



Government of Kerala

Audit Manual Part-2 / Volume-1

Institutions

(other than Devaswom Boards, Welfare Funds and LSGI)

Kerala State Audit Department
Thiruvananthapuram



Dr. T. M. THOMAS ISAAC
MINISTER FOR FINANCE & COIR

Government of Kerala
Secretariat, Thiruvananthapuram
Room No. 130, North Block
Phone : 0471-2333294
Fax : 0471-2334648
Mobile : 9447733600
E-mail : min.fin@kerala.gov.in

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Message

I express my appreciation to KSAD for formulating an audit manual on the basis of the recommendation of 4th Finance commission. The Commission suggested that such a Manual shall enhance the efficiency of the audit and thereby upgrade the transparency and efficacy of local governance. The manual was prepared with the support KLSGDP.

The manual is prepared within the frame work of KLFA Act and Rules, audit policies and GO's formulated by the Government from time to time and also considering the audit methodology in practical sense. So it is certain that the manual shall promote the professionalism in audit and bring standard in audit reports.

The International Auditing Standards being practiced worldwide have been vividly incorporated in the Manual. A whole lot of institutions with diverse characteristics such as Panchayat Raj Institutions, Universities, Devaswom Boards, and Cultural Institutions etc are being audited by Kerala State Audit Department. The Manual shall help the auditors to approach the audit of the above said institutions with global standards.

It is expected that the Manual shall bring qualitative change in the view of the auditors and shall enhance the transparency and competency of audit.

I extend my whole hearted thanks to all who dedicated their precious time for preparing the Manual in time bound manner.

Dr. T M Thomas Isaac
Minister for Finance and Coir



ഡി. സാജി

ഡയറക്ടർ

കേരള സംസ്ഥാന ഓഡിറ്റ് വകുപ്പ് &

ഭരണ

ചാരിറ്റബിൾ ഏൻഡോവ്മെന്റ്സ്
കേരളം

കേരള സംസ്ഥാന ഓഡിറ്റ് വകുപ്പ്
വീകാസഭവർ
തിരുവനന്തപുരം

തീയതി...10.04.2018

Preface

A long pending necessity of our Department, for an Audit Manual, has now attained its reality. Ever since the origin of the Department in 1942, there were discussions about preparation of an audit manual. Certain earnest efforts were also made within the Department during the past. But, the need to have an Audit Manual was debated within KSAD as well as with Government of Kerala at many forums. However, the recommendation of the fourth Finance Commission has led to a firm direction to this, which endorsed preparing an Audit manual for this Department, to improve the quality of Audit and for systematically conducting the audit.

In order to implement the Finance Commission's recommendations, it was decided to seek financial assistance from KLGSDP for preparation of an Audit Manual. Historically, Kerala State Audit Department was doing certifications for LSGI's enabling these LSGI's to get performance grants from the World Bank funded programme managed by KLGSDP. The Finance Department had consented this proposal subject to the approval of Terms of Reference by Government. With these processes and approvals in place, KLGSDP had identified a professional agency, as per the world bank procurement norms, whose services were utilized in preparing this Audit Manual.

In this process, Kerala State Audit Department had conducted various stakeholder consultations within themselves, with senior officials from auditee institutions as well as with subject matter experts. There were more than 30 large sized focus group discussions conducted throughout the State and around 250 plus individuals were met one-on-one to take their valuable inputs,

A review committee comprising about forty members was constituted within the Department, which had worked along with the Directorate to provide necessary inputs to the professional agency and this committee had been monitoring the progress of the work. The different stages of draft of Audit Manual prepared by the professional agency have been transmitted to the entire department for their remarks and to ensure utmost consensus. The opinions & suggestions of each of the staff/office have been meticulously evaluated by Directorate and the review committee. Earnest efforts have been taken to incorporate them on its merits in the draft audit manual.

The third draft of the English version of the manual was discussed by the review committee members on a three day long workshop and the same was finalized and approved by Kerala State Audit Department. Similarly, the third draft of the Malayalam version of manual was also discussed by the review committee members on a two day long workshop and the same was finalized and approved by Kerala State Audit Department. These manuals were in turn approved by the Government vide GO (RT)9674/17/Fin dated 29.12.17 and GO (RT)2563/18/ Fin. dated 25.03.18

On the occasion of this remarkable accomplishment, on behalf of the Department, I would like to place on records my profound gratitude and sincere thanks to the following, without whose valuable inputs, this manual would not have realized:

- Hon'ble Minister, Finance, Government of Kerala.
- Dr. K.M.Abraham, IAS (Retd.), former Chief Secretary, Government of Kerala.
- Principal Secretary, Finance, Government of Kerala.
- Secretary (Expenditure), Government of Kerala.
- Project Director, KLGSDP and all their staff.
- Senior officials representing various auditee institutions.

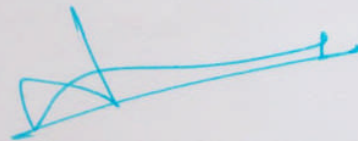
- Entire staff of Kerala State Audit Department, including the liaison team and the review committee members.
- Numerous subject matter experts.
- Each individuals who had provided their valuable inputs.

The main objective of this manual is to improve the quality of audit standards of Kerala State Audit Department and to further improve the efficiency of each and every auditor, apart from improving department's efficiency in the overall audit documentation.

I sincerely urge everyone from Kerala State Audit Department's audit team to go through this manual consistently in practical environment. Apart from referring and using this manual as a guide, every auditor is requested to use his/her skills and utmost ability while conducting audit so that, as a team, Kerala State Audit Department can take its audit standards to greater heights.

Thanking you,

Yours sincerely



D. Sanky

Director, Kerala State Audit Department

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കേരള സർക്കാർ

സംഗ്രഹം

ധനകാര്യ വകുപ്പ് - കേരള സംസ്ഥാന ഓഡിറ്റ് വകുപ്പ് - ലോകബാങ്ക് സഹായത്തോടെ തയ്യാറാക്കിയ ഓഡിറ്റ് മാനുവലിന് അംഗീകാരം നൽകി ഉത്തരവ് പുറപ്പെടുവിക്കുന്നു

ധനകാര്യ (എസ്റ്റാബ്ലിഷ്മെന്റ് -ഡി) വകുപ്പ്

സ.ഉ (സാധാ.)നം.9674/2017/ധന തിരുവനന്തപുരം, തീയതി : 29.12.2017

- പരാമർശം:-
1. 16.07.2014 ലെ 86307/എസ്റ്റാ.ഡി1/2013/ധന നമ്പർ കത്ത്.
 2. 01.12.2015- ന് ധനകാര്യ അഡീഷണൽ ചീഫ് സെക്രട്ടറി വിളിച്ചുകൂട്ടിയ യോഗത്തിന്റെ മിനിറ്റ്സ്.
 3. 05.12.2015 ലെ സ.ഉ (സാധാ) നം.10579 /15/ധന നമ്പർ സർക്കാർ ഉത്തരവ്.
 4. 18.12.2015 ലെ സ.ഉ (സാധാ) നം. 10993/15/ധന നമ്പർ സർക്കാർ ഉത്തരവ്
 5. ഓഡിറ്റ് വകുപ്പ് ഡയറക്ടറുടെ 16.12.2017 -ലെ കെ.എസ്.എ 317/ എസ്. എസ്.2/2017 നമ്പർ കത്ത്.

ഉത്തരവ്

തദ്ദേശ സ്വയംഭരണ സ്ഥാപനങ്ങളുടെ പ്രവർത്തനം മെച്ചപ്പെടുത്തുന്നതിന് ഓഡിറ്റിന്റെ കാര്യക്ഷമത ഉയർത്തുക വഴി സാധ്യമാകുമെന്ന നാലാം സംസ്ഥാന ധനകാര്യ കമ്മീഷൻ ശുപാർശ പ്രകാരം കേരള സംസ്ഥാന ഓഡിറ്റ് വകുപ്പ് ഓഡിറ്റ് നടത്തുന്ന എല്ലാ മേഖലകളെയും ഉൾപ്പെടുത്തിക്കൊണ്ട് ലോക ബാങ്കിന്റെ സഹായത്തോടെ ഓഡിറ്റ് മാനുവൽ തയ്യാറാക്കുന്നതിന് പരാമർശം(1) പ്രകാരം സർക്കാർ അനുമതി നൽകിയിരുന്നു. സംസ്ഥാനത്തെ തദ്ദേശ സ്വയംഭരണ സ്ഥാപനങ്ങളുടെ സുസ്ഥിര വികസനം ഉറപ്പാക്കുന്നതിന് സർക്കാർ രൂപീകരിച്ച KLGSDP മുഖേന ലോകബാങ്ക് സഹായത്തോടെ മാനുവൽ തയ്യാറാക്കുന്നതിനാണ് അനുമതി നൽകിയിരുന്നത്. ഓഡിറ്റ് മാനുവൽ തയ്യാറാക്കുന്നതിനുള്ള വിഷയ നിർദ്ദേശങ്ങളുടെ ('Terms of Reference') കരടിന് സർക്കാർ പരാമർശം (3) പ്രകാരം ഭരണാനുമതി നൽകുകയുണ്ടായി. കെ.എൽ.ജി.എസ്.ഡി.പി. (Kerala Local Government Service Delivery Project) യുടെ നിർദ്ദേശ പ്രകാരം കുറഞ്ഞ തുക കോട്ട് ചെയ്ത M/S പ്രൈവറ്റ് വാട്ടർ ഹൗസ് കൂപ്പേഴ്സ് എന്ന സ്ഥാപനത്തിന് കരാർ നൽകിയാണ് മാനുവൽ തയ്യാറാക്കിയത്.

ഓഡിറ്റ് വകുപ്പ് ഓഡിറ്റ് ചെയ്യുന്ന സ്ഥാപനങ്ങളുടെ പ്രതിനിധികൾ ഉൾപ്പെടുന്ന ഫോക്കസ് ഗ്രൂപ്പ് ചർച്ചയിലൂടെയാണ് ഓഡിറ്റ് മാനുവലിന്റെ കരട് രൂപീകരിച്ചത് എന്നും കരാറുകാരൻ സമർപ്പിച്ച ഒന്നും രണ്ടും മൂന്നും ഡ്രാഫ്റ്റിന്റെ വെറ്റിംഗ് വകുപ്പ് തല വിദഗ്ധരുടെ സഹായത്തോടെ ക്രോഡീകരിച്ച് കരാറുകാരന് നൽകുകയും, ഓഡിറ്റ് മാനുവലിന്റെ അന്തിമ കരട് തയ്യാറാക്കുന്നതിന് വേണ്ടി വകുപ്പുതല വിദഗ്ധരും കരാറുകാരൻ നിയോഗിച്ച പ്രതിനിധികളും ഉൾപ്പെടുന്ന ഒരു ശിൽപശാല നടത്തി ആയതിലെ നിർദ്ദേശങ്ങൾ പരിഗണിക്കുകയും ഓഡിറ്റ് മാനുവലിനു അന്തിമ രൂപം നൽകുകയും ചെയ്തു എന്നും ആയത് അംഗീകരിക്കണമെന്നും സൂചന (5) പ്രകാരം ആഡിറ്റ് വകുപ്പ് ഡയറക്ടർ ആവശ്യപ്പെട്ടിരിക്കുന്നു.

ലോകബാങ്ക് ധനസഹായത്തോടെ നടത്തുന്ന പദ്ധതികൾ 2017 ഡിസംബർ അവസാനത്തോടെ അവസാനിക്കുന്ന സാഹചര്യത്തിൽ സർക്കാർ അംഗീകാരം ലഭ്യമാക്കണമെന്ന് പരാമർശം (5) പ്രകാരം സ്റ്റേറ്റ് ഓഡിറ്റ് വകുപ്പ് ഡയറക്ടർ അഭ്യർത്ഥിക്കുകയുണ്ടായി. ഓഡിറ്റ് മാനുവലിന്റെ അന്തിമ കരട് സർക്കാരിലേക്ക് സമർപ്പിച്ച് സമയബന്ധിതമായി അംഗീകാരം ലഭിച്ചാലെ ലോകബാങ്ക് വായ്പ ലഭിക്കുകയുള്ളൂ എന്നും ടി പദ്ധതി സമയബന്ധിതമായി തീർപ്പാക്കേണ്ടതിന്റെ പ്രാധാന്യത്തെക്കുറിച്ചും ഓഡിറ്റ് വകുപ്പ് ഡയറക്ടർ ധനകാര്യ വകുപ്പുതല ചർച്ച നടത്തി വ്യക്തമാക്കിയിട്ടുണ്ട്. ഓഡിറ്റ് മാനുവലിന്റെ ഇംഗ്ലീഷ് പതിപ്പ് 5 വാല്യങ്ങളായി (part I -General, Part II(Volume I -Institutions other than Devaswom Boards, Welfare Funds and LSGI, Volume II -Devaswom Boards, Volume III -Welfare Funds, Volume IV -LSGIs) അംഗീകാരത്തിന് സമർപ്പിച്ചിരിക്കുകയാണ്.

സർക്കാർ ആയത് വിശദമായി പരിശോധിച്ചതിന്റെ അടിസ്ഥാനത്തിൽ ഓഡിറ്റ് നിയമവും ചട്ടവും അനുശാസിക്കുന്ന രീതിയിൽ വേണ്ടി വന്നാൽ ഉചിതമായ കാലാനുസൃത മാറ്റം വരുത്താം എന്ന നിബന്ധനയോടെ ഓഡിറ്റ് മാനുവലിന്റെ 5 വാല്യങ്ങളായുള്ള ഇംഗ്ലീഷ് പതിപ്പിന് അംഗീകാരം നൽകി ഉത്തരവാകുന്നു.

ഗവർണ്ണറുടെ ഉത്തരവിൻ പ്രകാരം
ഡോ. ഷർമിള മേരി ജോസഫ് ഐ.എ.എസ്
സെക്രട്ടറി (ഫിനാൻസ് എക്സ്പെൻഡിച്ചർ)

പ്രിൻസിപ്പൽ അക്കൗണ്ടന്റ് ജനറൽ (എ&ഇ /ജി&എസ്എസ്എ) കേരള, തിരുവനന്തപുരം
അക്കൗണ്ടന്റ് ജനറൽ (ഇ&ആർഎസ്എ) കേരള, തിരുവനന്തപുരം
ഡയറക്ടർ, കേരള സംസ്ഥാന ഓഡിറ്റ് വകുപ്പ്, തിരുവനന്തപുരം

പ്രോജക്ട് ഡയറക്ടർ, തദ്ദേശ മിത്രം (കെ.എൽ.ജി.എസ്.ഡി.പി) തിരുവനന്തപുരം 695 014.
വെബ് & ന്യൂ മീഡിയ, പബ്ലിക് റിലേഷൻസ് വകുപ്പ്
നോഡൽ ഓഫീസർ, ധനകാര്യ വകുപ്പ് (www.finance.kerala.gov.in)
സ്റ്റോക്ക് ഫയൽ / ഓഫീസ് കോപ്പി

ഉത്തരവിൻ പ്രകാരം



അക്കൗണ്ട്സ് ഓഫീസർ

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14. Introduction & Structure of the Manual

14.1. Structure of the Manual

The Audit Manual has been structured as follows:

- a) Part I – Mandate, Institutional Arrangements, Audit Methodology and Process
- b) Part II – Audit Procedures for all Institutions

Part II of the Audit Manual has four volumes:

- a) Volume 1 –deals with audit procedures for all institutions except Devaswom Boards, Welfare Funds and Local Self Government Institutions (LSGIs)
- b) Volume 2 –deals with audit procedures for Devaswom Boards
- c) Volume 3 – deals with audit procedures for Welfare Funds
- d) Volume-4 - deals with audit procedures for LSGIs

Sl. No	Part/Volume	Descriptions	Chapter References
1	Part I	Mandate, Institutional Arrangements, Audit Methodology and Process	Chapters 1 to 13
2	Part II – Vol 1	Audit Procedures for all Institutions except Devaswom Boards, Welfare Funds and LSGI	Chapters 14 to 48
3	Part II – Vol 2	Audit Procedures for Devaswom Boards	Chapters 49 to 54
4	Part II – Vol 3	Audit Procedures for Welfare Funds	Chapters 55 to 72
5	Part II – Vol 4	Audit Procedures for LSGI	Chapters 73 to 89

Volume 2 containing chapters 14 to 25, covers a general introduction of the individual/groups of institutions in individual chapters and in separate chapters the Audit Procedures common to all types of institutions are detailed. For e.g. Audit of Public Works, is common across all institutions which undertake such activities (no matter what type of audit is done) or for example, Audit of Salaries and Contingent Expenditure is common across all institutions. In addition, each homogeneous group of institution may have some very specific income/expenditure and such specific items have been identified and audit procedures for such items are included in the respective income/expenditure/asset/liability sections. For e.g. Universities have some specific expenditures not seen in other groups and so such expenditure is also included in the audit procedure chapters as being specific to Universities. It may be relevant to note that about 90% of audit procedure for testing income/expenditure/assets/liabilities are common across all institutions. Auditors will have to choose and apply the audit procedures that are relevant for the specific institution under audit.

In addition, there are certain types of institutions like Orphanages/Poor Homes where audit is just restricted to grant utilization and recommendation on grants. Similarly, the audit of Endowment Funds where audit is restricted to the PD account, investments and related income and its relevant books and records, and similarly in the case of Amalgamated Fund, audit is restricted to the grant utilization and relevant records maintained for that purpose. In all such cases, no financial audit is desired and audit checks should be followed to the extent specified in the specific chapters. However, it is also important to note if any of these institutions use their funds for works, stores, etc., then the audit procedures given in this volume will equally apply to all such institutions' audit.

14.2. Audit Scope and Objectives for all Institutions

- a) To ensure the correctness and completeness of accounts; examine the accounts to ensure regularity in expenditure and propriety of the financial transactions.
- b) To ensure whether the funds for an expenditure are properly authorized, duly sanctioned and is incurred by persons/departments competent to incur. Payments have been made to proper persons and have been

acknowledged by the payee and recorded correctly in the books: the Auditor has to report the weakness, deficiencies, wastefulness and failures in expenditure control and disbursement.

- c) To express an opinion whether the financial statements are prepared, in all material aspects in accordance with the applicable financial reporting framework and give a “true and fair” view of the state of affairs at the end of the period and its profit/loss for the year ended on that date.
- d) To express an opinion on the internal controls implemented and report on their deficiencies if any.
- e) To verify the physical achievements of schemes/projects in the Institutions.

14.3. General Audit procedures

Conduct of audit based on the perceived risk profile of the Auditee Entities and application of verification procedures detailed herein. While all the audit institutions need to be audited as per the Act, preference should be given to those that have a statutory deadline for completion and those that rank high in the risk analysis; which will enable better resource planning and efficient use of audit days. Accordingly, audit procedures will have to be planned for each Auditee Entity and the detailed checklists given in the volume will assist the auditors to plan such audits. Generally, audit procedures should cover the following:

1. Examine the internal control system particularly the following aspects should be checked:
 - a. System of collection of receipts and accounting for receipts and payments
 - b. Avoidance of loss due to negligence, delayed action etc.
 - c. Sanctions to expenditure and the progress of expenditure vis- a- vis budget allocation
 - d. Purchase, issue, accounting, utilization, and physical existence at the year-end of stores and stock.
 - e. Execution of Government Schemes, Construction programs etc.
2. Examining vouchers, statement of receipts, pay roll records, works, etc. against the audited institution's books of accounts.
 - a) Vouching of payments should include examination of authorization for payments, availability of budget, verification of rates and quantum of payments, liability discharged or asset acquired, acknowledgement of payee of the payment received etc.
 - b) Vouching of receipt should include examination of printed receipts issued, value for supplies and services, tracing of receipts to cash book, DCB, deposit of money in the bank etc.
3. Checking of accuracy of computations; observation of procedures and operations like stock taking.
4. Obtaining independent corroboration of figures like bank reconciliation statement/ treasury plus and minus memorandum.
5. Analysing figures in the accounts to see whether relationship between them is consistent.
6. In respect of Revenues, the Audit procedures should ensure the following:
 - a) All sums due are collected in accordance with the applicable laws and regulations; and
 - b) All money received are deposited into the account of the institution in the accredited bank/ treasury without delay and are properly accounted for.
7. In respect of Expenditure, the Audit procedures should ensure the following:
 - a) All expenditure is supported by appropriate sanction of the competent authority as per the Rules and Regulations as applicable to the Auditee Entity in force.
 - b) All expenditure relevant to the year of account is recorded;
 - c) Recorded payments did in fact properly occur and were relevant to the year of account, payments were not recorded for goods and services not actually received or payments to persons other than the proper payee were not made;
 - d) Recorded payments are stated at correct value and did not include payments not in accordance with supporting information or made at an incorrect amount.
 - e) Recorded payments are in conformity with the legislative intention and in accordance with the provisions of rules and due authorization; and
 - f) Recorded payments are properly shown in accounts; i.e. correctly classified under the relevant head of account.
8. In respect of Cash Books the Audit procedures should ensure the following:
 - a) All receipts have been taken into account in full;
 - b) No improper or fraudulent payments have been made;

- c) All receipts and legitimate payments have been accordingly recorded.
- d) The balance reflected in the cash book have been worked out correctly from time to time;
and
- e) Periodical surprise check of cash balances has been carried out.

14.4. List of organisations covered

Following Audit Entities are covered in detail in this manual. However, other Auditee Institutions where the nature of audit is more or less same as mentioned in the common audit check list, are clubbed together and covered in Chapters 14 to 25.

1. Kerala State Housing Board
2. Universities
3. DTPC
4. State Institute of Languages
5. State Institute of Encyclopedic Publications (Kerala) Society
6. Development Authorities
7. Charitable Endowments other than Amalgamated Funds
8. Amalgamated Funds
9. Orphanages and Poor Homes
10. Welfare Boards
11. Kerala State Sports Council
12. Dental Council
13. Kerala State Pharmacy Council
14. Waqf Board
15. Kerala Nurses and Midwives Council
16. Travancore Cochin Medical Council
17. Hospital Management committees
18. Kerala Health Research and Welfare Society
19. Nirmiti Kendra
20. Miscellaneous Entities including Cultural Institutions

15. Audit of Financial Statements -Balance Sheet

One of the significant audit mandates for audits is audit of balance sheet, the financial statement that depicts the statement of financial position on a particular date. Audit of balance sheet involves verification of assets and liabilities of the entity for assertion of (i) Completeness (ii) Existence (iii) Valuation (iv) Ownership (v) Disclosures. These are verified using the audit procedures detailed herein.

Some of the auditee institutions are maintaining books of accounts in the electronic form. Auditor needs to verify whether all the books of accounts which are statutorily required to be maintained are provided in the electronic form too. Therefore, the financial statements arrived as outputs from the electronic books are complied with the statutory requirements as per the prevailing accounting policies of the auditee institutions / applicable Acts/Rules.

15.1. Verification of Opening Balances

15.1.1. Risks and Implications

Risks	Implications
<ul style="list-style-type: none"> ▪ Opening balances are not stated/brought forward correctly. ▪ Misstatements in Opening Balances 	<ul style="list-style-type: none"> ▪ Incorrect financial statements due to misstatements/misrepresentations

15.1.2. Audit Procedures

<ul style="list-style-type: none"> a) The auditor shall read the most recent financial statements along with its schedules and notes, for information relevant to opening balances, including disclosures and accounting policies applied. b) Check and determine whether the previous year's closing balances have been correctly brought forward to the current year; where they are regrouped or restated, obtain necessary evidence to check that regrouping or restatement is justified and is in accordance with applicable accounting framework. c) Determine if the opening balances are stated using appropriate accounting policies. d) If the audit is conducted for the first time, then do the following: <ul style="list-style-type: none"> i. Where the previous year's financial statements were audited, review the predecessor auditor's working papers to obtain evidence regarding the opening balances. ii. Evaluate if the audit procedures performed in the current period provide evidence relevant to the opening balance.
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15.2. Audit of Fixed Assets

15.2.1. Risk and Implications

Risks	Implications
<ul style="list-style-type: none"> ▪ Procurement without budget sanction or exceeding budget limits. ▪ Procurement of fixed assets without proper approval/sanction. ▪ Procedures followed not adequate to prevent errors/fraud ▪ Non-updating of Fixed Assets related records/ registers on purchase of Fixed Assets. ▪ Segregation of duties relating to procurement / receipt of capital assets and its accounting thereof not adequate. ▪ Procurement and capitalization not complying with relevant Policies, Procedures and Rules. ▪ Incorrect classification/ capitalization of assets. ▪ Sale / disposal of the fixed assets may not have been duly authorised by the competent authority ▪ Identification of obsolete/surplus/impaired assets not done; disposal of such assets may not be in accordance with relevant Policies. ▪ Receipt of sale consideration may be delayed 	<ul style="list-style-type: none"> ▪ Lack of control over the physical assets. ▪ Purchase of fixed assets without budget availability. ▪ Assets not accounted at their correct costs/valuations. ▪ Capitalization of fixed assets under incorrect asset heads ▪ Incorrect rate taken for depreciation of fixed assets. ▪ Possible financial loss

15.2.2. Audit Procedures

1. General Verification
<p>a) Obtain the list of Fixed assets purchased/capitalized during the period covered under audit and verify the following:</p> <ol style="list-style-type: none"> i. Purchases made are as per the approved Budget; verify that budget was available and control exercised at the stage of commitment (i.e. issue of Purchase Order/Work Order) and not at the time of payment. ii. Purchases of fixed assets have been duly authorized/approved/sanctioned; verify the evidence in the form of Notes, Requisitions, Purchase Orders, Bills and Payment Vouchers. iii. Asset capitalization and accounting is supported by an installation certificate / completion certificate/commissioning report from supplier/contractor and the same is certified by the concerned official of the Auditee Entity iv. Assets should have been received along with necessary supporting documents i.e. invoice, delivery challan, etc. v. Upon purchase and installation, Asset Register should have been updated; verify the Asset Register to confirm such updation. vi. Verify to ensure Asset Identification Number (AIN) has been allotted and the same is recorded in the Asset Register with the concerned asset; verify if the AIN is indicated on the asset itself. vii. Verify the title deeds (where applicable) and ensure they are kept in the safe custody of competent authority. viii. Check that a Fixed Asset Register (FAR) and/or a Land Register is maintained as required under respective Rules. Verify the registers to ensure these are updated with all details of assets; check that the FAR is kept under the custody of a designated official in the Auditee Entity. ix. Reconcile the balance as per Fixed Asset Registers with respective GL accounts; seek explanation for differences and ensure they are correctly treated in the accounts. x. Check if transaction initiation, transaction authorization, transaction recording and custody of assets are properly segregated in procurement of assets. <p>b) Check whether all fixed assets are physically in existence and in ownership of the entity by checking relevant records</p> <p>c) Verify the repair account to ensure that no items of capital nature are included therein</p> <p>d) Examine and ensure that additions to fixed assets do not carry revenue nature items</p> <p>e) Verify whether government grants (including capital subsidy) are received towards cost of assets. If so, verify to ensure that either the grant amount is reduced by cost of fixed asset; or an equivalent amount has been transferred to capital contribution depending on the accounting policy followed by the entity.</p>

- f) Verify whether assets acquired under hire purchase agreements have been correctly accounted for
- g) Check whether fixed assets have been revalued during the year. If yes, then:
 - i. What is the basis of revaluation?
 - ii. Fact of revaluation has to be disclosed for next five years
 - iii. Quantum of revaluation has to be disclosed
 - iv. If a revalued asset has been sold, have transfers been made from revaluation reserve to capital reserve. If not, give a suitable note
- h) Verify whether immovable properties held as investments and as stock in trade have been shown accordingly in accounts and not clubbed with fixed assets.
- i) Verify whether any immovable assets have been sold during the year. If so, verify whether such transactions have been properly recorded
- j) Verify whether all the assets were in use during the year and all items of fixed assets have been adequately insured.
- k) Verify whether additions/deductions/deletions of assets are duly authorized by executive body and all additions are properly supported by documents of titles.

2. Transaction Verification

- a) Take a sample of Asset purchase transactions (or 100% if required) and check the following:
 - i. Verify the Purchase Indent/Proposal and check if justification is properly recorded, and the indent/proposal is verified by designated person/s and approved/sanctioned by competent authority as per the delegation of powers in force.
 - ii. Verify the Appropriation Control Register (Budget Utilization Register) to ensure availability of budget provision at the time of commitment and not at the time of payment.
 - iii. Verify if the purchase procedures like, obtaining quotations/calling for tenders; evaluation and comparative statements, preparing a note to competent authority and obtaining approval of competent authority, issue of Purchase Order/Work order/agreement have been correctly carried out and there are no discrepancies or deficiencies noticed.
 - iv. Verify the Goods/Asset Received Notes to ensure the receipt of materials/assets as per Purchase Order/Agreement and that the same are accepted by the concerned officials.
 - v. Verify the Actual Invoice received from vendors/suppliers with Purchase Order and Goods Received Note to ensure the billing is done for what is ordered and received; there are no price differences and any other terms are properly complied with by the supplier.
 - vi. Verify the Actual Invoice is properly authorised and approved by the competent authority for payment.
 - vii. Verify the respective entries in cashbook/bank book and respective GL accounts for accrual and payment entries to ensure the assets are correctly and completely accounted; trace the entries to the Asset Register and reconcile the AR with GL.
 - viii. Verify that purchase price has been calculated as per relevant Rules in force.
 - ix. Verify to ensure that no revenue expenditure has been capitalized or vice versa.
 - x. Check and ensure that classification of assets recorded is correct.
 - xi. If the transaction involved purchase of a building then verify the following:
 - a. Purchase price/compensation for acquisition of assets
 - b. Legal charges
 - c. Compensation paid to cancel tenancy rights at the time of purchase
 - d. Repairs incurred to put the building into working/usable condition.
 - e. If the building is purchased with land, the cost has been bifurcated between land and buildings based on technical valuation/government estimates.
 - f. Where building is constructed all costs relating to construction including interest on money borrowed for construction is capitalized and included in the cost.
- b) For verification self-constructed assets, refer audit procedures in the Public Works section.
- c) For road assets, verify if cost of land is capitalized with land and not with roads.
- d) Where assets are received at free of cost, check the same is accounted and valued at Rs.1/- and included in the Asset Register with a proper AIN.
- e) Verify, by examining the evidence available or by inspection which is duly recorded in the audit work papers, that the purpose for which asset was bought or constructed is achieved; issue audit enquiry and seek explanation for discrepancies/deficiencies.

<p>3. Sale and Disposal of Assets</p> <p>a) Check the relevant procedures for identification and sale and disposal of assets; review the procedure for the following:</p> <ol style="list-style-type: none"> There is a system to identify the unserviceable / obsolete fixed assets on a regular basis. The competent authority reviews the status of obsolete fixed assets. Assets approved for disposal are as per the guidelines in force That all disposals have been properly sanctioned and approved by means of an approved note/attestation in the Asset Register etc., <p>b) Obtain a list of assets disposed during the audit period and verify:</p> <ol style="list-style-type: none"> Sale is made as per the guidelines in force and it was properly authorised by competent authority. A Sale order/Sale Note is prepared and approved by competent authority. Sale is made by either inviting quotations or through a tendering process as required by the relevant guidelines. Examine the quotation/tender/offer received with supporting sale order/sale note and respective entries in the Asset Register to confirm the carrying cost, depreciation and to ensure if offer amount is justified. Enquire about the working condition and verify if there are any third party confirmations/technical certification for certifying the working condition of asset. Examine the reasons for sale/disposal/write off and check if they are justified in the circumstances. Check that the payment has been received in respect of sale and is properly recorded in cash book/bank book; verify the entries in the cash book/bank book and GL and trace them to respective entries in the Asset Register. Check that all costs incurred on retirement, scrapping, obsolescence and sale of assets have been charged to Profit & Loss (P&L) account in the year in which the costs are incurred. Verify whether the profit/ loss on sale of assets has been properly computed and accounted; check the calculations. Check that the relevant registers like (i) Register of land (ii) Fixed Asset Register (iii) Register of Public Lighting System are correctly updated with the sale.
<p>4. Verification of Depreciation</p> <p>a) Ensure that the depreciation on assets is charged at the rates prescribed in the relevant Rules and Regulations or as per C&AG guidance if any.</p> <p>b) Land cannot be depreciated; hence check that no depreciation is provided on land.</p> <p>c) Verify the depreciation calculations and trace them to respective entries in the GL and Asset Registers; ensure total depreciation does not exceed cost of acquisition as per books.</p> <p>d) Where an asset is fully depreciated, check if it is being carried at Rs.1/- in the books of accounts.</p> <p>e) Where assets are bought from grants, check that depreciation is calculated in accounted on the full value of the asset and not the value arrived at after deducting the grant amount.</p> <p>f) Check if any Asset Replacement Bank Account is maintained by the Auditee Entity. If so, check to ensure that it is utilized only for replacement of assets.</p>
<p>5. Physical Verification of Assets</p> <p>a) Check if the Entity physically verifies the assets annually or at such other periodicity as may be required.</p> <p>b) Review the procedures employed by the Auditee Entity for physical verification of assets; check the documentation evidencing the physical verification undertaken by the Auditee Entity.</p> <p>c) When a physical verification is done, check if discrepancies between the physically verified balances and book balances are investigated and adjusted with proper approval of the competent authority.</p> <p>d) Obtain the list of assets as at the period end and physically verify the assets and ensure the following:</p> <ol style="list-style-type: none"> Physical assets balances tally with Fixed Asset Register and GL account balances, differences if any, are noted and explanations to be taken. Assets bear the AIN Assets are in good working condition; where the physical inspection finds otherwise, issue an audit enquiry to check if the assets need to be written off Assets idle and not being used are noted and explanations sought Assets transferred from other local bodies/departments are properly noted in the Asset Register

- and accounted in the books.
- vi. The work papers relating to physical verification contain the details of the Auditee Entity, the date of inspection, the category of assets, individual items checked with their AIN, the team involved in inspection, book balance, physical balance, discrepancies noted etc.

15.3. Audit of Investments

Investments may comprise of movable assets like (i) Fixed Deposits (ii) Equity Shares (iii) Units of Mutual Funds and immovable properties like buildings, etc., which are maintained for earning regular income and provide a service to the public.

15.3.1. Risks and Implications

Risks	Implications
<ul style="list-style-type: none"> ▪ Purchase / disposal of investment may not have been approved by appropriate authority. ▪ Non-compliance with policies and other regulatory requirements ▪ Lack of safe custody measures / control over original documents of investment. ▪ Loss/Misplacement of original documents of investment. ▪ Incorrect accounting for purchase / sale / income on investments. ▪ Incorrect valuation of investments in the book of accounts. ▪ Non maintenance of required registers/records to track investments. 	<ul style="list-style-type: none"> ▪ Non-adherence of investment policy may result in financial loss to Auditee Entity. ▪ Lack of safe custody measures of investment proceeds increase the chances of fraud / misappropriations.

15.3.2. Audit Procedures

1. General Checks
<ul style="list-style-type: none"> a) Check what type of investments that the entity can make from its funds; Review the procedures to be followed for investments. b) Check that the general investment transactions of purchase and sale comply with the applicable rules and regulations. c) Check if Investments registers (by type of investment) are maintained and updated for tracking the purchase and sale of investments. d) Verify the investment registers are reviewed at least weekly by the designated officials and that investment register entries are attested by such person reviewing the register. e) Check and ensure a list of investments maturing in a year/quarter/month is drawn up and timely action is taken for their renewal or disposal. f) Verify the ownership of investments; check that all investments are bought and sold in the name of the Auditee Entity and not in the name of its officials. g) Verify that the investment registers and investments are in the safe custody of the competent authority and in a safe with dual control on operations. h) Check if there are investments (movable and immovable) where title was not transferred to the Auditee Entity; identify all such cases and seek explanations for audit report. i) Check there are proper procedures to track the investment income like interest and dividends. j) Examine the carrying cost of investments in the financial statements; trace the total shown in the balance sheet to the Investment Registers and respective GL accounts; check that the values at which they are shown in the financial statements are at cost or market price whichever is less. k) Ensure that bankers/third party confirmation is available on record for investments; check the balances as confirmed with the GL accounts and note discrepancies if any; seek and verify a reconciliation for differences. l) Check and ensure that periodic reconciliation are carried out between the book balances and the Demat Statements/Third Party Confirmations to ensure there are no differences. m) Review the valuation of investments in balance sheet with the available market prices (in case of quoted investments) and breakup values (in case of unquoted investments) and check if any provision is required to be made for change in value/diminution of investment.

n) In case of loss/theft, ensure an FIR is lodged; verify the copy of FIR; verify that the Auditee Entity has written to the bank/investee entity notifying the loss and for issue of duplicate instrument.
2. Transaction Verification – Investments
a) Obtain a list of investments made during the period covered by audit and do/verify the following: <ul style="list-style-type: none"> i. Examine the approvals by competent authority for investments made. ii. Verify the investments with FD receipts, contract notes, bill of costs, and such other supporting documents for accuracy and completeness and occurrence. iii. Verify the investment amounts with respective entries in Cashbook/Bankbook and trace them to Investment Registers and respective GL accounts; ensure these are properly classified and accounted. iv. Ascertain if investments are made cum-interest, cum dividend etc., and check the calculations of the interest and dividend and ensure that it is separately accounted as interest and dividend and not as cost. v. In case of equity investments, check the price paid with the closing price on the day on the stock exchange where the investment was made; investigate significant differences between the contract price and the closing price, if any. vi. Verify the Investment Register/s to ensure that all new investments are properly and correctly recorded therein. vii. Check that the FD receipts/ investment instruments/credit in depository accounts have been properly and correctly received for all investment made.
3. Transaction verification - sale of Investments
a) Verify the cases of disposal of investments/deposits and ensure the following aspects: <ul style="list-style-type: none"> i. Check if there are any restrictions on sales as per the applicable rules and regulations? If so, verify to ensure those rules are not contravened in the process of sale of investments. ii. Approval of executive authority or any other competent authority has been obtained. iii. Sale proceeds have been credited to the bank account timely; check the entries in the bankbook with corresponding entries in the bank pass book. iv. Appropriate entry to book the sale and resulting profit / loss has been passed in the books of account v. The sale is recorded in the Investment Register and the investment receipt is cancelled/surrendered. vi. Check the cost of investment/s and ensure that investments are not sold for less than the cost of acquisition. If circumstances require such sales, verify if proper approvals are taken for selling at lower than the cost and book a loss. vii. Obtain the FD receipt/statement from depository/Mutual Fund Company and compare the investment made. viii. Ensure the investment documents, etc., are kept in the safe custody of the designated persons.
4. Physical Verification
a) Ensure there is a procedure to carry out physical verification of investments at least annually; review the procedures and also the documentation available to ensure such physical verification is done. b) Obtain a list of investments and verify the following: <ul style="list-style-type: none"> i. The investment is in the name of the entity. ii. Original documents of investments are available and verified iii. All original documents/receipts are in safe custody and maintained in good conditions iv. The values are correctly represented in the balance sheet.
5. Investment Income
a) Verify if the income from investment is updated in the investment register on purchase of any new investment or new deposits on a periodical basis for the income accrued on investment and receipt thereof. b) Check the calculations of the income accrued and compare with the income actually received, e.g. interest, dividend, etc. c) Take the list of ledger accounts relating to investment and investment income and verify that income from all investments has been received and accounted correctly; trace and verify the cashbook/bank book and also respective entries in the bank passbook. d) Where there is no actual receipt of income due, verify if the same is accrued in the books as receivable and followed up with respective institutions for receipt.

15.4. Audit of Cash & Bank

Cash and Bank transactions form a major portion of the assets of any entity. The audit of Cash and Bank shall include all the processes from receipt of cash/cheques, their remittance in to Bank or Treasury accounts, withdrawals from Banks/Treasury, payments made, and the accounting of all these transactions in the books of the Entity concerned. An illustrative checklist for some of the processes involved in the audit of Cash & Bank transactions are grouped as below:

- i. Cash transactions
- ii. Cash withdrawal from Bank
- iii. Imprest cash
- iv. Bank transactions
- v. Bank reconciliation
- vi. Other checks

15.4.1. Risks and Implications

Risks	Implications
<ul style="list-style-type: none"> ▪ Payments without approved bill / supporting documents. ▪ Duplicate payment against same bill ▪ Receipt of cash without issue of official cash receipts ▪ Inadequate controls over safe custody of the cash receipt books ▪ Incorrect accounting of cash transactions ▪ Inappropriate procedure for safe custody of physical cash. ▪ No segregation and rotation of duties of officials involved in cash and bank receipts and payments and accounting thereof. 	<ul style="list-style-type: none"> ▪ Chances of fraud or misappropriations. ▪ Financial loss ▪ Regulatory consequences like, penalties etc. ▪ Keeping of idle funds.

15.4.2. Audit Procedures – Cash

1. Cash Payments
<ol style="list-style-type: none"> a) Ensure that cash payments are made only for those goods and services as authorised by the relevant rules and regulations. b) Verify whether every voucher bears an acknowledgement of the payment, signed by the person by whom or on whose behalf the claim is put forward c) Check the cash payment vouchers and ensure the following aspects: <ol style="list-style-type: none"> i. Vouchers are serially numbered (printed numbers), dated, written neatly and contain no corrections/changes/amendments; in case of corrections on vouchers, verify if the same are attested by a competent authority by a full signature. All vouchers must be entered in the Voucher Register if any. ii. Vouchers accompany adequate supporting documents like bills, receipts, invoices etc. which also should be in original- exceptions could be where payments are processed through Treasury and the originals are sent to Treasury and in which case a full set of attested copies of documents should be available for audit. iii. Verify if the correct head of classification is recorded on vouchers along with primary and secondary units of appropriation (if any) against which the amount of the bill is to be debited. iv. Vouchers and the supporting documents are properly authorised and approved by the competent authority. v. Cash payment has not been made for the transactions for which normally payment is made through cheque/online transfers. vi. Payment has been made against original documents only. vii. Expenditure is correctly classified, and posted in correct account heads in GL. viii. All payment vouchers and supporting documents have been defaced as 'paid' after payment by the concerned section. ix. Revenue stamp has been affixed in case amount exceeds the limit as per Indian Stamp Act. x. Acknowledgment from the payee has been obtained on the cash voucher/ or a separate receipt is obtained which should also be verified with the voucher.

<ul style="list-style-type: none"> xi. Verify the vouchers with respective entries in the Cash Book and GL accounts. d) Enquire and verify if there is a proper control over the cash vouchers and the vouchers are serially numbered. e) Obtain the list of un-finalized vouchers and ask for reasons. f) Verify to ensure that identity of the person collecting the payment is established at the time of payment and payment signature shall be obtained as below: <ul style="list-style-type: none"> i. In case of payee is employee – by his identity card ii. In case of any other person – based on letter of authorization, etc.
2. Cash Receipts
<ul style="list-style-type: none"> a) Review cash collection, scrolling and accounting procedures; ensure required cash books/bankbooks, bill collection receipts and registers, scroll are maintained. b) Check if there is a system of issuing official receipts for cash collected; check if these are serially controlled. c) Check if a stock register is maintained to keep an account of receipt, issue and balance of receipt books. d) Verify that printed receipts are issued in consecutive order and ensure that cancelled receipts have been properly authenticated and preserved. e) Verify to ensure that unused official receipt books are checked at regular intervals and kept in a safe custody. f) Test check the official receipt books with cash scroll and cashbook entries to ensure these are correctly entered in the cash book. g) Check and ensure that any alterations in the official receipts have been properly authorised and evidenced. h) Verify that the cash scroll and cash book are totalled daily and are tallied and cash collected is recorded under the respective heads and deposited against an authorised bank account on the same day or the next day. Verify the postings in GL accounts. Check deposits into bank account with cash book and analyze the delay if any and seek explanations. i) Check and ensure that the cash receipts have been properly accounted for in the books of accounts.
3. Cash Withdrawals
<ul style="list-style-type: none"> a) Check that the cash withdrawals are made only by designated persons/department and have been approved by competent authority. b) Trace the cash withdrawals into cash book and ensure they have been accounted on the same day of withdrawal and taken into the balance of that day. c) Check that there is no practice of signing cash cheques for withdrawal in advance
4. Cash Verification and Safe Custody
<ul style="list-style-type: none"> a) Verify the cash book to ensure that cash is tallied daily and the cash book is signed by the person performing this verification as evidence. b) Carry a surprise cash count during the course of audit and compare the balance with cash book; report the differences noticed. c) Ensure that cash was physically counted and tallied with cash book on the last day of year end; examine the supporting documentation to ensure this procedures is done by designated officials. d) Physically inspect the safe custody box/locker, etc., for cash and ensure these are adequate considering the average cash balances on hand. e) Check there are limits on overnight balances/cash retentions and that these limits are never exceeded. f) Verify the segregation of duties of staff to ensure that cash functions like cash collection, accounting and deposit into banks are reasonably segregated.

15.4.3. Risks and Implications – Bank

Risks	Implications
<ul style="list-style-type: none"> ▪ Making of bank payments without approved bill / supporting documents. ▪ Incorrect accounting of bank transactions. ▪ Internal controls over cheque books, signed cheques, issue of postdated cheques, cheques received etc not adequate. ▪ Delay in deposit of cheques in the bank. ▪ Delay in communicating banker for change in signatories. ▪ No segregation and rotation of duties of officials involved in banking transactions 	<ul style="list-style-type: none"> ▪ Chances of fraud and misappropriations ▪ Financial loss to Auditee Entity

15.4.4. Audit Procedures - Bank

1. Bank Payments
<p>a) Check bank payment vouchers (BPV) and ensures the following aspects:</p> <ol style="list-style-type: none"> i. Vouchers are serially numbered (printed numbers), dated, written neatly and contain no corrections/changes/amendments; in case of corrections on vouchers, verify if the same are attested by a competent authority by a full signature. All vouchers must be entered in the Voucher Register if any. ii. Vouchers accompany adequate supporting documents like bills, receipts, invoices etc. which also should be in original- exceptions could be where payments are processed through Treasury and the originals are sent to Treasury and in which case a full set of attested copies of documents should be available for audit. iii. Verify if the correct head of classification is recorded on vouchers along with primary and secondary units of appropriation (if any) against which the amount of the bill is to be debited. iv. Vouchers and the supporting documents are properly authorised and approved by the competent authority; vouchers should contain the cheques/DD numbers issued. v. There are no overwriting/changes on the voucher; if there are any changes, the change is approved by a full signature of person approving the voucher and not a different person. vi. Cash and bank section does not modify any field of the vouchers prepared by other sections (i.e. party name and code, particulars, amount, etc.). It only updates the fields for cheque number and date and the bank code. vii. Payment has been made against original documents only. viii. Expenditure is correctly classified, and posted in correct account heads in GL. ix. All payment vouchers and supporting documents have been defaced as 'paid' after payment by the concerned section x. Trace the bank vouchers to respective entries in Bank Book and respective GL accounts; check trace large value transactions to respective entries in Bank Pass Book. <p>b) Review the list of vouchers for which payment is not made and ensure that vouchers are not pending for payment for unreasonable long period.</p> <p>c) Verify if the specimen signatures of the officials authorised to sign cheques have been communicated and timely updated (in case of change) to the Banks (ensure duly authorized)</p> <p>d) Check to ensure that all the bills are stamped once approved and then for payment to ensure the same bill is not processed once again.</p> <p>e) Check the cancelled cheques and verify to ensure that such cancelled cheques are defaced as 'Cancelled' and retained for records</p> <p>f) Verify that the Entity maintains a register for cheque books and for cheque issuances; check the entries in these registers with respective bank books and bank pass books; trace them to GL accounts; ensure cheques/DDs are timely dispatched.</p> <p>g) Check the receipts received from parties (to whom cheques are issued) with respective vouchers.</p> <p>h) Ensure that all signed cheques pending issuance to parties are kept under the control of authorized persons only and acknowledgement is taken when cheques are released.</p> <p>i) If duplicate cheques are issued ensure that:</p>

- i. A fresh voucher is made with reference to the old vouchers
- ii. Payment against original cheque was stopped; check the letter given to banks
- iii. Issue of duplicate cheque has been authorised by competent authority
- iv. Suitable indemnity is taken from the party to whom the duplicate cheque is issued.
- j) If a cheque is dishonored, check if the same is entered in the Cheque issuance register, and fresh cheques are issued under reference to old vouchers/bills to avoid duplicate payments.
- k) Verify the Segregation of Duties of staff – ensure persons preparing cheque and those signing cheques are independent of each other; ensure payment and recording are segregated.
- l) In case of electronic payments, check:
 - i. Appropriate details from the payee are received in writing and recorded on the voucher
 - ii. Check and compare the details received from the payee with details sent to the bank and ensure there are no differences.
 - iii. Verify the payment advice sent to bank and payment remitted by bank to ensure payment is made to correct payee.

2. Bank Receipts

- a) Verify the acknowledgement is issued for all receipts, which are serially controlled. Further, check and ensure that the bank receipt advice indicated that the 'cheque is subject to realization'
- b) Check and ensure that the entry for bank charges (if any) on deposit of Cheque / DD in the collection account is accounted separately and not netted with the amount of collection. The bank charges shall be supported by bank debit advises.
- c) Check the recording procedure for cheques received and ensure that all cheques received are recorded properly and kept under safe custody until they are deposited into bank; verify a few entries in the registers to ensure timely banking and realization of cheques.
- d) Test check and ensure that cheques / drafts are promptly deposited with the bank
- e) Test check and ensure that the bank gives credit to the accounts promptly for all cheques lodged.
- f) Verify the vouchers with respective entries in the bank book and respective GL accounts.
- g) Ensure that the payment orders provide necessary reference of Register of Bills for Payment, M Book, and Stock Ledger as the case may be based on purpose for which payment was made.

3. Bank Reconciliation

- a) Check that the Entity has a system of regular (monthly) reconciliation of its bank book with bank pass books, scrutinize the difference and pass adjustment entries in the books of accounts.
- b) Obtain monthly reconciliation statements and scrutinize the same for the following:
 - i. Cheques issued but not appeared as paid by banker, and Cheques deposited but not credited in the bank statement have been properly dealt with and reconciled.
 - ii. All debits and credits made by the bank have been duly identified and accounted for
 - iii. Any undue delay in realisation of cheques deposited or cheques issued.
 - iv. No items are outstanding for a long time (stale cheques); seek explanations for the same
 - v. There are no unexplained debits/credits
 - vi. Bank reconciliation is done by a person independent of disbursement and receipt functions
 - vii. There are no stale cheques outstanding for more than 3 years; if so, ensure these are transferred to income accounts
- c) Ensure that BRS statements are available for all bank accounts and are filed properly.
- d) Check the balance confirmation certificate received from banks for each account with the Bank Book Balance and respective GL account.

15.5. Audit of Stock (Inventories)

15.5.1. Risk and Implications – Material Receipt

Risks	Implications
<ul style="list-style-type: none"> ▪ Inadequate material receipt and recording procedures and absence of internal checks and controls on material receipts and issues. ▪ Inadequate documentation – absence of Purchase Order / Goods Received Note, etc. ▪ Delay in recording and accounting of receipt of material. i.e. undue delay in preparation and processing of goods receipt note after receipt of material. ▪ Delay in updation / non-updation of relevant records 	<ul style="list-style-type: none"> ▪ Receipt of excess / short quantity of material. ▪ Misappropriation of inventory. ▪ Delay in bill passing process which ultimately delayed the payments. ▪ Delay in recording and accounting of material may affect further processes such as bill passing, material availability for consumption, etc. Inventory position could not be monitored properly.

15.5.2. Audit Procedures – Material Receipt

1. General Checks and Procedures
<ol style="list-style-type: none"> Ensure that all the accounting procedures prescribed in the relevant rules as applicable to the Entity with regard to Stores and Stock are followed Ensure there are adequate segregation of duties with respect to receipt, storage and custody and issue of materials. Verify and ensure necessary stores records such as Stock (Inventory) Ledgers, Bin Cards, Material Receipt and Material Issue Notes and Expenditure Control Registers are maintained and updated. Check the general housekeeping and storage position of the stores and ensure the followings: <ol style="list-style-type: none"> Adequate storage facilities are available with stores. Based on the nature of item, it's volume, value, criticality etc., storage place / area has been defined / allocated e.g. high value items should be kept under lock and key, heavy material may be kept near the exit gate etc. The items are stored/ kept at the designated/ allocated place only. Shelf life items are stored / kept according to the remaining useful life / expiry period. Item storage location/ place has been properly marked with identifiable code/ numbering/ marks etc. Storage location has also been specified in the bin cards/ stock register for easy accessibility of items. Check that bin cards showing the receipt, issue and balance of inventory are maintained and updated with receipt and issues. Ensure that all procurement of stores and stock comply with the respective Rules and Regulations and against adequate budget allocation. Ensure that all purchases are accrued in the books before the release of payments and material consumption begins. Verify and ensure that the Payment Order provides reference to the Stores Ledger where the entry for receipt of material is recorded. Verify and ensure that the all dues recoverable including advance provided to the supplier / contractor have been recovered before making any payment to the supplier. Further ensure that only the net payment is made to the supplier as may be applicable to the materials actually received or accepted Verify and ensure that the 'Purchase of Materials' account has been reconciled at the period end and the balance has become nil on accounting of stock entries for the closing stock and consumption of stores. Verify that the Executive Authority/ Secretary has put in place a physical verification programme and physical verification of the inventory has been carried out as per the schedule/ programme. Review the physical verification reports and ensure that the reasons of shortage/excess have been identified/ ascertained and necessary action plan for controlling such shortage / excess has been taken and shortage/excess have been properly accounted.

- j) Review the procedure for write off of any shortage and ensure that shortages have been written off after taking the approval of competent authority.
- k) Ensure that the physical verification has been conducted by an independent person i.e. person who is not handling/responsible for day-to-day receipt and issue of items.

2. Verification of Material Receipts

- a) Review the material receipt process and ensure that material is checked and recorded correctly in the stores ledger and other records.
- b) Verify the Materials Received Note and ensure that all the required documents viz. Purchase order, challan; Gate Entry Note, invoice, inspection note etc. are attached with the Materials Received Note.
- c) Verify the details on Materials Received Note with invoice, purchase order and inspection certificate e.g. Description of goods, Quantity, Rate, Price, Delivery schedule, etc.; verify to ensure that all deviations from Purchase Order are noted and individual departments are advised for taking appropriate action for receipt of part material and making adjustments for short supply/recovery of amounts.
- d) Test check the entries in the Stock Ledgers with respective Materials Received Note and Purchase Orders to ensure that receipt of material is accounted / recorded under the correct item code and for the correct quantity, etc.; ensure that ordered quantity has been delivered as per the delivery schedule and Purchase Order. Check if approval from competent authority is taken for delays, shortages, excess etc.
- e) Verify and ensure that the damaged / rejected goods are identified and kept separately. Further ensure that fact of receipt of damaged / rejected goods has also been intimated to the procurement division for taking necessary follow up action.
- f) Check that Stores Ledger and other registers are getting updated for all material receipts and issues.
- g) Verify to ensure that the claim procedures are initiated promptly for shortages/ damages of materials in transit and reported to concerned end user department/ procurement department for necessary action.

15.5.3. Risks and Implications for Material Issues

Risks	Implications
<ul style="list-style-type: none"> ▪ Issuance of material without obtaining necessary approval; absence of internal checks on material issue process. ▪ Irregularity in updating of stores records ▪ Unauthorized alteration in material issue slips. ▪ Material issues not being acknowledged by receiving person/ authority ▪ Wrong accounting for material issues. ▪ Delay in recording / accounting of issue slips. 	<ul style="list-style-type: none"> ▪ Misappropriation of inventory. ▪ True inventory positions could not be ascertained at any given point of time. ▪ Accounting / recording in wrong vendor code / item code affect the recovery position and inventory balance respectively. ▪ Mis-utilisation of issue slips.

15.5.4. Audit Procedures – Material Issues

- a) Verify the Material Issue Notes and ensure the following:
 - i. Item Code and description tally with that mentioned in material requisition slips
 - ii. Quantity issued is as per the indent / requisition raised.
 - iii. Material Issue Note contains the running serial number.
 - iv. Material Issue Note are duly authorised by the competent authority.
 - v. Stores Ledger and Bin Cards are updated with issues timely and balances taken correctly.
 - vi. Check the acknowledgment of the user to verify that material has been issued and received by the intended person/department.
 - vii. Trace the issue entries to the respective GL accounts and Registers to ensure the issues are accounted in correct vendor code, item code etc.
 - viii. Verify to ensure that FIFO (First In First Out) system is followed in issue of materials and valuation of stock.
 - ix. Verify and ensure that issue of materials to contractors has taken place only with the approval of the concerned department head and follow up action initiated to get back the same within

- the agreed period. A periodical report is sent to the concerned department and material accounts section on the status of each case.
- x. Where material is issued to contractors on works, verify the acknowledgement received with Material Issued Note and advice to the concerned department to ensure that cost of material issued to contractors is properly deducted from their bills.
- b) Verify the Material Requisition Slips/ Note and ensure the following:
 - i. Material Requisition Slips contain the detail of the work, work order number along with the reference of the department to which cost is chargeable.
 - ii. Material Requisition Slips are duly authorised by the competent authority
 - iii. No overwriting in the requisition slips and all additions /alterations have been attested by the indent or with dated initials.
 - iv. Necessary advice is given to Accounts Department/concerned department to charge the cost of material for the respective works.
 - c) Check that copies of Material Requisition Slips and Material Issued Notes are sent to Accounts Department and other related departments as per procedure laid down for necessary accounting of consumption of stores and stocks.
 - d) Check there are systems and procedures to identify the obsolete and non-moving items from the stores and advice to concerned departments for necessary action.

15.6. Audit of Sundry Debtors/Receivables/Advances

The term sundry debtors is interpreted to include all amounts recoverable/receivable for the goods sold and services rendered by the Auditee Entity to its general public/customers. However sundry debtors do not include the amounts which are in the nature of loans and advances. Auditors should employ the following procedures in verification of sundry debtors. Generally verification of debtors is done by (i) examination of underlying records (ii) confirmation from debtors and reconciliations and (iii) analytical procedures.

15.6.1. Risks and Implications

Risks	Implications
<ul style="list-style-type: none"> ▪ The debtors balances as shown may not exist ▪ The debtor balances may not be recoverable ▪ Income accruals and other receivables do not belong to the period under audit. 	<ul style="list-style-type: none"> ▪ Misstatements in Financial Statements ▪ Overstatement of financial position

15.6.2. Audit Procedures

1. Debtors
<ol style="list-style-type: none"> a) Ensure that the Entity has procedures for prompt recording of receivables and receipts and linking of actual receipts with outstanding in the books. b) Ensure there is a procedure of ageing of receivables and prompt review of those receivables by the competent authority. c) Ensure there is a procedure (wherever possible and relevant) for obtaining the balance confirmation certificate from debtors; reconcile the balance certificates with books of accounts and adjust the difference with appropriate approvals. d) Verify and ensure all adjustments like rebates, write-offs, discounts etc given to debtors in recovering the dues are approved by the competent authority before the same are passed on and accounted in the books. e) Ensure there are procedures to reconcile various income registers/sub ledgers with GL accounts for receivables and adjustment of differences where required. f) Auditors should scrutinize the debtors' accounts in the GL/Sub-Ledgers from the perspective of their accuracy, validity and recoverability; trace the receivable entries to their respective income accounts and see if they are correctly accrued; trace the receipts to cash book and receivable accounts in GL. g) Check the copy of the receipts issued with debtor accounts to ensure these are correctly accounted and trace them to cash/bank book for actual collection confirmation. h) Check the collections in the first few months of the following year and relate them to the receivable

<p>entries of the previous year end to ensure that the stated amounts are correct and are reliable.</p> <p>i) Check all credit notes issued after the year end date and ascertain if they relate to the current year; if so ensure necessary corrections are made in the current year books.</p> <p>j) The balances as per debtors schedule accounts/debtors ledgers should be matched and agreed with respective control accounts in the GL and these should be matched with the amounts stated in the Balance Sheet. Auditors should examine the subsequent realizations to ensure the collectability of the balances.</p> <p>k) Perform analytical procedures such as comparison of current year end balances with previous year end balances; comparison of receivables with income accrued; analyzing the trends for previous year for collection of income and receivables etc.</p> <p>l) Ensure that provisions for bad and doubtful debts is created with appropriate approvals and the provision represents truly the doubtful portion of the receivables.</p>
<p>2. Loans and Advances</p> <p>a) Verify that proper loan and advance registers and other records like DCB are correctly maintained and updated.</p> <p>b) Check whether loans and advances made by the entity are properly secured and that the terms on which they are made are not prejudicial to the interest of the Entity.</p> <p>c) If the loan is given on the basis of security, verify that the amount of loan does not exceed the value of security.</p> <p>d) Check that the entity has authority to lend. If so, check whether the loans and advances are made in accordance with that authority.</p> <p>e) Verify whether loans and advances made to individual and private concerns have been shown correctly as such or as deposit.</p> <p>f) Check and compare balances with previous year-end and enquire into major variances.</p> <p>g) Check advances to suppliers on capital account, for expenses and for supplies.</p> <p>h) Verify to ensure the loan instalments are promptly recovered from the borrowers; check repayment transactions with supporting vouchers, agreements/repayment schedule to ensure these were recovered timely; trace them to DCB, Loan Registers and Bankbook and verify the posting in the respective GL accounts.</p> <p>i) Verify that prompt and sustained action is pursued in respect of arrears.</p>
<p>3. Bills Receivable</p> <p>a) Check the entries regarding receipt of cash against bills receivable by reference to the corresponding entry in bills receivable book.</p> <p>b) Check that contingent liability in respect of bills receivable discounted with bank has been correctly determined and properly recorded in the books</p> <p>c) Check from the bills receivable book, any bills which have become due for payment but payment has not been received.</p> <p>d) In cases where the bills have been dishonoured, check the entries made for dishonour of bills.</p> <p>e) Verify the bills that have been returned by the bank after dishonour and the payment subsequently made by the entity to the bank.</p> <p>f) Check that the amount of dishonoured bills is duly debited to debtors account.</p> <p>g) Check the commission charged by bank and the recovery thereof from debtors.</p>

15.7. Audit of Liabilities

Liabilities are financial obligations of the Auditee Entity and may include Loans and Borrowings, Sundry Creditors, and other current liabilities and provisions. Liabilities are generally represented by documentary evidence originating from third parties in their dealings with the Auditee Entity.

15.7.1. Audit of Loans & Borrowings

Loans and Borrowings represent the financial obligations of the Entity; moneys borrowed for general business either through General Funds or Special Purpose Funds. Interest on loans and borrowings should be accrued on the due dates as per the loan schedules/agreements.

15.7.1.1. Risks & Implications

Risks	Implications
<ul style="list-style-type: none"> ▪ Loans and borrowings may exceed the powers of the Entity and may not be approved by the Government. ▪ Unauthorized borrowings ▪ Higher interest rates due to poor credit rating ▪ Amounts borrowed may be unutilized for their purpose. ▪ Incorrect calculation of Interest ▪ Inadequate loan closure procedure, improper record maintenance. ▪ Loans may not comply with applicable legal and statutory requirements. ▪ Un-reconciled loan balances with the lending agency. 	<ul style="list-style-type: none"> ▪ Disputes with lenders and reconciliation problems. ▪ Penal interest due to delayed payment of interest and/or principal ▪ Penalties for non-compliance of statutory requirements ▪ Inadequate loan closure procedure may result in untimely release of collateral security, etc.

15.7.1.2. Audit Procedures

Verification Procedures
<ol style="list-style-type: none"> a) Verify to ensure that loans and borrowings obtained are within the powers of the Entity and that appropriate sanction and approval of the competent authority was obtained for borrowings. b) Verify that borrowings at any point of time do not exceed the limits imposed by the statute/regulations and/or the decisions of the Board/Executive Authority. c) Obtain a statement of loans/borrowings raised during the year and verify the following: <ol style="list-style-type: none"> i. Approval of the appropriate authority for borrowings ii. Borrowings are within the budget allocation and for any deviations, revised approvals of the appropriate authority were obtained. iii. Check if the loans have prior sanction of the government (where required) iv. Check that banks/institutions were selected following a quotation process to minimize the cost and maximize the benefit. v. If the assets of the Auditee Entity are pledged, check if necessary approval are taken for the pledge and that the security is recorded in the Fixed Asset Register. vi. Check and verify the Loan Registers are properly updated with all loans and borrowings. vii. Check Interest and other terms and conditions of the loans have been carefully negotiated and are in the interest of the Auditee Entity; check that necessary approval for the terms is obtained. viii. Check that the charge on assets was created by following the provisions of the laws, regulations that apply to the Entity. ix. Verify if the loans raised are utilized for the purpose for which the loans are taken and check there were no diversion of funds for any other use. x. Check that the period of the loan does not exceed the life of the asset for which it is taken. xi. Check the entries in the Loan Registers and trace them to bank book and respective GL accounts. xii. Obtain confirmations from the lenders for the outstanding balances as at the year end and verify the same with books of accounts; seek explanations for differences. xiii. Check that the interest rate has been correctly applied in servicing the loans; calculate the interest and tally it with respective accounts and seek explanations for any discrepancies. d) Check and verify the loan drawals for the following: <ol style="list-style-type: none"> i. The drawals are as per the schedules agreed with lenders and as per terms as provided in the loan agreement. ii. The drawals are as per the requirement of funds and that borrowed funds did not lie idle resulting in loss of interest iii. Trace the amounts to the bank books, bank statements and respective GL accounts and ensure that all drawals are correctly accounted. iv. Verify the amounts drawn with the advice from lenders/confirmation statement from lenders. e) Check the following for the interest paid: <ol style="list-style-type: none"> i. The correct rate as agreed to and as stated in the agreement is applied.

ii.	Interest calculations are correct and are correctly accrued, paid and recorded in the accounts.
iii.	Interest is paid on time and penal interest is levied only on default if any.
iv.	Loan Registers are updated with interest
v.	TDS has been deducted (where applicable) and remitted to government as per prevailing IT Rules.
vi.	Verify the interest paid as per vouchers to the entries Bankbook and GL accounts and confirmations from Lenders.
f)	Check the repayment entries for the following: <ul style="list-style-type: none"> i. That the installments repaid are as per the schedule of repayment stated in the loan agreement. ii. Repayment amount has been calculated as per the loan agreement conditions iii. There are no defaults in loan repayment; and in case default is noticed, ensure approval of the competent authority has been obtained for regularizing the default.
g)	If rate of interest is changed during the term of loan, check if it is justified and agreed and approval of competent authority has been obtained for the change.
h)	Upon repayment of the whole loan, check if the lender has properly closed the loan account and released the security given; based on the advice of the lenders, check the Asset Register for necessary noting.
i)	Loan agreements are properly returned/cancelled after the closure of loans
j)	Check that interest has been provided for the period between the date of last payment and the date of financial statements and is charged to the Income and Expenditure account of the Auditee Entity.

15.7.2. Audit of Creditors and Outstanding Liabilities

15.7.2.1. Risks and Implications

Risks	Implications
<ul style="list-style-type: none"> ▪ The creditors balances as shown may not exist ▪ The balances may not be required to be paid ▪ Purchase and the Payable transactions processed do not belong to the period under audit. 	<ul style="list-style-type: none"> ▪ Financial statements may be misstated ▪ Excess/unauthorized payments may be made to the vendors/creditors

15.7.2.2. Audit Procedures

a)	Obtain the schedules of creditors or a list of creditors and on a test check basis, verify the accounts with their invoices, bills, receipts and other supporting documents.
b)	Trace the balances in the creditors/payable ledgers to their respective GL accounts and ensure they agree with each other; investigate the differences.
c)	On a test check basis, the individual entries in the creditors' ledgers/GL accounts should be traced to their respective purchase/procurement/expenses accounts to ensure they are correctly accounted.
d)	Compare the creditors' balances for the period under audit with the previous audit year and on a test check basis, scrutinize all those accounts with large additions/deductions/movements.
e)	Vouch a few payments from the creditors ledger accounts/registers to the respective bankbook entries and payment voucher and supporting documents; similarly trace a few payment vouchers to their respective entries in the bank book and creditors ledger accounts.
f)	Ensure the Auditee Entity follows a system of obtaining confirmation of balances at least once a year, and reconciling the balances to the books of accounts; any differences should be investigated and accounted with appropriate approval of the competent authority.
g)	Scrutinize the ledger accounts of the creditors and investigate unusual entries, exceptionally large amounts, frequent debit notes/credit notes etc.
h)	While scrutinizing the creditors' ledger accounts, check all the long outstanding entries are properly explained and ensure they represent actual payables by the Auditee Entity.
i)	Check necessary provision for outstanding expenses actually incurred but not settled has been accrued at the period end; check the calculations and justification for the provisions with necessary supporting documentation; in case of management estimates, ensure estimates are made based on a reasonable basis and have adequate justification.

15.7.3. Audit of Funds

Funds could be General Funds or Special Purpose Funds which represent liabilities in the financial statements. As part of the audit of accounts, these need to be reviewed and audited. The expenditure met out of these Funds may be audited with reference to the specific audit procedures detailed in the expenditure sections above. The following procedures to be performed as a general review and verification.

15.7.3.1. Risks and Implications

Risks	Implications
<ul style="list-style-type: none"> ▪ The fund balances as shown may not exist and/or may be wrongly stated. ▪ Assets acquired/Expenditure met out of Funds may not have been accounted to the concerned Fund ▪ Expenditure and withdrawals from the Funds may not have proper sanction/ authority. ▪ Inadequate classification of Funds ▪ Noncompliance with respective rules and regulations. ▪ Fund Balances not reconciled. ▪ Inappropriate utilization of Funds. 	<ul style="list-style-type: none"> ▪ Financial statements may be misstated ▪ Excess/unauthorized payments may be made to the vendors/creditors

15.7.3.2. Audit Procedures

- a) Verify to ensure the following:
 - i. The Fund is created for a specific purpose and under the head approved by C&AG and the Government
 - ii. The Fund is utilized only for the purpose for which it is created; there are no diversion from the funds.
 - iii. Any investment income realized by depositing the Funds, surplus amounts in a FD or bank or other investments is credited to the specific Fund.
 - iv. Assets created out of the specific Funds shown in the respective Funds, reducing the balance in the Fund/s or alternatively, the value of asset created is transferred from the Fund to Capital Contribution account.
 - v. The transactions in the Fund accounts conform to the respective rules and regulations and the expenditure is incurred following the proper procedures.
 - vi. All payments from the Fund have appropriate sanctions and approvals by competent authority.
 - vii. Check whether there are any cases where projects/programs have been abandoned after committing/spending substantial amounts; obtain a list of all such cases and verify the reasons, seek explanations and include in the audit reports?

16. Audit Procedures - All Institutions

The Audit procedures are grouped into the following to ensure there is proper coverage and correct interpretation in applying these procedures to various institutional audits whose accounting and audit requirements may vary either by law or by practice.

- a) Audit of Budget
- b) Audit of Sanctions
- c) Audit of Receipts and Income
- d) Audit of Expenditure and Payments
- e) Audit of Public Works
- f) Audit of Stores and Stock
- g) Audit of General Provident Fund Accounts
- h) Audit of Pensionary Claims
- i) Audit of Pay Fixations

17. Audit of Budget

The auditee institutions which have not made budget manuals of their own will have to follow the Kerala Budget Manual. As most of the auditee institutions have not prepared budget manual of their own, they are following Kerala Budget Manual.

The following procedures on audit of budget and budget execution and control are applicable to these Institutions. However, it is important to note that the application and extent of checks will depend upon the size and complexity of the Auditee Entity. Hence Auditors are advised to use the following as a guidance in their audit of different institutions whose practices may vary widely.

The budget estimates should be a record of anticipated cash receipts and cash payments during the coming year regardless of whether the receipts and payments relate to the same year or previous years. The budget estimates are prepared under 4 headings: (i) the actual of the year before last year of the budget (ii) budget estimates of the previous year (iii) revised estimates of the previous year and (iv) budget estimates of the current year (i.e. the FY for which budget applies). The revised estimates offer the best guidance for estimating the next year's budget. The revised estimate should be prepared considering:

- a) The actual expenditure during the first five months of the year
- b) The expenditure likely to be incurred during the remaining months
- c) The additional supplementary grants already obtained or proposed to be obtained.

Generally, re-appropriations /surrender of funds will be required in the following cases:

- a) New schemes sanctioned during the course of the year
- b) New heads of accounts opened for the year
- c) Other relevant factors having a bearing on the expenditure of the year

17.1. General Budget Checks to be performed

- a) The budget should be prepared in accordance with the guidance given in the Kerala Budget Manual and/or the Parent Act of the Institution if it prescribes rules for preparation of budget. The income and expenditure budgeted should be realistic and achievable. To verify this, auditors may refer to the budget execution reports of previous years to ensure the current year estimates are realistic.
- b) The expenditure shall be on the projects included in the budget estimate and the expenditure shall not exceed the budget.
- c) If there are any deviation from the original budget, a supplementary budget or revised budget should be passed. Expenditure can only be incurred after the approval of supplementary/revised budget.
- d) Based on the previous year's account necessary changes on expenditure such as salary, office expense should be included.
- e) Check whether the budget estimates for revenue is based on existing rates and no increase or decrease is proposed which has not been sanctioned by the competent authority.
- f) Check whether the budget estimates have been prepared keeping in view of the extent of arrears as at the end of the previous year, the reasons therefor and steps, if any, taken or proposed to be taken to speed up the collection.
- g) Check whether provision for pay and allowances are made for the incumbents likely to be on duty in the coming year (regardless of the sanctioned strength) and the actual pay likely to be drawn by them.
- h) Check whether the provision for travelling allowances of the coming year differs from the current year and a full explanation is given in this regard.
- i) Check that the provision for non-recurring contingent items of expenditure is not made as a matter of course copying the average expenditure of previous years but is based on actual requirement during the budget year. Check whether the provisions under recurring charges are supported by documents indicating the requirements for component items such as furniture, postage, telephone charges, etc.
- j) Check whether the provision for stores is worked out based on past consumption, anticipated variations, stock in hand and forecast of requirements for works during the coming year.
- k) Check whether provision is made for all sanctioned schemes, not for new schemes awaiting sanction by

competent authority

- l) Check that abandoned schemes in previous years are not provided for in the estimates.
- m) Check whether schemes already completed are provided for in the budget.
- n) Check whether the estimates of all the estimating officers included in the consolidated budget proposals.
- o) Check whether the due dates prescribed for various stages of budget formation are adhered to.

17.2. Budget Control

17.2.1. Risks and Implications

Risks	Implications
<ul style="list-style-type: none"> ▪ Duties of Disbursing Officer/Secretary not fully complied with ▪ Duties of Implementing Officer not fully complied with ▪ Financial irregularities ▪ Controls around Fiscal and Revenue deficit 	<ul style="list-style-type: none"> ▪ Possibility of fraudulent payments and embezzlement ▪ Loss of revenue ▪ Fraud /defalcation ▪ Increase in Fiscal and Revenue deficit ▪ Non-compliance with the prescribed Guidelines ▪

17.2.2. Audit Procedures

As soon as the Budget is approved by the competent authority, the chief controlling officer is to send an allotment letter to the subordinate controlling officer and the disbursing officer.

Auditor should check the following:

- (a) Accounts officer concerned informing the funds allotted to them under different heads of which the subordinate controlling officer and the disbursing officers are authorized to operate and the chief controlling officer himself can retain a portion of the sanctioned grant for his use
- (b) The chief controlling officer, the subordinate controlling officer and the disbursing officer are to enter all the allotments in the register prescribed for the purpose.
- (c) As soon as a bill is cashed it should be posted in the relevant column in the register against the relevant head of account under which funds are allotted
- (d) After the close of the month the disbursing officer is to reconcile the figures with bank/treasury and forward to the controlling officer immediately superior to him an extract of his account in the prescribed form
- (e) Each disbursing officer is to maintain a separate liability register in the prescribed form so that he may have a complete picture of the flow of expenditure which is possible only if the outstanding commitment and liabilities against which payments will have to be made during the current or subsequent financial year are also known
- (f) He is to forward to the controlling officer every month statement in the prescribed form showing the liabilities incurred during the month of report, payment made against liabilities and liabilities cancelled or finally paid off and the progressive amount of outstanding commitments
- (g) The subordinate controlling officer is to consolidate in the prescribed form, the figures from his own register of disbursements (kept in the prescribed form) and those from the extracts of the disbursing officers subordinate to him. The disbursements pertaining to each unit of appropriation will have to be then grouped by district offices /regional offices(where formed)
- (h) He should after reconciliation with bank/treasury forward an extract of his register in the prescribed form to the chief controlling officer
- (i) The chief controlling officer must not only to ensure that the total expenditure is kept within the bounds kept by the appropriate authority but also to see that the funds allotted are spent on the subject of public interest and the specific purpose for which the money was provided .He must be in a position to assume complete responsibility for the audit entity's expenditure and explain any instance of excess or financial irregularity that may be brought to the notice as a result of scrutiny or otherwise
- (j) Chief controlling officer is, therefore, to keep a constant watch over the progress of expenditure whether Plan or Non-Plan and the expenditure exceed the provision thereof. For this purpose he may retain either the whole of the appropriation and watch the actual expenditure there against or distribute

the appropriation among his subordinate officers making them responsible for watching the progress against his share of appropriation. Major non-recurring items of expenditure shall have to be watched separately as the flow of expenditure in such cases is unknown. Such expenditure may have to be controlled by requiring the disbursing officer to send special reports every month such expenditure is incurred showing the details of expenditure already incurred and the possible requirement of the rest of the year.

- (k) Verify that the disbursing officer ensures that the sanctioned appropriation of the competent authority exists and that the funds to fully cover the charge thereof have been placed at his disposal.
- (l) Verify whether the disbursing officer foresees the likelihood of the allotments becoming insufficient to meet the necessary budgeted expenditure under the head of accounts.
- (m) Check whether the disbursing officers maintain a register of budget allotments in the prescribed form.

18. Audit of Sanctions

1. One of the important functions of Audit is Audit of Sanctions. Substantial number of sanctions results in expenditure. Therefore, the audit checks in regard to the sanctions is focusing on expenditure and resultantly the audit checks included here is mainly concerning the expenditure. Auditors are entitled to receive, from the authority competent to accord the sanction, a separate copy of an order sanctioning expenditure, or of a sanction that is otherwise to be enforced in audit. The procedure for communicating such sanctions to Auditors is determined by the Rules of Business of the Authority concerned and the Auditor should not be satisfied until such a procedure is definitely settled, and unequivocally stated. It is essential that an authorized Gazetted official of the entity signs and authenticates all sanctions and orders communicated to Audit Officers

2. It is an essential and inherent function of Audit to bring to light not only clear and obvious irregularities but also every matter which, in its judgment, appears to involve improper expenditure or waste of public monies or stores even though the accounts themselves may be in order and no obvious irregularity has been committed. Such audit, often called Propriety Audit, "extends beyond the formality of the expenditure to its wisdom, faithfulness and economy". It is thus not sufficient to see that sundry rules or orders of a competent authority have been observed. It is of equal importance to see that the broad principles of orthodox finance are borne in mind not only by disbursing officers but also by sanctioning authorities. No precise rules can, however, be laid down for regulating the course of audit against propriety. Its objective is to support a reasonably high standard of public financial morality and sound financial administration and devotion to Authority's financial interests.

3. While doing so, Auditors have not only to examine that the expenditure is covered by a sanction, either general or special, but also to satisfy itself that:
 - a) The authority sanctioning it is competent to do so by virtue of the powers vested in it by the provisions of the laws, rules or orders made there under or by the rules governing delegation of financial powers framed by a competent authority;
 - b) The sanction is definite and therefore needs no reference either to the sanctioning authority itself or to any higher authority.

4. In the audit of sanctions to expenditure from the point of view of competency of the sanctioning authority, the guiding principles enunciated below should be observed:
 - a) If the sanctioning authority is vested with full powers in respect of a certain class of expenditure, a sanction accorded under those powers can be challenged by Audit only on grounds of propriety.
 - b) If the authority is vested with powers that may be exercised only after paying due regard to certain expressed in a general form, sanctions accorded under those powers can be challenged by Audit:
 - i. If the disregard of the criteria is considered to be so serious as to make the sanction perverse; or
 - ii. If the facts of the case are such as to make the Auditor confident that one or more of the criteria have been disregarded.
 - c) If the sanctioning authority is vested with powers that are expressed in precise terms, the Auditor is bound to ascertain that the order defining its powers is obeyed exactly in every instance.
 - d) For the purpose of financial sanction, a group of works which forms a single project shall be considered as one work, and the necessity for obtaining the sanction of a higher authority to a project is not avoided by reason of the fact that the cost of each particular work in the project does not require such sanction.
 - e) If any one part or component of a scheme requires the sanction of a higher authority, Audit should hold under objection any expenditure thereon until the necessary sanction is obtained; in determining whether objection should be raised to expenditure on any other part or component of the scheme prior to the receipt of such sanction, it should be seen that the expenditure is not likely to exceed, at a later date, the limit up to which sanction can be accorded by the original sanctioning authority.
 - f) Besides the question of competency of the authority sanctioning the expenditure, the scrutiny of sanctions should extend to seeing whether:

- i. The expenditure is a legitimate charge on the provision from which it is proposed to be met.
 - ii. The expenditure conforms to the statutory provisions as well as the relevant financial rules, regulations and orders.
 - iii. The expenditure is in conformity with the standards of financial propriety ;
 - iv. A satisfactory procedure of accounting has been evolved by the sanctioning authority in the case of sanctions to new schemes, and the detailed cost and time schedules, physical targets and other objects of the expenditure have been duly stipulated. It is imperative that the utmost care and attention should be devoted to work connected with the audit of sanctions to expenditure because once a sanction has been accepted in audit, expenditure there against may have to be admitted for an indefinite period.
- g) All sanctions to expenditure should be noted and properly attested in the audit register, or any other record where prescribed, to facilitate audit of the expenditure covered by the sanctions.
 - h) If it is known that the charge will entail a recovery from a third party, or that such recovery has been ordered by the sanctioning authority, a note thereof should also be made and properly attested in a suitable register so that the recovery may be watched. Recurring charges which are payable on the fulfilment of certain conditions or till the occurrence of a certain event should be admitted in audit on receipt of a certificate from the drawing officer to the effect that the necessary conditions have been duly fulfilled or the event has not yet occurred, as the case may be.
 - i) Ensure that sanctions having a long period of currency, as well as sanctions of a permanent nature, require to be reviewed periodically so that, if there is any reason to think that the administrative authority concerned should be requested to review the sanction, such action may be taken.

19. Audit of Receipts and Income

This section contains the audit steps for all types of revenue/income and may be used as overall guidance in carrying out audit of other receipt/income transactions. This income includes revenue receipt, receipt from fees, etc., apart from income from rent & lease.

19.1.1. Risks and Implications

Risks	Implications
<ul style="list-style-type: none"> ▪ Poor/Non Maintenance of relevant receipt/revenue, investment and asset records. ▪ All the receipts are not properly accounted for. ▪ The unutilized balance of grants are not refunded ▪ All the buildings rented out are not recorded in the register of rents ▪ DCB is not correctly maintained ▪ The buildings are rented without observing rules of procedure. ▪ Supervision & centage charges are not correctly worked out and included in the estimates of works ▪ Centage charges not recovered in time and arrears are not shown in the accounts ▪ Design and consultancy charges may not be properly fixed or revised as required under the Rules. ▪ Agreements may not have been properly executed with institutions for whom the work is being carried out. ▪ Interest rates may not have been correctly applied and interest due not collected correctly. ▪ Incomplete records of deposits with varying interest rate. ▪ Inventory of land records may be not complete and correct; unnecessary purchase of land keeping it unutilized. ▪ Poor/Non-reconciliation procedures 	<ul style="list-style-type: none"> ▪ Loss revenue/Late realization of revenue ▪ Defective DCB ▪ Demands for collection not raised in respect of all the buildings/properties. ▪ Inability to assess the arrears of rent resulting in failure to recover the arrears ▪ Scope for embezzlement or fraud ▪ Violation of the rules governing the grant ▪ Pilferage in revenue not detectable ▪ Late realization of revenue ▪ Failure to enforce recovery of arrears ▪ Non recovery of expenses already incurred ▪ Unnecessary locking up of capital ▪ Improper alienation of property

19.1.2. General Verification Procedures for Receipts

1. To ensure there is control over demands and collections
<ul style="list-style-type: none"> a) Verify whether there is a mechanism in place to ensure that the demands are raised promptly, in the manner required by law and/or rules and that no amount due to Auditee Entity is left outstanding in its books. b) Verify if there is a proper demand register in which demands falling due are noted to control and watch recovery of all dues. c) Examine if collections and refunds are received and checked against demand. d) Verify to ensure that the collections are accounted regularly and properly under the appropriate heads of account. e) Verify to ensure that suspense heads are not used in accounting for the receipts; where used check that these are reconciled properly and set off by the year end. f) Verify with reference to the counter foils of receipt or carbon copies of receipt that the figures shown therein are correctly entered in the account records (cash book, etc.)
2. To ensure there is control over Receipt Books
<ul style="list-style-type: none"> a) Verify whether a stock register for Receipt Books in the prescribed form is maintained to keep an account of receipt, issue and balance. b) Verify if the receipts are in prescribed format, printed and serially numbered (machine numbered) and issued in a consecutive order for all money received.

c) Check that all receipt books are in the safe custody of designated authority and are issued to the designated persons under acknowledgement.
3. To ensure Accuracy in reporting of receipts
a) Verify basis of compiling total receipt of revenue/income figures; check this compares well with the accounting procedures followed and ensure that the numbers in financial statements match with books of accounts. b) Verify and confirm whether receipts/receipt vouchers and/or challan's have the correct Account Classification/head of accounts. c) If Treasury is involved, verify the reconciliation between Treasury account and Auditee amount. Obtain explanation for differences, if any. d) If Treasury is not involved, verify that all receipts as per Cash/Bank Book agree with General Ledger (GL) posting and also Bank Statements (bank statement verification may be done with bank reconciliation statement [BRS]).
4. Treatment of Irrecoverable Dues
a) Check if there are adequate procedures to identify and list irrevocable dues; verify amounts listed as irrecoverable and examine the reasons thereof. b) Inquire and verify the steps taken for recovery as contemplated under respective laws/rules c) Verify if the timelines for reporting of irrecoverable dues have been adhered to and these have been reported to designated authorities periodically. d) Verify if adequate provisioning is made in the books for these irrecoverable dues.
5. Control over Collection of Taxes (where applicable)
a) Examine if proper safeguards exist to ensure that there is no willful omission or negligence to levy or collect taxes or to arrange refunds, wherever due. b) Check that there are proper records of receipts which are correctly and timely updated. c) Examine the procedures for deposit of collections in bank accounts promptly; verify a few deposits for confirmation.
6. Control over Registers
Verify the following general controls while reviewing the registers: a) The registers are maintained in the prescribed form; page numbered; certificate of page counting is properly recorded on the first page by authorized persons; b) All columns provided there in are correctly filled in and transactions recorded therein are entered in chronological order c) There is no evidence of tampering with the entries of pages of the register d) There are no overwriting, erasures etc. e) Verify if the registers are kept up to date and is reviewed by the appropriate authority at regular intervals as provided in the rules.
7. e-Payment
a) Check whether periodical bank statements (including on-line statements / statements received by e-mail) are downloaded / filed periodically (weekly / fortnightly / monthly) b) Check whether collection through NEFT/RTGS, as per bank statements, are recorded in the corresponding bank books c) Check whether difference / discrepancy (if found) in the DCB is cross verified with the actual payment d) Check whether bank reconciliation is done timely for all those bank accounts where there is NEFT/RTGS facility

19.1.3. Audit Procedures for General Income Streams

If the institution requires a concurrent audit as per the relevant Laws and as concurrent audit is a transaction audit, it is generally expected that 100% verification of receipt/income vouchers should be done.

1. Receipts/Income from Grants
a) Verify and ensure that a proper procedure is adopted to record the receipt of the Grant and Contributions from state and central government as the case may be.

- b) Verify all receipts in Grants Registers with the allotment letter and trace them to the receipt entries in bank statements and respective GL accounts to ensure they are correctly accounted for. All unutilized grants should be shown as a liability.
- c) Verify to ensure that all revenue grants are posted to Income in the GL on their receipt. In respect of other grants, verify that receipts are posted first to a liability account in GL and then transferred to Income account or Asset account or Specific Expenditure account only when the expenditure is actually incurred.
- d) Examine the Grant Registers, Bank Passbooks and relevant GL accounts to ensure that there are no diversion of grants from grant account to own bank account or another grant account. If there are such transfers, issue an audit enquiry and seek clarification.
- e) Verify to ensure that all conditions including accounting, utilization and refund/ adjustment of Grant and Contributions received have been followed.
- f) Check and verify if the interest subsidy from the Central/State governments has been received and passed on to the beneficiary; check the subsidy calculations and ensure subsidy accrued in the books and received are correct.
- g) Check and ensure that there is a proper follow up on the interest subsidy receivable from government and the receivables and receipts are properly accrued.
- h) Check and verify the utilization certificates with relevant records and account books to ensure these are correctly issued, where required.
- i) Trace grant receipts to the Summary of Daily Collections statement and Cash Book and seek clarifications for any errors observed.
- j) Ensure that specific central government scheme grants are deposited in separate bank accounts if required by those grant conditions; similarly, ensure that all expenditure related to that scheme should be disbursed from that bank account.
- k) Verify if Appropriation Control Register is periodically reconciled with the books of accounts by the Accounts Officer; obtain the reconciliation statement for the beginning of the period and end of the period and verify the reconciliation and adjustment of entries.
- l) Check if transactions in Appropriation Control Register are reconciled with the Treasury. Obtain and verify the reconciliation statement.
- m) Reconcile the grants received and receivable from their respective GL accounts to Grant Registers at least on a quarterly basis.
- n) Verify that the Grants are utilized for the purpose for which they are granted.
- o) Tally the grants shown in the balance sheet with respective control accounts in the GL and the respective Grant Registers maintained by the entity.
- p) Check the income from sales and accounting by cross verification in the sales register, invoices / bills.
- q) Check the receipts from fees by cross verification with the fees receipt register and other relevant records.
- r) Check the receipts under debt head items, deposits with reference to the relevant records / registers.

2. Receipts/Income from Rent, Lease and fees

- a) Verify that there is proper and comprehensive record in terms of registers/lists, etc., of all properties of the Auditee Entity from which rent is receivable.
- b) Verify whether all the buildings, shops, etc. due for renting out/leasing out are rented out /leased out. If there are unoccupied buildings verify the reasons for non-occupation and seek explanations.
- c) Verify if Bills/Demand notices are raised as per the relevant agreements/standing orders or applicable rules and regulations and the same are correctly shown in the DCB.
- d) Verify the DCB and Rent and Property Registers to check and ensure they contain full particulars of the rented property, complete details of the lessee, rent amount, details of security deposit received, etc.
- e) Verify the Rent Register/Lease Register along with the DCB to ensure the following:
 - i. that all property usually leased out has been leased/rented out;
 - ii. that ordinarily, leases of markets, cart-stand, shopping, flats, etc., have been sold in public auction after due publicity, that sale notices and sale lists are in such cases available and that the amount of bid has been accepted by competent authority;
 - iii. where public auction/tender procedures are not adopted, verify due process was followed to fix the rent and necessary approvals from Engineering (or other relevant) department are on

- iv. record and approval from competent authority has been obtained and are on record that a registered agreement has been entered into for setting the conditions of lease; and the rent/lease charges, etc., have been fixed with approval from competent authority.
- v. that security has been taken for the due fulfillment of the terms of the lease;
- vi. that the payment of instalments is watched through the demand register or some other register prescribed in the rules or orders;
- vii. that penal interest, if any, due under the agreement for belated payments has been correctly calculated and recovered;
- viii. that in cases of persistent default, action has been taken to terminate the lease as provided for in the agreement;
- ix. that remissions, if any, granted satisfy the conditions prescribed in the rules or orders;
- x. that printed receipts have in all cases been issued;
- xi. That the collection has been promptly brought to account in the day book, cash book, etc.
- xii. Where appropriate, periodical revision of rent/lease rent has been made promptly in accordance with the rules or orders issued in this regard
- f) Verify the DCB register with the respective receivable accounts in GL to ensure the accrual entry for income and receivables is correctly passed and GL and DCB balances agree with each other; for differences noted, issue an audit enquiry for reconciliation of differences and correction of GL and DCB as may be required.
- g) Verify whether there are adequate procedures to fix the rent and the same are followed in every case; note any exceptions and seek explanations.
- h) Verify whether new rent cases from the Rent/DCB registers and verify the assessment process followed to ensure rent is fixed correctly; re-perform the calculations where required and ensure the accuracy and the amount of Rent due from each party is properly assessed and entered in the demand register.
- i) Verify rent receipts from cash book, verify with relevant vouchers, Agreements and Assessment Notes and other supporting documents to ensure that the rent is correctly received and accounted; trace the entries to the DCB, Rent Register and respective GL accounts.
- j) Verify to ensure that the properties are rented out after observing all procedures for rent/lease out such as calling of tender, evaluation of tenders and decision to rent to the highest bidder, execution of agreement, receipt of security advance etc.
- k) Where auction is conducted for renting, verify to ensure that auction procedures followed comply with the relevant rules and regulations.
- l) Verify the relevant office notes, newspaper advertisements, auction register and approval of the competent authority for fixing the rent; trace them to the Rent Agreements to ensure rent and other terms are properly carried into the Agreements.
- m) Trace a sample of transactions from DCB to respective registers and the GL.
- n) Ensure there are procedures being followed for adequate action for recovery of overdue rent.
- o) Verify whether rent is being revised in accordance with the Agreements or as contemplated in the respective rules and regulations.
- p) Ensure in all cases of long overdues, they are promptly reported for revenue recovery or such other necessary action.
- q) Verify and ensure that collections made are posted and the balance arrived at least on a monthly basis for all types of rent and lease transactions.
- r) Verify to ensure that a proper reconciliation is being made for the balance at the beginning of the accounting year in respect of the year-wise Receivables (as appearing in the Balance Sheet of the previous year) with the year-wise total of the arrears recorded in the Demand Register.
- s) For rents and lease not collected and which are long overdue, verify if proper provision is made for non-collectable rents; verify the journal vouchers for such provision; re-compute the provision and ensure that the provision as accounted is correct.
- t) Verify whether all types of fees have been collected and deposited in the banks
- u) Verify whether a DCB of fees is kept categorywise and updated periodically
- v) Verify whether there is periodical bank reconciliation in connection with the fees collected and remitted into the bank

3. Income from Interest on Investments, Hire-purchase and Loans

- a) Obtain a list/schedule of interest from various categories of sources and verify the following:
 - i. That the schedule of incomes tallies with GL accounts and interest shown in Income & Expenditure account.
 - ii. Ensure there are adequate controls and procedures for charging and recording and collecting interest income.
 - iii. Verify that interest rate is correctly applied; trace the rate of interest to the source document like loan/hire purchase agreement and/or FD receipt etc.
 - iv. Verify if a category wise DCB is maintained and demand and collections are properly recorded in the register.
 - v. Ensure each of such transactions are supported by Loan/Hire Purchase Agreements and/or FD receipts in case of FDs
 - vi. Vouch the interest entries in GL accounts with respective support documents and trace the same to bank book/DCB and other registers
 - vii. Ensure that all investments, bonds, FD receipts, etc., are stored in the safe custody of the competent authority
- b) Verify if the income from investment is updated in the investment register on purchase of any new investment or new deposits on a periodical basis for the income accrued on investment and receipt thereof.
- c) Test check the calculations of the income accrued and compare with the income actually received, e.g. interest, dividend, etc.
- d) Take the list of ledger accounts relating to investment and investment income and verify that income from all investments has been received and accounted correctly; trace and verify the cashbook/bank book and also respective entries in the bank passbook.
- e) Where there is no actual receipt of income due, verify if the same is accrued in the books as receivable and followed up with respective institutions for receipt.

20. Audit of Expenditure & Payments

“An expense is a cost relating to the operations of an accounting period or to the revenue earned during the period or the benefits of which do not extend beyond that period. The expression “cost” means the amount of expenditure incurred on or attributable to a specified article, product, or activity.”¹ Cost or expenses may be directly related to the revenue recognized (like the consumption of materials or carriage in, carriage out, etc.) or indirectly related such as salaries, telephones, printing and stationery, etc. The audit of expenditure and payments shall happen at two levels (i) verification of individual transactions through vouching and tracing and (ii) scrutiny of Expense Ledger/s. The extent of audit procedures depend upon the strength of internal controls in the entity.

20.1. General Guidance for Audit of Expenditure

1. Verification of Expenditure should seek evidence for the following:

- a) That the expenses relate to the entity and arose from the events relating to the period under audit as evidenced by the bills, invoices and other documents examined.
- b) That all expenses are fully recorded and that there are no unrecorded expenses.
- c) That all expenses recorded in proper and correct account head have been properly classified based on their nature.
- d) That all expenses incurred have been properly budgeted for and are within the budget limits and any inter budget heads transfers have been properly approved by the competent authority with reasons recorded in writing.
- e) That proper vouchers complete in all respects and in the prescribed form exist in support of every expenditure and bears evidence of the scrutiny of the claim and “pay order” by the head of the office concerned or any subordinate officer authorized on his behalf.
- f) That full details of each item of expenditure is either recorded on the voucher itself or is available in a reliable and recognize subsidiary records.
- g) That the expenditure incurred does not contravene any financial rules and procedures laid down by the institution/ Government and all pre – requisites to the incurring of expenditure have been complied with.
- h) That there is provision of funds for the expenditure duly authorized by competent authority
- i) That the expenditure is in accordance with a sanction and is incurred by an officer authorized to incur
- j) The expenditure sanctioned for a limited period is not incurred beyond that period without further sanction
- k) That the rules regulating the method of payments have been duly observed by the disbursing officer
- l) The payment has, in fact, been made and has been made to the proper person
- m) That the charge is correctly classified and if a charge is debit to the personal account of the contractor, employee, or other individual or recoverable from him under any rule or order is recorded as such in a prescribed account
- n) That the payments have been correctly brought to account in the original account
- o) That the expenditure has been incurred with due regard to the financial rules and in conformity with the canons of financial property, eg.; supplies in excess of requirements have not been made, the purchases have not been made at higher than reasonable prices and the expenditure has been incurred only for legitimate objects
- p) That the rates paid for the work done or supplies made are in accordance with any scale or schedule prescribed by the competent authority
- q) That the sub vouchers and acquittance are on record and are cancelled or so defaced after payment in such a way that these cannot be used again to prefer a second claim and are not destroyed before the period of preservation
- r) That the expenditure has not been incurred to prevent the lapse of budget allotment.

¹ Guidance Note on Audit of Expenses published by the Institute of Chartered Accountants of India.

2. Control over Registers

Obtain register for expenditure (Plan and non-plan) for the audit period and examine to ensure that:

- a) Budgeted amount is mentioned in the register
- b) Actual expenditure incurred is within the budgeted limits
- c) Approval from competent authority is available for budget overrun
- d) Test check entries in the expenditure control register with backup documents i.e. bills
- e) Verify whether expenditure control register has details like:
 - i. Date of expenditure
 - ii. Amount of expenditure
 - iii. Balance amount (budgeted amount minus expenses till date), etc.
 - iv. Obtain reasons for deviations and report as observation.

20.2. Audit of Employee-related transactions

The following audit steps apply for verification of employee-related transactions, which include processing and disbursement of salaries, advances to staff and recoveries from salary, etc. The auditor shall audit the process followed, the controls in place and the accounting entries passed. Where necessary, the checklists may be modified by the auditors to suit the individual needs of an Auditee Institution.

20.2.1. Risk and Implications

Risks	Implications
<ul style="list-style-type: none"> ▪ Non-compliance of laid down policies and procedures for pay fixation, preparation of salary, its disbursement and other related aspects; noncompliance with TA&DA rules etc. ▪ Pay scales are not authorized by the competent authority ▪ Unauthorised updating of employee master records. ▪ Incorrect calculation of various salary components. ▪ Incorrect deduction and deposit of statutory dues. ▪ Non-recovery of loans and advances ▪ Payment of salary to retired/resigned employees. ▪ Salary disbursement to the wrong employee or non-employee. 	<ul style="list-style-type: none"> ▪ Payment of incorrect/excess salaries; payment of salaries to non-existing employees ▪ Statutory penalties for defects, mistakes or errors. ▪ Payment of unauthorised/excess TA/DA; advances, leave encashment, compensatory allowance etc.

20.2.2. Audit Procedures**1. General Verification Procedures**

- a) Understand how the service books are maintained and updated and payroll computation is performed and salaries disbursed.
- b) Where the salary records are computerised, check how the Employee and Payroll Masters are maintained and updated.
- c) Ensure those who maintain/update service books/Master records do not process the payroll to avoid conflict of duties and likely risk of fraud.
- d) Check new appointments, promotions, increments and pay revisions, etc. and ensure the following aspects:
 - i. Pay is fixed as per the guidelines notified in this regard from time to time; verify the pay fixation of employees to ensure it is correctly done; for errors and defects noted, issue an audit enquiry and seek clarification.
 - ii. Each pay fixation / increment is supported by documentation and has been duly authorized
 - iii. In case of new appointment / promotion/ wage revision check if the same has been duly approved; verify the appointment order, pay scale, date of joining and joining report, date of increment and other conditions. Ensure these are correctly captured in the service books/employee master records.
 - iv. Ensure the Service Book has been updated properly. Where these are computerized, check the

<p>master data has been properly updated and compare the master updation with the physical document authorizing the change.</p> <p>e) In case of a computerized system, ensure that the right to access the employee master is available only with authorized personnel.</p> <p>f) In case of a computerized system, enquire and ensure that there is a system of crosschecking the updation of master data by an immediate senior official.</p>
<p>2. Verification of Service Books/Records</p>
<p>Obtain a list of employees relevant for the audit period and check/perform the following:</p> <p>a) The service books are maintained in the prescribed form; each service book is maintained for an employee from the date of his appointment and is kept up-to-date.</p> <p>b) All entries on the first page of the service book are complete, particularly the date of birth, and are attested. Ensure that no employees continuing in service beyond the date of retirement.</p> <p>c) All key events like promotion, suspension, interruption of service, increments, pay fixation etc., are recorded in the service book and each entry is attested by such superior officer as may be authorized on this behalf;</p> <p>d) The official concerned signs his name in the relevant column of the service book in token of his scrutiny and acceptance of entries made in his service book.</p> <p>e) Certificates of verification of service are recorded in each service book by the Head of Office.</p> <p>f) Except in the case of clerical error, no alteration in the date of birth once recorded in the service book is made without sanction of the head of the department.</p> <p>g) Entries in pay columns agree with those shown in office copies of pay bills</p> <p>h) Increments have been granted correctly after excluding periods not counting for increment.</p> <p>i) All leave sanctioned to an employee is recorded in his service book and the debit thereof is traceable in the leave account.</p>
<p>3. Verification of Leave Accounts</p>
<p>Obtain a list of employees relevant for the audit period and check/perform the following:</p> <p>a) Leave accounts are maintained in the prescribed form in all cases.</p> <p>b) Credits afforded to leave accounts are correct.</p> <p>c) The leave debit to leave accounts are correctly debited</p> <p>d) Balances have been correctly worked out and maximum accumulation not exceeds the prescribed limit.</p>
<p>4. Verification of Preparation, Disbursement and Accounting of Pay Bills</p>
<p>a) Trace the total salary and various deductions and recoveries from respective registers to the respective GL accounts to ensure arithmetical accuracy.</p> <p>b) Check the arithmetical accuracy of the salary sheets; verify all deductions and recoveries have been properly made and verify if the final paybill/salary sheet is authorized and approved by competent authority before the salary is disbursed.</p> <p>c) Verify each voucher of the salaries for a month and trace it to GL accounts to ensure the components are correctly accounted.</p> <p>d) Check the Salary Sheet/Pay Bill, for the following:</p> <ol style="list-style-type: none"> Vouch the salaries to the staff. Check that the salaries and allowances are paid as per the prevailing rules and regulations and latest pay fixation; particularly check the entries in the service books and the acquittance rolls to ensure that the pay and allowances drawn have been disbursed and acquittance obtained properly and accurately. Verify pay and allowances with supporting documents like general orders governing the pay scales, increment certificates, sanctioning the increment, orders of promotion/reversion and fixation of pay on such promotion/reversion, sanctions of leave and the leave salary, orders of suspension, if any, and the subsistence allowance granted to him,, different types of allowances admissible and specific orders governing them to grant of special pay or compensatory allowance to any number of establishment or type of establishment. In case of increments earned by the employees check whether the competent authority has duly sanctioned such increments. Verify the copies of letters of appointment or agreements, if necessary Check whether deductions like PF, Professional Tax, TDS, ESI, and LIC under the scheme of LIC, advance, loan instalments are properly deducted from the salary of employee.

- v. Ensure that TDS rate is correctly applied.
 - vi. Attendance / absentee data has been received for employees from concerned department and updated correctly in the relevant registers and included properly in the payroll sheet/pay bill, if any
 - vii. Leave data has been received from the concerned departments/sections and updated correctly in the relevant registers and payroll computation
 - viii. Pay scales have been correctly updated in the relevant registers/masters; check the Basic, DA and other components as shown in the pay bill and trace them to the relevant registers/masters
 - ix. Recovery of advances and interest thereon has been made.
 - x. Voluntary contribution / deposits if any have been deducted (e.g. Contributions towards PF).
 - xi. Other recoveries as applicable have been made.
- e) Check establishment vouchers and verify the same with cash book, bill book, acquittance rolls and the register of undisbursed pay and allowances to see that each amount shown as disbursed has been disbursed to the person entitled to receive it and the arrangement for keeping a proper watch over the undisbursed amount is satisfactory.
- f) Besides, the overtime allowance claims, T.A. bills, are checked with reference to the local records kept in the departmental accounts offices to satisfy about the correctness of the certificates on the basis of which claims are admitted
- g) Examine respective/relevant challans and registers to ensure whether all deductions from salary to employees are duly deposited with competent authorities in time.
- h) Verify the total of all the columns of salary register and compare with the entries in the cashbook/bankbook on the payment side and are posted correctly in the respective GL accounts.
- i) Ensure that the procedure adopted by pay section to cross check the attendance and leave data give reasonable assurance of data accuracy.
- j) Compare the gross pay as per the current month with that of the previous months and enquire about the reasons for variations, if any.
- k) Reconcile the total number of employees under various categories in the salary master and number of employees in latest final salary sheet.
- l) Check if there are negative pay cases (due to any reason) and verify them for the following:
- i. Allowable adjustments have been made to the negative salaries (e.g. Voluntary PF, etc.).
 - ii. If net salary still remains negative after the above adjustments it has been withheld.
 - iii. In case it is not regularized, negative salary is recovered from the next month salary
- m) Verify to ensure that for each month of pay roll, (whether manual or computerized) the following documents are generated:
- i. Final pay bill
 - ii. Schedules of payments and recoveries
 - iii. Pay slips
- n) For checking the actual disbursement of salaries, verify the following:
- i. Verify the name of the bank and account number on the salary sheet and employee wise bank payment schedule/letter, etc., with the details captured in the Employee Master Data
 - ii. Verify that bank payment voucher along with bank schedule for transfer of pay to the employees account is forwarded to the cash and bank section on a timely basis.
 - iii. If salary is disbursed through cash or through cheques verify if duly authorised pay slips are sent to respective departments for disbursement.
 - iv. Verify the receipt/acknowledgement received from employees (normally will be in the form of a sign in a register or on the voucher) for cash disbursements.
 - v. On a test check basis trace cheques issued for salary to the bank statement and ensure the same were paid to the correct employee.
 - vi. Ensure that disbursements made are traceable in the Cash Book on the dates on which they are actually made.
- o) For undisbursed pay and allowances, verify to ensure that an amount of undisbursed pay and allowances is kept in a register and amounts remaining undisbursed for three months are refunded either in cash or by short drawal from subsequent bills.

<p>5. Verification of Payment of Arrears</p> <p>a) Verify if the arrears are based on orders passed by competent authority and calculated from retrospective date</p> <p>b) Verify if the arrears have been calculated under appropriate heads of payroll but arrears of pay, allowances, leave salary etc. are not drawn through regular monthly pay bills but are drawn in separate bills and a note of payment of arrears in the office copies of the bills for the period to which claim pertains is being made;</p> <p>c) Verify that deductions on account of PF, etc., have been made and are duly accounted and deposited with respective authorities.</p> <p>d) TDS has been applied, tax deducted and deposited as per the prevailing IT rules.</p> <p>e) Verify all the cases of arrears and ensure that computations are correct.</p> <p>6. Verification of Leave Encashment Benefit</p> <p>Verify the following:</p> <p>a) Eligibility of the employee/s as per policy; leave available as per service records and encashed as per voucher and verify if that encashment comply with encashment rules.</p> <p>b) Leave records (whether manual or computerized) are updated after such encashment.</p> <p>c) Verify the voucher/s to ensure that the amount has been correctly calculated and posted to the respective GL accounts and it is supported by proper sanction of the competent authority.</p> <p>d) Ensure that the non - encashable earned Leave has not been paid during service period.</p> <p>e) TDS has been deducted from the payments made, if applicable.</p> <p>7. Verification of Travel Expense Claims</p> <p>a) Verify to ensure that all travel expenses claims are supported by Tour Programs approved by competent authority.</p> <p>b) Take a sample of tour advances (100% where required) to verify the following:</p> <ol style="list-style-type: none"> Application for T.A advance (tour) has been duly approved/ countersigned by the Competent Authority. If any advance was outstanding at the time of the payment of advances, check if rules allow, otherwise, issue an audit enquiry and seek clarification. The advance amount has been determined based on relevant rules and regulations If the tour is cancelled subsequently, whether the advance has been returned immediately. Check the voucher and trace the amount to respective advance registers and the GL accounts. <p>c) Check tour expense claim vouchers and verify the following:</p> <ol style="list-style-type: none"> The TA bill submitted within the time allowed and is supported by original bills, invoices, tickets etc. The TA bill and the voucher are properly authorized and approved by the competent authority. The expenses claimed are as per the eligibility norms and guidelines The advance is properly adjusted or returned if unspent. Trace the voucher to the respective entries in the relevant register and the GL accounts to ensure it is correctly accounted. The journey was necessary and authorized by general or special orders of competent authority; The journey was actually performed and all the certificates required in the TA bill are signed by the official and counter signed wherever stipulated No claim in respect of the journey had been preferred earlier; The amount had been correctly drawn with reference to the rates and general conditions in force and also the ceiling prescribed has not been exceeded In cases when the mode of travel, class of accommodation, rates daily allowances etc. are determined on the basis of pay drawn by the employee, particulars thereon in the bill is checked in audit with reference to pay bills or Service Books. The daily allowances, mileage allowance etc. should be admitted in audit on the rates prescribed in the rules. Verify that the distance travelled, duration of halt at outstation are correctly worked out. Travelling allowance advance drawn by individuals are adjusted promptly and in full and that a second travelling allowance advance is not drawn before an account of the first advance is received. Travelling allowance bills not preferred within one year of it becoming due (the claim for travelling allowance will become due from the month following the month in which the journey is
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	performed) are not entertained unless special sanction has been issued by the competent authority to admit the claim and the travelling allowance advance granted in relation thereto are recovered in full.
xiii.	Legally valid acquittance of the person entitled to receive the payment has been obtained.
xiv.	Amounts in respect of travelling allowance bills remaining undisbursed for three months are refunded in cash or by short drawal from the next bill.
d)	Review the system and procedures for periodic review of TA advances remaining unsettled in the books and ensure if reminders are sent and timely action is taken.

8. Verification of House Rent and other Compensatory Allowances

Scrutinize the claims for the following:

- a) The amounts drawn are in conformity with rules and orders and;
- b) The claims are supported by prescribed certificates

9. Verification of Medical Reimbursement Bills

Auditee Institutions of KSAD in general are following Kerala Government Servants' Medical attendance Rules, 1960 as amended from time to time as they have not made separate rules for their employees. Employees to whom these rules apply are entitled to reimbursement of medical expenses incurred by them for hospital treatment inside or outside the State as well as treatment in recognized private hospitals. The claim for reimbursement is to be made within three months from the last day of treatment. The following audit checks shall be conducted on medical reimbursement payments:

- a) The claims are preferred within the stipulated three months
- b) The application for the reimbursements are made in the prescribed form
- c) The following enclosures to the application are attached:
 - i. Essentiality certificate in the prescribed form
 - ii. List of medicines
 - iii. Cash bills
 - iv. Certificate of medical Officer and declaration signed by the employee
- d) If on special treatment outside the State whether the certificate of the Director of Health Services(DHS) to the effect that:
 - i. there were no facilities in the State for such special treatment
 - ii. the nature of the disease warranted the special treatment outside the State but within India by the specialist concerned and
 - iii. the charges claimed are reasonable, is obtained
- e) Prior sanction is obtained from the DHS for the special treatment outside the State specifying the Institutions in which treatment is to be undergone
- f) Bills for reimbursement of expenses incurred in private hospitals recognized for treatment in emergency cases honored are supported by necessary certificate from the nearest District Medical officer of Health as to the emergency
- g) Charges incurred in recognized private hospitals are admitted to the extent they would have received such treatment in a Government medical Institutions or at the hands of authorized medical attendant
- h) Bills for reimbursement exceeding the prescribed limits are countersigned by the Director of Health or Director of Indigenous Medicine as the case may be. It should be seen that the bills are not split up to avoid the counter signature of Director of Health or Director of Indigenous Medicine. Auditor should verify the relevant orders. Cost of medicines included in the list of inadmissible medicines are not reimbursed
- i) If any advances for medical treatment are given, the advances are adjusted from the medical bill.

10. Verification of Staff Advances and Recoveries

- a) Verify advance vouchers and Recovery vouchers for the following:
 - i. That advances have been applied using the prescribed form and approved by a competent authority.
 - ii. That advances approved complies with relevant rules and procedures and paid as per the entitlement rules
 - iii. Trace the vouchers to the entries in relevant registers and GL accounts
 - iv. That the recovery of advances together with interest is properly recorded and accounted
 - v. That the interest has been properly computed; re-compute the interest to check if auditors'

calculation and the Voucher amounts tally.

vi. That the vouchers are properly authorized and approved.

- b) Verify there is a reconciliation process of advance outstanding as per GL accounts and the relevant Employee Advance Registers; Verify such reconciliation to ensure that the amounts including interest agree with each other; where there are differences, these are reconciled and adjustment entries are passed in the books.
- c) Verify that interest on such advances is properly credited to income account in the ledger by tracing the voucher to the respective GL accounts.

20.3. Audit of Contingent Expenditure

Kerala Financial Code defines “Contingent charges” or “Contingencies” as incidental expenditure, which is necessarily incurred in running an office. The main items are common to most offices, e.g., expenditure on books and periodicals, service postage, electricity charges, telephone charges, cleaning charges, rent, office maintenance expenses, Printing & Stationery etc. Auditors should review all financial rules, delegations and orders affecting expenditure and other transactions subjected to audit before the audit of transactions which they govern is conducted. This should be done with a view to seeing that they do not conflict with the orders of any higher authority and in case they have not been separately approved by the authority, the issuing authority possesses the necessary powers.

20.3.1. Risks & Implications

Audit Risks	Implications
<ul style="list-style-type: none"> ▪ Non-compliance with laid down policies and procedures for sanction and payments. ▪ Non maintenance of required registers like Rent Register, Expenses Registers etc. ▪ Unauthorized Expenditure/ Authorisations not given in accordance with rules/delegation of powers in force. ▪ Payments made without adequate support documentation ▪ Delay in processing vouchers and recording expenses in the books of accounts ▪ Absence of maker-checker control which may result in error, mistakes and is a source for fraud risk. ▪ Incorrect allocation and booking of expenditure to various heads 	<ul style="list-style-type: none"> ▪ Incorrect Financial Information ▪ Expenditure not meeting end objectives ▪ Misappropriation of funds ▪ Infructuous expenditure

20.3.2. Audit Procedures

1. General Checks
<ol style="list-style-type: none"> a) Verify the authorization by competent authority; check if the limits are prescribed for each type of expenditure and verify to ensure those limits are not exceeded. b) Examine if the expenditure is in accordance with applicable financial rules and regulations c) Verify if all expenditure is entered in the relevant registers like the Appropriation Control Register, Rent Register etc., and ensure the balances as per these registers agree with the GL account balances; reconcile the differences if any, and ensure corrective action is taken for differences. d) Verify to ensure the classification of expenditure is correct. e) If the vouchers are missing, verify whether there is a certificate of payment with supporting documents which is properly authorized and approved by the competent authority. f) The rates paid agree with the approved quotations, contract agreements etc. executed for the supply of material purchased g) Where acknowledgements of payments are received in advance and the actual payments are made subsequently, separate acknowledgement of payees are obtained at the time of payment. Such acknowledgement need not be stamped if the acknowledgement obtained in advance already stamped. h) Where a single stamped receipt is obtained from a payee in acknowledgement against payment of more

than one purchase at a time a preference is given to all concerned vouchers and the total amount of such vouchers agrees with amount for which acquittance is obtained

- i) All paid vouchers and sub vouchers are stamped 'PAID' or so cancelled as to prevent a second claim be preferred against the institution at the same score
- j) There are no erasers, overwriting, or alterations of total amount of the bill written in figures and in words. Corrections, if any, are properly attested by the disbursing officer and the amount of bills tally with actual payee's receipt
- k) Suitable notes regarding payments having been made on various sub vouchers are also kept on the relevant purchase orders, indents and invoice bills to prevent double payments
- l) Every payment is supported by a payment order signed by the head of the office or authorised subordinate officer.
- m) When the acknowledgement on a voucher is given by a mark or seal or thump impression it should be seen that it has been attested by a responsible officer.
- n) The purchase of Computers ,Photostat machines as well as stationeries are made in accordance with the rules regulating the purchases
- o) In the case of labourers employed on a daily or monthly rates, see that muster roles have been maintained and written up daily by the official immediately in charge, checked periodically by the supervising officer and that a certificate recorded by the disbursing officer. Check the entries in the muster rolls with daily reports, if any, submitted by the officials in immediate charge to the disbursing officer showing on the work against which each labour was employed on each day.
- p) Each item of payment recorded in the contingent register is initialed by the head of office or authorized subordinate officer
- q) Permanent advance is recouped whenever it is running short and in any case at the end of each month.
- r) That the expenditure is within the available appropriation and that all steps have been taken by the drawing officer with a view to obtain an additional appropriation if the original has been exceeded or is likely to be exceeded
- s) No money is drawn unless it is required for immediate disbursement.

2. General Verification of Expenditure Registers and GL Accounts

- a) Verify if the registers are maintained in the prescribed form;
- b) Verify if all the columns are filled with appropriate and relevant expenditure data
- c) Verify if the vouchers entered therein are in chronological order and no bill for contingent expenditure is left un entered in this register
- d) Verify if the pages in the registers are correctly numbered and total page counting is recorded on the first page.
- e) Ensure there are no overwriting and all erroneous entries are properly marked and correct entries are inserted which are properly attested.
- f) Verify if the registers are verified/reviewed by competent authority at regular intervals and such review is shown by way a signature/initial on the page reviewed.
- g) Check if the budget amounts, utilisations amounts are properly mentioned in the relevant columns and that utilization did not exceed budgets.
- h) Verify the voucher details like the amount, particulars, head, etc., are properly entered in the registers and the entries are initialled by a competent authority.
- i) If treasury is involved, verify to ensure that money is withdrawn from the treasury only when required and for immediate disbursement and the amount drawn is recorded in accounts immediately.
- j) Scrutinize the expenditure under each head for its regularity, propriety and proper classification.
- k) Verify if there are any unusual entries in the Registers/Ledger accounts and if so seek explanations.
- l) Form the GL, select a sample of large balance accounts and verify for the following:
 - i. Voucher number and date on which expense was incurred and amount
 - ii. Particulars of the expenditure and if it was properly classified and recorded in the ledger; trace it to the cash/bank book and also the respective clearing entries in the bank pass book.
 - iii. Verify the sanction and approval
 - iv. Verify that the payment was actually received by the party.

- m) Review the recurring expenses ledger accounts (like rent and electricity) and verify these are complete and correctly classified.
- n) Carry out an analysis of expenditure – current period to previous period; expense to revenue proportion for the current and previous periods etc. to see if there are any unusual variations. Verify in detail the unusual variations if any. (for e.g. rent paid this year is twice that of last year)
- o) Check necessary accrual entries for the period ending March (expense provisions) have been made; check the calculations and unaccounted bills if any to justify the provisions.
- p) Verify that opening balance of provisions have been correctly brought forward in the GL accounts and the relevant registers; ensure there are no unauthorized changes to opening balances.
- q) Verify that the totals as per expense registers match with the respective GL accounts; reconcile all differences and ensure corrections are made in the books.
- r) Verify that all transactions for year-end adjustments appear only in March (last month of FY) and check their validity and correctness.

3. Vouching and other Verification of Expenses

- a) Verify the following:
 - i. Verify if the voucher, bills and challans (as applicable) are in prescribed format and all relevant supporting documents are attached to the voucher.
 - ii. Verify whether the amount paid as per voucher is the same as per receipt signed by the recipient.
 - iii. Examine the supporting documents like bills, invoices, work/service orders, contracts, etc., supporting the payments shown on vouchers. Check the taxes and duties accounted, if any.
 - iv. If there are any deductions from bills, verify the same are correct and accounted correctly.
 - v. Verify to ensure that the amount as per voucher is properly authorized and approved by the competent authority and is as per the sanction given.
 - vi. Verify whether the expenditure incurred is covered under the delegated powers of authority who has sanctioned such charges
 - vii. Verify the respective entries in Cashbook/Bank Book and the respective entries in the Expense Registers/Appropriation Control Registers and the GL accounts to ensure the amounts as recorded in the vouchers are correctly classified and accounted.
 - viii. Check the totaling in vouchers and Verify whether the totaling in the vouchers and challans are correctly arrived at.
 - ix. Check the justification for expenditure and ensure it is not unnecessarily incurred to prevent the lapse of budget allotment.
 - x. Examine that the expenditure is committed and incurred with proper budget allocation, appropriate sanction by competent authority and with regard to principles of financial propriety.
 - xi. If the expenditure is processed through Treasury route, check that the detailed contingent bills are received within the specified period for all expenditure and particularly, for the amounts drawn on Abstract Contingent Bills; also verify if the total of detailed contingent bill equal the amount drawn as per Abstract Contingent Bill.
 - xii. Check if the expenditure is properly classified as revenue or capital and plan or non-plan.

20.3.3. Audit of Interest & Finance Charges

20.3.3.1. Risks and Implications

Audit Risks	Implications
<ul style="list-style-type: none"> ▪ Non-compliance with laid down policies and procedures for sanction and payments. ▪ Unauthorized Expenditure/ Authorisations not given in accordance with rules/delegation of powers in force. ▪ Payments made without adequate support documentation ▪ Delay in processing vouchers and recording expenses in the books of accounts ▪ Absence of maker-checker control which may result in error, mistakes and is a source for fraud risk. ▪ Incorrect allocation and booking of expenditure to various heads 	<ul style="list-style-type: none"> ▪ Incorrect Financial Information ▪ Expenditure not meeting end objectives ▪ Infructuous expenditure

20.3.3.2. Audit Procedures

1. Interest Expenditure
<ul style="list-style-type: none"> a) Check all interest calculations on loans taken and ensure that the amount is correct and correct interest rate is applied; check them with relevant loan agreements. b) Check all interest calculations on provident funds, sinking funds, reserve funds, etc., and ensure the amount is correct and correct interest rate is applied. c) Check loan register entries and verify them with Cash/Bank book and respective GL accounts to ensure these are correctly recorded and posted. d) Check that interest relating to acquisition of assets is not charged to profit and loss account but capitalized with the concerned asset value. e) Work out the ratio of interest to the average balance of interest bearing loans and compare with the previous year to ensure there are no significant variations; verify if there are large differences. f) Verify the bank charges with bank advises if any and with the bank pass book and trace them to cash book/bank books and respective GL accounts.

20.4. Audit of Repairs & Maintenance

20.4.1. Risks and Implications

Audit Risks	Implications
<ul style="list-style-type: none"> ▪ Non adherence to procurement rules and regulations (if any) ▪ Absence of preventive maintenance schedules can lead to break down of equipment. 	<ul style="list-style-type: none"> ▪ Incorrect Financial Information ▪ Expenditure not meeting end objectives ▪ Infructuous expenditure

20.4.2. Audit Procedures

a) Repairs to Fixed Assets
<ul style="list-style-type: none"> a) Verify if there are preventive plans/schedules of maintenance of assets; and examine the records to check if they are followed. b) Identify delays in actual and planned maintenance and obtain and record reasons for deviations. c) Verify if proper registers/sub ledgers (function wise/asset wise) are kept for regular preventive and maintenance and repairs; verify the entries in the registers with respective supporting documents to ensure that expenditure is properly recorded. d) If external contractors are appointed for repairs and maintenance, verify if the relevant procurement rules are followed and quotations and/or tenders (as may be applicable) are issued/received, comparative statements made and contract is issued to the lowest bid vendor. e) Verify the sanctions of expenditure and ensure that competent authorities have necessary delegated powers to issue sanctions. f) Verify if payments made to vendors are correct and the approvals given for such payments are examined with supporting documents. g) Verify if a register/record is maintained for grants received and used for Repairs and Maintenance works. Exercise the following audit checks: <ul style="list-style-type: none"> i. Obtain the vouchers and supporting documents and verify if the expenditure is properly sanctioned, incurred and recorded. ii. Ensure that the bills of the contractors/vendors are processed as per the rules in force; iii. Trace the entries to the bank pass book/receipts from the vendors to ensure the payment has actually been made and received. iv. Trace the entries to the respective registers/sub ledgers, cash book and GL accounts to ensure they are properly recorded and accounted. v. If payment is not made for the work done, verify if the same is accrued as a liability in the books of accounts. vi. Whether procurement procedures (stores and public works) are followed in appointing vendors/contractors for the works. vii. Verify to ensure that the expenditure is of revenue nature and does not directly result in

improvement of assets/or their capacity, in which case such expenditure needs to be capitalized.

- h) Where the repairs are undertaken in house by the Public Works Department, verify if the procedures of the Public works are properly followed and sanction for material consumption and expenditure is given by a competent authority.
- i) In case of repairs by the Public Works Department, verify the bill of materials with actual PW bill for repairs, ensure the bills are properly certified and authorized; verify that the consumption of stores is properly recorded in the consumption of stores/materials accounts with appropriate credit to inventory (stock & stores) accounts.
- j) Verify the sub ledgers/registers for the stores released for consumption for sanctioned repair works; if the entries in sub ledgers for stores released are not supported by sanctions/supporting documents, issue audit enquiry and seek clarification.
- k) Verify if the total repairs and maintenance expenditure as per the sub ledger/register is being reconciled with the respective GL accounts and such reconciliation is properly evidenced. Obtain the reconciliation at the end of March and verify the GL and sub ledger accounts match and all unreconciling items, if any, are properly followed up and corrected in the books of accounts.

b) Repairs & Maintenance - Vehicles

Obtain a list of vehicles in use at the entity and ensure proper rules are being followed in their use. Check for the following:

- a) Verify if proper permission is obtained for undertaking repairs and maintenance work.
- b) Check whether the expenditure is duly approved by the competent authority having necessary delegation of power.
- c) Check whether contracts are given on the basis of quotations called for by the institution.
- d) Examine the log books of vehicles for the following:
 - i. That the log books are maintained in respect of each vehicle in the prescribed form;
 - ii. That the vehicle is used only for bonafide public purposes permissible under the rules and orders and not for any private purposes without the orders of the competent authority.
 - iii. That full details of all journeys undertaken are recorded covering the mileage done, places visited and relevant kilometers in meter recordings; that the official using the vehicle has initialed the entries evidencing the use of vehicle.
 - iv. That in the case of authorized private or non-official journeys the charges recoverable, at the prescribed rates, have been recovered – verify the evidence in the form of vouchers and orders and entries in the cash book for recoveries.
 - v. That all purchases of petrol, oil and other lubricants and consumable stores are duly recorded in the log books.
 - vi. That the log books are closed after the prescribed periodical intervals and average number of kilometers run per litre of petrol or diesel oil is worked out; ensure the yield is not abysmally low.
 - vii. That a kit of equipment and tools kept with the driver of the vehicle is entered in the log book;
 - viii. That full details of all repairs to vehicle and replacement of parts are duly recorded in the log book; for any frequent repairs of the same vehicle or frequent change of parts and accessories, check to ensure they are not indicative of fraud.
 - ix. Ensure that the replacement of parts have been made only after completion of the prescribed life for such parts, for e.g., tyre replacement; in other cases, ensure there is proper sanction and approval for replacement before expiry of their life.
 - x. That all officials journeys outside the headquarters or jurisdiction of the vehicle (s) are supported by written sanction of the competent authority.
- e) Verify expenses with the bills and corresponding entries in the cashbook/bankbook. Trace the entries to the respective registers/sub ledgers and GL accounts to ensure they have been properly recorded and accounted.
- f) Check whether provisions of TDS are applicable on any contracts. If applicable, check whether TDS is deducted at appropriate rates.
- g) Check whether the tax deducted has been duly deposited with appropriate authority in time in correct challan.
- h) Also verify whether necessary TDS certificate is issued and annual return for TDS is filed with competent authority.
- i) See whether the repairs have been got executed in approved workshops.

- j) Verify whether separate slot of pages are provided in the log book for recording repairs and maintenance of each vehicle to arrive at the total charges for each vehicle during the year.
- k) Since the vehicles are covered by comprehensive insurance, check the correctness of the reimbursement from the Insurance Company and ensure that only inevitable payment comes due from own funds. If the expenditure is considered exorbitant in the circumstances noticed, comment on the same.
- l) Check if the entries in the R&M register are attested by competent authority.
- m) Verify whether periodical fuel efficiency test is done recorded by competent authority

20.5. Verification of Payment of Audit Fees

Audit fee is payable to the KSAD annually at one percent of specified income (with reference to Government Orders issued from time to time). Auditors will have to verify to ensure that:

- a) adequate provision for audit fees is invariably made in the annual budget
- b) the audit fees as provided is being paid by the Auditee Entity regularly
- c) as in the case of default, the Audit fees is adjusted from the future grant (wherever due) payable to the Auditee Entity, the adjustment as mentioned above is being done

21. Audit of Public Works

Most of the auditee institutions coming under the purview of KSAD have not made any rules governing public works. Instead they are following State Government rules as contained in Kerala Public Works Department manual, Kerala Public Works Account code, Kerala Public Works Departmental Code, Schedule of rates, data book, as well as the rules contained in the Kerala Financial Code relating to works.

The term “Public Works” generally includes construction and maintenance of assets such as (i) commercial and residential buildings and internal roads storm water drains etc., and repairs and maintenance of these assets and also manufacture, supply, carriage and repair of tools and plant and other stores required in connection with works of construction and repairs. As per the C&AG guidelines available in their various manuals, Public Works constitute the following:

- a) ‘Original Works’ includes all new constructions or additions and alterations to existing works. Repairs to newly purchased or previously abandoned buildings, which are required for bringing them into use, should be classified as Original Works. Where a portion of an existing structure is dismantled and replaced and if the cost of such replacement represents a genuine increase in the permanent value of the property as an asset, the work should be classified as ‘Original Works’.
- b) ‘Repairs and Maintenance’ includes works, other than those specified under Original Works, required to maintain buildings, roads, water work assets, drainage system and other works in proper condition for ordinary use.
- c) ‘Deposit works:’ The Governmental departments or the State Governments may use the services of the KSHB, for execution of certain works/schemes/approved infrastructure schemes. Money received from the Governments for the above shall be treated as ‘Deposit works’ and are accounted as a liability of KSHB. KSHB may be provided with certain percentage of the value of the works/scheme/project/plans completed as their service charges.

In connection with audit of public works, the following terms are relevant for auditors and audit shall seek to address the same.

1. “Infructuous Expenditure”	Expenditure incurred on works of defective design, planning and estimates followed by major corrections, abandonment or change of the site of the works.
2. “Avoidable Expenditure”	Payment made to the contractors on account of interest due to delayed payment for works done, against running account or running final bills.
3. “Extra Expenditure”	Due to delay in finalisation of tenders, the offered lowest rates could not be materialised, and higher rates from subsequent tenderers had to be accepted; or injudicious rejection of acceptable tenders; or execution of works beyond the sanctioned estimated quantity.
4. “Cost over-run”	Slow progress of work due to delay in handing over the work-site, drawings, design or supply of departmental stores for the works in terms of contract agreements.
5. “Unauthorised Expenditure”	Taking up of work without Administrative Sanction or shifting of the location of approved work.
6. “Undue financial benefits”	Non-deduction of Security Deposit / interest on Mobilization Advances, inadmissible Machinery Advances etc.
7. “Unproductive Expenditure”	Expenditure of idle staff or Machineries.
8. “Doubtful Expenditure”	Supporting Vouchers and relevant records were unavailable
9. “Misappropriation of Money”	Forged challans/bills/invoices

10. “Fraudulent drawal of fund”	Fictitious bills/invoices
11. “Overpayment to contractors”	Disproportionate with the actual execution of works / supplies.

The Works can be executed by (i) KSHB itself (ii) by contracting with external contractors by a schedule rate contract, lump sum contract or percentage rate contract.

21.1. Risks and Implications

Audit Risks	Implications
<ul style="list-style-type: none"> ▪ Commencement of works without having approved budget and technical and administrative sanctions in place. ▪ Execution/Commencement of work without first obtaining the financial sanction for project/s ▪ Non-maintenance relevant registers for works. ▪ Award of work to ineligible contractors and non-compliance with prescribed procedures ▪ Mismatch between Contract Rate and Running Bill Rates and inadequate approvals on the RA bills. ▪ Incomplete details on RA Bills and wrong/incorrect estimation of works. ▪ Improper payments like payments outside contract terms. ▪ Not deducting statutory dues ▪ Improper accounting for materials issued to contractors ▪ Non closure of work accounts. 	<ul style="list-style-type: none"> ▪ Capital commitment without budget availability. ▪ Wrong classification of Revenue item as Capital, or vice versa ▪ Infructuous/wasteful expenditure ▪ Loss of revenue

21.2. Audit Procedures

1. Examination of Registers and Records maintained for Works
<p>a) Verify that (i) Register of Works (ii) Contractors Ledger (iii) Measurement Books (iv) Material Registers (v) Suspense Registers and other Records are maintained in the prescribed form as per relevant rules and regulations.</p> <p>b) In case of loss of M Books, verify the following:</p> <ol style="list-style-type: none"> i. A list of all claims for works or supplies made as per measurement made vide lost MB should be prepared by a responsible officer irrespective of the fact, whether payments for such works have already been made or not. ii. The list should be verified with reference to bill register, copies of bills, vouchers, cash book and cheque counterfoils to ascertain that none of the claims entered in the list is for double claims / payments. iii. After verification as stated above, the works for which payment are not made such works should be re-measured in a fresh MB for payments as usual. iv. It should be seen that deduction for void or shrinkage is made at the rates specified as per analysis of rates / schedule of rates of the department. <p>c) The postings in the respective registers should be agreed with relevant vouchers and their supporting documentation; the balances in each registers should also be correctly posted to respective GL accounts.</p> <p>d) Verify and ensure that the entries in the Contractors ledger for the bills have not been made until the relevant bill has been passed and payment made thereon.</p> <p>e) Similarly verify that debit entries in the ledger are to be made only on the basis of transaction recorded in the accounts from the supporting cash, stock or adjustment vouchers and liabilities not yet cleared are to be excluded.</p> <p>f) Ensure that the value of materials issued to contractors are debited on the authority on the contractor's acknowledgement.</p>

- g) Verify the stock entries in the Contractors ledger (if any) and ensure that Value of stock supplied agrees with the entries in the monthly abstract of stock issues.
- h) Verify and ensure that advance, cost of materials issued, penalties imposed or other recoveries ordered etc. have been debited to contractor's ledger to watch their recovery.
- i) Verify the contractor's ledger to ensure that advances are correctly and timely adjusted and acceptable reasons exist for delay in adjusting Secured Advance outstanding over a considerably long periods.
- j) If the registers show no expenditure entries in a few months, verify the reasons to ensure if the construction was stopped or abandoned resulting in infructuous expenditure.
- k) Ensure that the registers properly and correctly reflect the closure of each work and settlement of bills and materials; if work was left incomplete by a contractor the reason thereof should be investigated to find out whether it was due to any fault and lapse on the part of the department and if not whether penal actions as per provisions of contract has been initiated against such contractor.
- l) Ensure by verification of attestations/signature in the registers, that the registers were duly examined periodically by competent authorities.
- m) Ensure that the total expenditure incurred on each work/contract is correctly computed and shown in the register and compare the same with the original estimates and ensure the expenditure did not exceed the estimates; verify the approval of the appropriate authority in all cases where total contract expenditure exceeded the estimates.

2. General Procedures and Preconstruction Checks

- a) Enquire and verify if a viability study was required and conducted by the concerned officials before starting the designated Project; check if the results of this study were submitted to the competent authority for review and decision.
- b) Enquire and verify whether works such as site preparation, soil study and assessment of feasibility of services such as water supply, electricity, drainage and sewerage etc. where required were done and duly approved by competent authority.
- c) Verify if the revisions (if any) suggested by the reviewing team were incorporated in the scope of work.
- d) Verify if a detailed estimate has been prepared and a Technical Sanction has been issued before executing the work.
- e) Examine the project estimates to ensure these were prepared on prescribed schedule of rates applicable for the Auditee Institution (State PWD or Central PWD or such other rules)
- f) Examine, on sample basis a few estimates to ensure they contain correct details with respect to :
 - i. Scope of Work, Bill of Materials and cost estimates
 - ii. Technical specifications, Designs and Drawings
 - iii. Compensation for land (if any); environment impact and clearance required (if any),
 - iv. Materials and labour required for works
 - v. For road projects, a brief description, standard road map of the area with the position of the new road marked therein.
- g) Check if a Register of sanctioned estimates is maintained and all new sanctions are entered therein quoting the authority for sanction ; entries in the register to be attested by competent authority
- h) Check that no work is started until an estimate for the same has been sanctioned and funds allotted

3. Budget Control and Sanction Checks

- a) Enquire and verify if the budgetary control is done at the stage of the commitment, and not only at the time of payment; verify if necessary funds for execution of works have been included in the annual budget of the Entity.
- b) Verify if the administrative sanction for executing the work has been accorded by the competent authority on the estimate of every work to be undertaken.
- c) Verify that the Administrative and Technical sanctions are issued by the competent authority.
- d) Verify the expenditure sanction, if any, from the competent authority to ensure that funds for the project have been provided, and liability can be incurred.
- e) Check how the works have to be executed: in house or by external contractors/vendors; verify necessary office notes/resolutions for this purpose.
- f) Verify approvals from third party consultants (if any) like architects, engineers etc., to ensure that Tenders have been prepared based on the latest designs and scope of work approved by the competent authority.

<p>4. Verification Procedures</p> <p>a) For all external works, verify the method employed for execution of the works i.e. multiple quotations or open tenders or e-tenders and ensure this complies with relevant procurement rules and regulations.</p> <p>b) Scrutinize work orders/agreements/contracts representing each of the above methods (quotations/tenders) and perform the following verification procedures:</p> <ol style="list-style-type: none"> Examine the estimates and the administrative and technical sanction Check the necessary approvals/resolutions of the Board/Committee for execution of works. Verify the budget allotment, appropriation and balance at beginning and at stage when work orders/purchase orders are issued and payments made. Check if multiple quotations are invited through prescribed procedures or tenders floated in accordance with the rules. Check the tender notices for date of publication, date of tender , date of submission, scope of work and other full particulars as may be required. Verify that the works tendered are justified in the circumstances in which such works are quoted. Check that quotations/tenders are received in sealed covers and noted in the relevant registers; verify the registers and tenders/quotations to ensure they were opened by competent authority and in presence or tenderers wherever required; the registers and the tenders should be initialed by the competent authorities to evidence the same. Verify the comparative statements prepared by the quotation/tender evaluation officers and ensure that all relevant data has been considered in preparing those statements. Examine the tender/quotation evaluation and acceptance documents to ensure they were evaluated by competent persons and accepted by competent authority as per the delegation in force. Verify the Purchase Orders/Work Orders/Agreements to ensure that these were issued on successful tenderers and contain scope of work and other terms as per the bid documents, to the extent modified (if any) in the tender negotiation processes and the orders/agreements are issued under the signature of the competent authority. Verify to ensure that no undue concession, not expressly provided or contemplated in the contractual agreement, is allowed to the contractor Verify to ensure, if necessary, Registers of Works/Contractors/Agreements/ Purchase Order / Work Order are maintained and updated with all new contracts and orders under the attestation of competent authority. Verify a sample set of agreements to ensure (i) they are previously vetted by legal and finance departments (ii) properly executed by the successful tenderer and (iii) signed by the competent authority on behalf of Auditee Entity. Verify if clauses such as contract value, scope of work, delivery schedule, place of delivery, timeliness of completion of works, penalty, inspection of stores, dispatch instructions, particulars of consignee, applicability of sales tax, excise duty in definite terms along with their rates etc. are clearly mentioned in the contract; ensure that the terms of the agreement are unambiguous so as to avoid any litigation on this contract. Verify whether a provision is made in the contract for safeguarding the property belonging to auditee entity, when the work is entrusted to contractors. <p>5. Works Execution and Billing and Payments – Verification Procedures</p> <p>a) Verify that the work does not commence before execution of a contract and authorized by the competent authority of the Auditee Entity.</p> <p>b) Verify that work did not commence without a detailed design and estimate (technical sanction) as sanctioned by the competent authority. Verify that final bill of material as agreed to is in place.</p> <p>c) Check that no work commences unless an allotment of funds has been made and orders for its commencement have been issued by the competent authority</p> <p>d) Verify if correct amount of security deposit and/or performance guarantees as per the terms of contract have been furnished by the vendor within the stipulated time.</p> <p>e) Ascertain that every public work undertaken by the department is executed under the direct control and supervision of the concerned Engineer or other technical officers authorized by him and they are satisfied of the progress and quality of work by direct inspection and test checking.</p> <p>f) Check whether the contractor maintains the work schedule as incorporated in the agreement</p> <p>g) Check that M-Books are maintained for every work, date of measurement is correctly recorded and</p>

entries are recorded continuously without any blanks in between; verify the Measurement Books with the work executed and certified on site either independently or at time of verifying the contractors' bills and invoices with/without the Treasury Bills.

- h) Ensure that M Books are updated daily/weekly for the work completed and contain the signature of the authorized officials of the entity measuring the work and approving the work; ensure these are filled by actual work completed rather than from estimates.
- i) If entries in the M Books are corrected/cancelled, ensure the entries are properly attested by competent authority and the reasons for cancellation and correction are noted.
- j) Examine the M Books to verify if the measurements are crossed off as soon as bills are passed for payment, voucher numbers noted and pay order signed by the disbursing officer soon after the payment.
- k) When work registers for major and minor works are required to be maintained; verify such registers.
- l) Verify that check measurement by competent authorities is recorded at the end of the Measurement Book with percentage of check measurement done as provided in the rules.
- m) Verify and report if the rates agreed in the contractual are considerably higher than the rates prevailing at the time of review.
- n) Check if advances of any class are given to the contractors, recoveries of the advance are made promptly while settling the bills; verify such advances are as per contract terms and are properly authorized and approved prior to their disbursement.
- o) In cases of material supply (like steel and cement) by Auditee Entity, verify the actual issues against the issue notes/receipts and respective inventory registers; check the cost of such materials is properly and correctly recovered from contractors and accounted correctly in books.
- p) For any deviations from contracts, verify whether such deviations are approved by the competent authority.
- q) Verify that the following events are monitored by the competent authority and action taken:
 - i. Supervising the work and administering the contract
 - ii. Checking the bills of the contractors and certifying the work done and payment due to the contractors
 - iii. Valuing the variation to the work and the contract and obtaining necessary sanction of competent authority.
 - iv. Monitoring the time schedules and awarding extension with necessary approval from competent authority.
- r) Verify the following RA/Contractors bills:
 - i. The rates shown in the bills match the rate agreed in Purchase Order/Work Order/Contract – note and seek explanation for any discrepancies.
 - ii. Verify that the bills correctly mentions the Contract Agreement Number and date, Work Order number and date, date of commencement of work and date of completion of work as per agreement, extension of completion time granted by the competent authority, if any, taxes applicable, cost of material supplied.
 - iii. Check the current running account bills with the previous bill to check its accuracy and completeness.
 - iv. Verify the bills are properly signed and sent.
 - v. Verify to ensure that cost of material supplied to contractors, and recoveries for supply of rent, water and electricity charges and hire charges of plant and equipment, etc., have been computed correctly and deducted from the bills.
 - vi. Verify that in the case of percentage rate contracts allowing rates at a certain percent above or below the Schedule of Rates (SOR) the value of work done and measured has been increased or decreased accordingly as per the contract.
 - vii. Verify that the “total payment already made” shown in the running bills, has been correctly recorded from previous bills and agrees with the entries in the contractor's ledger.
 - viii. Verify that bills are certified by the competent authority.
 - ix. Verify the bill items of work completed with M Book to ensure accuracy and completeness
 - x. If necessary, undertake a site visit, examine and measure the work completed, compare with M Book and RA bills to ensure there are no issues with the bills.
 - xi. Re-compute the taxes and bill amounts to ensure accuracy and completeness.
 - xii. Verify the authorization for payment.

- xiii. For treasury related payments, compare the actual bill (of vendor or Assistant Engineer) with treasury bill and supporting documents to ensure correct bills are sent to treasury for payments.
 - xiv. Verify the Treasury Payment Advice with Cash Book/Bank Pass Book and the respective entries in the Registers maintained for RA bills and contracts; verify the entries in respective GL accounts.
 - xv. Verify the Treasury Payment Advice for payments like Value Added Tax, Welfare Fund, etc directly to concerned departments and trace the entries to the Cash Book/Bank Book and respective General Ledger accounts.
- s) In case of Final Bills also verify for the following:
- i. That the work or supply was completed within the date as stipulated in the contract and that no extension of time was granted without justification. In case of delay in completion of work / supply because of contractor's lapse and consequent increase in cost, it should be seen whether penal action was initiated against him. If the delay was due to fault of the department such a delay in handing over the site of construction, in supplying designs, drawings or materials as per contract etc., which should be commented upon.
 - ii. Check and verify if a complete list of materials supplied to contractors is enclosed with final bill and the deductions already made in earlier RA bills and reconcile the same to arrive the balance cost to be deducted. Check with the stores accounts and reconcile differences if any.
 - iii. Verify if all rental, hire charges and charges for water, power, etc., have been fully deducted.
 - iv. Verify the certification of work to ensure that competent authority has issued work completion certificate as per the contractual specifications.
 - v. Check that the final bill along with final copy of M Book and other supporting documents have been verified and approved by competent authority before the same was paid.
 - vi. Verify all tax and other deductions have been made and have been paid to respective departments.
 - vii. Verify the Bills and Payment Advices and trace them to Cashbook/Bank Pass Book and respective General Ledger accounts.
- t) Where found necessary, visit the project site to verify the work in progress with the M Book entries and actual measurements to ensure work completed is actually certified and billed and there are no over/under billing.

6. Other Procedures

- a) Ensure that in the case of deposit works on behalf of Government departments/entities, whether the cost of the works and supervision charges, if any, have been recovered from the departments/entities concerned
- b) Check to ensure that a half yearly reconciliation of the balance as per the Deposit Register maintained at the Engineering Department carried out with the Deposit Ledger accounts by the designated persons and differences are reconciled and accounted.
- c) On completion of works, verify to ensure that, a reconciliation is carried out in respect of the amount expended as shown in the records maintained by the Engineering Department and the Capital Work-in-Progress control ledger account maintained by the Accounts Department.
- d) Verify that on receipt of Summary Statement of Status on Capital Work-in-Progress (Form PW – 1), the Accounts Department reconciles and matches the total expenditure incurred as stated in the Statement with the cumulative total of several Capital Work-in-Progress Ledger Accounts.
- e) Verify that at the end of each month, the Accounts Department reconciles the total expenditure as per the Functional Expenditure (Repairs and Maintenance) Subsidiary Ledger (in Form GEN – 35) with the total expenditure recorded in the several Repairs and Maintenance Ledger Accounts
- f) Verify to ensure if all recoveries are made from contractors before final payment is made.
- g) Verify respective entries in Bill/Contract registers and bills and invoices to ensure these are journalized before release of the payments.
- h) Enquire and verify to ensure that at the year end/period end, the designated persons reviews the CWIP with all Work Sheets to see if any expenditure needs to be capitalized.

7. Verification of Material at Site Accounts (if applicable)

Scrutinize the Material at Site Accounts (if relevant) for the following

- a) That closing balances of various materials in the Account of the previous months have been correctly brought forward as opening balances.
- b) That receipts and consumption of material during the month agree with the quantities as per the

respective voucher, transfer entries orders etc.

- c) That the closing balances of materials at the end of the month have been correctly worked out.
- d) That physical verification of materials lying at sites of the work is conducted periodically and at least at the end of each year, on completion of the work commenced, and when the officer- in-charge of the work is transferred.
- e) That action has been taken to transfer the usual materials to 'Stock' or other works or to recover the value of materials found short or damaged, from the person found responsible for the shortage or damage.
- f) That in cases where materials have been remaining unused for a long period of time, adequate reasons exist for procuring them.
- g) Materials of site Accounts of completed works including those transferred to other works or stock, should be scrutinized to see that these materials are obtained in excess of actual requirement or in advance of requirement or became surplus due to change of design, specification of the work etc. such cases of lack in proper planning should be commented upon.

8. Verification of Post Completion Activities

- a) Obtain the completion certificates for the completed Projects and their respective approved plans; verify that the completion is as per original plan; if there are deviations check if those deviations are properly authorized and approved.
- b) From the CC and its backup documentation, verify the actual date of completion with planned date, final cost/value with the agreement/work order value etc.
- c) Inspect the project site/building site/road to ensure the asset construction is complete as documented.
- d) Verify if the asset is put to use; if not issue an audit enquiry and seek explanation.
- e) Verify whether the final payment is processed only after ensuring that all deliverables have been met and completion certificates are in place for the projects.

22. Audit of Stores and Stock

22.1. Risks & Implications

Risks	Implications
<ul style="list-style-type: none"> ▪ Deviation from the prevailing Rules and Procedures. ▪ Improper /non-maintenance of essential basic records. ▪ All requisite records not produced to Audit 	<ul style="list-style-type: none"> ▪ Loss of revenue ▪ Lack of clarity of actual outstanding at any point in time ▪ Non-detection of the actual stock

22.2. Audit Procedures – Stores and Stock

1) General Control Checks to be performed by Auditors
<ul style="list-style-type: none"> a) Verify whether requirement of stores for the year has been estimated properly and included in the year's Budget and the budget has been approved by competent authority. b) Examine the procedures and controls to ensure that purchase of stores is not done without actual need or in excess of requirement resulting in accumulation of idle stock and consequential loss to the entity; purchases are made below the requirement affecting the progress of works and also result in subsequent procurement at additional cost for completing the work c) Verify the process of estimation of stores and check if the list of store items required for the next year are estimated and prepared in advance (at the close of the previous year). d) Check whether list has been prepared based on the consumption during the previous 3 to 5 years with justification for changes compared to average. e) Check whether the purchasing officer has ensured that sufficient funds are available before according administrative sanction for purchase. f) Verify if there is any purchase plan in place to ensure that purchases are made only for those items which will be utilized within a reasonable time
2) Verification of Purchase Transactions
<p>Perform the following procedures:</p> <ul style="list-style-type: none"> a) Inquire and verify to ensure all purchases have been properly sanctioned and made in the most economical manner in accordance with the rules, regulations and orders issued by competent authority b) Verify if there is adequate justification for procurement of stores evidenced in the purchase indent or other supporting document. c) Ensure by examining the supporting quality inspection documents, that the stores procured are of approved quality and quantity. d) Verify if the purchase indents have been raised for such purchases and indents are approved by competent authorities. e) Verify to ensure that purchase indents are not split into small quantities to avoid the necessity of obtaining the requisite approval of higher authorities. f) Verify if the method followed conforms to the prescribed procedures such as quotations, open tenders or E tender, etc. <p><u>Purchase By Quotations</u></p> <ul style="list-style-type: none"> a) Check whether copies of quotation notices regarding terms and conditions, material specifications, etc. are supplied to all firms to whom enquiries are sent. b) Verify when multiple quotations are required to be submitted in sealed covers and they are received in sealed covers. c) Verify if quotations are received in time as fixed from all vendors. d) Check whether the rate quoted agrees with schedule of rates, if any for government/government entities. e) If samples are required as per the terms of enquiry, verify whether the quotations without samples have been accepted and what action was taken? f) Check whether the prices quoted are inclusive of all taxes, dues, cess, etc. If not, internally calculate the taxes to make all the quotations on par with each other.

Purchases by Open Tender/E Tender Method:

- a) Check the Tender notices for date of publication, date of tender , date of submission, details of materials with specifications and other full particulars as may be required.
- b) Check that tenders are received in sealed covers and noted in the relevant registers; verify the registers and tenders/quotations to ensure they are opened by competent authority and in presence of tenderers wherever required; (the registers and the tenders should be initialed by the competent authorities to evidence the same)
 - i. Verify if the cost of tender form is collected.
 - ii. Check whether minimal time as prescribed is given for submission of tenders.
 - iii. Verify whether tenders are excluded in the following cases.
 - When tenders are not in the prescribed form.
 - When the tender is not accompanied by requisite earnest money.
 - When the tender is not signed by the tenderer.
 - When the tender is from a black listed/ banned firm.
 - When the tender is received late.
 - iv. Check whether the rate quoted matches with schedule of rates, if any for government/government entities.
 - v. Check that the rates quoted by the tenderer have not been overwritten or changed without attestation by the tenderer and have been correctly transcribed in the comparative statement;
 - vi. Check whether the prices quoted are inclusive of all taxes, dues, cess, etc. If not, internally calculate the taxes to make all the bids on par with each other.

Comparative Statement Analysis

- a) Verify to ensure that a comparative statement of all quotations/tenders received is prepared and checked and reviewed by competent authorities to compare the terms of price and quality, terms of delivery, terms of payment, etc.
- b) Check that comparative statements have been duly checked and approved by the competent authority and contain his orders about the quotations/tenders accepted; ensure that other conditions being equal the lowest tender/quotation has been accepted and if not, satisfactory reasons are recorded and approved by competent authority.
- c) Verify that the lowest tender has been determined by working out the cost of all items of work or supplies on the basis of an estimated quantity of work to be done or supplied and not merely by usual comparison of the tendered rates, without reference to the cost of work or supplies.
- d) Verify to ensure that appropriate approval of the competent authority has been received on the selected tender/quotation before placing a formal purchase/supply order.

Issue of Purchase Order/Work Order & Signing of Agreements/Contracts

- a) Check if a formal supply order has been placed.
- b) Examine the purchase/supply order contained to ensure it is issued as per the approved quotation or tender and the terms and conditions including the price are correctly carried on to these orders.
- c) Where an agreement is necessary, verify to ensure that an agreement has been entered into with the successful tenderer in stamp paper of stipulated value.
- d) Check agreements to ensure that the terms of contract are precise and definite and there is no room for ambiguity; Standard form of contracts have been adopted, wherever possible, and as far as possible legal and financial advice have been taken in the drafting of the contracts;
- e) Check and ensure that the terms of contract once entered into are not varied without the previous consent of the competent authority and that deviations if any are duly authorized by the competent authority.
- f) Check and ensure that the contracts do not provide for any indefinite liability to the entity.
- g) Verify that the contract is signed by competent authority from the Entity (as per delegation in force) and from the tenderer/bidder's firm/company. Ensure that relevant documents like board resolutions, etc., are on record to ensure the contract is properly executed by the successful bidder. If the bidder is a partnership firm, ensure all partners or their constituted attorneys signed the contract.
- h) Check if the security deposit in the appropriate form and of correct amount has been deposited within the period stipulated in the contract and that in the event of default, penalties if any liveable under the conditions of the contract have been enforced.

- i) That all the conditions and requirements printed on the contract form have been complied with.

Stores Receipt and Accounting

- a) Verify the Material/Goods Received Notes to check if the quantity as per the Purchase Order has been received; whether the official receiving the stores is satisfied with the quality and quantity.
- b) Check whether the stock register has been maintained and requisite entries have been recorded there in. Verify the entries in the Stores Ledger/Register to ensure that stores received are properly recorded and accounted.
- c) Verify the purchase vouchers along with bills, invoices and other supporting documentation to ensure that stores purchased are properly accounted and paid; trace the purchase entries to stores register and respective GL accounts.
- d) Where bills are processed through Treasury, check the Treasury bill with the actual bill of the vendor and other supporting documents and ensure the same is correctly recorded in the Cash Book/Bank Book and respective GL accounts.
- e) Verify the payment voucher to the vendors to ensure cheques signed/payments are released by competent authority and vouchers are properly authorized and approved; trace the payment entries to the Cash Book/Bank Book, the stores ledger and respective GL accounts.
- f) Check whether receipts have been obtained for the payments in cash/ DD/ Cheque to vendors and compare them with the voucher amounts for accuracy and completeness.
- g) If payments are made by Treasury, verify Treasury Payment Advice and trace the entries in Cashbook/Bank Book and respective GL accounts.

Stock Record Verification

- a) Verify and ensure that the stock books are maintained in the prescribed form and correctly written up;
- b) See that the closing balance of previous year/stock book have not been tampered with and carried over to the current year's stock book;
- c) Check that the transactions are recorded in the stock books as soon as they occur;
- d) see that all stores when received are examined, counted, measured or weighed as the case may be, before delivery is taken and are entered in the appropriate stock register after verifying that the quantities are correct, their quality is good and they are according to the specification where prescribed.
- e) Check that all purchases made and articles received from other sources have been duly recorded in the stock books;
- f) That entries of receipts of all stores purchased or otherwise obtained and of their issues are made in them as transaction actually occur.
- g) That issues are supported by requisitions and indents approved by the proper authority; and proper acknowledgements of the recipients exist;
- h) That an accurate and detailed account of consumption of consumable stores is maintained by the indentors to whom these stores are issued.
- i) That all transactions and balances in the stock registers, ledgers have been attested by a responsible officer.
- j) That a reserve limit of stock has been fixed by competent authority;
- k) That the balances in hand does not exceed the limit, if any, prescribed by competent authority and is not in excess of requirements for a reasonable period;
- l) That adequate action has been taken to survey, segregate and arrange for the disposal of surplus, obsolete and unserviceable stores.

23. Audit of General Provident Fund Accounts

23.1. Audit of Provident Fund Accounts

General Provident Fund of the employees of most of the entities audited by Kerala State Audit Department are governed by the General Provident Fund (Kerala) Rules of the Government and the accounts are maintained by the respective entities.

In the local audit of General Provident Fund accounts of employees, the Inspecting officers shall be responsible to see that the relevant rules are duly complied with by the Officers who are responsible for maintaining the accounts. To make himself conversant with the detailed instructions and procedure for the maintenance of the General Provident Fund accounts, the Inspecting Officer may do well to refer to the relevant G.P.F. Rules. It should be seen in the local audit of General Provident Fund accounts whether subscriptions have been properly recovered and credited to the accounts of the subscribers concerned. Whether interest has been calculated properly and whether advances and withdrawals from the Fund have been properly sanctioned and accounted for. It may also be seen that the suitable notes regarding receipt of all nominations have been kept and physical verification thereof carried out from time to time. Final payment cases should be specifically scrutinized. It should also be seen that the various provisions of G.P. Fund rules are duly observed by the Officers. **The following records are to be checked in local audit:**

- A. Index Register and Applications for admission.
- B. Provident Fund Ledger Accounts.
- C. Broadsheet
- D. Statement indicating the totals of debits and credits for each month.

A. Index Register and Application Forms.

These records are checked to see that:-

- 1) The General Index Register is maintained in the prescribed form and is kept up to date;
- 2) The Account number was allotted by the Departmental officer only after obtaining the application for admission duly supported by a nomination in the prescribed form. It should also be seen that particulars of member to whom an Account number has been allotted are noted in the General Index Register and the Ledger.
- 3) For each subscriber there is a nomination or record which has been accepted as valid by the officer competent to do so. The entries of the nomination form are attested by the competent officer in the Index Register;
- 4) A separate ledger folio is opened for maintaining the account of each subscriber. Applications for admission to General Provident Fund are examined to see that they are obtained in the form prescribed under the G.P. Fund Rules, duly completed in all respects.
- 5) Check whether final payments of GPF are authorized as admitted by audit department

Nomination of the Subscribers.

It should be seen that nomination in the form prescribed under G.P. Fund rules has been received from each subscriber and a note to that effect is kept in the General Index Register and the ledger account of the subscriber. In scrutinising nominations it should be seen that if at the time of making a nomination the subscriber has a family, the nomination is not in favour of any person or persons other than the member of his family as defined in the G.P. Fund Rules.

Subscriptions

- a) The subscribers are contributing at the rate of not less than 6 percent of the emolument as provided in General Provident Fund (Kerala) Rules and not more than their emoluments
- b) No subscriber is allowed to discontinue subscribing to the Provident Fund except during leave which either does not carry any leave salary or carries leave salary equal to or less than half pay or during the period he is placed under suspension.
- c) The amount of subscription fixed by the subscriber could be enhanced twice or reduced once at any time during the course of a year.

Withdrawals

- a) The refundable and non-refundable advances from the Provident Funds are sanctioned by the competent authority only for the purposes laid down in Chapters V and VI of The General Provident Fund (Kerala) Rules, 2011 and relevant orders on the subject.
- b) The temporary advance is refunded in not more less than 12 installments or in not more than 36 installments. However the subscriber has the option to refund the advance in a lump or two or more instalments in a month
- c) The advances are regularly recovered from the monthly pay bills and that the interest on the advance is recovered in the manner as specified in the rules
- d) The interest as worked out by the Officers should be actually checked by the Inspecting officer at the time of local Inspections.
- e) The interest in fractions of a rupee exceeding 50 paise is rounded to the next higher rupee.

B. Provident Fund Ledger

The provident Fund Ledger is examined to see that:-

- a) The ledger accounts are maintained in the prescribed form;
- b) The name and designation of subscriber, his account number,
- c) The fact of nomination having been accepted is neatly recorded on the ledger folio assigned to each subscriber ;the entries relating to acceptance of nominations are also attested by the Competent authority;
- d) The pay of the subscriber as on 31st March each year is noted in the column prescribed in the ledger;
- e) The subscription to G.P. Fund is not less than 6 percent of the pay of the subscriber as on 31st March of the preceding year;
- f) The G.P. Fund account is maintained in whole rupees;
- g) The head of the office or a gazetted officer nominated by him initials the Provident Fund Accounts monthly in token of having verified that the amount of subscription deducted, refund of advances and temporary and final withdrawals are posted correctly;
- h) Sanctions to withdrawal from the General Provident Fund are promptly recorded in the ledger accounts and the entries made in the ledger are initialed by the Head of office or a Gazetted Officer nominated by him, while signing the bills for withdrawal from Provident Fund;
- i) Subscriptions and refunds of advances as shown in the G.P. Fund schedules duly signed by competent authority and the payment of advances and withdrawals as per vouchers are correctly posted in the ledger accounts of the concerned subscribers;
- j) Where balances at the credit of subscribers have been received from other offices complete details thereof are recorded in the ledger under the attestation of competent authority;
- k) Ledger accounts are closed regularly every year and correct amount of interest has been credited to the ledger accounts of the subscribers;
- l) G.P. Fund Accounts statements are issued regularly to the subscribers every year and their acceptance of the balance noted in their respective ledger account.
1. General review of ledger cards unposted items, missing credits are to be checked with reference to original Provident Fund Schedules.

C. Broad-sheet

Broad-sheet is examined to see that:-

- a) It is maintained in the prescribed form;
- b) It is closed regularly every month;
- c) The total amount of credit booked every month in the broad-sheet agrees with the total of the G.P. Fund deductions made in pay bills for that month and that the total of the debits booked in the broad sheet agrees with the total of payment made out of the Provident Fund in that month as abstracted separately.
- d) At the end of each year the ledger balances are agreed with the broad-sheet balances and the broad-sheet is squared up to ensure its accuracy.

D. Statement of totals of debits and credits

It should be seen that the statements of totals of debits and credits as worked out in the Broad-sheet each month are correctly prepared and sent to the appropriate authority

Closure of Provident Fund accounts

The Provident Fund accounts are closed on occasions necessitated by retirement from the service, death while in service etc. Audit has to check the closure cases during the course of audit. The audit check shall include the following:-

- a) The closure application is received in the prescribed form
- b) The statement of subscriptions and withdrawals during the period stipulated in the rules are enclosed
- c) If the subscriber had filed a valid nomination the payment was made to the nominee
- d) If there was no nomination the payment was made to the person identified on the basis of Enquiry Report /Heirship Certificate/Succession Certificate etc.
- e) The interest due on the balance has been allowed only upto the period as stipulated in the rules

24. Audit of Pensionary Claims

A major function of the KSAD is pre-audit of pensionary² claims of employees of auditee institutions. The pensionary claims of employees of most of the institutions audited by KSAD are regulated by the pension rules contained in Kerala Service Rules Part III³ issued by government.

The rules in Kerala Service Rules Part III regulates the pensionary entitlements of the employees which include the following:

1. Pensions including family pensions
2. Death –Cum –Retirement Gratuity; and
3. Commutation of pension.

Pensions are divided into the following classes:

- a) Superannuation Pension
- b) Retiring Pension
- c) Invalid Pension
- d) Compulsory Retirement Pension
- e) (d)Compensation Pension
- f) (e)Compassionate Allowance
- g) (f)Ex-gratia Allowance
- h) Family Pension

- **Superannuation Pension** - Superannuation pension is granted to a Government Servant entitled or compelled by rule, to retire at a particular age. Rule 55 (or other enabling rules of entity)
- **Retiring Pension** –Retiring Pension shall be granted to a Government Servant who retires, voluntarily after 20 years of qualifying service, in advance of the age of superannuation in accordance with provisions of Rule 56
- **Invalid Pension** - A Government Servant who is declared by the appropriate medical authority to be permanently incapacitated for further service in accordance with the instructions on the subject, may be granted invalid pension Rule 42.
- **Compulsory Retirement Pension** – A Government servant compulsorily retired from service as a penalty may be granted by the competent authority pension or gratuity or both at the rate not less than two-thirds and not more than full compensation pension or gratuity or both admissible to him on the date of his compulsory retirement
- **Compensation Pension** – A Government servant is entitled to get compensation pension owing to the abolition of his permanent post.-Rule-33
- **Compassionate Allowance** – A Government Servant who is dismissed or removed from service shall forfeit his pension and gratuity. If the case is deserving of special consideration, a compassionate allowance can be sanctioned in accordance with the provisions of Rules. The Compassionate allowance shall not exceed two thirds of pension subject to the minimum of pension sanctioned by Government from time to time.
- **Ex gratia allowance** – This scheme is introduced to provide relief to the employees who retire from service on superannuation and are ineligible for statutory pension as per the provisions of KSR Part III. They will be eligible for dearness relief.

²The auditor is required to be conversant with the rules governing all the above classes of pensionary benefits of the employees. The rules are applicable to state government employees and Public sector undertakings, autonomous institutions and statutory corporations /boards grant-in-aid institutions including universities which through enactments have adopted these pension rules in respect of their employees the words Government and government servant etc. used in these rules shall be construed as the respective entities and their pensionable employees.

³Wherever the terms “Government” and “Government servants” occur in the Rules, it should be read as the auditee entity or employees of auditee entity.

Qualifying Service

- Commencement of Qualifying Service - Qualifying Service of a Government servant shall commence from the date he takes charge of the post to which he is appointed either substantively or in an officiating or temporary capacity.

Condition subject to which service qualifies

- The service of a Government servant shall not qualify for pension unless his duties and pay are regulated by the Government.
- Service means service under the Government and paid by the Government from the Consolidated Fund of the State or under conditions regulated by the Government or a local fund administered by that Government but does not include service in a non-pensionable establishment.
- Temporary Central Government servants on deputation to the State, on getting absorbed under this Government will be allowed to count the period of continuous temporary service under the Central Government immediately preceding the service under this Government.
- Service as an Apprentice does not qualify for pension
- Except for compensation gratuity, an employee's service does not qualify till he has completed 18 years of age.
- Counting of Military Service rendered before civil employment and counting of war service rendered before civil employment is governed by Rule 8
- Counting of period spent on leave – All leave during service for which leave salary is payable and LWA granted on medical certificate shall count as qualifying service
- Counting of period spent on training – The Government may by order, decide whether the time spent by a Government servant under training immediately before appointment to service under the government shall count as qualifying service.
- Counting of periods on suspension – A period of suspension does not count towards qualifying service unless the authority competent declares so.
- Resignation, dismissal or removal – entails forfeiture of past service
- Resignation from a post to take up another appointment with the proper permission is not resignation from public service.
- Effect of interruption in service - In the absence of specific indication to the contrary in the Service Book, an interruption between two spells of civil service by a Government servant shall be treated as automatically condoned.
- Addition to Qualifying service in special circumstances may be permissible according to the provisions of Rule 25

Emoluments

Emoluments mean and include pay as defined in Rule 12(23) in KSR, Part I and or pay of the appointment under Rule 9 or 31 of KS&SSR

Average Emoluments

- The term Average Emoluments means the average calculated upon the last 10 months of qualifying service.
- If during the last 10 months of his service a Government Servant has been absent from duty on leave with or without allowances which qualify for pension or having been suspended but reinstated in service without forfeiture of service, the emoluments for the purpose of average emoluments will be taken as at what he would have drawn had he not been absent from duty or suspended.
- If during the last 10 months of service, any spell of service non-qualifying for pension falls, the above spell of leave should be omitted in the calculation of the average emoluments and an equal period before the 10 months period shall be included.
- In the case of Government servant who was on leave during the last 10 months of his service and earned an increment which was not withheld, the increment shall be included in the average emoluments.

Calculation of Pension

- The amount of pension is calculated based on the total qualifying service and the average emoluments drawn during the last ten months by a Government Servant
- 50% of average emoluments is regarded as full pension of a retiring government servant, if he has rendered not less than 30 years of qualifying service
- If the qualifying service is less than 30 years, pension will be calculated proportionately.
- If the service rendered is less than ten years, no pension is payable. Retirement Gratuity in lump sum or Ex -gratia pension is admissible
- The amount of pension finally determined shall be expressed in whole rupees and where the pension contains fraction of a rupee, it shall be rounded off to the next higher rupee.
- The amount of pension payable would be based on the prevailing orders applicable at the time of calculating the pension

In addition to pension, other allowances includes:

- Dearness relief
- Medical Allowance

Family Pension

To whom it is payable:

- When a Government Servant dies while in service or after retirement, family pension is payable to the Family

The Family for the purpose of Family Pension as per Rule 90(6) means

- Wife, in the case of a male employee
- Husband, in the case female employee
- eldest eligible child (in the order of the seniority)
- Children suffering from physical/mental disorder or disability
- Unmarried daughters above 25 years
- Son/daughter adopted legally before retirement
- Parents (in equal shares)
- Judicially separated wife
- Judicially separated husband
- Disabled divorced daughters
- Widowed disabled daughters
- No nomination facility is available for Life Time Arrears of family pension

Calculation of Family Pension

Family pension is calculated at two rates

Enhanced Rate -- Enhanced Rate of Family Pension is calculated at 50% of last pay drawn in case of death while in service. The enhanced rate is payable for a period of seven years from the date following the date of death and thereafter at the normal rate. The enhanced rate is admissible only if the deceased employee has not less than seven years of service. In the case of death after retirement, the enhanced rate is double the normal rate, but limited to the service pension. The enhanced rate in such case is admissible for a period of seven years or till the pensioner would have attained the age of 63/67 years of age depending upon the age of superannuation.

Normal Rate - Normal Rate of Family Pension is calculated at 30% of the basic pay last drawn (Minimum Rate of Family Pension 1.7.2014 is Rs. 8,500 per month and the maximum is Rs.36,000)

Family Pension resulting in a fraction when calculated should be rounded off to the next higher rupee.

Provisional Pension

Where any departmental or judicial proceedings is initiated or where a departmental proceedings is continued against an employee who has retired on attaining the age of compulsory retirement or otherwise shall be paid a provisional pension not exceeding the maximum pension which would have been admissible on the basis of the qualifying service up to the date of retirement of the Government Servant. But no gratuity is payable until the conclusion of the proceedings and issue of orders there on.

Payment of provisional pension made shall be adjusted against final retirement benefits sanctioned to such Government Servant upon conclusion of any departmental or judicial proceedings but no recovery shall be made where the pension finally sanctioned is less than the provisional pension or the pension is reduced or withheld either permanently or for a specified period.

Death-Cum-Retirement Gratuity

An employee who has completed five years of qualifying service is eligible for additional gratuity at one half of the emoluments of an employee subject to a maximum of 16 ½ times the emoluments (rules 66 & 68). The maximum gratuity from 1-7-2014 is Rs.14,00,000. In the case of death while in service or for invalid person with a QS below 24 years, then 12 times emoluments last drawn is paid. If death occurs in the first year of service, then 2 months emoluments last drawn is paid. If death occurs after first year, but before 5 years of service, then 6 times emoluments last drawn is paid.

Commutation

A pensioner is entitled to commute for a lump payment any portion not exceeding a fixed percentage (40 percent) of the pension to which he is eligible. An employee against to whom judicial proceeding has been instituted or continued shall not be permitted to commute any portion of his pension during the pendency of such proceeding.

Restoration of Commuted portion of Pension

Commuted portion is restored after completion of specified years. (12 years)

The checks to be applied and the points to be seen in the course of audit of pension cases are briefly enumerated below:

- a) Verify whether the pension application is in the prescribed form (Pension Book) and all enclosures required to process the case and admit the claim are enclosed
- b) The Pension Sanctioning authority has signed the service certificate
- c) Where advance sanction of pension is required, this has been done
- d) The statement of service, statement of leave and spells of Foreign Service, if any, are to be checked with reference to the entries in the Service Book
- e) The date of retirement/death mentioned in the pension papers should be tallied with corresponding entries in the Service Book
- f) whether the pension has been calculated correctly in accordance with the enabling rules
- g) Correctness of the calculation of average emoluments based on the entries in the Service Book should be verified. It should be verified whether a note about the issue of authorities has been kept in the Service Book.
- h) It should be examined whether claims for family pension and gratuity have been settled in accordance with the nominations provided by the employee
- i) Correctness of the computation of provisional pension and gratuity should be verified with reference to the qualifying service and other relevant particulars
- j) It should be checked whether the provisional pension sanctioned/authorised has been restricted only to the period admissible.
- k) Recovery of amounts, if any, to be recovered from the provisional pension and gratuity should be verified.
- l) Correctness of the determination of the pension and gratuity admissible with reference to the average emoluments or emoluments last drawn, as the case may be, should be checked.
- m) Correctness of the relief allowed as on the relevant date should be ensured with reference to the applicable orders.
- n) Correct rounding off of the amounts of pension should be checked.
- o) It should be ensured that authorization of death gratuity to the beneficiaries in the absence of valid nominations is supported by the prescribed legal documents.
- p) Pension payment authorizations should be scrutinized to verify if the payments have been authorized strictly on the terms stated in the pension papers and to the person(s) named therein.
- q) It should be ensured that the period for which family pension would be admissible has been worked out correctly with reference to the dates of birth of the children and correctly mentioned in the authority

Receipt of Pensionary benefits authorised by Accountant General

The Pensioner should approach the Treasury Officer for payment of PPO, DCRG and CVP by production of the intimation received from the Accountant General. Payment of DCRG is arranged on production of NLC/LC from the department.

Note: For any revision or increase in D.A. on pension, the pensioner should approach the Treasury Officer / Bank.

24.1. Certification of pensionary claims

Certification of pensionary claims can be made only after detailed evaluation of the pay admissible as also the qualifying service for pension. Changes in the amount of pensionary benefits admissible and the criteria for reckoning the same have undergone drastic transformation over successive pension revisions. The pre-verification is to be done to ensure the correct application of the rules.

24.2. One Rank – One Pension Scheme

The pension rules related to each revision permit the fixation of revised pension plus prescribed Dearness Relief and weight age. If the amount of pension thus arrived at is less than half of the minimum of the revised scale of pay of the post of the employee on the date of retirement, the revised pension can be stepped up to half of the minimum pay of the post at the time of retirement. The half of the minimum of the revised scale of pay is allowed as pension if only qualifying service is 30 years or more. If qualifying service is less, only proportionate amount will be reckoned as the revised pension. One Rank-One Pension scheme has been introduced in the State service from 2004 pension revision onwards (from 1st July 2004).

24.3. Pension revision certification guidelines

2004	2009	2014
Existing pension+ Dearness Relief-59%+ Fitment- 6%= Total (rounded to next rupee)	Existing pension+ Dearness Relief-64%+ Fitment- 12%= Total (rounded to next rupee)	Existing pension+ Dearness Relief-80%+ Fitment- 18%= Total (rounded to next rupee)
Apply rules related to one rank one pension and admissible basic pension arrived at the higher amount among the above is payable.		

25. Audit of Pay Fixations

25.1. Fixation of Pay on Pay Revision

In addition to the auditorial functions, it is the responsibility of Audit in the matter of pre-verification and certification of pensionary claims of employees/officers in a major portion of the auditee institutions. It may not be proper if the admissible pay of the incumbent during the last 10 months is not arrived at correctly. This necessitates the verification of the various fixations of pay if not already done. The task may not be difficult, if the service records of the concerned employees could have been verified during regular Audit. But, in majority of the cases such verification may not have been completed due to the non-availability of the service records at the time of regular audit or due to some other reasons. In some such cases, verification of the service records has to commence from the date of entry of incumbent in service. So it is essential that the Auditors get acquainted with the fixation rules related to the Pay Revisions Orders during the last three decades, the average service period being around thirty years.

25.2. Pay fixation on promotion

There are a set of rules regulating fixations of pay in Kerala Service Rules which have to be borne in mind during Service Book verification.

25.3. Time bound higher grade promotions-pay fixations

The employees, who may not get promotions due to the scarcity of posts in the higher category, have been given relief by granting Time Bound Higher Grade promotions. This scheme commenced from 1979 onwards. The rules are different from those relates to regular promotions. Various changes have been ordered in the subsequent Pay Revision Orders which need to be known during the audit process.

26. Kerala State Housing Board

26.1. Legal Framework

Kerala State Housing Board (KSHB) was established in the year 1971 through the enactment of Kerala State Housing Board Act, 1971 and Rules, 1971 in the State Legislature by converting the erstwhile Thiruvananthapuram City Improvement Trust which had started functioning from the year 1960. The main objectives of KSHB are as follows:

- a) Undertake works for the preparation and execution of housing or improvements schemes.
- b) Execution of housing and/ or improvement schemes, which Government may entrust.
- c) Execution of any housing or improvements schemes for local bodies, local authorities or autonomous bodies.
- d) Plan and coordinate all housing activities in the State.
- e) Provide technical advice and to scrutinize all projects under housing or improvement schemes sponsored by Central and State Governments, etc.

KSHB also undertakes design and consultancy assignments, consultancy cum deposit works, etc., for local bodies, local authorities, Central and State Governments, State autonomous Bodies, etc., by levying consultancy fee, supervision charges, etc.

The activities of KSHB are managed by a Board headed by a Chairman and other members nominated by Government. The Board has its Head Quarters at Thiruvananthapuram and three Regional Offices headed by Chief Engineers at Thiruvananthapuram, Kochi and Kozhikkode, 15 Divisional offices, 5 Branch offices, 2 project division offices and 5 working women offices.

26.2. Accounting Framework

The accounts of KSHB will have to be prepared in accordance with the provisions contained in the Kerala Housing Board (Maintenance of accounts) Rules, 1984. It has to adhere to accrual (mercantile) system of accounting. Its accounting is fully computerized. The Accounting Rules provide that the accounts of the KSHB shall be maintained under the mercantile system of accounting and all amounts receivable and payable as well as amounts received in advance and paid in advance shall be adjusted in the accounts of the year concerned. The accounting period of KSHB is 1st April to 31st March of every year.

As per Section 120 of the KSHB Act, the Government is to appoint the auditor for auditing the accounts of KSHB and accordingly KSAD has been appointed as the auditor of KSHB. In auditing accounts and the financial statements of the KSHB, auditors will have to be aware of the incomes and expenditure specific to KSHB which are listed here for immediate reference.

- a. Operation of Sinking Funds
 - i. Whether the sinking fund has been created as stipulated in the KSHB Act
 - ii. Payments to the sinking fund are being made as per the provisions contained in the KSHB Act
 - iii. The sinking fund is invested in securities as provided in the Act
 - iv. The interest is credited to the fund
- b. Incomes from (i) Sale of Flats, Plots/Land, Buildings (ii) Rent and Lease (iii) Supervision and Centage charges (iii) Profit from Deposit Works and Expenditure on Construction and Establishment.

26.2.1. Accounting Policies

The Accounting Policies govern the recording, accounting and treatment of transactions relating to the various activities in an institution. As KSHB follows accrual system of accounting it is required to follow the following accounting policies:

Illustrative Accounting Policies to be followed

1. All revenues/incomes shall be recognized in the period in which they become due and shall be accrued in the books of accounts in the period it is entitled to receive such incomes. Provision for bad and doubtful receipts shall be made as per the related rules in force.
2. Interest on investments shall be recognized when received.
3. Expenditure on salaries and others employee related benefits shall be recognized as and when they are due for payments,.
4. Expenditure on Stores shall be recognized when the bill is admitted in relation to goods delivered.
5. In respect of public works the expenditure and projects shall be shown as “ Capital Works – in – Progress”
6. The cost of fixed assets shall include cost incurred/ money spent in acquiring or installing or constructing fixed asset , interest on borrowings attributable to acquisition or construction of qualifying fixed assets up to the date of commissioning of the assets and other incidental expenditures incurred up to that date.
7. General grants shall be recognized as income when received. Grants received in advance shall be treated as a liability until the expenditure for the particular grant is incurred.
8. Grants received for capital expenditure shall be treated as capital receipts and shall be transferred from the specific grant account to capital contribution.
9. Interest on borrowing shall be recognized on accrual basis. Interest on borrowing for purchase of assets or construction of assets up to the date of commissioning of that asset shall be capitalized.
10. Special fund shall be treated as liability on their creation. Income and expenditure relating to the special fund shall be charged to respective special fund.
11. Investment shall be recognized at cost. Cost includes amount incurred in acquiring investment and other incidental expenditure incurred for its acquisition
12. All fixed assets shall be carried at cost less accumulated depreciation. The cost shall include money spent on acquiring or installing or constructing fixed assets, interest attributable to the fixed assets up to their commissioning and other incidental expenditure incurred up to that date.
13. Depreciation shall be provided at rates as may be applicable and charged on Straight Line Method on all fixed assets except Land.
14. Interest on loans given shall be recognized as and when due.

26.2.2. Sources of Income & Expenditure

Income	Expenditure
<ol style="list-style-type: none"> 1. Grants & subventions <ul style="list-style-type: none"> • Grants from Government • Contributions from other sources • Interest subsidy from Government • Others 2. Rent & lease <ul style="list-style-type: none"> • Rent of Buildings • Lease from lands • Supervision & Centage charges • Consultancy and Design Charges • Land acquisition charges recovered 3. Interest receipts <ul style="list-style-type: none"> • Interest from Investments • Default interest • Interest on Loans given • Other Interest received 4. Miscellaneous Income <ul style="list-style-type: none"> • Profit on sale of land • Profit on contract work • Common Amenity charges 5. Sale of Plot, sale of flats and sale of buildings. 6. Other income 	<ol style="list-style-type: none"> 1. Revenue Expenditure <ul style="list-style-type: none"> • Payment of Interest on Loans • Payment of Rates & Taxes to the Local Authority • Establishment expense • Employees welfare expenses • Payment of Guarantee Commission • Office Expenses • Interest and Bank charges • Repairs & Maintenance • Travelling Expenses • Vehicle expenses • Terminal benefit to employees 2. Capital Expenditure <ul style="list-style-type: none"> • Housing and Improvement schemes • Land Development Expenses • Repayment of loans

26.2.3. Accounting Records for Verification

Registers relevant for audit

1. Cash Book
2. Bank Book
3. Register of cheques sent/ drafts for collection
4. Petty cash book
5. General Journal
6. General Ledger
7. Personal Ledger
8. Register of Bills & Invoices
9. Asset Register
10. Land acquisition expenses Register
11. Ledger card for hire purchase schemes
12. Register of fixed deposits/ instalments
13. Register of contracts
14. Contractors ledger
15. Register of other deposits/ deposit of allottees
16. Register of Loans
17. Travelling advance register
18. Register of Sinking Fund
19. Ledger card for loan schemes
20. Insurance policy register
21. Stock register of stationery articles & printed forms
22. Register of staff advances
23. Advertisement collection Register

26.2.4. Audit Procedures for Specific KSHB Income streams

1. Income from Sale of Flats, Plots, Land and Buildings

- a) Verify that allotments of flats. Plots etc. under any scheme or otherwise were made in accordance with the respective government orders/rules and regulations.
- b) Verify discretionary allotments and ensure that the discretionary allotments did not exceed the quota if any fixed under respective rules and regulations.
- c) Verify that allotments to selected beneficiaries was done in accordance with the respective rules and regulations and with approval from competent authority.
- d) Verify that sale/allotment of flats, shops etc. has been done through appropriate procedures like tender/auction/newspaper advertisements etc., and that the final allotment was approved by the competent authority.
- e) In the case of sale of land verify the transactions to ensure the following:
 - i. The circumstances which led to the sale of the properties by KSHB which it had acquired or which came into its possession for execution of schemes.
 - ii. The property acquired is unsuitable for any of the Board's schemes.
 - iii. The property in question was in dispute or under litigation when it was acquired and no longer required for the scheme.
 - iv. The scheme, for the implementation of which, the property was acquired was subsequently dropped for one reason or the other
 - v. The procedures adopted for the sale are in accordance with the rules and orders issued by competent authority.
- f) Ensure that the agreements with beneficiaries are legally vetted and do not give rise to any additional liabilities to the entity in future.
- g) Verify agreements with the beneficiaries to ensure that the sale has taken place and trace the transactions to the respective entries in the Bankbook/Sale Registers/and the respective GL accounts along with receipt copies for receipt of sale consideration for confirmation of receipt of sale

<p>consideration and its correct accounting in the books.</p> <p>h) Verify the relevant taxes/duties paid on sale with respective challans and trace them to the Bankbook and GL accounts.</p> <p>i) Reconcile the income as per GL from sale with sale of units as per Allotment/Sale registers and seek explanations for differences, if any.</p>
<p>2. Income from Supervision and Centage Charges</p>
<p>a. Verify the system and procedures for levying and collecting the supervision and centage charges; check if there are adequate controls to ensure these charges are not excluded from the estimates.</p> <p>b. Verify if the estimates of works includes supervision and centage charges at prescribed rates; re-compute those charges and compare them with the estimates.</p> <p>c. Verify the demand register and other records to ensure these charges are recorded correctly and collected as per demand.</p> <p>d. Vouch such income from GL accounts to respective Bankbook entries and other supporting documentation like receipt voucher, receipts, estimates, demand notice and collection advice.</p> <p>e. Reconcile the income as per financial statements with respective schedules and GL accounts and ensure that differences, if any, are properly adjusted.</p> <p>f. Verify the action taken for recovery of overdues</p>
<p>3. Income from consultancy and design charges</p>
<p>a) Verify that the design and consultancy fees are fixed by the competent authority and bills are raised on the client as per the Agreement terms and conditions and such bills are included in the DCB or other bill registers as maintained by the entity.</p> <p>b) Verify that all the bills are timely and correctly collected; trace the receipt vouchers to the respective support documentation and the bankbook entries and the respective GL account entries.</p> <p>c) Vouch on sample basis such income from GL accounts to respective Bankbook entries and other supporting documentation like receipt voucher, receipts, estimates, demand notice and collection advice.</p> <p>d) Reconcile the income as per financial statements with respective schedules and GL accounts and ensure any differences are properly adjusted.</p>
<p>4. Income from Deposit Works</p>
<p>a) Verify that the estimates for works are prepared with correct schedule of rates, scope of work and bill of materials and are discussed with the institution for whom the works are being executed and agreed with them.</p> <p>b) Check and ensure that proper agreements are executed with the institutions which provides for the cost and the fees including centage recoverable.</p> <p>c) Verify the expenditure bills submitted to the institution for recovery of costs along with supporting documentation including M Book entries and other bills and vouchers to ensure the costs incurred are correctly billed to the institutions.</p> <p>d) Verify the deposits/advances collected from the institutions with agreements and the bills submitted and ensure they are correctly accounted.</p> <p>e) Verify the statement of costs/deposits realized from the institutions and check the profit/loss if any computation from such works and ensure profit if any is correctly accounted in the books.</p>

27. Universities

27.1. Legal Framework

The Universities in Kerala are established by separate Acts passed in the State Legislative Assembly and the Deemed to be University is established by a Memorandum of Association. Statutes, Ordinances and Regulation issued from time to time for universities governed the management of the universities. These documents, *inter alia*, contain the objects and powers of the Universities, the manner in which the accounts are to be prepared and audited etc. The list of Universities as well as the Acts, Statutes, Ordinances and Regulations governing them, are given below.

Sl. No	Name of University	Acts, Statutes, Ordinances and Regulations
1	Kerala Agricultural University, Thrissur	Kerala Agricultural University Act 1971 and amendments
		Kerala Agricultural University Ordinance with amendments
		Kerala Agricultural University Statute, 1972
2	University of Kerala, Thiruvananthapuram	Kerala University Act 1974 and amendments
		First Ordinances 1978 and amendments
		The Kerala University First Statutes, 1977 and amendments
3	University of Calicut, Malappuram	The Calicut University Act, 1975
		The Calicut University First Statutes, 1975.
		The Calicut University First Ordinances, 1978
4	Mahatma Gandhi University, Kottayam	The Mahatma Gandhi University Act, 1985
		The Mahatma Gandhi University Statutes, 1997
5	Cochin University of Science and Technology, Kochi	Cochin University Act, 1971
		Cochin University of Science & Technology Act, 1986
		Cochin University First Statute 1971 (issued under Act 30 of 1971) Cochin University of Science & Technology First Statute 1991
6	Sree Sankaracharya University of Sanskrit, Kalady	The Sree Sankaracharya University of Sanskrit Act, 1994
		Sree Sankaracharya University of Sanskrit Statute, 1997
7	Kannur University, Kannur	Kannur University Act, 1996
		Kannur University Ordinance, 1999
		Kannur University First statutes, 1998
8	Kerala University of Health Sciences, Thrissur	The Kerala University of Health and Sciences Act, 2010
9	Kerala Veterinary and Animal Sciences University, Pookkode	The Kerala Veterinary and Animal Sciences University Act, 2010 The Kerala Veterinary and Animal Sciences University Statute, 2014
10	Kerala University of Fisheries and Ocean Studies, Kochi	Kerala University of Fisheries & Ocean Studies Act 2010
		Kerala University of Fisheries & Ocean Studies First Statutes 2013
11	Thunchath Ezhuthachan Malayalam University, Malappuram	The Thunchath Ezhuthachan Malayalam University Act, 2013
12	Kerala Kalamandalam Deemed to be University for Arts & Culture, Cheruthuruthy	Memorandum of Association

Minutes of meetings of the appropriate Authorities: The Universities, generally maintain the minutes of all meetings of the Statutory bodies such as Senate, Governing Council, Academic Council, Finance Committee, etc., which are authoritative documents to verify the various decisions taken by the University. The minutes of the meeting are thoroughly scrutinized to see that all the decisions taken by them are consistent with powers vested with them by the Act, Rules, Statutes and Ordinances or directions from government.

27.2. Accounting Framework

Except in cases where the University Acts prescribe the accounting framework, the Universities should follow the accounting systems of the State Government. The Senate or the competent authority as per the Acts should get the accounts audited by the Auditor appointed by the Government and place the audited accounts and audit report before the Senate or the competent authority as per the Acts for consideration and passing resolution with reference thereto. There is no uniform system or method for accounting in Universities, some may follow accrual system while other follow cash basis system. The respective Acts may provide the manner in which the Annual Finance Statements are to be prepared and submitted for audit. Vide entries in Schedule to the Local Fund Audit Act, 1994, the Government has entrusted the audit of all Universities to Kerala State Audit Department. Universities will have to submit their financial statements (accounts) within 4 months of the close of the financial year and the audit should be completed within 6 months from the date of presentation of accounts for audit.

Universities in general are not maintaining a cash book for accounting its receipt and payments except for petty payments and payment of wages. Instead, the receipts and payments are directly taken to a classified abstract of receipts and payments and then to a consolidated (cumulative) abstract of receipts and payments. The auditors should verify whether all receipts and payments are accounted as and when happened under the respective classified heads in the classified abstract.

In the case of universities which have not framed any rules of their own they are following relevant government rules such as Kerala State and Subordinate Service Rules, Kerala Service Rules, Kerala Financial Code, Kerala Stores Purchase Manual, Kerala Public Works Department Code, Kerala Public Works Department Manual, Kerala Treasury Code, Kerala Budget Manual, Kerala Account Codes, etc.

27.2.1. Preparation of Budgets

The University Syndicate or equivalent statutory authority is responsible for the preparation of an Annual Budget for the University showing the estimates of income and expenditure for one year to be approved by the Senate or the competent authority as per the Acts. The budget is prepared by obtaining estimates from various teaching and non-teaching departments. The procedure for the budget preparation envisages that the sum provided in an estimate of expenditure on a particular item must be that sum which can be expended in that year and it should not be over or under expenditure. A saving in an estimate constitutes as much of a financial irregularity as excess in it.

27.2.2. Accounting Policies

- a. Income is recognized on cash basis in several universities; Fees are collected by different departments at the time of admission of students to the courses. The fees include registration fees, examination fees, Magazine fees, Caution Deposit and contribution to department development fund, etc.
- b. Fees other than Caution deposit, Magazine fees and contribution to department development fund are credited to University Fund (UF) whereas caution deposit and Magazine fees are kept in PD account and Department Development Fund (DDF) in a separate account maintained by the department. The UF also receive affiliation fee/ administration fee from affiliated colleges. Academic fees and examination fees are remitted by the students in cash collection counters of the universities or other authorized collection centers. These receipts are remitted to the bank account of the universities.
- c. The Universities conduct examinations annually or semester wise; the examination fees are collected from the students before the examinations. The fees are received at the University cash collection centers/other authorized collection centers/ banks. The remittance of examination fees is verified before the hall ticket is issued.
- d. The advances are paid to the Chief Examiners to meet the expenses towards remuneration to the invigilators, stationery expenses, etc.
- e. The construction and maintenance of civil and electrical works are done by the Engineering wing headed by University Engineer. The following records are maintained in the office of the engineering wing: (i) Administrative and technical sanction record of works (ii) Contract, Agreements and work

orders (iii) Payment Vouches (iv) Measurement Books (v) Material Account (vi) Completion reports (vii) Security Deposit registers etc. The Universities have not formulated their own PWD manual, codes and financial rules. In their absence the University is following Kerala Public Works Department manual, Kerala Public Works Department codes, Kerala Financial code etc.

- f. General stores of the University deal with the procurement of mainly stationery along with furniture, photocopying machines, computers, etc., Government's stores purchase rules are followed. The purchases are made as per the store purchase rules of government; the stores are stored safely; there exist proper records to record the receipts, issues and balance articles in the store; Periodical physical verification is done
- g. The Universities manage endowments contributed by eminent persons/others as memorial endowments for awards to outstanding students, payment of scholarships etc. The corpus of the Endowments are kept in separate bank accounts opened for the purpose. The expense to be incurred on the objectives for which the Endowment is created is met from interest received on the bank deposits. A large number of endowments are managed by different Universities (For eg Kerala University is managing roughly around 200 Endowments), some of which is as old as the University.

27.2.3. Sources of Income & Expenditure

In general, the types of income and expenditure for Universities are illustrated below:

Income	Expenditure
<ol style="list-style-type: none"> 1. Grants and loans from State Government 2. Grants and loans from Government of India 3. Grants from University Grants Commission 4. Grants and loan from any other source 5. All fees received* 6. Income such as rent and profits derived from properties vested in the University 7. All endowments and donations 8. All deposits remittances and service fees 9. Income from external aided projects 10. Interest earned 11. Royalty 12. Consultancy charges 13. Vehicle – ticket charges 14. Auction receipts 15. Debt head receipts such as IT, GST, WWF etc 16. Income from School/ Institute of distance education. 17. Other items 	<ol style="list-style-type: none"> 1. General Administration <ol style="list-style-type: none"> a. Salary to officers b. Salary to establishment staff c. Travelling Allowances d. Salary to contingent employees e. Other contingencies 2. Examination Expenditure 3. Academic Departments Expenditure 4. Other Teaching Departments Expenditure 5. Other Departmental Expenditure 6. Hostels/ quarters/ guest house Expenditure 7. Miscellaneous including pension 8. Grants and scholarships 9. Equipment and machinery 10. Stores and Works 11. Special Academic Programs 12. Miscellaneous/Others. 13. EAP expenditure 14. PF/GIS/SLI/GPAIS/HBA etc 15. Legal charge 16. Expenditure of distance education 17. Stipend student 18. Repair and maintenance 19. Wages 20. Payment to contract / casual labours 21. Fellowship to research scholar 22. Endowments 23. Water charges and electricity charges 24. Rent 25. Maintenance of vehicle 26. Training and seminar

Fees *
<ul style="list-style-type: none"> ▪ Different type of affiliation fees ▪ Different type of examination fees ▪ Different type of certificate fees ▪ Different type of registration fees ▪ Different types of special fees ▪ Different type of Tuition fees ▪ Different type of Application fees

27.2.4. Audit Procedures for University Income streams

27.2.4.1. Main registers to be maintained

Income	Expenditure
1. Grant Register	1. Bill register
2. Fees Register	2. Contingent bill register
3. Rent register	3. Miscellaneous bill register
4. Endowment master register	4. Acquittance register
5. Interest income register	5. TA bill register
6. Cheque Register	6. List of Payment register
7. Daily remittance register	7. Cheque issue register
8. Stock register of receipt books	8. Stock register of cheque books
9. Cash book	9. Cash book
10. Ledger (where double entry system is followed)	10. Advance register
11. Journal (where double entry system is followed)	11. Ledger (where double entry system is followed)
12. Other register	12. Journal (where double entry system is followed)
	13. Salary register
	14. Conveyance register
	15. Scholarship / stipend register
	16. Works register
	17. Purchase register
	18. Budget disbursement and control register
	19. Investment Register
	20. Asset Register
	21. Register related to Store and Stock

27.2.4.2. General Checks and Procedures for Fee Incomes

- a) Whether the fees have been collected as per the rates fixed by the university.
- b) Verify whether the fees receipts are remitted to the bank account promptly and have been reconciled periodically with the respective Bank accounts
- c) Whether the fees receipts are properly taken in to the accounting records such as cash book or consolidated abstract, fee collection register, etc.
- d) Whether the collecting departments/ centers keep proper records of accounting of receipts
- e) Whether proper receipts are issued in token of fees received
- f) Whether the department/ collection center furnishes to the accounting authority fees collection account on the date/ month specified.
- g) Whether a DCB of fees is prepared monthly.
- h) Whether there is any undue delay in remitting the fees collected to the bank
- i) In respect of caution deposit and magazine fees which are credited to PD account, check whether they are shown in the accounts and its refunds to the students are promptly made.

- j) Whether any guidelines are in existence to regulate transactions in the PD account.
- k) Verify whether development fees collected from students are credited to department development fund
- l) Verify the receipt and trace them to cashbook/bankbook and postings in respective fee registers and the GL accounts. Ensure that when any discrepancies are noticed action is taken for correction and reporting.

27.2.4.3. Admission fee receipts

- a) Verify the accuracy of the fee with number of students registered with register or relevant record and vouch/trace the same with cashbook/bankbook.
- b) Check the structure of admission fees with respect to different heads, i.e., refundable and non-refundable items
- c) Check if admission fee is required to be capitalized as per the Accounting Rules and ensure it is followed.
- d) Check whether proper register is maintained for refundable items appearing in admission fees and cross-verify with current year entries and reconcile the balance with ledger account.
- e) Ensure that the amount due is duly received and confirm that amount has been credited to proper account head and correctly disclosed in the year-end financial statements.

27.2.4.4. Tuition fees

- a) Get a list of students enrolled from the institution in each course/department and verify the names entered in the fee register with the respective course/class/department registers, and check the amount of fees charged.
- b) Verify the fees received by comparing receipt copies/counterfoils of receipts granted with entries in the cashbook/bank and tracing the collections in the fees register to confirm that the revenue from this source has been duly accounted for.
- c) Report arrears, or late fees received. Also check the accounting entry in cashbook/bankbook for fine, if any, taken for arrears or late receipt.
- d) Examine the ageing of fee arrears and ensure that arrears that are irrecoverable have been written off where required and under sanction of an appropriate authority.
- e) Verify and ensure that fees received in advance have been duly carried forward and adjusted subsequently.
- f) Where fees was received by cheque, verify whether all the cheques have been deposited and have been cleared or not with reference to bank statements and the bank reconciliation statement (BRS); check entries. If any cheque is dishonored, check whether any action against is taken or not. Also check whether subsequently the amount is received or not and cross-verify the mode of subsequent receipt.
- g) Verify to ensure if the tuition fees include library fees, laboratory fees or any other nature of fees, etc. If so, verify its accounting entry in cashbook/bankbook.
- h) Verify if any scholarships / e-grants are awarded; the scholarship amount / e-grant is duly adjusted with fees. Examine the sanction/approval of the competent authority granting the scholarship / e-grants
- i) Verify whether tuition fees are deposited directly in the bank and verify reconciliation with the list received from the bank with the amount credited in the bank.
- j) Check if the institution is receiving post-dated cheques (PDC) towards tuition fees etc., check whether these PDCs are kept under proper control and verify that the said cheques are duly deposited in the bank on relevant due dates.
- k) Verify with collection and crosscheck with cashbook/bankbook.
- l) Report any arrears of term fees.

27.2.4.5. Miscellaneous receipts like fines, penalties, etc.:

- a) Verify the rules regarding penalty/fines for late payments of tuition fees, transportation fees, damages/ breakages of apparatus of Laboratory, etc. Check whether penalty / fine is collected and accounted.
- b) Check whether matching amount is written off if item appears in the Balance Sheet
- c) Ensure that fines for late payments have been collected under proper authority
- d) Verify the entries in cashbook/bankbook with the receipts of counter.

27.2.4.6. Special events like celebrations/ sale of tickets, etc.:

- a) Verify if any special events like sports, farewell party, annual programmes, etc., are held by University itself or by staff societies or other societies of the University. Check whether the amount is collected and accounted
- b) In case such events are held by societies, check whether the University has any share in the collection. If so, verify amount due and whether it is received.
- c) If such events are held by the University, obtain the copy of resolution along with budget passed for the same.
- d) Check the amount received from the sale of tickets with its counterfoil and verify that the receipts are entered in cashbook/bankbook.
- e) Verify if any complementary passes/tickets have been issued and reconcile the printing of passes/tickets which are sold and issued as complimentary
- f) Verify any advertisement published on the tickets/booklets, etc. if so, check whether amount receivable towards such advertisement has been duly received. Also check with cashbook/bankbook and report any arrears or short receipt for advertisement revenues.
- g) Check and verify if any taxes to government are due on such events and those were paid; verify the challans with cashbook/bank book entries.

27.2.4.7. Hostel room charges:

- a) Verify if Universities provide hostel facilities to its students directly or arranges such facility with any outside hostel or lodging facility.
- b) If arranged with outside hostel or lodging, check the agreement entered, if any. Also verify the management resolution and if any amount is receivable from such hostel or lodging facility it has been received and credited to proper account head.
- c) If institution has hostel or lodging facility, check the number of students who have opted for such facility against accommodation available; verify the relevant registers and cross check with students registers.
- d) Verify amount receivable from each student as per the charges fixed by management; where concessions were given, verify their proper sanction and ensure approval of competent authority is on record.
- e) Verify the receipts with cashbook/bankbook and also trace them to respective registers like DCB; report arrears, if any.
- f) Check whether any amount is recoverable, for damages/fines/unauthorized use of facilities, etc., and recoverable amount is properly and correctly received and credited to correct account head. Cross verify entries with cashbook/bankbook and respective control accounts in the GL

27.2.4.8. Income from sale of publications/books etc.

- a) Verify that adequate printed and machine numbered receipt books are made available to the salesman.
- b) Check that stock of these receipt books are kept and physically verified periodically.
- c) Verify that the cash collected at the sales counter is handed over to designated office staff and the staff concerned remits the cash to the bank promptly; verify the cash book/scroll/extract with amount deposited in the bank as per bank statements; check the posting of the receipts with respective entries in the GL.
- d) Check that a reconciliation of the remittances to the bank is promptly done.
- e) Check that the sales as recorded in the cash book are incorporated in the monthly accounts.
- f) Verify that stock of publication / books is maintained

27.3. Audit of Expenditure Specific to Universities

27.3.1. Examination Expenditure

Verify the following with respect to the examination expenditure:

- a) The blank answer sheets are given to the examination centres based on the indent furnished by the Chief Superintendent.
- b) The answer sheets are given only based on the actual requirement and proper acknowledgement of answer sheets are promptly obtained.
- c) The unused blank answer sheets are returned to the university on the last day of the examination.
- d) The advances paid to the Chief Superintendent of examination centers are correctly worked out so as to keep the minimum unutilized balance with the Chief Superintendent.
- e) The unutilized balances are remitted back as soon as the examination is over.
- f) A complete record of examination centre wise is kept for recording the advances and the adjustment of the balances in the examination wing of the university.
- g) TA and DA to the teachers and other staff engaged in invigilation of examination and the valuation of answer books are correctly calculated as per rules before payment.
- h) The incidental expenses in centralized valuation camps are incurred as per the examination manual or other orders issued by the competent authority.
- i) If advance is paid to the Chief Superintendent of the centralized valuation camp the adjustment bills are received immediately after the close of the centralized valuation camp.
- j) The remuneration paid to the teachers and the other staff engaged for the valuation of answer scripts are in accordance with the rates and scale fixed by the competent authority.

27.3.2. University Health Centers

- a) Whether adequate infrastructure such as clinical lab, full time doctors and other minimum facilities are provided in these centers.
- b) If any target is fixed for coverage of the students and if so the extend of achievement against these targets.
- c) Verify the stock registers of medicines to ensure stocking of relevant medicines; verify the entries in the stock registers with Goods Received Note (Materials Received Note)/ Goods Issued Note (Materials Issued Note) if any or other relevant forms and indents.
- d) Verify with relevant HR records that staff sanctioned has been posted and are working in the center. If there are unfilled vacancies how this affects the performance of the health centers.
- e) Check the out-patient register to see that they are maintained in the proper form and all details of the patients coming to the health centre are properly recorded and the follow-up action are also clearly recorded in the out-patient register. Verify that all the out-patient tickets issued are entered in the register.

27.3.3. University Library

Verify the following for library related expenses with respective supporting vouchers/documents:

- a) That there is a committee to scrutinize the indents of the departments and demands of the students which takes the decision for purchases. Examine the Minutes/proceedings of the committee and its decisions to ensure they are in accordance with relevant rules / orders.
- b) The purchases are in accordance with the store purchase rules; check purchases with relevant documents to ensure compliance and also that they are properly recorded in Cash Book/Bankbook and trace them to relevant GL accounts.
- c) Verify that the membership fees, amenities fees and development fund contributions are collected as per the rates fixed by the university and proper records are kept. check receipts to ensure the same are collected, recorded and remitted to the bank account correctly.
- d) Trace and ensure that the receipts and payments of membership fees and other receipts are included in the accounts of the university and are correctly classified and included in the financial statements.
- e) Check that reconciliation with the bank accounts are made monthly; verify the BRS.
- f) Check there are physical verification procedures and are being followed; obtain physical verification reports and verify the balance and match the same with registers and accounts.
- g) Whether the Library is taking action for the prudent use of the large cash balances available in the bank account.
- h) The security deposit received from using the libraries are promptly refunded where ever stipulated.

27.3.4. Scholarships and Stipends

- a) Scholarships and Stipend vouchers should be checked during the field audit to ensure that a proper system exists in the offices making these payments for maintaining a continuous record of all such payments and that acquittances have been received and filed.
- b) Audit should be conducted with reference to the names of the beneficiaries in respect of scholarships and stipend vouchers which fall under any of the following categories.
 - i. Scholarships / Stipends sanctioned by Government/ entity
 - ii. Scholarships / Stipends involving a monthly recurring payment sanctioned by head of departments or other subordinate authorities under the powers delegated to them.
 - iii. Overseas Scholarships
 - iv. Any other category of Scholarships/ Stipend in respect of which nominal audit is considered necessary
- c) Audit in all the cases should be conducted only numerically. This will consist in verifying that:
 - i. The sanctioned scale is not exceeded;
 - ii. The total amount sanctioned for the scholarships and stipends has not been exceeded; and
 - iii. Scholarships and Stipend are drawn only for the period for which they are admissible in terms of the sanctions.
- d) It should also be ensured in audit that (i) the bills of educational scholarships and stipends have been drawn in accordance with the procedures prescribed in the relevant rules; and (ii) necessary certificates vouchsafing fulfilment of the prescribed conditions have been furnished. The accuracy and veracity of these certificates should be verified by check of the detailed records maintained by the executive authorities.

27.3.5. Endowments

Examine/Verify the following:

- a) That proper accounting records are maintained for each type of endowment; check each register/account with supporting documents to ensure occurrence and correct accounting.
- b) Ensure that the transactions under the Endowments are correctly included in the books of accounts of the University and have been correctly presented in the financial statements.
- c) Verify that the corpus of endowments and interest thereon are separately accounted and shown; check all interest in the accounts and ensure that the rates are correctly applied and amounts received are correctly accounted.
- d) Ensure there is a procedure to review and report dormant Endowments accounts; review a few dormant accounts and also accounts that had become active during the period of audit to ensure there is no pilferage or misutilisation of funds.
- e) Ensure that BRS is done timely for each account; obtain the year end confirmations from banks and match the balances with those shown in the endowment register and respective GL accounts.
- f) Verify if Universities are taking adequate measures for fulfilment of the objectives for which endowments are created.
- g) Check payments out of the interest on endowments to ensure they are made to the proper person as envisaged in the endowments.
- h) Verify that periodical reconciliation of book balance with the bank balance is regularly made.
- i) Verify that awards out of endowments are properly sanctioned and disbursed to the correct persons/institution; check with their related documents and registers.
- j) Ensure each endowment has a separate bank account and is being managed through that account and no diversion of funds exist.
- k) Verify that the accounts reflect correct endowment amount and interest accrued and available balance separately.

27.3.6. Printing of books and blank answer sheets

Verify the following:

- a) The printing papers are purchased after observing store purchase rules
- b) Purchase are made without delay. Otherwise emergency purchase may be required which will entail avoidable expenditure.

- c) All records relating to receipts, and utilization of papers received from general stores are kept in the press; check the transactions.
- d) The printing of blank answer sheets is made on the basis of a correct assessment of requirements so that no need arises later to print these answer sheets by engaging printers from outside in an emergency.
- e) Check the log books of the printing machines to see that they are not kept idle at any point of time.
- f) Ensure that the printing machines are always kept fully operational and periodical repairs are carried out promptly; check the repairs and maintenance schedules and actual maintenance works to compare and note the discrepancies.
- g) The printing of books is based on specific and correct indents from the concerned departments and is done promptly so that these books can be distributed to the students at the commencement of the academic year. Any delay in this regard will result in the books being unsold causing loss to the university.
- h) Stock register of the books are kept and periodical physical verification is done regularly; test check the entries in the stock register with supporting documents and verify the physical verification report to ensure the physical balances match with books.
- i) Papers for printing answer sheets, additional sheets, books, registers, receipt books, various forms, bus pass, etc., are purchased observing stores purchase rules

Registers maintained in press

- a. Work order register
- b. Job order docket
- c. Cost work sheet
- d. Store ledger
- e. Plant ledger
- f. Petty plant register
- g. Day book / store ledger
- h. Register of plant and machinery
- i. Work tickets

27.4. Audit of projects and Schemes and Issue of Utilization Certificate

- Verify the sanction issued by the funding agency for the project
- Verify the AS, TS and FS of the university
- Verify the project proposals sanctioned
- Verify whether the fund is transferred (to the university fund and further to the principal investigator's PD account)
- Verify whether the expenditure is incurred in accordance with the guidelines of the funding agency.
- Verify the execution of the scheme complies with the priority of activities
- Verify that the purchase of stores are done as per rules
- Verify whether the target if any set are achieved
- Verify whether overhead charges are credited to the university fund.
- Check whether the unutilized fund and interest accrued are transferred or refunded as per guidelines issued.
- Verify the Audited Utilization Certificate issued in the previous year
- Ensure the asset created and equipments purchase are handed over to the parent institution by the project / principal investigator after completion of the project.

27.5. Four universities (Kerala, Mahatma Gandhi, Calicut and Kannur)

The management of four universities are vested as given below:

Name of the University	The authorities of the University	Officers of the University
1. University of Kerala, Thiruvananthapuram 2. Mahatma Gandhi University, Kottayam 3. University of Calicut, Malappuram 4. Kannur University, Kannur	1. Senate 2. Syndicate 3. Academic council 4. Faculties 5. Board of Studies 6. Students council 7. Finance committee; 8. Such other bodies of university as may be declared by the Act and Statutes	1. Chancellor 2. Pro Chancellor 3. Vice chancellor 4. Pro Vice Chancellor 5. Registrar 6. Controller of Examination 7. Finance Officer

27.5.1. Accounts and Audit

Name of the University	Provisions on accounts and audit
Kerala University	Section 48 and 50 of Kerala University Act 1974.
Mahatma Gandhi University	Section 50 and 52 of Mahatma Gandhi University Act 1985.
Calicut University	Section 48 and 50 of Calicut University Act 1975.
Kannur University	Section 53 and 55 of Kannur University Act 1996.

27.5.2. Audit Check

The receipts and expenditure for all these four universities are uniform and general in nature. Therefore, the audit checks for these four universities are those detailed out in the previous section based on respective Act, Statute, Ordinance, Regulation, Rules, Bye-laws etc.

27.6. Kerala Agricultural University, Thrissur

The authorities of the University	Officers of the University
1. General council 2. Executive committee 3. Academic council 4. Faculties 5. Board of studies of each faculty 6. Such other bodies as may be specified by the University act and statutes	1. Chancellor 2. Pro Chancellor 3. Vice chancellor 4. Pro Vice Chancellor 5. Registrar 6. The Comptroller 7. The Director of Physical Plant 8. The Librarian 9. The Deans of Faculties 10. The Director of Students Welfare 11. The Director of Research 12. The Director of extension 13. Such other officers in the service of the University as may be declared by the statutes

27.6.1. Objectives of the Agricultural University

1. Making provision for imparting education in different branches of study, particularly Agriculture, horticulture, animal husbandry (including veterinary and dairy science), co-operation, Fisheries, Forestry, agriculture engineering, home science and allied branches of learning and scholarships
2. Furthering the advancement of learning and persecution of research, particularly in agriculture and allied sciences
3. Undertaking an extension education programme and
4. Such other purposes as the University may from time to time determine

27.6.2. Accounts and Audit

Section 47 of Kerala Agricultural University Act 1971 deals with preparation and audit of accounts of the University.

27.6.3. Funds of the Agricultural University

1. Income from fees, endowments and grants
2. Contribution or grants from government to such funds on such conditions as may be imposed by Government
3. Other receipts

27.6.3.1. Foundation Fund – Agricultural University

1. Contributions and grants from central government and state government and such other sums from the university that may be credited to the fund

27.6.3.2. Income and expenditure specific in Agricultural University

Income	Expenditure
1. Plan grant from Agriculture Department (project profile)	1. Expenditure Plan grant from Agriculture Department (project profile)
2. ICAR project	2. ICAR projects (100%)
3. ICAR co-ordinated project	3. ICAR co-ordinated projects
4. Other external aided projects	4. Other expenses
5. Income from college properties	5. Expenditure from revolving fund
6. Income from University properties	6. Expenditure of farming activities
7. Income from farming activities	7. Other expenses
8. Income from revolving fund	
9. Other miscellaneous income	

27.6.4. Audit checks for Agricultural University

The general audit procedures as per chapter numbers 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the institutional specific audit procedures are given below:

27.6.4.1. Audit of Receipts and Income – General Checks

- a. Seed/ seedlings/ grafts/ bud/ value added products/ biofertilizer etc.
 - General check given in chapter 19 is applicable
 - Verify whether the price of the above items charged as per price list approved by the university or concerned station
 - Check whether the stock is reduced with reference to the sale
- b. Auction of farm produce
 - Ensure whether the procedures for auction are complied with
 - Ensure the bid amount is promptly received and accounted
 - Verify with reference to the various stock registers (farm produced register, harvest register, stock register of the concerned item)
- c. Credit sale/ sale through invoice
 - Verify the copy of invoice with invoice register as well as with the stock register
 - Check whether the sale value is promptly received and accounted

27.6.4.2. Audit of expenditure

a. Purchase of seed, seedlings/ bud/grafts

- Audit check in chapters 20.3 and 22 are applicable
- Verify the stock entry in the concerned stock register
- In case of purchase of seeds for the production of seedlings, check the supplementary stock registers in order to ensure the production and sale of the items. For this the following registers need to be verified

Stock register of seed and seedlings → Nursery observation register → Stock register of concerned items
- Check whether the good quality seedlings produced are above or below the average according to the basic record (Package of good practice)

b. Wages for farm Activities

- Checks given in para 20.3.2 are applicable
- Check whether the wages paid to the contract labourers and SHGs are in accordance with the agreement/ university orders etc.
- Verify the documentary proof regarding the works done (muster rolls, invoice etc) and check the work with DMS register
- If the expenditure is incurred for the production of seeds and seedlings etc., check the concerned stock registers also (stock register of seeds and seedlings)
- If the expenditure incurred relates to the harvest process, check the harvested items with the concerned stock registers (Harvest register/ farm produce register)

c. Purchase of fertilizers, pesticides and chemicals

- General checks given in para 20.3.2 are applicable
- Check whether the quantity purchased are booked in concerned stock registers
- The entries shown as 'stock issued to farm' in the above registers should be randomly checked with DMS register.

27.6.5. Audit check for Revolving fund:

Check the following points while auditing revolving fund

- No RF can be operated without getting a separate Head of Account and budget provision
- The expected expenditure should be included in the budget provision and demanded from the Comptroller's office. Only the corpus amount should be kept by the DDO and all the receipts should be remitted to comptrollers account before 10th of next month without fail.
- Separate accounts and registers of facilities and stock will be maintained for each of the RF schemes, to enable M&E and audit of the scheme.
- The PI/DDO has to send annual report of the RF schemes which should contain details of item wise expenditure, sale proceeds receipts and balance sheet of RF indicating physical assets and profit/loss statement
- The monthly and annual accounts are to be forwarded to Comptroller by the DDO and the annual accounts will be audited by State Audit Department.
- Verify whether the RF scheme is commercially viable, by checking the profit and loss.
- Verify the transactions with the university order relating to the RF for the time being in force.
- All expenses related to the scheme (wages, electricity charges, TA, PoL, contractual expenses, repairs & Maintenance of equipments/ lab, etc) will be met entirely from the RF account.

- No items / establishments which require heavy recurring running cost which may lead to financial burden of the university in future will be purchased / established under the RF schemes.
- If any schemes shows a trend of loss it will have to be closely monitored for the next 6 months for it's improvement and the continuation of the scheme will be subject to the recommendation of the monitoring and evaluation team

27.6.6. Important Registers related to farm activities

- a. Stock register of seed and seedlings
- b. Farm produce register
- c. Harvest register
- d. stock register for farm produce
- e. nursery stock register
- f. Nursery observation register
- g. Germination register
- h. DMS register (Daily Memorandum Sheet)
- i. Credit register / invoice register
- j. Farm implements register
- k. Fuel register
- l. tree register
- m. registers of fertilizer, chemicals and manures
- n. register of bio-fertilizer and chemicals
- o. register of value added products
- p. dead stock register
- q. temporary dead stock register
- r. cultivation sheet (to be checked with relevant harvest register)
- s. Aromatic and medicinal plant register

27.7. Kerala Veterinary and Animal Sciences University, Pookode

The authorities of the University	Officers of the University
<ol style="list-style-type: none"> 1. Management council 2. Board of Management 3. Academic council 4. Extension council 5. Finance council 6. Board of studies 7. Faculty research committee 8. Project co-ordination council 9. Research Council 	<ol style="list-style-type: none"> 1. Vice chancellor 2. Registrar 3. Finance Officer 4. Director of Academics & Research 5. Deans 6. Other officers of the University 7. Director of Entrepreneurship 8. Law Officer 9. Director, Infrastructure Development 10. Director of Clinics 11. Director of Farms 12. Controller of Examinations 13. Faculty Dean 14. Other officers of the University as may be prescribed in the statutes.

27.7.1. Objectives of the University

- (i) to advance and disseminate learning and knowledge in veterinary and animal sciences and allied fields by fostering and promoting veterinary research ;

- (ii) to decide new courses and curricula based on the advances in the field of veterinary and animal science such as,—
- develop more appropriate livestock production and processing technologies, packages and systems that will be cost effective and profitable for the farmer ;
 - establish more efficient and cost effective animal disease control prevention and surveillance measures that will maintain a high standard of animal health ;
 - research on nutritional values of the various pastures and fodders according to establishment, preservation and ecological zones ;
 - prescribe standards for feeds and fodder and their nutritive values for suitable feeding packages for farmers ;
 - develop breeds and crosses of milch animals, small ruminants, poultry, pigs that are suited for Kerala's condition in terms of productivity, resistance and tolerance and to advise on suitable gene pools to be protected and preserved ;
 - conduct necessary tests and trials on the suitability and acceptability of new technologies like biotechnology, embryo transfer technology etc. and advise on its adoption or adaptation to local conditions etc.;
- (iii) to undertake extension activities ;
- (iv) to collaborate and co-operate with regional, national and international research institutions and exchange any information that may be advantageous to livestock development in the State ;
- (v) to act as the primary consulting and advisory body of the Government and various other agencies of policy making and implementing in the area of Veterinary and Animal Sciences and Dairy Science and shall be competent to advise other state Government and national bodies in its area of expertise ; and
- (vi) such other purposes as the University may, from time to time determine.

27.7.2. Accounts and Audits

Section 44 of Veterinary and Animal Sciences University Act 2010 deals with preparation and audit of accounts of the University.

27.7.3. Income and expenditure specific in Veterinary and Animal Sciences University

Income	Expenditure
1. RashtriyaKrishinVikasYojana (RKVY)	1. Cost of feed
2. NABARD / RIDF funds	2. Purchase of medicine
3. External aided project funds	3. Expenditure of farm activities
4. Sale proceeds of farm products / livestock, etc.*	4. Other expenses
5. Consultancy charges	
6. Institutional charges for projects	
7. Receipts from Government Department	

Sale proceeds of farm products / livestock, etc.*

- Sale of milk
- Sale of calves
- Sale of Culled Animals
- Sale of Pregnant Animal
- Sale of Heifers
- Sale of fodder grass
- Sale of fodder slips for planting
- Sale of Fresh cow dung
- Sale of Dried cow dung

10. Sale of Vermicompost
11. Sale of digested slurry
12. Sale of palm leaves
13. Sale of firewood
14. Sale of plastic bags
15. Auction of trees
16. Sale of coconuts
17. Sale of cow urine
18. Farm Training
19. Miscellaneous

Activities performed in the station

- Training for UG and PG Students, Veterinarians, Livestock Assistants, VHSE students & Dairy Farmers.
- Increasing productivity of crossbred cattle of University Livestock Farm
- Strategies for improving the fodder production of Kerala state
- Assessing the performance of Murrah Buffalo herd for milk and meat production in hot and humid climate of Kerala

27.7.4. Audit of Receipts and Income – General Checks

- i. Sale of farm products /livestock /dairy products/manure etc
 - General check given in chapter 19 is applicable
 - Verify whether the price of the above items charged as per price list approved by the university or concerned station
 - Check whether the stock is reduced with reference to the sale
- ii. Auction of farm produce/livestock/dairy products
 - Ensure whether the procedures for auction are complied with
 - Ensure the bid amount is promptly received and accounted
 - Verify with reference to the various stock registers (farm produced register, harvest register, stock register of the concerned item)
- iii. Credit sale/ sale through invoice
 - Verify the copy of invoice with invoice register as well as with the stock register
 - Check whether the sale value is promptly received and accounted

27.7.5. Audit of Expenditure

Expenditure relating to the farm shall be verified with reference to the package of practice

Farm related stock registers

1. Calf /young stock register
2. Adult stock register
3. Breeding register
4. AI register
5. Milk yield and distribution register
6. Milk recording register
7. Sales register
8. Mortality register
9. Feedstock register
10. Fodder stock register
11. Vaccination register
12. Deworming register

13. Medicine register
14. Cow Dung register
15. Grass slips register
16. Dried Cow Dung register
17. Vermicompost register
18. Growth register
19. Treatment register
20. Miscellaneous register

27.7.6. Audit Check

In respect of the activities in the university, the following audit checks are necessary:

1. Check whether sale procedures are regulated by specific rules either rules of Government or KVASU's own rules
2. Compliance of these rules shall be checked in audit
3. Proper and complete stock registers are maintained for the sale products
4. Check whether the rates for each product demarcated for sale are fixed rationally and by a competent authority
5. If periodical revision of the sale price is contemplated, check whether there is timely revision of the rates
6. Check the mortality of calves to see that the percentage of mortality is within that fixed by the competent authority
7. Check whether the sale proceeds are correctly brought to account and if the sale proceeds are received in cash in any of the cash counters (if any), these are immediately brought to account and credited to bank accounts
8. Check whether there insurance coverage for all the saleable products
9. Check whether adequate and timely medical checks are done to see that the animals are in good health
10. Check whether adequate safeguards are available in respect of animal's to protect them from wild animals
11. Check all the stock registers maintained for different items to see that the registers are maintained in the proper form and receipt issues and the balance of the items are correctly worked out and updated.
12. Check whether a training calendar is made for imparting training to veterinarians, livestock assistants, VHSC students and dairy farmers and the training are carried out as the per the schedule.

27.8. Kerala University of Health Sciences, Thrissur

The Kerala University of Health Sciences was established by an Act of the state legislature – Kerala University of Health Sciences Act, 2010.

27.8.1. Objectives

- i. to advance and disseminate learning and knowledge in health sciences and allied fields by fostering and promoting medical research ;
- ii. to design new courses and curricula based on the advances in the field of health science ;
- iii. to regulate the academic standards of the affiliated colleges or institutions ;
- iv. to promote preventive, curative and rehabilitative aspects of health ;
- v. to organise programmes to tackle health problems of the society ;
- vi. to give leadership to the medical human resource development in the State ;
- vii. to give leadership to the health planning and health policy formulation for the State ;
- viii. to give thrust to epidemiological studies, monitoring and surveillance system of the diseases prevalent in the State ;
- ix. to act as the nodal agency for linkages with other national and international institutions ;
- x. to develop a platform for the dialogue between different systems of healthcare ;

- xi. to explore the possibilities of joint research programmes and integration between different systems of medicine ;
- xii. to promote equitable distribution of facilities for education in health and allied sciences ;
- xiii. to promote acquisition of knowledge in a rapidly developing and changing society and to continually offer opportunities for upgrading knowledge and imparting training and development of skills in the context of innovations, research and discovery in all fields of human endeavour by establishing educational network related to health sciences with use of modern communication media and technologies appropriate for a learning society ;
- xiv. to give more thrust for the development of Indian Systems of Medicine and all its branches and Homeopathy by encouraging research and other academic activities in the related areas.

The authorities of the University	Officers of the University
<ol style="list-style-type: none"> 1. Senate 2. Governing council 3. The academic council 4. Board of Examination 5. Board of studies 6. Finance committee 7. Planning committee 8. Students council 9. Faculties 10. The Research Council 11. The University quality assurance council 12. The University ethics committee 	<ol style="list-style-type: none"> 1. Vice chancellor 2. Pro Vice Chancellor 3. Registrar 4. The Controller of Examinations 5. Finance Officer 6. The Dean 7. Other officers and staff 8. Such other officers in the service of the University as may be declared by the statutes

27.8.2. Accounts and Audit

Section 68 of Kerala University of Health Sciences Act 2010 deals with audit of accounts of the University and Chapter II-53(iv), chapter X (6) of the first statute of Health University deals with accounts of the University.

27.8.3. Income and Expenditure specific to Kerala University of Health Sciences

Income	Expenditure
<ul style="list-style-type: none"> ▪ Annual administration fees ▪ Affiliation fee – for new colleges ▪ Affiliation fee – for new courses ▪ Affiliation fee – for enhancement of seats ▪ Continuation of provisional affiliation fee 	<ul style="list-style-type: none"> ▪ Examination Charges ▪ Vehicle hire charges ▪ Professional Charges ▪ Housekeeping expenses ▪ Consultancy Charges

27.8.4. Audit of Receipts – General Audit Checks

Receipts from different types of affiliation fees

- General checks given in chapter 19 is applicable
- Verification of affiliation fee register
- Verification of university order with related to affiliation fees
- Verification of file concerned

27.8.5. Audit Check

The general audit procedures as per chapter numbers 14 to 25 will have to be applied to the extent applicable. In addition, the audit checks in respect of the university specific general matters contained in this chapter will also have to be followed based on respective Act, Statute, Ordinance, Regulation, Rules, Bye-laws etc.

27.9. Kerala Kalamandalam Deemed to be University for Art& Culture, Cheruthuruthy

27.9.1. Background

Kerala Kala Mandalam founded in 1930 by Poet Laureate Vallathol Narayana Menon along the banks of river Bharathapuzha at Cheruthuruthi village of Thrissur district is a public institution imparting the knowledge of art and culture including training and performance of classical arts of Kerala namely Kathakali, Mohiniyattam, Koodiyattam, Thullal and PanchaVadhyam. Kerala Kala Mandalam was taken over by Government of Cochin in 1941, and later came under the Government of Travancore Cochin and the Government of Kerala by succession and integration of the states. Kala Mandalam is now a state academy of arts by virtue of and under the authority of G O(Ms) No. 509 (Ed.) issued by Government of Kerala on the 12th November 1962. It has been registered under the Travancore Cochin Literary, Scientific and Charitable Societies Registration Act, 1955 on 10th July 1975. Later in 2006, as per Notification No.F-9-11/99/03 dated 14th March 2006, Government of India approved Kerala Kala Mandalam as a Deemed to be University.

27.9.2. Objectives:

1. To provide for instruction and training in the classical performing arts of Kerala viz., Kathakali, Mohiniyattam, Koodiyattam, Thullal, Panchavadyam and in the allied areas.
2. To conduct lecture-demonstrations, workshops and stage-performances of the classical arts in India and abroad in an effort to compliment the education imparted
3. To provide for research on the traditional performing arts of Kerala from cultural, historical, aesthetic and contemporary perspectives
4. To facilitate advancement and dissemination of knowledge of the cultural legacy of Kerala especially in relation to the theory and practice of the classical performing arts
5. To imbibe preserve and perpetuate Gurukulasamparadaya, the traditional system of learning in harmony with the modern system of training and research
6. To introduce and develop centres for interdisciplinary studies of performing arts-classical and contemporary dance, theatre and music of Asia and the west.
7. To promote Bharatanatyam, Kuchipudi, Odissi and other national dance traditions.
8. To undertake extra mural studies, extension programmes and field outreach activities to create awareness about classical arts.
9. To undertake any other acts and things as may be necessary or desirable to further the objectives of the deemed to be University.

The authorities of the University	Officers of the University
1. General Council	1. Chancellor
2. Executive Board	2. Pro Chancellor
3. Academic council	3. Vice chancellor
4. Finance Committee	4. Registrar
5. Board of studies	5. Finance Officer
6. Planning and Monitoring Board	6. Dean of Faculties
7. Such other authorities in the service of the University as may be declared by the statutes	

27.9.3. Accounting systems

The University is following cash based single entry system of accounting. The accounts of the university are audited by the Accountant General and Kerala State Audit Department.

Where there are no specific provisions included in the Act, the following government rules are followed by the University for regulating their activities, namely:

27.9.4. Audit Check

The general audit procedures as per chapter numbers 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the audit checks in respect of the university specific general matters contained in this chapter will also have to be followed.

27.10. Cochin University of Science and Technology, Kochi

27.10.1. Background

The University of Cochin came into being on July 10, 1971 by an Ordinance which was replaced by the Cochin University Act 1971. The University of Cochin was reorganized and converted into a full-fledged University of Science and Technology by the Cochin University of Science and Technology Act, 1986 for the promotion of graduate and post graduate studies and advanced research in Applied Sciences, Technology, Industry, Commerce, Management and Social Science.

27.10.2. Objectives

The University has the following objectives

- i. To promote research in Applied Sciences, Technology, Industry, Commerce, Management and Social Science for the advancement of knowledge and for the betterment of society.
- ii. To provide facilities & offer opportunities for graduate & post-graduate education in Applied Science, Technology, Industry, Commerce, Management and Social Science by Instruction, Training, Research, Development and Extension by such other means as the University may deem fit.
- iii. To devise and implement programmes of education in Applied Sciences, Technology Industry, Commerce, Management and Social Science that are relevant to the changing needs of society in terms of breadth of diversity and depth of specialization.
- iv. To serve as a centre for fostering co-operation and exchanging of ideas between the academic and research community on the one hand and industry on the other.
- v. To organize exchange programme with other institutions of repute in India and abroad with a view to keeping abreast of the latest developments in relevant areas of teaching and research.

The authorities of the University	Officers of the University
1. Syndicate	1. Chancellor
2. Senate	2. Pro Chancellor
3. Academic council	3. Vice chancellor
4. The Faculties	4. Pro Vice chancellor
5. The board of studies	5. Statutory officers
6. The planning committee	6. University Officers
7. The Finance committee	7. Such other officers in the service of the
8. Such other authorities in the service of the University as may be declared by the statutes	University as may be declared by the statutes

27.10.3. Accounts and Audit

Section 34 and 36 of Cochin University of Science and Technology Act 1986 deals with preparation and audit of accounts of the University

27.10.4. Audit Check

The general audit procedures as per chapter numbers 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the audit checks in respect of the university specific general matters contained in this chapter will also have to be followed based on respective Act, Statute, Ordinance, Regulation, Rules, Byelaws etc.

27.11. SreeSankaracharya University of Sanskrit, Kalady

27.11.1. Background

The University, named after Sree Sankaracharya, the illustrious sage and philosopher of Advaita Vedanta, was established in the year 1993 in Kalady, on the banks of the river Periyar in Kerala. The University got 2(f) and 12(B) recognitions of the University Grant Commission. The University is a unitary University with state wide jurisdiction to conduct academic programmes with the Main Centre

at Kalady and with eight Regional Centres located in Thiruvananthapuram, Panmana, Thuravoor, Ettumanoor, Thrissur, Tirur, Koyilandy and Payyannur.

27.11.2. Objectives

The objectives of the University, as stated in the Act 5 of 1994 of the Kerala Legislature, are to impart knowledge in various branches of Sanskrit as well as Indology, Indian Culture, Indian Languages, Indian Philosophy, Fine Arts, Foreign Languages and Social Science and to promote the study and research of Sanskrit through simultaneous promotion of other languages in India and abroad that have enriched the study of Sanskrit. The collection and preservation of manuscripts and publication of books in Sanskrit and other languages to develop and synergies of Indian Systems of knowledge are also among the other objectives.

The authorities of the University	Officers of the University
<ol style="list-style-type: none"> 1. Syndicate 2. Academic council 3. Finance Committee 4. Such other authorities in the service of the University as may be declared by the statutes 	<ol style="list-style-type: none"> 1. Vice chancellor 2. Pro Vice chancellor 3. Registrar 4. Such other officers in the service of the University as may be declared by the statutes

27.11.3. Accounts and Audit

Section 38 of Sree Sankaracharya University of Sanskrit Act 1994 deals with preparation and audit of accounts of the University

27.11.4. Audit Check

The general audit procedures as per chapter numbers 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the audit checks in respect of the university specific general matters contained in this chapter will also have to be followed based on respective Act, Statute, Ordinance, Regulation, Rules, Byelaws etc.

27.12. Kerala University of Fisheries and Ocean Studies, Kochi

The authorities of the University	Officers of the University
<ol style="list-style-type: none"> 1. The Senate 2. University Governing Council 3. Academic Council 4. Research council 5. School Governing Council 6. Department Governing Council; 7. The Faculties 8. Other authorities as set forth in the Act or as provided in the Statutes made there under 	<ol style="list-style-type: none"> 1. Chancellor 2. Pro Chancellor 3. Vice Chancellor 4. Pro-Vice Chancellor 5. Dean 6. The Registrar; and 7. Other officers as set forth in the Act or as provided in the Statutes made there under

27.12.1. Objectives

- i. making provisions for imparting education in Fisheries, Ocean Studies and other allied branches of learning and research scholarship;
- ii. furthering the advancement of learning and conduct of research in Fisheries, Ocean Studies and allied subjects;
- iii. undertaking extension education programmes;
- iv. to formulate new courses and curriculum in Fisheries and Ocean Studies sector in accordance with the technical advances in the respective fields;
- v. to act as nodal agency to establish relationship with Institutions and Universities functioning in national and international level;
- vi. to act as a centre of excellence having leading role for Human Resources Development in Fisheries and Ocean Studies sectors;
- vii. to foster and encourage entrepreneurship in Fisheries and Ocean Studies sector;
- viii. to develop breeds and hybrids of ornamental fishes, prawns and oysters having features like production capacity, resisting power and good quality suitable to the environment of Kerala;
- ix. to develop farming practices, fish feeds, fish disease control, resistant and vigilant steps suitable to the sustainable farming of ornamental fishes;
- x. to preserve the fish bio-diversity of Kerala, to establish their intellectual property right to develop and utilize the possibilities of new technology like bio-technology;
- xi. to conduct study and to record and preserve the study results relating to traditional fish technology, traditional knowledge, sustainable fish protection and to foster development;
- xii. to strengthen research on fishing and related habitat and the relevant environmental factors; and
- xiii. such other purposes as the University may deem necessary from time to time.

27.12.2. Accounts and Audit

Section 65 of Kerala University of Fisheries and Ocean Studies Act 2010 deals with preparation and audit of accounts of the University

27.12.3. Income and Expenditure Specific to Kerala University of Fisheries and Ocean Studies

Income	Expenditure
<ul style="list-style-type: none"> ▪ ICAR Project grants ▪ ICAR coordinated project grants ▪ Other external aided project grants ▪ Receipts from sale of fish farm products ▪ Receipts from sale of value added products 	<ul style="list-style-type: none"> ▪ Fish processing expenditure ▪ Fish farm expenditure ▪ Fish hatching expenditure ▪ Production of value added products

27.12.4. Audit of Receipts and Income – General Checks

The general audit procedures as per chapters 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the institutional specific audit procedures are given below:

- i. Sale of fish farm products /value added products
 - General check given in chapter 19 is applicable
 - Verify whether the price of the above items charged as per price list approved by the university or concerned station
 - Check whether the stock is reduced with reference to the sale
- ii. Auction of fish farm products /value added products
 - Ensure whether the procedures for auction are complied with
 - Ensure the bid amount is promptly received and accounted
 - Verify with reference to the various stock registers (farm produced register, harvest register, stock register of the concerned item)

27.12.5. Audit Check

The general audit procedures as per chapter numbers 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the audit checks in respect of the university specific general matters contained in this chapter will also have to be followed based on respective Act, Statute, Ordinance, Regulation, Rules, Byelaws, etc.

27.13. Thunchath Ezhuthachan Malayalam University, Malappuram

27.13.1. Background

Government of Kerala, with an aim to enrich Malayalam language to the needs of the day had initiated the creation of a University exclusively for promoting Malayalam language. Thus, Thunchath Ezhuthachan Malayalam University came into existence on 1st November 2012. The Thunchath Ezhuthachan Malayalam University Act came into force on April 26, 2013. The University could gain the recognition of UGC (F) in 2014, which is considered to be a great recognition in facilitating the power to distribute degrees. Apart from learning classes, the University has taken up several ambitious projects in translation efforts and publication of books. The Malayalam University is fully inspired by its aim of achieving full utility and greater recognition in the field of higher education for Malayalam which has been proclaimed as having classical language status.

27.13.2. Objectives:

- a. imparting education at the post graduate level on different areas of Malayalam literature, Malayalam language and linguistics, comparative literature, Malayalam criticism, antique, ancient record, evolution of South Indian language scripts, history of scripts, tribal language study, regional language study, epigraphy, archeology and museology, and translation into and from Malayalam;
- b. imparting education on the various manifestations of Kerala's culture particularly in the areas of folklore and expressions of intangible culture, performing arts, traditional architecture, folk tales, classical and contemporary music, theatre, art of engraving, study of folklore and martial arts;
- c. offering courses of study on Kerala's heritage, traditional knowledge systems, cultural anthropology and media studies with modern technical knowledge;
- d. undertaking research programmes on specific areas within the overall context of Kerala's culture, heritage, language and literature, for making Malayalam script more adaptable to computer technology and to equip Malayalam to express advanced knowledge in science and technology;
- e. taking up projects for collection, documentation, preservation and inventorisation of cultural expressions of Kerala including valuable manuscripts, using modern technology.

The authorities of the University	Officers of the University
<ol style="list-style-type: none"> 1. The General Council 2. The executive committee 3. Academic council 4. Research council 5. The Faculty Advisory Committee 6. The Faculties 7. The Board of studies 8. Other authorities as set forth in the Act or as provided in the Statutes made thereunder 	<ol style="list-style-type: none"> 1. Chancellor 2. Pro Chancellor 3. Vice Chancellor 4. Other officers as set forth in the Act or as provided in the Statutes made thereunder

27.13.3. Accounts and Audit

Section 43 of Thunchath Ezhuthachan Malayalam University Act 2013 deals with preparation and audit of accounts of the University

27.13.4. Audit Check

The general audit procedures as per chapters 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the audit checks in respect of the university specific general matters contained in this chapter will also have to be followed based on respective Act, Statute, Ordinance, Regulation, Rules, Bye-laws etc.

28. Audit of District Tourism Promotion Councils (DTPC)

28.1. Legal Framework

District Tourism Promotion Councils (DTPC) were formed in 14 districts in the State as per GO (P) 254/1988/Gad dated 28th July 1988. They are registered separately as societies as per Memorandum of Association and Rules (MoA) of DTPC issued along with the above Government Order. It is mandated in the GO that DTPCs are required to be registered as per Travancore - Cochin Literary, Scientific and Charitable Societies Registration Act, (Act 12) of 1955 and Societies Registration Act 1860 (Central Act 21 of 1860). The working of the DTPCs are according to the instructions issued by the respective District Collectors in the capacity of Chairman. The main aim of DTPCs is to promote tourism by utilising its possibilities more effectively.

- a) The objective of the Council shall be the promotion of travel tourism and leisure activities in the respective district by promoting all or any of the following activities:
 - i. Provision of and maintenance and running of infrastructural facilities like:
 - Tourism accommodation in the form of Yatri Niwases, tourist bungalows, beach cottages, etc.
 - Transport amenities like luxury coaches, buses, cars, jeeps, etc., to visit tourism centres.
 - Boats, launches and hovercraft for sightseeing in backwaters.
 - Way-side-cafeteria and restaurants at important tourist centres.
 - Shopping complexes for exhibition and sales of handicrafts, spices and other traditional produces of Kerala.
 - Gardens, parks, amusement centres, adventure parks, traffic training parks, skating centres, horse riding, etc.
 - Swimming pools and health clubs at important centres.
 - Water sports and trekkers equipment, etc.
 - ii. Undertake publicity and promotional activities like:
 - Production of tourist literature, audio-visuals, films, photographs, etc., and their exhibition and distribution.
 - Release of publication and advertisements through newspaper and periodicals.
 - Encouragement of travel writers and eminent media men for publicising places of tourist interest, etc.
 - Opening tourist assistance centres for tourists.
 - iii. Organise training programmes of different durations directly and through other agencies for the benefit of the personnel engaged in tourism industry.
- b) To undertake research and consultancy activities in sectors of tourist importance
- c) To act as a nodal agency and clearing house for ideas and information at district level on matters relating to tourism.
- d) Doing all such other tourism related activities and performing all such acts as are conducive or incidental to the achievement of all or any of the objective of the council.

The governance and the administrative structure of the Council are as follows:

- a) **Governing Body (Council) – duration 3 years:** Administration, control and working of the council are under the control of the Governing body. The number of members in the Governing body including Chairman will not exceed more than fifty (50). The Chairmanship is vested with the respective collectors of each district. Governing body will meet atleast once in a year.
- b) **Executing Committee:** Executive Committee implements the decisions taken by Governing body. Appointment of staff and monitoring the staff activities are handled by Executive Committee. The Executive Committee shall meet atleast once in a month. A new Executive Committee is formed once in three years.
- c) **Secretary:** DTPC Secretary is appointed by Government and his / her duties and emoluments are also fixed by Government.

Government of Kerala has entrusted the audit work of integrated tourism fund to the Local Fund Audit Department as per GO Rt 5326/93 Fin dated 09.11.93 (presently KSAD). Tourism Week Celebration Audit is

carried out by KSAD according to the instruction contained in GO(Rt) No. 3076/04/Fin dated 20th April 2004 and DTPC audit is carried out according to GO(Rt) 3724/02/Fin dated 12th July 2002. Financial statements of DTPC (which includes Income & Expenditure statement), Annual Report, etc., prepared by DTPC and initially audited by the Chartered Accountant (as internal auditor) and approved by DTPC council are made available for KSAD audit. The council approved balance sheet of DTPC which is signed by the Chairman of the council as well as a minimum of two council members is submitted for KSAD Audit. On getting finalised annual accounts, audit is completed and report submitted Principal Secretary (Tourism), Director (Tourism), DTPC Chairman (District Collector) and DTPC Secretary.

28.2. Destination Management Council:

Government of Kerala by its GO (Ms) No.232/08/TSM dated 15th July 2008; GO (Ms) No.9361/08/TSM dated 3rd December 2008, Letter Number C1-6420/07 dated August 2007 from the Director, Department of Tourism has accorded sanction to form Destination Management Council (DMC). DMCs are formed with an aim to implement tourism schemes for development of important tourism centres. It was also ordered by the Government that, DMCs shall have all such powers and shall perform all such functions, which are necessary or proper for the achievement or furtherance of its objectives. DMCs are governed by The Destination Management Council Rules, 2008.

The composition of the Governing body for DMC has also been specified therein. The Governing Body of DMC will have a maximum of 30 members, consisting of:

- a) Local MLA as the Chairman of DMC
- b) President or chairperson of the local body as Vice chairman
- c) Secretary of concerned DTPC as Chief Executive Officer; and
- d) Members from various members of the DTPC (those who hail from the local area), representative of Tourism Department, Tahsildar, Executive Engineer of PWD (Roads), Executive Engineer of PWD (Building), Executive Engineer of KWA, Executive Engineer, KSEB, Chairperson of Kudumbashree of local bodies in the area, representative of technical institution (if any) in the area, nominee from local hotel / restaurant, representative from local travel and tour operators, representatives from local cultural institutions, representative from NGOs in the area, representative from co-operative societies, representatives from local clubs, nominee from Government and any other official relevant to the destination recommended by the department / DTPC.

As per the prevailing rules, 20% of the gross income earned by DMC should be paid to the respective DTPC as DTPC's share of revenue. Currently, DMC's books of accounts are not fully audited by KSAD auditor, therefore, it is difficult for the KSAD auditor to ascertain the actual revenue of DMC. This is a matter of concern for KSAD and its auditor, since 20% of the DTPC's revenue from this tourism destination is derived from the income of DMC.

28.3. Accounting Framework

There is no mandated Accounting Framework for the Council; and are expected to follow generally accepted accounting principles applicable for such type of institutions. There is no uniformity in accounting procedures followed at different DTPCs. Some DTPCs are following double entry system, some are following single entry system, some DTPCs are following computerized accounts (using Tally software). Consequently, the outputs presented for audit is not uniform. There is no uniformity in the books of accounts being maintained at various DTPCs. There is no centralized apex body for controlling the operations and accounting of the entire DTPC. DTPCs are currently operating multiple bank accounts. However, according to Memorandum of Association and Rules of DTPC it is mandatory to have single bank account per every DTPC.

28.3.1. Types of Income & Expenditure

Income	Expenditure	Assets	Liabilities
1. Grants (including those for Onam celebrations) 2. Lease charges / Rent received 3. Income from DMC 4. Interest on Fixed Deposits 5. Ticket sales (entrance fee and fee for services like video and still camera), toll collection 6. Parking Fee, License Fee, etc. 7. Bus charges 8. Boat charges 9. Miscellaneous Receipt 10. Security deposit	1. Salary and wages 2. Office expense (including printing and stationary, travelling expense, computer service charge, electricity charge, water charge, garden maintenance, fuel charges, property tax, dues to Government, outsourced security services, etc.) 3. Marketing expenses (advertisement charges) 4. Vehicle hire charges (during Onam celebrations) 5. Repair and Maintenance 6. Capital Expenditure towards projects /schemes 7. Mandatory contribution to Kerala Construction Worker's welfare fund 8. Project preparation expenditure 9. Payment of allowance to volunteers and special duty staff (during Onam celebrations)	1. Buildings 2. Boats & Related Infrastructure 3. Equipment 4. Computer & IT Equipment	1. Loans 2. Advances 3. Security Deposits 4. Expenses Payable

28.3.2. Accounting Records for Verification

Books of Accounts	Registers
1. Cash book 2. Bank Book 3. General Ledger 4. Journal	1. Acquittance register 2. Muster roll 3. EMD register 4. Tender / Quotation register 5. Security Deposit register 6. Minutes book 7. Register of receipts 8. Register of payments 9. Advance ledger 10. Registers of cheque(s) / bank drafts / money orders 11. Stock register of receipt books and face value tickets 12. Stock register of consumable stores 13. Stock register of stores of durable nature 14. Treasury challan for remittance

28.3.3. Audit Checks Specific to DTPC Receipt/Income streams

1. General Verification Checks for Ticket Sales/Bus Charges/Boat Charges/Other Income
a) Auditor should ensure that all the grants from Government are obtained within the stipulated time as specified in the GOs and other records. b) Auditor should ensure that all the receipts through the lease, auction and sale of tickets are credited to the concerned account; Check different types of receipts with support documentation. c) Ensure receipt books are maintained in chronological order; ticket books are correctly stamped and accounted; as part of receipt audit count physical tickets yet to be issued and reconcile the same with relevant registers/forms. d) Verify and ensure receipt of various kinds such as entry pass, parking fee, license fee, boating charges and various kinds of receipts are recorded separately in the respective ledgers; check receipts with respective entries in cashbook/bank book/extracts and their posting in GL accounts. e) Examine that revenue grants received from the department of tourism and expenditure against those

grants are correctly accounted and the amount utilized properly.

- f) Ensure the correctness and completeness of accounts by verifying the books of accounts (including receipts of various types)
- g) Verify whether all the receipt books are brought to use on the date of issue itself?
- h) Check whether the certificate of count of pages are recorded in all the books used and certified by the competent authority.
- i) Verify that all the receipts collected are accounted on the same date of collection.
- j) Verify that used and unused books have been properly arranged and kept in safe custody of the competent authority.
- k) Check whether all the collections been remitted to account on the next day itself.
- l) Verify the bank reconciliation and ensure all the deposits and income by cheques/bank transfers are fully accounted.

28.4. Audit checks of Expenditure Specific to DTPC

1. Onam Celebration Expenses – General Checks

- a) Verify and ensure that funds received from Government are separately deposited with the Nationalised bank as prescribed in the GO and accounted correctly in the DTPC books of accounts.
- b) Ensure the Conveners of the celebration committee have met and taken the appropriate decisions and all decisions pertaining to envisaged financial transactions are minuted and followed properly; verify the minutes/proceedings of the meetings and note down important issues for audit.
- c) Verify and ensure that books of accounts vouchers, receipts, etc., are segregated and separately maintained for Onam Celebrations expenses.
- d) Verify and ensure that all the payments are made through cheque in favour of the appointed contractor / vendor and necessary procedures were followed in incurring the expenses.
- e) Ensure that all the payments are supported with properly signed receipts; verify the vouchers with supporting documentation and respective entries in the cash/bank book and respective GL accounts.
- f) Cross check with the bank book, bank statement and bank reconciliation statement to ensure the cheque payments have been done and reconciled with the bank statements
- g) Payment to celebrities for being part of the Onam celebration programs, performance by an artist are to be checked in detail. Since such payments are not based on any quotation / tender document, Auditor has to verify all the correspondences, internal procedures being followed, approval from Government etc.
- h) Ensure that the Secretary of the concerned DTPC has prepared the accounts and submitted to Director (Tourism) immediately after the celebrations are completed. This report has to be accompanied by the audited financial statement by a qualified chartered accountant, approval of the financial statements by the committee of conveners, utilisation certificate and bank reconciliation statement (with copy of the respective bank statement).
- i) Ensure that within one month of the completion of the tourism week celebration, the audited financial statements of the (post audit by qualified chartered accountant) submitted for audit by KSAD.

29. Audit of State Institute of Languages

29.1. Formation and Constitution

The State Institute of Languages (the Institute) was formed in 1968 as per GO (P) 106/68/Education dated 11th March 1968 and registered at Thiruvananthapuram on 30th April 1969 as a society as per Travancore - Cochin Literary, Scientific and Charitable Societies Registration Act 1955 (Act 12). Government have constituted State Institute of Languages with the main object of developing the regional language of the state. The institute is run by the grants received from Government. The Governing Body consists of Chief Minister as Chairman, Education Minister (at present Cultural Affairs Minister) as Vice Chairman and other members as specified in the GO (MS) 40/12/Culture Department dated 25th June 2012. The number of members has been revised at present and the governing body functions as per the currently prevailing GO. Account rules are in force as per GO (MS) 129/76/H. Edn dated 13th August 1976. These rules are called Kerala State Institute of Languages (Finance and Accounts Rules). The statutory officers of the Institute are (i) Director (appointed by Government), (ii) Administrative officer; and (iii) Financial Assistant

29.2. Accounting Framework

The double entry accounting system is recommended as per GO (MS)129/76/H.Edn dated 13th August 1976. However, cash based single entry accounting system is adopted by the institute. There are so many types of accounts i.e. Treasury PD account, Treasury Personal Account (TPA) on 188 (special account), TPA-I (for PF), SBT C&I 24 (for revolving fund) and an inoperative bank account (which is currently maintained with State Bank of India). However, all transactions are routed through treasury PD account. Annual financial statement is prepared based on personal deposit (PD) account. Annual accounts prepared are placed before the board for approval and a copy of approved accounts are submitted to government and the Director, KSAD within three months after the close of the year. All the funds received in favour of the State Institute of Languages is deposited in the personal deposit account opened in the name of Treasurer. The Administrative officer to the State Institute of Languages shall be drawing officer in respect of the sums deposited in the personal deposit account. All items of receipts should be brought to the cash book in the first instance and remitted to the credit of personal deposit account at the earliest. All the withdrawals from the personal deposit account should be noted in the cash book and the details of cheques and disbursement also noted therein as and when payments are made. The cash book is closed daily and the receipt, expenditure and cash balance are checked by the Administrative officer.

Receipts are issued for all funds received on behalf of the institute. Receipt shall be prepared in form AF no. 7 in foil and counterfoil using double sided carbon paper. The receipts shall bear the seal of the institute and shall be signed by the administrative officer or by an officer other than the cashier, authorized by the administrative officer in that behalf. At present, in addition to manual bills, computerized bills are also issued. However, computerization is not fully implemented.

Receipt ledger: All funds received are entered in the cash book in form AF no.3 and the daily total under each head in the receipt ledger in form AF no. 4.

Register of miscellaneous revenue: All dues to the institute other than grant and contributions for supplies made or services rendered to other persons, etc., are brought to account in the register of miscellaneous revenue in from AF no.14

Revolving fund is constituted with the following objects:

- a) Production of university level text books in Malayalam for use as media of instruction at the university stage
- b) To meet the salary and allowances of the officers and staff specially engaged on the scheme
- c) To meet any recurring or non-recurring charges such as purchase of paper, purchase of furniture, racks, almirahs, printing materials, printing charges of books, remuneration to authors, purchase of stamps and stamp papers, purchase of drawing materials and other contingent charges, expenditure on seminars and workshops and advances to presses or purchase of equipment.

29.2.1. Types of Income, Expenditure, Assets & Liabilities

Income	Expenditure	Assets	Liabilities
1. Grants from Government – Plan & Non Plan 2. Donations & Contributions 3. Sale/Subscription of Publications and Books 4. Advertisements 5. Miscellaneous Receipts	1. Salary and wages including benefits 2. Office expense (including rent, printing and stationary, travelling expense, computer service charge, electricity charge, water charge, garden maintenance, fuel charges, property tax, dues to Government, outsourced security services, etc.) 3. Printing Press Expenses 4. Seminars & Conferences 5. Vehicle Maintenance 6. Repair and Maintenance 7. Capital Expenditure towards projects /schemes	1. Buildings 2. Machinery 3. Vehicles 4. Books (pending sale) 5. Computer & IT Equipment	1. Revolving Fund 2. Expenses Payable

29.2.2. Accounting Records for Verification

Books of Accounts	Other Records/Registers
1. Cash book (Account form number 3) 2. Receipt Ledger (Account form number 4) 3. Receipt Ledger Book - Production Scheme (Account form number 4A) 4. Payment Ledger Book- Production Scheme (Account form number 5A) 5. Subsidiary register of receipts and payments (Account form number 1B)	1. Register permanent Advance (Account form number 8) 2. Register Deposit (Account form number 9) 3. Register Advance Recoverable (Account form number 10) 4. Suspense Account (Account form number 11) 5. Register of bills passed for payment (Account form number 12) 6. Register of unserviceable article (Account form number 13) 7. Register of miscellaneous revenue (Account form number 14) 8. Register of money orders, check, etc. (Account form number 15) 9. Establishment Register (Account form number 16) 10. Register of details of establishment (Account form number 16A) 11. Acquittance Register (Account form number 17) 12. Register of subscribers to publication (Account form number 18) 13. Register of publications and receipt by way of sales (Account form number 18A) 14. Register of Loans (Account form number 19) 15. Appropriation Register (Account form number 20) 16. Register of Assets (Account form number 21) 17. Register of works, supplies and service (Account form number 22) 18. Stock register of stationery articles (Account form number 23) 19. Stock register of tools and plants (Account form number 24) 20. Stock register of paper issued to press (Account form number 24A) 21. Stock register of printing materials (Account form number 24B) 22. Stock register of library and reference books (Account form number 25) 23. Register of periodicals (Account form number 25A)

29.2.3. Budget preparation and control

The Director of the Institute shall on or before first January, each year prepares and submits a Budget containing detailed estimates of income and expenditure for the ensuing year in form AF no.(1)A. The board shall pass the budget estimate for a year and submit a copy to government for approval within fifteen days from the date on which the budget has been passed finally by the board. A copy of the budget shall be simultaneously submitted to the Director, KSAD.

29.2.4. Audit Checks specific to State Institute of Languages

With respect to production of University level text books, Audit should exercise the following audit checks:

1. Check whether the purchase rules are followed for the purchase of papers and printing materials, etc.
2. Check whether the remuneration to authors are fixed by the competent authority and records regarding the payments are maintained
3. Check whether the payments are approved as per the applicable rules

Vinjana Mudranam Press

1. Whether the press is maintaining work order registers
2. Whether proper records are maintained for receipts for issues of papers for printing
3. Whether stock register of papers is maintained and periodically physically verified

Machineries

1. Whether the log books are maintained for printing machines (including consumables)
2. Periodical repairs to the printing machines are made and records are maintained
3. Whether outturn statements are maintained
4. Check the activities of publication division and verify the records concerned
5. Whether the sale proceeds of the books are correctly accounted and amount remitted to the bank/treasury on the same day or on the next working day

30. Audit of State Institute of Encyclopedic Publications (Kerala) Society

30.1. Legal Framework

State Institute of Encyclopedic Publications (Kerala) Society was formed as a Society under the GO (MS) No. 73/76 H.Edn dated 31st may 1976 and the government approved its Memorandum of Association and the Rules related to the institute. The objectives for which the Society is established are publication of the encyclopedia in Malayalam (20 volume), world literary encyclopedia into 10 volume and also to prepare and publish other similar publications in Malayalam, to carry out to such other functions as may be entrusted to the Institute by the Government.

The Board (Governing body) of the institute consists of the Chief Minister as the President, Minister for Education as Vice President (at present Cultural affairs Minister) and nearly 20 other members. The Director of the Institute is the Member Secretary appointed by the Government. The meeting of the Board shall take place at least once in four months. Currently, the Institute is under the administrative control of Cultural Department, Government of Kerala.

The Administration control and day-to-day working of the society are under the control of the Governing Body. The overall management and control of the affairs of the society and of its income and property are rested with the board. The Board has the power to lay down the general policy to be followed by the institute in implementing its objective and functions.

Following are the functions of the Institute:

1. To maintain funds which is allotted and credited:
 - all funds provided by central and state Government;
 - all funds received by the Society by way of grants, gifts, donations; and
 - all funds received by the society in any other manner or from any other sources
2. To meet the expenses of the Society including expenses incurred in the exercise of its powers and discharge of its functions out of the fund.
3. To prepare and maintain accounts and other relevant records and to prepare an annual statement of accounts including the balance sheet of the society in such form as may be prescribed by the Government in consultation with the Accountant General.
4. To forward the accounts of the Society to the State Government annually as certified by the Examiner of Local fund Accounts (Director KSAD) or by an auditor appointed by the Governing Body of the Institute

30.2. Accounting Framework

Accounting Principles are followed as per Finance and Accounts Rules 1984 (Notification No 4204/E3/81/SIEP dated 10th August 1984). Finance and Accounts rules are issued in exercise of the power conferred by Rule 11(8) of the rules relating to the establishment of the State Institute of Encyclopedic (Kerala) Society. Single entry system of accounting is followed by the Institute. Annual financial statement is prepared for general fund and the revolving fund. The Director of the Institute shall maintain separate account for all funds received and utilized for any specific purpose. Funds earmarked for specific purposes shall not ordinarily be diverted to any other purpose, provided however that the Director of the Institute shall make such diversion for any specific purposes if deemed necessary in exigencies subject to ratification by the Board. The Institute shall not apply its capital receipts such as sale proceeds of land, buildings, machinery, etc., or other capital assets for purpose other than securing assets without the previous sanction of Government.

30.2.1. Grant in Aid

Grant in Aid is given for the maintenance of the Institute and for the implementations of its schemes. Grants are generally received in three instalments. In addition to the annual grants, Government may also sanction special non-recurring grants for specific purpose. Separate accounts are required to be maintained for grants sanctioned for specific schemes. The Director of the Institute, within three months after close of the financial

year, send a copy of the statement of receipt and expenditure of the institute for the previous year approved by the Governing body to the Director KSAD for its audit. The Director, KSAD shall cause the funds to be audited and furnish an audit certificate to the Director of the Institute within six months from the date of receipt of the statement and utilization certificate.

30.2.2. Revolving Fund

A Revolving Fund for financing the various schemes of publication of general encyclopedia and subject wise encyclopedia by the State Institute of Encyclopedic publications Trivandrum was established and is operated by the Director of the Institute. The fund shall be credited with receipts from the following:

- a) Sale proceeds of books published by the institute (both original print and reprint)
- b) Sale proceeds of un-serviceable items of furniture and stores
- c) Any other miscellaneous receipts
- d) Assistance received from sources other than Government
- e) Unspent balance, if any, in the grant for a particular year received from Government

The Fund is used for the following purposes:

- a) Reprinting encyclopedia and subject wise encyclopedia
- b) To meet the pay and allowance of the institute employees including that of the Director when the grant received from Government is inadequate to meet the expenditure
- c) To meet expenditure relating to special schemes (for the development of the institute)

30.2.3. Imprest Account

When a permanent advance is sanctioned, the amount sanctioned, is drawn by means of self-cheque. The amount drawn / taken credit in the register of permanent advances. Petty expenses of all kinds shall be met from the permanent advance sanctioned. The account is maintained in a register called register of permanent advance in form number AF 16. The amount of permanent advance sanctioned is fixed by the Board taking into account the average requirement of six months immediately preceding the month in which the sanction is accorded. The amount and particulars of recoupment advance is shown in the register of permanent advance and the entries attested by the officer entrusted with the verification of the cash book. The expenditure is charged to the head of account concerned in the cash book and in the accounts on the date on which the recoupment voucher is passed for payment.

30.2.4. Books of Accounts

Books of Accounts	Other Records
1. Cash Book	1. Transfer adjustment
2. Receipt Ledger – SIEP	2. Official Receipt
3. Receipt Ledger – Instalment Scheme	3. Official Receipt – Instalment Scheme
4. Payment Ledger – SIEP	4. Register of miscellaneous Revenue
5. Payment Ledger – Instalment Scheme	5. Register of Bills passed for payments
6. Payment Ledger – Journal	6. Register of permanent Advance
	7. Acquittance Register
	8. Register of Details of Establishment
	9. Stock Register of Stationery Articles
	10. Stock Register of Tools and plant and furniture
	11. Stock Register of Paper issued to press
	12. Stock Register of Printing Materials
	13. Stock Register of Library & reference books
	14. Register of Periodicals
	15. Stock Register of receipt books
	16. Stock Register of Encyclopedia Volumes
	17. Register of Mail Transfer received through Bank

	18. Register of credit sales of volumes to DEO 19. Register of Assets 20. Register of Advance recoverable 21. Register of Loans 22. Appropriation Register 23. Register of suspense account 24. Register of M.Os, cheque, drafts received. 25. Register of cheque, drafts, postal orders instalment scheme. 26. Register of M.Os, received for instalment scheme 27. Register of un- serviceable articles 28. Stock Register of volumes 29. Invoice Forms 30. Invoice Register (cash/credit sales) 31. Register of complimentary copies. 32. Register of concessional sales to SIEP staff 33. Sales Promotion Register
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30.2.5. Types of Income and Expenses

Income	Expenditure	Assets	Liabilities
1. Grants from Government – Plan & Non Plan 2. Donations & Contributions 3. Sale/Subscription of Publications and Books 4. Advertisements 5. Miscellaneous Receipts	1. Salary and wages including benefits 2. Office expense (including rent, printing and stationary, travelling expense, computer service charge, electricity charge, water charge, , fuel charges, property tax, dues to Government, outsourced security services, etc.) 3. Seminars & Conferences 4. Vehicle Maintenance 5. Repair and Maintenance 6. Capital Expenditure towards projects /schemes 7. Remuneration to authors 8. Purchase of library books 9. Purchase of printing / art paper	1. Books (pending sale) 2. Computer & IT Equipment 3. Vehicles	1. Revolving Fund 2. Expenses Payable

Auditor should check the following:

1. Check whether the purchase rules are followed for the purchase of paper and other printing materials, etc.
2. Check whether the remuneration paid to experts are fixed by the competent authority and records regarding the payments are maintained
3. Check whether the payments are approved as per the applicable rules

Press

1. Whether the press is maintaining work order registers
2. Whether proper records are maintained for receipts and for issues of papers for printing
3. Whether stock register of papers is maintained and periodically physically verified

Machineries

1. Whether the log books are maintained for printing machines (including consumables)
2. Periodical repairs to the printing machines are made and records are maintained
3. Whether outturn statements are maintained
4. Check the activities of publication division and verify the records concerned
5. Whether the sale proceeds of the books are correctly accounted and amount remitted to the bank/treasury on the same day or on the next working day

31. Audit of Development Authorities

31.1. Legal Framework & Constitution

Development Authorities are formed as per The Kerala Town and Country Planning Act, 2016. The Development Authority is a body corporate with power to acquire, hold and dispose of property, both movable and immovable and shall by the said name sue and be sued. In 2015, these Authorities were brought under Kerala Town and Country Planning Act, 2016. Kerala Town and Country Planning (Development Authorities) Rules, 2015 were notified in 2015 to carry out the activities envisaged in the Kerala Town and Country Planning Act, 2016. The powers and functions of Development Authority which are subject to the provisions of the Kerala Municipality Act, 1994 (20 of 1994) and the Kerala Panchayat Raj Act, 1994 (13 of 1994), include the following:

- a) Preparation and implementation of land re-adjustment or land pooling or land banking schemes for the purpose of implementation of projects in the Development Authority area, in tune with the provisions of the Act
- b) Promoting planned development as envisaged in the Plans for the development authority area, through tools like Transfer of Development Rights, accommodation reservation etc.
- c) Set-up special function agencies, if required, and guide, direct and assist them on matters pertaining to their respective functions.
- d) Co-ordination of implementation of Plans under this Act in the Development Authority area.
- e) Perform such other functions as are supplemental, incidental or consequential to items (a) to (c) above or as may be directed by the Government, the District Planning Committee, or the Metropolitan Planning Committee, as the case may be, from time to time.

31.2. Management of Development Authority

The Development Authorities are headed by its Chairman, who is appointed by the Government. A Chairman has a maximum tenure of five years. The Development Authority consist of: (i) General Council; and (ii) Executive Committee

The **General Council** is constituted by the Government and is headed by Chairman of the Development authority, ex-officio, who is the Chairman of the General Council supported by other members as prescribed in The Kerala Town and Country Planning Act, 2016. The General Council is the policy making body for determining the lines on which the improvement and development of the area within the jurisdiction of the Development Authority shall proceed and shall have the power to review the actions of the Executive Committee in implementing the policies determined by the General Council.

The **Executive Committee** is constituted by the Government and consists of the Chairman of the Development Authority, ex-officio; Chairman is supported by other members as prescribed in The Kerala Town and Country Planning Act, 2016.

At present three Development Authorities are functioning in the State, namely (i) Trivandrum Development Authority (TRIDA) (ii) Greater Cochin Development Authority (GCDA) and (iii) Goshree Island Development Authority (GIDA); the Jurisdiction of the respective Development Authorities are detailed below:

31.2.1. Thiruvananthapuram Development Authority

Thiruvananthapuram Development Authority (TRIDA) was constituted in the year 1980 under section 53 A of the Travancore Town Planning Act 1108 (IV of 1108) as per GO (MS) 111/1980/LA & SWD dated 15th May 1980. Thiruvananthapuram Development Authority is spread across the geographical boundary of Thiruvananthapuram Corporation and five panchayats adjoining Thiruvananthapuram viz., [1] Kalliyoor, [2] Pallichal, [3] Venganoor, [4] Vilappil and [5] Vilavoorkal. TRIDA is headed by Chairman and supported by Member Secretary and the entire office staff.

31.2.2. Greater Cochin Development Authority

In 1968 Cochin Town Planning Trust was constituted under the Chairmanship of the District Collector for the development of the Greater Cochin Region. In the course of time, the authorities were convinced of the fact that a large set up is required to control the growth of Cochin city in a planned manner which resulted in the formation of GCDA.

Greater Cochin Development Authority (GCDA) was formed in 1976 under the Madras Town Planning Act of 1920 and Travancore Town Planning Act IV of 1108 read with G.O. (MS) No.19/76/LA & SWD dated 23-01-1976. Greater Cochin Development Authority (GCDA) is headed by Chairman (who is an elected representative / political appointee) supported by a Government official in the capacity of Secretary of GCDA and the entire office staff. GCDA is spread across Cochin Corporation area (except Fort Vypeen, Gundu Island and Thanthonnithuruthu), nine adjoining municipalities viz. Aluva, North Parur, Angamali, Perumbavoor, Tripunithura Kalamassery, Maradu, Thrikkakara and Eloor and twenty one adjoining panchayats viz. Chellanam, Kumbalanghi, Mulanthuruthi, Cheranelloor, Kumbalam, Udayamperoor, Vadavucode-Puthencruz, Vazhakulam, Choornikara, Edathala, Keezhmadu, Chengamanad, Sreemoolanagaram, Alangad, Kadungalloor, Ezhikkara, Kottuvally, Nedumbassery, Kanjoor, Varapuzha and Chottanikkara.

31.2.3. Goshree Islands Development Authority

Goshree Islands Development Authority (GIDA) was constituted vide G.O.(MS) No.114/94/LAD dated 18th May 1994 comprising 8 Island Panchayaths and two wards of Cochin Corporation viz. Thanthonnithuruthu and Fort Vypeen.

Generally, the Development Authorities have the following functions:

- To guide urban development by checking urban sprawl and promoting health, growth of urban and rural areas through long term, short term and action area oriented detailed development plans
- Preparation and notification of draft General and Detailed Town Planning Schemes in consultation with the Town Planning Department
- Implementation of General and Detailed Town Planning Schemes sanctioned by Government
- To co-ordinate the activities of the various agencies
- To determine the phasing of development in providing open spaces and recreational facilities depending on the needs of the region

31.3. Types of Income, Expenditure, Assets & Liabilities

Income	Expenditure	Assets	Liabilities
1. Grants from Government and others	1. Establishment expenses (including Salary and Wages)	1. Buildings	1. Grants
2. Contributions from Corporation/Municipalities, Panchayats	2. Office expenses	2. Housing Loans	2. Loans from Government
3. Rent from buildings, Stadium, grounds etc	3. Audit fees	3. Vehicles	3. Expenses Payable
4. Repayment of Loan	4. Interest on loans and advances	4. Books (pending sale)	4. Security deposits
5. Sale of land	5. Maintenance of buildings and other assets	5. Computer & IT Equipment	
6. Supervision and centage charges	6. Repayment of loans	6. Land ,stadium, ground etc.	
7. Interest Receipts	7. Expenditure on schemes/projects/public works		
8. Fees for services	8. Payments of government dues		
9. Parking fee	9. Other items (Advertisement, consultancy etc.)		
10. Common facility charge			
11. Maintenance Charge			
12. Income from projects			
13. Pension contribution			

31.4. Audit checks

The general audit procedures as per chapter numbers 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the institutional specific audit procedures are given below:

Rent: The major revenue of the Development Authorities is rents and lease rents from buildings and other properties owned by the Development Authorities.

Audit is to see that:

- 1) The authority maintains a complete record of all the shops and other buildings rented out or leased out
- 2) Complete records all the persons to whom the Authority's buildings and lands rented out /leased out showing (i) the date on which he has been given the shop/building/land on rent/lease rent (b)the period of rent/lease (c) the amount of rent /lease rent(4)the security deposit and other relevant details
- 3) Proper agreements have been executed in respect of rents and lease rents
- 4) Whether necessary provisions regarding payment of repairs and maintenance ,electricity/water charges are included in the agreements
- 5) The rent is fixed by the Engineering wing of the Authority on demand from the Administration wing of the Authority
- 6) Periodical revision of rent/lease rent is made promptly in accordance with the rules or orders issued in this regard
- 7) A demand and collection register is maintained and all the buildings and other properties rented out/ leased out are entered in this register
- 8) All the buildings and other properties are rented out following due processes like calling tenders etc.
- 9) Whether an effective system is evolved by the Authority for raising demand and recovery of rents promptly
- 10) Whether all the buildings, etc., due for renting out/leasing out are rented out /leased out .IF There are unoccupied building verify the reasons for non-occupation
- 11) In the case arrears in rent whether the revenue department's failure to take timely action has contributed to the arrears
- 12) To check that parking fee and ground rent are collected properly and accounted
- 13) Accounting system running with a proper internal check system
- 14) That asset register is properly maintained and updated
- 15) Pension fund- NPS contribution checking

Centage charges

When the Authority undertakes works on behalf of Local Bodies or Authorities establish charges, etc., are recoverable on percentage basis (Centage Charges)

Audit is to see that:-

- (1) The centage charges at prescribed rates are correctly worked out and recovered
- (2) Proper accounting records are kept for recording the demand and collection of the charges
- (3) Effective action is taken to recover the overdue amounts

Housing loan repayments

Loans paid to H.I.G, M.I.G, LIG beneficiaries are to be recovered in instalments

Audit is to see that:-

1. The loan instalments are promptly recovered
2. Proper accounting records such as demand and collection register complete record of beneficiaries are kept
3. Prompt and sustained action is pursued in respect of arrears

Audit fees

Audit fees is payable to the KSAD annually at one percent of specified income

Audit is to see that:-

1. Adequate provision for audit fees is invariably provided in the annual budget
2. The audit fees is paid by the Authority regularly
3. In the case of default, the Audit fees is to be adjusted from the future grant payable to the Authority. Check whether the adjustment as mentioned above is being done in the case of default in the payment of Audit fees

Loan repayment to government

The Trivandrum Development Authority had availed substantial amounts as loans from Government. The loans availed as early as in 1994-95 are in default.

Audit is to:

1. Analyse the reason for this long pendency in repayment of the loans. It may be possible that there may be diversions of loan repayment amounts
2. Check the sanctions of loans and comment on the violation of the conditions under which loans were sanctioned

Properties

The Authorities are in possession of landed properties including shopping complexes, markets, employee's quarters, stadium (GCDA), etc.

Audit has to see that:-

1. There are proper and complete record of all these assets and are profitably utilized to derive maximum financial return
2. Whether lands intended to be utilized for projects are kept unutilized for one reason or another
3. Similar checks are exercised in relation to shops and other commercial establishments

Pension Fund

Employees of the Authorities are eligible for pension and to discharge this liability pension fund is created and the pension fund is deposited in long term securities. Audit is to see the transactions in the fund and any irregularity or short comings may be suitably commented in the audit report

32. Audit of Charitable Endowments other than Amalgamated Funds

32.1. Introduction

Government of India had enacted “Charitable Endowment Act 1890” on 1st October 1890 to provide for the vesting and administration of property held in any trust for charitable purposes. The Act defines charitable purpose as to include the activities like (i) Relief for the poor (ii) Education (iii) Medical, and (iv) Advancement of any other object of public utility but does not include a purpose which relates exclusively religious teaching and worship.

Section 3 of the Endowment Act authorizes the State to appoint a treasurer to administer the endowment funds. Accordingly, the Government of Kerala through their Notification No. Fin(a)4-34005/56 dated 1st November 1956, had appointed the Examiner of Local Fund Accounts, Kerala State (since renamed Director, Kerala State Audit Department) to be the treasurer of Charitable Endowments for the State of Kerala. The endowments include Securities and properties other than Securities. There are more than 1,300 Endowment Funds, whose accounts are currently maintained by the Director, Kerala State Audit Department as Treasurer. The securities are lodged in seven nationalized banks and District Treasury, Thiruvananthapuram.

The endowments are vested after settling schemes for the utilization of interest earned on depositing the amount of endowment in the banks and are used for the following purposes:

- a) Awarding medals and scholarships for meritorious students
- b) Noon feeding schemes in schools
- c) Vanchi Poor Fund etc.

The Act provides that where any property is held in trust for charitable purpose, the Government, on application made order by notification in the official Gazette that the property or the income thereof as may be agreed on between the Government and the person or persons making the application and the property shall so vest accordingly. The Act also provides that Government may with concurrence of the person or persons making the application settle a scheme for administration of any property which has been vested and may in such cases appoint administrator by name or office. It has also been provided in the Act that the Treasurer of Endowment Fund shall publish, on such date as may be decided, a list of properties for the time being vested on him and abstract all accounts kept by him.

Section 13 of the Act empowers the government to make rules consistent with Act for:

- a) Prescribing the fees to be paid to the Government in respect of any property vested under the Act as treasurer of charitable Endowments
- b) Regulating the cases and the mode in which schemes are to be published before they are settled or made
- c) Prescribing the forms in which accounts are to be kept and the mode in which the accounts are to be audited; and
- d) Generally carrying into effect the purpose of the Act

32.2. Accounting for Endowments

For the manner of utilizing the interest earned on investments, the vesting order provides how this has to be utilized. These provisions are reproduced below:

“In any year if the interest is not utilized or if the prize is not awarded owing to the non-availability of a suitable candidate or for any other reasons or if any surplus is left after awarding the prize such amount shall be added to the corpus of the fund”.

Government of Kerala in their G.O (P) 450/66/ Fin dated 10th October 1966 issued a Notification prescribing the rules and forms as required under the Act, which, among other things provide for the following:

- a) No property other than those collected or pertaining to endowments instituted prior to 28-3-1966 and pending vesting with the Treasurer which is less than Rs.1,000 (Rupees thousand only) in value shall be accepted by Government for vesting with the Treasurer.
- b) The following forms are prescribed to maintain the required records:

Form	Description
Form-1	Register of securities: To record the receipt of any security for money or on their purchase by himself.
Form-2	Is a separate account for each security showing receipts including any amount sent for investment and all disbursements. In the cash account in part II, the treasurer shall record only his own transactions (such as the payment of money to the administrators). The amount returned shall be entered in this register and the amount deducted from the capital of the Endowment.
Form-3	To enter all securities returned or sold by the Treasurer.
Form-4	In order to prove the balance actually held by the Treasurer, a balance sheet is required to be made out annually and agreed with the actual securities in the Treasurer's possession. Such agreement shall be certified in the balance sheet.
Form-5	To enter any properties other than securities which become vested in the Treasurer and record in the same register against original entry a note of any property divested.
Form-6	The list of properties vested with the Treasurer is to be published annually in Form-6. Part I will relate to properties other than securities and part II will relate to securities and will also contain the abstract of accounts required to be published under the Act. The administrator is required to point out any discrepancy found in the list and the abstract of accounts within three months from the date of publication in the Gazette for rectification.
Form-7	To keep a record of all securities which have been converted as stock certificates.
Form-8	A consolidated register showing all the securities (eg. Promissory notes, stock certificates and other form of securities in the custody of the Treasurer is required to be kept in Form-8).

The Treasurer on receipt of any interest on securities credits the same in his Personal Deposit (PD) Account in the District Treasury Thiruvananthapuram. The interest will then be distributed to the various ledger accounts. The Treasurer makes payments to the administrators by cheques, drafts or money orders. The payments are debited in the respective accounts. The balances in the ledger are worked out and agreed annually with total amount held in the Personal Deposit Account. The Treasurer shall maintain the PD cash book to show the transactions relating to the Endowment funds. The Treasurer shall at least twice a year and on all occasions of transfer of charge count the securities for money with him and record a certificate of verification in the register in Form-1.

32.3. Method of Audit

Accounts and all the records pertaining to Charitable Endowments are maintained by Director, Kerala State Audit Department as the Treasurer of Charitable Endowments. Rule 18 of the Rules (as prescribed in Government of Kerala G.O (P) 450/66/ Fin dated 10th October 1966) provides for audit of the accounts. According to this Rule, the detailed audit of the accounts and examination of the records and registers maintained by the Treasurer shall be conducted annually by the Assistant Examiner of Local Fund Accounts in charge of the audit of subordinate courts. A copy of the audit report is directly forwarded by the Assistant Examiner (Courts Audit) to Government (Finance department). Currently, the accounts are being audited by Trivandrum district office of KSAD. The initial accounts of the transaction out of the PD account may be audited by Accountant General, Kerala at his discretion. The Endowment funds have since been included in the Schedule to Kerala Local Fund Act, 1994 along with other auditee entities which are auditable by the Director of Kerala State Audit Department. Though the accounting by the Director, KSAD and audit by KSAD present a serious conflict, as the audit is done under a particular GO, it may have to be considered as an exception to the general rule that auditors cannot audit the accounts prepared by them.

32.4. Audit checks for Grants/Expenditure Specific to Endowments

Endowments – General Audit Checks

- a) Obtain a list of all endowments and verify if they are in operation; those endowments not in operation, note the reasons and report the same in audit report.
- b) Verify if all the accounting records (forms) are properly maintained
- c) Check whether in Part II of Form 2 (cash book) few pages are left for each account so that the account may be carried on for several years without opening afresh Ledger Account
- d) Check whether list of all properties vested with the Treasurer and an abstract of the accounts of the interest and the annual agreement of the balance as on 31st March of every year is published in the official gazette before 30th September following or such other date as specified by Government.
- e) Check whether the Treasurer counts the securities for money at least twice a year and record a certification of verification in Form I.
- f) Check whether the provisions in the respective Endowments, regarding the management of Interest is strictly followed, especially with regard to the condition that the unutilized balance of interest in any year is added to the corpus of the Endowment.
- g) In connection with checking of interest income, follow the audit procedures for Income from FD/Investments in the Audit of Income section of this Manual.
- h) For audit of investments, apply the audit procedures detailed in the Audit of Investments section of this Manual to the extent they are applicable to the Endowment Funds.
- i) Verify whether bank reconciliation/PD account reconciliation is done promptly; obtain the BRS and verify the same with relevant records and ensure there are no unexplained debits/credits.
- j) Verify if there are written down procedures to award prizes, etc., under the endowments; verify either on a test check basis or on 100% basis, the prizes/grants, etc., granted during the period of audit to ensure they are in accordance with the respective schemes and the procedures laid down.
- k) Check the management arrangements in respect of vested landed properties and the records maintained for those properties.
- l) Verify if any income is received from such landed properties; verify to ensure such income is properly accounted for.
- m) Check the Register of Valuables intended to record the receipts and disposal of cheques drawn for payment of interest amount to Administrators for payment of awards, scholarships, etc.
- n) Check whether utilization certificates in the prescribed form are received from the Administrators; verify a sample (or 100%) of such utilization certificates and ensure they represent actual expenditure for the right cause.

33. Audit of Amalgamated Fund

The Amalgamated Fund was constituted after amalgamation of the Service Post War Reconstruction Fund and Special Fund for Re- construction and Rehabilitation of Ex-Service men as per G.O(P) No.88/77/GAD dated 10th March 1977. The Director, Kerala State Audit Department is the Treasurer of this Fund.

The following are the objects of the Amalgamated Fund

- a) To award stipends to ex-servicemen for technical, managerial, vocational or Agricultural training at recognized training institutes
- b) To sanction grants or loans to co-operative societies or other associations of ex-service men for schemes and projects of resettlement, that is to say, horticulture, animal husbandry, industry, transport and the like
- c) To sanction scholarships or grants to dependents of ex-servicemen for higher studies in India beyond high school or higher secondary stage in technical, vocational or agricultural education
- d) To sanction expenditure on special measures of a collective nature for the maintenance of old and destitute ex-servicemen and/or widows of ex-servicemen
- e) To grant loans to individual ex-servicemen for starting industries or business undertakings and
- f) To meet expenditure in connection with other schemes for welfare of the Ex-Servicemen with the specific approval of the State Managing Committee

The Fund which has been vested in the Treasurer of Charitable Endowments consists of:

- a) The Services post-war Reconstruction Fund vested in the Treasurer of Charitable Endowments under G.O(P) No.140 dated 16th May 1969 published in the Gazette dated 10th June 1969
- b) The Special Fund for the re-construction and rehabilitation of ex-servicemen vested in the Treasurer of Charitable Endowments under G.O(p)140/PD dated 31st March,1966 published in the Gazette dated 19th April,1966
- c) The contributions from the Defence Budget of the Central Government
- d) Contributions from the National Defence Fund
- e) Contributions from the State Government
- f) Any other donations /voluntary endowments which may be received from time to time

Some of the Welfare schemes for which financial assistances are being paid from the Fund are:

- a) Educational grants
- b) Medical assistance
- c) Financial assistance for self-employment to the wives/widows of Ex-Service men
- d) Grant to orphan children of Ex-Servicemen
- e) Grant to old age homes providing shelter to aged Ex-Servicemen
- f) Financial assistance to children of Ex-Service men for entrance coaching etc.

In addition, the construction of Sainik Rest houses are carried out using State Government Grants specifically granted for the purpose. The fund is invested in the following Banks:

1. Repatriate Co-operative Financial &Development Bank Limited (REPCO), Thiruvananthapuram
2. District Treasury, Thiruvananthapuram
3. State bank of Travancore(State Bank of India)

The management and administration of the fund is vested with a Management Committee constituted for the purpose. The orders G.O (P) No.447/79/GAD dated 4th August 1979 and G O. (P) No 140 /83/GAD dated 17th June 1983, provide for the following:

- a) **Deposits and investment of the Fund:** The Managing Committee shall invest a portion of the moneys of the Fund in any long term securities of Government or in any other securities approved by Government as may be considered appropriate by it in the name of the Treasurer of Charitable Endowments, Kerala.

- b) **Operation of joint account:** The Managing Committee may obtain some amount of money in liquid cash from the Treasurer of Charitable Endowments for a day to day requirements and deposit such moneys in one or more account of the State Bank of India or its subsidiaries or the Kerala Co-operative Bank Limited or the District Treasury or any scheduled Bank in which the last annual balance sheet are not less than rupees 10 crores. Such account of the Fund shall be operated on behalf of the Managing Committee, by the Chief Secretary to Government or any other officer of the State Government co-opted by the Managing Committee and the Director, Rajya Sainik Welfare Board.

33.1. Method of Audit

Accounts and all the records pertaining to Charitable Endowments are maintained by Director, Kerala State Audit Department as the Treasurer of Charitable Endowments. Rule 18 of the Rules (as prescribed in Government of Kerala G.O (P) 450/66/ Fin dated 10th October 1966) provides for audit of the accounts. According to this Rule, the detailed audit of the accounts and examination of the records and registers maintained by the Treasurer shall be conducted annually by the Assistant Examiner of Local Fund Accounts in charge of the audit of subordinate courts. A copy of the audit report is directly forwarded by the Assistant Examiner (Courts Audit) to Government (Finance department). The initial accounts of the transaction out of the PD account may be audited by Accountant General, Kerala at his discretion. The Endowment funds have since been included in the Schedule to Kerala Local Fund Act, 1994 along with other auditee entities which are auditable by the Director of Kerala State Audit Department. Though the accounting by the Director, KSAD and audit by KSAD present a serious conflict, as the audit is done under a particular GO, it may have to be considered as an exception to the general rule that auditors cannot audit the accounts prepared by them.

33.2. Method of Accounting and Audit

There are no separate accounting rules framed for the Fund and therefore Government rules are generally followed. A Receipt and Expenditure account is prepared annually and presented for audit. The amount required to meet various items of expenditure are transferred from the P.D account of the Treasurer to the joint account operated by the Secretary to Government, General Administration (Sainik Welfare) Department and the Secretary, Amalgamated Fund. The amount required to meet immediate expenditure is then transferred to the SB account of the Secretary, Amalgamated Fund who releases payments to the beneficiaries through the concerned Zila Sainik Welfare Officers.

In pursuance of paragraph 17 of G.O (P) No.88/77/GAD dated 10th Mach 1977, the Director, Kerala State Audit Department has been appointed as the Auditor of the Fund. The Fund is exempted from payment of Audit charges Vide G.O (MS) No. 230/2011 /Fin dated 19.2.2011.

33.3. Audit checks of Grants/Expenditure Specific to Amalgamated Funds

General Audit Checks
<ul style="list-style-type: none"> a) Check whether proper accounting records are kept by the Treasurer for the Fund b) Check that the Cash Book is maintained properly and all receipts including interest receipts are properly and correctly recorded and posted to the respective registers; c) Verify if the corpus is deposited in FDs in approved Banks; use audit procedures under Audit of Investments in verifying these investments to the extent applicable. d) Check whether the interest received half yearly in respect of the FDs are promptly credited in PD account of the Treasurer opened in the District Treasury, Thiruvananthapuram; check the treasury/bank advises and trace them to the cash book and other records. e) Verify if periodical reconciliation between book balance and bank balances in respect of the PD account is carried out; obtain explanations for differences if any. f) Examine all withdrawals from the PD account with relevant supporting documents, and ensure these are allowed only to meet expenditure on specific objectives stated in the fund and as sanctioned by the competent authority. Check g) Check whether the amount from PD account is withdrawn for immediate use and against fund requests. h) Verify the funds provided from the Treasurer's account for various welfare schemes are utilized only for

the sanctioned schemes; verify the supporting documents of each expenditure/withdrawal to ensure proper utilization of moneys.

- i) Check whether the beneficiaries to whom the financial assistance under various schemes are selected are based on the norms approved by the competent authority. Obtain the list of beneficiaries and verify their selection process and ensure the norms are followed.
- j) Verify whether the constructions of Sainik Rest Houses are done following the procedures enumerated in the Kerala Financial Code, Public Works Codes and manual, etc., for any type of public works undertaken by the Fund, apply the audit procedures detailed under Audit of Public Works to the extent they apply.
- k) Check the incomes received on renting out the rest houses to see that these are recovered from the occupants at the rates fixed by the competent authority and are accounted correctly in the books of accounts. Apply the audit procedures detailed under Audit of Income in verifying the rental incomes.

34. Audit of Orphanages and Poor Homes

34.1. Introduction

The orphanages and poor homes are included in the list of institutions to be audited by the Director Kerala State Audit Department (KSAD) under Section 3(1) of the Kerala Local Fund Audit Act 1994 (Schedule to the Act). Sub Rule 8 of Rule 7 of the Kerala Local Fund Audit Rules 1996 provides that the accounts of receipts and expenditure of orphanages and poor homes are audited with a view to ascertain the extent of eligibility of the Institutions for receiving grant from Government each year and hence the audit of accounts of such institutions is confined to that extent. The Orphanages and poor homes generally prepare their accounts in the receipt and payment format. The accounts of these institutions are audited annually. The activities and financial assistance given to the orphanages and other charitable homes are regulated by the following Act, Rules and Regulations:

1. Orphanages and other charitable Homes (supervision and control) Act, 1960
2. Kerala State (Orphanages and other charitable homes) Board of Control Rules, 1961
3. Orphanage Control Board (Kerala) amendment regulation 2015
4. Grand-in-aid Rules,
 - a. Grant in Aid Rules for Beggar Homes–GO(MS)No. 53/66/Home(B) Department Dated 10-2-66
 - b. Grant in Aid Rules for Orphanages – GO(MS)No. 376/64 /Home Dated 17-8-64
 - c. Grant in Aid Rules for Foundling Homes – GO(MS)No. 96/72/ LA & SWD Dated 27-3-72
 - d. Grant in Aid Rules for Physically Handicapped Homes – GO(MS)No. 10/86/ SWD Dated 16-4-86 Social Welfare (M) Department
 - e. Grant in Aid Rules for Old age Homes – GO(MS)No. 93/92/ Home Dated 9-3-92
 - f. Grant in Aid Rules for Rehabilitation of Destitute and Mentally Ill persons – GO(Rt)No 511/2012 dated 21-11-2012

34.2. Conditions for Grant in Aid

1. Orphanages
 - No orphanage shall be run without a certificate of recognition by the Board of Control for orphanages and other charitable homes.
 - Only inmates between the age of 5 and 21 shall be eligible for grant in aid.
 - 75% of the total number of inmates are undergoing education
 - No person other than an orphan or destitute child shall reside in the orphanage (person without destitution certificate and belongs to outside the State shall be admitted with prior approval of the Orphanage Control Board. But they are not eligible for grant)
 - Whole amount of grant shall be utilized for boarding charge of the inmates
 - The institution shall not be in receipt of any assistance from any other State or Central government or Quasi government for the maintenance and protection of the same children for whom maintenance grant is received from the government.
 - The institution which are in receipt of financial assistance from sources abroad shall furnish along with the application for grant in aid, a certificate showing details of assistance received/receivable and its utilization
 - If grant and foreign contribution together exceed Rs. 1500 per inmates grant will be reduce to that extent
 - Maximum monthly grant per inmates shall not exceed the rate fixed by the government from time to time.
 - Maximum inmates that can be admitted shall not exceed the number fixed as per recognition certificates.
 - Grant shall not exceed the maximum payable to an institution as per strength fixed by the government in the manner laid down by the government in the rule 19 of Kerala Grant in Aid Rules for orphanages and charitable homes (GO (MS) 376/64/ Home Dated 17-08-1964)
 - Details of inmates of outside and inside the State has to be shown in the register of inmates
 - Those inmate without destitution certificates and from outside the State should be produced before child welfare committee.
 - The destitution certificate should be in Form number I or Form Number II vide GO(P) NO 52/13 SJD dated 22-06-2013
(Refer GO(MS)No. 376/64 /Home Dated 17-8-64)

2. Beggar Homes / Poor Homes
 - The institution shall be recognized by the government
 - Inmates shall be Beggars
 - Grant shall be at the rate fixed by government from time to time
 - Grant shall be limited to 3/4th of the net boarding charges
 - Whole amount of grant shall be utilized for meeting the boarding charges of the inmates
 - The institution shall not be in receipt of any boarding grant from any other governments, quasy government department or institutions
(Refer GO (MS) 53/68/ Home (B) Dept dated 10-02-1966)
3. Foundling Homes
 - The institution shall be recognized by the government
 - Inmates shall be babies below the age of five years
 - Children between age of 3 and 5 are given training in nursery schools
 - The institution shall not be in receipt of boarding grant from any other government or quasy government or any other institutions
 - Grant shall be at the rate fixed by Government from time to time
 - Grant shall be limited to 3/4th of the net boarding charges
 - Certificate from Tahsildar in Form VI shall be obtained and produced
(Refer GO (MS) 96/72/ LA & SWD dated 27-03-1972)
4. Home for Old age and infirm
 - The institution shall be recognized by government for payment of grant
 - Grant shall be at the rate fixed by government from time to time
 - Maximum number of inmates eligible for grant will be fixed by government from time to time.
 - Grant shall be limited to 3/4th of the boarding charges
 - Separate register for old age and infirm shall be maintained
 - Inmates shall be persons who attained the age of 60 years or infirm
(Refer GO (MS) 93/92/ Home dated 09-03-1992)
5. Home for Differently Abled persons
 - Grant in aid shall be paid only to recognized organization / institution
 - Rate of grant in aid will be at the rate fixed by government from time to time provided that the number of inmates in an institution shall be approved by the government before payment of grant in aid.
 - The institution shall not be eligible for grant in aid in respect of the following categories
 - a. Person who is in receipt of pension or any assistance from state or central government or voluntary organization
 - b. Persons whose parental income exceed the maximum fixed by the government from time to time
 - c. Person for whom medical certificates are not maintained and produced for verification.

34.3. Eligibility for grant

The grants due for a year are released by Government based on the accounts of receipts and expenditure of the Orphanages and Poor homes for the previous year duly audited and certified by KSAD.

34.4. Records to be verified in Audit

The following accounting and other records maintained by the Institutions have to be verified in audit

Sl. No	Orphanages	Beggar Homes	Foundling Homes	Home for Old age and Infirm	Home for Differently Abled
1	Grant Register and order sanctioning grant	Grant Register and order sanctioning grant	Grant Register and order sanctioning grant	Grant Register and order sanctioning grant	Grant Register and order sanctioning grant
2	Recognition certificate	Recognition certificate	Recognition certificate	Recognition certificate	Recognition certificate
3	Cash Book	Cash Book	Cash Book	Cash Book	Cash Book
4	Ledger	Ledger	Ledger	Ledger	Ledger
5	Register showing the details of the inmates/ admission register	Register showing the details of the inmates/ admission register	Register showing the details of the inmates/ admission register	Register showing the details of the inmates/ admission register	Register showing the details of the inmates/ admission register
6	Attendance register of inmates	Attendance register of inmates	Attendance register of inmates	Attendance register of inmates	Attendance register of inmates
7	Accounting records relating to boarding charges	Accounting records relating to boarding charges	Accounting records relating to boarding charges	Accounting records relating to boarding charges	Accounting records relating to boarding charges
8	Stock and issue register of dietary articles	Stock and issue register of dietary articles	Stock and issue register of dietary articles	Stock and issue register of dietary articles	Stock and issue register of dietary articles
9	Medical Register	Medical Register	Medical Register	Medical Register	Medical Register
10	Bank/ Treasury Pass book	Bank/ Treasury Pass book	Bank/ Treasury Pass book	Bank/ Treasury Pass book	Bank/ Treasury Pass book
11	Acquittance Register	Acquittance Register	Acquittance Register	Acquittance Register	Acquittance Register
12	Destitution certificate	-	Certificate from Tahsildar or Child welfare committee	Certificate of age/ infirmity	Income Certificate , Certificate from medical officer
13	School going certificate	-	-	-	-
14	Ration permit	Ration permit	Ration permit	Ration permit	Ration permit
15	Certificate of Foreign assistance	Certificate of Foreign assistance	Certificate of Foreign assistance	Certificate of Foreign assistance	Certificate of Foreign assistance
16	School fee reimbursement register	-	-	-	-

34.5. Items to be included in boarding charges

Orphanages	Beggar Homes	Fondling Homes	Home for Old age and Infirm
Cost of food stuffs	Cost of food stuffs	Cost of food stuffs	Cost of food stuffs
Wages of cook and other servants	Wages of cook and other servants	Wages of cook and other servants	Wages of cook
Clothing and bedding	Clothing and bedding	Clothing and bedding	Clothing and bedding
Special fees		Pay to Ayas	
Stationary		Stationery	Stationary
Books		Books & Toys	Books
Medical expenses	Medical expenses	Medical expenses	-
Fuel Charges	Fuel Charges	Fuel Charges	Fuel Charges
Contingencies connected with preparation of food	Contingencies connected with preparation of food	Contingencies connected with preparation of food	Contingencies connected with preparation of food
Lighting & water charge	Lighting & water charge	Lighting & water charge	Lighting & water charge
Utensils	-	Utensils	Utensils
Washing charge	-	Washing charge	Washing charge
Barber charge	-	Barber charge	Barber charge
Purchase of stores	-	Purchase of stores such as lamps, ropes, brooms etc.	Purchase of stores

Refer

GO(MS)No. 376/64 /Home Dated 17-8-64	GO(MS)No. 53/66/ Home(B) Department Dated 10-2-66	GO(MS)No. 96/72/ LA & SWD Dated 27-3-72	GO(MS)No. 93/92/ Home Dated 9-3-92
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34.6. Mode of Calculation of Grant

Orphanages	Beggar Homes	Fondling Homes	Home for Old age and Infirm	Home for Physically Handicapped
Eligible attendance is limited to the number of inmates	Eligible attendance is limited to the number of inmates	Eligible attendance is limited to the number of inmates	Eligible attendance is limited to the number of inmates	Eligible attendance is limited to the number of inmates
Total period of stay of all inmates	Total period of stay of all inmates	Total period of stay of all inmates	Total period of stay of all inmates	Total period of stay of all inmates
Less: ineligible attendance	Less: ineligible attendance	Less: ineligible attendance	Less: ineligible attendance	Less: ineligible attendance
Eligible attendance (Children months and children days)	Eligible attendance (months and days)	Eligible attendance (months and days)	Eligible attendance (months and days)	Eligible attendance (months and days)
Eligible grant (total children month x monthly grant amount + total children days x monthly grant x 12 / 365 or 366)	Eligible grant (total month x monthly grant amount + total days x monthly grant x 12 / 365 or 366)	Eligible grant (total month x monthly grant amount + total days x monthly grant x 12 / 365 or 366)	Eligible grant (total month x monthly grant amount + total days x monthly grant x 12 / 365 or 366)	Eligible grant (total month x monthly grant amount + total days x monthly grant x 12 / 365 or 366)
Limited to maximum grant admissible for total inmates eligible for grant in aid or net boarding charge whichever is less	Limited to maximum grant admissible for total inmates eligible for grant in aid or ¾ of the net boarding charge whichever is less	Limited to maximum grant admissible for total inmates eligible for grant in aid or ¾ of the net boarding charge whichever is less	Limited to maximum grant admissible for total inmates eligible for grant in aid or ¾ of the net boarding charge whichever is less	Limited to maximum grant admissible for total inmates eligible for grant in aid

34.7. Audit checks specific to Orphanages and Poor homes

1. Check whether the conditions for grant in aid specified in chapter 34.2 have been fulfilled
2. Check the admission register with application from inmates and ascertain whether the inmates admitted fulfilled the criterion for admission such as age, destitution, etc., where ever prescribed
3. Check whether the claim for grant which is based on the number of inmates are correctly worked out with reference to the entries in the inmate register
4. Check the month/ months of occupancy evidenced by the attendance register
5. Check the consumption register of dietary articles to see that the boarding charges are correctly worked out and included in the accounts
6. Check whether the claim is limited to the number of inmates recommended for grant
7. Check that the amount of grant is sanctioned as per the sanctioned rate per inmate per month in the appropriate cases
8. Check whether the Utilization Certificate for previous grant had been furnished
9. Check the Stock register of dietary articles
10. Check whether ration articles received are properly taken into account.

35. Audit of Kerala State Sports Council

35.1. Background

Kerala State Sports Council is a statutory body formed as per Kerala Sports Act 2000 (Act 2 of 2001) (the Act). The Act provides for the promotion of sports and games and to augment the athletic efficiency in the State of Kerala and for the constitution of Sports Councils at the State level, District level and Local level and for matters ancillary or incidental thereto. The duties, powers and functions of the State Sports Council are given under Section 5 of the Act. Some of the important duties and functions of the State Sports Council are given below:

1. to organize, co-ordinate, regulate and promote all types of sports in the State;
2. to establish sports information centres, stadia, pavilions, playgrounds, parks, children's parks, sports training centres, circus training centres, kalaries and to construct buildings, swimming pools, and pools for water polo and boat race and gymnasia;
3. to acquire or formally request properties for carrying out all or any of its activities for which the State Sports Council is responsible;
4. to conduct or organize by the council itself or through District Sports Council, Corporation Sports Council, Municipal Sports Council, Town Sports Council, Block Sports-Council or Village Sports Council or to ensure their participation, tournaments, competitions, training courses, seminars, coaching centres, exhibitions, tours and other items which help in the promotion of sports and games in the State;
5. to confer titles, issue certificates or award prizes and scholarships or other benefits, in recognition or for encouragement of sports among students, workers, public servants and others;
6. to introduce insurance and accident insurance coverage for sportsmen, coaches and referees in the manner as may be prescribed;
7. to grant assistance by way of loans or otherwise to any person, educational institutions, sports organizations, clubs or associations with a view to promote sports in general or to promote any particular venture or item of sports;
8. to raise fund generally for carrying on its activities;
9. to arrange or otherwise make provisions for conducting competitions in sports in the State at national, international, inter-state or local level and to arrange sports tours;
10. to give grants or funds to educational institutions and recognized sports organizations;
11. to make arrangements for establishing playgrounds and for providing equipments and facilities for them;
12. to establish, administer and regulate research centre or centres for development of any sports including adventurous and martial sports;
13. to establish sports information centres, or centres to collect the statistics and to store the basic data connected with sports and to run libraries and museums connected with sports;
14. to formulate and implement schemes for the welfare of sportsmen;
15. to formulate and implement schemes for the welfare of the disabled sportsmen;
16. to fix criteria for the approval and working of sports associations including the State unit of national sports federation having Central Government recognition.
17. To do any other act that may be conducive to the furtherance or the objects of this Act;

Other salient provisions of the Kerala Sports Act are given below:

1. The State Sports Council shall transact its business through resolution passed in such manner and in accordance with such procedure, as may be prescribed.
2. The Government shall by notification, constitute a body to be called "The District Sports Council" in every district in the State to exercise the powers and perform the functions conferred on, or assigned to, the District Sports Council under this Act.
3. Every District Sports Council, shall be a body corporate by the name of the District for which it is constituted, having perpetual succession and common seal with power subject to the provisions of this Act and the rules made thereunder, to acquire, hold and dispose of movable and immovable properties,

- to enter into contracts and to do all matters proper and expedient for the purpose for which it is constituted and shall by the said name sue and be sued.
4. It shall be the duty of every District Sports Council to perform such of the functions of the State Sports Council as may be delegated to the District Sports Council from time to time by the State Sports Council.
 5. the District Sports Council may perform all or any of the following functions, namely:
 - a) co-ordinate the activities of the Corporation Sports Council, Municipal Sports Council, Town Sports Council, Block Sports Council, Village Sports Council and other registered sports organizations in the district;
 - b) organize sporting events or competitions or tournaments within the district;
 - c) perform such other functions as the State Sports Council may specify by regulations.
 6. The President of the District Sports Council shall preside over its meeting and shall exercise such powers and perform such duties, as may be prescribed.
 7. The President of the District Sports Council shall, with the approval of the Standing Committee of the State Sports Council, appoint an officer not below the rank of a Deputy Collector in Government service, as the Secretary of the District Sports Council.
 8. The Secretary shall subject to the provision of this Act and the rules made thereunder
 - a) give effect to the resolution of the District Sports Council and its Executive Committee.
 - b) be responsible for the safe custody of the fund of District Sports Council;
 - c) maintain and keep the accounts of receipts and expenditure of the District Sports Council;
 - d) examine and cause to be audited the statements and accounts of the Corporation Sports Council, Municipal Sports Council, Town Sports Council, Block Sports Council and Village Sports Council; and
 - e) submit returns, accounts, statements or other details, whenever required by the Government or any audit authority.
 9. The Secretary of the District Sports Council, shall exercise other powers and perform duties as are conferred or imposed on him by the President of the District Sports Council.
 10. For the purpose of coordinating and implementing various activities connected with sports and games, in rural and urban areas, the State Sports Council may, in consultation with District Sports Council and the local authorities concerned, by notification, constitute with effect from such date as may be specified in the notification:
 - a) Corporation Sports Council for each Municipal Corporation area;
 - b) Municipal Sports Council for each Municipal Council area;
 - c) Town Sports Council for each Town Panchayat area;
 - d) Block Sports Council for each Block Panchayat area;
 - e) Village Sports Council for each Village Panchayat area.
 11. Sections 34 to 40 of the Act have provided for the matters relating to Finance, Accounts and Audit of the Sports Council. The salient features are given below:
 - a) The Government of Kerala shall, after due appropriation made by the State Legislative bye-law in this behalf, pay to the State Sports Council, by way of grants, such sum of money as it may think fit for carrying out the purposes of this Act.
 - b) The State Sports Council, shall establish a fund to be called the “State Sports Council Fund” and the following shall be credited thereto:
 - i. all sums of money given by the State Government under section 34;
 - ii. any grants or donations made to the State Sports Council, by any other person for the purposes of this Act;
 - iii. any amount received by the State Council, from any other source.
 - c) The State Sports Council Fund shall be applied for meeting:
 - i. the expenses in connection with the functioning of the State Sports Council; and
 - ii. any other expenses which are required to be met by the State Sports Council.
 - d) Every District Sports Council shall constitute a fund to be called “the District Sports Council Fund”, and shall be credited thereto the following:
 - i. all sums of money paid or any grants made by the State Sports Council to the District Sports Council, for the purposes of this Act;

- ii. any grants or donations made to the District Sports Council by any person or local self-government institutions or other organizations for the purposes of this Act;
- iii. any other amount received by the District Sports Council, from any other source.
- e) A District Sports Council Fund shall be applied for meeting:
 - i. the expenses in connection with the functioning of the District Sports Council;
 - ii. the expenses in connection with the functioning of the Corporation Sports Council, Municipal Sports Council, Town Sports Council, Block Sports Council and Village Sports Council;
 - iii. any other expenses, which are required to be borne by the District Sports Council.
- f) Each Corporation Sports Council, Municipal Sports Council, Town Sports Council, Block Sports Council, Village Sports Council, as the case may be, shall constitute a Fund in its name, and shall be credited to such fund the amount received for any special purpose in addition to the amount received from the District Sports Council.
- g) The fund constituted as above shall be kept applied and audited in the manner as may be prescribed.
- h) **Preparation of Budget:**
 - i. Every Corporation Sports Council, Municipal Sports Council, Town Sports Council, Block Sports Council and Village Sports Council shall, in every year, prepare in such form and within such time, as may be prescribed, a budget for the next financial year showing the estimated receipt and expenditure during that financial year and forward copy of the same to the concerned District Sports Council.
 - ii. After considering the Budget estimates, the District Sports Council shall prepare in such form and within such time, as may be prescribed, a budget for the next financial year showing the estimated receipt and expenditure during the financial year and forward a copy of the same to the State Sports Council.
 - iii. The State Sports Council shall prepare its budget estimate, considering the budget estimates forwarded to it by the District Sports Councils and forward the same to the Government, within such time as may be prescribed.
 - iv. On receipt of the budget forwarded to it, the State Government shall examine the same and suggest such alterations, corrections or modifications to be made therein as it may think fit, and forward such suggestions to the State Sports Council for its consideration.
 - v. The State Sports Council shall in accordance with the suggestions, if any, given by the Government, before 31st March of every year incorporate in its budget and in the budget of the District Sports Council alterations, corrections and modifications, and the budget so altered, corrected or modified, shall be passed by the State Sports Council.
- i) **Power to borrow:** The State Sports Council may, with the previous sanction of the Government, as regards the purpose and amount of loan and subject to such conditions, as may be specified by the government as to security and rate of interest borrow any sum of money from any Scheduled Bank or Co-operative Bank or any other corporate body.

35.2. Accounts and Audit

The State Sports Council or the District Sports Council as the case may be, shall maintain proper accounts and other relevant records and prepare an annual statement of accounts including the income and expenditure and balance sheet, in such form and in such manner as may be prescribed.

The Accounts of the Council shall be examined and audited by the Director of the Local Fund Accounts in accordance with the provisions of Kerala Local Fund Audit Act, 1994 (14 of 1994).

The audited statement of accounts and working report of the state Sports Council shall be forwarded to the Government before 31st July of ensuing year and as soon as possible it shall be laid before the Legislative Assembly by the Government.

35.3. Books and Registers to be maintained:

1. Cash Book
2. Bank Book
3. General Journal
4. General Ledger
5. Register of Receipt and Utilization of Grants
6. Fixed Assets Register
7. Stock register of sports articles
8. Register of valuables
9. General Provident Fund ledger
10. Register relating to functioning of various District Sports Hostels under Kerala Sports Council
11. Advance Register
12. Tender Register relating to Purchase and Construction
13. Agreement Register
14. Stock Register of Receipt Books
15. Register of donation and sponsorship
16. Loan Register
17. Fixed Deposit Register
18. Rent Register

35.4. Audit Procedures

The general audit procedures as per chapters 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the institutional specific audit procedures are given below:

The Sports council has not made any separate rules prescribing the service conditions of its employees. Instead, the council is following the Government rules such as KSRs, etc. Regarding purchases and works Kerala Stores Purchase Manual, Kerala Public Works Department Manual, Kerala Public Works Accounts Code etc. are being followed. Sports Council should follow special rules approved by the Government prescribing the service conditions such as name of post, scales of pay, pay revision, promotion and pensionary benefits of employees etc. The Sports Council should also maintain Service Book Register and Increment Register.

The Auditors must familiarize themselves with all the provisions of the Kerala Sports Act 2000 and the Kerala Sports Rules 2008, and other Rules listed above before commencing the audit of the Kerala Sports Council. They should also verify the minutes of the meetings held by the Sports Council and keep a record of all important decisions and directions issued by the Council for reference during the audit.

A. Grants received by the Council

1. Verify all documents relating to release of Grants to the Sports Council by the State Government(s), Government of India and other donors, if any, and ensure that all the requirements of the Grantee institution have been complied with.
2. Check whether Grant Registers are maintained properly with all details of receipts of Grant from all sources.
3. Ensure that Grants are used only for the purposes for which the same were released.
4. Examine whether the unspent balance of Grant received from Government of Kerala for Plan schemes has been grouped under the head "State Sports Council Fund" as specified in Section 35 of the Act.
5. Verify whether the Council has submitted utilization certificates in the prescribed form, wherever the same is required, and no Grant was got disallowed or delayed due to non-submission/ delayed submission of utilization certificates.

B. Grants paid by the Council	
<ol style="list-style-type: none"> 1. If the Council has given any Grant to any agency, see whether payment of such Grant was within its scope and released only with proper authority. 2. If any Grant was given to any entity with conditions attached to it, verify that all such conditions are complied with, by the entity which received the Grant. 3. If such entity has to submit any utilization certificate or accounts to the Council, verify that such requirement is complied with, in time. 4. Verify that affiliation fee, if any, from affiliates are received or provided for in the accounts of the Council. 	
C. Preparation of Accounts	
<ol style="list-style-type: none"> 1. Verify whether the Sports Council has prepared the accounts on mercantile basis and all expenses and income are accounted for on accrual basis except to the extent otherwise disclosed. 2. Check whether the audited statement of accounts and working report of the state Sports Council are forwarded to the Government before 31st July of ensuing year and laid before the Legislative Assembly by the State Government as required in the Act. 3. Verify whether the Grants are properly taken into account either as Income or as Liability, as stipulated in the Grant release order or in the Act. 4. Verify that provisions have been made for all amounts receivable and payable by the Council 5. If the Council has undertaken any special programs as per the directions of the Government or otherwise, see whether the same falls within the scope of its powers and whether proper accounts for such special programs have been maintained, placed before the Council for approval and incorporated in the annual accounts of the council. 6. Working of the Sports Hostels should be thoroughly scrutinised covering all aspects. 	
D. General	
<ol style="list-style-type: none"> 1. Huge advance payments are made to the Programme Implementing Officers for conducting various Sports Programmes. It should be specifically see that: <ol style="list-style-type: none"> (a) Proper records are kept for watching the eventual settlement of the advances (b) No second advance is given when the first advance is pending settlement (c) The amount of advance is not more than the occasion demands (d) Excess advances are got refunded promptly (e) The advance settlement bills are presented before the stipulated period 2. Verify whether all programs undertaken by the Sports Council fall within the scope of its functions as provided in the Act. <ol style="list-style-type: none"> (a) Verify that the Council has exercised sufficient care to get the works entrusted to contractors in time and there has been no loss to the Council due to any delay in executing the work. (b) Verify whether the Council has taken steps to extend leases of properties, if any taken on lease, in time and there has been no loss due to non-execution or delay in execution of lease agreement. (c) Verify that the Council has created the required "Funds", as required by the Act. 	

36. Audit of Kerala Dental Council

36.1. Background

The Dental Council of India (Council) is a statutory body constituted under the Dentists Act, 1948 (XVI of 1948) and amendments thereto. The Council is financed mainly by grants from the Govt. of India, Ministry of Health & Family Welfare (Department of Health) though the other source of income of the Council is the 1/4th share of fees realized every year by various State Dental Councils under section 53 of the Dentists Act, Inspection fee from the various Dental Institutions for Inspecting under Section 15 of the Dentists Act, 1948 and application fee from the organization to apply for permission to set up new Dental College, opening of higher Courses of study and increase of admission capacity in Dental Colleges under section 10A of the Dentists Act, 1948 as amended by the Dentists (Amendment) Act, 1993.

The State Dental Council came into existence in accordance with the Dentist Act 1948 (16 of 1948). The Dental Council of India was constituted under section 3. The State Council constituted under section 21 and includes a joint (State) council constituted in accordance with an agreement under section 22.

The State Government shall constitute a State Council consisting of the following members, namely:

1. four members elected from among themselves by dentists registered in Part A of the State] register;
2. four members elected from among themselves by dentists registered in Part B of the State register;
3. the heads of dental colleges, if any, in the State which train students for any of the recognised dental qualification included in Part I of the Schedule, ex officio;
4. one member elected from amongst themselves by the members of the Medical Council or the Council of Medical Registration of the State, as the case may be;
5. three members nominated by the State] Government; and
6. the Chief Medical Officer of the State, by whatever name called, ex officio;

The Government shall after consulting each council, appoint a **Registrar** who shall be the Secretary to such council and if so decided by the council also as its Treasurer. He shall also be the Secretary to the committee appointed under sub-section (I) of Section 21 .The Registrar shall receive such salary and allowances as may be prescribed by rules. The Government may grant him leave and may appoint a person to act in his place. The salaries and allowances and other conditions of service of the Registrar and other officers and the servants of the Council are fixed by the Government.

The State Dental Council has not made any special rules governing the service conditions of its employees and is following the State Government rules.

Subject to the provisions of this Act and subject to any general or special order of the appropriate council, it shall be the duty of the Registrar to keep the registers. The Registrar shall keep the registers correct in accordance with the provisions of this Act and the rules and regulations made there under.

36.2. Functions, Objectives and Registration

The Council is composed of 6 constituencies representing Central Government, State Government, Universities, Dental Colleges, Medical Council of India and the Private Practitioners of Dentistry. The Director-General of Health Services is Ex-Officio Member – both of the Executive Committee and General Body. The Council elects from themselves the President, Vice-President and the members of the Executive Committee. The elected President and the Vice-President are the Ex-Officio Chairman and Vice Chairman of the Executive Committee. The Executive Committee is the governing body of this organisation, which deals with all procedural, financial and day-to-day activities and affairs of the Council. The Council is financed mainly by grants from the Govt. of India, Ministry of Health & Family Welfare (Department of Health) though the other source of income of the Council is the 1/4th share of fees realised every year by various State Dental Councils under section 53 of the Dentists Act, Inspection fee from the various Dental Institution for Inspecting under Section 15 of the Dentists Act, 1948 and application fee from the organisation who apply for permission to set up new Dental College, opening of higher Courses of study and increase of admission capacity in Dental Colleges under section 10A of the Dentists Act, 1948 as amended by the Dentists (Amendment) Act, 1993.

In consonance of the provisions of the Act, Dental Council of India is entrusted with the following objectives:

1. Maintenance of uniform standards of Dental Education – both at Undergraduate and Postgraduate levels. (a) It envisages inspections/visitations of Dental Colleges for permission to start Dental colleges, increase of seats, starting of new P.G. courses (as per provisions of section 10A of the Act).
2. To prescribe the standard curricula for the training of dentists, dental hygienists, dental mechanics and the conditions for such training;
3. To prescribe the standards of examinations and other requirements to be satisfied to secure for qualifications recognition under the Act;

To achieve these, the needs are:

1. Uniformity of curriculum standards of technical and clinical requirements, standards of examinations;
2. Affiliation of every dental college to an University;
3. Supervision over all the dental institutions to ensure that they maintain the prescribed standards;
4. Regulation of the profession of dentistry.

Every person entitled to be registered under sections 34 and 35 desiring to have himself to be registered shall apply to the Registrar in Form 3 in Appendix III. Every such application shall be accompanied by the fee prescribed in this behalf in rule 75.

1. The State Government shall as soon as may be cause to be prepared in the manner hereinafter provided register of dentists for the State.
2. The State Council shall upon its constitution assume the duty of maintaining the register in accordance with the provisions of this Act.
3. The register of dentists shall be maintained in two parts, A and B, persons possessing recognised dental qualifications being registered in Part A and persons not possessing such qualification being registered in Part B.
4. The register shall include the following particulars, namely: -
 - a) the full name, nationality and residential address of the registered person;
 - b) the date of his first admission to the register;
 - c) his qualification for registration, and the date on which he obtained his degree or diploma in dentistry, if any, and the authority which conferred it;
 - d) his professional address; and
 - e) such further particulars as may be prescribed.

Every year in the month of January, the Registrar shall prepare a budget showing the probable receipts and expenditure of the Councils for the ensuing financial year and submit the same to a joint sitting of the Councils for sanction.

36.3. Types of Receipts & Expenditure

36.3.1. Receipts/ Expenditure

1. Fees leviable – The following fees shall be levied by the Council namely:-
 - a) For the first registration in the register
 - b) For every qualification subsequently registered
 - c) For annual retention
 - d) For restoration to the register after removal for non-payment of the annual retention fee in addition to the annual retention fee for the year
 - e) For restoration to the register under section 42
 - f) For registration of a change of name
 - g) For every certified copy of an entry in the register
 - h) For the grant of a duplicate certificate
2. All fees, fines, penalties, etc., realised under the Act or rules or regulations there under and all contributions and other payments made to the Councils shall constitute the fund, and shall be applied and disposed of in accordance with law to carry out the purposes of the Act.
3. Receipts: For all moneys received on behalf of the Councils, receipts in Form I Shall be given by the Registrar or by the person authorised by him in that behalf
4. Any other income such as Grant from State and Central Government, if any.

36.3.2. Expenditure

The following shall be the authorized expenditure of the Councils:

1. Fees and other allowances payable to the President, Vice-President and other members of each Council under Section 17.
2. Pay and other allowances of the Registrar and other officers and servants under Section 19. The pay and allowances of the Registrar may be drawn by the Registrar by self-cheques

All payments out of the Council's fund in respect of bills presented to the Councils shall be made only after the bills are passed by the Registrar. Every item of expenditure shall be entered in a bill of one of the following kinds—the bills being in the forms prescribed for the respective charges in the Financial and Account Code:

1. Salary Bill
2. Establishment Pay Bill
3. T. A. Bill
4. Contingent Bill
5. Work Bill

The Registrar shall prepare a statement showing the receipts and expenditure of the Councils every month in Form No. 8 and shall submit the same to the Council for their approval before the end of the succeeding month. A stock Register of all articles and properties of the Council shall be maintained by the Registrar and shall be checked by the Registrar once in six months.

36.4. Manner of Accounting & Audit

The Council shall maintain accounts on such system as may be provided in its Rules. It shall keep the following records:

1. Cash Book
2. Pass Book
3. Register of Bills
4. Register of Payments
5. Imprest Register
6. Receipts Books
7. Stock Register of Receipt Book

It is the primary responsibility of Audit to see that all receipts due to the council are correctly and properly realized and credited to the Council's fund. Audit of receipts will be regulated mainly with reference to the statutory provisions interpreted in the financial rules. The accounts of the receipts and expenditure of the Council shall be audited by KSAD. The Registrar shall submit the accounts to the auditors as required by them.

36.5. Audit Procedures

The general audit procedures as per chapters 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the institutional specific audit procedures are given below:

36.5.1. Audit of Income

Audit Checks

- a) Verify the accuracy of collection and its remittance. Remittance into the bank shall be made daily or weekly as may be most convenient.
- b) The Auditor should ensure the correctness and completeness of accounts by verifying the books of accounts.
- c) Auditor should verify the relevant requisite records are being maintained properly.
- d) Auditor should ensure all funds received are entered in a register of receipts maintained for the purpose in form no 1 and form no 2 as soon as received. The Auditor should also verify if the daily totals of the receipts are struck in the register of receipts and carried over to the appropriate columns in the cash book.
- e) The Auditor should ensure no money received on behalf of the Council is utilized for its expenditure without first being remitted in to the bank

36.5.2. Audit of Expenditure

Audit Checks

1. The Auditor should verify the vouchers to see that they are in the prescribed form, in original and duly acknowledged by the payees in token of receipts. Sub vouchers, if any should contain notes of the dates of payments.
2. Vouchers should be numbered with reference to the schedule of list of payments. Individual amounts detailed in the vouchers should add up to the totals and the totals indicated both in words and figures.
3. Examine the accounts to ensure regularity in expenditure.
4. Examine whether all the government procedures and rules are followed while tendering any work and awarding to a contractor and check all the records pertaining to such financial transactions.
5. Ensure that the resources deployed by the executive committee have produced desired result. Keep a constant vigil on all financial dealings and transactions in the organization. Find out whether there has been any financial irregularity or malpractice in incurring expenditure. Point out mistakes (if any) and indicate how they can be rectified and avoided in future, wherever necessary.
6. Check whether all used and unused books have been properly arranged and kept in safe custody. Identify if there are any defects observed.
7. Check whether the entries in the Stock Registers are made properly and made up-to-date.

36.5.3. Audit of Assets

Audit Checks

1. There has to be an Administrative Sanction (AS) for procurement of any asset (like construction of a civil structure, purchase of an equipment, purchase of vehicle, purchase of boats and purchase of any other miscellaneous assets)
2. There has to be a Technical Sanction (TS) with technical specifications of the asset to be procured / to be constructed
3. There has to be a Financial Sanction (FS) specifically approving the cost of the assets, exact specifications, etc.
4. To check whether tendering process is followed as per Government's guidelines / norms
5. To check proper documentations are in place to ensure all the agreed contractual terms are agreed by the chosen vendor / contractor
6. Proper receipts are to be obtained for all the payments
7. To check the bank book, bank statement and bank reconciliation statement whether the payment was actually made to the chosen contractor / vendor

36.5.4. Audit of Liabilities

Audit Checks

1. All the expenses are booked properly under the "expense payable" account head, especially during the closure of the financial year
2. Check the bank books, bank statements and bank reconciliation statement to make sure whether all the advance received and security deposit received have come into the bank account of the auditee institution.

37. Audit of Kerala State Pharmacy Council

37.1. Background

The Kerala State Pharmacy Council is a statutory body functioning under the Kerala State health Department. It is constituted under Section 19 of the Pharmacy Act, 1948 to regulate the profession and practice of Pharmacy in the State. In exercise of the powers conferred by section 46 of the Pharmacy Act 1948 (Central Act 8 of 1948) and in supersession of the Kerala State Pharmacy Council Rules, 2011 published in Kerala Gazette No 544 dated 07th March 2011, the Government shall, by notification in the Gazette, establish a Council to be called the Kerala State Pharmacy Council for the purpose of carrying out the provisions of this Act. Such Council shall be a body corporate having perpetual succession and a common seal and shall by the said name sue and be sued.

The constitution of the Council is as follows:

1. The Six members, elected from amongst themselves by registered pharmacists of the State.
2. Five members, of whom at least three shall be persons possessing a prescribed degree or diploma in pharmacy or pharmaceutical chemistry or registered pharmacists, nominated by the State Government;
3. One member elected from amongst themselves by the members of each Medical Council or the Council of Medical Registration of the State, as the case may be;
4. The chief administrative medical officer of the State ex-officio or if he is unable to attend any meeting, a person authorised by him in writing to do so;
5. The officer-in-charge of drugs control organisation of the State under the Drugs and Cosmetics Act, 1940 (23 of 1940) ex-officio or if he is unable to attend any meeting, a person authorised by him in writing to do so;
6. The Government Analyst under the Drugs and Cosmetic Act, 1940 (23 of 1940), ex-officio, or where there is more than one, such one as the State Government may appoint in this behalf.

The Government shall after consulting each council, appoint a Registrar who shall be the Secretary to such council and if so decided by the council also as its Treasurer. He shall also be the Secretary to the committee appointed under sub-section (I) of Section 21. The Registrar shall receive such salary and allowances as may be prescribed by rules. The Government may grant him leave and may appoint a person to act in his place. The salaries and allowances and other conditions of service of the Registrar and other officers and the staff of the Council will be fixed by the Government

Subject to the provisions of this Act and subject to any general or special order of the appropriate council, it shall be the duty of the Registrar to keep the registers. The Registrar shall keep the registers correct in accordance with the provisions of this Act and the rules and regulations made there under.

37.2. Functions, Objectives, Registration

1. To regulate the profession and practice of Pharmacy.
2. To ensure the quality of dispensing of drugs.
3. To ensure that drugs are stored and dispensed by only qualified and registered pharmacists.
4. To ensure discipline among the pharmacists.
5. To unearth unethical and illegal practices and book the perpetrator as per Pharmacy Act.
6. To ensure that Pharmacy Act of 1948 is implemented in its true spirit.
7. Inspections are conducted in all places where drugs are stored prepared, compounded, mixed or dispensed according to Section 26 of the Pharmacy Act 1948.
8. 14 Part-time Pharmacy Inspectors are appointed to check the violation of the provisions of the Pharmacy Act 1948.
9. Continuing Pharmacy Education Programmes are organized in various Districts for updating the knowledge of the Pharmacists.
10. Seminars, Workshops, Public Meetings, Exhibitions, etc., are conducted to educate the Public about the Role of Pharmacists in Health Care Delivery System.
11. "Best Pharmacists Awards" are given to the Pharmacists working in 03 different sectors [Government, Private and academic sectors]

12. An amount of Rs.25,000/- (Rupees Twenty five thousand only) will be given to the family of deceased Pharmacists, before attaining the age of 55 years.
13. Honouring of Rank Holders – D'Pharm, B'Pharm & Pharm. D rank holders [All Universities].

The State Government shall cause to be prepared in the manner hereinafter provided a register of pharmacists for the State. The State Council shall as soon as possible after it is constituted assume the duty of maintaining the register in accordance with the provisions of this Act. The register shall include the following particulars, namely:

1. the full name and residential address of the registered person;
2. the date of his first admission to the register;
3. his qualifications for registration;
4. his professional address, and if he is employed by any person, the name of such person;
5. such further particulars as may be prescribed.

37.3. Types of Receipts and Expenditure

37.3.1. Receipts

1. Registration fees
2. Renewal fees
3. Late fees
4. Additional Qualification Registration fees etc.
5. Government Grant
6. Tatkal Scheme
7. Other receipts

All fees, fines, penalties etc. realised under the Act or rules or regulations there under and all contributions and other payments made to the Councils shall constitute the fund, and shall be applied and disposed of in accordance with law to carry out the purposes of the Act. Every year in the month of January, the Registrar shall prepare a budget showing the probable receipts and expenditure of the Council for the ensuing financial year and submit the same to a joint sitting of the Council for sanction. For receipts for all moneys received on behalf of the Councils, receipts in Form I shall be given by the Registrar or by the person authorised by him in that behalf.

37.3.2. Expenditure

The following shall be the authorised expenditure of the Council:

1. Fees and other allowances payable to the President, Vice-President and other members of Council under Section 17.
2. Pay and other allowances of the Registrar and other officers and servants under Section 19.
3. The pay and allowances of the Registrar may be drawn by the Registrar by self cheques.
4. All payments out of the Council's fund in respect of bills presented to the Council shall be made only after the bills are passed by the Registrar.
5. Every item of expenditure shall be entered in a bill of one of the following kinds—the bills being in the forms prescribed for the respective charges in the Financial and Account Code.
 - a) Salary Bill
 - b) Establishment Pay Bill
 - c) T. A. Bill
 - d) Contingent Bill
 - e) Work Bill
6. Journal and Video
7. Diary Printing
8. Office equipments
9. PCI Fair
10. Other Expenditure
11. Maintenance
12. White Coat Ceremony

The Registrar shall prepare a statement showing the receipts and expenditure of the Council every month in Form No. 8 and shall submit the same to the Council for their approval before the end of the succeeding month. A stock Register of all articles and properties of the Council shall be maintained by the Registrar and shall be checked by the Registrar once in six months.

37.4. Manner of Accounting and Audit

The Council shall maintain its accounts using such system of accounting as may be prescribed. It shall maintain the following records:

1. Cash Book
2. Pass Book
3. Register of Bills
4. Register of Payments
5. Imprest Register
6. Receipts Books
7. Stock Register of Receipt Books

Audit is conducted as per section 4(1) of Kerala State Local Fund Audit Act. It is the primary responsibility of Audit to see that all receipts due to the Council are correctly and properly realized and credited to the council's fund. Audit of receipts will be regulated mainly with reference to the statutory provisions interpreted in the financial rules. The accounts of the receipts and expenditure of the Council shall be audited by KSAD. The Registrar shall submit the accounts to the auditors as required by them.

37.5. Audit Procedures

The general audit procedures as per chapters 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the institution specific audit procedures are given below:

37.5.1. Audit Checks Income

General Checks

1. Verify the accuracy of collection and its remittance. Remittance into the bank shall be made daily or weekly as may be most convenient. The Auditor should ensure the correctness and completeness of accounts by verifying the books of accounts.
2. Audit should verify the relevant requisite records to see that they are maintained properly. Auditor should ensure that all funds received are entered in a register of receipts maintained for the purpose in form no 1 and form no 2 as soon as received. The Auditor should also verify the daily totals of the receipts in the register of receipts and carried over to the appropriate columns in the cash book.
3. The Auditor should ensure no money received on behalf of the Council is utilized for its expenditure without first being remitted in to the bank.

37.5.2. Audit of Expenditure

General Checks

1. Verify the vouchers which should be in the prescribed form, in original and duly acknowledged by the payees in token of receipts. Sub vouchers, if any should contain notes of the dates of payments.
2. Vouchers should be numbered with reference to the schedule of list of payments. Individual amounts detailed in the vouchers should add up to the totals and the totals indicated both in words and figures.
3. Examine the accounts to ensure regularity in expenditure.
4. Examine whether all the government procedures and rules were followed while tendering any work and awarding the work to a contractor and check all the records pertaining to such financial transactions.
5. Ensure that the resources deployed by the executive committee have produced desired result. Keep a constant vigil on all financial dealings and transactions in the organization. Find out whether there has been any financial irregularity or malpractice in incurring expenditure. Point out mistakes (if any) and indicate how they can be rectified and avoided in future, wherever necessary.
6. Check whether all used and unused books have been properly arranged and kept in safe custody. Identify if there are any defects observed.
7. Check whether the entries in the Stock Register made properly and up-to-date.

37.5.3. Audit of Assets

Audit of Checks	
1.	There has to be an Administrative Sanction (AS) for procurement of any asset (like construction of a civil structure, purchase of an equipment, purchase of vehicle, purchase of boats and purchase of any other miscellaneous assets)
2.	There has to be a Technical Sanction (TS) with technical specifications of the asset to be procured / to be constructed
3.	There has to be a Financial Sanction (FS) specifically approving the cost of the assets, exact specifications, etc.
4.	To check whether tendering process is followed as per Governments guidelines / norms
5.	To check proper documentations are in place to ensure all the agreed contractual terms are agreed by the chosen vendor / contractor
6.	Proper receipts are to be obtained for all the payments
7.	To check the bank book, bank statement and bank reconciliation statement whether the payment was actually made to the chosen contractor / vendor

37.5.4. Audit of Liabilities

Audit Checks	
1.	All the expenses are booked properly under the “expense payable” account head, especially during the closure of the financial year
2.	Check the bank books, bank statements and bank reconciliation statement to make sure whether all the advance received and security deposit received have come into the bank account of the auditee institution

38. Audit of Waqf Board

38.1. Background

Kerala Waqf Board came into existence by the powers conferred by section 9(1) of the Waqf Act 1954 (Central Act 29 of 1954) with effect from 01-10-1960 as a Board of Waqf under the name ‘THE KERALA WAQF’. The Waqf Act prevailed in old Malabar from 05-01-1955 and in Travancore Kochin from 01-02-1955. The Waqf Act 1995 came into force with effect from 01-01-1996.

To provide better administration and supervision of waqfs the waqf Act was enacted in the year 1954. But the actual working of waqf act 1954 had brought out many deficiencies in it also in the setting up of waqf Boards. In order to remove the deficiencies, the Act was further amended in 1959, 1964, 1969 and 1984, after holding wide ranging discussion. Accordingly, the waqf bill was introduced in the Parliament. The Waqf Bill having been passed by both the Houses of Parliament received the assent of the President on 22nd November 1995. It came on the Statute Book as The Waqf Act, 1995 (Act 43 of 1995). Again the act was amended in 2013. The Board follows the central waqf council Rules 1998 (as amended by (Amendment) Rules 2014 and the waqf properties lease Rules 2014. By section 3 of the Waqf (Amendment) Act, 2013 (27 of 2013) nomenclature of the Act has been amended by substituting the word “Waqf” for the word “Wakaf”. Now the act stands as THE WAQF ACT, 1995 (43 of 1995).

Waqf Board in Kerala is head quartered at Ernakulam and has six divisional offices located at Kozhikkode, Thiruvananthapuram, Kottayam, Malappuram, Kannur and Thrissur.

38.2. Powers and Functions of the Board

Subject to any Rules that may be made under this Act, the general superintendence of all (Auqaf) in a State shall vest in the Board established or the State; and it shall be the duty of the Board to exercise its powers under this Act to ensure that the (Auqaf) under its superintendence are properly maintained, controlled and administered and the income thereof is duly applied to the objects and for the purposes for which such (Auqaf) are created or indented. The other functions are:

1. To maintain Register of Auqaf
2. To direct Muthawallies (details to be written here) for proper administration of Auqaf
3. To scrutinize the budgets and accounts of the Auqaf. Audit the accounts of the Auqaf
4. To settle and frame schemes of management of the Auqaf
5. To recover the alienated Waqf properties through District Collectors
6. To remove encroachments, if any, through Sub Divisional Magistrates
7. Sanction to purchase properties and grant sale/lease/gift/mortgage of Waqf properties
8. To appoint and remove Muthawallies in certain cases (wherever it becomes necessary)
9. Assumption of direct management, supervision and supersession of management of Auqaf
10. Inquiry relating to the administration of the Auqaf and the disposal after due consideration, the cases that are filed before the Board by aggrieved parties

The Other Activities are:

1. Pension to scholars and teachers in Arabic language and Literature and Khadims under Social Welfare Scheme
2. Financial aid for marriage, treatment, mentally challenged under Social Welfare Scheme
3. Loan scholarship for professional education
4. Grant scholarship for technical and higher secondary education
5. Providing loan for construction of shopping complex, shadimahals, etc., from Central Wqaf Council
6. Providing grant for libraries from Central Waqf Council
7. Issuing marriage certificate
8. Maintenance to poor Muslim divorced women as per the order of the court
9. To provide financial support to start Islamic Chairs in the Universities

Every Waqfs, whether created before or after the commencement of this Act, shall be registered at the office of the Board. The Board shall maintain a register of waqf which shall contain in respect of each waqf copies of the waqf deeds, when available and the following particulars, namely:

1. The class of the waqfs
2. The name of the mutawalli
3. The rule of succession to the office of mutawalli under the waqf deed or by custom or by usage
4. Particulars of all waqf properties and all title deeds and documents relating thereto
5. Particulars of the scheme of administration and the scheme of expenditure at the time of registration
6. Such other particulars as may be provided by regulations

38.3. Accounting Framework

The Chief Executive Officer shall keep regular accounts and be responsible for the proper management of every waqf under the direct management of the Board. The Board Head Office follows the double entry accounting system, but six divisional office follow single entry system. The annual accounts is to be furnished for audit within four months after the completion of a financial year (Kerala Local Fund Audit Act 1994 section 9).

1. Every mutawalli of a waqf, shall in every year prepare the annual accounts of the waqf, in such form and at such time as prescribed, a budget in respect of the financial year also prepared by the Mutawalli ensuring showing of estimated receipts and expenditure during that financial year.
2. Every such budget shall be submitted by the mutawalli at least ninety days before the beginning of the financial year to the Board and shall make adequate provision of the following:-
 - a) For carrying out the objects of the waqf
 - b) For the maintenance and preservation of the property
 - c) For the discharge of all liabilities and subsisting commitments binding on the waqf under this Act or any other law for the time being in force.
3. The Board may give such directions for making alternations, omissions or additions in the budget as it may deem fit, consistent with the object of the waqf and the provisions of this Act.
4. If in the course of the financial year the mutawalli finds it necessary to modify the provisions made in the budget in regard to the receipt or to the distribution of the amounts to be expended under the different heads, he may submit to the Board a supplementary or a revised budget and the provisions of sub-section (3) shall, as far as may be, apply to such supplementary or revised budget.
5. The Chief Executive Officer shall prepare, in such form and at such time as may be prescribed, a budget in respect of financial year.

Every mutawalli shall keep regular accounts; before the first day of May next, following the date on which the application referred to in section 36 has been made and thereafter before the 1st day of May in every year, every mutawalli of a waqf shall prepare and furnish to the Board a full and true statement of accounts, in such form and containing such particulars as may be provided by regulations by the Board of all moneys received or expended by the mutawalli on behalf of the waqf during the period of twelve months ending on the 31st day of March, or, as the case may be during that portion of the said period during which the provisions of this Act, have been applicable to the waqf: provided that the date on which the annual accounts are to be closed may be varied at the discretion of the Board.

The books and registers to be kept by waqf are:

1. Cash Book
2. Receipts Book
3. Receipt register
4. Payment Register
5. Stock Register
6. Pass Book
7. Properties Records (Register of wakf)

All moneys received or realised by the Board under the Waqf Act 1995 and all other moneys received as donations benefaction or grants by the Board shall form a fund to be called the Waqf fund. The Board shall cause to be maintained books of accounts and other books in relation to its accounts in such form and in such manner as may be provided by regulations. (Waqf Fund)

38.4. Manner of Audit of waqfs

Audit is conducted by KSAD as per provisions in Kerala Local Fund Audit Act 1994 sub-sections 3(1) and 4(2).

1. The accounts of waqfs submitted to the board under section 46 shall be audited and examined in the following manner, namely:
 - a) In the case of a waqf having no income or a net annual income not exceeding ten thousand rupees, the submission of a statement of accounts shall be a sufficient compliance with the provisions of section 46 and the accounts of two percent of such waqfs shall be audited annually by an auditor appointed by the Board
 - b) The accounts of the waqf having net annual income exceeding ten thousand rupees shall be audited annually, or at such other intervals as may be prescribed, by an auditors appointed by the State Government and while drawing up such panel of auditors, the State Government shall specify the scale of remuneration of auditors
 - c) The State Government may at any time cause the account of any waqf audited by the Director, KSAD or by any other designated for that purpose by the State Government
2. The auditor shall submit his report to the Board and the report of the auditor shall among other things, specify all cases of irregular, illegal or improper expenditure or of failure to recover money or other property caused by neglect or misconduct and any other matter which the auditor considers it who, in the opinion of the auditor, is responsible for such expenditure or failure and the auditor shall in every such case certify the amount of such expenditure or loss as due from such persons.
3. The cost of the audit of the accounts of a waqf shall be met from the funds of that wakf: provided that the remuneration of the auditors appointed from out of the panel drawn by the State Government in relation to waqfs having a net annual income of more than Rupees Ten thousand shall be paid in accordance with the scale of remuneration specified by the State Government under clause (c) of sub-section (1).
4. Provided further that where the audit of the accounts of any waqf is made by the Director, KSAD or any other officer designated by the State Government in this behalf, the cost of such audit shall not exceed one and a half percent of the net annual income of such waqf and such costs shall be met from the funds of the waqf concerned
5. The Board shall examine the auditor's report, and may call for the explanation of any person in regard to any matter mentioned therein, and shall pass such orders as it thinks fit including orders for recovery of the amount certified by the auditor under sub-section(2) of section 47.
6. The mutawalli or any other person aggrieved by any order made by the Board may, within thirty days of the receipt by him of the order, apply to the Tribunal to modify or set aside the order and the Tribunal may, after taking such evidence as it may think necessary, confirm or modify the order or remit the amount so certified, either in whole or in part, and may also make such order as to costs as it may think appropriate in the circumstances of the case
7. No application made under sub-section (2) shall be entertained by the Tribunal unless the amount certified by the auditor under sub-section (2) of section 47 has first been deposited in the Tribunal and the Tribunal shall not have any power to stay the operation of the order made by the Board under sub-section (1)
8. The order made by the Tribunal under sub-section (2) shall be final
9. Every amount for the recovery of which any order has been made under sub-section (1) or subsection (2) shall, where such amount remains unpaid, be recoverable in the manner specified in section 34 or section 35 as if the said order were an order for the recovery of any amount determined under sub-section (3) of section 35.
10. The audit is conducted annually as given below:
 - a) Income and Expenditure and other financial statements are subjected to detailed Audit
 - b) Verification of all Files relating to the proceedings issued by the Chief Executive Officer

38.5. Types of Receipts and Expenditure

38.5.1. Receipts

The mutawalli of every wakf, the net annual income of which is not less than Rs.5000 shall pay annually out of the net annual income derived by the waqf of such contributions not exceeding 7%, of such annual income as may be prescribed, to the Board for the services rendered by such Board to the waqf:

1. Waqf Registration fee
2. Contribution from waqfs under section 72(1)
3. Rent – from Board's building
4. Rent – from Guest House and Conference hall
5. Administrative Grant from State Government
6. Special Grant from State Government (Social Welfare Schemes)
7. Miscellaneous
8. Grant from NAWADCO

38.5.2. Expenditure

1. Establishment expenses
2. Office expenses
3. Travelling allowance
4. Purchases
5. Works
6. Pension
7. Gratuity
8. Rent for Divisional Offices
9. Waqf Board social welfare activities
10. Repairs & Maintenance

38.6. Audit Procedures

The general audit procedures as per chapters 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the institutional specific audit procedures are given below:

38.6.1. Audit Checks

Audit Checks
<ol style="list-style-type: none"> 1. Ensure that the establishment matters are regulated according to K.S.R 2. Ensure the grants received from Central Government and State Government are utilised properly 3. Every income and expenditure are subject to detailed audit 4. Auditor should ensure that all the grants from Government are obtained within the stipulated time as specified in the GOs and other records. 5. Auditor should ensure the registration of waqf and description of the waqf properties sufficient for the identification thereof. 6. Auditor should ensure the gross annual income from such properties 7. Ensure the amount of Land revenue, Cesses, rates and taxes annually payable in respect of the work of properties

8. Ensure that the Scholarship paid to the students are as per the eligibility criteria and the correct amount is actually paid
9. Ensure that marriage assistances are paid to the actual beneficiaries and proper supporting documents are maintained
10. Ensure that loan paid to the staff is recorded and recovered without delay
11. Ensure that any festival advance paid is recorded and recovered without delay
12. Ensure that the amount set apart under the waqf for:
 - a) The Salary of the mutawalli and allowances to the individuals
 - b) Charitable purpose and any other specific purpose
13. Ensure that the recoveries such as VAT and Income Tax to be remitted to the respective Authorities are made in time.

38.6.2. Audit of Assets

Audit Checks

1. There has to be an Administrative Sanction (AS) for procurement of any asset (like construction of a civil structure, purchase of an equipment, purchase of vehicle, purchase of boats and purchase of any other miscellaneous assets)
2. There has to be a Technical Sanction (TS) with technical specifications of the asset to be procured / to be constructed
3. There has to be a Financial Sanction (FS) specifically approving the cost of the assets, exact specifications, etc.
4. To check whether tendering process is followed as per Governments guidelines / norms
5. To check proper documentations are in place to ensure that all the agreed contractual terms are agreed by the chosen vendor / contractor
6. Proper receipts are to be obtained for all the payments
7. To check the bank book, bank statement and bank reconciliation statement whether the payment was actually made to the chosen contractor / vendor

38.6.3. Audit of Liabilities

Audit Checks

1. All the expenses are booked properly under the “expense payable” account head, especially during the closure of the financial year
2. Check the bank books, bank statements and bank reconciliation statement to make sure whether all the advance received and security deposit received have come into the bank account of the auditee institution.

39. Audit of Kerala Nurses and Midwives Council

39.1. Background

Kerala Nurses and Midwives Council (KNMC) is an autonomous statutory body constituted by the Government of Kerala under the provisions of The Nurses and Midwives Act 1953. As per G.O.(MS) No: 559/2008/H&FWD dated 03-11-2008, the Kerala Nurses and Midwives Council was separated from the Travancore-Cochin Medical Council and is functioning independently under the Registrar from Nursing Profession. The Government shall, by notification in the Gazette, establish a Council to be called the Kerala Nurses and Midwives Council for the purpose of carrying out the provisions of this Act. Such Council shall be a body corporate having perpetual succession and a common seal and shall by the said name sue and be sued. The Council shall consist of the following members, namely:

1. The Director of Health Services, the Professor of Gynaecology, Medical College, Trivandrum, the Professor of Gynaecology, Medical College, Kozhikode [the Professor of Gynaecology, Medical College, Kottayam, the Assistant Director of Health Services (maternity and Child Health)], the Superintendent, Women and Children's Hospital, Trivandrum and the Superintendent Women and Children's Hospital, Kozhikode, to be ex-officio members;
2. One member elected by the members of the Medical Council from among themselves;
3. three registered nurses nominated by the Government, two of whom shall be Superintendents of nursing schools and the third shall be the Matron – Superintendent of a Major Hospital;
4. six members elected by the registered nurses from among the nurses registered in Part A of the register of nurses, of whom at least one shall be a member of the Trained Nurses Association of India registered in the State of Kerala, one a member, of the Kerala Government Nurses Association and one a nurse working in a private hospital in the State;
5. three members elected by the registered midwives of whom one shall be from among the midwives registered in Part A of the register of the midwives, and two from among the auxiliary nurse-midwives registered under this Act;
6. one member elected by the registered health visitors from among the health visitors registered in the register of health – visitors

39.2. Functions and Registration

1. Establishment and maintenance of uniform standards of nursing education in Kerala.
2. Registration of successful candidates from Kerala as Registered Nurse – Registered Midwife (RN-RM).
3. Reciprocal registration of candidates who have acquired educational qualification from recognized institutions of other states.
4. Renewal of Registration on expiry of validity.
5. Verification of Registration and Diploma certificates from authorities inside and outside India.
6. Approval of Colleges and Schools of Nursing and withdrawal of recognition in case if the institution fails to maintain standards.
7. Conduct of undergraduate programmes like General Nursing and Midwifery (GNM), Auxiliary Nursing and Midwifery (ANM) and Post Basic Diploma in Nursing Clinical Specialties.
8. Conduct of examinations for GNM, ANM, and Post Basic Diploma in Specialty Nursing and female Health Supervisor programmes.
9. Organization of Continuing Education Programme for Nursing Professionals.
10. Award of credit hours for CNE Programmes organized by Educational Institutions and Hospitals for the purpose of Renewal of Registration.

Subject to the provisions of sub-sections (2) and (3) registration under the rules is compulsory as below:

1. every person who has undergone such course of training and passed such examination as may be prescribed by rules for the purpose of conferring a right of registration as a nurse, midwife, auxiliary nurse-midwife or health visitor under this Act; and
2. every person who, within the period of one year or such other longer period as may be fixed by the Government, from the date of commencement of The Nurses and Midwives (Amendment) Act, 1964 proves that he had been in regular practice as a nurse or midwife, for a period of not less than three years preceding the first day of April, 1964, shall be eligible for registration under this Act;
3. Provided that no nurse or midwife shall be registered under clause (ii) after the expiration of one year or such other longer period as may be fixed by the Government from the date on which The Nurses and Midwives (Amendment) Act, 1964, comes into force

Applicants for registration under clause (ii) of sub-section (1) of The Nurses and Midwives Act 1953 shall produce a certificate in the form prescribed by rules. The certificate shall be from a registered practitioner or the Tahsildar of the Taluk. No person shall be eligible for registration under sub-section (1) if he is subject to any of the disqualifications mentioned in clause (a) to (d) of section 6.

The following provision with respect to appointment of **Registrar** apply:

1. The Government shall after consulting the Council appoint a Registrar who shall be the Secretary to the Council. The Registrar shall receive such salary and allowances as may be prescribed by rules. The Government may grant him leave and may appoint a person to act in his place.
2. Subject to such rules as may be prescribed, the Council shall have power to punish the Registrar. Any order of the Council punishing the Registrar shall not take effect without the previous approval of the Government.
3. The Council may appoint or employ such other officers and servants as it may deem necessary for the purposes of this Act; provided that the number and designations of such officers and servants and their salaries and allowances shall be subject to the previous approval of the Government.
4. The method of recruitment and conditions of service such as pay, allowances, promotions, leave, pension, gratuity and provident fund relating to the officers and servants appointed or employed under sub-section (3) shall be governed by the rules applicable to officers and servants of the Government of similar class.
5. All officers and servants appointed or employed under sub-section (3) shall be under the direct control and supervision of the Registrar. The powers of the Registrar to punish, dismiss, discharge and remove any such officer or servant shall be regulated by such rules as may be made by the Government in that behalf.
6. All officers and servants appointed or employed under sub-sections (1) and (3) shall be deemed to be public servants within the meaning of section 21 of the Indian Penal Code.

The Registrar is responsible for the following:

1. Subject to the provisions of this Act and subject to any general or special order of the Council, it shall be the duty of the Registrar to keep the registers.
2. There shall be separate registers for nurses, midwives, auxiliary nurse midwives and health visitors. The registers shall be in such form and shall contain such particulars as may be prescribed by rules. Each register shall be divided into two parts A and B, Part A containing the names of those nurses, midwives, auxiliary nurse-midwives or health visitors who are eligible for registration under clause (i) of sub-section (1) of section 20 and Part B containing the names of those nurses, midwives, auxiliary nurse midwives or health visitors who are ineligible for registration under clause (i) of sub-section (1) of section 20.
3. The Government shall cause to be prepared a separate register of dhais registered under The Madras Nurses and Midwives Act, 1926 and holding appointments or practising in the Malabar district referred to in subsection (2) of section 5 of the States Re-organization Act, 1956 (Central Act 37 of 1956), in such form and containing such particulars as may be prescribed.
4. The Registrar shall keep the registers correct in accordance with the provisions of this Act and the rules and regulations made there under and shall remove from the registers the names of those registered

nurses, midwives, auxiliary nurse-midwives, health visitors and dhais who are dead or whose names are directed to be removed from the registers under section 23.

5. The registers shall be deemed to be public documents under section 74 of the Indian Evidence Act.

39.3. Types of Receipts and Expenditure

39.3.1. Receipts

The major receipts items are student's registration fee, exam fee, affiliation fee, registration fee, interest from FD, verification fee, for restoration to the register after removal for non-payment of the annual retention fee in addition to the annual retention fee for the year.

39.3.2. Expenditure

The following shall be the authorised expenditure of the Council:—

1. Fees and other allowances payable to the President, Vice-President and other members of each Council under Section 17.
2. Pay and other allowances of the Registrar and other officers and servants under Section 19.
3. The pay and allowances of the Registrar may be drawn by the Registrar by self cheques.
4. All payments out of the Council's fund in respect of bills presented to the Council shall be made only after the bills are passed by the Registrar.
5. Every item of expenditure shall be entered in a bill of one of the following kinds—the bills being in the forms prescribed for the respective charges in the Financial and Account Code.
 - a) Salary Bill
 - b) Establishment Pay Bill
 - c) T. A. Bill
 - d) Contingent Bill
 - e) Work Bill
6. Election & Legal expenses if any

The Registrar shall prepare a statement showing the receipts and expenditure of the Council every month in Form No. 8 and shall submit the same to the Council for their approval before the end of the succeeding month. A stock Register of all articles and properties of the Council shall be maintained by the Registrar and shall be checked by the Registrar once in six months.

39.4. Manner of Accounting & Audit

The Council should maintain accounts in such form and system as may be prescribed under the Rules. It shall maintain the following important books and registers:

1. Cash Book
2. Pass Book
3. Register of Bills
4. Register of Payments
5. Imprest Register
6. Receipts Books
7. Stock Register of Receipt Book

Audit is conducted as per sub-section 4(1) of Kerala State Local Fund Audit Act. It is the primary responsibility of Audit to see that all receipts due to the council are correctly and properly realized and credited to the council's fund. Audit of receipts will be regulated mainly with reference to the statutory provisions interpreted in the financial rules. The accounts of the receipts and expenditure of the Council shall be audited by KSAD. The Registrar shall submit the accounts to the auditors as required by them.

39.5. Audit Procedures

The general audit procedures as per chapters 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the institution specific audit procedures are given below:

39.5.1. Audit Checks Income

Audit Checks

1. Verify the accuracy of collection and its remittance. Remittance into the bank shall be made daily or weekly as may be most convenient.
2. The Auditor should ensure the correctness and completeness of accounts by verifying the books of accounts. Audit should verify the relevant requisite records are being maintained properly. Auditor should ensure all funds received shall be entered in a register of receipts maintained for the purpose in form no 1 and form no 2 as soon as received.
3. The Auditors also to verify the daily totals of the receipts in the register of receipts and carried over to the appropriate columns in the cash book.
4. The Auditor should ensure no money received on behalf of the Council is utilized for its expenditure without first being remitted in to the bank

39.5.2. Audit of Expenditure

Audit Checks

1. Verify that the vouchers are in the prescribed form, in original and duly acknowledged by the payees in token of receipts. Sub vouchers, if any should contain notes of the dates of payments.
2. Vouchers should be numbered with reference to the schedule of list of payments. Individual amounts detailed in the vouchers should add up to the totals and the totals indicated both in words and figures.
3. Examine the accounts to ensure regularity in expenditure.
4. Examine whether all the government procedures and rules are followed while tendering any work awarding the work to a contractor and check all the records pertaining to such financial transactions.
5. Ensure that the resources deployed by the executive committee have produced desired result. Keep a constant vigil on all financial dealings and transactions in the organization. Find out whether there has been any financial irregularity or malpractice in incurring expenditure. Point out mistakes (if any) and indicate how they can be rectified and avoided in future, wherever necessary.
6. Check whether all used and unused books have been properly arranged and kept in safe custody. Identify if there are any defects observed.
7. Check whether the entries in the Stock Register made properly and up-to-date.

39.5.3. Audit of Assets

Audit Checks

1. There has to be an Administrative Sanction (AS) for procurement of any asset (like construction of a civil structure, purchase of an equipment, purchase of vehicle, purchase of boats and purchase of any other miscellaneous assets)
2. There has to be a Technical Sanction (TS) with technical specifications of the asset to be procured / to be constructed
3. There has to be a Financial Sanction (FS) specifically approving the cost of the assets, exact specifications, etc.
4. To check whether tendering process is followed as per Governments guidelines / norms
5. To check proper documentations are in place to ensure all the agreed contractual terms are agreed by the chosen vendor / contractor
6. Proper receipts are to be obtained for all the payments
7. To check the bank book, bank statement and bank reconciliation statement whether the payment was actually made to the chosen contractor / vendor

39.6. Audit of Liabilities

Audit Checks
<ol style="list-style-type: none">1. All the expenses are booked properly under the “expense payable” account head, especially during the closure of the financial year2. Check the bank books, bank statements and bank reconciliation statement to make sure whether all the advance received and security deposit received have come into the bank account of the auditee institution.

40. Audit of Travancore Cochin Medical Council

40.1. Background

Travancore Cochin Medical Council came into existence through Travancore Cochin Medical Practitioners Act 1953 (Act IX of 1953), with a view to regulate the qualifications and provide for the registration of practitioners of Modern Medicine, Homoeopathic Medicine and Indigenous Medicine and to encourage the study and spread of such medicines and to enact a law relating to medical practitioners generally in the state of Travancore Cochin. The Government shall, by notification in the Gazette, establish the following three councils:-

1. the Council of Modern Medicine;
2. the Council of Homoeopathic Medicine: and
3. the Council of indigenous Medicine.

Each such council shall be a body corporate and have perpetual succession and a common seal and shall by the said name sue and be sued.

40.2. Formation, Registration and Administration

The Council of Modern Medicine shall consist of the following nine members:-

1. the Surgeon-General. *ex-officio member*;
2. one member elected by the Faculty of Medicine. University of Travancore. from among themselves;
3. one member elected by the teachers of the Medical College, Trivandrum, from among themselves;
4. four members, one from each Revenue District elected by the registered practitioners of modern medicine of that district from among themselves: and
5. two members nominated by the Government.

In making nominations under clause (i) (e) of Travancore Cochin Medical Practitioners Act 1953, the Government shall have due regard to the claims of women, of medical missions and of other groups of practitioners. Representatives of who have not been elected by the electorates referred to in clauses (i) (b), (i) (c) and (i) (d).

The Council of Homoeopathic Medicine shall consist of the following five members. -

1. four members, one from each Revenue district. elected by the registered practitioners of Homoeopathic Medicine of that district from among themselves: and
2. one member nominated by the Government.

The Council of Indigenous Medicine shall consist of the following eleven members:

1. one member elected by the Faculty of Ayurveda, University of Travancore from among themselves;
2. one member elected from among themselves by the teachers of-
 - i the Ayurveda College, Trivandrum;
 - ii the Ayurveda Bhooshana Section of the Sanskrit College Trippunithura: and
 - iii the Madhava Ayurveda College Ernakulam:
3. four members, one each from Revenue district elected by the registered practitioners of Ayurvedic medicine of that district from among themselves;
4. one member elected by the registered practitioners of the Ayurvedic grant-in-aid vaidyans from among themselves;
5. two members elected by the registered practitioners of Sidha medicine from among themselves.
6. one member elected by the registered practitioners of Unani tibbi medicine from among themselves;
7. one member nominated by the Government from among the registered practitioners of Indigenous medicine:

Provided that, if there are not at least twenty-five registered practitioners in the Ayurvedic medicine or the Sidha medicine or the Unani tibbi medicine, the Government shall nominate a member in respect of that medicine from among the registered practitioners of that medicine and the member so nominated shall for the purposes of this sub-section, be deemed to have been duly elected.

Notwithstanding anything contained in sub-section (4) of Travancore Cochin Medical Practitioners Act 1953, the Government may by notification in the Gazette, direct that the Council of indigenous Medicine shall consist of less than eleven members if there are no qualified registered practitioners in the Ayurvedic medicine or the Sidha medicine or the Unani tibbi medicine to be elected from among them.

The Government shall, after consulting each council, appoint a Registrar who shall be the Secretary to such council. He shall also be the Secretary to the committee appointed under sub-section (I) of Section 21. The Registrar shall receive such salary and allowances as may be prescribed by rules. The Government may grant him leave and may appoint a person to act in his place.

Subject to the provisions of this Act and subject to any general or special order of the appropriate council, it shall be the duty of the Registrar to maintain the registers. There shall be separate registers for modern medicine, homoeopathic medicine, ayurvedic medicine, sidha medicine and unani tibbi medicine. The Registrar shall keep the registers correct in accordance with the provisions of this Act and the rules and regulations made there under.

40.3. Types of Receipt, Expenditure & Fund

40.3.1. Council's Fund

1. There shall be a common fund for the Travancore-Cochin Medical Council called "The Travancore-Cochin Medical Council's Fund".
2. All fees, fines, penalties, etc., realised under the Act or rules or regulations thereunder and all contributions and other payments made to the Councils shall constitute the fund, and shall be applied and disposed of in accordance with law to carry out the purposes of the Act.
3. The fund shall be lodged in a Scheduled Bank in a personal deposit account in the name of the Travancore-Cochin Medical Council and shall be operated by the Registrar on behalf of the Council. All orders of cheques against the fund shall be signed by the Registrar.
4. Every year in the month of January, the Registrar shall prepare a budget showing the probable receipts and expenditure of the Councils for the ensuing financial year and submit the same to a joint sitting of the Councils for sanction.
5. Receipts for all funds received on behalf of the Councils, receipts in Form I is issued by the Registrar or by the person authorised by him in that behalf.

40.3.2. Expenditure

The following shall be the authorised expenditure of the Councils:—

1. Fees and other allowances payable to the President, Vice-President and other members of each Council under Section 17.
2. Pay and other allowances of the Registrar and other officers and servants under Section 19.
3. The pay and allowances of the Registrar may be drawn by the Registrar by self cheques.
4. All payments out of the Council's fund in respect of bills presented to the Councils shall be made only after the bills are passed by the Registrar.
5. Every item of expenditure needs to be entered in a bill of one of the following kinds — the bills being in the forms prescribed for the respective charges in the Financial and Account Code:
 - Salary Bill
 - Establishment Pay Bill
 - T. A. Bill
 - Contingent Bill
 - Work Bill

The Registrar shall prepare a statement showing the receipts and expenditure of the Councils every month in Form No. 8 and shall submit the same to the Councils for their approval before the end of the succeeding month. A stock Register of all articles and properties of the Council shall be maintained by the Registrar and shall be checked by the Registrar once in six months.

40.4. Manner of Accounting and Audit

The Council shall maintain such books of accounts as are prescribed for it and follow such method of accounting as may be prescribed by its Rules.

1. Cash Book
2. Pass Book
3. Register of Bills
4. Register of Payments
5. Imprest Register
6. Receipts Books
7. Stock Register of Receipt Book
8. Register containing the List of Affiliated Universities
9. Medical Practitioners' Register
10. Register of Registration
11. Register of Cheques and DDs
12. Registration Cancellation Register
13. Permanent and Temporary Staff Details Register
14. Council Meeting Register
15. Log Book
16. Stock Register for Registration certificate
17. Fixed Deposit Register
18. Daily Collection Register
19. Register of Service Book

The accounts of receipts and expenditure of the Councils shall be audited by the Examiner and staff of the Kerala State Audit Department (KSAD) as per The Travancore Cochin Medical Practitioners Act 1953 and Rules relating to financial, account matters and such section 4(2) of Kerala Local Fund Audit 1994. The Registrar shall submit the accounts to the auditors as required by them.

40.5. Audit Procedures

The general audit procedures as per chapters 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the institution specific audit procedures are given below:

40.5.1. Audit of Income

Audit Checks
<ol style="list-style-type: none"> 1. The major receipt of the council is registration fee of Medical practitioners. Fines, penalties, etc., are other revenues. The Auditor should verify the accuracy of collection and its remittance. Remittance into the bank should be made daily or weekly as may be most convenient. 2. The Auditor should ensure the correctness and completeness of accounts by verifying the books of accounts. 3. Auditor should verify that the relevant requisite records are being maintained properly. 4. Auditor should ensure all funds received shall be entered in a register of receipts maintained for the purpose in form no 1 and form no 2 as soon as received. The Auditor also to verify that the daily totals of the receipts are recorded in the register of receipts and carried over to the appropriate columns in the cash book. 5. The Auditor should ensure that no money received on behalf of the Council is utilized for its expenditure without first being remitted in to the bank.

40.5.2. Audit of Expenditure

Audit Checks

1. The Auditor needs to verify that the vouchers should be in the prescribed form, in original and duly acknowledged by the payees in token of receipts. Sub vouchers, if any, should contain notes of the dates of payments.
2. Vouchers should be numbered with reference to the schedule of list of payments. Individual amounts detailed in the vouchers should add upto the totals and the totals indicated both in words and figures.
3. Examine the accounts to ensure regularity in expenditure.
4. Examine whether all the government procedures and rules have been followed while tendering any work and awarding the work to a contractor and check all the records pertaining to such financial transactions.
5. Ensure that the resources deployed by the executive committee have produced desired result. Keep a constant vigil on all financial dealings and transactions in the organization. Find out whether there has been any financial irregularity or malpractice in incurring expenditure. Point out mistakes, if any, and indicate how they can be rectified and avoided in future, wherever necessary.
6. Check whether all used and unused books have been properly arranged and kept in safe custody. Identify if there are any defects observed.
7. Check whether the entries in the Stock Register made properly and up-to-date.

40.5.3. Audit of Assets

Audit Checks

1. There has to be an Administrative Sanction (AS) for procurement of any asset (like construction of a civil structure, purchase of an equipment, purchase of vehicle, purchase of boats and purchase of any other miscellaneous assets)
2. There has to be a Technical Sanction (TS) with technical specifications of the asset to be procured / to be constructed
3. There has to be a Financial Sanction (FS) specifically approving the cost of the assets, exact specifications, etc.
4. To check whether tendering process is followed as per Governments guidelines / norms
5. To check proper documentations are in place to ensure all the agreed contractual terms are agreed by the chosen vendor / contractor
6. Proper receipts are to be obtained for all the payments
7. To check the bank book, bank statement and bank reconciliation statement whether the payment was actually made to the chosen contractor / vendor

40.6. Audit of Liabilities

Audit Checks

1. All the expenses are booked properly under the “expense payable” account head, especially during the closure of the financial year
2. Check the bank books, bank statements and bank reconciliation statement to make sure whether all the advance received and security deposit received have come into the bank account of the auditee institution.

41. Audit of Hospital Managing committee

41.1. Background

Under Section 30 (9) of Kerala Municipality Act, 1994 and Section 173A of the Kerala Panchayath Raj Act 1994 inserted by Act 13 of 1999, 24-3-1999 and effective from 24-03-1999, there shall be a Managing Committee consisting of not more than 15 members including the Chairman for every Public Health Institution transferred to the Panchayath from Government. Till the issue of GO (MS) No 79/2007/LSGD dated 16-3-2007, these committees were known as Hospital Development Committees and after that the name was changed to Hospital Management Committees. However, the Hospital Development Societies attached to Medical College Hospitals had not undergone any name change. As per GO (Rt) No 3379/2004 dated 03-12-2004/ H&FWD and Rule 9(1) of Kerala Panchayath Raj (Managing committee for public health institutions), 2010 and Kerala Municipality (Managing committee for public health institutions), 2013, the audit of the accounts of Hospital Management Committees (HMC) was entrusted to the Director, KSAD. As per Rule 3 of the Kerala Panchayath Raj (Managing Committees for Public Health Institutions), the managing committees shall consist of a Chairman and a maximum of 14 members. As per GO MS No 91/2013/ LSGD dated 14-3-2013 (SRO No 199/ 2013) Government have issued Kerala Municipality (Managing Committee for Public Health) Rules relating to Hospital Managing Committee for Corporation/ Municipalities. The Medical Officer in charge of the Medical Institution will be the Member Secretary and Convener of the Committee. Rule 6(1) of the said Rules provide that a Hospital Development Fund shall be established and utilized for the following objectives.

1. Construction Works
2. Repair Works
3. Machineries
4. Medicines
5. Equipments
6. Cleaning
7. Waste Disposal
8. Water Supply
9. Electricity
10. Camps for Diagnosis and Treatment
11. Patient care
12. Purchase of surgicals
13. Overall development of Hospitals

The Hospital Development Fund shall comprise of the funds received from and through Panchayat namely:

1. Funds from Local Bodies
2. Funds from Central and State Governments and other agencies
3. Fees and charges levied at Government rates for providing services and facilities by Public Health Institutions
4. Receipts from Medical store, Laboratory, Milk booth, Telephone booth and Canteen when managed directly or providing facilities
5. Donations from Voluntary Agencies and Institutions
6. Parking fee
7. OP Ticket charge
8. Other receipts

The accounting records which are required to be kept in terms of letter no 42744/m3/5/H&FWD dated 18-01-2006 of Government are the following:

1. Cash Book
2. Income Register
3. Expenditure Register
4. Check/Draft Register
5. Investment Register
6. Deposit Register
7. Advance Register

8. Receipt and Payment Accounts for Audit
9. Stock register of O.P Ticket books
10. Stock of Registers for recording collection of fees for Lab Test, ECG, X-Ray, Dental, Gate Pass, Vehicle Pass, etc.
11. Daily collection Register for OP & IP tickets
12. Daily collection Register for Lab Charges, ECG, X-Ray, Dental, Gate Pass, Vehicle Pass etc.
13. Daily consolidated collection register
14. Log Books
15. Stock Register of equipments purchased using HMC fund.

The auditor should take note of the following:

1. As per Rule 9(2) and 9(3), the audit report is to be issued to Member Secretary (Medical Officer) and concerned LSGI.
2. As per Rule 6(5), a combined account in the name of Chairperson and Member Secretary is required to be opened in a Nationalized Bank.
3. As Rule 6(4), printed and numbered receipts should be given by the Member Secretary with carbon copy for each contribution

41.2. Receipt and Payments

The receipts and payments will fall under the following categories.

	Income	Expenditure
I	Ordinary	
1	Gate pass Ticket	Salary, Other allowances
2	O.P Ticket	Electricity/ Telephone
3	Rent	Printing / Stationary
4	Vehicle	Cleaning
5	Interest	Repairs & maintenance
6	Special purpose/ institution income	Equipment/ Materials
7	Other Incomes	Other Office expenses
II	Capital	
1	FD encashment	Land
2	Sale of asset	Building
		Vehicle
		Furniture
		Testing equipments
		Fixed Deposit
III	Liability Head	
1	Deposits	Deposits
2	Advance Repaid	Advances
3	Loans	Loan repayments

41.3. Audit Procedures

The general audit procedures as per chapters 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the institution specific audit procedures are given below.

Income from Gate pass Tickets
<ol style="list-style-type: none"> 1. Check whether the Gate pass tickets are issued from the stock of gate pass tickets and the amount received in this regard are properly accounted. 2. The stock register of gate passes are periodically physically verified
Income from IP & OP tickets
<ol style="list-style-type: none"> 1. The daily collection register for OP & IP tickets is maintained in the prescribed form and all the columns in this register are correctly filled up. 2. Amounts collected are properly accounted 3. Daily collections are remitted as stipulated in the Kerala Financial Code
The Daily Consolidated collection register
<ol style="list-style-type: none"> 1. All the receipts compressing of Gate pass, OP & IP tickets, Lab charges, X-Ray, ECG, Dental, Vehicle pass are to be entered in a consolidated collection register. Check whether the register is correctly filled up and agreed with the physical cash. 2. Check whether the register contains the signature of the Superintendent
Minutes of the meeting of Hospital Managing Committee/ Hospital Development Committee
<ol style="list-style-type: none"> 1. Check whether the meetings of the HMC/ HDC are convened periodically and resolutions recorded properly in the Minutes Book 2. Verify the minutes of the meeting of the Committees and ascertain whether the decisions are taken in accordance with the Rules and delegation of powers 3. Check whether the decisions have been implemented
Other Checks
<ol style="list-style-type: none"> 1. In the case of ambulance check whether collection amount tally with the Kilometre reading in the log book and the in case of free trips check whether necessary documents are pasted in the relevant page of the log book. 2. Check whether the Daily Collection is remitted to the bank on the next working day itself. 3. Check whether the advance (imprest money) drawn for meeting unforeseen expenditure is recouped when the fund is received 4. Check whether the cash book is maintained in the prescribed format. 5. Check whether the directions given for maintenance of the vouchers are correctly followed. 6. Check whether the cash book and bank account are reconciled monthly and difference, if any, is reconciled. 7. In the case of payment of Electricity and water charges, verify whether the responsibility to pay the same is vested with HMC/ HDC, if not verify whether the same was reimbursed by the Local Body. 8. The various expenditures incurred from the HMC fund are in accordance with the rules and orders prescribed for the purpose.

42. Audit of Kerala Health Research and Welfare Society

42.1. Introduction

The Kerala Health Research and Welfare Society was established in the year 1973 as a Non-Profit sharing entity under the Travancore Cochin Literary, Scientific and Charitable Societies Registration Act, 1955 to make better infrastructure facilities in the Medical Colleges and other government hospitals in the State and to strengthen the public health care system. The society has its Registered Head Office at Thiruvananthapuram and is having six regional offices at Thiruvananthapuram, Kollam, Kottayam, Thrissur, Kozhikode and Kannur.

The main objects of the Society are -

1. to associate with the Government of Kerala for rendering better facilities to the patients in the Government Hospitals;
2. to construct and to arrange for the construction of buildings (including Pay wards) and other works for the residence, treatment or welfare of patients in hospitals or other Government institutions in the state;
3. to undertake such other works as are related to or having a bearing on public health;
4. to undertake the construction of quarters for Medical Officers and Staff attached to Government hospitals. and Government Dispensaries including Government Rural Dispensaries and Government Primary Health Centres
5. to undertake any other work on behalf of the Government or any other body which the Government may authorize the Society to undertake;

Government have issued Rules and Regulations of the KHRWS. The salient features of the said Rules and Regulations are given below:

42.2. Management of the Society

1. The powers and duties of the General Body are as follows:
 - a. to approve with or without modifications proposal submitted by the Governing Body;
 - b. to offer and resolve proposals to be carried out by the Governing Body;
 - c. to approve the decisions and proceedings of the Governing Body;
 - d. to have the annual General Body meeting of the Society held as provided in section 7 of the TCL Act at least once in a Calendar year or before the expiry of fifteen months from the preceding General body meeting
 - e. to approve as such or with modification the annual report of the Society as prepared by the Governing body; and
 - f. to approve as such or with modifications the annual balance sheet and General fund Account of the Society.

The following actions require approval of the Government:

- a. Any programme of capital expenditure for an amount which exceeds rupees ten lakhs.
 - b. Agreements involving foreign collaboration proposed to be entered into by the Society.
 - c. Sale, lease, mortgage or disposal otherwise of the whole or substantially of the undertaking of the Society.
 - d. Foreign tours of officials or the Chairman, Vice-Chairman, Managing Director or any other member of the Governing Body.
 - e. Rules regarding the conditions of service of the employees of the Society.
2. The administration and management of the affairs of the Society shall vest in the Governing Body. However, the Governing Body may delegate such of its powers as may be specified by it to the Chairman or the Vice-Chairman or the Managing Director or Committees or Sub-Committees constituted by the Governing Body or to other offices of the Society.
3. The Managing Director, under directions of the Governing Body, shall convene general body meetings of the Society according to necessity (not less than once in every calendar year) and the Governing Body shall have the authority to fix the time, place and agenda for such meetings. The Governing Body shall place before the General Body in its annual meeting a true report of its working and a balance sheet of the accounts of the society.

4. The Chairman of the Governing Body shall be the Ex-officio head of the society. He shall be in overall management the affairs of the Society, subject to the control and supervision of the Governing Body. The Chairman shall also have the power to take decisions regarding urgent and important matters subject to ratification by the Governing Body.
5. The Governing Body shall be responsible to get the accounts of the society duly audited.
6. The Governing body shall have authority to incur expenditure for all or any of the purpose of the society.
7. Every transaction of the Society involving money shall be supported by a resolution of the Governing Body except in respect of matters delegated to the Chairman, the Vice-Chairman and the Managing Director.
8. The Annual budget of the Society shall be prepared by the Governing Body and submitted to the Government for approval on or before the 15th February every year.
9. The Governing Body shall have the following particular powers also:
 - a) to receive any voluntary contributions, gifts or grants of money with or without invitation or request for the purpose or benefit of the society.
 - b) to expend the funds of the Society in furtherance of the objects of the Society or in such manner as they shall consider most beneficial for the purposes of the Society.
 - c) to open and maintain a banking account or accounts with any bank or with Government treasuries as may, from time to time be decided and at any time to pay or cause to be paid any moneys forming part of the assets of the society or otherwise in its control or possession to the credit of any such account or accounts and place or cause to be placed any money under deposit with any bank or treasury and to operate such accounts.
 - d) to determine and authorize, subject to the Rules, members of the Governing Body or officers of the Society to sign on behalf of the Society, cheques, bills, receipts, vouchers, contracts and other documents of whatsoever nature so as to bind the Governing Body and the Society.
 - e) to invite tenders for works and purchase of materials and to enter into contracts on behalf of the Society.
 - f) to delegate administrative and supervisory powers to the Managing Director or ; any other officer or member of the Governing Body.
 - g) to encourage and induce by giving financial aid or otherwise to medical and scientific bodies, associations and institutions undertaking works similar to those mentioned as the objects of the Society and to give advice to such bodies about such matters.
 - h) to establish libraries and supply them books, reviews, journals/and other publications relating to subjects forming part of the Society's objects.
 - i) to purchase, take on lease or in exchange or otherwise acquire any immovable or movable property and any rights or privileges which may be necessary or convenient for any of the purposes of the Society.
 - j) to sell- improve, manage, develop, lease, enfranchise, mortgage or otherwise deal with any part of the property or right in the possession of the Society,
 - k) to construct, maintain, pull down, rebuild, add to, alter or improve any houses, buildings, or works necessary or convenient for the purposes of the society.
 - l) to borrow or raise any moneys for the purposes of the society on such terms as may be determined. or to transfer all or any part of the property, assets, liabilities and engagement of the Society to any hospital or any Government Department.

Managing Director:

1. The managing Director shall be in immediate charge of the management of the affairs of the Society subject to the control and supervision of the Chairman and the Governing Body.
2. The Managing Director may, with the prior approval in writing of the Chairman delegate powers and functions of a routine nature to any officers of the Society.
3. The Managing Director shall be the Custodian and Keeper of the records of the society.
4. He shall place before the Governing Body every month a report on the working of the Society,
5. He shall operate the accounts of the Society in Banks and Treasuries.
6. He shall perform and exercise such other functions and powers as may be delegated to him by the Governing Body.
7. The accounts and cash of the Society shall be under the immediate supervision and control of the Managing Director. He shall also be the head of the Society's office and shall supervise the work and conduct of the office staff and employees

8. All contracts or assurances by or on behalf of or in favour of the Society shall be expressed to be made in the name of the Society and shall be executed by the Managing Director

The Capital Resources of the Society shall consist of the following namely:

1. Contributions from Government or any similar source approved by the Governing Body;
2. Loans from Government
3. Loans from Nationalized Banks or from any other source approved by The Governing Body
4. Donations and gifts received by the Society from private institutions, firms or individuals or public or private companies, corporations, municipalities, panchayats and Governments

The Revenue Receipts of the Society shall consist of:

1. Rent for the rooms or buildings to be constructed by the Society or otherwise owned by the Society
2. Laboratory charges and Testing fees
3. Other Miscellaneous Income

42.3. Assets & Liability of the Society

42.3.1. Fixed Assets

1. Land
2. Buildings
3. Construction work in progress
4. Furniture & fittings
5. Laboratory Equipments
6. Vehicles
7. Computers
8. Other Miscellaneous assets

42.3.2. Current Assets

1. Loans & Advances
2. Retention Money
3. Sundry debtors
4. Cash & Bank Balances

42.3.3. Liabilities

1. Own Funds
2. Capital Grants
3. Loans from Banks
4. Other Loans
5. Advances against Construction
6. Creditors for Goods & expenses
7. Other Liabilities

42.3.4. Books & Registers

1. Cash Books
2. Ledgers
3. Rent Register
4. Lab charges collection Register
5. Fixed Asset Register

42.4. Audit Procedure:

The general audit procedures as per chapters 14 to 25 will have to be applied to this institution's audit to the extent applicable. In addition, the institution specific audit procedures are given below.

The Auditors must familiarize themselves with all the rules regulating renting out the pay wards, quarters, etc., belonging to the Society. The auditors should also examine the agreement with the supplier of lab equipments for the fixation of fee for the various lab tests.

Apart from the general audit procedures relating to financial audit and compliance audit, the auditor should do the following:

1. **Preparation of Accounts:** The society has fully computerized its accounting records and prepares its account in accrual based double entry system. The Auditors of the Society shall be appointed by the Government. As per the schedule to the KLFA Act, the Kerala State Audit Department has to audit the accounts of KHRWS. The auditor should:
 - a. Verify whether KHRWS has prepared the accounts on mercantile basis and all expenses and income are accounted for on accrual basis except to the extent otherwise disclosed.
 - b. Verify whether the accounts of KHRWS has been prepared after incorporating the transactions of its Regional centres and testing laboratories
 - c. Verify whether the Grants are properly taken into account either as Income or as Liability, as stipulated in the Grant release order or in the Act.
 - d. Verify that provisions have been made for all amounts receivable and payable
 - e. If KHRWS has undertaken any special projects as per the directions of the Government or otherwise, see whether the same falls within the scope of its powers and whether proper accounts for such projects have been maintained, were placed before the Governing Council for approval and incorporated in the annual accounts of KHRWS.

2. Income

Receipt from Rent: KHRWS is collecting rent from the occupants of the pay wards. The auditor should verify

- a. All records relating to issue of pay wards and ascertain whether rent is collected at the prescribed rates and accounted for.
- b. Whether the prescribed norms are followed when the pay wards are allotted.
- c. Whether the amounts receivable under Rashtrya Swasthya Bhima Yojana (RSBY) schemes have been received and accounted for.

Income from testing laboratories: KHRWS provides laboratory testing facilities to the public. The auditor should verify

- a. All records relating to lab testing
- b. The procedure for fixing the testing charges.
- c. Whether the receipts from lab testing have been accounted properly.

3. General

- a. Verify whether all activities undertaken by KHRWS fall within the scope of its functions as provided in the Rules.
- b. Verify that the Society has exercised sufficient care to get the works entrusted to contractors in time and there was no loss to the Society due to any delay in executing the work.

43. Audit procedure for Audit in the Office of the Official Liquidator

43.1. Introduction

43.1.1. Role of Official Liquidator

In legal parlance, a **liquidator** is an officer appointed when a company goes into winding-up or liquidation and entrusted with the responsibility for realizing all assets under such circumstances of the company and settling all claims against the company before putting the company into dissolution. **The Official Liquidator** is appointed by the Government of India under section 448 of the Companies Act, 1956 and is attached to High Court of the State **for the purpose of conducting liquidation proceedings of those companies which are ordered to be wound up by the High Court.** Functionally, the Official Liquidator is under the supervision and control of the High Court but administratively is under the control of Government of India.

The primary function of the Official Liquidator is to administer the assets of companies under liquidation, sale of the assets and realisation of all debts of companies in liquidation for the purpose of distributing the same among the various creditors and other shareholders of the companies and to finally dissolve such companies after the affairs are completely concluded. **When a company is put to winding up by an order of the High Court, the Official Liquidator attached to the said High Court takes possession of the company's assets, books of accounts, etc. and liquidates the company as per the further orders of the High Court.**

The Rules and Regulations relating to appointment, functions, duties etc., of the Official Liquidator are provided in in the **Companies Act 1956, Companies (Court) Rules 1959 and the Companies (Official Liquidator's Accounts) Rules, 1965.** The salient provisions of the Act and Rules are discussed at the appropriate places in this Chapter. The Auditors should familiarize with the relevant provisions of these Act and Rules before commencing the audit in the office of the Official Liquidator.

Note: Companies Act, 2013 has now replaced Companies Act, 1956. Central Government has constituted the National Company Law Tribunal under Section 408 of the Companies Act, 2013, with effect from 1st June 2016 and the National Company Law Tribunal Rules, 2016 has replaced the Companies (Court) Rules 1959. However, the office of the Official Liquidator at Kochi is following the provisions of the Companies Act, 1956 and the Companies (Court) Rules, 1959 in respect of companies presently under liquidation. Hence, the Audit is to be done based on the Act and Rules now followed by the Official Liquidator. Necessary changes, if required, may be made in the Audit Procedures, when the Companies Act 2013 and the National Company Law Tribunal Rules, 2016 invoked in the liquidation process of any company.

43.1.2. Provisions relating to Official Liquidator

Provisions relating to Official Liquidator under the Companies Act, 1956:

Part VII (Sections 425 to 560) of the Companies Act, 1956, deals with the winding up of Companies, out of which Sections 448 to 463 deals with the overall role of Official Liquidators in winding up proceedings. **The duties and powers of the Official Liquidator** as laid down in section 457 of the Companies Act, 1956 are mainly of filing of claims against the debtors for realisation of the debts due to the company, sale of movable and immovable assets of the company the possession of which was taken by the Official Liquidator, institute criminal complaints and misfeasance proceedings against the former Directors of the company for their acts and omissions, breach of trust etc., invitation of claims from the creditors, adjudication of claims and settlement of list of creditors, payment to creditors by way of dividend and settlement of list of contributories wherever necessary, and payment of return of capital where the company's assets exceeded its liability and finally dissolve the company under section 481 of the Companies Act, 1956.

Provisions relating to Official Liquidator under Companies (Court) Rules, 1959:

Part III (Rules 95 to 338) of the Companies (Court) Rules, 1959 deal with the winding up of Companies under orders of High Courts. The auditors should familiarize with all the provisions in Part III of the Companies (Court) Rules, 1959. Some of the important provisions concerning the audit of the office of the Official are given below for ready reference:

Appointment of Provisional Liquidator (Rule 106)

After the admission of a petition for the winding-up of a company by the Court, upon the application of a creditor, or a contributory, or the company, and upon proof by affidavit of sufficient ground for the appointment of a Provisional Liquidator, the Court, if it thinks fit, and upon such terms as in the opinion of the Court shall be just and necessary, **may appoint the Official Liquidator to be Provisional Liquidator of the company** pending final orders on the winding-up petition. The order appointing the Provisional Liquidator shall set out the restrictions and limitations, if any, on his powers imposed by the Court.

Rules applicable to Provisional Liquidator (Rule 107)

The rules relating to Official Liquidators shall apply to Provisional Liquidators, so far as applicable, subject to such directions as the Court may give in each case.

Costs, etc., of Provisional Liquidator (Rule 108)

Subject to any order of the Court, all the costs, charges and expenses properly incurred by the Official Liquidator, as Provisional Liquidator, including such sum as is or would be payable to the Central Government under the scale of fees for the time being in force applicable where the Official Liquidator acts as liquidator of the company, shall be paid out of the assets of the company.

Official Liquidator to take charge of assets and books and papers of company (Rule 114)

On a winding-up order being made, the Official Liquidator attached to the Court shall forthwith take into his custody or under his control all the property and effects and the books and papers of the company, and it shall be the duty of all persons having custody of any of the properties, books and papers of the company, to deliver possession thereof to the Official Liquidator.

Others

- Procedure for collection and distribution of assets in a winding-up by court are given in Rule 232 to 234 of the Companies (Court) Rules, 1959.
- Procedure relating to sales by the official liquidators are given in Rule 272 to 274 of the Companies (Court) Rules, 1959.
- Procedure for maintaining the Banking account of the Official Liquidator are given in Rule 287 to 292 of the Companies (Court) Rules, 1959.
- Procedure for filing and audit of the official liquidator's account are given in Rule 298 to 311 of the Companies (Court) Rules, 1959, are given below.

43.1.3. Half-yearly accounts to be filed (Rule 298)

Unless otherwise ordered by the Court, the Official Liquidator shall file his accounts into Court twice a year. Such accounts shall be made up to the 31st of March and 30th of September every year, the account for the period ending 31st March being filed not later than the 30th of June following, and account for the period ending 30th September, not later than the 31st of December following.

It is also provided in Rule 298 that the final account of the Official Liquidator shall be filed as soon as the affairs of the company have been fully wound-up, irrespective of the period prescribed above.

Accordingly, the Official Liquidator shall file the following statements, **in respect of each company under liquidation**, along with an affidavit verifying accounts, before the Hon'ble High Court of Kerala.

- (i) A half yearly statement of Realisations and Disbursements (1st April to 30th September or 1st October to 31st March), in respect of all companies (separately for each company) under liquidation, entrusted with the Official Liquidator by the Hon'ble High Court of Kerala.

- (ii) An Analysis of Balance [in Form 144 Rule 299 of Companies (Court) Rules 1959]
- (iii) A statement showing the details of fees due to the Government of India as per Rule 291 of the Companies (Court) Rules, 1959.

On receipt of the above statements, the Hon'ble High Court will forward the half yearly and other statements to Kerala State Audit Department under Rule 301 of the Companies (Court) Rules, 1959, according to which the accounts have to be audited and a certificate of audit is to be issued to the Court not later than 2 months from the date of receipt of the copy of the accounts.

Form of account (Rule 299): The account shall be a statement of receipts and payments in Form No. 144 and shall be prepared in accordance with the instructions contained therein. Three copies thereof shall be filed, and the account shall be verified by an affidavit of the Official Liquidator in Form No. 145. The final account shall be in Form No. 146.

Nil account (Rule 300): Where the Official Liquidator has not during the period of account received or paid any sum of money on account of the assets of the company, he shall file an affidavit of no receipts or payments on the date on which he shall have to file his accounts for the period.

Registrar to send copy of account to the Auditor (Rule 301): As soon as the accounts are filed, the Registrar shall forward to the auditor one copy thereof for purposes of audit with a requisition in Form No. 147 requesting that the accounts may be audited and a certificate of audit issued to the Court not later than 2 months from the date of receipt of the copy of the account.

Audit of the Official Liquidator's accounts (Rule 302): The accounts shall be audited by one or more Chartered Accountants appointed by the Court, or, if the Court so directs, by the Examiner of Local Fund Accounts of the State concerned. The audit shall be a complete check of the accounts of the Official Liquidator and of each of the companies in liquidation in his charge. The Official Liquidator shall produce before the auditor all his books and vouchers for the purposes of the audit, and shall give the auditor all such explanations as may be required of him in respect of the accounts.

Audit certificate to be filed (Rule 303): After the audit of each of the accounts of the Official Liquidator filed in Court, the auditor shall forward to the Registrar a certificate of audit relating to the account with his observations and comments, if any, on the account, together with a copy thereof and shall forward another copy to the Official Liquidator. The Registrar shall file the original certificate with the records and forward the copy to the Registrar of Companies together with a copy of the account to which it relates.

43.1.4. Inspection of the account and certificate of audit (Rule 305)

Any creditor or contributory shall be entitled to inspect the accounts and the auditor's certificate in the office of the Court on payment of a fee of Re. 1, and to obtain a copy thereof on payment of the prescribed charges.

43.1.5. Account and auditor's report to be placed before Judge (Rule 306)

Upon the audit of the account, the Registrar shall place the statement of account and the auditor's certificate before the Judge for his consideration and orders.

43.1.6. Employment of additional or special staff (Rule 308)

Where the Official Liquidator is of opinion that the employment of any special or additional staff is necessary in any liquidation, he shall apply to the Court for sanction, and the Court may sanction such staff as it thinks fit on such salaries and allowances as the Court may seem appropriate.

43.1.7. Apportionment of expenses of common staff. (Rule 309)

Where any staff is employed to attend to the work of more than one liquidation, or any establishment or other charges are incurred for more than one liquidation, the expenses incurred on such staff and the common establishment and other charges, shall be apportioned by the Official Liquidator between the several liquidations concerned in such proportions as he may think fit, subject to the directions of the Judge, if any.

43.1.8. Annual statement by the Official Liquidator under section 551 of the Companies Act, 1956 (Rule 311)

The Official Liquidator shall file his first annual statement under section 551(1) within one month after the expiry of a year from the date of commencement of the winding-up and thereafter his subsequent statements at intervals of one year until the conclusion of the winding-up. The annual statements to be filed by the Official Liquidator shall be in Form No. 148.

The Companies (Court) Rules, 1959 also contain the procedures for Notice to submit statement by persons mentioned in sub-section (2) of section 454 of the Companies Act, 1956 (Rules 124 to 134); Committee of Inspection (Rules 140 to 146); Settlement of Debts and Claims against the Company (Rules 147 to 179); Settlement of the list of contributories in a winding-up by the court (Rules 180 to 196); Conducting General meetings of creditors and contributories in a winding-up by court and of creditors in a creditor's voluntary winding-up (Rules 197 to 219); Procedures for declaring dividends and returns of capital in a winding-up by court (Rules 275 to 280); Procedures for investment of surplus funds (Rules 293 to 297); Calculation of Audit fees (Rule 304). For details, the auditor may refer to the Rules.

43.1.9. List of Registers and Books:

List of Registers and Books, Receipts, Vouchers, etc., to be maintained in the office of the Official Liquidator:

As per Rule 286 of the Companies (Court) Rules, 1959, the Official Liquidator shall maintain the following Registers and Books:

1. Register of Liquidations in Form No. 142-A.
2. Central Cash Book in Form No. 142-B. [The format of Central Cash Book and the instructions regarding maintenance of the same are given in Annexure to the Companies (Official Liquidator's Accounts) Rules, 1965].
3. Company's Cash Book in Form No. 142-C.
4. General Ledger in Form No. 142-D.
5. Cashier's Cash Book in Form No. 142-E.
6. Bank Ledger in Form No. 142-F.
7. Register of Assets in Form No. 142-G.
8. Securities and Investment Register in Form No. 142-H.
9. Register of Book Debts and Outstandings in Form No. 142-I.
10. Tenants Ledger in Form No. 142-J.
11. Suits Register in Form No. 142-K.
12. Decree Register in Form No. 142-L.
13. Sales Register in Form No. 142-M.
14. Register of Claims and Dividends in Form No. 142-N.
15. Contributories Ledger in Form No. 142-O.
16. Dividends Paid Register in Form No. 142-P.
17. Commission Register in Form No. 142-Q.
18. Suspense Register in Form No. 142-R.
19. Documents Register in Form No. 142-S.
20. Books Register in Form No. 142-T.
21. Register of unclaimed dividends and undistributed assets, deposited into the Companies liquidation account in the Reserve Bank, in Form No. 142-U, and
22. A Record Book for each company in which shall be entered all minutes of proceedings and the resolutions passed at any meeting of the creditors or contributories or of the Committee of Inspection, the substance of all orders passed by the Court in the liquidation proceedings, and all such matters other than matters of account as may be necessary to furnish a correct view of the administration of the company's affairs.

In maintaining the registers and books mentioned above, the Official Liquidator shall follow the instructions contained in the respective forms prescribed for the said books and registers. The Official

Liquidator shall, in addition to the Registers and Books prescribed above, maintain such books as may be necessary for the proper and efficient working of his office such as Petty Cash Register, Correspondence Register, Despatch Register, Daily Register of Money Orders and Cheques received, and so on, and shall also keep the necessary files of correspondence and of proceedings in respect of each company under liquidation in his charge. Where the accounts of the company are incomplete, the Official Liquidator shall, with all convenient speed, as soon as the order for winding-up is made, have them completed and brought up-to-date.

Where the Official Liquidator is authorised to carry on the business of the company he shall keep separate books of account in respect of such business and such books shall, as far as possible, be in conformity with the books already kept by the company in the course of its business. The Official Liquidator shall incorporate in the Central Cash Book and in the company's Cash Book, the total weekly amounts of the receipts and payments on such trading account. The trading account shall from time to time not less than once in every month, be verified by affidavit, and the Official Liquidator shall thereupon submit such account to the Committee of the Inspection (if any) or such member thereof as may be appointed by the Committee for that purpose, who shall examine and certify the same.

The Official Liquidator shall also keep a counterfoil Receipt Book in triplicate in Form No. 143 the leaves of which shall be machine numbered serially, from which shall be issued all receipts for payment made to the Official Liquidator. The duplicate and the triplicate shall bear the same number as the original. The Official Liquidator shall keep proper vouchers for all payments made or expenses incurred by him. The vouchers shall be serially numbered.

In respect of companies the winding-up of which was commenced under the Act prior to the coming into force of these Rules and is pending on the date these rules come into force, the Official Liquidator shall, as soon as may be and not later than 3 months after the coming into force of these rules or such extended time as may be allowed by the Court, prepare and bring up-to-date the books and registers prescribed under sub-rule (1) of this rule, provided that the Court may, if it thinks fit, dispense with this requirement in any particular case.

43.1.10. Audit Procedures

43.1.10.1. Half yearly statement (Section 462 of the Companies Act 1956)

The Auditors should consider the half yearly statement of each company under liquidation, as the basic document for the audit. The Companies under liquidation will normally have the following kinds of Realisations and Disbursements:

Realisations

1. Realisation from sale of Assets
2. Realisation from the Sundry Debtors and other advances
3. Closure of Fixed deposits and other Investments
4. Interest on Fixed Deposits and other Investments
5. Rental income from the assets
6. Sale of Tender forms
7. Sale of usufructs
8. Any other miscellaneous income

Disbursements

9. Transfer to Fixed Deposits and Investments to the PD account
10. Expenditure in connection with sale proceeds of Assets
11. Maintenance of Assets
12. Salary to employees, if any hired for any specific company or assignment
13. Valuation charges
14. Survey expenses
15. Travelling expenses (TA & DA)
16. Advertisement charges
17. Advocate fees

18. Audit Fees
19. Central Government commission
20. Payment of dividends
21. Payment of interest to creditors and others
22. Any other miscellaneous expenses

Apart from the normal audit checks, the auditor should take note of the following aspects while auditing in the office of the Official Liquidator.

The amounts brought forward in the realisations and disbursements respectively, brought forward in the half yearly statement are the total amount realised and disbursed for each company, from the beginning of the winding up proceedings by the Official Liquidator.

The auditor should verify the half yearly statement to see that the balances of the realisations and disbursements have been correctly brought forward.

43.1.10.2. Statement of Analysis Balance (Rule 299)

The Analysis of Balance in Form No 144 (Rule 299) filed by the Official Liquidator will contain the summary of transactions took place during the half year for each company under liquidation.

The Auditor should verify the statement with the ‘Securities and Investment Register’ in Form No. 142-H and confirm the balance under investment stated in the Analysis of Balance statement. The compliance of the provisions relating to Investment of surplus funds [Rule 10 of the Companies (Official Liquidator's Accounts) Rules, 1965] should be ensured. The Auditor should also physically verify the Securities and cross verify a few cases with the Bank where the investment has been made.

In the Statement of Analysis of Balance, the Official Liquidator has to furnish as Annexure, the details of Calls made by the Official Liquidator, Dividends declared, List of amounts paid/ and payable to contributories, Legal proceedings authorised and the Liquidator's Trading Account.

The Auditor should verify the contents in the Annexure and examine whether all the required details have been correctly provided therein, if not, the matter should be included in the Audit report.

43.1.10.3. Statement of details of fees due to the Government of India (Rule 291)

The statement showing the details of fees due to the Government of India as per Rule 291 of the Companies (Court) Rules 1959, filed before the Hon'ble High Court, should contain the Amount realised and disbursed under various categories stated therein and the amount fee payable for both the half years in a year.

The Auditor should verify the above statement to check whether all the required details have been correctly provided to the Hon'ble High Court. Any mistake/ omission should be included in the Audit Report.

Companies (Official Liquidator's Accounts) Rules, 1965 have prescribed elaborate procedures for maintenance of accounts, operation of bank accounts and such other matters to be followed by the Official Liquidator, which are given below:

43.1.10.4. Maintenance of accounts (Rule 3)

- (1) The Official Liquidator shall maintain in his office separate account in respect of each company under his charge.
- (2) The Official Liquidator shall also maintain:
 - a. Central Cash Book in the form set out in, in Annexure to these rules in which shall be recorded all cash transactions, that is, cash receipts remittances to the Reserve Bank and payments to claimants; and
 - b. Such other books as may be necessary to work out the consolidated, balance for facilitating the periodical reconciliation of the balances in the account referred to in rule.

43.1.10.5. Opening of personal ledger account (Rule 4)

Every Official Liquidator shall, with the approval of the Central Government, **open a personal ledger account** at the nearest branch or agency of the Reserve Bank to be called the "Official Liquidator's Account" (hereinafter referred to as the said Account) which shall be a combined account in respect of all the companies under his charge.

43.1.10.6. Payments into account (Rule 5)

- (1) All moneys received by Official Liquidator which under the Act are required to be paid into the public account of India shall be paid into the Reserve Bank to the credit of the said account under the head "T - Deposits and Advances - Part II - Deposits not bearing interest - (c) Other Deposit Accounts - Departmental and Judicial Deposits - Civil Deposits - Personal deposit - Official Liquidator's Account":

Provided that in respect of the amounts paid under subsection (2) of section 17 of the Deposit Insurance Corporation Act, 1961 (XLVII of 1961) and any provision for unpaid amounts made under section 20 of that Act by Deposit Insurance Corporation, the Official Liquidator shall make payment to that Corporation as required by clause (a) of subsection (2) of section 21 of that Act.

- (2) All moneys realised by the Official Liquidator each day shall, without deduction, be paid into the credit of the said Account not later than the next working day, provided that the remittances to the Reserve Bank may be deferred until the amount realised exceeds Rs. 100.

43.1.10.7. Deposits of bills for collection (Rule 6)

All bills, cheques, hundis, notes and other securities of like nature, payable to a company in the charge of the Official Liquidator or to the Official Liquidator, shall as soon as they come into the hands of the Official Liquidator be deposited by him in the Reserve Bank for being presented for acceptance and payment or for payment, as the case may be, and the proceeds, when realised shall be credited by the Reserve Bank to the said account and the fact intimated to the Official Liquidator. Any discount deducted or allowed on realisation by the Official Liquidator in payment of the amount due to him or other Bank charges or any other charges shall be recoverable from the person making the payment.

43.1.10.8. Remittance (Rule 7)

- (1) Payments made in cash and those made by cheque shall be remitted to the Reserve Bank under separate challans.
- (2) The acknowledgment of the Reserve Bank shall be obtained for all moneys remitted into the Reserve Bank to the credit of the said account.

43.1.10.9. Withdrawals from Bank (Rule 8)

All moneys required by the Official Liquidator for meeting the expenses of, or for making cash payments in connection with, the liquidation of a company in his charge, shall be withdrawn from the Reserve Bank by cheques and every payment made by the Official Liquidator in excess of Rs.50 shall be made by cheques drawn against the said account.

43.1.10.10. Periodical examination of accounts (Rule 9)

The Official Liquidator shall, at the end of every three months, examine the account of each company in his charge to ascertain what moneys are available for investment and record in the record book of the company the fact of his having examined the accounts, the decision taken by him regarding the investment, and in case he decides not to invest any surplus fund, the reasons for such decisions.

43.1.10.11. Investment of surplus funds (Rule 10)

- (1) The Official Liquidator shall invest all such monies in respect of company in liquidation in his charge, which are not immediately required for the purpose of winding up in Government

- securities, or, with the permission of the Court, in trustee securities or in interest bearing deposits in the State Bank of India or in any other scheduled bank, provided that the Reserve Bank shall make such investment in Government securities or trustee securities only on receipt of the written request from the Official Liquidator in this behalf.
- (2) Such securities shall be retained in the Reserve Bank in the name and on behalf of the Official Liquidator.
 - (3) Such securities shall not be sold, except by the Reserve Bank and except under the written instructions of the Official Liquidator provided that the Reserve Bank shall not make any such investment unless the Official Liquidator requests in writing to do so.

The Auditor should verify whether the provisions for maintenance of accounts, operation of bank accounts and such other matters to be followed by the Official Liquidator as per the above Rules (Rules 3, 4, 5, 6, 7, 8, 9 & 10), have been complied with. For this purpose, the Auditor should verify all the concerned Registers and Books maintained as well as the related files and other documents maintained in the office of the Official Liquidator.

43.1.10.12. Banking transactions to be followed by the Official Liquidator

Companies (Official Liquidator's Accounts) Rules, 1965 have prescribed elaborate procedures for Banking Transactions to be followed by the Official Liquidator. These Rules are given below.

As per Rule 287 of the Companies (Court) Rules, 1959 the Official Liquidator shall pay into the public account of India in the Reserve Bank of India (hereinafter referred to as the Bank) to the credit of an account in his official name, all moneys received by him as the Official Liquidator of any company, and the realisations of each day shall be paid into the Bank without deduction not later than the next working day of the Bank, provided that the remittance of money into the Bank may be deferred until the realisations exceed Rs. 100. The money needed for meeting expenses or for making payments in cash shall be drawn from the Bank by cheques drawn upon the Bank by Official Liquidator. All payments out of the account by the Official Liquidator above Rs. 50 shall ordinarily be made by cheques drawn against the said account.

It is further provided that the Official Liquidator shall maintain a Bank remittance challan book in counterfoil, the leaves of which shall be serially numbered in which the acknowledgment of the Bank shall be obtained for all moneys (whether in cash or cheque) deposited into the Bank to the credit of the account mentioned in clause (1) above. The Form of the challan book shall be settled by the Official Liquidator in consultation with the bank.

As per Rule 288 of the Court Rules, all bills, cheques, hundies notes and other securities of a like nature payable to the company or to the Official Liquidator thereof shall, as soon as they come into the hands of the Official Liquidator, be deposited by him with the Bank for the purpose of being presented for acceptance and payment or for payment only, as the case may be, and the proceeds when realised shall be credited by the Bank to the account of the Official Liquidator.

As per Rule 289 of the Court Rules, where the Court makes an order directing any person to pay any money due to the company into the public account of India, in the Reserve Bank of India instead of the Official Liquidator, the person so directed shall, at the time of making the payment, produce to the Bank a certified copy of the order or a payment in challan endorsed by the Official Liquidator under his signature. The money so paid shall be credited to the Official Liquidator's account with the Reserve Bank of India. The person making the payment shall give notice thereof to the Official Liquidator and produce before him the Bank receipt relating thereto.

As per Rule 290 of the Court Rules, the Official Liquidator shall also open a separate dividend account for each company under liquidation either in the State Bank of India or its subsidiaries, or, with the sanction of the Court, in any other Scheduled Bank, as may be convenient, under the name 'the Dividend Account of..... (name of the company) in liquidation by the Official Liquidator', into which account he shall, upon a declaration of dividend being made in the winding-up of any company, deposit by transfer from his account, with the Reserve Bank of India the total amount of the dividend payable upon such declaration. There shall be a separate account in respect of each declaration of dividend. All payments of dividend shall be made from the said Official Liquidator's dividend account

and any unpaid balance in the account shall be transferred back to the Official Liquidator's account in the Reserve Bank of India before being paid into the companies' liquidation account as unclaimed dividends.

All payments of dividends above Rs. 50 shall ordinarily be made by cheques drawn against the said account.

As per Rule 291, in every winding-up where the Official Liquidator becomes or acts as Liquidator, there shall be paid into the public account of India in the Reserve Bank of India to the credit of the Central Government, from out of the assets of the company in liquidation (or by the petitioner as provided in clause (1) below), the fees determined in accordance with the provisions contained in the Rules. As Per Rule 292, where a company against which a winding-up order has been made has no available assets, the Official Liquidator may, with the leave of the Court, incur any necessary expenses in connection with the winding-up out of any permanent advance or other fund provided by the Central Government, and the expenses so incurred shall be recouped out of the assets of the company in priority to the debts of the company.

It is also provided that where any money has been advanced to the Official Liquidator by the petitioning or other creditor or contributory for meeting any preliminary expenses in connection with the winding-up, the Official Liquidator may incur any necessary expenses out of such amount, and the money so advanced shall be paid out of the assets of the company in priority to the debts of the company.

The Auditor should verify whether the provisions relating to all Banking transactions, involving realisations and disbursements, to be followed by the Official Liquidator as per the above Rules have been strictly complied with. For this purpose, the Auditor should verify all the concerned Registers and Books maintained as well as the related files and other documents maintained in the office of the Official Liquidator.

43.1.10.13. Realisation by Sale of Assets

Companies (Official Liquidator's Accounts) Rules, 1965 have prescribed detailed procedures for the realisation by sale of assets to be followed by the Official Liquidator. These Rules are given below:

As per Rule 272 of the Companies (Court) Rules, 1959, Sale of all assets are subject to sanction and to confirmation by Court. Unless the Court otherwise orders, no property belonging to company which is being wound-up by the Court shall be sold by the Official Liquidator without the previous sanction of the Court, and every sale shall be subject to confirmation by the Court. As per Rule 273 of the said Rules, every sale shall be held by the Official Liquidator, or, if the Judge shall so direct, by an agent or an auctioneer approved by the Court, and subject to such terms and conditions, if any, as may be approved by the Court. All sales shall be made by public auction or by inviting sealed tenders or in such manners as the Judge may direct. As per Rule 274, where property forming part of a company's assets is sold by the Official Liquidator through an auctioneer or other agent, the gross proceeds of the sale shall, unless, the Court otherwise orders, be paid over to the Liquidator by such auctioneer or agent and the charges and expenses connected with the sale shall afterwards be paid to such auctioneer or agent in accordance with the scales, if any, fixed by the Court.

The Auditor should verify whether the provisions relating to Sale of assets of the company under liquidation to be followed by the Official Liquidator as per the above Rules have been strictly complied with. For this purpose, the Auditor should verify all the concerned Registers and Books maintained as well as the related files and other documents maintained in the office of the Official Liquidator.

43.1.10.14. Disbursement of funds

Companies (Official Liquidator's Accounts) Rules, 1965 have prescribed detailed procedures for:

1. disbursement of funds towards settlement of debts and claims against the company (Rules 147 to 179)
2. settlement of the list of contributories in a winding-up by the court (Rules 180 to 196)
3. conducting General meetings of creditors and contributories in a winding-up by court and of creditors in a creditor's voluntary winding-up (Rules 197 to 219)
4. declaring dividends and returns of capital in a winding-up by court (Rules 275 to 280); and
5. investment of surplus funds (Rules 293 to 297). These Rules are very clear and exhaustive.

The Auditor should verify whether the Rules relating to:

1. disbursement of funds towards settlement of debts and claims against the company
2. settlement of the list of contributories in a winding-up by the court
3. conducting General meetings of creditors and contributories in a winding-up by court and of creditors in a creditor's voluntary winding-up
4. declaring dividends and returns of capital in a winding-up by court; and
5. investment of surplus funds to be followed by the Official Liquidator have been strictly complied with.

For this purpose, the Auditor should verify all the concerned Registers and Books maintained as well as the related files and other documents maintained in the office of the Official Liquidator.

44. Audit of Miscellaneous Entities including Cultural Institutions

44.1. Background

Kerala State Audit Department has been entrusted with the audit of a several other entities, which are carrying out mostly the following activities.

1. Cultural Institutions established by Government for promoting of art & culture
2. Health care activities providing health care to poor and needy people
3. Promotion of literary and scientific activities
4. Maintaining hostels for Harijans and persons belonging to weaker sections
5. Protection of natural resources, such as ground water,
6. Other Miscellaneous Institutions such as Kerala Media Academy and Kerala Cartoon Academy

Most of these entities are societies registered under Travancore – Cochin Literary, Scientific and Charitable Societies Registration Act, 1955 and their management is generally carried out through General Council, Executive Committee and/ or other committees. These entities are normally headed by a Chairperson/ President and the day today functions are managed by a CEO/ Secretary and supported by staff. The activities and functions of the entity, duties and responsibilities of the officers etc., are regulated through the Bye-laws or Memorandum of Association or specific Government Orders.

The day to day functions are usually managed by the CEO/ Secretary and important decisions are taken by placing the issues before the Executive Committee or General council or seeking the approvals from the Government.

The entities are mostly run by the following revenue sources. The sources will vary from entity to entity:

44.2. Income, Expenditure, Assets & Liabilities

44.2.1. Grants and contributions

- a) Plan & Non plan Grant from the State and/or Central Government
- b) Donations from institutions and/or individuals
- c) Contribution from members

44.2.2. Income from activities

- a) Fees from members and/or non-members
- b) Sponsorship fees
- c) Building and Hall Rent
- d) Course fee from participants
- e) Delegate fee, Registration fee
- f) Interest from deposits
- g) Sale of usufructs,
- h) Income from conducting programs, exhibitions, etc.
- i) Royalty from publication of books
- j) Other Miscellaneous income

44.2.3. Expenses

44.2.3.1. Program expenses:

- a) Providing financial assistance through Welfare schemes such as schemes for pensionary benefits, insurance coverage, education scholarships & stipends and other specific welfare programs
- b) Conducting cultural events, exhibitions, festivals, seminars, workshops, education programs, etc.
- c) Conducting courses for promoting art and culture
- d) Conducting community benefit programs such as maintaining hostels, libraries, sports clubs, etc.

44.2.3.2. Operating Expenses:

- a) Establishment expenses
- b) Payment of pension to employees
- c) Travelling expenses
- d) Office Expenses
- e) Repairs & Maintenance
- f) Vehicle Maintenance expenses
- g) Books & periodicals
- h) Entertainment expenses etc.

44.2.4. Fixed Assets

- a) Land & Buildings
- b) Furniture & Fittings
- c) Electrical fittings
- d) Vehicles
- e) Computers and other equipments
- f) Education equipments
- g) Paintings,
- h) Musical Instruments,

44.2.5. Current Assets

- a) Stores & Spares
- b) Deposits made
- c) Sundry Debtors
- d) Investments
- e) Fixed Deposits
- f) Cash & Bank Balances

44.2.6. Liabilities

- a) Capital fund account
- b) Bank loans and other loans
- c) Security and other Deposits received
- d) Sundry creditors & miscellaneous liabilities

44.3. Audit Procedures

The general audit procedures as per chapters 14 to 25 will have to be applied to these institutions' audit to the extent applicable. In addition, the institution specific audit procedures for this group are given below:

Most of these entities follow a cash based, single entry accounting system and prepare only a Receipts & Payments account. The activities and functions of these entities will be regulated by the bye laws or Memorandum of Association or Government orders.

Audit should invariably verify the following:

- a) Bye law or Articles of Association of the entity to understand the activities and functions of the entity
- b) Relevant orders of the Government
- c) Minutes of the meetings of the various committees of the entity.
- d) Orders sanctioning Grant, if any
- e) Conditions attached to donations and contributions from other sources.
- f) Orders of the Government for conducting programs and schemes

The auditor must verify that:

- a) Grants, donations, contributions, etc., received for any specific purposes are utilized only for the said purposes.
- b) If the entity has conducted any specific program or function, whether separate statement of accounts has been prepared.

The receipts and expenditure of these miscellaneous institutions as listed above are not different from those pertaining to other entities in general and therefore audit checks different from the general audit checks on revenue, expenditure, assets and liabilities which are detailed elsewhere in this volume are not warranted. The Auditors shall therefore follow the same audit procedures in respect of these miscellaneous Institutions also. In respect of specific programmes or activities undertaken by these institutions the compliance of the procedures and orders which govern their executions should be subjected to necessary audit checks.

45. Audit of Kerala Sahitya Academy

45.1. Background

In GO(Ms) No.26/85/CD dated 24th December 1985, Government accorded sanction for the registration of Kerala Sahitya Academy as a society under Travancore Cochin Literary, Scientific and Charitable Societies Registration Act, 1955. It's headquarter is situated at Thrissur.

The academy has the following sub-centres:

1. Appan Thampuransmarakam, Ayyanthole
2. Dr Sukumar Azhikkode smarakam, Eravimangalam
3. VKN smarakam, Thiruvilluamala

45.2. Objectives

1. To promote co-operation among men of letters for the development of Malayalam Language and Literature
2. To encourage or to arrange translation of literary works from other Indian and non-Indian languages into Malayalam and vice versa
3. To publish or to assist associations and individuals publishing literary works, including bibliographies, dictionaries, encyclopedias, bias vocabularies, etc., in Malayalam
4. To sponsor or to hold literary conferences, seminars and exhibitions
5. To award prizes and distinctions and to give recognition to individuals writers for outstanding work
6. To promote research in the field of languages and literature and to collect and preserve documents, records films and other materials connected with Malayalam literature, Kerala culture and men of letters.
7. To promote the teaching and study of regional languages and literature
8. To encourage propagation and study of literature among the masses
9. To promote cultural exchanges with other states and to establish relations with academies in the centre and in other states.
10. To encourage the comparative study of Dravidian Languages with a view to understand the evolution of Malayalam
11. To grant financial assistance to literary men in indigent circumstances who have done notable services to the cause of language and literature
12. To promote the study of folk-lore and folk-literature
13. To receive grants, bequests and other donations, to purchase land, own property of all kind to maintain, sell, mortgage or otherwise dispose of it in furtherance of its work
14. To do all other such acts and things, whether incidental to the powers aforesaid or not, as may be required in order to further its objectives

The authorities of the Academy	Officer bearers of the Academy
<ol style="list-style-type: none"> 1. The General Council 2. The Executive Committee 3. The Finance Committee; and 4. Any other standing committee or committees which the general council or the Executive Committee may set up for a specific purpose 	<ol style="list-style-type: none"> 1. President 2. Vice President 3. Treasurer 4. Secretary

45.3. Budget and Accounts

Before the expiry of each financial year on such date as the Government may fix, the academy shall submit to the Government for approval the Budget estimate for the next financial year and the Government shall have the right to modify or alter the Budget as they deem necessary.

After the close of every financial year on such date as the Government may fix, the academy shall submit to the Government a report on the working of the academy for that financial year together with audited statement of accounts.

45.3.1. Rules followed

The following government rules are followed by the Academy for regulating their activities:

1. Kerala Financial Code
2. Kerala Service Rules
3. Kerala Store Purchase Manual
4. Kerala Public Works Department Code; and Kerala Public Works Department Manual
5. Kerala Treasury Code
6. Kerala Budget Manual
7. Kerala Account Code
8. GPF Rules
9. Pension Rules, etc.

45.3.2. Accounting records

The main accounting records and important registers maintained are:

1. Bill register
2. Contingent bill register
3. Miscellaneous bill register
4. Acquittance register
5. TA bill register
6. Register of receipts
7. List of payment register
8. Cheque receipt register
9. Cheque disbursement register
10. Register of receipt books
11. Register of cheque books
12. Cash book
13. Advance register
14. Stock registers of library books, rare manuscript, portraits, paper account etc.

45.4. Audit of Accounts

The Director, Kerala State Audit Department and the Accountant General shall be competent to audit the accounts of the academy, and final authority to decide on the propriety of any expenditure incurred by the academy shall be the Government.

45.5. Types of Receipt, Expenditure & Fund

Kerala Sahitya Academy is maintaining their accounts on the basis of single entry system. The accounts of the academy are audited by Kerala State Audit Department.

45.5.1. Income

1. Government grant (plan and non-plan)
2. Sale proceeds of publications
3. Rent
4. Fees from scholars
5. Interest earned
6. Other miscellaneous income

45.5.2. Expenditure

1. Establishment expenses (including salary, allowance, wages and office expenses)
2. Contingencies
3. Publication expenses
4. Exhibition expenses
5. Expenses for conducting seminar and symposium
6. Library development
7. Pension
8. Other expenses

45.5.3. Audit Check

The general audit procedures as per chapters 14 to 25 will have to be applied to this institution's audit to the extent applicable. The audit checks in respect of receipts and payments which are not in the general nature will have to be scrutinized with reference to the specific orders concerning the schemes. For instance, expenses on account of cultural events and seminar and symposium may call for involving artistes with a specific area of expertise. Considering the importance of such cultural events and the fact that such artistes and celebrities may require special treatment, the general rates might have been approved specifically. Auditor needs to verify all the relevant orders, approval, claim payments, etc., in this regard.

46. Audit of Kerala Sangeetha Nataka Academy

46.1. Background

In GO(MS) No.27/85/CD dated 24th December 1985, Government accorded sanction for the registration of Kerala Sangeetha Nataka Academy as a society under Travancore Cochin Literary, Scientific and Charitable Societies Registration Act, 1955. It's headquarter is situated at Thrissur.

46.2. Objectives

1. To encourage and promote dance, drama, music, magic, folk arts and such other performing art forms prevalent in Kerala
2. To promote co-operation among the artistes, art institutions and art organisations in the state
3. To conduct festivals, camps, workshops, seminars, etc., for the promotion of different performing arts.
4. To promote publication of books on performing arts
5. To promote cultural exchanges with other states of India in the matter of dance, drama and music
6. To give encouragement to artistes through awards, prizes, scholarships and other measures to recognize meritorious work-in the field of dance, drama, music, folk art and other allied art forms.
7. To assist artistes in indigent circumstances
8. To organize dance, drama and music festivals in co-operation with the Central Sangeet Natak Akademi, New Delhi

The authorities of the Academy	Officer bearers of the Academy
<ol style="list-style-type: none"> 1. The General Council 2. The Executive Committee 3. The Finance Committee; and 4. Any other standing committee or committees which the general council or the Executive Committee may set up for a specific purpose 	<ol style="list-style-type: none"> 1. Chairman 2. Vice Chairman 3. Treasurer 4. Secretary

46.3. Budget and Accounts

Before the expiry of each financial year on such date as the Government may fix, the academy shall submit to the Government for approval the Budget estimate for the next financial year and the Government shall have the right to modify or alter the Budget as they deem necessary.

After the close of every financial year on such date as the Government may fix, the academy shall submit to the Government a report on the working of the academy for that financial year together with audited statement of accounts.

46.3.1. Rules followed

The following government rules are followed by the Academy for regulating their activities:

1. Kerala Financial Code
2. Kerala Service Rules
3. Kerala Store Purchase Manual
4. Kerala Public Works Department Code; and Kerala Public Works Department Manual
5. Kerala Treasury Code
6. Kerala Budget Manual
7. Kerala Account Codes
8. GPF Rules
9. Pension Rules, etc.

46.3.2. Accounting records

The main accounting records and important registers maintained are:

1. Bill register
2. Contingent bill register
3. Miscellaneous bill register
4. Aquittance register
5. TA bill register
6. Register of receipts
7. List of payment register
8. Cheque receipt register
9. Cheque disbursement register
10. Register of receipt books
11. Register of cheque books
12. Cash book
13. Advance register
14. Register of rent of theaters

46.4. Audit of Accounts

The Director Kerala State Audit Department and the Accountant General shall be competent to audit the accounts of the academy, and final authority to decide on the propriety of any expenditure incurred by the academy shall be the Government.

46.5. Types of Receipt, Expenditure & Fund

Kerala Sangeetha Nataka Academy is maintaining their accounts on the basis of single entry system. The accounts of the Academy are audited by Kerala State Audit Department.

46.5.1. Income

1. Government grant (plan and non-plan)
2. Grants from other agencies
3. Rent
4. Sale proceeds from publications
5. Interest earned
6. Other miscellaneous income

46.5.2. Expenditure

1. Establishment expenses (including salary, allowance, wages and office expenses)
2. Contingencies
3. Insurance for artistes
4. Pension
5. Publication expenses
6. Exhibition expenses
7. Expenses for conducting performances
8. Library development
9. Other expenses

46.5.3. Audit Check

The general audit procedures as per chapters 14 to 25 will have to be applied to this institution's audit to the extent applicable. The audit checks in respect of receipts and payments which are not in the general nature will have to be scrutinized with reference to the specific orders concerning the schemes. For instance, expenses on account of cultural events and performance may call for involving artistes with a specific area of expertise. Considering the importance of such cultural events and the fact that such artistes and celebrities may require special treatment, the general rates might have been approved specifically. Auditor needs to verify all the relevant orders, approval, claim payments, etc., in this regard.

47. Audit of Kerala Lalitha Kala Academy

47.1. Background

In GO(Ms) No.28/85/CD dated 24th December 1985, Government accorded sanction for the registration of Kerala Sangeetha Nataka Academy as a society under Travancore Cochin Literary, Scientific and Charitable Societies Registration Act, 1955. It's headquarter is situated at Thrissur.

47.2. Objectives

1. To encourage and promote visual art in the state
2. To promote training, research and studies in the fields of visual art
3. To promote co-operation among artists, art institutions and art organisations in the state of Kerala
4. To conduct camps, workshops, exhibitions, seminars and discussions to promote arts
5. To promote the publication of books, monographs and journals on arts
6. To encourage, wherever necessary the opening of art galleries, art centres, etc.
7. To establish and maintain a Library of books, journals and albums on arts and paintings
8. To give awards to eminent artists in recognition of their meritorious work
9. To encourage traditional Kerala arts like "Kalamezhuthu", "Kolam", etc.
10. To assist artists in indigent circumstances
11. To give financial assistance to the children of artists for educational purposes in art
12. To purchase, maintain, sell or mortgage immovable property of all kinds in furtherance of the objectives of the academy; and
13. To do all such other acts as are conducive to the furtherance of the objectives of the academy

The authorities of the Academy	Officer bearers of the Academy
<ol style="list-style-type: none"> 1. The General Council 2. The Executive Committee 3. The Finance Committee; and 4. Any other standing committee or committees which the general council or the Executive Committee may set up for a specific purpose 	<ol style="list-style-type: none"> 1. Chairman 2. Vice Chairman 3. Treasurer 4. Secretary

47.3. Budget and Accounts

Before the expiry of each financial year on such date as the Government may fix, the academy shall submit to the Government for approval the Budget estimate for the next financial year and the Government shall have the right to modify or alter the Budget as they deem necessary.

After the close of every financial year on such date as the Government may fix, the academy shall submit to the Government a report on the working of the academy for that financial year together with audited statement of accounts.

47.3.1. Rules followed

The following government rules are followed by the University for regulating their activities:

1. Kerala Financial Code
2. Kerala Service Rules
3. Kerala Store Purchase Manual
4. Kerala Public Works Department Code; and Kerala Public Works Department Manual
5. Kerala Treasury Code
6. Kerala Budget Manual
7. Kerala Account Codes
8. GPF Rules
9. Pension Rules, etc.

47.3.2. Accounting records

The main accounting records and important registers maintained are:

1. Bill register
2. Contingent bill register
3. Miscellaneous bill register
4. Aquittance register
5. TA bill register
6. Register of receipts
7. List of payment register
8. Cheque receipt register
9. Cheque disbursement register
10. Register of receipt books
11. Register of cheque books
12. Cash book
13. Advance register

47.4. Audit of Accounts

The Director Kerala State Audit Department and the Accountant General shall be competent to audit the accounts of the academy, and final authority to decide on the propriety of any expenditure incurred by the academy shall be the Government.

47.5. Types of Receipt, Expenditure & Fund

Kerala Lalitha Kala Academy is maintaining their accounts on the basis of single entry system. The accounts of the academy are audited by Kerala State Audit Department and Accountant General.

47.5.1. Income

1. Government grant (plan and non-plan)
2. Grants from other agencies
3. Rent
4. Sale of paintings
5. Interest earned
6. Other miscellaneous income

47.5.2. Expenditure

1. Establishment expenses (including salary, allowance, wages and office expenses)
2. Publication expenses
3. Contingencies
4. Gallery maintenance
5. Exhibition expenses
6. Expenses for conducting performances
7. Pension
8. Other expenses

47.5.3. Audit Check

The general audit procedures as per chapters 14 to 25 will have to be applied to this institution's audit to the extent applicable. The audit checks in respect of receipts and payments which are not in the general nature will have to be scrutinized with reference to the specific orders concerning the schemes. For instance, expenses on account of cultural events and performance may call for involving artistes with a specific area of expertise. Considering the importance of such cultural events and the fact that such artistes and celebrities may require special treatment, the general rates might have been approved specifically. Auditor needs to verify all the relevant orders, approval, claim payments, etc., in this regard.

48. Audit of Accounts of Kerala State Library Council (Kerala Granthasala Sangham)

48.1. Background:

The Kerala State Library Council is based on Kerala Public Libraries (Kerala Granthasala Sangham) Act 1989 (Act 15 of 1989). Kerala Public Libraries (Kerala Granthasala Sangham) Rules 1991 was formulated under Section 40 of the Act and issued in S.R.O No. 204/91. The Rules came into force from 15th Feb 1991. There are 14 District Library Councils and 75 Taluk Library Councils under its administrative control. The main office is situated at Thiruvananthapuram.

48.2. Sources of Income:

1. Library cess received from LSGI
2. Central & State Government Grant
3. Affiliation fee
4. Donations
5. Miscellaneous income

48.3. Expenditure:

1. Pay and allowances of staff including T.A.
2. Grants to affiliated libraries
3. Publications
4. Purchase of books, journals, musical instruments etc.
5. Allowance to office bearers
6. Librarian allowance
7. Printing of Library guides
8. Purchase of Furniture, stationery etc.

48.4. Manner of Accounting

Government accounting system is being followed. Records are maintained in the manner being followed by the State Government institutions. The pay and allowances of officers and staff are regulated in accordance with Kerala Service Rules. There exists four categories of officials/employees, such as Kerala Public Library (Kerala Granthasala Sangham) Service, for Gazetted Officers, K.P.L. Subordinate Service for Non-Gazetted category, K.P.L Technical Service for Technical Officers and K.P.L. Last Grade for last grade employees.

48.5. Manner of Auditing:

The accounting of SLC, DLC and TLC are entrusted to the KSAD as per Rule 108. The accounts shall be submitted to Audit by the concerned Secretaries. The Auditors shall have the authority to surcharge the amounts paid in excess on the persons authorising such payment. In case of deficiency and loss due to the negligence or misconduct of an official on any sum that should have been brought to account, the same amount shall be charged against the person responsible. Audit has to furnish the Audit Certificate detailing the eligible grant amount of issue of Audit report for each financial year.

48.6. Records & Registers maintained:

The following records are required to be maintained:

1. Bye-Laws
2. Admission form
3. Stock Register
4. Issue Register of books
5. Minutes Books
6. Subscription Register
7. Receipt book
8. Cash Book
9. Ledger

10. Voucher File
11. Monthly Statement Register
12. Acts and Rules governing the Library service
13. Visitors Diary
14. Any other records as may be prescribed by State Library

48.7. Audit checks: Receipts

General checks in respect of receipts are detailed in Part II of the Manual, which may be performed with precision. The additional checks pertaining to the Library councils are as follows:

1. Library Cess from LSGI s in the State to be verified with the Demand Registers.
2. Ensure that the amounts thus received are accounted in the Library Council Fund.
3. Verify the Demand, Collection and Balance statement and ensure that the amounts received by LSGI for the year by way of Library Cess has been obtained.
4. In case deficiencies are noticed, see whether timely steps have been taken up for obtaining the dues.
5. In case it is noticed that several institutions have been defaulted, examine whether the Director of Panchayats, Director of Municipal Administration, Secretaries to the Government have been addressed ub the matter.
6. Check whether the DCB statements have been prepared promptly and progress in the receipt of Library Cess monitored on a regular basis by senior officials.
7. Verify whether timely steps have been taken to procure the Central/State Government grants.
8. Check whether the affiliation fee at the prescribed rates have been realised promptly.
9. Check whether the donation received are accounted properly and credited to Council fund.

48.8. Audit checks: Expenditure

1. Since the recurring salary and allowances are in accordance with KSR Audit checks as detailed in Part II / Volume 1 of the Manual and Audit of salary expenses in Part II / Volume 1 of the Manual are to be performed.
2. Since State Government procedures are being followed for Audit of Stores & Stock, Provident Fund accounts, Sanction Audit, E-tendering, administrative expenses, contingent expenses, T.A, Public works, if any, verification of Annual Accounts, etc., principles in Part II / Volume 1 of the Manual shall be followed.
3. Verify whether the grants to affiliated Libraries have been disbursed timely and in accordance with the stipulations.

48.9. Issue of Audit Report and follow up action

After completion of Audit the Audit Reports of State Library Council, District Library Council, Taluk Library Council etc. are issued by the District offices of the KSAD incorporating the Audit certification as envisaged for each financial year. The follow up action thereon are in accordance with the Kerala Local Fund Audit Act 1994 and Kerala Local Fund Audit Rules, 1996.