



*Manual on
Commercial Accounting System*

VOLUME X – AUDITING

KERALA STATE ELECTRICITY BOARD

VOLUME X AUDITING MANUAL

FOREWORD

1. Purpose and Scope

The purpose of the manual is to establish consistent and effective policies and procedures to ensure proper financial management and adherence to procedures and policies at all levels in the Board. The policies and procedures contained in this manual will be followed in the Board unless specific exception is given under certain peculiar circumstances and the deviation has been approved in writing by the Financial Adviser & Chief Accounts Officer.

2. Structure and Coverage

This volume is sub-divided into four parts, organised with chapters within each part.

| | | |
|----------|---|--|
| Part I | - | General. |
| : | | Highlights of the System. |
| Part II | - | Operating System. |
| : | | Field of auditing and carrying out internal audit. |
| Part III | - | Statutory Audit |
| Part IV | - | Forms and Registers |

3. Updating

A system being dynamic, it is necessary to update procedures etc. Hence recommendations and suggestions are to be sent to the Financial Adviser & Chief Accounts Officer (FA & CAO).

4. Deviations.

Deviations are not normally entertained. However, there can be occasions where deviations are must, to suit local conditions/requirements etc.

Requests for deviations should be prepared in writing, explaining

- nature of deviation
- the reason for deviation
- the time span for which deviation is required
- Procedure that will be followed if deviation is authorised.

Requests for deviation are to be submitted to FA & CAO who in turn decides the necessity of deviation. A register of deviations granted will be maintained at Head Office.

5. Security of Manuals.

The Manual is the property of the Board and it should be used only by authorised employees, authorized auditors and any other authorised persons.

Member (Accounts)

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1. HIGHLIGHTS

- 1.1 This manual is designed mainly to assist the internal auditors for effectively carrying out the internal audit.
- 1.2 Internal audit function had to ensure the compliance with policies and procedures. Besides it should act as an advisor to the Board in operational areas. This is to ensure the operational efficiency of various transactions carried out or to be carried out.
- 1.3 Emphasis is to carry out the Internal audit at the point where transactions are originated.
- 1.4 Detailed instructions on topics such as planning the audit, carrying out the audit and concluding the audit are included in the manual. Moreover a portion on EDP auditing has also been included.
- 1.5 The manual also covers the compliance with statutory audits.

2. ORGANISATION

At H. O level internal auditing is confined to accounting returns while at the field, greater emphasis has to be given for auditing transactions, and ensuring maintenance of books of account. Thus a two tier system of auditing is envisaged.

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| PART | II | OPERATING SYSTEM |
| CHAPTER | I | THE FIELD OF AUDITING |

1. Definition and Principles

- 1) Auditing is the systematic examination of financial statements, reports, records and related operations to determine adherence to generally accepted accounting principles, policies of the Board, requirements of governments or any other specific requirement. Auditing and accounting maintains a close relationship but auditing emphasises factors such as soundness in support of financial statements etc. Thus auditing enables in presenting financial statements in a true and fair way helping to eliminate personal bias, carelessness, dishonest practices etc. Auditing is a review function.
- 2) Auditor seeks evidences but not in search of absolute proof – to ensure what a reasonable and competent man would do in that situation and circumstances.
- 3) Historically the purpose of the audit was to detect and prevent fraud. Currently substantial emphasis is given for determining the true and fair view of reported financial position, and hence the detection of fraud would only have a secondary role.

2. Auditing classifications:

(1) Based on the persons carrying out the audit, the auditing can be classified as follows:

1. Independent auditing including statutory audit.
2. Internal auditing
3. Governmental auditing

Independent auditing is normally carried out by Chartered Accountants, while internal audit is carried out by the staff of the organization (there are exceptions). Auditing on behalf of Government is carried out by C & AG.

(2) Based on the subject of audit the auditing can be classified as follows:

1. Financial
2. Operational
3. Special reviews

(3) Financial Audit is done on accounting data, reports etc.

(4) Operational audit is the critical evaluation of activity carried out – whether the activity has been carried out as per business principles and policies, and whether the activity has been properly planned and the performance has been properly reported.

(5) Special reviews include all miscellaneous category of audit such as reviewing how certain matters have been complied with, or how control activities have been carried out etc.

3. Auditing Pattern:

(1) The pattern consists of

- planning for audit
- carrying out audit
- reporting and review

(2) Planning phase includes staff requirement, type of audit to be carried out (financial, operational etc), preliminary survey of the work, preparation of audit programme, preparation of time budget etc.

(3) Carrying out the auditing includes assigning work to staff, supervising them, reviewing the working papers and preparation of draft comments

(4) Reporting is the conclusion of a unit,

(5) Review is the follow up to dispose off audit queries.

4. Internal Auditing:

(1) Internal Auditing is an independent appraisal activity within an organisation for the review of accounting, financial and other operations as a basis for service to the management. It is a managerial control, which functions by measuring and evaluating effectiveness of other controls (ref: Institute of Internal Auditors).

(2) Objectives of the internal auditing include:

- Review and appraisal of the soundness and application of accounting, financial and operating controls (including non-financial areas),
- Ascertaining the reliability of accounting and other data,
- Evaluation of performance, and
- Assist management in properly carrying out their responsibilities,

(3) Internal auditing being a staff function, functions as an appraisal activity. So they appraise policies, procedures, records, systems, etc.

(4) Areas _ The areas of internal auditing can be classified examining the various records to ensure:

- Compliance
- Verification
- Evaluation
- Prevention and detection of fraud, errors etc.
- Co-operate with external/statutory auditors
- Other recommendations such as cost reduction.

- (a) In the areas of compliance, Internal auditor approves whether the location has complied with – generally accepted accounting principles, statutory requirements, Board's policies and procedures, Budgetary requirements etc.
- (b) Verification will include records, reports, asset and liabilities.
- (c) Evaluation is an important activity of internal auditing, Evaluation would include the appraisal regarding the adequacy of the system and evaluation of its operation and performance.
- (d) While the above three areas play a dominant role in the activity of internal auditor, he is also expected to prevent and detect fraud, if any. The problem of error is normally taken care of by establishing proper internal control. Hence the internal auditor has to ensure the adequacy and the maintenance of internal control.

| | | |
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| PART | II OPERATING SYSTEM | |
| CHAPTER | 2 | INTERNAL AUDITING PATTERN |

1. PLANNING FOR INTERNAL AUDIT

1.1 Approach for audit

1.1.1 Organisation

Internal audit department is established in the Board to carry out the auditing work. It is headed by a senior and responsible official. He is assisted by staff members.

1.1.2 Internal audit schedule

(1) Proper planning for auditing is considered as an essential activity of the Board. This planning would include both the long range schedules and current schedules.

(2) Long range schedules would include audit staff requirements, their training, additional areas to be covered and reduction in the present coverage.

(3) Current schedule is the activity planned for the year ahead. This schedule will include areas to be covered, locations to be covered, and staff requirement. This schedule should be finalized in February for the ensuing year.

(4) While chalking out the auditing schedule the problem to travel and co-ordination with the statutory conditions should be considered. The schedule should include time budget and staff budget.

(5) Responsibility for planning lies with the senior official who is in charge of the internals audit.

1.1.3 Audit programme

(1) Audit programme is a must for properly organising the internal audit. This is of great help in planning the internal audit.

(2) Senior official in charge of each internal audit team should draft the audit programme.

(3) Broadly, the audit programme should include the following

Evaluation of internal control

Review of records and supporting vouchers

Audit of annual/monthly accounts and other reports

Physical verifications programme

Review statutory matter (income-tax, sales-tax etc)

Preparation of the reports
Follow up to be done
Review of the previous work

(4) Pre-printed/pre-designed programme should be used.

(5) Specimen audit programmes are given elsewhere which are excerpts from other volumes of the manual.

(6) Work should be carried out as per the audit programme and the persons who have carried out the work should fill in the programme showing the dates and affixing initials.

(7) To put it differently audit programme is a self explanatory statement containing period of audit, area of audit, and personnel who supervise and carry out the audit.

2. CARRYING OUT THE INTERNAL AUDIT

2.1 For effectively carrying out the internal audit the following elements are to be specifically considered.

Supervising the audit
Evidence
Auditing techniques/procedures
Auditing working paper
Use of audit programme

2.2 Supervising the audit

2.2.1 The staff will carry out the work as per the assignments/audit programme given to them but it is very essential to supervise the audit to obtain desired results.

2.2.2 Supervisor's role include planning the audit, assigning the work, supervising the same, reviewing the working papers and reports and take certain decisions for proper functioning of the internal audit. Besides, the supervisor should evaluate the internal control existing in each location/work.

2.2.3 While concluding the audit the supervisor should check the performances by matching with time/staff budget, check the quality of the work etc.

2.3 Evidence:

2.3.1 Auditing being a review activity, places great emphasis to the evidences which supports the accounting data. Types of evidences can be grouped as follows:

The system/Internal control
Physical evidence
Ledger, records, journals etc.
Overall analyses (rates, trends, etc)

Independent workings
Subsequent events
Methods of processing – electronic, manual
Supporting documents such as external evidence, internal evidence
Oral evidences
Any other evidences such as circumstantial evidence

2.4 Auditing Techniques, procedures and Ticks

2.4.1 Auditing is carried out by using certain technique. These techniques are employed to obtain evidences of one kind or other.

2.4.2 Examples of auditing techniques are given below:

- (a) Vouching:
The verification of written evidences such as payment voucher, invoices etc.
- (b) Reconciling
Locating the cases of two or more related terms to be different, e.g. Inter unit reconciliation, bank reconciliation etc.
- (c) Physical verification:
Physically verifying the existence of certain items and matching with what is recorded.
- (d) Confirming:
Independently obtaining the reports/certificates to establish the accuracy and validity of certain data.
- (e) Analysing:
Finding out the composition of a balance
- (f) Posting verification:
This is to ensure the correctness of recording process. This is carried out by tracing what is recorded from one source to another.
- (g) Footing and extension verification:

Verification of totalling and multiplication to prove the accuracy of figures.

2.4.3 AUDITING TICKS

1. Auditing ticks are essential as a proof of audit carried out. Hence there is a necessity for uniformity for the ticks. These ticks are to be used only by auditors. Accountants and others are discouraged to copy the auditing ticks in the records of the Board and also the colour (red pencil/ red ink).

2. The following are the ticks prescribed for internal auditor. Auditors should use red colour (pencil or pen or rubber stamps).
- a. Posting tick - / on the left hand side of figure in both the records (e.g. cash book and ledgers, store records)
 - b. Cross verification - \ again the left side and it can cut across a posting tick to for an X mark
 - c. Totalling - \ Below the figure and normally between rupees and paise
 - d. Cross totalling - / Position same as of totalling but it cuts across a totalling tick to for a X mark
 - e. Reconciliation (eg. Bank) - / Above the figure but between rupees and paise. This can also be crossed when different reconciliations are carried out.
 - f. Vouching - Initial of the employee on all vouchers or stamp as CANCELLED BY (Initial of the auditor)
 - g. Carry forward and brought forward - / on the left hand side of both figures. It is same as posting ticks
 - h. For cancelling a tick - o May be marked on top of the tick.

NOTE: When it becomes necessary to retrace what has already been done different colour code can be used and also different form of tick like –

ILLUSTRATION

| | | |
|---------------------|-----|-----------------------|
| Fixed Assest | (1) | / 45,15,348.00 |
| Less depreciation | | <u>4,50,818.00</u> |
| Sub total (A) | (2) | 40,64,530.00 |
| | | / |
| Current Assets | | |
| Stores | | 20,05,027.30 |
| S. Debtors | (3) | 35,00,308.40 |
| | | / |
| Bank balance | | <u>42,08,178.70</u> |
| Sub total (B) | | <u>97,13,514.40</u> |
| Total C/F (A+B) = C | (4) | <u>1,37,78,044.40</u> |

(Assuming carried forward to next page)

| | | |
|-------------------------------------|-----|--------------------------------------|
| Brought forward Loan & Advance | (4) | /1,37,78,044.40 2,39,065.00 °/ |
| Advance to staff Voucher advance | (5) | <u>1,72,503.90</u> |
| Sub total (D) | | <u>4,11,568.90</u> |
| TOTAL (A + B + D) = E | | <u>1,41,89,613.30</u> |

1. Posting traced from trial balance / schedule
2. Totalling
3. Reconciled with schedules
4. C/F and B/F
5. Tick cancelled

Note: Section 3 gives certain auditing procedures

2.5 Audit working papers:

Working papers play a major role in reporting the findings. They act as supporting documents for the work carried out. Working papers include the completed audit programme, evidence gathered during the audit, independent working done, methods and procedures followed and draft reports. They will form a part of the permanent audit file. Working papers have, to be properly indexed.

2.6 Audit Programme:

For systematically carrying out the audit, charting out an audit programme is essential. Specimen audit programmes are given elsewhere.

2.7 Areas of work:

Areas of auditing work is listed below as a guideline. (The individual manuals will give a comprehensive coverage):

2.7.1 Material accounting:

- Purchases
- Receipts
- Issues
- Consumption
- Valuation
- Storing

- Stocking and requirements
- Movement of materials
- Fabrication, repairs, etc
- Obsolescence, scrapping, despatch
- Advertising, tendering, etc
- Indenting for purchases
- Material budgeting
- Inter unit accounting

2.7.2 Capital Expenditure and fixed assets:

- Work in progress
- Project accounting
- Repairs and Maintenance
- Coding Schemes
- Policies and terms of capitalization
- Spares, Spare Units, etc
- Tools
- Depreciation
- Additions, deletions
- Scrapping, disposal
- Capital gains
- Creditors, contractors
- Inter unit reconciliation
- Purchasing procedures

2.7.3. Sale of Power:

- Consumers balances, deposits, contribution etc.
- Revenue assessment
- Revenue collection
- Fund transfer
- Government levies
- Inter unit
- Connection giving, meter reading
- Tariff

2.7.4 Finance:

- Cash
- Bank

- Funds raising, allocation, investments, reports etc.
- Budgeting
- Share cost from departments of Government
- Consumer contribution

2.7.5 Personnel

- Appointment
- Service Book
- Attendance
- Salary Computation and payment
- Reconciliation
- Statutory deduction and other deductions
- Loans, Interest
- PF enrolment, contribution, loans settlement
- Pension payment and contribution
- Gratuity payment
- Allocation
- Travelling expenses
- Special compensation
- Other payments such as bonus, holiday wages etc.

2.7.6 Information system:

- Annual Accounts
- Monthly accounts and reports
- Budgetary and performance evaluation
- Statutory audit
- Interpolation
- Electronic Data Processing

2.7.7 Taxation

- Personnel
- Boards agricultural Income-tax, Income-tax, Sales-tax, Excise duty etc.
- Government levies on Sale of power
- Stamp duties

2.7.8 Overalls assessment:

- Using financial tools such as ratio, percentages, changes, trend analysis etc.

- Balance sheet and revenue account evaluation, evaluation of services and fund application.

2.8 Excerpts from Chapter on Internal Control and Internal Audit from various manuals are given hereunder which include the audit programmes also:

2.8.1 FUEL (Not applicable)

2.8.2 MATERIAL ACCOUNTING

1. Material accounting and auditing plays a very important role. Accounting is a continuous process not only of recording the movement of items but also of taking snapshot picture at intervals. An accurate material stock picture depends on the controls exercised, physical verification and use of proper valuation. Accordingly as a part of overall control, Internal Auditor is expected to audit purchasing, receiving, inspection, stocking etc. to assess the overall effectiveness of stock handling.

2. Internal control –Broad internal control points are given below as a framework for material auditing,

2.1 General:

- 1) Segregation of responsibilities for custody and accounting is essential.
- 2) Whether there exists a system to prevent over stocking, spoilage, shortage, fraud etc.
- 3) Safety of stock- storage and protection to premises.

2.2 Receiving:

- 1) Proper recording of all receipts- counting, weighting, measuring etc.
- 2) Any unauthorized receipts.
- 3) Numerical control of documents.

2.3 Issuing:

- 1) Proper authority for all withdrawals
- 2) Proper documentation

2.4 Stock balance:

- 1) Physical inventory taken periodically
- 2) Any variation between physical balance and records maintained. Disposal of the same
- 3) Valuations are done properly as per the policies

- 4) Stock records are up-to-date
- 5) Identifying excess, surplus, obsolete and slow moving items

2.5 Others:

- 1) Properly following of cut- off procedure wherever necessary.
- 2) Accounting of all materials received by the Board especially at the year end.
- 3) Accounting of items at bonded warehouse, if any.

3 Common errors in stock compilation:

- 1) Improper name, size etc.
- 2) Wrong unit
- 3) Erroneous application of unit prices.
- 4) Totalling errors.

The above are some common errors which are to be properly guarded.

DETAILED AUDIT PROGRAMME

Audit programme will act as a guideline to carry out the audit.

1. Particulars

- 1.1 Evaluation of internal control (see the para on internal control)
- 1.2 Compliance with generally accepted accounting principles
- 1.3 Compliance with Board's policies and procedures
- 1.4 Compliance with statutory requirements

2. Stores

2.1 Receiving

- 1) Maintenance of all records
- 2) Numerical sequence of records
- 3) Flow of records
- 4) Recording is up-to-date or not

3. Issues:
 - 1) Authority of all issues
 - 2) Proper documents
 - 3) Matching with work order

4. Stock records
(Numerical and value)
 - 4.1 Posting and balancing
 - 4.2 Valuation as per policy, any changes?
 - 4.3 Comparison with numerical and value ledgers

5. Valuation:
 - 5.1 Consistency with policies
 - 5.2 Standard rate accuracy
 - 5.3 Weighed average valuation
 - 5.4 Disposal of variances

6. Physical Inventory (Stores and MASA)
 - 6.1 Date of taking
 - 6.2 Items taken
 - 6.3 Reconciling with stock records
 - 6.4 Disposal of variances

7. Stock at other places
 - 7.1 Contractor's issues, consumption, balance value
 - 7.2 Workshop/repair shop
 - 7.3 Bonded/other warehouses

8. Year/period and operation:
 - 8.1 Cut off procedure
 - 8.2 Creation of liability for all items

- 8.3 Certificate for stock at other places
- 9. Overall assessment
 - 9.1 Excess items
 - 9.2 Obsolete items
 - 9.3 Spoiled items
 - 9.4 Shortages for work
 - 9.5 Shortages as per records and stock
 - 9.6 Slow moving items
 - 9.7 Stock/consumption ratio
 - 9.8 Computation of stock balances (OB + purchase – issues)
 - 9.9 Verifications of accounting entries and agreeing with ledger balances.
 - 9.10 Proper documentation for stock movements.
- 10. Efficiency recommendation:
 - 10.1 Safety of stock
 - 10.2 Purchase lot
 - 10.3 Transportation
 - 10.4 Inter-unit transfer
 - 10.5 Handling devices
 - 10.6 Inspection procedures and devices
 - 10.7 Other areas
- 11. Budgetary control:
- 12. Reporting
 - 12.1 Daily reports
 - 12.2 Monthly reports
 - 12.3 Yearly reports

2.8.3 CAPITAL EXPENDITURE AND FIXED ASSETS

1. Fixed assets include tangible and intangible assets. Examples of intangible assets are patents, goodwill etc. The Fixed assets will have a service life of more than one year and in the normal course these assets are used for the purpose of the business and not expected to be sold.

2. Objectives of the audit

- to determine whether the fixed assets are properly recorded as per the policies of the Board and generally accepted principles.
- to ensure that the policies and principles are consistently applied.
- to establish the existence of asset
- to determine the title / ownership of assets
- to ensure that the charging of depreciation is correctly done both arithmetically and as per policies and principles.
- to assess the operation of internal controls

3. Internal Control Measures

Board's investment on fixed assets is sizable and therefore special attention is to be given in auditing the fixed assets and capitalization procedures.

Internal control include the following steps:

1. Preparations and use of Budgets
2. Budget sanction for Capital Expenditure shall be approved by the Board.
3. Approved budgets shall be communicated to the relevant divisions and variation from the budgets shall be constantly monitored.
4. There shall be written authorisation for incurring capital expenditure for items included in the Budget.
5. Authority for incurring Capital Expenditure shall be restricted to competent officers.
6. All capital works shall be constantly monitored to ensure that amount spent does not exceed the authorized Budget.
7. Supplemental authorizations shall be required for expenditure exceeding authorizations.
8. Appointment of contractors etc. shall be done by authorized persons only, after verifying the competence, capacity, and other factors of contractor.
9. Completion of work shall be physically verified by competent officials as regards to its standards, completeness etc. and shall so certify the same. Use of Measurement Book. (M. Book) is a must.

10. There shall be written authority for scrapping or setting any fixed assets such authority shall be restricted to few competent officials.
11. Procedure for transfer of assets from one location to another shall be in accordance with the established procedure in force prescribed by the Board.
12. All transactions regarding sale of an asset, scrapping of an asset or transfer of an asset from one location to another shall be intimated to Head Office. HO shall also up-date the Fixed Asset Records immediately.
13. Competent official shall periodically ensure that all expenses whether revenue or capital are properly allocated to respective works and apportioned in accordance with the Board's accounting policy.
14. Fixed Asset Record shall be properly updated and the individual balance shall be tallied with balance in the General Ledger.
15. There shall be a record listing all title deeds and properties given as security (including the securities lodged by bidders and contractors).
16. Such securities, title deeds etc shall be kept in safe custody.
17. Fixed Assets shall be adequately insured. Value and type of insurance shall be properly decided/authorized by a competent official. (This needs a specific decision of the Board).
18. Fixed Assets shall be physically verified periodically.
19. Report on such verification shall set out details of irregularities, conditions of Fixed assets, damaged / obsolete assets etc.
20. Damaged/obsolete assets, after proper approval shall be removed from Asset Register and financial records.
21. Fixed Asset shall be written off only on proper authorization of Board.

4. A specimen audit programme is given below:

4.1 Evaluation of Internal Control

4.2 Assets:

Land

Building

Hydraulic works

Other Civil works

Plant and machinery

Lines, Cables Net work etc.

Vehicles

Furniture and Fixtures
Office Equipment
Spare units, Service units
Capital spares at generating stations
Asset Transfers – Inward & outward
Assets Taken over from Licencees
Depreciation
Capital work –in – progress
Contracts – in – progress
Revenue Expenses pending Allocation over capital works
Provision for completed work
Construction facilities
Assets not in use
Differed costs
Intangible Assets
Repairs and Maintenance

4.3 Expense Allocation

- Interest
- Other expenses
- Staff costs
- General Expenses
- Depreciation, etc

4.4 Subsystem of Accounting

- W/P accounting
- Process accounting
- Project accounting
- Contracts accounting
- Maintenances of Record
- Reconciliation with General ledger
- Coding used

4.5 Capitalisation

- Value
- Completion Report
- Consumption Slip/Statement/
Technical Completion Report
- Use of M Book

- 4.6 Fixed Asset Records
 - Value capitalized
 - Custodianship
 - Title deeds
 - Insurance coverage, if any
 - Small Tools
 - Arithmetical accuracies

- 4.7 Depreciation, write off, Amortisation etc
 - Computation
 - Small value write off
 - allocation between capital and revenue
 - compliance with legal requirement

- 4.8 Disposals, withdrawals, Retirement etc
 - Value withdrawn
 - Scrapping
 - Obsolescence
 - Sale, Capital gains/loss
 - disposal procedure compliance
 - Approval for disposal, etc

- 4.9 Miscellaneous
 - Utilization of assets
 - Taxes on property, vehicles etc & its payment
 - Income Tax Compliance & its accounting
 -

- 4.9 Repairs and Maintenance
 - account heads and classification of expenses
 - materials consumed
 - expenses incurred

- 4.10 Budgetary Control
 - annual budget
 - project budget
 - work authorization

- work order
- end use statement
- matching actuals with budget

4.11 Information system

- auditing of highlight reports
- monthly accounts

4.12 Annual Accounts

- compliance with classification, allocation, entries and disclosure

2.8.4 SALE OF POWER

1. The internal control measures exercised by B.S Units include:

- Collection as shown in the CRR, Revenue Collection Ledger and CPL Abstract should agree.
- Ensure remittance of cash daily
- Preparation of age analysis of cash balances on hand
- Security of cash should be ensured
- Periodically check pre-written receipts with Cashier especially for its numerical sequence.
- Invoices prepared should be in serial numbers
- Invoices and pre-printed receipts should be in safe custody.
- Ensure that demand is raised for all the amount due to the Board.
- Internal Auditing / Inspection.

2 A specimen audit programme is given below:

- 1) Name of Auditor (s)
 - 2) Date
 - 3) Unit
- Name
 - Person in charge of the Unit
 - Cashier

4. Verification of cash

- Balance counting
- Tally with records
- Numerical sequence of Receipt Books
- Signature

Holder

Auditor

5. Mails (Money orders, Cheques etc)

- Register, up-to-date or not
- Depositing of receipts

6. Records:

- Collection Remittance Register
- Verify with supporting document, such as pay in slip, scrolls, collection made by cashier.
- Totalling, Figures Brought forward
- Consumers' personal Ledger
- Opening balance
- Demand
- Collection
- Balance
- Summary in CPL Abstract
- Specific attention to large amounts outstanding
- Revenue collection ledger
- Tariff wise break up
- Reconciling with CPL collection remittance register
- Deposit Register
- Posting
- Totalling
- Interest provision/refund
- Sufficiency of amount
- Other Miscellaneous Records
- Billing

7. Bank

- Remittance
- Transfer

- Reconciliation
- Adjustments
- Bank charges/Commission

8 Accounting Entries

9 Monthly Returns

10 Others:

- Audit commenced on
- Audit ended on
- Signature

2.8.5 FINANCE

A. CASH AND BANK

1. INTERNAL – CONTROL – General Outline:

1.1 Independent control over collection and disbursement

1.2 Centralised Fund Management

1.3 Recognition of Remittance – in – Transit

1.4 Funds Monitoring both by locations and Head Office

1.5 Collection receipted and remitted

1.6 Receipt Forms / Books / Cheques

- Pre-numbered and used as per numerical sequence
- Kept in safe custody
- Controlled by a register/log book
- All copies are retained / accounted for (including original) when receipts are cancelled.

1.7 Bank accounts

Opening of all bank accounts is done by Head Office.

1.8 Cash and Bank Control in a nutshell

- (1) All receipts are properly listed and entered in Collection Remittance Register/Cash Book
- (2) All sums are deposited properly and in time.
- (3) Numerical sequence of cheques issued is kept to ensure that all numbers are accounted for.

- (4) Unissued cheques are under safe custody, accessible only to authorized personnel
- (5) Records of all specimen signatures of authorized signatories are kept upto date.
- (6) Bank statements are reconciled with cash book/ledger/other registers
- (7) All unreconciling items are investigated and cleared.
- (8) All petty cash is controlled by imprest system.
- (9) Imprest balance is reconciled every month with balance in the general ledger.
- (10) All petty cash payments and advances are made against properly authorized vouchers.
- (11) All petty cash payments are marked "PAID" when payment is made.

2. INTERNAL AUDIT:

2.1 Scope:

Audit of Cash and Bank means the examination of receipts, disbursements and balances.

2.2 Auditors objective:

To ensure the accuracy and validity of the cash and bank transactions and balance and also to ensure that the procedures are followed.

2.3 Auditing Standards:

Errors & Irregularities:

Audit of Cash and Bank is concerned primarily with the validity and accuracy of transactions and balance. To put it differently, internal audit ordinarily is concerned with possible errors and irregularities. Errors are regarded as being unintentional and irregularities as intentional.

2.4 Evaluation of Internal Control

(1) General:

Internal control is evaluated in three phase – a preliminary survey of prescribed procedure, test of Compliance with the procedures, and evaluation of the system based on the survey and test.

- the handling and custody of funds
- preparation and maintenance of records
- the controls exercised over these function by way of observation and checkings.

Besides the internal auditor should consider the possible effect of any apparent lack of alertness competence, independence or integrity of employees and the possible effect of any

changes in procedures or duties. Internal control is strengthened by having other collateral procedures or methods such as the use of cash fore cast, budget, standards, etc. Hence, cross verification with these collateral procedures is also a must.

(2) Records and Functions:

Records are basis documents (such as receipt book, payment vouchers etc). The classification of the records as Intermediate and Final help to identify different employees who are involved in writing these records (to the extent possible).

(3) Cash Receipts:

Broadly the following points should be considered in the evaluation of internal control procedure for cash receipts.

- Receiving only what is authorized
- Prompt recording of the receipts
- Depositing of collection in time
- Cash/cheques received through Mails are opened promptly, recorded and handed over.
- Use of pre-numbered receipts.

(4) Cash Disbursement:

- Cheques should be under safe custody
- Availability of proper supporting documents
- Payments are made only to legitimate parties

(5) Cash balance:

- Periodical physical verification
- Reconciling with records
- Whether balance is inadequate or excess

2.5 AUDITING PROCEURES:

(1) Cash Receipts

- (a) Who receive the cash? Who opens the mails and records the receipts? Who receives the M.O? Are they all authorized persons?
- (b) Whether all what is received is properly authorized? Whether the discounts, rebates etc, given are properly authorized?
- (c) Whether all the receipts are responded by using official Receipt Book?
- (d) Whether all the Receipt Books and Invoices / Bills are under lock and key? Whether the numerical sequence of the receipt books and bills / Invoices is strictly adhered to?

- (e) Whether the receipts are properly banked and the pay-in-slip are preserved.
 - (f) Test the footings and postings of cash receipts records.
 - (g) Check the postings from initial records to other records.
- (2) Cash Disbursements:
- (a) How are the payments made? Whether the payments are by Cheque or Cash?
 - (b) Whether the cheque books are under safe custody?
 - (c) Who is signing the cheque? Is he the authorized person?
 - (d) Whether the cancelled cheques are properly defaced?
 - (e) Who is preparing the cheque? How is it prepared?
 - (f) Whether all the payments have sufficient supporting documents? Whether they are defaced by affixing a rubber stamp showing 'PAID' and identified by a Cheque number?
 - (g) Whether the payees acknowledgments/receipts are obtained for all payments?
- (3) Cash balances:
- (a) Periodical and surprise verification of balances which are to be certified by verifier and holder. Verification as far as possible should be done at the presence of holder of cash.
 - (b) Reconcile the balances with records.
 - (c) Verify the bank reconciliation statements and periodically obtain bank balance certificate from the bank directly.
 - (d) Funds in transit account needs special attention i.e. from units to Head Office and HO to units – Verify the receipt of the same as well as its accounting.
- (4) Other Areas
- (a) Audit all records –Cash Book and related documents. Check the postings with supporting vouchers. Verify the totals, carry forwards etc.
 - (b) Make sure the records are written as per the accepted principles of accounting eg. Cash Book written with due emphasis for date.
 - (c) Whether the banks are following the instructions and policies issued by Board eg. The treatment of cheques deposited, are they transferring funds properly are they giving scrolls, back statements in time etc?
 - (d) Who has opened the bank accounts?

(e) Cash inflow and cash out-flow

- Examine the possibilities of accelerating inflow and decelerating outflow.
- Is this possible by having different kinds of banking arrangements?
- Is it possible to increase inflow by reducing consumer balances?
- Is it possible to decrease outflow by availing credit from Vendors?
- Whether there are any unnecessary locking up of funds in areas like scraps spare parts, etc. etc.

(5) Inter Unit Account

- Verify the balances with special care
- Ensure the balances are reconciled and confirmed.

2.6 ADMINISTRATIVE CONTROLS

(1) An internal auditor is also concerned about the Administrative controls connected with the operations. Hence an internal auditor should evaluate operational efficiency and adherence to managerial policies. Thereby an internal auditor renders a great service to the management. Certain areas of administrative control are given below as illustration. Hence an internal auditor's coverage is very wide.

(2) Cash forecasting

Cash forecasting is one of the tools of Administrative controls. An internal auditor should review the data and find out the shortages and excesses. He may suggest a change in timing of receipts and disbursements for proper management of cash.

(3) Procedural Efficiency

Internal auditor during his review should consider the efficiency of procedures. Often cash procedures can be streamlined. Some hints are given below:

Is it possible to collect money earlier?

Is it possible to deposit cash at early dates?

Is it possible to reduce transfer time?

Whether any possibility of reducing the billing time?

(4) Utilising cash/funds

As the Board is having number of locations, an internal auditor should be aware of the possibility of funds remaining idle. Hence the internal auditor should make sure the average disbursements and match it with funds drawn by units. He should also match them with cash forecast and annual budgets.

2.7 AUDIT PROGRAMME

Specimen audit programme is given below:

- (1) Name of Auditor(s)
- (2) Date
- (3) Unit
 - Name
 - Persons in charge
 - Cashier
 - Others
- (4) Cash (Stamps etc.)
 - Balance (physical)
 - As per records
 - Receipt Book(s) No.
 - Signature

| | | |
|--|--------|---------|
| | Holder | Auditor |
|--|--------|---------|
- (5) Mails
 - Who receives and records Mails
 - M.O Register / Cheque Register update or not
 - Property handed over for depositing?
- (6) Records
 - Footing
 - Carry forward
 - Proper posting
 - Compiled with principles and procedure (classification, head of accounts, etc.)
- (7) Banking
 - Depositing
 - Transfers
 - Statements
 - Certificate
 - Reconciliation and disposal of differences
 - Returns of cheque dishonoured
 - Accounting of Bank charges

(8) Receipts

- Numerical Sequence
- Linking with appropriate ledgers
- Daily tallying

(9) Disbursement

- Voucher audit
- Imprests

(10) Administrative controls

- Cash forecasting
- Procedural improvement, if any
- Others
- Safety of cash

(11) Returns / Information system

- Sent in time
- Is it complete?
- Whether returns have adequate supporting details / scheduler

(12) Supervision

- Properly carried out
- Periodic cross verification

(13) Other Comments

Current

Previous

- Audit commenced on
- Audit completed on
- Explain increase / decrease in time.

(14) Auditors - Name and Signature

2.8 Pre-Audit / Pre-Check

Certain units are nominated for pre-auditing and accordingly all its payments are to be pre-audited. However fund transfers from H.O is not pre-audited. Besides payments to suppliers / Contractors from Civil Circles exceeding specified limits are also to be pre-checked.

2.9 Report of Auditors

- (1) Audit Report as far as possible should be in a tabulated form

- (2) Routine reports are to be submitted to the section nominated by Accounts Wing at Head Office. If the report is of serious nature specific report to be given to F.A & C.A.O (and others if necessary)
- (3) Before submitting the report to Accounts Wing auditors should give a chance to the unit to rectify the points. However all observations are to be reported to Accounts wing and should include all the items that have been corrected by the units.
- (4) Audit programme duly filled in should also be submitted to the Accounts Wing.

B. FINANCE - FUNDS

1. Internal control and Internal Audit

The function of the internal control is to provide control and ensure that procedures are followed at each phase of every transaction and that the accounting records are reliable.

2. Internal Audit should cover the following points:

(1) General

- Borrowing limit
- RBI directions or other agreement particulars and compliance of the same
- Government approval/guarantee

(2) Authorisation

- Approval of Board

(3) Issuance obligation

- Bond's security and Numerical Sequence
- Safe custody of Bonds
- Rate of Interest

(4) Accounting Records & other transaction

- Detailed subsidiary ledgers showing amount, interest, due dates, maturity dates etc
- Interest Accrual and payment
- Redemption/Repayment of principal
- Timely conversion (eg. Inventory loan to scheme loan in the case of REC)
- Quarterly Trial Balance of subsidiary ledgers and tallying with general ledger.
- Availing payment and accounting cash discounts and penal interests on commitment charges
- Bank Reconciliation

- Balance with Registers
- Work progress reports
- Periodic returns to investors

(5) Agreement Provision

- Insurance coverage
- Ratios that are to be maintained such as self-financing ratio, Debt Equity Ratio etc.
- Use of funds and other limitations
- Any other specific directions

(6) Fund Assignment Audit

- Receipt of MRCF and its compilation
- Daily Funds Balance
- Daily Request
- Assessing the request of units
- Assignment
- Unit wise assignment ledger
- Unit wise payments as against requests
- Average requirement of units and cash balance of units (utilization)

(7) Plan and Budgets:

Long term plans and budgets are also to be audited for its assumption, feasibility, and its relation to growth in system and demand.

2.8.6 PERSONNEL

1. Internal Audit of Pay Roll/Bill is to assess whether the employees are paid correct amount, whether proper authorization exists, whether the payment is effected in time, whether employee costs are booked in proper head of accounts and whether pay roll activities are properly synchronized with other activities and systems of the Board. Data required for this audit is classified into:-

- Personal Data
- Time keeping Data
- Cost Data

2. Personal Data are normally in Service Book while Time keeping data is evolved through formal attendance records. Based on these pay roll is prepared which is the cost data to be booked in accounts.

3. Establishment Section is basically preparing the pay roll/pay bill

4. An Audit programme given below is a guide line:
- 4.1 Personnel Records
- Maintenance of Service Books
 - Safe Custody
 - Specimen signature/Thumb impression in Service Book.
 - Increments
 - Salary revision
 - Pay fixation
- 4.2 Time Records:
- Time keeping is separated from pay roll preparation
 - Attendance Records are periodically verified by stipulated officers.
 - Leave Records
- 4.3 Pay roll:
- Preparation is based on time Records of personnel
 - Who prepares the same?
 - Whether preparation are checked?
 - Whether cheque drawn is for the net amount only?
 - Select few employees' pay roll and check the computation of pay.
- 4.4 Payment:
- Who makes the payment?
- 4.5 Unpaid Salaries:
- Count the unpaid salaries
 - Verify the unpaid salary register
 - Whether deposited in the Bank in the stipulated time?
 - Who is the custodian of unpaid salary?
- 4.6 Deductions:
- Rate of deductions (PF,IT etc)
 - Whether deductions are properly paid or transferred to H.O
 - Income tax deducted paid in time or not
- 4.7 Pay Roll Reconciliation:
- Audit the pay of previous month and current month and reconcile the differences.

4.8 Other Payments:

- Medical Expenses (Eligibility etc.)
- Holiday Wages
- Overtime payments
- Welfare Expenses
- Accident claims
- Travelling expenses
- Payment of advances

4.9 Accounting Entries:

- Monthly entries
- Year end entries
- Allocation of capital expenditure
- Inter Unit transfers

4.10 Issue of Certificate:

- Salary Certificate
- Income Tax Certificate

4.11 Loans and Advances:

- House building Advances and Conveyance Advances
- Application
- Eligibility
- Payments – matching with Budgets, Security documents
- Loanee ledger (payment and recovery)
- Confirm the balances with employees in selected cases
- Interest computation
- Journal entry
- Transfer to HO and accounting entries

4.12 Travel Expenditure:

- Verify Advance Register
- Any unauthorized advances
- Any delay in submitting T.A Bill
- Whether T.A Bill is as per Travel rules

4.13 C.P.F /G.P.F

- Admission
- Settlement
- Advance
- Records
- Employees not admitted to GPF
- Transfer to HO

4.14 Pensions:

- Computation
- Commutation
- Records and accounting
- Regular Payments
- Identification of person
- Transfer to HO and Accounting /Entries
- Liability provision

4.15 D. C. R.G

- Eligibility
- Computation
- Record and Accounting
- Disbursement
- Transfer to HO

2.8.7 INFORMATION SYSTEM

1. Following Internal auditing areas are discussed in this chapter

1. Inter unit accounting
2. Restatement Account
3. Taxation
4. Financial Statements
5. Technical particulars and statistical audit

2. INTER UNIT ACCOUNTING – AUDIT

2.1 Inter unit accounting and inter unit reconciliation are of great importance. Hence it is given as a separate programme specifically to make sure that recording and processing of these accounts are properly carried out.

2.2 Inter unit accounting are classified into certain account groups which are given in the chart of accounts.

2.3 A specimen audit programme for inter unit accounting is given below:

- a. Inter unit transfer note
 - preparation
 - supporting documents
 - amount
 - account codes
- b. Journal Entry Vouching
- c. Subsidiary Ledgers
 - posting
 - totalling
 - carrying forward etc
 - schedule extraction
- d. Reconciliation
 - preparation of statement of account
 - confirmation with other Account Rendering Units
 - disposal of differences
- e. Schedules (sent to Head Office)
 - compare with the subsidiary ledger
 - totals
 - comparison with previous month.

NOTE: Any delay in reconciling should be reported and it should be strictly watched and followed up.

3. RESTATEMENT ACCOUNT -AUDIT

Board has introduced a Restatement Account for restating the past balances. This is in addition to the restructuring account required for the retrospective adjustment for interest and depreciation required by the Electricity (supply) (Annual Accounts), Rules, 1985.

- (1) Auditors should verify that the balances under the Restatement Accounts have been properly restated.
- (2) Transfer Note for the balances received from the Head Office should be compared with the ledgers. Head Office balances in the books of the ARU should not be attested without the approval of the Head Office.
- (3) Restating of the balances into new account codes should be verified to see that classifications are correctly done.
- (4) Restatement is permitted to the extent of the reconciled balances. Unreconciled balances in no case shall be restated.

4. TAXATION

1. Auditing of various taxes/duties is a part of the internal audit. Various taxes payable by the Board include the following:

- Income Tax of Employees
- Income Tax of Contractors
- Income Tax of Board
- Sales Tax
- Customs Duty
- Excise Duty
- Electricity Duties and other levies
- Inspection Fee
- Stamp Duties
(Mortgaging by employees / Board, purchase of property etc)

2. Auditing of these areas are governed by various legal provisions.

3. Broadly the areas requiring attention are

- assessee
- assessment
- collection of taxes
- accounting provision/entries
- payment

4. In certain cases the Board acts as an agent to collect the taxes and remit the money to Government. In such cases of agency arrangement the related accounting entries are to be audited.

5. FINANCIAL STATEMENTS

1. Financial statement include the following
 - trial balance
 - revenue accounts
 - not revenue and appropriation account
 - sources and uses of funds – Balance Sheet
 - statement of technical particulars
 - other schedules
2. The auditing process should ensure that the schedules together with supporting statements are received in time
3. The figures in the supporting statements should agree with the figures provided in the schedules
4. The figures in the schedules should agree with the trial balance
5. The trial balance will not have the credit and debit balance for the same account head. It will have only either debit or credit balance. The trial balance have to be checked for the adherence of this. Also verify the extraction of trail balance.
6. For those accounts the balances of which are transferred to HO there should not be any closing balance in the books of ARU unless otherwise details are provided.
7. The balance of cash (both bank and cash) on hand as indicated in the statement should be keenly watched for very heavy balances.
8. Accounts which are compiled at HO together with the records are to be verified
9. Financial Statements should be technically evaluated using standard accounting tools such as
 - number of months stock holding
 - number of months accounts payable
 - number of months accounts receivable
 - comparison with previous months'/previous years/budget
 - average revenue realization and matching with tariff
 - consumer number and category – section wise
 - local purchase schedules
 - compliance with accounting policies and accounting principles
 - WIP schedule and capitalization
 - Expenses analysis and capitalization
 - miscellaneous receipts analysis
 - provisions created
 - notes to accounts

- self financing ratios
- debt equity ratios
- operating ratios
- return on capital employed

10. At the year end special emphasis should be given for appropriately cutting off documents number and verifying whether all the documents upto and inclusive of that number have been accounted for.
11. Confirmation/Certificates of balances should be obtained periodically and/or at year-end for the following accounts.
 - a. Bank balances – Certificate from all Banks at the year end. Bank may give the balances in their own form or in the specimen forming the information system manual.
 - b. Imprest balance - Balances confirmation should be obtained from all imprest holders invariably at the year end.
 - c. Debtors, Creditors, Advances, Deposits given, certain category consumers – Balances should be confirmed at the year and (or periodically on a continuous basis). If possible cent percent balance confirmation may be attempted. However, selective basis confirmations of balances will also serve the purpose. Selection of parties should be on a scientific basis keeping certain criteria such as.
 - parties with nil balances
 - parties with balances but no transactions for a long period
 - parties with large balances
 - parties with heavy transactions, etc.

6. TECHNICAL PARTICULARS AND STATISTICAL AUDIT

1. As per the requirement of Annual Account Rules memoranda accounts are to be prepared for the physical quantity of electricity generated, imported, exported, auxiliary consumption and unit sold, in a special way.
2. Auditors are expected to verify the above and based on this examine the cost of production, loss of energy and average realization per unit sold.
3. Board gives various statistical reports. The authenticity of the same is to be audited.

3. CERTAIN AUDITING PROCEDURES

- 3.1 The following are discussed in this section
 1. Finance
 2. Receivables

3. Inventories
4. Investments
5. Capitalization and fixed assets
6. Depreciation and amortisation
7. Current liabilities
8. Long term liabilities
9. Owner's equity
10. Sale of power and other revenues
11. Purchasing
12. Personnel
13. Administrative and other expenses
14. Taxation
15. Overall review

3.2 FINANCE

- To ensure that the prescribed procedures are followed and to establish the accuracy and validity of the cash and bank transactions and the corresponding balances and also to ensure that the procedures are followed.
- A detailed auditing procedure given in Finance Manual is reproduced here:

3.3 RECEIVABLES

a. Objectives

- to ensure the accuracy of amounts
- to ensure the reliability of balances
- to establish the validity of the claims
- to disclose in an appropriate manner both in management reports and statutory reports

b. Procedure

1. Assessment and billing

Whether assessment and billing are done regularly, systematically and timely
Assessment areas include

- consumer's contribution
- security deposits
- energy consumption/contracted amount
- minimum guarantee amount payable

- unconnected minimum (UCM)
- miscellaneous sales/receipts
- recoveries from suppliers/contractors etc.
- deposit work
- recoverable from Government

Billing/invoicing is to be verified with tariff/other Board's policies

Verify whether meter readings are taken regularly and correctly.

2. Collections:

Whether collection and accounting the amount are done properly or not.

3. Accounting and recording:

Recording of all essential transactions which include

- meter reading
- agreement with consumers/others
- billing, demands registration, etc.
- consumer's personnel ledger and its summaries
- collection – receipts, cash book and other records

Arithmetical accuracy, positing, balancing etc. are to be verified.

- accounting of energy consumed in the units are to be specifically verified.

4. Evaluation and confirmation

Periodic confirmation of balances of sundry debtors – consumers, advances paid etc, are to be done. Specific attention should be given to the flowing cases.

- old unpaid accounts
- accounts written off during the period
- accounts with nil balances
- accounts whose collections is considered questionable
- others of unusual nature
- age analysis should be thoroughly checked
- whether discounts, refunds etc. given are done with proper authorization and after proper assessment.

5. Financial disclosure:

Whether receivable amounts are properly disclosed in management reports and statutory reports.

6. Tariff

Auditing of tariff and its relation to cost is to be done.

7. Administrative set up and control : suggested areas to be covered are as follows:

- record keeping
- personnel
- office maintenance and upkeep
- budgetary controls

3.4 INVENTORIES

a. Objectives

- proper determination of values
- timely availability of stores
- attaining minimum carrying and handling cost
- investment in stores are well managed
- disclosures are done properly

b. Procedures:

- evaluation of internal control
- receiving is done properly
 - authority to receive
 - count, weight etc
 - recording of receipts
 - inspection, quality
- proper storage facilities
- issues are properly done and accounted for
- periodical or continuous physical inventory has to be taken and they are to be reconciled with records
- cut off procedures for all relevant documents is a must especially at the year end
- special attention should be given to the following items
 - obsolete
 - non moving
 - slow moving

- for the valuation of inventories, the policies are laid down in the material accounting manual, internal auditor should ensure compliance of the same.
- review of inventory levels

3.5 INVESTMENTS

Objectives

- ownership of investment are to be established
- investments are valued properly
- income from investment are properly accounted
- disclosures are done properly
- investments are normally done in time and in right places

Investments are normally done in short term deposits or in long term investments. This is done at the Head Office level.

To achieve these objectives internal auditing has to be done by verifying the records certificates etc.

3.6 CAPITALISATION AND FIXED ASSETS

a. Objectives

- Capitalisation is done in time with correct value
- disclosures in financial statements
- proper distinction between capital and revenue
- to determine whether the fixed assets are properly recorded as per the policies of the Board and as per generally accepted accounting principles.
- to ensure whether the policies and principles are consistently applied.
- to ensure the physical existence of assets
- to determine the title/ownership of assets
- to ensure that the charging of depreciation is correctly done as per the policies and principles and whether they are arithmetically correct.
- To assess the operation of internal control with regard to acquisition and retirement
- Maximum utilization of assets.

b. Detailed accounting policies are given in the manual on Capital Expenditure and Fixed Assets. Compliance with these are to be reviewed by internal audit.

- additions during the period
- miscellaneous income / loss arising out of scrapping, sale of fixed assets
- items remaining for a longer period in work in progress
- manufacturing work (directly and through contractors are to be checked with regards to payment, materials involved etc).
- internal audit involves the review of records, vouchers, allocation of expenses etc.
- actual expenditures are to be compared with budgets.

3.7 DEPRECIATION AND AMORTISATION

Objectives:

- appropriate depreciation rates are applied.
- provision for the current period is computed correctly and provided for.
- retirements and other adjustments are done on consistent basis according to principles of accounting.
- Proper disclosures are made as per the requirements of statutes to the management.

Internal audit should verify all the supporting records. He should also review allocation of depreciation for capital projects.

Amortisation is done for the intangible assets.

3.8 CURRENT LIABILITIES

a. Objectives

- proper recording of all current liabilities (both with regards to time and value).
- proper classification of all liabilities
- adequate disclosure in financial statements and management reports

b. Current liabilities include

- accounts payments
- security deposits
- short term loans
- taxes and accrued expenses
- money received in advance
- miscellaneous payables
- contingent liabilities

- c. Contingent liabilities are normally disclosed by way of notes in annual accounts.
- d. Special attention should be given to the following:
 - debit balances in payable account
 - amounts remaining as liability for a long time
 - provision made for unpaid expenses.

3.9 LONG TERM LIABILITIES:

a. Objectives:

- to establish the correctness of liabilities
- proper disclosures
- long term liabilities are within the sanctioned limits
- interest computation is done correctly and in time
- repayment schedule is prepared and reported

b. Procedures:

Long term liabilities are reviewed for

- initial authorization by the Board and others
- consideration received
- agreement and compliance with terms
- maintenance of adequate / appropriate records
- compliance with legal requirements

3.10 OWNERS' EQUITY:

The Board's equity funds are given by the Government of Kerala by way of loan. So there is no equity capital.

3.11 SALE OF POWER AND OTHER REVENUES:

a. Objectives:

- to assess whether revenues are properly assessed, measured and accounted for
- proper disclosure in financial statements

b. Procedures:

Certain details have already been discussed in the section on receivable. Besides these the internal auditor should give attention to the following points:

- revenue to be compared with budgets

- reversal of revenue demands should have proper authorization.
- miscellaneous revenues are properly assessed or not
- whether remitting in several instalments have been properly authorized or not

c. Overall assessment should include

- statistics of faulty meters
- meter reading frequency, consistency, etc.
- average tariff realization.
- Trends in revenue assessment and collection (i.e comparing with previous years)
- Disconnection are done in time or not

3.12 PURCHASING

a. Purchasing function include the following

- recognizing a need
- deciding what to buy
- identifying the source of supply
- deciding the quantity and quality of supplies
- price to be paid
- transportation requirement, if any
- follow up with the suppliers
- receiving of materials/services
- payments

b. Types of purchases are as follows:

- centrally purchased items
- locally purchased items (emergency basis)
- miscellaneous field purchases
- specialized purchases such as advertising services, computer services consultancy services, Insurance, land purchases and its compensation including tree cutting.

c. Procedure:

Internal auditor's review should include the following:

- tenders and tender evaluation
- tender issue conditions

- authorities for placing purchase orders
- purchasing in time, in economic lot size, value etc.
- emergency purchases are really needed or not i.e quantum and value of local purchases
- sources of supply are to be reviewed as to its history, quality, timeliness, performance etc.
- transportation arrangements
- trade/cash discounts given are properly availed ? Are they economical to the Board
- compare material purchases with completed outlay, maintenance and budgets.
- Budgetary control
- Proper co-ordination of purchasing, distribution and installation.

3.13 PERSONNEL:

a. Objectives

- to determine whether the employees are paid the correct amount and in time
- proper authorization for all employees' payments including advances
- to establish whether employee costs are properly accounted.
- Deduction and recoveries are done correctly, accounted properly and paid out in time
- Deferred benefits, welfare measures, terminal benefits, etc. are carried out properly

b. Internal auditors should cover the following areas:

- Service Book
- time/expiry data
- pay roll reconciliation (current month with previous month)
- bonus payments
- provident fund
- pension
- employees' advances (eligibility, amount paid, recovered, interest computed)
- cost allocation
- comparison with budget.

3.14 ADMINISTRATIVE AND OTHER EXPENSES.

a. Objectives

- proper authorization
- correct recording and classification

- allocation of expenses
 - proper disclosure
 - comparing with budget
- b. Expenses are classified into various categories
- salaries and wages (already discussed under Personnel)
 - supplies (Purchase of material and other items)
 - Others
- c. Others include
- rent
 - consultancy charges
 - taxes
 - interest
 - communication expenses
 - cost of raising finances
 - miscellaneous
- d. Internal auditors review would include
- the investigation of budgetary variance
 - existence of proper authorization
 - comparison with previous year's expenses
 - analysis of certain expenses, etc.

3.15 TAXATION

a. Objectives:

To ensure the compliance of various taxation laws, broadly the various requirements of assessment of the tax, deduction of the tax, remittances of tax to concerned authorities, filling the return in time, etc.

b. Procedures

Internal auditors are to audit the accounts for compliance with various requirements under the taxation of laws given below:

1. Income-tax Act
2. Agricultural Income-tax Act
3. Sales Tax (Central and State Government)
4. Other levies on sale of power such as duties, Inspection fees, self generation duties etc.

5. Excise Duty
6. Customs Duty

3.16 OVERALL REVIEW

The internal auditors' overall review would include

- auditing of financial statement (both statutory and management report)
- cost and revenue matching
- using of financial tools like accounting ratios, trend analysis
- comparison with budgets
- auditing of budgets and plans
- electricity loss –mainly transmission and distribution loss.

Internal auditor should regularly evaluate systems and procedures and make suitable report to the Board.

4. CONCLUDING INTERNAL AUDIT

4.1 Reports:

Presenting report by internal auditor is of vital importance to the Board. This enables the Board to take appropriate action.

4.2 Working papers built up during the audit form the basis for reporting. The report may contain recommendations, findings, weaknesses, action required etc. The reports can be oral or written. Oral reports are normally in the initial stages. Formal written reports are essential for all important considerations. In drafting a report the following points are to be considered.

- 1 Tabular form of presentation, if possible
- 2 Brief and to the point
- 3 Statements made in the report must have supporting evidence
- 4 Criticism should be constructive. Besides, solution to the problems must also be suggested.
- 5 General tone should be in the proper positive perspective
- 6 Honest compliments maybe made wherever possible
- 7 Management's requirements must be kept in mind while making reports

4.3 Prompt reporting is emphasised. Reports are classified into

- a. Audit Note – reports given to ARU for their reply

- b. Audit Review Report – quarterly report
- c. Annual Audit Summary – for every fiscal year

4.4 Distribution of Audit Note is as follows:

- Account Rendering Unit (2 copies)
- Head Office (1 copy)
- Audit file (1 copy)

The above distribution is intended for final audit notes. Through oral reports and/or draft reports ARU may be permitted to clear audit queries. Based on these final report is made. Audit queries cleared by ARU may or may not be included in the final report depending on each case.

4.5 Besides reporting the matter which the internal audit team has observed during the course of audit, the team should review the norm or work, audit programme etc. and make suitable modification, if necessary, for carrying out the audit in future.

4.6 Follow up / Review

Vigorous follow up is the important factor for the success of internal auditing. This is also an indicator of management's support for internal audit. Hence the head of internal audit should ensure the follow up.

4.7 Audit Review Report is to be made out in every quarter. This will contain all the major points which are not cleared and irregularities / suggestions which need further attention. Audit Review Report is prepared ARU wise.

4.8 Annual Audit Summary is prepared and submitted to Board.

PART II OPERATING SYSTEM

CHAPTER 3 OTHER ASPECTS OF AUDITING

1. Sampling:

Internal auditing need not do cent percent audit if proper internal control exists. Hence auditors often resort to sampling techniques which may include even statistical sampling. Sampling is a process of taking a part / certain items from the entire population for obtaining the required information. Sample taken should be representative, preferably in a logical way. Random basic sampling is also encouraged in certain situation. Samples so taken together should form an adequate sample size.

It is encouraged to do internal audit on a sampling basis in the Board.

2. Special investigation:

Internal auditors may be called upon by the management to perform certain special tests. This will be an examination of special nature having limited scope. The work involved, process, nature of audit etc. depend on the investigation to be carried out. This calls for special approach which will be governed by the investigation to be carried out.

PART II OPERATING SYSTEM

CHAPTER 4 AUDIT APPROACH TO COMPUTERS

1. Introduction

- 1.1 Special audit approach is essential in doing the audit, wherever computers are involved. However the objective of auditing does not change.
- 1.2 The conventional auditing approach involves the tracing of a series of each type of transactions through the accounting system in all its aspects. To illustrate, audit procedure in respect of purchase of materials could involve the verification of purchase order, goods received notes, Stores records, accounting entries in ledgers and day books, the invoices and payments. Here the audit verifies from the beginning of a transaction to the end of it or banking input and output. Manual system with proper reference through Journal, day books, etc. gives proper sequence. An auditor can trace this sequence from source to completion basis or vice versa. This approach is known as following the 'audit trail'.
- 1.3 By using computer there will be gap in audit trails. Hence it becomes necessary to use special audit techniques such as the use of test packs, computer audit programme etc.

2. Internal Control

2.1 Internal control related to an Electronic Data Processing department are broadly classified into

- organization control and procedural control

2.2 Organization controls mainly include the organizational set up for EDP, responsibilities, computer operation, field organizing, precautions etc.

Procedural control are applicable to

- control over input and output
- processing controls and trails
- handling of errors
- audit considerations

2.3 Audit consideration –Organisational control:

(1) Data processing department being a service control in an organization the overall organizational control for the department is very significant. Computer installation is significant on account of the following factors:

- Expenses on equipment
- Personnel cost

- Handles input and output data
- Processing and storage of data
- Providing information

(2) Hence it becomes essential to have proper authorization for its addition and to review its performance.

(3) To have effective organizational arrangement, the following steps are essential:

- Top management authorization and review
- Department should have proper organisational structure
- Responsibilities and functions are to be clearly laid out
- Department should have proper layout and facilities
- Protection of equipment, records, files etc.
- Adequate control over computer programmes
- Proper operating control – input, output and process handling
- Upkeep of machines
- Geographical distribution of equipment

Internal auditor will review the organisational control and report their findings

2.4 Audit consideration – Procedural control:

In addition to control over organizational aspect, procedural controls are essential for the effective functioning of computers. These controls are established over input, processing, output and other related areas.

2.5 Control over Input and Output

(1) Input data is often error prone. Problems connected with the input data are (i) incorrect input data (ii) incorrectly fed into the machine (iii) data is lost in handling

(2) Input controls are installed by having standard formats, verification process (manually and in computer), using of check digits, control totals, documentation for movement of data (e.g. Transmittal/Route slips).

(3) Output controls are mainly achieved by distributing the output only to authorized persons and receiving error fed back from the user of output.

2.6 Processing control and trail:

(1) Processing control is exercised mainly on computer programmes. This is exercised by having limit and reasonable test (whether any item exceeds a particular limit or reasonably predetermined percentage). Totalling and control figures also are useful in processing control.

(2) Many of the traditional records are taken care of in a computer and thereby audit trail is not feasible on a computer. An internal auditor is dependent on computer to review many records. But there is a specific requirement for pointing out general ledger and subsidiary ledger. This will enable internal auditor to conduct the audit.

2.7 Handling of Errors detected in processing:

Input errors are to be handled manually by the originating department, while technical errors are handled by the data processing department. Proper documentation are essential for handling the errors.

3. Audit Techniques:

3.1 Special auditing techniques are employed to have the evidence that computer based operations are satisfactory. The following are the techniques used.

1. Test data (Test deck or Test Pack)
2. Use of special audit program
3. Verifying the program

3.2 Test data:

Using a test pack internal auditor can verify the working of a program – its reaction to invalid data and its ability to process normal data.

Test data consist of a set of input data. They are also called as Test Pack or Test deck. They are processed in the computer and the results are reviewed.

3.3 Special audit program

Special computer programs are written for audit use, which will audit many procedural controls and financial statements.

3.4 Verifying the program

This involves verifying the program used in the computer

4. First Phase of Audit:

Internal audit steps to be applied as a first phase are as follows:

- Review of organizational control
- Review of input and output control
- Auditing of input and output documents as is done normally, but taking into account the gap in audit trail.
- Test deck run may be done as and when decided by the top management.

1. AUDIT

1.1 Auditing of an organization entirely by independent auditors is normally an accepted principle. Besides in many cases it is a legal requirement. Accordingly auditing of account is carried out by practicing members of Institute of Chartered Accountants. However in the case of the Board and may other public undertakings Comptroller and Auditor General may be the sole auditor or they also do the auditing. In the case of Board Comptroller and Auditor General is the sole auditor.

1.2 Board's accounts are audited by Resident Audit Section (commonly known as Electricity Concurrent Audit – ECA) and Local Audit Parties. ECA is conducting the audit at Head Office while Local audit conducts the field audit by visiting the different units of the Board.

1.3 ECA audit coverage is very large which includes examining Board's agenda, minutes etc. budget of the Board, editing and issuing of inspection reports and comments on annual accounts, follow up of reports, establishment matters: including terms and benefits, various contracts and work execution: monthly accounts and vouchers etc. Local audit parties mainly check the primary accounting and other records maintained at each account rendering unit.

1.4 Efficiency cum propriety audit also comes under the purview of CAG.

2. AUDIT REPORTS OF CAG

2.1 During the course of audit, the auditor issues audit enquiries for which suitable and convincing replies are to be furnished by the Head of Office. The replies should be given well in time. After considering the replies for the queries raised and after examining it further, auditors will issue Inspection Reports and the copies of the same are normally received in the Office of the Financial Adviser & Chief Accounts Officer.

2.2 Replies to Inspection Reports are to be provided within four weeks after receipt. Based on the replies provided, CAG will prepare draft paragraph/reviews and forward the same to the Government Secretary (Power). Copies of the same will be sent to Finance Secretary to Government and to the Chairman of the Board. CAG expects a reply from the Secretary within six weeks from the date of issue. Final steps in the statutory audit procedure is the preparation of Audit Report.

3. REVIEW OF CERTAIN TOPICS BY CAG

Comptroller and Auditor General also selects certain topics for independent verification. This is normally done annually. Topics are selected from Civil and Commercial for detailed review.

4. BUDGET REVIEW

Review of the annual financial statements (budget) is also done by Comptroller of Auditor General.

5. AUDIT FEES

For the auditing conducted by Comptroller and Auditor General, audit fees are to be paid. Provision is to be created in the annual accounts for this expense.

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| PART | III | STATUTORY AUDIT |
| CAPTER | 2 | MISCELLANEOUS GOVERNMENT REVIEWS |

Following are discussed in this chapter.

1. Subject Committee
2. Committee on Public Accounts
3. Committee on Public Undertaking
4. State Electricity Consultative Council
5. Local Advisory Committee
6. Interpellation

1. SUBJECT COMMITTEE

For the effective control over public expenditure Kerala Government have formed ten subject committees. The Board comes under the subject committee III which deals with irrigation and power. The other financial committees of the Government namely Estimates, Public Accounts and Public Undertaking Committee normally does the 'Postmortem' examination of various expenses. The subject Committee usually examines in depth, various demands for grants etc. the relevant rules of procedure are appended below:

EXTRACT OF RULES 232 TO 241 OF THE RULES OF PROCEDURE AND CONDUCT OF BUSINESS IN THE KERALA LEGISLATIVE ASSEMBLY

232. Subject Committee: (1) There shall be ten subject Committee as enumerated in the Fifth schedule.

2. Each subject Committee shall deal with the subject shown against it in the Fifth Schedule and / or matters relating to them.

Provided that the Speaker may in consultation with the Leader of the House modify or vary the allocation of subjects to the Subject Committees, from time to time.

233. Constitution of Committees:- (1) Each Subject Committee shall consist of not more than fifteen members and not less than ten members who shall be nominated by the Speaker, as soon as may be, after the commencement of the Assembly or from time to time, as the case may be.

(2) No member shall be a member of more than one Subject Committee:

Provided that the Minister shall be ex officio member of every committee in respect of which the subject / subjects allocated to such committee may fall within his responsibility:

(3) The term of the subject Committee shall be two years from date of constitution of the Committee or until a new Committee is nominated.

234. Chairman of the Committee:- The Speaker may nominate one of the members of the Committee to be its Chairman.

235. Function of the Committee :- The functions of the Subject Committees shall be,

- (i) to scrutinize the demands for grants;
- (ii) to examine legislation:
- (iii) to study and report on a specified area of governmental activity in the wider public interest, or a project, scheme or undertaking intended for the general welfare:
- (iv) to advise Government on a question of policy or legislation on which Government may consult a Committee:
- (v) to discuss generally and formulate views on :'
 - (a) State's Five Year Plan Programmes and their implementation:
 - (b) Centre-State relations in so far as they concern the State of Kerala:
 - (c) Reports of Public Service Commission:
 - (d) Reports of Public Undertakings:
 - (e) Reports of any statutory or other body, including any Commission of Inquiry, which are laid before the Assembly: and
- (vi) to consider the draft of the rules to be framed by the Government or other authority in pursuance of the rule making powers delegated by an Act of the Legislature.

(2) The Subject Committee shall not examine or investigate matters of day to day administration.

236 Power of the Committee as regards Demands for Grants:

- (1) Each Subject Committee shall, at the conclusion of the discussion referred to in rule 141, scrutinize the demand for grants falling within its purview. Such scrutiny shall ordinarily be confined to variations in the demands from the previous year, more particularly increases, the need for economy and efficiency, new services, and relationship of expenditure to needs.
- (2) The Subject Committees shall complete the scrutiny of all the demands for grants within a period not exceeding three weeks from the date of completion of the discussion referred to in rule 141.
- (3) At the end of the scrutiny referred to in sub-rule (2), each Subject Committees shall as soon as may be, report to the House the result of such scrutiny and forward a copy of the report to the Minister concerned.

237. Powers of the Committee in respect of Bills: (1) Every Bill, other than Appropriation Bill, unless referred to a Select Committee, shall after the general principles are approved by the House, on a motion adopted in that behalf, stand referred to the Subject Committee, within whose jurisdiction the subject matter of the Bill falls, for detailed examination, together with the amendments, if any, received thereto.

(2) In other respects, the procedure applicable to the Select Committee on a Bill shall apply to the Subject Committees when they consider legislation.

238. Powers of the Committee with respect to Statutory Rules:-

In every case where a statute confers powers to make rules on the Government or other authority, all such rules shall be placed before the appropriate Subject Committee in draft form for its scrutiny.

239. Report of subject Committee: Subject to sub-rules (2), (3) and (4), each Subject Committee shall submit periodical reports to the Assembly.

(2) A subject Committee may, in regard to matters referred to in items (iii) and (iv), of sub-rule (1) of rule 235, forward its report to the Chief Minister in the first instance, if in the opinion of the Committee public interest will be better served by so doing.

(3) Each Subject Committee shall, in regard to matters specified in item (v) of sub-rule (1) of rule 235 present to the House from time to time, a resume of its discussions thereon and forward a copy thereof to the Chief Minister.

(4) Each subject Committee shall in regard to item (vi) of sub-rule (1) of rule 235, forward its report to the Chief Minister.

240. Secrecy of proceedings of Committees :- (1) The proceedings of the meetings of the Subject Committee shall not be open to press.

(2) A verbatim proceedings of the meeting of the Committee shall be kept in the Legislative Library for perusal by the member of the Assembly.

241. Power of Speaker to issue direction:- Without prejudice to the generality of the powers conferred under rule 314, the Speaker may, from time to time issue such direction as may be necessary for the efficient conduct of the work of the Subject Committees.

INTERNAL WORKING RULES

1. Constitution of the Committee:- Each of the ten Subject Committees shall be constituted in accordance with rule 233 at the commencement of the first session of the Legislative Assembly after each general election, and thereafter at the conclusion of two years during the tenure of that Assembly.
2. Notification of the Committees in the Bulletin:- The names of members nominated to each Subject Committee together with the names of the Chairman of the Committees shall be notified in the Bulletin.

3. Casual vacancies in the Committees:- Casual vacancies in a Subject Committee shall be filled by the Speaker by nomination, and a member so nominated to fill a casual vacancy shall hold office for the remainder of the term of the Committee.
4. A member cease to be such member when appointed Minister:- A member of a Subject Committee when appointed as a Minister shall cease to be such member, but shall become an ex-officio member of the Committee dealing with the subjects which fall within his responsibility as Minister.
5. Time of sittings of Committees:- The date/dates and time of sittings of each Subject committee shall be notified by the Secretary from time to time in consultation with the Chairman of the Committee according as the business before the Committees may warrant:
6. Papers for the Committee – (1) It shall be the duty of Government to furnish to each Subject Committee, all such papers as may be relevant for the consideration of a matter before the Committee. Unless otherwise notified by the Legislature Secretariat, not less than 50 copies of each such paper shall be supplied to the Secretariat at least two days before the date fixed for the meeting of the committee.
7. Special provision in regard to demands for grants -Subject to the generality of the provision contained in rule 6, when the Subject Committees consider the demands for grants, the department sponsoring each demand shall, in particular make available for the use of the members a background paper giving full information pertaining to the demand covering broadly the following points:
 - (i) the general layout of each demand showing its different sub-heads together with a brief explanation in precise terms of the expenditure proposal reflected through the demand.
 - (ii) the policy behind the demand, with special reference to the different sub-heads under the demand.
 - (iii) comparison with, say, previous five years, and reasons for variations if any:
 - (iv) relationship of expenditure to actual needs:
 - (v) economy-cum-efficiency test-any periodic assessment made be mentioned:
 - (vi) new services-their nature and justifications
 - (vii) plan development programmes – full details: if the proposal is to phase the expenditure what are the targets for the current year: probable duration of the entire project: cost projections: and the machinery proposed to monitor progress:

- (viii) resources estimates under different heads, new taxation if any:
- (ix) overall projection, anticipated short-falls/additions (percentage)
- (x) lapse, surrenders , write-off and waivers with full explanations:
- (xi) steps taken to avoid supplementary demands for grants.

8. Reports of Committees on Demands of grants – At the conclusion of the scrutiny of the demands for grants, which shall be not later than three weeks from the date of completion of the general discussion of the Budget in the Assembly, each Subject Committee shall present to the House a report on the result of such scrutiny and also cause a copy of the report to be forwarded in the Minister concerned. The report shall be presented either by the Chairman of the Committee concerned or in his absence by any member of the Committee.

9. Special provision in regard to examination of legislation – (1) in respect of every Bill other than an Appropriation Bill introduced in the Assembly, the department concerned shall furnish for the information of the Subject Committee/Select Committee full background material pertaining to the legislation. Where it is an amending Bill, the reason for such amendment and the purport by any judicial pronouncement or for making additions or improvements based on experience gained in the working of an existing law, or any other ground. The policy behind the proposed legislation shall also be stated in the background paper.

(2) The procedure prescribed for the consideration of a Bill in Select Committees shall apply to its consideration in the Subject Committee.

10. Special provision in regard to scrutiny of subordinate legislation: (1) A Subject Committee scrutinising draft rules/regulations proposed pursuant to powers conferred under a statute shall direct such scrutiny in particular to the following points:-

- (a) The rule/regulation appears not to be within the rule-making power conferred by or not to be in accordance with the general objects of, the Act pursuant to which it is purported to be made.
- (b) The form or purport of the rule/regulation calls for elucidation.
- (c) The rule/regulation contains matter which, in the opinion of the Committee, should properly be dealt with by an Act of the Legislative Assembly and not by a rule/regulation.

(2) The draft rules/regulations pursuant to powers conferred under a statute shall be prepared and forwarded to the concerned Subject Committee with utmost expedition and in any case not later than 30 days from the date of assent of the Bill by the Governor/President.

11. Matters referred to in rule 235 (1) (iii)- when a Subject Committee takes up the study of any of the matters referred to in rule 235 (1) (iii), the Committee may formulate its own terms of reference having regard to the nature and extent of study proposed to be undertaken.

12. Consultation by Government on a question of policy or legislation – in referring a question of policy or proposal for legislation to a Subject Committee for advice under rule 235 (1), (iv), such reference shall be made by a Communication addressed by the Chief Minister to the Speaker.

13. Matters mentioned in rule 235 (1) (v) – The schedule of discussion in the Subject Committee on matters referred to in (a) to (c) of rule 235 (1) (v) shall be determined by the Speaker in consultation with Leader of the House and the Leader of the Opposition.

14. Proceedings of the Committees – (1) The proceedings of the Subject committees, including the papers circulated or presented to them, and the evidence or expert opinion, if any, tendered to the Committees shall be treated as confidential:

Provided however that a Committee may, with the prior consent of the Speaker, direct that its proceedings or any part thereof may be laid on the Table of the House.

(2) The Secretary shall cause a verbatim record of the proceedings of every Committee to be prepared and kept in the Library for perusal by members:

Provided that in cases where there are practical difficulties in preparing verbatim reports a summary of such proceedings may be prepared.

15. Reports of Committees –(1) The report of a Subject Committee may be interim or final.

(2) The periodical report of each Committee referred to in rule 239 (1) shall be prepared and presented annually.

16. Joint meeting of Chairman of Committees – The Speaker may, if he so decides, convene meetings of the Chairman of the Subject Committee for the better co-ordination of the work of the Committees as and when considered necessary.

17. Officers to assist Committees – (1) A Subject Committee may require the presence of Special Secretary/Secretaries or other officers of Government, or officers of a public undertaking or other similar body, to assist the Committee in its deliberation.

2. When the demands for grants are under scrutiny by the Committees, the Special Secretaries/Secretaries of the concerned departments shall invariably attend the meeting of relevant Committees.

3. When a Subject/Select Committee examines legislation, the Law Secretary and the Secretary of the concerned department shall be present to assist the Committee.

18. Obtaining of expert opinion – A Subject Committee may obtain expert opinion wherever considered necessary.

19. Other rules of Legislature Committees to apply – Except as otherwise provided in these rules, the rules governing other Legislature Committees shall apply to the Subject Committees.

20. References to Subject Committees – References of matters to the different Subject Committees shall be in accordance with the allocation of subjects contained in the Fifth Schedule to the Rules of Procedure and Conduct of Business in the Kerala Legislative Assembly. Any doubt or question arising in this behalf shall be referred to the Speaker whose decision thereon shall be final.

21. General - These rules shall be supplemental, and in addition, to the rules relating to Subject Committees in the Rules of Procedure and Conduct of Business in the Kerala Legislative Assembly.

Relevant rules of the Rules of Procedure and Conduct of business in the Kerala Legislature Assembly as modified by the Committee

76. Motions after introduction - (1) When a Bill, other than an Appropriation Bill is introduced, or on some subsequent occasion, the Member-in-charge may make one of the following motions in regard to the Bill, namely:-

- (a) that it be referred to the appropriate Subject Committee: or
- (b) that it be referred to a Select Committee: or
- (c) that it be circulated for the purpose of eliciting opinion thereon.

(2) When an Appropriation Bill is Introduced, or on some subsequent occasion, the member-in-charge may make the motion that the Bill be taken into consideration:

Provided that no such motion as referred to in sub-rule (1) or sub-rule (2) of this rule shall be made until after copies of the Bill have been made available for the use of members and that any member may object to any such motion being made unless copies of the Bill have been so made available two clear days before the day on which the motion is made and such objection shall prevail unless the Speaker in his discretion allows the motion to be made.

77. Discussion of principle of Bill –

(1) On the day on which any motion referred to in Rule 76 is made, or on any subsequent day to which discussion thereof is postponed, the principle of the Bill and its provisions may be discussed generally, but the details of the Bill shall not be discussed further than is necessary to explain the principles.

(2) At this stage no amendments to the Bill maybe moved, but -

- (a) if the member-in-charge moves that the Bill be referred to the appropriate Subject Committee, any member may move as an amendment that the Bill be referred to a Select Committee or circulated for the purpose of eliciting opinion thereon by a date to be specified in the motion.
- (b) if the member-in-charge moves that the Bill be referred to a Select Committee, any member may move as an amendment that the bill be referred to the appropriate Subject Committee or be circulated for the purpose of eliciting opinion thereon by a date to be specified in the motion:

- (c) where an amendment of a motion for appointment of a Select Committee or the reference of the Bill to a Subject Committee as the case may be, has been moved the mover of the amendment or the motion or any other member may move the Assembly give instructions to the Select Committee or the Subject Committee, as the case may be to which the Bill has been referred, to make particular or additional provision in the Bill or to consider and report on amendments which maybe proposed to the original Act which the Bill seeks to amend.

(3) Where a motion that a Bill be circulated for the purpose of eliciting opinion thereon is carried and the Bill is circulated in accordance with the direction, and opinion are received thereon, the member-in-charge. If he wishes to proceed with the Bill thereafter, shall move that the Bill be referred to a Select Committee or to the appropriate Subject Committee, as the case may be.

78. Person by whom motion in respect of Bills may be made, - No motion that a bill be taken into consideration or be passed shall be made by any member other than the member-in-charge of the Bill, and no motion that a Bill be referred to a Select Committee or a Subject Committee, as the case may be or be circulated for the purpose of eliciting opinion thereon shall be made by any member other than the member-in-charge except by way of amendment to a motion made by the member-in-charge.

Provided that if the member-in-charge of a Bill is unable, for reasons which the Speaker considers adequate, to move the next motion in regard to his Bill at any subsequent stage after introduction, he may authorize another member to move that particular motion with the approval of the Speaker.

Explanation - Notwithstanding the provisions contained in the proviso, the member who introduced the Bill shall continue to be the member-in-charge.

(For rules relating to Select Committee on Bills and Subject Committees see Chapter XXIV of these Rules).

79. Procedure after presentation of report - (1) After the presentation of the final report of a Select Committee, as the case may be, the member-in-charge may move -

(a) That the Bill as reported by the Select Committee or the Subject Committee as the case may be, be taken into consideration:

Provided that any member may object to its being so taken into consideration, if a copy of the report has not been made available for the use of members for two clear days and such objection shall prevail, unless the Speaker, in his discretion, allows the report to be taken into consideration: or

(b) that the Bill as reported by the Select Committee or Subject Committee, as the case maybe, be recommitted either -

(i) without limitation: or

- (ii) with respect to particular clauses or amendments only: or
- (iii) with instruction to the Select Committee or to the Subject Committee, as the case maybe to make some particular or an additional provision in the Bill: or

(c) that the Bill as reported by the Select Committee or the Subject Committee, as the case may be circulated or re-circulated, as the case may for the purpose of obtaining opinion or further opinion thereon.

(2) If the member-in-charge moves that the Bill be taken into consideration, any member may move as an amendment that the Bill be recommitted or be circulated or re-circulated for the purposes of obtaining opinion or further opinion thereon.

80. Scope of debate on Report of Select Committee/Subject Committee:- The debate on a motion that the Bill as reported by the Select Committee or the Subject Committee, as the case may be, be taken into consideration of the report of the Committee and the matters referred to in that report or any alternative suggestions consistent with the principle of the Bill.

94. Withdrawal of a Bill

- (a) * * * * *
- (b) * * * * *

(c) the Bill is to be replaced subsequently by another Bill which includes all or any of its provisions in addition to other provisions:

And if such leave is granted no further motion shall be made with reference to the Bill.

Provided that where a Bill has been referred to a Select Committee or a Subject Committee, as the case may be, notice of any motion for the withdrawal of the Bill shall automatically stand referred to the Committee and after the Committee has expressed its opinion in a report to the Assembly, the motion shall be set down in list of business:

96. Removal of Bill from Register of Bills:- (1) Where any of the following motions under these Rules in regard to a Bill is rejected by the Assembly, no further motion shall be made with reference to the Bill, and such a Bill shall be removed from the Register of Bills pending in the Assembly:-

- (i) that leave be granted to introduce the Bill:
- (ii) that the Bill be referred to a Select Committee or a Subject Committee as the case may be
- (iii) that the Bill be taken into consideration:
- (iv) that the Bill as reported by the Select Committee or the Subject Committee as may be, be taken into consideration: and

(v) that the Bill (or as the case may be that the Bill as amended) be passed.

141. Demands for Grants- (1) * * * * *
(2) * * * * *

(3) Subject to these Rules, the Budget shall be presented in such form as Finance Minister may after considering the suggestions, if any, of the Estimates Committee and Subject Committee, settle.

141A. Reference of Demands for Grants to Subject Committee:- At the conclusion of the discussion on the Budget under rule 131, the Demands for Grants shall stand referred to the appropriate Subject Committee for scrutiny and report.

(For rules regarding Subject Committee relating to Budget: see Chapter XXIV)

142. Voting of Demands for Grants:- (1) After the Subject Committees have presented their reports, the Speaker, in consultation with the Leader of the House and the Leader of the Opposition shall allot so many days as may be compatible with public interest for discussion and voting of the Demands for Grants.

148 Vote on Account: (1) * * * * *
(2) * * * * *
(3) * * * * *

(3A) The Demands for Grants on Account shall not be subjected to the scrutiny of the Subject Committees.

230A. Subject Committees:- (1) There shall be ten Subject Committees as enumerated in the Fifth Schedule.

(2) Each Subject Committee shall deal with the subjects shown against it in the Fifth Schedule and or matters relating to them:

Provided that the Speaker may in consultation with the Leader of the House modify or vary the allocation of subject to the Subject Committees from time to time.

230B. Constitution of Committees:- (1) Each Subject Committee shall consist of not more than fifteen members and not less than ten members who shall be nominated by the Speaker, as soon as may be, after the commencement of the Assembly or from time to time, as the case may be.

(2) No member shall be a member of more than one Subject Committee:

Provided that a Minister shall be ex-officio member of every committee, in respect of which the subject/subjects allocated to such committee may fall within this responsibility.

(3) The term of the Subject Committee shall be two years from the date of constitution of the Committee or until a new Committee is nominated.

230C. Chairman of the Committee:- The Speaker may nominate one of the member of the Committees as its Chairman.

230D. Functions of the Committee:- The functions of the Subject Committee shall be:-

- (i) to scrutinize the Demands for Grants:
 - (ii) to examine legislation,
 - (iii) to study and report on a specified area of governmental activity in the wider public interest, or a project, scheme or undertaking intended for the general welfare:
 - (iv) to advise Government on a question of policy or legislation on which Government may consult a Committee:
 - (v) to discuss generally and formulate views on:-
 - (a) State's Five Year Plan Programmes and their Implementation:
 - (b) Centre-State relations in so far as they concern the State of Kerala:
 - (c) Reports of Public Service Commission:
 - (d) Reports of Public Undertakings:
 - (e) Reports of any statutory; or other body, including any Commission of Inquiry, which are laid before the Assembly: and
 - (vi) to consider the draft of the rules to be framed by the Government or other authority in pursuance of the rule making powers delegated by an Act of the Legislature.
- (2) The Subject Committees shall not examine or investigate matters of day to day administration.

230E. Power of the Committee as regards Demands for Grants:-

(1) Each Subject Committee shall, at the conclusion of the discussion referred to in rule 141, scrutinize the Demands for Grants falling within its purview. Such scrutiny shall ordinarily be confined to variations in the demands from the previous year more particularly increases, the need for economy and efficiency, new services, and relationship of expenditure to needs.

(2) The Subject Committee shall complete the scrutiny of all the Demands for Grants within a period not exceeding three weeks from the date of completion of the discussion referred to in rule 141.

(3) At the end of the scrutiny referred to in sub-rule (2) each Subject Committee, shall as soon as may be, report to the house the result of such scrutiny and forward a copy of the report to the Minister concerned.

230F. Powers of the Committee in respect of Bills:-

(1) Every Bill, other than an Appropriation Bill, unless referred to a Select Committee, shall after its general principles are approved by the House on a motion adopted in that behalf, stand referred to the Subject Committee, within whose jurisdiction the subject matter of the Bill falls, for detailed examination together with the amendments, if any, received thereto.

(2) In other respects, the procedure applicable to the Select Committee on a Bill shall apply to the Subject Committees when they consider legislation.

230G. Powers of the Committee as respects Statutory Rules:-

In every case where a statute confers powers to make rules on the Government or other authority, all such rules shall be placed before the appropriate Subject Committee in draft form for its scrutiny.

230H. Reports of Subject Committees:- (1) Subject to sub-rules (2), (3) and (4), each Subject Committee shall submit periodical reports to the Assembly.

(2) A Subject Committee may, in regard to matters referred to in items (iii) and (iv) of sub-rule (1) of rule 230 D, forward its report to the Chief Minister in the first instance, if in the opinion of the Committee, public interest will be better served by so doing.

(3) Each Subject Committee shall, in regard to matters specified in item (v) of sub-rule (1) of rule 230 D. present to the House, from time to time, a resume of its discussions thereon and forward a copy thereof to the Chief Minister.

(4) Each Subject Committee shall in regard to item (vi) of sub-rule (1) of rule 230D, forward its report to the Chief Minister.

230 I Secrecy of proceedings of Committee:- (1). The proceedings of the meetings of the Subject Committee shall not be open to press.

(2) A verbatim proceeding of the meetings of the Committee shall be kept in the Legislature Library for perusal by the members of the Assembly.

230J. Powers of Speaker to issue directions:- Without prejudice to the generality of the powers conferred under Rule 303, the Speaker may, from time to time, issue such direction as may be necessary for the efficient conduct of the work of the Subject Committees.

263. Dilatory motion in abuse of the rules of the Assembly:-

(1) * * * * *

(2) * * * * *

(3) If the Speaker is of opinion that a motion for re-committal of a Bill to a Select Committee or a Subject Committee of the Assembly or circulation or re-circulation of the Bill after the Select Committee or the Subject Committee as the case may be of the Assembly has reported thereon is in nature of a dilatory motion in abuse of the rules in as much as the

Select Committee or the Subject Committee, as the case maybe, of the Assembly has dealt with the Bill in a proper manner or that no unforeseen or new circumstance has arisen since the Bill emerged from such Committee, he may forthwith put the question thereon or decline to propose the question.

Fifth Schedule

| | | |
|----------------|--|--|
| Committee. I | . Agriculture and Integrated Rural Development | Agriculture, Minor Irrigation, Soil and Water Conservation, Government Plantations, Commercial crops, Special Agriculture Development Programme, Area Development, Animal Husbandry Dairy Development, Community Development |
| Committee. II | Land Revenue, Forests & Fisheries | Land Revenue, Land Reforms, Relief on account of natural Calamities, Forests, Fisheries & Fishing, Harbours, All Marine Products |
| Committee .III | Irrigation & Power | Major & Medium Irrigation, Flood Control, Anti-sea erosion, Electricity |
| Committee. IV | Industry & Minerals | Large & Medium Industries, Village & Small Industries, Small Scale Industries & Industrial Estates, Handloom & Power loom, Khadi & Village Industries , Handicrafts, Coir, Cement, Iron & Steel, Bricks & Tiles, Mineral Development |
| Committee. V | Public Works, Transport & Communications | Public Works (including roads & bridges), Ports, Light Houses & Shipping, Road Transport, Water Transport, Railways. Air Transport, Communications, Tourism. |
| Committee VI | . Social Service | Education (including all Technical & Professional Education). Arts and Culture, Science & Technology (including Research), Health (including Hospitals & Maternity Services), Family Planning, Women's & Child Welfare, Welfare of the Physically Handicapped, Old age pension Social Welfare & Nutrition, Harijan Welfare & Welfare of other Backward Classes |

| | | |
|----------------|-------------------------------------|--|
| Committee VII. | Food, Housing & Labour | Food & Civil Supplies, Urban and Rural Housing, Labour (including Agricultural & Plantation Labour), Employment & unemployment, Employees State Insurance |
| Committee VIII | Economic Affairs | Economic Development, Excise, Commercial Taxes & Agricultural Income-Tax, Lotteries, Chitties & Chit Funds, Credit Institutions, Insurance |
| Committee. IX | Local Administration & Co-operation | District Councils, Municipal Corporation & Municipal Councils, Panchayats, Co-operation, Town Planning & Urban Development, Sewerage & Water Supply |
| Committee. X | Home Affairs | Police & Jails, Administration of Justice, Elections (other than elections to local bodies), General Administration including all service matters), Sports and Games, All other subjects not included in any other Committee |

2. COMMITTEE ON PUBLIC ACCOUNTS
Excerpts from Kerala Budget Manual is given below:

CHAPTER X

REVIEW OF THE BUDGET - II

Committee on Public Accounts

108. Reference has been made in paragraph 6 and 98 to the Committee on Public Accounts which is one of the Legislature Committees. The general rules regulating the working of Legislature Committees are contained in Chapter XXIV of the "Rules of Procedure and Conduct of Business in the Kerala Legislative Assembly" (Rules 179 to 210). The duties and functions of the Committee on Public Accounts and the provisions relating to its constitution, as laid down in Rules 231 and 232 *ibid*, and the Rules of Procedure of the Committee, framed under Rule 206 *ibid*, are reproduced in the following sub paragraph. The primary function of the Committee on Public Accounts is to scrutinize the Report of the Comptroller and Auditor General of India, the Appropriation Accounts and Finance Accounts, copies of which are circulated to its members, after these have been submitted to the Governor and placed before Legislature. The result of such scrutiny is communicated to the Legislature in the form of reports, which contain, *inter alia*, the recommendations and observations of the Committee, for implementation by the Departments concerned. Prompt action should be taken by the Departments on these recommendations, and a statement in the prescribed form, showing the action taken or proposed to be taken, should be furnished to the Committee within two months, after getting the statements vetted by Audit. Instructions issued by Government from time to time for the guidance of the Departments of the Secretariat and the Departmental Officers in matters concerning the Committees on Public Accounts are given in Appendix 15.

231. FUNCTIONS OF COMMITTEE ON PUBLIC ACCOUNTS.

(1) There shall be Committee on Public Accounts for the examination of accounts showing the appropriation of sums granted by the Assembly for the expenditure of the Government of Kerala, the annual finance accounts of the Government of Kerala, and such other accounts laid before the Assembly as the Committee may think fit.

(2) In scrutinizing the Appropriation Accounts of the Government of Kerala and the Report of the Comptroller and Auditor General thereon, it shall be the duty of the Committee to satisfy itself:

(a) that the moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged.

(b) that the expenditure conforms to the authority which governs it; and

(c) that every reappropriation has been made in accordance with provisions made in this behalf under rules framed by competent authority.

(3) It shall also be the duty of the Committee:-

(a) To examine the statements of accounts showing the income and expenditure of State Corporations, trading and manufacturing schemes, concerns and projects together with the balance sheets and statements of profits and loss accounts which the Governor may have required to be prepared or are prepared under the provisions of the statutory rules regulating the financing of a particular corporation, trading or manufacturing scheme or concern or project, and the Report of the Comptroller and Auditor general thereon;

(b) to examine the statements of accounts showing the income and expenditure of autonomous and semi-autonomous bodies, the audit of which may be conducted by the Comptroller and Auditor General either under the directions of the Governor or by a statute of the Legislature: and

(c) to consider the Report of the Comptroller and Auditor General in cases where the Governor may have required him to conduct an audit of any receipts or to examine the accounts of stores and stocks.

(4) If any money has been spent on any service during a financial year in excess of the amount granted by the Assembly for the purpose, the Committee shall examine with reference to the facts of each case the circumstances leading to such an excess and make such recommendations as it may deem fit:

Provided that the Committee shall not exercise its functions in relation to such public undertakings specified in the Fourth Schedule and such other public undertakings as may be notified by the Government as such, from time to time.

232. CONSTITUTION OF COMMITTEE

The Committee shall consist of eleven members, who shall be elected by the Assembly, as soon as may be, after the commencement of the financial year, for a period of two years from among its members according to the principle of proportional representation by means of the single transferable vote:

Provided that a Minister shall not be elected a member of the Committee and that if a member, after his election to the Committee, is appointed a Minister, he shall cease to be a member of the Committee from the date of such appointment.

RULES OF PROCEDURE (INTERNAL WORKING)

The following rules are supplemental to the provisions contained in Rules 179 to 210 231 and 232 of the Rules of Procedure and Conduct of Business in the Kerala Legislative Assembly, which relate to the composition, functions and conduct of business by the Committees on Public Accounts.

1. After the Report of the Comptroller and Auditor General of India relating to the Appropriation Accounts of the Government of Kerala and the Audit Report thereon has been laid before the Assembly as laid down in Article 151 (2) of the Constitution a copy thereof shall, be circulated to the Members of the Committee.

Note:- The Speaker has authorized the Public Accounts Committee to examine the Appropriation Accounts and the reports thereon before they are laid before the Assembly (Letter No. D. Dis. 109 / 51 / L.A, dated 26th March 1951 from the Secretary, Legislative Assembly to the Finance Secretary to Government, vide Fin. (d) 2-3612/51. (The Committee should not however, submit any report to the House before the Accounts are laid on the Table of the House).

2. Similarly copies of the Finance Accounts of the Government of Kerala and the Audit Report thereon, shall be circulated to the Members of the Public Accounts Committee after these have been laid on Table of the House.
3. The Committee shall determine from time to time the Accounts and Audit Report to be examined by it
4. The programme shall be drawn up by the Secretary and approved by the Chairman and copies thereof will be circulated to the departments of the Government, etc, to enable them to keep themselves in readiness.
5. After going through the Accounts and Reports referred to in Rules 1 and 2 above, points, if any, on which further information is required shall be got ready. These points shall be sent to the Secretary ten days in advance of the date of meeting: where the Committee meets at a short notice, the period of ten days referred to above may be reduced under orders of the Chairman.
6. The Members may similarly send their suggestions, if any, for the consideration of the Committee two days in advance of the date of the meeting.
7. Usually thirty copies of each of the notes, memoranda, etc, shall be furnished by the departments of the Government, either in pursuance of action taken on the recommendations of the Committee or in reference to the point or points on which the information may be called for the Committee or a Member thereof,. On receipt copies shall be circulated to the Members and 3 copies of each paper, memorandum, document etc, shall be forwarded to the Accountant General.
8. Memoranda, notes or other documents placed before the Committee shall at the discretion of the Committee form appendices to Reports unless Government or the Audit Department is particularly marking them as SECRET.
9. The Secretary shall note the points on which further information is required by the Committee as a result of examination of the departmental witnesses and take such action as may be necessary under the direction of the Chairman.
10. The notes and other details furnished by the Departments as a result of the examination of the departmental witnesses may be submitted to the Committee after verification by the Audit Department.
11. A brief record of the proceedings of each meeting of the Committee shall be kept by the Secretary.

12. Relevant portions from the speeches of the Members in the Committee maybe forwarded to them for correction and return within 48 hours. The officials tendering evidence before the Committee may also enjoy the same privilege.
13. The Chairman of the Committee shall be competent to order that any portion of the proceedings or evidence tendered need not be published when he is convinced that it shall not be in the public interest to disclose the same.
14. The Committee shall have power to require the attendance of persons or the production of papers or records, if such a course is considered necessary for the discharge of its duties.
15. The Committee may recall any witness to give further evidence on any point which is under the consideration of the Committee.
16. If, in any case, any of the witnesses or officers of Government called upon to appear before the Committee to tender evidence is not in a position to do so for any bonafide reason, the fact shall be intimated to the Chairman sufficiently early,
17. The Secretary shall maintain a record of attendance of the Member present for the Meetings.
18. When the examination of any portion of the Accounts by the Committee is over, it shall frame its recommendations.
19. Each draft report or part thereof shall be considered at a meeting of the Committee and will embody the decisions of the majority of the Members present and voting.
20. There shall be no minutes of dissent to the Report of the Committee
21. As soon as each Report has been completed, it shall be printed. A typed script or printed copy of the Report, if available, shall be presented to the Assembly and printed copies supplied to the Members at a later date.
22. Under the directions of the Chairman, the Secretary may arrange for the issue of Press Releases, etc, for the general information of the public regarding the activities of the Committee.
23. The Secretary shall keep an account of the expenses incurred on the meetings of the Committee.
24. The Public Accounts Committee Branch of the Legislature Secretariat shall bring up-to-date the “statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee”, on the basis of replies given by the departments, and circulate it to the Members of the Committee a week before the date of commencement of meetings of the Committee for the examination of all or either of the Accounts and Reports referred to in Rule 1 above. This statement shall also be accompanied by copies of the memoranda, notes or other literatures forwarded by the departments stating the action taken by them on the particular item/items with which they are concerned.

25. * * * * *

26. The Finance Secretary to Government, the Secretary to Government in charge of the department under scrutiny by the Committee and the Accountant General or an officer deputed by him shall be present for all the meetings of the Committee.

27. Any additional points of procedure which are formulated from time to time shall be incorporated in these rules.

* Deleted. The work of preparing an epitome of the recommendations of the Public Accounts Committee has since been entrusted to the Accountant General.

3. COMMITTEE ON PUBLIC UNDERTAKINGS
Excerpts from Kerala Budget Manual is given below:

CHAPTER XII

REVIEW OF THE BUDGET - IV

Committee on Public Undertakings

111 The Committee on Public Undertakings, which is yet another of the Legislature Committees, was first constituted in November, 1968, to examine the working of Public Undertakings. Like the Committee on Public Accounts, it has now eleven members, including the Chairman. The functions of the Committee on Public Undertakings and the provisions relating to the constitution, as laid down in Rules 236 and 237 of the “Rules of Procedure and Conduct of Business in the Kerala Legislative Assembly”, and the Rules of Procedure of the Committee, framed under Rule 206 *ibid*, are reproduced in the following sub-paragraphs. The instructions contained in Appendix 15 to this Manual will apply *mutatis mutandis* to matters concerning the Committee on Public Undertakings as well.

236. FUNCTIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

There shall be a Committee on Public Undertakings for the examination of the working of the Public Undertakings specified in the Fourth Schedule and such other public undertakings as may be notified by the Government as such from time to time.

The functions of the Committee shall be:-

(a) to examine the reports and accounts of the Public Undertakings specified in the Fourth Schedule: and with the permission of the Speaker to examine such other Public Undertakings as may be notified by the Government as such from time to time:

(b) to examine the reports, if any, of the Audit on Public Undertakings:

(c) to examine in the context of the efficiency of the Public Undertakings whether the affairs of the Public Undertakings are being managed in accordance with sound business principles and prudent commercial practices: and

(d) to exercise such other functions vested in the Committee on Public Accounts and the Committee on Estimates in relation to the Public Undertakings specified in the fourth schedule as are not covered by sub-clauses (a), (b) and (c) above and as may be allotted to the Committee by the Speaker from time to time.

Provided that the Committee shall not examine and investigate any of the following namely:-

(i) matters of major Government policy as distinct from business or commercial functions of the Public Undertakings:

- (ii) matters of day-to-day administration:
- (iii) matters for the consideration of which machinery is established by any special Statute under which a particular Public Undertaking is established.

Note: "Public Undertaking" for the purpose of Rules 236 and 237 means any Company in which not less than 51 per cent of the paid up share capital is held by the State Government and includes Statutory Corporation and Board's constituted by the State Government.

237:- CONSTITUTION OF THE COMMITTEE

The Committee shall consist of eleven members who shall be elected by the Assembly as soon as may be after the commencement of the financial year for a period of two years from amongst its members according to the principle of proportional representation by means of single transferable vote:

Provided that a Minister shall not be elected as a Member of the Committee and that if a Member, after his election to the Committee is appointed as a Minister he shall cease to be a member of the Committee from the date of such appointment.

RULES OF PROCEDURE OF THE COMMITTEE ON PUBLIC UNDERTAKING (INTERNAL WORKING)

(Made under Rule 206 of the Rules of Procedure and Conduct of Business in the Kerala Legislative Assembly)

The following rules are supplemental to the provisions contained in Rules 179 to 210 and Rules 236 and 237 of the Rules of Procedure and Conduct of Business in the Kerala Legislative Assembly.

1. (1) Selection of Subjects for Examinations:- The Committee shall select from time to time for examination such Public Undertakings or such subjects as they may deem fit and fall within their terms of reference:

(2) The programme of work for the examination of subjects may be determined by the Committee from time to time.

2. If the Committee is divided into Sub-committees, the procedure of each Sub-committee shall be the same as that of the whole Committee.

3 Notice of sitting:- When the date and time of a sitting of the Committee have been fixed by the Chairman, notice thereof shall be circulated to the Members of the Committee.

4 Material to be furnished to the Committee:- The Department / Undertaking concerned with the subjects to be examined by the Committee shall be asked in writing by the Legislature Secretariat to furnish twenty-five set of the necessary material for the use of the Members of the committee. The preliminary material to be furnished to the Committee in respect of an Undertaking shall generally be on the lines set out in Annexure I.

4A. When the Committee take up consideration of the Report of the Comptroller and Auditor General of India relating to the Government of Kerala, so far as they relate to Public Undertakings mentioned in the Fourth Schedule to the Rules of Procedure and Conduct of Business in the Kerala Legislative Assembly, usually thirty copies of each of the notes, memoranda etc, shall be furnished by the Departments of the Government either in pursuance of action taken on the recommendations of the Committee or in reference to the point or points on which the information may be called for by the Committee or a Member thereof. On receipt, copies shall be circulated to members and three copies of each paper, memorandum, document, etc, shall be forwarded to the Accountant General.

4B. The notes and other details furnished by the Departments as a result of the examination of the departmental witnesses in connection with the consideration of the Report of the Comptroller and Auditor General of India relating to the Government of Kerala so far as they relate to the Public Undertakings mentioned in the Fourth Schedule to the Rules of Procedure and Conduct of Business in the Kerala Legislative Assembly may be submitted to the Committee after verification by the Audit Department.

5. Circulation of Material to Members:- The material shall be circulated to the Members with a covering memorandum as soon as possible after its receipt in the Secretariat.

6. Papers circulated to Committee to be treated as Confidential:- The papers circulated to the committee shall be treated as confidential and the contents thereof shall not be divulged to any one nor shall any reference be made to such information outside the Committee at any time before the report on the subject has been presented to the House. Thereafter, reference may be made only to such information as is available in the documents or records laid on the Table.

7. Questions by Members:- (1) The members may, after going through the papers, frame questions or points on which further information is required by them.

(2) These questions or points shall be sent by members to the Legislature Secretariat by a date to be specified by the Chairman.

8. Questionnaire for the Department/Undertaking:- (1) The questions and points suggested by Members, together with other relevant points concerning the subject under examinations, shall be consolidated in the form of a questionnaire. The questionnaire shall be circulated to all Members of the Committee with explanatory notes wherever necessary.

(2) The questionnaire and the suggestions received from the Members shall be considered by the Committee. After its approval by the Chairman it shall be sent to the Undertaking/Department which shall furnish to the Secretariat twenty five sets of replies thereto by a date to be specified by the Chairman.

(3) Copies of the questionnaire shall be circulated to the Members of the Committee.

(4) The replies received to the questionnaire from the Undertaking/Department shall be circulated to the Members in the manner prescribed in Rule 5 of these rules.

(5) Where further clarification is required on any point or additional information is desired it may be called for in the manner prescribed in sub rule (2) of this rule.

9. Points for oral examination: (1) The Legislature Secretariat shall prepare a list of points and/or questions for oral examination of the witnesses incorporating therein any suggestions that may be received from Members in this regard, for approval by the Chairman.

(2) Advance copies of the list of points or questions may be circulated to the Members of the Committee.

10. Procedure when taking oral evidence:- The Chairman shall put questions one by one to the witness. If a member desires to put a question he shall do so with the permission of the Chairman. In case the witness is not in a position to elucidate any point immediately, he may be permitted by the Chairman to furnish a reply to the Secretariat in writing as soon as may be thereafter.

11. Recall of witnesses: The Committee may recall any witness to give further evidence on any point which is under consideration of the Committee.

12. Examination of witnesses:- The Committee may whenever necessary take the oral evidence of the representatives of the Undertakings under examination, separately from those of the Department concerned.

13. Points on which further information is required:- The Secretariat shall note down the points on which further information is required by the Committee and under the directions of the Chairman take such action in the matter as may be necessary.

14. Production of Documents:- (1) The Committee may send for persons, papers and records required in connection with the examination of the Undertakings/Department. In the case of secret documents required by the Committee such papers may be made available by the Undertakings/Department confidentially to the Chairman in the first instance unless it is certified by Minister concerned that the document could not be made available on the ground that its disclosure would be prejudicial to the safety or interest of the State.

(2) The Chairman may give due consideration to the wishes of the Undertaking/Department before making any secret documents available to the Members of the Committee. Any difference of opinion between the Undertaking/Department and Chairman may be settled by discussion and if no satisfactory arrangement is arrived at, the matter shall then be placed before the Speaker for his decision.

15. Verbatim proceedings:- The verbatim proceedings shall be for the use of the Committee only and only such papers as have been laid on the Table of the House will be made public.

16. Minutes of sittings:- The Secretariat shall draft minutes of the sittings of the Committee for approval of Chairman or the Member who presided at the sitting as the case may be.

17. Circulation of Minutes:- The minutes of each sitting of the Committee shall be circulated to the Members of the Committee.

18. Presentation of draft report:- (1) When the examination of any subject has been completed the Committee shall frame their conclusions and recommendations.

(2) On the basis of the conclusions and recommendations a draft of the report shall be prepared.

(3) The draft report as prepared under (2) above shall be circulated to the Members of the Committee after it has been approved by the Chairman and then considered at a sitting of the Committee. The report of the Committee shall embody the decisions of the majority of the members present and voting.

(4) In the case of equality of votes the Chairman shall decide the issue by a casting vote.

(5) There shall be no minute of dissent to the Reports of the Committee.

19. Presence of persons other than Members of the Committee or Officers of the Secretariat:- When the Committee is considering the draft reports or formulating its view on any matter, no one who is not a member or an officer of the Secretariat of the Committee shall be present at such meeting.

20. Supply of advance copies of report to department for factual verification:- Advance copies of the report as finalized by the Committee shall be marked 'Secret' and sent to the concerned Department and also to the Finance Department for verification of factual details. It shall be enjoined on them to treat the contents of the reports as secret until the report is presented to the House.

21. On receipt of the comments of the Departments the Chairman may make suitable modifications in the report to correct factual inaccuracies, if any, or may direct that the matter be placed before the Committee for consideration.

22. The report shall ordinarily be presented to the House by the Chairman, but if he is unable to do so, one of the members of the Committee who may be authorised by him may present the report on his behalf.

23. Signing of the report of the Committee:- The Chairman will sign the report on behalf of the Committee.

24. Distribution of reports:- As soon as possible after presentation of the report to the House, copies thereof shall be made available to the Members of the Legislature and other persons, authorities, etc, concerned.

25. Publicity to activities of the Committee:- The Secretariat shall, under the direction of the Chairman, arrange to give suitable publicity through the bulletin and the press to the sittings of the Committee for the information of the public.

26. Incorporation of points of procedure in the Rule:- Any addition or alteration to these rules from time to time shall be incorporated in the rules after due approval.

ANNEXURE - I
(vide Rule 4)

**POINTS TO TBE COVERED IN THE PRELIMINARY MATERIAL TO BE
FUNRNISHED BY A DEPARTMENT / UNDERTAKING**

- (i) Historical background together with copies of Statutes/Memorandums and Articles of Association of the Corporation/Company, Rules, Regulations issued thereunder, if any,
- (ii) Note giving briefly the Objects and present functions of the Corporation/Company together with copy of the Instrument of Instructions issued by Government, if any
 - (iii) (a) Organisational set-up of the Corporation/Company, including that of its various projects/offices. This information may be shown in the form of a chart supported by short explanatory notes.
 - (b) Organisational set-up in the administrative department which co-ordinates/controls the work of the Corporation/Company.
- (iv) A detailed accounts of the working (the financial as well as physical terms) of the Corporation/Company year-wise, since its inception with reference to programme or plan. Reasons for variation between the programme and the achievement, if any, may be furnished.
- (v) The original estimates, revised estimates and actual expenditure on the various projects for the last three years together with a brief note indicating the reasons for variations, if any.
- (vi) Current programme and future plans of the Corporation/Company.
- (vii) (a) Copies of the Annual Reports and Accounts for the last three years, together with Administrative Reports and reviews of Government, if any,
- (b) Copies of monthly/quarterly reports submitted by the Chairman and the Financial Controller to Government during the last one year.
- (viii) Copies of report of any enquiry or investigation conducted into the working of the Corporation/Company.
- (ix) Notes, giving main features of the Project Reports, if any relating to each Project undertaken by the Corporation / Company, i.e.. their estimated cost, scheduled dates of commissioning of the various units in each Project, annual rated capacity (both in terms of quantity and value) and the year of reaching that capacity, staff required (category-wise), etc., together with the latest position with reference to each aspect.
- (x) Copies of agreement, if any, entered into with Consultants/Collaborators.
- (xi) Copies of directives, if any, issued by Government,
- (xii) A brief note indicating the position of similar undertakings in other States.
- (xiii) Any other information which the Department/Undertaking would like to place before the Committee.

(See Paragraph 108, 110 and 111)

Instructions for the Guidance of the Departments of the Secretariat and the Departmental Officers in matters pertaining to the Committee on Public Accounts.

Submission of notes/statements of action

Top priority should be given to requests for information received from the Public Accounts Committee. The information required should invariably be furnished within a period of one month, unless the circumstances in a case are such as to warrant a longer period. In such cases, the Committee should be apprised of the constraining circumstances necessitating extension of the deadline. Each Department should designate an officer not lower in rank than a Deputy Secretary for ensuring prompt attention in this regard.

All written notes/statements of action taken on the recommendations of the Public Accounts Committee should be got vetted by Audit before these are forwarded to the Legislature Secretariat. (However, notes on paragraphs in the Report of the Comptroller and Auditor General of India, furnished by the Department of the Secretariat before the paragraphs are examined by the Public Accounts Committee, need not be got vetted by Audit. Also, in respect of notes containing further information desired by the Committee while examining witnesses, 35 advance copies, not seen by Audit, clearly so marked, may be sent, direct to the Legislature Secretariat, at the time 3 copies of the note are forwarded to Audit, for vetting. In such cases after vetting a copy of the vetted note will be sent by Audit to the Legislature Secretariat). The draft notes/statements of action sent to 'Audit' for vetting should be accompanied by the relevant files and other documents based on which the notes/statements were prepared. The draft should invariably be dated, and approved by an officer not lower in rank than a Joint Secretary to Government who has ultimately to sign the final copies. Two spare copies of the draft should also be sent for use in the Audit Office. On receipt of the draft note/statement duly vetted by Audit, 40 final copies of the notes/statement, each signed in ink by an officer not below the rank of a Joint Secretary, should be forwarded to the Accountant General, who will arrange to forward to the Legislature Secretariat with his comments, if any under advice to the Secretary to Government in the Administrative Department and the Finance Secretary to Government.

Procedure for the regularisation of excesses over Voted Grants/Charged Appropriations disclosed in the Accounts.

As soon as the Appropriation Accounts of a year are finalised by Audit and sent to the press for first proof. Audit will inform the Administrative Departments concerned under intimation to the Finance Department, of cases of excesses over Voted Grants / Charged Appropriation.

The Administrative Departments concerned will prepare and submit to Audit, WITHIN TWO MONTHS, notes explaining the reasons for or the circumstances leading to the excesses, after getting the notes scrutinized by the Finance Department. The notes should be accompanied by the relevant files based on which they were prepared.

Audit will return the notes, duly vetted, WITHIN A FORTNIGHT OF THEIR RECEIPT.

The notes will be submitted to the Committee immediately after presentation of the Appropriation Accounts to the Legislative Assembly or the 10th of April, whichever is later.

After the Committee has examined the notes and presented its report thereon, the Finance Department will take steps to present the demands for excess grants in the budget session of the Assembly, if possible, or in the next ensuing session.

Note :- The procedure prescribed above for submission of notes/statements of action to the Committee will apply to notes for the regularization of excesses as well.

Tendering evidence

The Secretary to Government in the Administrative Department will represent Government and tender evidence before the Public Accounts Committee, as he will be in a better position to take a more objective and detached view of the transactions than the Head of the Department. He alone will normally answer the questions put by the members of the Public Accounts Committee, assisted by the Head of the Departments as regards details. In the case of autonomous bodies and Government companies, the Secretaries to Government can be assisted by the Chairman of autonomous body or the Executive Head of the Government concerned. The number of Committee should be restricted to the minimum.

The Public Accounts Committee examines the Secretary to Government in order to ascertain the full facts of the case covered by an Audit Para. The officer who is called upon to appear as a witness before the committee should have studied thoroughly all the papers and files on subject, including the original records relating to the case in the subordinate offices, as well as the file in which draft Para forwarded by the Accountant General was examined. (If necessary, the officer could also inspect the site of the project/scheme under examination, if this is practicable within the limited time at his disposal). The officer should have these records with him at the time the Committee examines the Audit Para. A comprehensive note, covering all aspects of the case and indicating clearly the action taken in chronological order, should also be prepared for ready reference while giving evidence before the Committee. It should also be seen whether a similar irregularity had found place in any of the earlier Audit Reports, and if so, what action was taken by Government at that time, based on the Committee's recommendations. The Committee expects the replies by witnesses to be precise and to the point. Every statement that is made by a witness should be capable of being proved with reference to the records. If information on any point raised by the Committee is not readily available, the fact should be admitted, and more time sought for furnishing the same. Vague and generalized replies and the expression of opinion and presumptions are not proper, and should be avoided.

Rules of conduct and etiquette for the guidance of witnesses

1. The witness should show due respect to the Chairman and other members of the Committee by bowing while taking his seat.
2. The witness should take the seat earmarked for him opposite the seat of the Chairman.
3. The witness should take the oath or make affirmation if so asked by the Chairman. The witness will take the oath or make affirmation standing in his seat, and bow to the Chair just before and after the act.

4. The witness should answer specific questions put to him either by the Chairman or by a member of the Committee or by any other person authorised by the Chairman. He may, however, place before the Committee, if asked to do so, any point not so covered, which in his opinion, is essential to be brought to the notice of the Committee.

5. All submissions to the Chair and the Committee should be couched in courteous and polite language.

6. When the witness has finished giving evidence and is asked to withdraw, he should, while leaving, bow to the Chair.

7. The witness should not smoke or chew when he is seated before the Committee.

8. Subject to the provisions of the "Rules of Procedure and Conduct of Business in Kerala Legislative Assembly", the following shall constitute breach of privilege and contempt of the Committee:-

- (a) Refusal to answer questions
- (b) Prevarication or willfully giving false evidence or suppressing the truth or misleading the Committee.
- (c) Destroying or damaging a material document pertaining to the enquiry.
- (d) Trifling with the Committee, giving insulting answers.

The expression 'refusal to answer question' is a technical term, used in connection with the privileges of the Legislature, and it has a special connotation in that context. It refers to cases where a witness wilfully refuses to answer a question, with a view to obstructing the proceedings of the Committee. Normally, in the case of official witnesses, this term is interpreted in the light of the established parliamentary convention. Ordinarily, there should be occasion for an official witness to question the relevance of any information asked for from him. If, however the information sought relates to the contents of a document, the production of which has already been objected to on grounds of relevance and security, the witness is advised to follow the following instructions:-

- (i) Normally, it is not the practice for the officers appearing before the Committee to refuse point-blank, as it were to answer a question put by the Chairman or a member of the Committee. Such situations should be dealt with tactfully, and, if the Secretary or the Head of the Department finds it difficult to give the necessary information, he is advised to have a talk with the Chairman and take time to answer the question. Similarly, if any difficulty is felt in making available files or other documents, they may refer the matter to their Ministers, who can have a talk with the Chairman and hand over the files/documents, requesting him to use his own judgment. Therefore, whenever a Secretary finds it difficult to answer a question, whether in the interest of the State or considering the Minister's possible reaction, or for any other reason, it is always desirable to seek time to answer the question, and in the meantime, acquaint the Chairman with the position. However, if a solution cannot be found though such personal contact, the Minister could also be brought into the picture, and the matter settled.

(ii) Where an official witness wishes to withhold any information on grounds of relevancy or security, the proper course would be to give a polite interim reply, seeking time to look into the matter. The difficulty could then be explained to the Chairman. The officer should be very careful about the way he answers, as even a slip of the tongue could, at times, create a tense atmosphere. If the answer is couched in courteous language and the witness requests more time, he could always count on the Committee's indulgence.

Action to be taken on the Reports of the Public Accounts Committee

The Reports of the Public Accounts Committee, presented to the Legislature, contain various recommendations and observations, on which the departments have to take proper action. There should not be any delay in taking action on such recommendations and observations and issuing suitable orders. As soon as copies of a report are circulated, the Secretary to Government and the Head of the Department should personally examine whether any of the rules to be amended or whether a change in procedure is called for to implement the recommendations of the Committee. Expeditious action should be taken in all such cases, and the Secretary to Government should specially look into this while passing orders on files in which the recommendations and observations of the Committee are examined. The departments should furnish to the Committee as early as possible, and, in any case, within two months, a statement, in the prescribed form (vide Annexure A and B), showing the action taken or proposed to be taken on the recommendations, after getting the statement vetted by Audit.

Departments which are to take action on the recommendations

The names of the departments which are to take action on the recommendation will be specified in the Appendix to the Committee's Report, against each recommendation.

Recommendations of a purely administrative character, relating to a particular department should be dealt with by the department concerned.

Recommendation having financial implications, but concerning only a particular department should also be dealt with by the department concerned, in consultation with the Finance Department.

Recommendations of a general nature, concerning not only the department reported upon, but also a number of other departments or all other departments, will be dealt with as follows:

(a) In the case of recommendations marked for action by all the departments, the Finance Department will specify which department is to take action, and also act as the co-ordinating agency.

(b) Recommendations marked for action by a particular department, which, in the department's view, are of a general nature and cannot therefore, be adequately dealt with by the department alone, should be brought to the notice of the Finance Department for appropriate action. The replies in respect of such general items will be sent either by the Finance Department or by the department concerned, as mutually agreed upon.

Appointment by Government of Committees to consider matters already under examination by a Committee of the Legislature.

The following convention should be observed in this regard:-

(i) If any department proposes to set up a committee to investigate or enquire into any matter, it should first ascertain from the Legislature Secretariat, whether any Committee of the Legislature is already engaged in examining the same matter.

(ii) If a Committee of the Legislature or a Sub-committee thereof is already so engaged, no other Committee should be set up, unless the appointment of such a Committee is clearly unavoidable in the public interest.

(iii) Where appointment of such a Committee is considered necessary, no member of the Legislative Assembly shall be appointed a member of such a Committee, except after previous consultation with the Legislature Committee already engaged in examining the matter, such consultation being made through the Legislature Secretariat.

(iv) The report of any committee so set up should not be published without prior consultation with the said Legislature Committee. If any difference of opinion arises in this regard between the Department and the Legislature Committee, the guidance of Speaker should be sought.

The above procedure does not, however, apply to purely Departmental Committees, comprised entirely of officials, which may be set up to examine specific questions and whose reports are not intended to be published.

General

The Administrative Department should work in close co-operation with the Finance Department in all matters concerning the Public Accounts Committee, e.g., while furnishing information to the Committee or while answering its questionnaire. The Finance Department shall be kept informed, from the very beginning, of any problem that may arise, and shall also be consulted before views on matters having financial implications are communicated to the Committee. This close association with the Finance Department shall be continued during the subsequent stages, when the Committee's report is considered and decisions are taken by the department on such matters.

ANNEXURE - A

Government of Kerala
..... Department

(Statement showing the action taken or proposed to be taken on the outstanding recommendations of the Public Accounts Committeeth Kerala Legislative Assembly) contained in itsth report.

| Sl No | Para No. of recommendation | Department concerned | Particulars of the recommendation | Remarks of the department |
|-------|----------------------------|----------------------|-----------------------------------|---------------------------|
| 1 | 2 | 3 | 4 | 5 |
| | | | | |

Date:

Secretary/Additional Secretary/Joint
Secretary to Government

Points to be noted:

(i) In cases where the department wants to furnish a detailed note or memorandum, which cannot conveniently be incorporated in column 5, the note/memorandum may preferably be appended to the proforma. In such cases, the following entry may be made in column 5:-

“A note is appended”

The number of the relevant para and the number of the Report of the Committee should invariably be indicated at the top of each note, and the note should be signed by the Secretary or Joint Secretary concerned.

(ii) 40 final copies of such note/memoranda should be sent.

(iii) The notes should be got vetted by Audit.

(iv) In columns (2) to (4), particulars as given in the Appendix to the Report should be reproduced.

ANNEXURE - B

Government of Kerala
 Department

*Statement showing the progress of action on the Recommendations/Conclusions contained
 In the Report of the Estimates Committees.*

| Sl. No. (as in the Appendix to the report) | Reference to Para No. of the report | Summary of recommendation/ conclusion | Government's reply | Remarks |
|---|---|---|-----------------------|---------|
| 1 | 2 | 3 | 4 | 5 |
| | | | | |

Date:

Secretary/Additional Secretary/Joint
 Secretary to Government

Points to be noted:

- (i) The last column should be left blank, for the use of the Legislature Secretariat.
- (ii) 30copies of the Statement (in foolscap size) should be furnished.
- (iii) Each report should be treated as a separate entity. Statement showing the action taken on the recommendations contained in each report should be forwarded separately.
- (iv) Ordinarily, a separate page should be set apart for each recommendation. If, however a number of recommendations do not call for any specific action by Government, they may be dealt with on the same page.
- (v) There should be a title page attached to each set of statements, indicating the number of the Report and the Sl. Nos. of the recommendations dealt with.
- (vi) As far as possible, a comprehensive reply, covering all the recommendations in a report, should be sent.

4. STATE ELECTRICITY CONSULTATIVE COUNCIL

It is constituted under section 16 of The Electricity (Supply) Act. The other details are governed by The Kerala State Electricity Board Rules 1957. Consultative Council review the consumers' complaints of general nature. Besides in their annual meeting the council consider the annual financial statements (Budget) of the Board.

5. LOCAL ADVISORY COMMITTEE

It is formed as per section 17 of The Electricity Supply Act. The details of its meeting, powers etc., are governed by The Kerala State Electricity Board Rules 1957. This committee have the right to review the working of the sub-division or 'the Division' concerned, The recommendations of the Committee shall be advisory in character and shall be respected as far as possible.

6. INTERPELLATION

State Legislative assembly raises various questions during its session. Moreover the Parliament also raise questions. Such questions are to be answered in time and with respect. Certain questions are 'starred'. In such cases it is expected that questions connected with that will also arise when the matter is taken for discussion again. So the replies should have greater coverage.

PART IV FORMS AND REGISTERS

1. Physical Verification Reports
2. Verification of cash
3. Audit Note
4. Audit Review Report
5. Audit Summary
6. Cut off/Document Verification
7. Balance confirmation
8. Bank Balance Certificate

AD 1/1 (MAT)

KSEBOARD**PHYSICAL VERIFICATION REPORT**Location code
ARU name
Date of verification

Remarks

| Sl No | Materials Code | Materials Description | Unit | Balance as per Stock Ledger | Physical Balance | Short | <u>Difference</u> | | Unit Rate | <u>Value Difference</u> | | Remarks |
|-------|----------------|-----------------------|------|-----------------------------|------------------|-------|-------------------|--|-----------|-------------------------|--------|---------|
| | | | | | | | Excess | | | Short | Excess | |
| | | | | | | | | | | Rs. | Rs. | |

Officer in charge of store

Executive Engineer

Physical stock verifier

AD 1/2 (MAT)

KSEBOARD**P.V. EXCESS/ SHORTAGE LIST**Location code
ARU name
Date of verification

| Material Code | Material Description | Excess Quantity | Unit | Rate | Excess Value | Remarks | Shortage quantity | Shortage Value | Remarks |
|---------------|----------------------|-----------------|------|------|--------------|---------|-------------------|----------------|---------|
| | | | | | Rs. | | | Rs. | |

AD 1/3 (MAT)

K.S.E.BOARD**STOCK RECONCILIATION STATEMENT**

Location Code:

Date of Reconciliation :

| Sl. No | Materials Code | Material Description | Unit | Balance as per Stock Ledger (Numerical) | Balance as per priced Store Ledger | Short | <u>Differences</u> | | Unit Rate | <u>Value Difference</u> | | Remarks |
|--------|----------------|----------------------|------|---|------------------------------------|-------|--------------------|--|-----------|-------------------------|--------|---------|
| | | | | | | | Excess | | | Short | Excess | |
| | | | | | | | | | | Rs. | Rs. | |

Officer in charge of store

Executive Engineer

Physical Stock Verification

KERALA STATE ELECTRICITY BOARD

AD 2

Location:

Date:

VERIFICATION OF CASH

| | Cash (Rupees) | Rupees | Rupees |
|----|--------------------------|--------|--------|
| | 500 x | | |
| | 100 x | | |
| | 50 x | | |
| | 20 x | | |
| | 10 x | | |
| | 5 x | | |
| | 2 x | | |
| | 1 x | | |
| | Coins | | |
| | Sub total (A) | | ----- |
| 2. | Cheque Particulars | | ----- |
| | | | |
| | | | |
| | Sub total (B) | | ----- |
| 3. | Stamps | | ----- |
| | | | |
| | | | |
| | Sub total (C) | | ----- |
| 4. | Franking Machine Balance | | ----- |
| 5. | Others (Specify) | | |
| | | | |
| | | | |
| | Sub total (D) | | ----- |
| | Total (A to D) | | ----- |

(Note: Cheque include postal order, draft, Travellers' cheque etc.)

(Contd)

| Particulars | Holder of cash | Auditor |
|-------------|----------------|---------|
|-------------|----------------|---------|

Signature:

Name:

Location:

Date:

.....
(Auditor in charge)

Remarks

AUDIT NOTE

AUDIT NOTE ON THE ACCOUNTS OF THE..... (OFFICE) FOR THE MONTH OF.....

| | |
|--|--|
| <p>No. _____ Date _____</p> <p>Forward to the (Office), for necessary action and early return. No. of pages Signature.....</p> <p>DESIGNATION: _____ AUTHORIZED SIGNATORY _____</p> | <p>No. _____ Date _____</p> <p>Returned to the Financial Adviser and Chief Accounts Officer Signature..... Designation.....</p> |
|--|--|

| Sl. No. | Particulars | Audit Observations | Money value | Replies | No. of item | How disposed of |
|---------|-------------|--------------------|-------------|---------|-------------|-----------------|
| | | | | | | |

AUDIT REVIEW REPORT

AD 4

ARU.....

| Sl. No. | Particulars | Audit Observation | Amount | Date of Audit Note | Replies received | Disposal |
|---------|-------------|-------------------|--------|--------------------|------------------|----------|
| | | | | | | |

AUDIT SUMMARY

AD 5

ARU.....

| Sl. No. | Particulars | Audit Observation | Amount | Reference | | Remarks |
|---------|-------------|-------------------|--------|------------|---------------------|---------|
| | | | | Audit Note | Audit Review Report | |
| | | | | | | |

KSEB

LOCATION

DATE

CUT OFF/ DOCUMENT VERIFICATION

Date of cut off

| Document | Last No. | Date |
|-------------------------|----------|------|
| (1) Receipt Book | | |
| (2) Cheque Book | | |
| (3) Goods Received Note | | |

OTHERS (Specify)

| Particulars | Holder | Auditor |
|-------------|--------|---------|
| Signature | | |
| Name | | |
| Location | | |
| Date | | |

Auditor-in-charges

Remarks

KERALA STATE ELCTRICITY BOARD

AD 7

Ref:

Office of the FA &CAO,
Vaidyathi Bhavan,
Pattom,
Trivandrum,

Date:

Dear Sir,

Sub: Confirmation of balances

In connection with the audit of our accounts we request you to confirm that the balance of Rs..... due to you/due by you as at According to our book is correct. The details of the balance are as under.

.....
.....
.....

If the amount shown above is in agreement with your books please sign at the place provided below and return this entire letter directly to us.

If the amount shown is not in agreement with your books, please inform us the amount shown by your records, giving if possible, the details of the balances. Your prompt compliance with this request will be appreciated:

Kindly return this form in its entirety.

Yours very truly,

(Authorised Signatory)

We confirm that the above stated amount is correct as at

Date:

Signature

KERALA STATE ELCTRICITY BOARD

AD 8/1

Ref:

Office of the FA &CAO,
Vaidyuthi Bhavan,
Pattom,
Trivandrum,

Date:

The Manager,
.....Bank
.....

Dear Sir,

Ref: Confirmation of Balance as

Kindly send the bank balance as of
in the enclosed form.

Yours truly,
For Kerala State Electricity Board

(Authorised Signatory)

Encl:

INSTRUCTIONSTION
TO BANKERS FOR
COMPLETING FORM

Please state name
and branch of the bank.
Also please affix stamp of
bank

Insert date

Insert Name of
constituent
Insert relevant date
Please state here All
balances held in
constituent current
accounts

Please give a brief
description of the security
for the facility. If stocks
and shares, securities of
guarantees are held please
list fully.

-do-

Reply from:

Dear Sirs,

Date

Ref:

We submit below particulars of your accounts, investments,
bills, etc, as at the close of business on

- | | | |
|-----|--|---|
| (1) | Collection Account Designation of Account | <u>Amount</u> In figures in words |
| (2) | Drawing Account Designation of Account | <u>Amount</u> In figures in words |
| (3) | Current Accounts in Credit Designation of Account | <u>Amount</u> In figures in words |
| (4) | Overdrawn Current Accounts, Overdraft Accounts or cash Credit Accounts: Designation of Account | <u>Amount</u> In figures in words Security |
| (5) | Loan Accounts Designation of Account | <u>Amount</u> In figures in words Security |

8. Please state here all Deposits held

(6) Fixed, Call and Short Deposit Accounts

| | | | | | |
|-------------|---------------|----------|--|----------|--|
| Receipt No. | <u>Amount</u> | | <u>Interest</u> Accrued to the closing date | Due Date | Particulars of any Charges or lien there against |
| | In figures | In Words | | | |

(7) Investments and other Documents of Title Held in safe Custody

| | |
|-------------|--------------------------------------|
| Designation | Face value or number of shares held. |
|-------------|--------------------------------------|

(8) Margin against letter of credit Guarantees issued, etc.

| | |
|-------------|--------------------------|
| Designation | <u>Amount</u> |
| | In figures in words |

(9) Bills for Collection

| | | |
|-------------|---------------|----------|
| Designation | <u>Amount</u> | Due Date |
|-------------|---------------|----------|

(10) Bills Discounted or Purchased

| | | |
|----------------|---------------|----------|
| Name of Drawee | <u>Amount</u> | Due Date |
|----------------|---------------|----------|

(11) Letters of Credit open and Outstanding

| | | |
|--------------|--------------|------------|
| In favour of | Amount | Valid upto |
| | Not utilised | |

(12) Guarantees given on behalf of clients:

| | | |
|--------------|---------------|----------------|
| In favour of | <u>Amount</u> | Date of Expiry |
|--------------|---------------|----------------|

We certify that the above particulars are full and correct and do not exclude any other obligations of the Constituent to us.

9. Insert name of bank, Signature, designation of signatory and affix Bank stamp

Yours faithfully,