and standards of financial propriety are maintained in expending of resources. Audit can be applied to the original grant itself or to the expenditure which is subsequently incurred out of the grant.

As per Rule 236 (1) of GFR 2017, the accounts of all grantee institutions or organisations shall be open to inspection by the sanctioning authority and audit, both by the Comptroller and Auditor General of India under the provision of CAG(DPC) Act 1971 and internal audit by the Principal Accounts Office of the Ministry or Department, whenever the Institution or Organisation is called upon to do so and a provision to this effect should invariably be incorporated in all orders sanctioning grants-in-aid.

Audit of the grant shall be conducted according to the general principles/rules laid down for the expenditure from the consolidated fund of India and special terms and conditions specified, if any, in the sanction order of the grants in aid. Following documents and registers to be verified during the audit of grants in-aid:

- Order sanctioning the grants
- Register of grants
- Bills for the withdrawal of the grants
- Bank pass books
- Cash book, Ledger indicating utilization of grants and
- Utilization certificates

The audit of grant-in-aid consists of:

- Scrutiny of the method by which the sanctioning authority satisfied itself of the fulfilment by the grantee of the conditions precedent to the issue of sanction.
- Test check of the accounts or the return submitted by the grantee to see that the condition is actually fulfilled.
- The test check referred to above is conducted normally in the office of the sanctioning authority. It should be seen that before sanctioning grants-in-aid, the sanctioning authority has satisfied itself that proper arrangements exist for the scrutiny of the accounts of the grantee and that rules have been framed to ensure that grants are utilized by the grantee for the purposes for which they are intended and that unspent balances are refunded to Govt. after the close of the financial year.
- That utilization certificates in the form General Financial Rule (GFR) 2017 –12A from Grantee institutions and Annual Reports from voluntary organizations are received within stipulated time and action taken against defaulters by sanctioning authority as laid down in Rule 238 (1) to Rule 242 (3) of General Financial Rule (GFR), 2017. Prompt action is taken to obtain utilization certificate wherever wanting.
- Reports received from the Internal Audit Parties and statutory audit are looked into while sanctioning further grants.

- The grants-in-aid was properly spent on the specified objects within the time allowed in the sanctioning order or within a reasonable time if no limit has been fixed.
- Money has not been unnecessarily drawn in advance of the requirements to avoid lapse of funds.
- Any portion of the amount of grant-in-aid which is not ultimately required for expenditure upon the specified object is promptly refunded to Government and that no unspent balance of the previous grants-in-aid, if any, is lying with the grantee.
- That the register of grants-in-aid is maintained by the sanctioning authority in a proper form Civil Account Manual (CAM) 28 as envisaged in para 4.27.2 of Civil Account Manual (CAM) and all columns provided therein are complete and correctly filled in.
- All sanctions for grants-in-aid are noted in the register under proper attestation.
- All amounts paid are noted against the sanctions with relevant particulars.
- Any general or special order for releasing a particular grant in instalments is complied with.
- The nature of grant should be verified from Grants-in-aid sanction orders specifying normal grants or special purpose grants. If it is of special nature, then auditor must see that the circumstance under which grant was sanctioned continues to exist and the expenditure was made for the said purpose only.
- Whether proposals for grants–in– aid are prepared with proper estimations.
- Whether grant is disbursed only when the grantee utilizes substantial amount of the grant.
- Ascertain the achievement of overall objectives of the schemes for which grants-in-aid are sanctioned and there is no wasteful expenditure.
- Utilization certificate whether furnished for all the sanctioned grants as per provisions of GFR-2017.
- Interest earned on the grant has been remitted to CFI as per provisions of GFR-230(8).
- Any unused portion of grants is refunded or pending for utilization
- Whether grant-in-aid is transferred to any other purposes, without prior sanction of the competent authority.

5.18. Audit of Public Works

The Public Works includes Buildings, Roads, Irrigation, their construction, maintenance and repairs, etc. Audit of Works expenditure shall examine whether the expenditure has been incurred as per the procedure prescribed under the Central Public Works Accounts Code. The audit should check proper maintenance of the following registers and documents by the Public works department and should test check few entries with actuals:

- Cash book
- Muster roll
- Measurement book
- Works abstract
- Store accounts
- Contractors' ledger
- Register of works
- Priced stores ledger
- Transfer entry book
- Register of revenue realized and refunds
- Register of rents of building and lands
- Bank accounts, cheque books and bank draft registers

The auditor should verify the following points while auditing work accounts:

- Whether administrative approvals and technical sanctions have been accorded by the competent authority and provision of funds have been made.
- The procedure of calling for tenders and allotment of the work is to be examined to verify transparency in the system.
- Whether the rate paid for the work done are as per the rates allowed by the contract agreement.
- Scrutiny of Contractors Ledger maintained, if any, to verify and assess the correct position of dues or advances.
- Recoveries from the contractors for store materials supplied by the office are made at the correct rates.

- Advances given to contractors are as per proper sanctions and are adjusted timely.
- Whether final payment is made on obtaining completion report of work or not.
- Fixation and timely collection of rent on buildings to be reviewed and any undue delays should be reported.
- In the absence of contract agreements, the manner of release of payments and rates thereon needs to be examined with reference to the schedule of rates prevalent
- Whether payments in excess or in contravention of the terms of the contract causing undue financial aid to the contractor have been made.
- Cases involving financial losses to Government and undue financial aid to the contractors are specially examined.
- Payments for deviations in the work made with due approval and rate of payment whether correct or not.
- Penalty levied if any for non-completion of work in time as per agreement.
- Extension of time and extra payments for that, if any, whether as per rules.
- Whether any deviation in agreement quantities beyond stipulated limits. If yes, whether approval of competent authority obtained.
- Whether before awarding the tender to the PSUs, competition among them was ensured.
- Whether Mobilization Advance was given to the contractor. If yes, ensure proper recovery of advance and interest were done as per time schedule.
- Whether EOT was granted with LD. If yes, LD was recovered from the contractor's bill.
- Whether mandatory tests of water/material carried out as per agreement.
- Whether Condition of Notice Inviting Tender (NIT) fulfilled by contractor.
- Check if there is any splitting of works.
- Check for discrepancy in the fund flow statement.
- Check the documents for hindrances, site plan, foundation plan, site order book, etc at the work site.
- Check if there is approval from competent authority for any modification of additional items being added in the composite site/building at a later stage of project.
- Check if there are strong internal controls to monitor execution of work.
- Timely Submission of UCs by Housing Corporation.

- To ensure due performance of the contract, Performance Guarantee shall be obtained from the successful bidder.
- Deduction of Income tax at Source: Under Section 194C of the Income Tax Act, 1961, deduction of income tax is required to be made at source by disbursing officers from payments made to contractors.
- Check if GST has been deducted from the payment made to the Contractor as per the GST Act and instructions issued from time to time.
- Check the Occupancy Certificate that the engineer-in charge shall obtain before handing over of buildings for the budgeted works.

5.19. Budget Review

The Audit shall analyse the variance between budgeted and actual expenditure of the Auditee for a specific period, taking into account the appropriation and re-appropriation sanctions. Trend analysis, recurring excesses, and abnormal variations shall be highlighted for management attention. The Auditors shall verify the following:

- Expenditure booked under each head whether correctly classified or not.
- Approval of expenditure obtained from competent authority or not.
- The limit of expenditure prescribed for the Departments under cash management system whether followed or not.
- Excess expenditure under different account heads should be identified with reasons for such occurrence.
- A standard template is given in Table no. 3 for recording budget vs. excess expenditure review.

5.20. Audit Wrap Up

- Discuss any audit findings with the Audit Manager. After receiving approval, discuss audit findings with client management.
- Summarize and conclude.
- Complete and index working papers.

- Prepare a preliminary draft of the audit report, and clear review notes.
- Forward draft to client and request responses within an indicative timeline (normally 10 working days).
- Incorporate client responses into the final audit report.

If requested, schedule and hold exit conference and present the audit report.

Chapter- VI

Audit of Schemes/Programmes

The Ministry of Home Affairs (MHA) is implementing various schemes which are under the purview of internal audit. The objective of Scheme audit is to assess the proper utilization of funds released under these schemes and to see whether funds are being utilized as per scheme guidelines for the intended purposes. Under scheme audit, audit also verifies the cases of diversion and parking of funds, unspent balances, proper observance of codal formalities in procurements, timely release of money to the implementing departments from the state finance department and the adequacy of internal controls at each stage of fund flow**.**

Scheme audit shall primarily be risk-based and guideline-driven, without duplication of compliance audit checks already covered under Chapter V. The scheme-wise detailed checklists are provided below:

6.1. Work Program for audit of Security Related Expenditure (SRE Scheme):

6.1.1. Background:

The Security Related Expenditure Scheme was started to supplement the States' efforts in combating anti-national activities caused by militants/insurgents/LWE extremists under the umbrella Scheme "Modernization of Police Forces" of the states. At present, the SRE Scheme is implemented in 16 states of the country.

States covered under SRE are divided into 3 categories on the basis of activities of anti-national groups.

- **LWE affected States**: Under this, 108 districts of 11 Naxalite affected states Viz. AP, Bihar, Chhattisgarh, Jharkhand, MP, Maharashtra, Odisha, Telangana, UP, WB and Kerala are covered. Nodal Division for this category is LWE Division. Reimbursements to these states are made in 60:40 ratio of Central: State share, except for CAPF, where 100% reimbursement is made by Centre.

- **NE States:** Under this category, 6 north eastern states Viz. Assam, Meghalaya, Tripura, Nagaland, Manipur and Arunachal Pradesh affected by insurgency are covered. Nodal Division for these states is NE Division. Reimbursements to these states are made as 90:10 ratio of Central: State share, except for CAPF, where 100% reimbursement is made by Centre.
- **J & K and Himachal:** Under this category, 2 states, i.e., Jammu &Kashmir and Himachal Pradesh affected by militant activities are covered. Nodal Division for these two states is J&K Division. Three schemes, being handled by Department of Jammu and Kashmir Affairs, namely SRE (J&K): Police; SRE (J&K): Relief and Rehabilitation (R&R) and SRE (J&K): Security Environment (SE) is part of the Umbrella scheme on MPF. **SRE (J&K): Police** is a state sector sub-scheme with funding Centre: State: 90:10, **SRE (J&K): R&R** and **SRE (J&K): SE** are Central sector sub-schemes with 100% funding by Central Government.

6.1.2. Audit of SRE: Based on the latest guidelines issued by:

- NE Division vide letter No.6/16/2017-NE. I, dated 15th March 2018
- LWE Division vide letter No. II-18015/42/2017-LWE-III, dated 9th May, 2018
- J & K Division vide letter No.17012/21/2017-K. II, dated 19th Nov, 2018
- In case of conflict between earlier instructions and revised guidelines, the latter shall prevail.

6.1.3. General Checks Performed under SRE Audit:

- Separate accounts/records should be maintained for expenditure incurred on general law & order duties and the SRE Scheme.
- The reconciliation of all the third party/individual payments under SRE should be done from the records of Treasury/Bank by PHQ on a regular basis.
- Proper sanction orders mentioning the head of accounts, specifically indicating the nature of expenditure under SRE or General Administration need to be issued and maintained.
- Whether procedure for hiring vehicles has been followed properly and whether agreement has been signed or not.

- Claims of hiring of vehicles by CAPFs/Army shall be submitted with the utilization certificate along with a copy of car diary/log book duly signed/approved (with stamp) from the end user. All claims must be duly counter signed by the concerned CAPF authority.
- Whether stock entry and issue entry of POL have been maintained properly in the log books.
- Proper stamping of SRE Claims as Paid or Cancelled on bills/vouchers is required to avoid the double payment by resubmitting the bills again.
- Whether PHQ is maintaining a separate register / record /cash book for SRE claims to ascertain the expenditure booked under SRE. PHQ officers were advised to maintain separate register/record/cash book in an organized manner for all the security related expenditure.
- For all kinds of advance payments, a settlement claim must be followed with actual Delivery Challan. Ledger Stock certified in the counter-part of the Challan and duly passed by the DDO to settle his earlier payment made as advance.
- Whether POL is also provided to the Forensic Science Laboratory and Fire Service Department which is not in order, as these departments are not under the administrative control of Police Department.
- In case of CAPF payments, all claims must be duly counter signed by the concerned CAPF authority.
- In case of rehabilitation claims, letters/records under which militants/surrendered individuals are sent to rehabilitation camp must be made available in the claim file so that the claim for expenditure in the camp may be verified.
- Prior approval of SRE standing committee to be obtained for hiring of helicopter. In case of emergent situation, where hiring of helicopter is unavoidable, ex-post facto approval may be obtained before submitting the claim to the audit for reimbursement.
- Whether district officials dealing with SRE Funds are aware of the observations raised by audit team. It is observed that despite the circulation of SRE Guidelines to the concerned DDOs of LWE affected districts, they seemed to be quite ignorant of the provisions of SRE Scheme.

- With effect from 01.10.2018, the Drawing & Disbursing Officer (DDO) is required to deduct 2% Goods and Service Tax (GST) (1% CGST & 1% SGST) from the supplier as Tax Deduction at Source (TDS) and deposit the same amount to the appropriate Government Accounts and provide deduction certificate to the supplier.
- The bills/invoices received from the supplier should be printed and incorporate the tax number such as TIN No., VAT No. or any municipality number. In the case of service providers service tax number and TAN number should be given on the invoice/bill.
- All units may be instructed to encourage payments through Direct Bank Transfer/RTGS/NEFT mode only.

- Check whether claims have been processed as per scheme guidelines and claims are allowed only upto applicable Central Share under the specific item.
- Check whether any advance has been given to the State Government and the same has been taken into consideration while recommending the claims.
- Check whether there has been any wasteful expenditure resulting from lack of co-ordination amongst the several aspects of the scheme.
- Check whether the entire expenditure under Carriage of Constabulary (COC) has been incurred against security arrangements.
- Check whether the items purchased under Material and Supplies are really meant for security of the state.
- Check whether TDS has been deducted from the rent paid to land-owners.
- Check whether stipend to Special Police Officers (SPO) is paid manually or through Electronic Clearing System (ECS).
- Check whether ex-gratia relief is distributed properly to the eligible beneficiaries only.
- Check whether Relief and Rehabilitation work has been done impartially.
- Check whether training programs to the State Police Forces are being conducted on regular basis specially to face the insurgencies in the state.
- Check whether proper means are adopted for community policing by the local police i.e. organizing health camps, social functions, etc. for the welfare of the local populations.

- Check whether expenditure is incurred properly by Village Defense Committee/Nagrik Suraksha Samiti comprising local youth for creation of Security Related Expenditure in the village.
- Check whether police personnel engaged in anti-Naxalite operations are insured and premium is being paid on regular interval.
- Whether Civic Action Programs are being conducted by the Central Armed Police Forces (CAPF) as per the approved norms/guidelines issued by ministry of home affair (MHA).
- Check from the list of ex-gratia relief distributed and try to ascertain that money distributed has reached to the intended beneficiary in a sufficient amount.
- Check the details of training program conducted and the number of personnel trained in the program.
- Check the procurement process for material and supplies as per the provisions of GFRs and in case of deviations ascertain the reasons for deviation.
- Audit shall also verify whether the State/implementing agency has established a system for periodic reconciliation of SRE expenditure with treasury/bank data and whether such reconciliation is documented.
- Wherever payments are made through electronic mode (RTGS/NEFT/DBT), audit shall verify beneficiary bank details, Aadhaar linkage (where mandated) and PFMS-generated reports to ensure accuracy and prevent duplication.

6.1.4. Detailed Check List of SRE:

- Special Training to State Police Force and Prison Administration Personnel:
  a) List of trainees
  b) Purpose of training – counter insurgency capabilities
  c) Training institute – whether designated training institutes like NEPA, Jungle Warfare School or in an institution recognized by BPRND
  d) Period of training
  e) Total expenditure incurred
  f) Sanction of authority
  g) Whether administrative & establishment expenditure included. Establishment Expenses of Training Institute – not covered
  h) TA/DA, other expenditure charged by the institute.

i) Consumables like training material, etc. (except covered under MoPF) – not covered.

- Expenditure incurred on raising of IR Bns(applicable to NE)
  a) Component- wise expenditure
  b) Sanction of competent authority
  c) Prescribed rates for raising battalion.

- Civil Works:
  a) Type of construction – whether accommodation, camp site, repair work etc.
  b) Infrastructure support to CAPFs upto Rs.10 lakh, in emergent cases if (Applicable to NE):
     - Approved of state govt.
     - Reviewed by SRE Committee.
  c) Capital expenditure on creation of designated camp, repairs, provision of equipment and other necessities if there is (applicable for NE)
     - Prior approval of the Central Government.
  d) In case of repairs, whether requisition for the same has been given by concerned authority.
  e) Works carried out by the PWD/Housing Corporation or any engineering cell.
  f) Statement showing detail of works with awarded cost, name of agency, date of start, stipulated date of completion/actual date of completion, gross amount paid.
  g) Tendering process of work and whether Condition of Notice Inviting Tender (NIT) fulfilled by contractor.
  h) Check whether a fixed assets register is maintained.
  i) Physical progress of projects shall be regularly monitored to avoid unnecessary delays which leads to cost escalation.
  j) Check the documents for hindrances, site plan, foundation plan, site order book, etc. at the work site.
  k) Check for delay in execution of work/supply order and reasons thereof.
  l) Check whether a timely extension of time (EOT) was granted before completion of scheduled time of project, in case of delay.
  m) Non-completion of work by the justified extended date would make the contractor liable to compensation.
  n) Check if there are strong internal controls to monitor execution of work.
  o) Timely submission of UCs by execution agency.
  p) Record maintenance – stock register etc.
  q) To ensure the due performance of the contract, Performance Guarantee shall be obtained from the successful bidder.

r) Deduction of Income tax at Source: Under Section 194C of the Income Tax Act, 1961, deduction of income tax is required to be made at source by disbursing officers from payments made to contractors.

s) GST is deducted from the payment made to the Contractors as per the GST Act and instructions issued from time to time.

t) Check the Occupancy Certificate that the engineer-in charge shall obtain before handing over of buildings for the budgeted works.

u) Check the budget allocation on the project and find out the execution status of the project.

v) Check whether the agency to which housing project has been allocated has been selected through due process of tendering.

w) Is there any parking of fund by the agency implementing the project?

x) Check whether the targets specified for civil work has been achieved in that financial year.

- Expenditure on provisions for transport communication, accommodation and other logistics, for CAPFs/army. Check the following in all cases:
  a) Vouchers are to be countersigned by CAPFs/Army.
  b) Procurement rules as per GFR-2017
  c) Requisition letter by CAPFs
  d) Utilization Certificate by CAPFs& state government.
  e) Whether GST/ITAX/Service Tax deducted wherever applicable
  f) For Hiring of vehicle, also check the following:
     - It can include expenses for hiring of drivers for the vehicles provided to CAPFs.
     - Sanction no. and date of competent authority
     - Name of Agency (Service Provider)
     - Bill No. and Date of payment
     - Regn. No. of vehicle hired by the state (district wise)
     - Hiring charge of the vehicle.
     - Hiring of weapon (applicable to LWE)
     - Hiring of Helicopter (Prior approval of SRE Committee).
  g) For Electricity/Water Charge
     - No. date, period and amount of bills
     - To whom paid
  h) Communication
     - Name and No. of item.
     - Sanction no. and date of competent authority
     - Name of Agency
     - Bill no. and date of payment

- Procurement rules, as applicable under GFR 2017

- Ex-Gratia and Compensation, check the following:
  a) List of the person killed/injured and beneficiaries name district wise
  b) Sanction of the State Govt.
  c) Rates of Disbursement based on death/permanent incapacity etc., for civilians / security personnel, as approved by the MHA
  d) Approval of Screening Committee
  e) Death Certificate
  f) Post-mortem Certificate
  g) Note: in case of death or permanent incapacity of CAPF personnel, 100 percent will be borne by the central government.

- Expenditure on POL
  a) Details of Expenditure incurred district wise
  b) List of vehicles
  c) Log book of the vehicles
  d) Bill no. and date,
  e) To whom paid, amount and
  f) Vouchers are to be countersigned by CAPFs/Army.
  g) Whether VAT deducted, wherever applicable
  h) Note: 75% of expenditure incurred on POL by the State Police will be reimbursed entirely by the Central Government (Applicable for NE).

- Expenditure incurred on Home Guard used for security, check the following:
  a) Number of Home Guards, whether approved by MHA
  b) Ceiling Rates as prescribed by MHA
  c) Period of deployment
  d) Total expenditure
  e) Mode of payment
  f) Mandatory Adhaar link (applicable for NE)

- Expenditure incurred on village Defense Committee/Force/Village Guards/SPOs
  a) No. of VDC/SPOs – whether approved by MHA
  b) Ceiling Rates as prescribed by MHA
  c) Period of deployment
  d) Total expenditure
  e) Mode of payment
  f) Mandatory Aadhaar link (applicable for NE)

g) Experience of SPOs for J & K as the honorarium is Rs.6000 for less than 3 years' experience, Rs.9000 on completion of 3 years, Rs.12000 on completion of 5 years, Rs.15000 on completion of 10 years and Rs.18000 on completion of 15 years.

h) Pay and Allowances to Assistant Constable of Chhattisgarh is subject to the ceiling approved by the SRE Committee of MHA and a maximum ceiling of Rs.6,000/- per month per Assistant Constable.

i) Whether the SPOs are ex-army/policemen or not.

j) For VDC (applicable for LWE)
   - Security Related Infrastructure – details, if created.
   - Maximum ceiling by MHA Rs.3 Lakh/VDC/Year
   - Not more than 20 % of total outlay of SRE Scheme.

- Reimbursement of expenditure incurred on maintenance of designated camps of militant's group with whom central govt./state govt. has entered in to Suspension of Operation/Cession of Hostilities will be admissible
  a) Name of Surrendered
  b) Name of Militant's group
  c) Date of Surrender
  d) Amount paid as one-time grant – whether as per rates of MHA.
  e) Sanction letter
  f) Approval of screening Committee.
  g) Additional incentives, if any, for weapon/A&A surrendered.
  h) Rates of Monthly stipend (for period of 36 months).

- Training of Suspension of Operations (SoO) Cadres:
  a) Agreement among the signatories i.e. central/state government and surrendered militants
  b) No. of such trainees
  c) Name of vocation and training
  d) Duration of training
  e) Actual expenditure on such training
  f) Mandatory AADHAR link (applicable for NE)
  g) Vouchers and supporting documents.

- Strengthening Police Station/Check Post/Police Out Post (For LWE states):
  a) Whether Capital work undertaken – not to be reimbursed as per guidelines.
  b) Exp. Incurred on strengthen.: Barbed fencing, Lighting etc.
  c) Whether POL expenditure included.

- Publicity (For LWE states):
    a) Maximum ceiling of Rs.7 Lakh per LWE affected district. 60 (Centre Share) : 40 (State Share)
    b) Whether CGST/SGST – charged.

- Property Damage assistance (For LWE states):
    a) Ceiling rates as prescribed by MHA
    b) Whether damage assessment done by district authorities
    c) Whether property belonged to civilian or CAPF

- Insurance Premium (For LWE states):
    a) No. of personnel insured.
    b) Insurance premium as per ceiling rates of MHA.

- Ammunition used by state police (For LWE states):
    a) Type of Ammunition
    b) Total expenditure claimed
    c) Whether VAT/GST Charged.

- Community Policing (For LWE states):
    a) Activities undertaken for Community Policing.
    b) Ceiling rates as prescribed by MHA.

- Carriage of Constabulary (COC) (For J & K Police)
    a) Sanction no. and date of competent authority
    b) Name of Agency (Service Provider)
    c) Bill No. and Date of payment
    d) Regn. No. of vehicle hired by the state (district wise)
    e) Hiring charge of the vehicle
    f) Whether countersigned by the CAPF authority or not.
    g) Whether GST/ITAX/SERVICE TAX deducted wherever applicable
    h) Procurement rule as per GFR–2017
    i) Requisition letter by CAPFs
    j) Counter signature of Bill by CAPFs
- Rent of accommodation hired for Security Forces (For J & K Police)
    a) State (Director of Estates) guidelines regarding hiring of accommodation.
    b) Type of accommodation.

c) Copy of rent agreement duly signed by landlord and authorized signatory on behalf of J&K Police.

d) Name of the authority to which accommodation is provided.

e) Approval of the competent authority.

f) Period and amount of bill.

g) Receipt from landlord/Statement showing disbursal of rent to landlord.

h) CAPF wise claim with location of accommodations.

i) Whether GST/ income tax deducted wherever applicable.

- Material and Supplies (M&S) (excluding expenditure on uniforms) (For J&K Police).
  a) List and Quantity of material and supplies provided.
  b) Application of the supplies for e.g. Sand and limestone for construction of bunkers and guard rooms etc.
  c) Procurement process, as per GFR–2017.
  d) Requisition letter by concerned CAPF.
  e) Counter signature of Bill by CAPFs Authority.
  f) Strength of Concerned CAPFs Personnel.
- Additional Police Battalions: 10th IR Bn to 15th IR Bn, 14th JKP BnFive DAR Coy and 114 Border Posts5th IR Bn (For J & K Police)
  a) Sanction/approval of competent authority for raising the battalions.
  b) Reimbursement is claimed as per amount approved by the MHA.
  c) Component- wise expenditure.
  d) Prescribed rates for raising battalion
- Expenditure on Detenues (For J & K Police).
  a) Component wise detail of expenditure
  b) Number of Prisons and Prisoners.
  c) Whether VAT/GST Charged.
  d) Sanction of Competent Authority
  e) Procurement process, as per GFR–2017.

- Civic Action Programme (J&K Police)

    a) List of the Civic Activities Organized.
    b) Activity wise expenditure detail.
    c) List of Beneficiaries.

- Air Lift Charges (J&K Police)

    a) List of airlifts along with the name of pick up and drop station.
    b) Reason of airlift.
    c) Air Lift wise expenditure detail.

- Security Works by Police Department, with the approval of SRE Standing Committee (J&K Police)

    a) Amount issued to CAPFs as per approved work plans of MHA.
    b) Utilization/Completion certificate issued by concerned CAPF.

- Additional SRE at the time of elections. Items to be got cleared in SRE Standing Committee for each election (J&K Police)

    a) Component wise detail of expenditure
    b) Name of election
    c) Sanction of Competent Authority

- Trade Facilitation Centre (TFC), (J&K Police)

    a) List of the Trade Facilitation Centres.
    b) Component wise expenditure of on up gradation of TFCs.

- Cash Assistance and Free ration to J&K Migrants under Relief & Rehabilitation(R&R) (J&K)

    a) List of the beneficiaries.
    b) Ceiling of ration/Cash assistance per head.
    c) Process adopted to identify needy.

- Rehabilitation of Widows and Orphans Under R&R (J&K)

    a) List of the Widows /Orphans benefitted from this scheme.
    b) Rate of Pension per month.
    c) Mode of Payment.

Note: The checklist is indicative. Audit coverage may be expanded or curtailed based on scheme-specific risk assessment, materiality of expenditure and prior audit observations, with approval of the competent authority.

6.2. Audit of Assistance to States for Modernization of Police Schemes.

The Union Ministry of Home Affairs revamped the scheme for Modernization of Police Force (MPF) introduced in 1969 with enhanced allocation from 2000–2001 to augment the operational efficiency and striking capability of the State Police Force to face the challenges of internal Security, extremist activities and law and order situation in the State.

Ministry of Home Affairs (MHA), Govt. of India vide Circular No. 21011/57/2017-PM-I dated 13th December, 2017 had conveyed the approval for continuation of the Scheme for Modernization of Police under the umbrella scheme of 'Modernization of Police Forces (MPF)" for a further period of three years from the Financial Year 2017-18 to 2019-20.

Funds are provided to the States under the Police Modernization Scheme to modernize their police forces in terms of modern weaponry, latest communication equipment, mobility and other infrastructure. The Naxal affected States have also been asked to identify vulnerable police stations and outposts in the Naxal areas and take up their fortification under the scheme.

However, some states need to improve the level of utilization of funds under the Scheme. Audit shall verify adherence to Annual Action Plans (AAPs) approved by the competent authority and assess whether delays, if any, have resulted in cost escalation, accumulation of unspent balances or diversion of funds.

Interest earned on scheme funds shall be examined specifically to ensure timely remittance to Government of India as per Rule 230(8) of GFR 2017.

6.2.1. Audit Checklist of Police Modernization Scheme

- **Whether there is delay in receipt of funds:**
  a. by States from Ministry of Home Affairs (MHA)
  b. by the police headquarters.
- **Whether state share of funds have been released (as per category of state listed in scheme guidelines).**
  a. Category A (includes J & K and North eastern states) with 90:10, or Category B (rest of the states) 60:40
  b. Whether the state share has been released and
  c. When was it received by Police Headquarters.
- **Whether there is accumulation of previous year's unspent balance**
  a. Amount unspent and from when:
  b. Revalidation by states in current year:
- **Whether all projects being implemented in states:**
  a. Are approved under state's annual action plan (AAP)
  b. Whether all approved projects of AAP taken up?
  c. Whether there is any diversion of funds without obtaining specific approval of the state level executive committee (SLEC) and the MHA.
- **Banking arrangement:**
  a. Whether a separate savings bank account has been opened for MOPF funds as per requirement of guidelines.
  b. Whether the interest earned is remitted back to MHA as per GFR 2017.

- **Utilization of MoPF funds:**

  a. Whether utilization certificates are submitted for funds released in the year previous to last financial year.

  b. Whether actual utilization of funds has taken place.

- **Arms and ammunition:**

  a. What was the amount given as advance to Ordnance Factory Boards.

  b. Check whether the weapons have been timely received by the State Government.

  c. Check whether the weapons procured have been put under proper use.

  d. Check whether the persons who would be using these weapons have been identified and adequate training has been provided in this regard.

  e. Check whether the weapons are being given to the trained personnel so that they can use it at the time of requirement.

  f. Check whether proper inspection of goods has taken place before delivery.

  g. Check whether a technical committee has made proper evaluation for selecting the right type of weapons.

- **Whether provision of GFR 2017, CPWD Manual, and guidelines of Central Vigilance Commission (CVC), etc. are followed in procurement of goods and services, for instance:**

  a. Whether Procurement of goods and services taken up through Gem.

  b. Advance payments to suppliers, if any, shall be made as per rule 172 of GFR 2017.

  c. Standard methods of obtaining bids followed i.e. advertised tender enquiry, limited tender enquiry, two bid systems etc.

  d. E-publishing of tender enquiry.

  e. Check if the important clause relating to earnest money, Delivery Schedule, Payment terms, Performance/Warrantee Bank Guarantee, and liquidated Damages/penalty for the delayed supplies etc. are being incorporated in the bid documents.

  f. Whether fresh tender is awarded in case of failure of L1 bidder, etc.

- **Whether the following are followed w.r.t Housing and other construction activities under the scheme:**
  a. Condition of Notice Inviting Tender (NIT) fulfilled by contractor.
  b. Check if there is any splitting of works.
  c. Check fixed assets register is maintained
  d. Any construction activity shall be approved only after the Police or Home Department has acquired title and possession of land for work. Further, necessary procedure as mandated by GFR, CPWD manual shall be followed in execution of the works.
  e. Physical progress of projects shall be regularly monitored to avoid unnecessary delays which lead to cost escalation.
  f. Check for discrepancy in the fund flow statement by police headquarters (PHQ) and Housing Corporation and the Bank statement.
  g. Check composite plans for site, e.g. If it includes water and sanitation work layout and whether it was taken up at the site.
  h. Check the documents for hindrances, site plan, foundation plan, site order book, etc. at the work site.
  i. Check if there is approval from competent authority for any modification of additional items being added in the composite site/building at a later stage of project.
  j. Check for delay in execution of work/supply order and reasons thereof.
  k. Check if timely extension of time (EOT) granted date before completion of scheduled time of project, in case of delay.
  l. Non-completion of work by justified extended date would make the contractor liable to compensation.
  m. Check if there are strong internal controls to monitor execution of work.
  n. Timely Submission of UCs by Housing Corporation.
  o. Record maintenance – stock register etc.
  p. Annual physical verification of stock
  q. To ensure due performance of the contract, Performance Guarantee shall be obtained from the successful bidder.

r. Deduction of Income tax at Source: Under Section 194C of the Income Tax Act, 1961, deduction of income tax is required to be made at source by disbursing officers from payments made to contractors.

s. GST is deducted from the payment made to the Contractor as per the GST Act and instructions issued from time to time.

t. Check the Occupancy Certificate that the engineer-in charge shall obtain before handing over of buildings for the budgeted works.

u. Check the budget allocation on the housing and find out the status of the housing project.

v. Check whether the agency to which housing project has been allocated has been selected through due process of tendering.

w. Is there any parking of fund by the housing agency implementing the project?

x. Check whether the targets specified for housing have been achieved in that financial year.

- **Communication**

a. Check whether communication equipment required to be procured have been identified.

b. Check whether communication equipment's have been procured and installed in the concerned office/units.

c. Check whether the communication equipment's have been procured as per the provisions of GFRs.

d. Check whether the communication equipment's have been procured and inspected before installation. Also, the criteria of selection of the communication equipment should be checked.

e. Check whether funds meant for communication equipment's have been utilized completely.

- **Other Check Points**

a. Is there a coherent road map and action plans prepared on an annual basis and implemented properly?

b. Check whether there is a proper plan for utilizing each component of fund.

c. Check when was the fund released to the implementing agency and what action has been taken the agency since then.
d. Check whether the procurement process is proper as per the provisions of GFRs.
e. Check whether a proper plan for training has been established and integrated with the procurement of the equipment's and other components.
f. Check whether the funds meant for computerization and procurement of other equipment's have been utilized properly.
g. Check whether the procurements under the scheme have been made through GeM.
h. Check whether all the provisions of the GFRs and other components of procurement procedure have been followed.
i. Check whether the process of tendering and tender finalization is fully transparent and as per the provisions of GFRs.
j. Check the actual utilization of funds by looking at physical performance of the fund.
k. Check whether all the provisions of the scheme have been adhered to.
l. Check whether there are any unspent balances at the end of the year.
m. Check the type of account in which money is being kept by these implementing agencies.
n. Check whether there is any interest earned on these accounts and how the interest has been accounted for. Whether, the interest earned on releases from GOI has been remitted back to GOI as per provisions of GFR-230(8).
o. Check whether there is any diversion of funds from plan to non-planned vice versa.
p. Check whether a liquidated damage has been charged or not for delay in supply beyond delivery period
q. Check whether the funds given for procurement of equipment's for Forensic Science Laboratory (FSL) have been utilized properly.
r. Check whether specialized inspection have been conducted for Forensic Science Laboratory (FSL)equipment's
s. The risk profiling mentioned above is illustrative and shall not be treated as exhaustive.

Overall, the responsibilities of the concurrent audit team would include reporting on the adequacy of internal controls, the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the level of compliance with financial norms and procedures. In this context, the risk-based profiling above is indicative and not comprehensive.

6.3. Audit of BADP Scheme

Border Area Development Programme (BADP) was framed to meet the special development needs and well-being of the people living in remote and inaccessible areas situated near the international border and to saturate the border areas with the entire essential infrastructure through convergence of Central/State/BADP/Local schemes and participatory approach. It is 100% centrally funded programme. The following states which constitute the international land borders are under Border Area Development Program (BADP) Scheme:

S. No	Name of the States	S. No.	Name of the States
1.	Arunachal Pradesh	11.	Punjab
2.	Assam	12.	Rajasthan
3.	Bihar	13.	Sikkim
4.	Gujarat	14.	Tripura
5.	Himachal Pradesh	15.	Uttar Pradesh
6.	Jammu & Kashmir	16.	Uttarakhand
7.	Manipur	17.	West Bengal
8.	Meghalaya	--	------
9.	Mizoram	--	-------
10.	Nagaland	--	-------

6.3.1. Audit of BADP: Based on Modified Guidelines of BADP (June, 2015)

- Check whether Annual Action Plan (AAP) has been prepared and approved by the Ministry and works/procurement are as per approved AAP.
- Whether all the authorities listed under the Scheme were consulted while preparation of annual action plan of the district.
- See the minutes of meetings of DLC and other meetings with line departments such as Rural Development, PWD, Education, and Health etc. related to BADP.
- Check total number of villages taken up for Development under annual action plan
- See whether any baseline survey was conducted as per scheme guideline
- Check the criteria for selection of the village for BADP scheme
- Criteria for saturation of villages falling within 0-10 km, if applicable, in case of selection of villages beyond 10 km.
- Check Project taken up in district annual action plan for strategically positioned village are recommended by BGF (Border guarding Force).
- Check allocation for model village, if any and projects taken up under it. The current status of development of model village.
- Check details of assets created under BADP during the year of Audit
- Check maintenance of assets created
- Check the list of NGOs/Private agencies involved in the implementation of BADP
- Check inventory of stocks, if any
- Check the mode of payment
- Check Bank Accounts opened under BADP Scheme, details of such bank accounts, Account No.'s and statement issued.
- Check status of RTI received related with BADP
- Check if there is any parking of funds
- Check any change in the scope of works with reason and permission thereof.
- Check process/procedure for allocation of works to various firms.
- Check instances, if any of theft or frauds.
- Check procedure for effective involvement of local population, voluntary agencies, Self-Help Groups (SHG) for planning and executing the schemes.

- Check utilization certificate at district level.
- Check the list of projects/works which are under execution and status thereof.
- Check the list of left out villages which falls under 0-10 Km and reasons thereof.
- Audit shall also assess convergence of BADP works with other Central/State schemes to avoid duplication of assets and expenditure.

6.4. Audit of Central Scheme for Assistance to Civilian Victims/ Family of Victims of Terrorist/Communal/Left Wing Extremism (LWE) Violence and Cross Border Firing and Mine/IED Blasts on Indian Territory

- **About the Scheme:** The broad aim of the Scheme is to assist "Civilian Victims of Terrorist Violence including Militancy, Insurgency, Communal/ LWE Violence and Cross Border Firing and Mine/lED blasts on Indian Territory".

  The Central Scheme for Assistance to Civilian Victims of Terrorist and Communal Violence is effective from 1st April, 2008 and from 22nd June, 2009 for the cases of LWE Violence. It is effective for Cross Border Firing and Mine/IED blasts on Indian Territory with effect from the date of Cabinet's approval i.e. 24.08.2016.

Under the scheme, the central government makes 70% payment immediately and balance 30% after receipt of audit verification report by the IAW of MHA.

- **Checklist for IAW (Based on the revised guideline of the scheme applicable from 03.10.2019):**

a) Identification of victims – whether verified by the district level committee that they actually suffered / died due to Terrorist, Communal or LWE Violence and Cross Border Firing and Mine/IED blasts on Indian Territory, as the case may be.

b) Check the documents for verification:
   - Copy of application submitted by the NoK of Victim for assistance
   - Copy of FIR filed by the family of deceased victim
   - Copy of Death-cum-Postmortem certificate in the event of Death,

- Medical Certificate in the event of permanent incapacitation,
- Birth certificate of the Claimant (if minor),
- Family & Residential proof of the beneficiary viz. Ration Card/Voter ID etc.
- Copy of Sanction Order issued by District Collector & District Magistrate certifying the next of Kin (NoK) of the deceased victim.
- A copy of order issued for release of financial assistance to the beneficiary.

c) Whether Bank Details of the beneficiary are Adhaar linked (as mandated by MHA guidelines).

d) Check whether the amount credited to the affected family is as per latest guidelines of MHA i.e. Rs. 3 Lakh (for incidents that occurred before 24.08.2016) and Rs. 5 lakhs (for incidents that occurred on or after 24.08.2016). The financial assistance shall be made forthwith in the following manner:

- 50% of financial assistance is to be made to the civilian victim's/beneficiary's Aadhaar-linked savings bank account and
- Rest 50% of financial assistance would be put in a fixed deposit account [Joint or Single in the name of the family member(s)] in a Nationalized Bank (if there is no nationalized bank within the vicinity of the beneficiary, account may be opened in any scheduled commercial bank).

- FD would have a minimum lock-in period of 3 years or if there are only minor children in the family, till the eldest child attains the age of majority, whichever is later.

e) Details of Fixed Deposit made in the nationalized bank in the name of beneficiary with condition of lock-in-period of 03 years. Condition of lock-in period may be dispensed with under the following circumstances:
- Higher studies of dependent children,
- Construction of first house property,
- Costly medical treatment, or as may be prescribed from time to time.

f) Whether the bank credits the quarterly interest during the lock-in period and the principal amount after the lock-in period, directly into the account of beneficiary.

g) Sanction letter for 70% of amount issued by M/o Home Affairs (IS-II Division/VTV Section) to state Govt.

h) Any other record related to the assistance made to family of victims. Audit shall ensure that assistance is released only after verification by competent district authorities and that audit verification reports are issued within an indicative timeframe to avoid hardship to beneficiaries.

6.5. Audit of Civic Action Program

Checklist for funds released to CAPFs under Civic Action Programme in LWE Region

Background: - Civil Action Programme is implemented in LWE affected areas since 2010-11, to project human face of the security forces before the local population by increasing direct interaction between them. Therefore, this sub-scheme has been operated as a component of the Umbrella Scheme, 'Modernization of Police Forces'. This is a Central Sector Scheme.

A) General Checklist:

- Check whether the expenditure is made on civic activities mentioned in the revised guidelines of the scheme issued vide letter No.: 18015/39/2017/LWE-I dated 23rd November, 2017.
- Check whether the entire fund released by MHA was utilized during same financial year.
- Whether fund was timely released to the respective CAPFs
- Whether HQ of concerned CAPFs timely distributed the funds to the battalions/companies, deployed in LWE affected area.
- In case of special projects, check whether the expenditure is made on Civic Activities relating to 'Skill Development' and 'employment generation' for improving the living standard of the people in the LWE affected districts.
- Check whether procurement process has been followed as per GFR 2017
- Audit shall focus on transparency, beneficiary identification, and evidence of actual execution of activities, without evaluating policy outcomes.

- Audit shall confine itself to financial propriety, contractual compliance and adherence to CPWD/GFR provisions, and shall not undertake technical evaluation of designs or specifications.

B) Civic Activities Wise Checklist:

- **Health Camps:** Organizing of health camps, distribution of medical equipment/medicines and bearing cost of lab tests of the needy patients, being treated in these camps. Distribution of mosquito-nets in malaria endemic prone areas. Providing due help for bringing patients/pregnant women to the nearest Primary Health Centers/Hospitals.
  a. Address of the location where health camp was organized.
  b. List of the beneficiary along with their phone number & address, underwent health checkup/Lab test in health camp.
  c. List of the medical equipment's/medicines/mosquito-nets distributed against the name of respective beneficiary during health camp.
  d. Clear photographs of the health camp.
  e. Prior recommendation of medical officer may be obtained before purchase of medical equipment/medicines.
  f. Component wise expenditure
- **Vocational Training/Skill Training for Human Resource Development:** Human Resources Development by arranging vocational training, skill training relating to handicraft/cottage industries, pre-recruitment training, career counseling, coaching etc. for the youth and providing study material for the school of children.
  a. Process for selection of participants.
  b. Details of the participants viz. Name, Father's Name, Age, current profession, address and Phone Number.
  c. Duration of training session
  d. Total Expense Incurred (Component wise)

- **Assistance to the villagers for developing Cooperative Farms:** Arrange good quality seeds, fertilizer, water harvesting structure, fruit bearing plants etc. and providing

due assistance to the villagers for developing cooperative farms for piggery, goat rearing, poultry etc.

a. Detail of the beneficiaries along with their address and mobile number.
b. Detail of the agriculture expert under whose advice good quality seeds and fertilizers were purchased.
c. Total Expense Incurred (Component wise)
d. Review report of the beneficiaries.

- **Drinking Water Facility:** Arranging for safe drinking water facilities, like installation of hand pumps and water tanks etc.
  a. Approximate number of peoples living around the installation of hand pump/water tank.
  b. Expenditure Incurred.

- **Development of non-conventional energy sources**: Arranging for street lighting and solar lamps etc.
  a. Recommendation by screening committee for Selection of the point of installation of street light/solar lamp along with the reason for selection of the same.
  b. Maintenance plan of Street Light/solar lamp.

- **Assistance to Poor, Old and Handicapped:** Providing assistance to poor, old and handicapped people for repairing of their roofs etc. damaged during natural calamities.
  a. Recommendation by Screening Committee.
  b. Detail of the beneficiary viz. Name, address and mobile number.
  c. Type of work (like Repairing of roof etc.).
  d. Date and reason of Damage.
  e. Estimate approved by competent authority.
  f. Contractor selection and payment process, GFR 2017
  g. Item wise expenditure Incurred.

- **Sports:** Developing sports facilities (other than civil works), providing sports related items to children and youth and conducting sports tournaments.
    a. List of sports items and quantity distributed.
    b. List of the beneficiaries along with phone number and address.
    c. Recommendation of the list of youths by Screening Committee.
    d. Expenditure Incurred (Item Wise).
- **Helping of Poor and Needy People:** Providing utensils, transistor, umbrellas, clothes, cloth/blankets etc. to the poor and needy people.
    a. List of the items and quantity distributed.
    b. List of the beneficiaries along with phone number and address.
    c. Recommendation of the list of needy by Screening Committee.
    d. Expenditure Incurred (Item Wise).
- **Showing of Short Films:** Related to India`s freedom movement, Great leaders of India, History of India Secularism, Social Evil-Dowry, Child Marriage and Sports etc.
    a. Total Number of shows.
    b. Date and time of the shows.
    c. Number of the viewers per show.
    d. Village/Place where shows were organized.
    e. Total Expenditure Incurred.

6.6. Audit of Police Infrastructure:

Works Bills: For detailed checklist, the CPWD manual may be referred to. However, a sample checklist is given below:

- The number of contract and name of the contractor on the Running Account (RA) bill tally with those in the accepted tender.
- The contractor has not exceeded the time limit and if exceeded the excess has been covered by a valid grant of extension of time limit.
- The quantities shown in the bill agree with those in the measurement books and the rates with accepted tender.

- Verify from the last Running Account (RA) bill and the contractor's ledger that the payments shown as having been made on last Running Account (RA) bill are correct.
- Where advance payments for work done but not measured are paid for, the relevant certificate is recorded and such payment together with that already made does not exceed the value of the estimated quantity against the relevant item in the tender.
- When the work is measured and paid for the advance payment is also recovered.
- When materials not provided for in the original contract are supplied, the materials so supplied are charged at issue rate or market rate whichever is higher.
- Materials issued which are not for Bonafide use are treated as safe and usual 10 percent supervision charges are levied.
- The recovery of the cost material is made fully or to the extent of use in work paid for from the next Running Account (RA) bill.
- Sometimes, certain materials are issued which are for Bonafide use on the work, but the use whereof cannot be linked with a particular item of work. In such cases, it shall be seen that the cost of all such supplies is recovered from the next Running Account (RA) bill.
- When credit on account of the cost of materials returned by the contractor is given in his ledger account, it shall be seen that they are required for use on other work or these are controlled articles and the credit is given at the existing market rates or the rate charged to the contractor at the time of issue less storage charges, whichever is less.
- The consumption statement of controlled materials which is required to be attached to each final bill should be carefully checked to see that quantity shown as issued are correct and the consumption shown therein based on valid formulae and that the quantity of work done as shown therein tally with the quantities paid for in the final bill.
- The materials on which secured advance is paid are:
  a) Brought to site
  b) Required for Bonafide use on the work, and

c) Are of an imperishable nature that an indemnity bond in the prescribed form is executed and the payment is restricted to 75 percent of the cost of the materials as assessed by the engineer-in-charge.

- The secured advance is recovered as and when the relevant items of work are measured and paid for.
- No extra contractual financial aid is given to the contractor in any form which is not authorized under the rules except under special orders of the competent authority.
- The security deposit is recovered correctly as percentage of the payments made to the contractor as per the terms of the contract.
- Check the statement of recovery of the cost of materials with reference to the rates of supply stipulated in the accepted tender.
- Verify from the unstamped receipts whether the supply is made at a place other than that prescribed in the contract and if so, the transportation charges are also recovered.
- The penalty for delay in the completion of work is levied according to the orders passed by a competent authority. Also, see that such orders are passed strictly in accordance with the terms of the accepted tender.
- When work is carried out on behalf of the contractor and the cost thereof is recovered from the Running Account (RA) Bills see that the cost is correctly computed and overheads like establishment, tools and plant etc. are also charged according to rules.
- When a contract is annulled or cancelled, it has not resulted in financial loss to the Department and the contractor has not secured undue benefit as a result of annulment.

CHAPTER - VII

Drafting of Internal Audit Reports

7.1. Introduction

The internal audit report should be professional, accurate, and comprehensive. The report should be evidence-based and focused on material, risk-significant issues requiring management attention. The report should include the following elements:

7.2. Brief description of activity under Review

The activity under review and its salient features, such as budgetary allocations, main activities, organization structure, and any other feature, should be briefly described in one paragraph each. This should be done briefly and should not reiterate or reproduce the entire provisions applicable to the audit unit. This section of the report should in no case be more than two pages.

7.3. Scope and purpose of Engagement

The area or process subject to the engagement and its corresponding business objectives, related risks and control activities as indicated in the annual audit program should be mentioned here, i.e., this portion should briefly describe the areas that were reviewed in the audit engagement. It should mention the organization that has been reviewed and the level and extent of detail to which audit coverage has been provided. The nature and extent of engagement work performed should be described. The areas which were relevant to the audit but could not be reviewed in the engagement should also be mentioned. Also, the reasons for scoping limitations should also be clearly brought out. Any reliance placed on system-generated data, electronic records, PFMS/GeM reports or other digital platforms shall also be briefly indicated.

7.4. Time frame covered by the Engagement

The period of operation evaluated in the audit should be clearly mentioned in the report. The period of coverage may be a quarter, half year or entire financial year depending upon the frequency of audit.

7.5. Report drafted using 5C framework

7.5.1. Audit Quality

The services rendered by the Auditors are expected to be of high quality and the quality can be maintained by following:

- Understanding the program of the auditee to be audited
- Understanding the subject of the audit
- Frequent discussions with the auditee
- Conduct of field review by the reviewing authorities
- Use of standard sampling methods
- Use of Computer Assisted Audit Techniques (CAATs)
- Audit shall follow a risk-based and exception-focused approach, giving priority to areas of higher financial exposure, systemic weaknesses and recurring non-compliance.

To prepare a quality audit report, the Audit team should exercise due professional care to ensure that the internal audit report, inter alia, is:

- Clear and unambiguous
- Factual – presents all significant matters with disclosure of material facts
- Specific
- Concise
- Timely, and
- Complies with generally accepted audit procedures

Internal Auditors shall use a standard format for reporting audit observations. The audit observations should be developed by using 5C framework with reference to engagement objectives. The audit should also mention general information details in the audit reports viz. Auditee Profile like Name, Address, Head of the Auditee Office, etc., Auditors Profile: Name and contact details (email and phone no.) of the Internal Audit Team who conducted the audit. Audit Profile: audit period or cycle and duration of audit. Where audit is conducted using electronic records or paperless systems, this fact shall be explicitly mentioned in the Audit Profile. The audit shall also mention the details regarding previous audit status and compliance to that as per following:

A. Previous Audit Observations and Compliance: In this section, the auditors shall provide the pending status of previous audit observations and compliances. (Internal and AG Audits)

B. Persistent Irregularities: Auditors shall give details of persistent irregularities which were identified during the past audits but are still not addressed. The Auditors shall identify the cases of non-compliance and list the same under Persistent irregularities.

Auditors shall also detail the scope of audit to be conducted. The Internal Auditors shall mention the scope of audit conducted and coverage of audit, sampling techniques and sample size. Sampling shall be risk-based and may include system-generated data analysis where feasible. A detailed list of accounts and documents verified shall be given as an annexure. Finally, as mentioned above, the report needs to be prepared in 5 C criteria as per following:

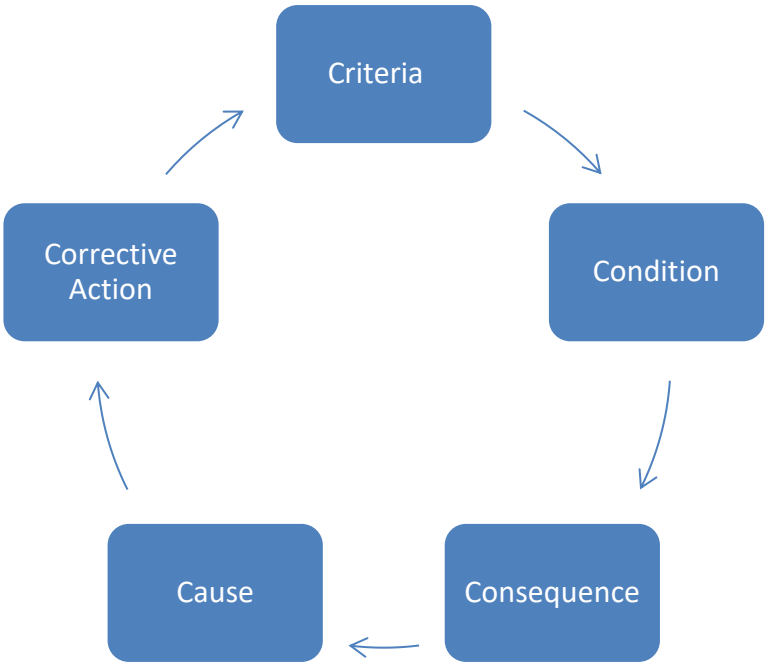
Criteria: What should exist? The benchmarks or expectations identified as the basis against which audit evidence is compared. (e.g. Policy, SOP, Norm etc.)

Condition: What exists? The factual evidence found in the course of the audit. The condition identifies the nature and the extent of the observation. A clear and accurate statement of condition evolves from the auditor’s comparison of actual evidence with appropriate criteria.

Consequence/Effect/Impact: What effect did it have? The risk or exposure to the institution and/or others as a result of the difference between the criteria and the condition should be recorded. The effect establishes the actual or potential impact of the condition. The significance of a condition is usually judged by its effect. It can be expressed in quantitative terms. To warrant reporting, an effect should be sufficiently serious to justify the action (and related cost) to correct the difference (the deficiency).

Cause: Why did it happen? The possible or likely reason for the difference between the expected and actual condition should be explored. The cause may be obvious or may be identified by deductive reasoning. The identification of similar causes for a number of observations may highlight an underlying theme to which an audit recommendation should be addressed. Identification of the cause of an unsatisfactory condition is a prerequisite to making a meaningful recommendation for corrective action.

Corrective Action/Recommendation: What should be done? The actions suggested or required to correct the situation and prevent future occurrences. The relationship between the audit recommendation and the underlying cause of the condition should be clear and logical. In developing sound recommendations, the internal auditor ensures that the recommended action is within the scope of the client, addresses the cause and not just the symptoms, and is at least intuitively viable.



--5-C Framework--

The audit report should normally be written concisely, with major emphasis on the issues that require management attention. The issues should be clearly and vividly brought out. There should be a note of any audit procedures that could not be completed because records were not produced by the department or due to a lack of time. No objection shall be booked or reflected in draft audit report without issue of audit memo. All the documents which would support that observation should be put into annexure. The annexure should contain all the working papers and supporting documentation. The annexure should be properly indexed and page numbered. All the supporting and relevant documents should be put into the annexure. The report should have reference about the supporting documents in the annexure. The Head of the Audit Team should check the supporting evidence for each observation that is proposed to be put in the report. He or she should satisfy themselves about the sufficiency and relevance of the evidence. Then, he or she should prepare a draft audit report. No objection shall be included in the draft audit report without prior issue of Audit Memo and opportunity to the auditee to respond. Electronic working papers and scanned records may also form part of annexure, where audit is conducted in a paperless environment.

7.6. Submission of Internal Audit Report

After completion of the audit, the total number of days for approval of the Internal Audit Report shall be normally 15 days. The submission shall be done in the following manner:

- Accountant/AAO shall submit the draft audit report within 5 days of completion of the audit to the Head of the Audit Team.
- Head of the Audit Team shall review the report over a period of 3 days and finalize it in consultation with the Internal Auditors.
- CA/CCA/Pr.CCA shall approve the report within a specified period to be notified separately for each category of audit reports.
- The final approved audit report shall be sent to the Auditee within 5 days thereafter.
- These timelines are indicative and may be extended with approval of the competent authority in justified cases.

7.7. Monitoring of Compliance to Internal Audit Reports

The final approved audit reports will be issued to the auditee with instructions to submit the compliance report on the audit observations/paras raised in the audit report to the IAW within three months. The Technical Section of IAW will review the progress of receipt of compliance reports against the issued Internal Audit Reports and submit the quarterly progress report in this regard to the higher authorities. The Technical Section shall examine the compliance reports received in IAW and shall give necessary recommendations to settle the paras wherever compliances are found satisfactory. Where no compliance has been received, the Technical Section shall issue instructions to the auditee to furnish compliance within a specified time. It will also review the pendency of audit paras for each auditee/organization and, if required, will propose a program for conducting ad-hoc committee meetings in order to settle the old outstanding audit paras.

The Technical Section will submit the Monthly Progress Report (MPR) to the higher authorities of IAW containing the following information:

- Number of audits conducted during the month and Number of audit reports issued during the month and Number of paras involved. The Number of audit programs cancelled and reasons thereof. Number of audit programs where approved period of audit was extended.
- Total amount held under objection as per the audit reports issued during the month.
- Total amount suggested for recovery as per the audit reports issued during the month.
- Total amount of misappropriation/losses pointed out in audit reports issued during the month.
- Number of compliances received during the month.
- Number of paras settled during the month involving amount held under objection, amounts suggested for recovery, amounts reported as misappropriation.
- Progressive pendency position of audit reports, paras, and amounts held under objection, amounts suggested for recovery, amounts identified as misappropriation.
- Age wise and organization/auditee wise breakup of the pending audit reports and paras.

7.8. Annual reporting and presentation of Audit Opinion

- The Internal Audit Wing would present a formal annual report to the Chief Accounting Authority.
- The annual internal audit report should present Internal Audit's opinion of the overall adequacy and effectiveness of the organization's risk management, control and governance processes. It should also:
    a) Disclose any qualifications to that opinion, together with the reasons for the qualification.
    b) Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other agencies/bodies.
    c) Draw the Chief Accounting Authority's attention to any issues the CAE deems particularly relevant to his preparation of the Statement on Internal Control.

d) Compare work actually undertaken with the work which was planned and summarize performance of the internal audit function against its performance measures and criteria.

- Arrangements should be made by CAs/CCA/Pr.CCA for submission of interim reports to the Chief Accounting Authority in the course of the year. Such interim reports should address any emerging and significant issues related to risk management, control or governance.
- The Head of Internal Audit should also provide any information required by the Chief Accounting Authority on an ad-hoc basis.

7.9. Audit Quality Evaluation

Proper evaluation of audit reports will lead to improvement of audit quality over time. The following tools may be used for the purpose of audit quality evaluation:

- Peer Review
- Use of Experts

7.9.1. Peer Review: Peer Review is a mechanism to review and assess the quality of the audit conducted by audit teams. It deals with examination of systems and procedures adopted by the internal audit team and identify opportunities for improvement. The peer review work may be conducted by a person or team of IAW (HQ) or other IAPs but not connected with the audit under review. The peer review work shall be initiated and planned by the Technical Section of IAW. For selection of audit reports for peer review some pre-determined criteria may be followed:

- Maximum expenditure and receipts audited and reported in one audit report
- Audit reports submitted without any major irregularities
- Audit reports containing major observations of non-production of records or non-cooperation for audit or non-compliance of audit objection memos
- If the audit has taken unusually longer time than the prescribed approved audit program
- Huge volume of major irregularities reported in an audit report etc.

Based on the volume of audit reports submitted to the various IAPs, and based on the available manpower, number of audit reports shall be selected for the Peer Review. While conducting peer review, the team shall evaluate the audit functions based on the professional standards, and criteria provided by the Technical Section from time to time. The peer review methodology shall involve examination of:

- Audit team's approach to strategic planning
- Auditing standards and Audit guidelines followed by the audit team
- Collection of audit evidence documentation and reporting by the audit team
- Proper review and supervision mechanism whether followed
- Proper interactions held with auditee
- If any other guidelines and approaches followed by the internal audit team

The Head of the peer review team shall report and identify opportunities for improvement in the system along with a plan of action. The peer review report shall be submitted to the concerned Administrative Department with due approval from the Finance Department and in special cases of important suggestions shall be communicated to all Departments for necessary action and information.

7.9.2. Use of Experts

While conducting audit, auditors might come across certain specialised areas which require help of an expert, hence, the IAW may empanel experts from specialised domains who can be engaged to impart specialized training to officials on IAW for conducting such audits and for their capacity building.

7.9.3. Recognition

To encourage and motivate Internal Audit teams, due recognition shall be given to outstanding teams or best-performing teams for their efforts. The Technical Section of IAW may select best Internal Audit Report and present some awards or incentives to audit personnel each year. While selecting the best report, authority shall consider systems and procedures employed by the team, any innovative solution provided by the team to handle

any problem, quality of reporting or any other criteria that the IAW (HQ) think fit to consider.

7.9.4. Capacity Building

Capacity building of the personnel posted in the IAW is needed to upgrade their knowledge and make them aware of the latest tools and techniques of auditing including the use of CAAT (Computer Assisted Audit Tools). The IAW (HQ) would facilitate and provide adequate support to all the personnel of IAW to help them comply with professional standards. Internal Audit Personnel may be given formal professional training either arranged through Departmental Accounting Organisation or through O/o Controller General of Accounts. For the knowledge up gradation of audit personnel following strategy can be adopted.

7.9.5. Skill Enhancement on Periodic Basis

Apart from induction training programs, continuous upgrading of knowledge levels is also required for conducting effective Internal Audit. Therefore, every year, a minimum two weeks training for the skill development of the officials posted in the IAW of MHA may be conducted. The Skill Development Program may include:

- Frequent workshops/ trainings on internal audit functions
- Trainings/Seminars on the latest developments in audit areas, acts, rules, regulations, etc.
- Trainings on modern audit tools and techniques
- IT skills training on the use of software, including the use of formulas in Excel for analysis or any other audit-related software, e.g., Tally, IDEA, Tableau, TeamMate, or other analytical software, etc.
- Trainings on report writing and documentation

Any other training programs relating to internal audit.

CHAPTER - VIII

Modern Techniques and Approaches for Government Internal Auditing

8.1. Overview of Data Analytics

The application of quantitative techniques gives good insight into the functioning of the client unit and can serve as a starting point for focused audit engagements. Internal audit needs to make a strategic change in the approach to audit. Traditionally, the focus has been on judgmental and statistical sampling to conclude on transactional integrity and compliance. But there is a need to go beyond samples. If the auditors can quickly and efficiently review 100 percent of the transactional data, there are opportunities for significant shift in the audit strategy where extensive use of data analysis becomes key to the audit process. The new approach of looking beyond statistical sampling would reduce the audit risk significantly. This approach allows the entire population to be subjected to a broad range of tests and procedures. By comprehensively testing 100% of the transactions, auditors can achieve increased confidence and reduced risks in their audit procedures. Though audit analytics is suitable and applicable for various types of audits, it is particularly essential for data intensive audits like payroll, travel, procurement, office expenses, pension fund and disbursements, revenue, etc.

The use of audit analytics is dependent upon the level of digitization of data. This aspect is critical to application of analytics, because the sophistication level of analysis would depend upon the type and quality of data. If the organization has a functional ERP system, then the access and retrieval of data is not an issue and different types of tests involving significant levels of sophistication can be performed. The tests may range from simple range and limit checks to an analysis of correlation between related variables and even up to simulation and trend projection. However, if the database is not in a standard format or the operation of enterprise is a combination of manual and computerized environment, then the auditor has to put in effort to bring the data into required format before going for the actual testing. Also, in such cases the level of analysis would generally be limited, for example, to give an

insight into the functioning of the unit. Most of the audit units would fall between these two extremes and majority would be tending towards the first category as most of the organizations which will have a well-developed IA function would also have requisite level of computerization. Audit Analytics would, therefore, include a wide range of types of application, varying by the size and sophistication of the audit organization, as well as by industry. Applications can range from ad-hoc analyses conducted to address a specific audit objective to repeatable automated procedures, and further extend to continuous auditing and monitoring systems.

The analytical study of audit parameters would require a broad range of tools. These may vary from simple range and limit checks for testing policy compliance to use of statistical models for assessing the operating effectiveness of the unit under review. Several statistical tools lie in between the two extremes which can be used in making sense out of available data sets. To illustrate, some of the tools which can be used for quantitative analysis are:

- Range and Limit Checks for parameters
- Standard deviation analysis to compare the variability of performance
- Analysis of data trends to find out patterns in data.
- Calculation of correlation coefficients amongst the related parameters
- Classification of data into different class intervals and frequency to establish data distribution curves
- Time series analysis for the performance indicators of the units over a period of time
- Simulation modeling to project the behavior of data trends in the future

The application of these techniques can lead to sufficient insight into the operation of the unit and can form a basis for developing a detailed audit program. Range and limit checks, as discussed earlier, are primarily used for compliance testing against established rules, regulations, and organizational policy guidelines—for example, ensuring that bonus or overtime payments do not exceed 10% of an employee's salary, along with other similar control tests. Standard deviation and variance calculation would indicate the variability with respect to the parameter under observation and would help in drawing conclusions such as a high variance in returns received by a pension fund would demand an analysis of the

underlying factors and should be incorporated into the detailed audit work program. Similarly, the analysis of data trends such as unusual rise in the cost of travel expenditure of an enterprise may require a detailed work program on assessing the organization's travel policy in general, and compliance with the existing policy in particular. Calculation of correlation coefficients amongst related parameters and data distribution curves also provide significant preliminary conclusions which can be further examined. Time series analysis and simulation modelling can be used to project data trends and forecast future scenarios. These techniques are particularly useful in evaluating management's assumptions and projections regarding future operations. For instance, if the expected return of a pension fund is calculated based on an assumed constant growth rate of 10%, this assumption can be tested using time series and simulation methods. Any anomalies, inconsistencies, or risks identified in relation to such assumptions should be appropriately highlighted and communicated to management.

Further, such analysis may at times be regarded as a monitoring tool to be performed by management. However, internal audit—by its very nature—serves as an aid to management in enhancing the effectiveness and efficiency of operations, and it provides an independent and objective perspective on issues that might otherwise escape management's attention. Achieving this level of analytical sophistication elevates the stature of the Internal Audit within the organization and represents a significant advancement beyond the scope of traditional auditing.

8.2. The Utilization of Data Analytics Models

The utilization of data analytics models and modern methods of data analysis involves a structured approach that transforms raw data into actionable insights, drives strategic decision-making, and optimizes operations across various fields.

8.2.1. Strategic Decision-Making and Forecasting

Data analytics models empower organizations to move beyond intuition and make informed decisions based on empirical evidence. Predictive models, for example, can forecast future

trends, such as potential financial loss and deviation of expenditure, allowing the Ministry/Department to proactively allocate resources and minimize risk.

8.2.2. Operational Efficiency and Optimization

Modern data analysis methods are crucial for streamlining operations. By analysing performance data, organizations can identify bottlenecks, optimize supply chains, and reduce waste. Descriptive analytics helps in understanding current operational landscapes, while prescriptive analytics recommends optimal courses of action to improve processes.

8.2.3. Operational Insight and Targeted Audit Planning

The utilization of data analytics enables a deeper understanding of a Ministry's or Department's behaviour and operational patterns. Through the analysis of financial allocations, ministries or departments can be segmented based on spending trends and resource utilization. This information can then be used to tailor audit initiatives, recommend relevant goods and services, and enhance overall departmental performance and efficiency.

8.2.4. Risk Management and Fraud Detection

In financial services and other sectors, advanced analytics models are essential for identifying anomalies and patterns indicative of fraud. Machine learning models can analyze vast amounts of transaction data in real-time to flag suspicious activities, thereby mitigating financial losses and ensuring compliance with regulations.

8.3. Data Analytics Implementation

8.3.1. Audit Analytics Approach:

When implementing audit analytics:

- Define analytical objectives clearly

- Identify relevant data sources and quality
- Select appropriate analytical techniques
- Develop analytical procedures
- Document findings and recommendations
- Validate results before reporting

8.4. Risk Based Matrix /Performance Audit

The formulation of a Risk Matrix is essential in audit planning. It ensures that audit work is risk-driven, resources are targeted towards high-risk areas, sampling strategies are aligned to risk, controls are assessed for design and effectiveness, and the Audit Design Matrix and Working Papers are structured around key risk areas. This approach enhances audit efficiency, strengthens audit findings, and increases the likelihood of detecting material irregularities or non-compliance.

Purpose of a Risk Matrix

A **risk matrix** helps auditors identify, assess, and prioritize risks that could affect:

a) Achievement of scheme objectives (for performance and scheme audits)
b) Assessment of adherence to rules, financial propriety principles, and established guidelines (for compliance audits).
c) Efficient use of public funds

- **Steps to Prepare a Risk Matrix**
    - **a)** Understand the Scheme or Entity
    - **b)** Identify key objectives, stakeholders, and responsibilities
    - **c)** Study administrative approvals, sanction orders, signed MoUs along with budget documents
    - **d)** Understand the flow of funds (e.g., Centre → State → Implementing Agency → Beneficiary).

e) Review scheme objectives and guidelines, Funding pattern, stake holders, and implementation mechanism or framework

f) Identify Key processes/compliance areas

Examples:

- Fund flow and utilization
- Financial Risks
- Beneficiary selection
- Procurement of goods/services
- Monitoring and reporting
- Compliance with GFR, DFPR, CVC, RTI, etc.

g) Identify the categories of Risks

Typical risk categories:

Category	Example Risk
Financial:	Misuse/diversion of funds, non-adjustment of advances
Compliance:	Non-compliance with scheme guidelines, GFR, or delegated powers
Operational:	Weak monitoring, poor data management
Reputational:	Public dissatisfaction due to ineffective implementation
IT/System:	Inaccurate MIS or data manipulation

h) Assign accountability:

Map each risk area to responsible officials such as Programme Divisions (PDs), Pay & Accounts Offices (PAOs) and Implementing Agencies.

8.5. Structure of the Risk Matrix

8.5.1. Risk-based audit

It is the process of:

- Identifying and analyzing potential risks posing threat to the Department's financial aspects as well as achievement of its objectives, and
- Developing responses to address the identified risks and prioritizing audit focus in the potential risk areas.

In order to conduct Risk-based Internal Audit, IAW should be able to answer the following questions:

- What is the 'risk maturity' of the Ministry/Department?
- Whether risk profiling has been undertaken by the Ministry/Department and to what extent this may be relied upon for audit planning?
- Whether individual audits are conducted to provide assurance that all inherent risks above the risk appetite are being properly managed and controlled to reduce them to within the risk appetite?

The implementation and ongoing operation of Risk Based Internal Audit (RBIA) has three stages wherein the IAW shall:

- Assess the risk maturity of the Ministry.
- Assign the risks to an audit and set up the Risk and Audit Universe (RAU) and draw up a plan for carrying out audits, usually on an annual basis.
- Carry out individual risk-based audits and ensure the feedback of the audit results into the RAU.

The checklist for conducting risk based internal audit covers the IAW providing assurance on following areas:

- Whether processes used by management to identify all significant risks are effective.
- Whether risks are correctly assessed (scored) by management, in order to prioritize them.
- Whether responses to risks are appropriate and conform to organization's policies.

- Whether reporting of key risks to senior management is accurate, timely, and effective.
- Whether controls used to manage key risks have been put into operation and are being monitored.

8.5.2. Steps to conduct Risk Based Internal Audit



8.5.2.1. Planning

Updating and firming up of the Audit Universe on the basis of risk assessment for likelihood of significant or pervasive deficiencies for each process or program weighed against the likely Impact. Following parameters may be followed for risk-based assessment:

a) **Financial:** Audit shall select those areas, accounts, schemes or programs where maximum financial amount is involved and those areas shall be selected for detailed testing.

b) **Non-Financial:** Auditors shall give high priority to the areas having high significance due to its nature of operations irrespective of the financial amounts involved. For example, areas where several persistent irregularities are reported through previous audits (AG / Internal), several grievances or complaints are registered, assembly questions raised etc.

c) **Analytical findings:** Audit areas can also be identified by doing analytical studies between certain facts to locate any discrepancies. Unusual or abnormal observations noticed while comparing data can be a risk parameter for detailed audit.

- Budgeted provisions vs. Actual expenditure
- Fund received vs. Fund utilized
- Percentage of targets achieved (Target fixed if any)
- Achievement on work development schedule

d) **Random review/Selection:** Auditors shall select certain areas randomly based on their professional judgment or experience within the Department. In random selection, priority shall be given to the areas which are not covered in previous year audits or not yet audited. For example, different months may be selected from one to another year. Internal Auditor shall not set a uniform pattern of selection every year but shall introduce an element of surprise.

- Auditor-in-charge and the team members should be finalized.
- Auditor-in-charge should prepare an overview and Planning Memo that aids the team members in understanding the subject.
- The Auditor-in-charge should confirm the specific objectives of the audit engagement; identify the detailed scope, audit criteria and approach and the resource requirements.
- Preparation of a Terms of Reference for the audit engagement, its approval by the Audit management and forwarding to the management of the entity/organization to be audited to announce the audit.
- Terms of Reference includes at a minimum the audit engagement's objective, scope, approach and details of administration and reporting.
- The audit team must familiarize and develop a good working knowledge and understanding of the objectives, processes, operations and associated risks of the particular program/scheme planned to be audited – so as to identify and document significant risks and key controls.

After identification of risk areas, Audit shall finalize the audit plan and more attention is to be given to potential risk areas where deployment of internal control systems is weak or not existing at all. In-depth checking shall be undertaken in those focus areas. It requires assessment of internal control systems in the organization.

8.5.2.2. Assessment of Internal Controls: Internal control mechanism is an integral process operated by an organization, designed to address risks and to provide a reasonable assurance in pursuit of organization's mission. Following general objectives are achieved by the process of Internal Control:

a) Execution of orderly, ethical, economical, efficient and effective operations
b) Fulfilling of accountability obligations
c) Compliance with applicable laws and regulations
d) Safeguarding resources against loss, misuse and damage

Auditors shall do an assessment of Internal Controls to ensure that an adequate internal control framework exists and operating as designed by the Department and errors, if any, to be located with the operation of established internal controls. Internal control assessment will help auditors to know the following:

- Reliability of records and registers maintained by the Department
- The extent and the depth of the examination that needs to be carried out in the different areas of accounting
- What are the areas where controls are weak and where it is unnecessarily excessive
- Whether suggestions can be given to improve the control systems
- Whether the internal controls are sufficient
- Whether the internal controls are followed

8.5.2.3. Types of controls

Generally, there are two types of internal controls such as:

- **Preventive Control:** This type of internal control would prevent a risk from occurring. For example:
  a. All transactions and events are initiated on proper authorizations and approvals.
  b. Segregation of functions/duties among official as far as practicable to prevent risk.
  c. Control over access to resources and records to prevent unauthorized or improper use of resources.
- **Detective Control:** Detective controls are measures that would point to any loss/misdeeds/misappropriation that is taking place in the organization. Any kind of

reconciliation (e.g., bank reconciliation), analytical reviews, post audit, etc. would fall under this category as they help to detect if something had gone wrong. Some examples of control activities are:

- **Verifications:** Transactions or events are verified to ensure correctness and validity. Personal records / service books etc. are periodically verified to ensure their correctness.
- **Reconciliations:** This is one of the most commonly used and effective control measures. Reconciliation of one set of records with another are made to ascertain correctness of the transactions or facts.

8.5.2.4. Tests of Internal Controls

- Through audit procedures the effectiveness of the Auditee's internal control systems is assessed. The Auditors should make a list of internal controls which are in operation in the Auditee. Then Auditors shall perform tests of controls to assess the existence and adequacy of internal controls. However, the Auditor may not be required to test all the internal controls, he/she may select some sample controls based on the results of the risk assessment and professional judgment.
- The Auditors may initially check the controls by conducting a compliance testing, that is, testing to assess compliance with the internal control. Substantive testing is required to obtain evidence to ensure the completeness, accuracy and validity of the data produced by the accounting system. To illustrate,
    a. Whether the Cash book is maintained following the prescribed principles
    b. Whether the bank reconciliations are made with the Cash Book or not?
    c. Whether the stock and store registers are maintained or not? If maintained annual physical verification of stock is done or not etc.
- The Auditor will first check whether there is compliance with the control measure. If it is seen that the control measure is not operating properly, then the auditor would have to go for a substantive testing of the transactions to examine whether non-compliance with the control has resulted in any untoward incident.
- Substantive testing includes tests of details of classes of transactions, account balances and disclosures. The Auditor after assessing controls shall give his

recommendation on the operation of the internal controls, whether operation of internal controls is satisfactory or needs improvement or is not in existence.

8.5.3. Performing

- Identify risks, document key controls and evaluate design effectiveness: (At Program/Entity level)
- There are 8-key interrelated ERM components in the COSO-ERM model that can be used as a model for Risk Assessment:
    a) Internal Environment;
    b) Objective setting;
    c) Event Identification;
    d) Risk Assessment;
    e) Risk Response;
    f) Control Activities
    g) Information and Communication; and Monitoring.
- Test the Operating Effectiveness of Key Controls and Document and Validate audit engagement observations.
- Operating effectiveness refers to the effectiveness of the operation of an internal control activity at either the audit engagement entity level or activity level.
- Internal control activities are identified in relation to the particular risk that has been identified e.g. in order to assess the risk whether the Government program will achieve its objectives/targets, various relevant control measures put in place by the Department could be assessed for their effectiveness viz. Supervision/monitoring activities, financial management and reporting. It will also throw up the lack of controls if any.
- When there is a difference between “what exists” and “what should exist” the auditor assesses the effect, impact and cause associated with the variance and documents it as an observations/audit para.

8.5.3.1. Reporting

- Firm up Audit Observations/paras in formulating audit observations and corresponding recommendations, the auditors must consider the following elements:

Audit Objective – To which audit engagement objective does this observation relate?

Criteria – What should exist?

Condition –What exists?

Impact – What effect did it have?

Cause – Why did it happen?

Recommendation – What should be done?

Every audit observation should ideally have these elements to give a clear basis for validation. The audit observations/findings should be constantly discussed and shared with the Auditee organization for a clearer perspective.

- Summarize Audit Engagement Results and Propose Rating: The audit engagement results should be discussed internally with the audit management team along with ratings and justification for ratings viz.
- A – Satisfactory; B – Needs Improvement; or C – Unsatisfactory
- The draft audit report and the summary of observations should be formally forwarded to the head of the audited entity/organization for their comments.
- Issue the Final Report incorporating the comments and plan of action of the audited entity/organization.
- Follow up on the compliance to the promised plan of action by the entity/organization through the Audit Management/Audit Committee.

Combined Risk Matrix Template for Scheme and Compliance Audit

1. General Information

Particulars	Details
Name of Organisation / Department	
Name of Scheme / Activity	
Audit Type	☐ Scheme Audit ☐ Compliance Audit ☐ Combined
Audit Period	
Reference Documents	Scheme Guidelines, GFR 2017, DFPR, DoPT Rules, CVC Guidelines, CAG Audit Guidelines
Date of Preparation	
Prepared by	

2. Risk Matrix

| **Audit Area / Objective** | **Identified Risk** | **Risk Category**
 (Financial / Operational / Compliance / IT / Reputational) | **Applicable Rule / Guideline** | **Likelihood (L)** | **Impact (I)** | **Risk Rating (L×I)** | **Existing Controls** | **Control Effectiveness**
 (Strong / Moderate / Weak) | **Proposed / Planned Audit Focus or Test Procedures** | **Remarks** |

Sample Entries

`	Identified Risk	Risk Category	Applicable Rule / Guideline	L	I	Rating	Existing Controls	Control Effectiveness	Audit Focus / Procedures	Remarks
Scheme Fund Flow	Funds parked in bank accounts leading to delayed utilization	Financial	GFR 239, Scheme Para 5.2	4	4	16 (Very High)	PFMS monitoring, UC submission	Weak	Review bank statements, PFMS data, utilization certificates	High priority
Beneficiary Identification	Inclusion/exclusion errors due to poor verification	Operational	Scheme Para 3.2	3	4	12 (High)	Local verification, approval by Gram Sabha	Moderate	Verify sample beneficiary data and eligibility documents	

Procurement	Non-adherence to tendering procedures	Compliance	GFR 166–173	3	5	15 (High)	Tender committee, bid evaluation	Moderate	Review procurement files, e-tendering records	
Monitoring & Evaluation	Incomplete or inaccurate MIS data affecting performance reports	IT / Operational	Scheme Para 8.4	3	3	9 (Medium)	MIS validation, supervisor review	Weak	Compare MIS with field data / registers	
Human Resource Management	Irregular or ad-hoc appointments without sanction	Compliance	DoPT Recruitment Rules	2	4	8 (Medium)	Recruitment committee review	Moderate	Examine appointment orders, approval notes	
Financial Reporting	Delay or non-submission of utilization certificates	Compliance	GFR 239	3	3	9 (Medium)	Defined UC timelines	Moderate	Check UC submission dates and correspondence	

Asset Management	Non-maintenance of asset registers leading to loss of accountability	Operational	GFR 192	2	3	6 (Medium)	Annual stock verification	Strong	Verify physical assets with register entries	
Compliance with Delegation of Powers	Expenditure beyond delegated powers	Compliance	DFPR 1978 / MoF Delegation	3	4	12 (High)	Administrative and financial sanction process	Moderate	Examine approval hierarchy and sanction notes	
IT Systems	Unauthorized access or manipulation of MIS data	IT	NIC Guidelines / Scheme IT Policy	2	5	10 (Medium)	User authentication, password policy	Moderate	Review access logs, controls in MIS	
Reputational / Outcome Risk	Scheme objectives not met due to poor implementation	Reputational	Scheme Outcome Indicators	4	4	16 (Very High)	Periodic reviews, third-party evaluation	Weak	Compare outcomes with targets, assess delays	

3. Risk Rating Scale

Likelihood (L)	Description
1	Rare – unlikely to occur under normal circumstances
2	Unlikely – could occur at some time

3	Possible – might occur under specific conditions
4	Likely – expected to occur often
5	Almost Certain – occurs frequently or repeatedly
Impact (I)	**Description**
1	Insignificant – negligible financial or compliance effect
2	Minor – small procedural non-compliance
3	Moderate – manageable impact on performance
4	Major – significant impact on fund use or compliance
5	Critical – serious breach, reputational or financial loss

Risk Rating (L×I)	Risk Level	Color Code (for visual use in Word/Excel)
1–5	Low	🟢 Green
6–10	Medium	🟡 Yellow
11–15	High	🟠 Orange
16–25	Very High	🔴 Red

4. Examples of High-Risk Areas

Area	Risk Description	Rating	Audit Implication / Focus
Fund Utilization	Idle funds / non-utilization	16 (Very High)	Detailed fund flow audit
Procurement	Non-compliance with GFR	15 (High)	Compliance testing
Beneficiary Selection	Inclusion/exclusion error	12 (High)	Data verification sample test

Delegation of Powers	Expenditure without sanction	12 (High)	Test of controls & approvals

5. Auditor's Remarks / Notes

Observation / Suggestion	Responsibility / Entity Concerned	Proposed Corrective Action / Control Strengthening	Timeline / Follow-up

8.6. Computer Assisted Audit Techniques (CAATs)

With increasing computerization of Government operations, information is widely available in the digitized form. Thus, over a period of time, large volumes of electronic data and databases are present in Government Ministries and Departments. The large databases however, pose a formidable challenge if relevant data has to be manually extracted from this data.

Manual audit limits the amount of data that can be audited especially in the given time frame. CAATs are computer-based tools, which can help auditors in carrying out various tests on Data or IT System. They are especially useful when significant volume of data is available electronically.

Computer Assisted Audit Techniques (CAATs) is the practice of using computers to facilitate and speed up the audit process by using spread sheets, word processors advanced software packages involving use of statistical analysis etc. Usage of CAAT increases economy and efficiency in audit covering huge volume of transactions saves time and focuses on areas of risk. While planning an audit, the members of audit parties may use combinations of manual as well as computer assisted audit techniques and consider its applicability to the situation and context. While deciding use of CAATs, the Auditors may consider the following factors:

1. Availability of CAATS with the Auditee;
2. IT infrastructure;
3. Availability of data and data sources;

4. Economy and time constraints.

CAATs facilitate an examination and analysis of electronic records and permit 100% testing of data in a short span of time, repeated tests on different files/ data and standardization of audit activity. Many varieties of Tools are available for Computer-Aided Audit. These products exist in two broad categories- Computer Aided Audit Tools which can be used as "Add On" to already installed program like Excel, MS Access. The other category is of General-Purpose Audit Software which is ready-built and available off-the-shelf. These are developed to meet the specific requirements of Auditors. Commonly used General Purpose Audit Software includes IDEA (Interactive Data Extraction and Analysis), ACL (Audit Command Language), Tableau, etc. It is desirable that IAWs should train the internal audit staff to use these tools in conducting audit.

CHAPTER - IX

9.1. Ayushman CAPF

Ayushman CAPF is a healthcare scheme for serving personnel of the Central Armed Police Forces (CAPFs) and their families, providing cashless and paperless medical treatment at empaneled government and private hospitals across India. It is an extension of the Ayushman Bharat PM-JAY scheme and is jointly implemented by the MHA and the National Health Authority. The scheme includes all eight forces: BSF, CRPF, ITBP, CISF, SSB, Assam Rifles, NSG, and NDRF. The scheme is funded through budgetary allocations of the MHA and operates through an IT-enabled platform managed by the National Health Authority.

Key features of Ayushman CAPF

- **Benefit:** Provides cashless and paperless treatment to serving personnel and their dependents at empanelled hospitals.
- **Implementation:** A joint initiative of the MHA and the National Health Authority.
- **Beneficiaries:** Includes serving personnel from the Border Security Force (BSF), Central Reserve Police Force (CRPF), Indo-Tibetan Border Police (ITBP), Central Industrial Security Force (CISF), Sashastra Seema Bal (SSB), Assam Rifles, National Security Guard (NSG), and National Disaster Response Force (NDRF), along with their families.
- **Coverage:** Medical services are available at all hospitals empanelled with the National Health Authority.

9.1.1. Why the audit of Ayushman CAPF is important?

The audit of **Ayushman CAPF** is important for ensuring the scheme's integrity by preventing fraud, abuse, and wastage of public funds. It helps confirm that empanelled hospitals are providing quality services, that claims are legitimate, and that benefits reach the intended beneficiaries. Internal Audit under this scheme is advisory and preventive in nature and does not substitute statutory audit, vigilance, or disciplinary mechanisms. The audit focus under this scheme is confined to examination of claims, processes and financial controls and does not extend to the verification of beneficiary eligibility or entitlement, which lies

outside the scope of Internal Audit. Audits also help identify and address irregularities through mechanisms such as penalizing erring hospitals, de-empanelment, or recovery of funds as per applicable rules and guidelines

Key reasons for auditing **Ayushman CAPF**:

- **Fraud prevention:** Audits detect fraudulent activities, such as false claims or unnecessary treatments, and take disciplinary action against the perpetrators.
- **Financial accountability:** By monitoring the utilization of funds, audits prevent leakage and wastage, ensuring that public money is used effectively and efficiently.
- **Quality assurance:** Audits verify that the healthcare providers follow protocols and provide the quality of services that beneficiaries are entitled to.
- **Beneficiary protection:** Audits help ensure that the benefits are going to the correct beneficiaries and not being misused by service providers or other entities.
- **Scheme improvement:** Audit findings provide data for evidence-based decision-making, helping policymakers improve the scheme's overall effectiveness, efficiency, and reach.
- **Deterrence:** The threat of penalties, such as fines, suspension, or de-empanelment, serves as a deterrent against future malpractices by healthcare providers.

9.1.2. Audit of Ayushman CAPF

IAW, Office of Pr. CCA, MHA, is the body entrusted with the duty to conduct the audit of Ayushman-CAPF medical claims as per the guidelines issued after the review meeting of Ayushman CAPF Monitoring Committee held under the Chairmanship of Union Home Secretary on 25.11.2024 (Annexure – VII/Point XI).

The scope of audit includes (i) 100% of bills amounting to Rs. 5.00 lakh and above; (ii) upto 25% of bills below Rs. 5.00 lakh.

The above thresholds are indicative and are based on risk assessment. These may be revised from time to time with the approval of the competent authority.

For Ayushman CAPF, Internal Audit shall confine itself to reporting of observations. Decisions relating to recovery, penal action, de-empanelment or other corrective measures shall rest with the competent authority / implementing agency. Audit shall be conducted on

the basis of system-generated data made available through the NHA platform. Internal Audit shall not certify the completeness or technical accuracy of the IT system or medical decisions taken by healthcare providers.

Audit findings and reports shall be treated as confidential and circulated strictly on a need-to-know basis.

Examples of observations in Ayushman CAPF audits are given below:

- Bills were bifurcated by discharging and re-admitting patients within no/short gap
- Double payments
- Passing of bills for Rs. 1/- in CAPF reimbursement module
- Financial Irregularities in bills
- Different Rates for the same items
- Procedural lapses/reports/invoices not attached

9.1.3. Explicit Exclusions

The Internal Audit of Ayushman CAPF shall not cover:

• Medical necessity or clinical decisions taken by hospitals

• Fixation of package rates or policy formulation

• Grievance redressal of beneficiaries

• Imposition of penalties or disciplinary action

• Statutory audit, vigilance or medical audit functions

9.1.4. Audit Methodology:

Audit shall be conducted by choosing cases based on:

(i) selection of maximum expenditure incurred by each card,

(ii) maximum number of transactions in each card, and

(iii) bill-wise data provided by the NHA

Annexure-I

Audit Report Template:

1.	Para No.01	Cash Book
2.	Para No. 1.1	……
3.	Para No. 1.2	……
4.	Para No. 1.3	……
5.	Para No. 02	Contingencies Bills/Procurements (GeM/Non-GeM/ Misclassification/ Splitting etc.)
6.	Para No. 2.1	……
7.	Para No. 2.2	……
8.	Para No. 2.3	……
9.	Para No. 03	Works (Accounts)
10.	Para No. 3.1	……
11.	Para No. 3.2	……
12.	Para No. 3.3	……
13.	Para No. 04	Pay and Allowances
14.	Para No. 4.1	……
15.	Para No. 4.2	……
16.	Para No. 4.3	……
17.	Para No. 05	Clothing and Equipment
18.	Para No. 5.1	……
19.	Para No. 5.2	……
20.	Para No. 5.3	……
21.	Para No. 06	Motor Transport
22.	Para No. 6.1	……
23.	Para No. 6.2	……
24.	Para No. 6.3	……
25.	Para No. 07	Hospital
26.	Para No. 7.1	……
27.	Para No. 7.2	……
28.	Para No. 7.3	……

29.	Para No. 08	Railway Warrant and Air Voucher
30.	Para No. 8.1	……
31.	Para No. 8.2	……
32.	Para No. 8.3	……
33.	Para No. 09	Arms, Ammunition & Special Equipment
34.	Para No. 9.1	……
35.	Para No. 9.2	……
36.	Para No. 9.3	……
37.	Para No. 10	Army Ration
38.	Para No. 10.1	……
39.	Para No. 10.2	……
40.	Para No. 10.3	……
41.	Para No. 11	Defense / Tentage / Misc. Stores
42.	Para No. 11.1	……
43.	Para No. 11.2	……
44.	Para No. 11.3	……
45.	Para No. 12	Communication and Information Technologies
46.	Para No. 12.1	……
47.	Para No. 12.2	……
48.	Para No. 12.3	……
49.	Para No. 13	Miscellaneous Recoveries
50.	Para No. 13.1	……
51.	Para No. 13.2	……
52.	Para No. 13.3	……
53.	Para No. 14	Stationery, Service Postage Stamps
54.	Para No. 14.1	……
55.	Para No. 14.2	……
56.	Para No. 14.3	……
57.	Para No. 15	GPF of GOs, NGOs and Class-IV.
58.	Para No. 15.1	……
59.	Para No. 15.2	……
60.	Para No. 15.3	……
61.	Para No. 16	Any Other Points
62.	Para No. 16.1	……

63. Para No. 16.2 **……**

64. Para No. 16.3 **……**

Annexure – II

Details of Audit Teams of the Office of Pr. CCA

INTERNAL AUDIT PARTIES FUNCTIONING UNDER IAW (HQ)

Sl. No.	Name of Internal Audit Parties	Location
1.	Internal Audit Wing (HQ), New Delhi	New Delhi
2.	Internal Audit Party, Chennai	Chennai
3.	Internal Audit Party, Patna	Patna
4.	Internal Audit Party, Kolkata	Kolkata
5.	Internal Audit Party, Shillong	Shillong
6.	Internal Audit Party, Ranchi	Ranchi

INTERNAL AUDIT PARTIES FUNCTIONING UNDER IAW (Scheme Audit)

Sl. No.	Name of Internal Audit Parties	Location
1.	Internal Audit Wing (Scheme Audit), New Delhi	New Delhi

INTERNAL AUDIT PARTIES FUNCTIONING UNDER CRPF

Sl. No.	Name of Internal Audit Parties	Location
1.	Internal Audit Party, New Delhi	New Delhi
2.	Internal Audit Party, Chennai	Chennai
3.	Internal Audit Party, Patna	Patna

4.	Internal Audit Party, Lucknow	Lucknow
5.	Internal Audit Party, Guwahati	Guwahati
6.	Internal Audit Party, Ajmer	Ajmer
7.	Internal Audit Party, Prayagraj	Prayagraj
8.	Internal Audit Party, Chandigarh	Chandigarh

INTERNAL AUDIT PARTIES FUNCTIONING UNDER BSF

Sl. No.	Name of IAP	Location
1.	Internal Audit Party, New Delhi	New Delhi
2.	Internal Audit Party, Gujarat	Gandhinagar
3.	Internal Audit Party, Siliguri	Siliguri
4.	Internal Audit Party, Kolkata	Kolkata
5.	Internal Audit Party, Shillong	Shillong
6.	Internal Audit Party, Jodhpur	Jodhpur
7.	Internal Audit Party, Jammu	Jammu
8.	Internal Audit Party, Jalandhar	Jalandhar
9.	Internal Audit Party, Srinagar	Srinagar
10.	Internal Audit Party, Tripura	Agartala

INTERNAL AUDIT PARTIES FUNCTIONING UNDER J&K HOME DEPARTMENT

Sl. No.	Name of IAP	Location
1.	Internal Audit Party, Srinagar	Srinagar
2.	Internal Audit Party, Jammu	Jammu

Annexure - III

Standards on Internal Audit by the Institute of Chartered Accountant of India (ICAI)

SIA 1. Planning an Internal Audit

The basic objective of the SIA is to establish standards and provide guidance in respect of planning an Internal audit and helping in achieving the objectives of an internal audit function. Adequate planning ensures that appropriate attention is devoted to significant areas of audit, potential problems are identified and that the skills and time of the staff are appropriately utilized. Planning also ensures that the work is carried out in accordance with the applicable pronouncements of the Institute of Chartered Accountants of India. Planning should also be based on the knowledge of the entity's business.

SIA 2. Basic Principles Governing Internal Audit

The purpose of this Standard on Internal Audit (SIA) is to establish standards and provide guidance on the general principles governing internal audit. This Standard explains the principles, namely Integrity, objectivity and independence, confidentiality, due professional care, skills and competence, work performed by others, documentation, planning, evidence and reporting which governs the internal auditor's professional responsibilities.

SIA 3. Documentation

The purpose of this Standard on Internal Audit is to establish standards and provide guidance on the documentation requirements in an internal audit. Adequate documents act as a basis for the planning and performing the internal audit. Documents provide evidence of the work of the internal auditor. This Standard provides guidance regarding the form and content of the internal audit documentation, detention and retention thereof and identification of the preparer and reviewer.

SIA 4. Reporting

The purpose of the Standard on Internal Audit (SIA) 4, Reporting, is to establish standards on the form and content of the internal auditor's report issued as a result of the internal audit performed by an internal auditor of the systems, processes, controls, including the items of financial statements of an entity. This SIA describes the basic elements of an internal audit report such as opening, objectives, scope paragraphs, and executive summary. This SIA also deals with the different stages of communication and discussion of the report and describes the reporting responsibilities of the internal auditor when there is a limitation on the scope. The Standard also lays down the reporting responsibilities of the internal auditor when there is restriction on usage and circulation of the report.

SIA 5. Sampling

The Standard on Internal Audit (SIA) 5, Sampling provides guidance regarding the design and selection of an audit sample and also on the use of the audit sampling in the internal audit engagements. This SIA also deals with the evaluation of the sample results. This Standard also provides guidance on the use of sampling in risk assessment procedures and tests of controls performed by the internal auditor to obtain an understanding of the entity, business and its environment, including mechanism of its internal control. The areas covered by the SIA include the design of sample, tolerable and expected error, selection of sample, evaluation of sample results, analysis of errors in the sample, projection of errors, reassessing sampling risk. This also describes the internal auditor's documentation requirements in the context of the sampling.

SIA 6. Analytical Procedures

The Standard on Internal Audit (SIA) 6, Analytical Procedures provides guidance regarding the application of analytical procedures during internal audit. The SIA deals with the aspects such as the nature and purpose of analytical procedures, analytical procedures as risk assessment procedures and in planning the internal audit, analytical procedures as substantive procedures, analytical procedures in the overall review at the end of the

internal audit, extent of reliance on analytical procedures and investigating unusual items or trends.

SIA 7. Quality Assurance in Internal Audit

The Standard on Internal Audit (SIA) 7, Quality Assurance in Internal Audit establishes standards and provides guidance regarding quality assurance in internal audit. A system for assuring quality in internal audit should provide reasonable assurance that the internal auditors comply with professional standards, regulatory and legal requirements so that the reports issued by them are appropriate in the circumstances. This Standard provides the guidance to the person entrusted with the responsibility for the quality of the internal audit whether in-house internal audit or a firm carrying out internal audit. This Standard also provides the extensive knowledge about the internal quality reviews, external quality reviews and communicating the results thereof.

SIA 8. Terms of Internal Audit Engagement

The Terms of engagement define the scope, authority, responsibilities, confidentiality, limitation and compensation of the internal auditors. Terms of Internal Audit Engagement lay down clarity between the internal auditors and the users of their services for inculcating professionalism and avoiding misunderstanding as to any aspect of the engagement. This Standard on Internal Audit (SIA) 8, Terms of Internal Audit Engagement provides guidance in respect of terms of engagement of the internal audit activity whether carried out in house or by an external agency. This SIA describes the elements of the terms of engagement viz. scope, responsibility, authority, confidentiality, limitations, reporting, compensation and compliance with Standards.

SIA 9. Communication with Management

The Standard on Internal Audit (SIA) 9, Communication with Management provides a framework for the internal auditor’s communication with management. It identifies some

specific matters to be communicated with the management as described in the terms of engagement such as: the internal auditor's responsibilities in relation to the terms of engagement, planned scope and timing of the internal audit, significant findings from the internal audit. The Standard also provides extensive guidance on the communication process to make the two-way communication effective like the forms and timing of communication process. This Standard also provides guidance on the documentation of the same.

SIA10. Internal Audit Evidence

The purpose of this Standard is to establish standards on the basic principle that the internal auditor should obtain sufficient appropriate audit evidence through compliance and substantive procedures to substantiate his checking and findings and enable him to draw reasonable conclusions therefrom. The SIA also explains the concept of sufficient appropriate internal audit evidence, procedures to be performed to obtain internal audit evidence namely inspection, observation, inquiry and confirmation, computation, and analytical review.

SIA 11. Consideration of Fraud in an Internal Audit

As the name indicates the purpose of this Standard is to establish standards on consideration of fraud in an internal audit. This Standard provides guidance on the designing and implementation of the internal controls in an entity that would also help the internal audit to assess the risk of fraud. The Standard also establishes the responsibilities of the internal auditor relating to the fraud prevention and detection. The SIA also provides guidance regarding the communication and documentation of fraud.

SIA 12. Internal Control Evaluation

The purpose of this Standard on Internal Audit is to establish standards and provide guidance on the procedures to be followed by the internal auditor in evaluating the system

of internal control in any entity and for communicating weaknesses therein to those charged with governance. The Standard also extensively deals with aspects such as meaning and inherent limitations of internal controls, control environment, risk assessment, tests of control and communication of weaknesses. The SIA also describes the role of the internal auditor in evaluating internal controls.

SIA 13. Enterprise Risk Management

The purpose of this Standard on Internal Audit is to establish standards and provide guidance on review of an entity's risk management system during an internal audit or such other review exercise with the objective of providing an assurance thereon. The Standard establishes the process of enterprise risk management and the role of the internal auditor. This Standard also provides guidance regarding the internal audit plan and information which the internal auditor should provide in his report.

SIA 14. Internal Audit in an Information Technology Environment

The purpose of this Standard on Internal Audit is to establish standards on procedures to be followed when an internal audit is conducted in an Information Technology (IT) Environment. This Standard describes skills and competence needed by the internal auditor to conduct an internal audit in an information technology environment, factors to consider while planning such an internal audit, matters that may affect audit in an IT environment, assessment of risk, audit procedures, review of the IT environment and Documentation.

SIA 15. Knowledge of the Entity and Its Environment

The purpose of this Standard is to establish standards and provide guidance on what constitutes the knowledge of an entity's business, its importance to the various phases of an internal audit engagement and the techniques to be adopted by the internal auditor in acquiring such knowledge about the client entity and its environment, prior to commencing an internal audit engagement and thereafter, at all stages of the internal audit process. This

Standard also sets out the guidelines regarding the application, usage, and documentation of such knowledge by the internal auditor.

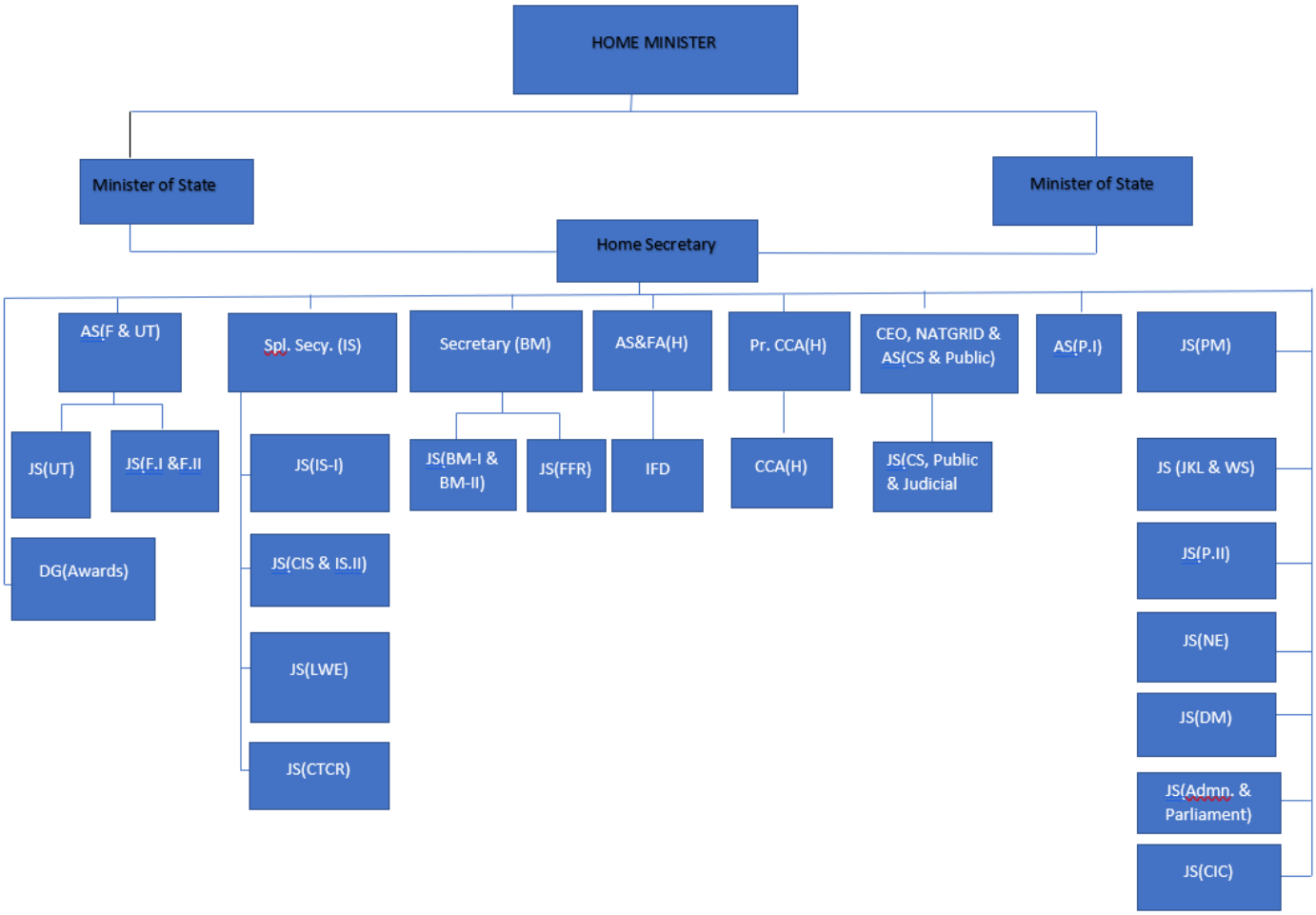
SIA 16. Using the Work of an Expert

The purpose of this Standard is to establish standards and provide guidance where the internal auditor uses the work performed by an expert. The Standard also explains situations in which the need to use the work of an expert might arise, factors to consider when deciding whether to use the work of an expert or not, evaluating the skills and competence and objectivity of an expert, procedures for evaluating the work of an expert, references to an expert in the internal auditor's report, etc.

Annexure - IV

ORGANIZATIONAL CHART OF MINISTRY OF HOME AFFAIRS

(as per MHA Website)



Annexure – V

Attached/Subordinate Offices & Organisations

1. **National Civil Defence College,** Nagpur – 440001
2. **National Fire Service College,** Palm Road, Civil Lines, Nagpur – 440001
3. **North Eastern Police Academy,** Umsaw, Umiam – 793123, Meghalaya
4. **Sardar Vallabhbhai Patel National Police Academy,** Hyderabad – 500252
5. **Registrar General and Census Commissioner of India,**2-A, Man Singh Road, New Delhi – 110011
6. **Inter-State Council Secretariat,** Vigyan Bhawan Annexe, Maulana Azad Road, New Delhi – 110011
7. **Zonal Council Secretariat,**9/11, Jamnagar House, Mansingh Road, New Delhi – 110011
8. **Committee of Parliament on Official Language** (As listed on MHA website)
9. **Narcotics Control Bureau,** West Block-I, Wing No. 5, R.K. Puram, New Delhi – 110066
10. **National Disaster Response Force (NDRF)** (Headquarters under MHA, as per MHA directory)
11. **Central Industrial Security Force (CISF),** CGO Complex, Lodhi Road, New Delhi – 110003
12. **Central Reserve Police Force (CRPF),** CGO Complex, Lodhi Road, New Delhi – 110003
13. **Border Security Force (BSF),** CGO Complex, Lodhi Road, New Delhi – 110003
14. **Indo-Tibetan Border Police (ITBP),** CGO Complex, Lodhi Road, New Delhi – 110003
15. **Sashastra Seema Bal (SSB),** Block-V (East), R.K. Puram, New Delhi – 110066
16. **Assam Rifles,** Shillong – 793011, Meghalaya
17. **National Security Guard (NSG),** Mehram Nagar, Near Domestic Airport, Palam, New Delhi – 110037

(Source: Ministry of Home Affairs, Government of India, as per MHA website – Attached/Subordinate Offices page)

Annexure – VI

Other Schemes Administered by MHA

(Other than those covered in Chapter 6)

Apart from the schemes mentioned in Chapter 6, the following are the additional schemes administered by MHA:

Grant 49: MHA Central Sector Schemes

- Swatantra Sainik Samman Yojana
- Repatriates from Sri Lanka
- Freedom Fighters Rehabilitation
- Central Tibetan Relief Committee
- Helicopter Services
- Disaster Management Infrastructure
- Development of Autonomous Councils
- Foreigner's Tribunals – Assam

Grant 51 – Central Sector Schemes

- Border Infrastructure and Management
- Nirbhaya Fund – Women's Safety
- CAPF Institute of Medical Sciences
- Interoperable Criminal Justice System
- Modernisation of Prisons
- National Forensic Infrastructure Enhancement Scheme

Grant 51 – Centrally Sponsored Schemes

- Vibrant Villages Programme
- Safe City Project

The audit of these schemes is conducted at the request of the concerned division. General Checks to be performed in the audit of these schemes:

- Proper sanction orders mentioning the head of accounts, specifically indicating the nature of expenditure under the scheme or General Administration need to be issued and maintained.
- With effect from 01.10.2018, the Drawing & Disbursing Officer (DDO) is required to deduct 2% Goods and Service Tax (GST) (1% CGST & 1% SGST) from the supplier as Tax Deduction at Source (TDS) and deposit the same amount into the appropriate Government accounts and provide a deduction certificate to the supplier.
- The bills/invoices received from the supplier should be printed and incorporate tax number such as TIN, VAT, or any municipal registration number. In the case of service provider's service tax number and TAN should be provided on the invoice/bill.
- Check whether claims have been processed as per scheme guidelines and claims are allowed only up to the applicable Central share under the specific item.
- Check whether any advance has been given to the State Government and the same has been taken into consideration while recommending the claims.
- Check whether there has been any wasteful expenditure resulting from a lack of coordination among the various aspects of the scheme.
- Check whether ex-gratia relief is distributed properly only to eligible beneficiaries.
- Check whether relief and rehabilitation work has been carried out impartially.
- Check from the list of ex-gratia relief distributed and try to ascertain that the money distributed has reached the intended beneficiaries in sufficient amounts.
- Check the details of training programmes conducted and the number of personnel trained in the program.
- Check the process of procurement for material and supplies as per the provisions of GFRs and in case of deviations ascertain the reasons for deviation.

- Wherever payments are made through electronic mode (RTGS/NEFT/DBT), the audit shall verify beneficiary bank details, Aadhaar linkage (where mandated) and PFMS-generated reports to ensure accuracy and prevent duplication.
- **Whether there is an accumulation of the previous year's unspent balance**
    a. Amount unspent and since when:
    b. Revalidation by States in the current year:
- **Other Check Points**

a. Is there a coherent roadmap and action plans prepared on an annual basis and implemented properly?
b. Check whether there is a proper plan for utilizing each component of the fund.
c. Check when was the fund released to the implementing agency and what action has been taken by the agency since then.
d. Check whether the procurement process is proper as per the provisions of GFRs.
e. Check whether a proper plan for training has been established and integrated with the procurement of the equipment and other components in the scheme.
f. Check whether the funds, if any under the scheme, meant for computerization and procurement of other equipment have been utilized properly.
g. Check whether the procurements under the scheme have been made through GeM.
h. Check whether the process of tendering and tender finalization is fully transparent and as per the provisions of GFRs.
i. Check the actual utilization of funds by examining the physical performance achieved.
j. Check whether all the provisions of the scheme have been adhered to.
k. Check the type of account in which funds are being maintained by these implementing agencies.

l. Check whether there is any interest earned on these accounts and how the interest has been accounted for. Whether the interest earned on releases from GoI has been remitted back to GoI as per provisions of GFR-230(8).

m. Check whether there is any diversion of funds from plan to non-plan, and vice versa.

n. Check whether liquidated damage has been charged for delay in supply beyond delivery period

This list is of a general nature and not exhaustive. Additional points may be added and the checklist customized as per the provisions of the scheme being audited.

Annexure – VII

Minutes of the meeting of the Ayushman CAPF Monitoring Committee (ACMC) held on 25.11.2024 under the chairmanship of Union Home Secretary to monitor the overall progress of Ayushman CAPF Scheme.

1. The list of participants is at the Annexure.

2. A meeting of the Ayushman CAPF Monitoring Committee (ACMC) was held under the chairmanship of the Union Home Secretary on 25.11.2024 to monitor the overall progress of Ayushman CAPF Scheme.

3. Additional Secretary, Police-II MHA, through a PowerPoint presentation, briefed the chair on the background and overall status of scheme implementation, current status of the scheme, issues to be addressed and way forward. The deliberations/discussions held during the meeting and the decisions taken are summarized below: -

I. It was observed that some Ayushman CAPF cards are to be linked with Aadhaar. The SSB informed that some of the personnel are already registered in state sponsored health schemes. They link their Aadhaar card after migrating from the State scheme when their Aadhaar is issued. All CAPFs should take steps for linking Ayushman Cards with Aadhaar.

(Action by DSG of CAPFs)

II. The large pendency of bills with Sanctioning Authorities (SAs) was viewed as a matter of concern. The number of SAs have already been increased to 155 from 52. Many of the newly nominated SAs have yet to start processing the bills. It was directed to monitor the performance at SA level on a regular basis to clear the pendency at the Force Headquarters level. A workshop for capacity building of SAs may be organised resolving all IT- and DSC- related issues so that old and new SAs get clarity about various buckets of claims on TMS portal.

(Action by DSG of CAPFs and ADG (Med))

III. The issue of empanelment of all CAPF hospitals under AB-PMJAY was discussed. CRPF and NHA highlighted that registration and empanelment of hospitals under AB-

PMJAY are different. Registration involves basic formalities but empanelment requires availability of requisite IPD health care facilities in the hospital. NHA apprised that only 40 CAPF hospitals are empanelled under AB-PMJAY and the rest are only registered. NHA and ADG (Med) are requested to provide a self-contained note explaining all prerequisite details required for empanelment and how registration and empanelment are different. All remaining hospitals should be registered and it is to be ensured that all hospitals which fulfil the criteria for empanelment should be empanelled.

(Action by P-II Division, MHA and NHA)

IV. The opening of Janaushadhi kendra in all CAPF Hospitals under Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP) was discussed. Joint Secretary, Dept. of Pharmaceuticals and ADG (Med) apprised that they have already discussed this issue and ready to sign the MoU. It was directed to sign the joint MoU by November 2024 and set up the timelines for opening the Janaushadhi Kendra in all CAPF Hospitals.

(Action by ADG (Med) & JS, Dept. of Pharmaceuticals)

V. On the issue of portal being slow and unresponsive at times, NHA apprised that they had analysed this issue and found that network connection and server capacity are the main causes. They are also analysing the portal slowness in peak hours for further necessary action.

(Action by CEO, NHA)

VI. The issue of SA-approved cases coming late for e-sign was discussed. NHA informed that this issue has been resolved. If the issue still persists, it may be communicated to them.

(Action by NHA and ADG (Med))

VII. NHA apprised that some IT issues being faced by SAs are due to older-version computers and laptops being used. CAPFs were directed to provide updated laptops and computers, if required, to SAs. For resolving the connectivity issues in remote areas, high speed modem connection/ dongle/ hotspot connections may be provided for smooth processing of claims.

(Action by DSG of CAPFs)

VIII. NHA apprised that the migration of all states on TMS 2.0 will take six months' time. Thereafter, Ayushman CAPF Scheme will also be migrated on TMS 2.0 for smooth functioning of the system.

(Action by NHA)

IX. Pr. CCA (Home) will ensure concurrent audit of Ayushman CAPF on a regular basis.

(Action by Pr. CCA (Home))

X. As 28% of total bills are of Rs. 500 and less, it was directed that availing OPD treatment in CAPF hospitals by Personnel may be encouraged.

(Action by DSG of CAPFs and ADG (Med))

XI. NHA presented a PPT on the National Anti-Fraud Unit (NAFU) triggers for identifying suspected or fraudulent claims. It was highlighted that several triggers have been incorporated into the system to flag suspicious claims across various categories. A separate bucket has been created for Sanctioning Authorities (SAs) to process these flagged cases. In handling these cases, SAs are required to carefully analyse the triggered information and verify its accuracy. Workshops/training sessions on these NAFU triggers may also be organized for all SAs by NHA. A feedback report on the effectiveness of these triggers will be provided to NHA by ADG (Med) to help further strengthen the system. Rectifying and clarifying these triggers will contribute to the efficient institutionalization of the system. Pr. CCA (Home) also proposed additional points related to the triggers and will share these inputs with NHA to explore the feasibility of incorporating them into the system.

(Action by NHA, Pr. CCA (Home) & ADG (Med))

4. The meeting ended with a vote of thanks to the chair.

List of participants in the meeting of the Ayushman CAPF Monitoring Committee (ACMC) held on 25.11.2024.

MHA officers:

1. Shri Govind Mohan, Union Home Secretary– In the Chair.

2. Shri Mritunjay Kumar Narayan, AS (P-II).

3. Shri Manoj Sahay, AS & FA.

4. Ms. TCA Kalyani, Pr. CCA (Home).

5. Shri Abhijit Sinha, JS (P-II)

6. Ms. Juhi Verma, Director (PC).

7. Shri Abhishek Sahay, 2IC (PC).

8. Dr. Sachin Bhadane, CA.

9. Shri Anil Goyal, Dy. CA.

CAPF officers: -

1. Shri Anish Dayal Singh, DG, CRPF.

2. Shri Rahul Rasgotra, DG, ITBP.

3. Shri Amrit Mohan Prasad, DG, SSB.

4. Shri. Daljit Singh Chaudhary, DG, BSF.

5. Shri Brighu Srinivasan, DG, NSG.

6. Shri Padmakar S. Ranpise, ADG (HQR), CISF

7. Shri Sandeep Khirwar, ADG (HQR), CRPF.

8. Dr. Vinod Kumar, ADG (Medical), CAPFs, AR & NSG.

9. Shri Deepak Kumar Kedia, IG (HQ), NSG.

10. Shri Solomon Yash Kumar Minz, IG (Adm) Works, BSF.

11. Dr. Umesh Tiwari, IG (Director) Medical, BSF.

12. Dr. H.C. Lingraj, IG (Director) Medical, ITBP.

13. Shri Somit Joshi, IG (Adm), SSB.

14. Shri B.S. Negi, DIG (Adm), CRPF.

15. Shri Vivek Mathur, DIG (Med), O/o ADG (Med).

16. Shri Manoj Kumar, DIG (Adm), SSB.

17. Ms. R. Nambiar, DIG (Adm), CISF.

18. Dr. Ranjeet Charan, Comdt (Med), O/o ADG (Med).

MoH &FW and NHA officers:

1. Ms. Punya S. Srivastava, Secretary, MoH&FW.

2. Ms. L.S. Changsan, CEO, NHA.

3. Shri Kiran Gopal Vaska, JS, NHA.

Department of Pharmaceuticals officers:

1. Shri Ravi Dadhich, CEO (PMBI).

2. Shri R.P. Singh, JS.



सत्यमेव जयते

O/o Principal Chief Controller of Accounts
Ministry of Home Affairs
Government of India