

PREFACE

This Manual is a departmental publication and is an updated version of Canteen Stores Audit Manual. The instructions in this manual are supplementary to those contained in Audit Manual, Financial Regulations, General Financial Rules etc.

2. With the scope and concept of internal audit and internal controls undergoing a change, it has been ensured that the manual covers the concept of Risk based internal audit & conforms to the Internal Control & Risk Management (ICRM) framework proposed by the Government of India. Though every attempt has been made to make this manual as exhaustive as possible, it may need updation/modification in the light of actual experience gained and Government orders issued from time to time.

3. In the era of Information Technology manual systems are becoming redundant. We as a department are alive to this change and to the growing need of information system audit. Special care has been taken to incorporate guidelines for conducting audit in an automated environment. I hope that all officers and staff will make themselves fully conversant with the content of this manual and utilize it gainfully.

4. The Controller of Defence Accounts (CSD) will be responsible for keeping the manual up to date.



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Controller General of Defence Accounts

New Delhi
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CONTENTS

	Page	
Section I	Introduction	1-3
Section II	The Internal Audit Function	4-9
Section III	Audit of Accounts of CSD Head Office	10-29
Section IV	Audit of Accounts of Base Depots / Area Depots	30-46
Section V	Annual Accounts	47-55
Section VI	Performance Audit	56-57
Appendix- I	Table of Scope of Audit- CSD H O	58-60
Appendix-II	Table of Scope of Audit – CSD Depots	61-62
Appendix-III	Annexure 'A' – Auditable Documents – CSD HO	63-64
	Annexure 'B' – Auditable Documents – CSD Depots	65
	Annexure 'C' – Glossary	66-69
	Annexure 'D' – Bibliography	70

SECTION – I

INTRODUCTION

	Para	Page
1. Introduction	1.1	2
2. Objectives	1.2	2
3. General duties/responsibilities of CDA (CSD)	1.3	2
4. General principles of Audit to be observed	1.4-1.6	3

Introduction

1.1 Consequent upon the merger of the funds of the Canteen Stores Department with the Consolidated Fund of India with effect from 1.4.1977, the CSD became a full-fledged department of the Govt of India under the Ministry of Defence. The Controller General Defence Accounts is the Principal Accounting Officer for this Department and the Controller of Defence Accounts (CSD) is responsible for undertaking the accounting and internal audit of the CSD organization. With the introduction of the Internal Financial Adviser system in the CSD with effect from 29.5.1998, CDA (CSD) also acts as the Internal Financial Adviser to the CSD.

Canteen Stores Department is administered by a Board of Control Canteen Services presided over by the Raksha Mantri. The Executive Committee of the Board exercises all the powers of the Board for day to day administration of the department. The management of the Canteen Stores Department is vested in the Board of Administration. The General Manager of Canteen Stores Department is the ex-officio Chairman of the Board of Administration and is also responsible for the day to day working of the department.

1.2 Objectives

The Objectives of the CDA (CSD) and Local Audit Offices under him are

- a) To assist the Canteen Stores authorities in improving the financial management of the depots under them.
- b) To ensure that the financial and other resources placed at the disposal of the CSD are used properly.
- c) To ensure that the commercial accounts of the CSD are prepared correctly, are complete in all respects and are submitted on due dates.

1.3 General Duties & Responsibilities of CDA (CSD)

The main functions of CDA (CSD) are as follows:

a) **Provision of funds to C.S.D:**

For the CSD organization as a whole, funds will be made available by the CDA (CSD) by issue of a cheque, the proceeds of which will be credited to the Imprest Account of CSD operated with Punjab National Bank/State Bank of India. For this purpose, GM CSD will project to the CDA (CSD), the entire requirement of his organization (including depots) on a month to month basis within the budgetary allocation. The Imprest will be recoupable normally on a weekly basis, with reference to the requisition for recoupment at the request of GM CSD.

For this purpose CDA (CSD) will maintain relevant registers and other documents in the same manner as for payment of Cash Requisition in a Controller's office. This job will be organised like a miniature Miscellaneous and Disbursement section in a Regional Controller's office and consistent with the commercial nature of CSD. The general principles and rules of audit as laid down in Chapter 2 of Defence Audit Code will be followed.

The procedural instructions regarding the custody and verification of cheque books and other related matters at present in vogue in the Defence Accounts Offices shall be followed. Similarly, with regard to the receipt of payment scrolls along with the paid cheques by

the Defence Accounts Department from the Reserve Bank of India, verification of entries in the scrolls and paid cheques, their reconciliation with the records and their subsequent recording and disposal the procedure prescribed for Defence cheques will be followed.

- b) **Compilation of Accounts:** Canteen Stores Department will prepare a monthly statement of Receipt and Payment on a form approved by CGDA and forward the same to CDA (CSD) according to the prescribed schedule. On receipt of this account, CDA (CSD) will compile accounts to respective heads of account at the same time watching the expenditure against budgetary allocations. This work will be similar to the Accounts Section work in a Controller's office and will be organized accordingly.
- c) **Internal audit:-** CDA (CSD) will conduct internal audit on the accounts of the Head Office of the CSD. He will also be responsible for local audit of depot accounts to be carried out by Local Audit Officers. The instructions for conducting audit are contained in Section III, IV and V.
- d) **Financial Advice:-** Vide Govt. of India, Ministry of Defence letter No.2850/DFA (Q)/95 dated 29th May 1998, the Internal Financial Adviser System has been introduced in Canteen Stores Department. The CDA (CSD) or his representative will function as Internal Financial Adviser and will render advice to General Manager CSD on financial matters falling within the competence of the Board of Administration as per their delegated financial powers. CDA (CSD) or his representative will also participate in the Provisioning Committee for placement orders on suppliers and attend meetings of the Price Negotiation Committee and Price Revision Committee in the capacity of Internal Financial Adviser based on the data/recommendations indicated in Provisional Review of General Orders.
- e) **Performance Audit:** General Manager (CSD) may ask CDA (CSD) to take up performance audit of any aspect of the department's operations. In such an event, the CDA will carryout the task and report to the General Manager. The guidelines for carrying Performance audit are contained in Section VI.

1.4 General Principles of Audit to be observed

CDA (CSD) will observe, consistent with the commercial nature of Canteen Stores Department, general principles of audit as laid down in Defence Audit Code and other departmental regulations. Except as laid down in these instructions, the duties and responsibilities of Local Audit Officers will be in accordance with those laid down in Army Local Manual Parts I and II. The work in the Local Audit Offices will also be similarly organized.

1.5 These instructions are not in themselves exhaustive and CDA may, if necessary, make minor changes/modifications in the details of procedure to suit local conditions. However, any proposed change, involving a substantial and permanent departure from the basic rules for the conduct of local audit or inspection should be referred to C.G.D.A. for prior approval.

1.6 CDA (CSD) will be responsible for proposing necessary amendments to these instructions.

SECTION II

THE INTERNAL AUDIT FUNCTION

		Para	Page
1	Definition of Internal Audit	2.1	5
2	Risk-based Audit	2.2	5
3	Risk Management	2.3	5
4	Information Systems Audit	2.4	6
5	Internal Audit Process	2.5	7
	a. Audit Programme	2.6	7
	b. Entry Conference	2.7	7
	c. Fieldwork	2.8	7
	d. Exit Conference	2.9	9
	e. Audit Report	2.10	9
	f. Findings	2.11	9
	g. Format of Audit Report	2.12	9

2.1 Definition of Internal Audit

The Institute of Internal Auditors (IIA) defines internal audit as:-

'Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

Till recently, Internal Auditors were expected to assess the adequacy and effectiveness of Internal Controls (**Internal control is defined as a process, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: a) Effectiveness and efficiency of operations; b) Reliability of financial reporting; and c) Compliance with laws and regulations**)

However, of late, Internal Audit has been evolving from a controlled-focused approach to a risk-based approach.

2.2 Risk-based Audit

Risk is the possibility of an event occurring that will have an impact on the achievement of objectives

All risks have 2 attributes, viz

-Likelihood of occurrence

-Risk consequence

By measuring the 2 attributes, risks can be categorized as Low risks, Medium risks or High risks

The Risk-based audit approach is aimed at maximizing the impact of audit by focusing on the major strategic, regulatory, financial and operational risks that confront an organization. This approach targets high risk areas and helps the auditors achieve maximum value for the company from their efforts. The auditor must first understand the company's mission/vision, strategies, objectives, targets, key result areas and goals and then identify and analyze the risks that may hinder or prevent the achievements of the said goals. The auditor then determines whether controls are in place and whether such controls are effectively working to address those risks assessed to be high or have significant impact to the business objectives.

2.3 Risk Management involves the following steps:

- a) Identifying the risks
- b) Categorizing the risks
- c) Responding to the risks

Identifying the risks

The ultimate responsibility and ownership of the process of risk identification lies with the organization's Chief Executive and Management Board. No one person will have the depth of knowledge to take on the task of identifying risks for the whole organization. A number of people should be involved, across disciplines, so that every aspect of risk and its impact can be identified.

Categorizing the risks

The key risks and main contributory risks will need to be categorized –into 'High', 'Medium' and 'Low' – to ensure a comprehensive understanding of the threats to achieving the business objectives. This is not an exact science. The process can range from a group of people using their collective judgement and wisdom, to complex scoring mechanisms.

Responding to the Risks

Having identified the key risks and categorized them, the next stage is to decide what the response should be. The organization will want to tackle those risks that threaten the key business objectives and service provision, and/or areas where the existing controls are weakest.

There are a number of generally accepted techniques – known as the '**four Ts**' to tackle risks:

- **Tolerate** – informed decision by management to accept the impact or consequences of a particular risk occurring.
- **Transfer** – traditionally, organizations have sought to transfer risks to an insurer. Outsourcing and public–private partnerships also provide an opportunity to transfer risks. It is important to note that the responsibility is not transferred.
- **Terminate** – take steps to remove the risk by stopping carrying out the activity.
- **Treat** – take action.

2.4 Information Systems audit

An **Information Systems audit** is an examination of the management controls within an Information technology (IT) infrastructure. The evaluation of obtained evidence determines if the information systems are safeguarding assets, maintaining data integrity, and operating effectively to achieve the organization's goals or objectives.

Information Systems audit has assumed importance in the context of various initiatives taken by the Government to usher in an era of e-governance (which refers to the use of information and communication technologies to support good governance). A key factor in the implementation of e-governance is the identification of appropriate hardware platforms and software application packages for cost-effective delivery of public services. Information Systems audit would cover the following areas:

- **Systems and Applications:**
- **Information Processing Facilities**
- **Management of IT**
- **Client/Server, Telecommunications, Intranets etc**

The CSD has so far computerized only some of its operations but is taking rapid strides towards computerization of all its activities through the implementation of the Phase 2 module of ICSDS.

2.5 Internal Audit Process



2.6 Audit Programme

Before the commencement of any work by the auditor should draw up a programme which identifies the audit activities, deliverables and milestones. It is particularly important that the auditor in determining the scope, objectives and timing of work to be done on a planned audit, takes into consideration any previous audits, or relevant information gathering in the target area.

The Local Audit Officers (CSD) submit their Local Audit Programme to the CDA (CSD) for approval before commencement of audit

2.7 Entry Conference

The audit begins with the auditor meeting the management at an entry conference. At the meeting, the auditor explains the audit scope and objectives, discusses the timing of the audit and asks the management about any concerns they may have

2.8 Fieldwork

At the outset of an audit, risk assessment is conducted at the activity level to identify and evaluate operational risk exposures and determine audit objectives. It involves considering business process risks, quality of local management and individual performance in different situations.

All audits, regardless of their nature, involve providing assurance on the design and effectiveness of a system of internal control. After obtaining an understanding of the internal control system by way of interviews, documents and records, questionnaires, systems documentations or performing some initial analytical procedures or data analysis, audit providers should make a preliminary assessment of the internal control system to determine whether identified controls are designed to meet the control objectives and mitigate risks.

Internal audit providers must base their conclusions and their overview of the engagement on appropriate evidence, analysis and evaluation. Audit evidence refers to all the information used by the audit provider in arriving at the recommendations. It should be sufficient, competent, relevant and useful.

Audit evidence is obtained through procedures such as observing conditions, interviewing people, examining records and analyzing data. Sampling approaches and other means of selecting information may be used if useful conclusions can be drawn by those means, provided the methodology is documented. Audit evidence is cumulative in nature and is persuasive rather

than conclusive. Audit inferences are drawn from the body of evidence collected. Evidence may be categorized as physical, documentary, testimonial and analytical and is obtained by using various procedures:

a) Physical evidence

Physical evidence is obtained by direct inspection or observation of people, property or events performed by others

b) Documentary evidence

Documentary evidence consists of information that exists in some permanent form such as letters, contracts, accounting records, invoices and management information on performance. It is the most common form of evidence.

c) Testimonial evidence

Testimonial evidence is obtained through inquiries, interviews, or questionnaires. Inquiry and confirmation consist of seeking information from knowledgeable persons

d) Analytical evidence

Analytical evidence arises from the application of analytical procedures, which produce information in the form of inferences or conclusions based on examining data for inconsistencies, cause-effect relationships etc.

In addition to analytical procedures and techniques, audit providers may perform the following detailed audit tests during the fieldwork:

- a) Vouching – testing recorded amounts by examining supporting documents to determine whether they represent an actual transaction.
- b) Tracing – following a document through its processing cycles to the accounting records to determine whether all transactions have been recorded
- c) Re-computation – verifying the mathematical accuracy of figures. The value of this procedure is limited as the reliability of the evidence obtained depends on the validity of the underlying input.
- d) Scanning – searching for obvious exceptions in a large quantity of data.

Evaluation is a means of arriving at a professional judgment. As audit providers compare circumstances observed against relevant criteria, they evaluate the significance of any variance and determine whether corrective action is necessary. The analysis and evaluation of evidence obtained should give rise to issues (positive and negative), which internal audit may report to management.

Internal audit providers should draw conclusions – i.e. logical inferences from the findings – for each audit objective. Conclusions should be specified and not left to be inferred by readers.

The strength of a conclusion depends on the persuasiveness of the evidence supporting the findings, and how convincing the logic is which was used to formulate the conclusion. The conclusion should be free from personal biases or prejudices, and be objective. The conclusion reached by internal audit providers should be the same as would have been reached by a similar experienced professional reviewing the same evidence.

2.9 Exit Conference

After the audit is over, the auditor meets formally with management. The purpose of this Exit Conference is to confirm the facts and to allow the management to hear and comment on the auditor's interpretation. The Exit Conference may also provide the auditor with inputs on proposed options for corrective action and accordingly, if required spot settlement of points after verifying the documents/evidences provided in the conference.

2.10 Audit Report

2.11 The audit findings should focus on the following:

- **Condition:** What non-conformance was observed, where was it observed and the frequency of the non-conformance?
- **Criterion:** What should it have been (reference point); what is the standard from which the above has deviated?
- **Cause:** What was the source/root cause of the non-conformance?
- **Result:** What is the impact of the non-conformance?
- **Recommendation:** Guidance as to what the compliant status should look like

2.12 The Audit Report should be presented in the following **format**

a) **Executive Summary**

A short abstract which will help draw the reader's attention to important issues.

b) **Background/Introduction**

Explanation as to why an audit is being undertaken – Was it a response to concern or complaint, personal interest, national guidance, repeat of previous audit etc.

c) **Aims & Objectives**

This should state the aims and objectives of the audit Objectives should be measurable, achievable and realistic.

d) **Method**

The methodology of conducting the audit

e) **Results**

Pie-charts or bar charts may be given along with statistical information

f) **Conclusions**

Conclusions should be short and to the point.

g) **Recommendations**

These are suggestions as to how the situation could be improved

h) **Appendix**

The Questionnaires circulated should be enclosed

SECTION III

AUDIT OF ACCOUNTS OF CSD HEAD OFFICE

	Para	Page
Procurement of stores	3.1	12
General Stores	3.2	12
Mode of Purchase	3.3	12
Liquor Stores	3.4	13
Register of Indents of Liquor purchase	3.5	13
Car, Scooter and Refrigerator Stores	3.6	13
Pricing	3.7	14
Claims Section	3.8	14
Examination Reports	3.9	15
Write off of Losses	3.10	15
Shortage Register	3.11	15
Register for Transit Losses of Liquor	3.12	15
Losses	3.13	16
Payment of Bills etc. – Bill Section	3.14	16
Transportation of goods by road	3.15	17
Administration Section	3.16	18
Pay Section	3.17	18
Pay Bills	3.18	19
TA/DA/LTC Bills	3.19	20
Medical Claims	3.20	21
Provident Fund Account	3.21	22
Trial Balance Book [CSF 128B]	3.22	22
Loan/Advance Register [CSF 205]	3.23	22
Provident Fund Ledger [CSF 129A]	3.24	22
Payment Register	3.25	22
Summary Register	3.26	22
Control Account of Sales	3.27	23

Unpriced Invoice Register [CSF 172]	3.28	23
Imprest Account	3.29	24
General Ledger Section and Monthly Statement Of Receipt and Expenditure Account	3.30	25
Loan and Advances	3.31	25
Works and Maintenance	3.32	26
Transport/Motor Vehicles	3.33	26
Cash Book/Cash Statements	3.34	26
Wet Canteen of CSD HO	3.35	27
Telephone Bills	3.36	28
Dead Stock Register	3.37	28

SECTION III

AUDIT OF ACCOUNTS OF CSD HEAD OFFICE

The following paragraphs describe major items of work dealt in different branches of CSD Head Office which have relevance for internal audit:

Procurement of stores

3.1 The stores procured by CSD for ultimate issue to troops on payment fall under 7 broad categories, i.e. Toilet Requisites, Household Requisites, General Use items, Wrist Watches & Stationery, Liquor, Food & Medicinal items and AFD (Against Firm Demand) items like Cars, Scooters and Refrigerators. To facilitate smooth functional working, each broad category of stores is dealt with by a different sub-section of main Stores section at the CSD Head Office.

General Stores

3.2 There is one Base Depot at Mumbai where by and large all the stores procured by CSD are received in the first instance and stocked for eventual diversion to various Area Depots located in different parts of the country. The area Depots issue the stores to Unit-run-Canteens (URCs).

Each one of the Area Depots assesses their requirements of various types of stores with reference to the demands from Unit-run-canteens as well as trend of sales. The requirement so assessed is catalogued on an indent (CSF 81) and rendered to CSD HO in quintuplicate.

The indents thus received from Area Depots are subjected to broad scrutiny taking into account pattern of sales in the Area Depot, stock in hand and availability of stocks with the Base Depot. The indents are then modified, where required. The copies of the modified indents are sent to:

3 copies to Base Depot for pricing the same and despatch of goods.

1 copy to Indenting depot.

1 copy retained as office copy by CSD Head office.

Mode of Purchase

3.3 Having thus finalized action with regard to issue of goods from Base Depot to Area Depots, the demands are consolidated (CSF 427) in a statement showing the requirements depot-wise and item-wise. With firm requirements of stores now available, trade enquiries are initiated from the concerned dealers. Generally the articles stocked in Unit-run-Canteens are of branded nature (i.e. items of different brands of one and the same article have to be necessarily stocked in depots to cater for consumer preference) and consequently the concept of specifying a standard specification and calling for quotations on that basis and accepting the lowest tender does not fit in with the scheme of things in CSD except in the case of few articles. The rates quoted by the suppliers are scrutinized with a view to exploring the feasibility of obtaining a reduction in the rate taking advantage of CSD being a bulk purchaser, and wherever necessary, negotiations are carried out to arrive at a favorable rate. All the essential particulars connected with rates are transcribed in the prescribed forms and put up to the General Manager/Board of Administration for approval of rates. Further all the essential conditions relating to the suppliers terms and conditions agreed upon with the dealer are transcribed in the 'Suppliers Terms Register'. Purchase Orders (CSF 228 & 238) are placed as and when administratively convenient both by the Head

Office and Area Depots, CSF 232 form is used for placing orders by Area Depots direct on the suppliers on the basis of rates, terms and conditions which have already been approved by the Head Office.

CDA (CSD) is responsible for the following:

- a) Random scrutiny of all Consolidation statement of indents will be carried out to ensure that the requirements are based on realistic estimates:
- b) A thorough scrutiny of all details leading to the finalization of rates, terms and conditions with the suppliers to ensure that the most advantageous rates have been obtained particularly taking into account the fact that CSD is a bulk indenter.
- c) Check that the rates, terms and conditions so agreed have been correctly transcribed in the 'Suppliers Terms Register'.
- d) Against each item's finalized rates, terms and conditions or modification therein which are recorded in the 'Suppliers Terms Register' by CSD, suitable audit enforcement will be made by the Audit party to ensure that no Purchase order escapes audit scrutiny.
- e) Scrutiny of all purchase orders placed by CSD Head Office with reference to Suppliers' Terms Register.

Note: A copy of the acceptance of terms and conditions of purchases so finalized by the CSD and modification thereon will be sent to CDA (CSD) who will file the same category-wise. The above copies of the terms and conditions so received will be verified with reference "Suppliers Terms and Conditions Register" after the same has been audited and enforcement has been done vide clause [iv] above. The above copies of the letters will also be referred while checking the bills of the suppliers.

Liquor Stores

3.4 With regard to Liquor, all Depots send a monthly return to CSD HO on form CSF 602 which shows opening balance, receipts, sales, goods in transit and closing stock in addition to depot's requirement for the ensuing month. The monthly liquor returns which serve the purpose of an indent are scrutinized by the Liquor Sub-Section of the main stores Section on the lines laid down for general stores and further action is taken.

Register of Indents of Liquor purchase

3.5 All orders placed on distilleries are entered in this register depot-wise and item-wise. On receipt of information from supplier regarding despatch of goods, entries are made in this register.

The Audit checks prescribed for General Stores will also apply to purchase of Liquor of all types.

Cars, Scooters and Refrigerator Stores.

3.6 In the case of Cars, Scooters/Motor cycles etc requisite prescribed application forms from the entitled personnel are received duly recommended by the OC/Head of the Department concerned. These applications are scrutinized and entered in Application Register as well as Index

register. The allotment is made on first-cum-first serve basis. The order for Supply is placed with the suppliers for direct delivery to applicant.

The internal audit checks to be exercised will be the same as those applicable to General Stores.

PRICING

3.7 The Costing/Pricing Section deals with fixation of wholesale and retail rates to be charged on various items of goods sold by the Canteen Stores Department. The Wholesale prices are those which are charged by Canteen Stores Department from the Unit-run-Canteens and the Retail prices are those which are charged from Customers by the URCs.

The pricing policy adopted is as follows:

- a) The wholesale price is worked out at the warehouse cost plus inward freight, transportation, clearing, incidental, insurance charges and re-distribution freight and a reasonable profit margin.
- b) For working out the Retail Price, a profit margin is added on the wholesale price arrived at [i] above. Advices are received from Sections dealing with stores purchases to work out the wholesale as well as retail prices for all items. These advices are entered in a Register called 'Register of Advices'. In order to carry out this work a standard proforma [CSF 368] is used and wholesale and retail prices worked out and published in the form of a half yearly Price List. As and when the revision of prices becomes necessary, the revised price is worked out and communicated to each Area Depot through a circular viz. Price Revision Circular and by telegram. The depots acknowledge the communication and also indicate the date from which modified rates have been given effect. Acknowledgements of all Area Depots are obtained and kept on record. All circulars revising the prices are noted in an acknowledgement Register.

Internal audit will check that:

- a) The prices worked out are correct and the elements on account of warehouse cost, inward freight, transportation, clearing, incidental and insurance charges, re-distribution freight and a reasonable profit margin for CSD are correctly taken into account while arriving at the wholesale price.
- b) The profit margin is added on the wholesale price to work out the retail price.

Note: The profit margin mentioned as above for wholesale price is generally kept at 5% average, with the exception of items like Refined Oil, Ghee etc where profit is maintained at about 2% to compete with the prices prevailing at Super Bazaars. Similarly, in the case of rum and other liquor, the profit range is maintained at about 12%.

Claims Section

3.8 The claims Sub-section of Stores Section mainly deals with the following items of work:

- a) Keeping a watch over the progress of claims lodged by various area Depots/Base Depot against the Railways;

- b) Processing action on the Examination Reports rendered by Area Depots/Base depot for various contingencies and
- c) Initiating action to write off losses by competent authority with reference to the proposals emanating from various Area Depots/Base Depot.

Examination Reports

3.9 Shortages noticed by the Area/Base Depot at the time of taking open delivery from Railways, shortages discovered later on at the time of opening packed cases, deficiencies detected during periodical godown survey/stock taking etc are reflected in the Examination reports [CSF 283] Examination Reports are entered depot-wise in a Register called "Register showing finalization action on Examination Report".

Since the Examination Reports have a printed serial number, the continuity of the same is also watched through a Register called 'Register of Claims' [CSF 379]

Write off of Losses

3.10 A Register is maintained called Register for "Write off of Losses" wherein all losses written off by competent authority are recorded. A quarterly statement of such losses is prepared for perusal of Board of Control.

Shortage Register

3.11 In cases where the goods supplied by the suppliers are found short/damaged, the claims are entered in a Register called shortage/Damage Register supplier-wise on the basis of Examination Reports received from various Area depots. Replacement of goods/recovery of claims is watched through this register.

Register for Transit Losses of Liquor

3.12 All transit losses of liquor are entered in this Register on the basis of Examination Reports and debit notes raised by various Area Depots. This section keeps a watch over the progress of the claims.

Internal audit will ensure that :

- a) Action has been taken on all the Examination Reports received from various depots. The continuity of all Examination Reports received from various depots will also be checked to ensure that no Examination Report is missing.
- b) There is no inordinate delay in settlement of Railway claims.
- c) In respect of claims lodged on suppliers the amounts have been realized either in cash/recoveries from subsequent bills or goods have been replaced. In case of replacement of goods "Stores Adjustment Statement" will be checked to see the correctness of the same.
- d) In the case of losses of liquor, proper claims have been lodged with the distilleries as per terms and conditions of the agreement/contract.

Losses

3.13 All losses written off by the competent authority through 'Internal Office Noting' etc will be examined to see that:

- a) 'Charge Off' of losses is not done as a matter of course:
- b) losses are not written off piecemeal to avoid obtaining sanction of higher financial authority.
- c) if the same reasons are repeated on every occasion for write off of losses, the matter should be viewed from higher financial point of view:
- d) the losses do not reflect/disclose any defect in the system of breach of rules and that proper steps have been taken to prevent recurrence of such losses.
- e) if the examination discloses any defect in the system which might make possible for an irregularity to occur in other Area Depots etc the case should be put up to CDA for examining the procedure existing in other depots and taking corrective action; and
- f) in cases where items/goods have been declared unfit for human consumption and subsequently destroyed, the causes leading thereto are recorded and proper steps taken to avoid recurrence of the same in future.

Payment of Bills etc – Bill Section

3.14 Copies of all supply orders/purchase orders [CSF 228 & 232] placed by CSD HO as also those placed by Area Depots are received in this section. The orders placed by Area Depots are however, countersigned by DGM/GM at the CSD HO before passing on the same to the Bills Section. All these orders are kept depot-wise. All advance copies of bills received from suppliers are entered in a Bill Register [CSF 34] and kept un-actioned unless payment is to be in advance as per terms and conditions of the contract with the supplier. When the bill is received along with Bill Forwarding Advice from the Area/Base Depot, the goods mentioned in the bill are checked with reference to Form-2 and necessary certification is given both on Form-2 as well as on the bill. Bills section then links the purchase order with the bill, checks the rates and amounts, and prepares the payment vouchers for issue of cheque.

Bills section also maintain memoranda Ledger4 [CSF 159] which contains details of all orders placed on the supplier bills received and record of payments made to them. Debit/Credit Notes received from different depots sections for recovery/payments are also entered in this register.

In addition to above, Purchase Journal [CSF 132] and Purchase Ledger are maintained in this Section. The Purchase Ledger is maintained party-wise. The Purchase Journal records entries in respect of payments made in advance and adjustments of the same on receipt of form-2 etc.

Internal audit will see that:

- a) the bills are in conformity with the supply orders issued by CSD HO/ Area Depots.
- b) the rates charged by the suppliers and terms and conditions of supply are correct and are in accordance with the terms and conditions received from the CSD HO vide note below para 11 *ibid*.
- c) the arithmetical calculations are correct.
- d) the Form-2 i.e. "Goods Received Statement" is endorsed to the effect that the payment

- has been made to avoid duplicate certification of goods and claim of duplicate payments;
- e) in case the bill is for part supplies, detailed notation only for part supplies is made on Form-2
 - f) the supply order is endorsed to the effect that the payment has been made;
 - g) the payment so made is recorded in the Memoranda Ledger and payment vouchers number is given;
 - h) the entries are also made in the purchase ledger maintained party-wise
 - i) where the advance payments have been made on the basis of evidence of having dispatched the goods but without receipt of form-2, the bills so paid are treated as advance payments and necessary entries to this effect made in the Purchase Journal; and on receipt of Form-2 from the Area/Base Depots, the same is linked and advance adjusted and
 - j) in cases where provision in the contract for supply of goods caters for cash discount, the same is availed and the cash discount availed of is booked to discount Received and not booked to purchases by reducing the amount of the bill.

The documents by which audit will be carried out are the following:-

- a) Dealers' Bills
- b) Form-2
- c) Supply Order
- d) Procurement Rates of stores
- e) Rates of Excise duty, VAT, Sales Tax as applicable
- f) Govt Levies Rates,
- g) Price Revision Circulars.

The following risks have been identified in this area of work:-

- a) Overpayment on account of incorrect application of Procurement Rates / revised Price consequent on Price Revision etc.
- b) Duplicate Bill
- c) Non-levy of penalty for Late / Part Delivery
- d) Non deduction of Freight Charges in case of Supplies made to Base Depot
- e) Non raising of Debit Note due to non-extension of Consumer Promotion Scheme by Supplier.
- f) Excess payment of Excise duty & other Taxes

3.15 Transportation of goods by road.

To ensure that goods reach quickly and with reliability, CSD stores are also sent by road transport from Base Depot to various depots. The rates per truck load from Mumbai to various depots are fixed (and Contracts concluded) on the basis of lowest rates achieved consequent upon issuing public tenders.

Internal audit will ensure that:-

- a) Freight charges are paid on receipt of the confirmation by the depot regarding the receipt of the goods in sound condition.

- b) Cost of the damages/shortages of any goods reported are recovered from the Transport Company by raising debit note.
- c) Bills are paid after recovering the amount of debit notes received from the depots.

Administration Section

3.16 This section at the HO of the CSD broadly deals with the following items of work:-

- a) Pay Fixation
- b) Maintenance of Service Records
- c) Grant of Annual increments.
- d) Purchase of Stationery.
- e) Maintenance of Dead Stock Registers for CSD HO and Base/Area Depots.

In regard to items number [a] to [c] above the CSD follows the same set of rules as applicable to civilians of Defence Services. With regard to these, internal audit will carry out the checks prescribed in Office Manual Part II Volume I (Pay Section) Chapter VII of Defence Audit Code as well as the checks prescribed in paras 463 to 466 of Army Local Audit Manual Part I

In case of the purchase of stationery etc. internal audit will ensure that the prescribed procedure for calling of tenders and conclusion of contracts is followed.

Internal audit will ensure that proper records in respect of Dead Stock Articles is maintained in CSD HO. It will also be ensured that Annual Stock Taking is carried out and proper record thereof is maintained. In case an item is charged off from the respective Register, it will be seen that the prescribed procedure for such action has been followed, In the case of items becoming unserviceable, their disposal to the best interest of the State

Pay Section

3.17 This section deals with preparation of pay bills of the Officers and Staff attached to HO and those working in the Base/Area Depots etc. for the purpose of preparation of Pay bills. Master Cards for each Officer/individual containing inter-alia name, amount payable, earnings and deductions made during the year, are maintained in addition to the above, Salary Summery Register [CSF 181] is also being maintained which reflects the amounts of earnings and deductions for all the depots as well as CSD HO. The following registers are maintained in Pay Bill Section for effecting recoveries/reimbursement:-

- a) Income-Tax Register [CSF 205A]
- b) Rent Register for MES Buildings
- c) Rent Register for CSD HO
- d) Provident Fund Loans Register
- e) Miscellaneous Recovery Register [CSF 205A]
- f) House Building Advance Register
- g) LTC Register [CSF 422]
- h) Tuition Fee Register
- i) Children Education Allowance Register
- j) Medical Charges Register [CSF 423]

As the personnel of CSD are governed by various orders issued by Government of India from time to time, internal audit will follow the general principles of audit as applicable to other civilians in Defence Services.

3.18 PAY BILLS

The following are the checks applied in the audit of Pay bills:-

- a) Whether the number of Officers/Staff employed and paid out of Govt. funds is as per authorization under different categories of employment.
- b) That the overall authorization is not exceeded
- c) Whether increment is given on due date.
- d) Whether HRA/SCA is paid as per the class of city.
- e) Whether rent recovery is done as per Licence Fee Bill.
- f) Whether EOL/HPL recovery is done and its effect on the date of increment verified.
- g) Whether Transport Allowance is paid as per the rates prescribed.
- h) Whether recovery of Transport Allowance is carried out in case of absence for more than 30 days.
- i) Whether recovery of GP Fund subscription is as per rule.
- j) Whether recovery of various advances drawn (GPF/HBA/Scooter/Cycle, etc.) is done regularly or not.
- k) Whether allowances (Special duty allowance, Remote locality allowance, Washing allowance, Cash allowance, CEA etc.) are paid correctly as per existing Govt. Orders.
- l) Whether recoveries on account of CGEIS, Professional tax, Income Tax etc have been done correctly.
- m) Whether unpaid salary is accounted for in the Unclaimed Salary Register.
- n) Whether recoveries in respect to subscribers of NPS is effected correctly and as per the existing orders.
- o) Whether pay and allowances have been regulated as per rules in case of any officer/staff under suspension
- p) In case of transfer, if LPC is not received whether provisional payment is being made with the permission of Competent Authority

The following are the documents by which audit is carried out:-

- a) Pay Roll
- b) Pay Bill
- c) Last Pay Bill
- d) Debt Head Register
- e) Rent Bill
- f) Part II Orders
- g) Provisional Payment Register.

The following are the risks which have been identified in this area of work:-

- a) Over payment on account of wrong Pay Fixation/HRA paid when Govt Quarters are being occupied, SCA / HRA , (Wrong class of city), Salary paid during Suspension.
- b) Payment despite Ineligibility eg. Full pay paid during Suspension
- c) CEA (Payment for more number of Children than those authorised)
- d) Transport Allowance (Paid to person using official vehicle)
- e) Non-recovery on account of EOL/HPL
- f) Non-recovery /under-recovery of Advances eg HBA/ Scooter/ Computer etc in respect of Serving / Retired employee.
- g) Non-recovery /under-recovery of Income Tax, CGEIS, NPS, GPF.

3.19 TA/DA/LTC BILLS

The following points are seen in audit:

- a) Verify that a copy of Movement order is attached with the claim.
- b) Verify that the Claimant has travelled as per entitled class.
- c) Verify whether DA is paid for actual duty performed during outstation visit and not for unauthorized absence.
- d) Verify that Journey DA is paid as per rule.
- e) Verify that Road mileage is paid as per existing rates.
- f) Verify whether final adjustment claim is submitted within 15 days (In case of TA/DA claim) / 30 days (In case of LTC claim) from the date of completion of return journey when advance is taken.
- g) Verify whether PNR No /Ticket No /Ticket are attached with bill.
- h) Verify that Advance has not been paid if two advances in respect of TA/DA are outstanding.
- i) Verify that Penal Interest is charged in case of delayed submission of final adjustment claim.
- j) Verify Dependency certificate, Block year, Home town etc from those recorded in the Service Book.
- k) Verify that in case of Advance the PNR Nos /Ticket Nos are noted in the register within the laid down time period.
- l) Verify that the LTC advance is restricted to 90% of the amount claimed.
- m) Verify that LTC claim is restricted to two surviving children if born after 1998 as per existing order.

The documents by which audit will be carried out are the following:-

- a) TA/DA/LTC Claims
- b) Service Book
- c) Movement Order/Part II orders

- d) Demand Register
- e) Original Tickets for Journey
- f) Vouchers for Transportation of Personal Effects.

The following risks have been identified in this area:-

- a) Claiming TA/DA/LTC for tour / journey which has not been performed.
- b) Claiming LTC for second time in same Block or for ineligible dependents.
- c) Non-recovery of advance from TA/DA/LTC Claim.
- d) Excess Payment an account of reimbursement for travel by non-entitled class, wrong calculation of fare/ DA/ Transfer Grant etc.
- e) Non-recovery of Penal Interest on account of delayed submission of claim.
- f) Preferring / admitting of duplicate claims.
- g) Payment of 3rd Advance when 2 advances are outstanding against the individual
- h) Excess payment of leave encashment / Non-recording of it in Service Book.

3.20 MEDICAL CLAIMS

The following checks are applied during audit of Medical Bills:-

- a) That the government servant is entitled to re-imburement of medical expenses under the rules as per Medical Attendance Rules 1965 and as per CGHS orders where CGHS facilities are available.
- b) Medical attendance/treatment has been taken from the Authorized Medical Attendant (AMA).
- c) A separate claim has been preferred for each patient on Med. 97 duly completed in all respects, signed and receipted by the Government servant.
- d) The bill is supported by the under-mentioned documents:-
- e) Essentiality certificate, in the prescribed form A or B duly completed and signed by the AMA.
- f) Cash receipt in Med.96 in respect of consultation and injection fees received by the AMA
- g) Cash memos for medicines purchased and hospital receipts for amounts paid to a hospital duly verified by the AMA.
- h) That the medicines for which re-imburement are claimed have not been declared 'inadmissible'
- i) Consultation fees and injection fees are reimbursed according to the schedule of rates prescribed by Government.
- j) Prior approval of the Chief Medical Officer of the State is obtained when the patient is referred to a specialist by the AMA unless the delay involved entails danger to the health of the patient.
- k) In case the AMA refers the patient for speedy recovery to another Medical Officer (other than a specialist) in the station the prescribed certificate from AMA is attached and that such references are not indiscriminate.

- l) Treatment received at the residence of the patient is covered under the rules and the prescribed certificate of the AMA is attached.

The documents by which audit is carried out are the following:-

- a) Hospital Bills,
- b) Cash Memos for medicines
- c) Essentiality Certificate
- d) Service Book
- e) Demand Register.

The following risks have been identified in this area of work:-

- a) Over payment on account of non-restriction to prescribed rates, etc
- b) Improper claims preferred and admitted.
- c) Non-recovery of advance from Medical Claim, Treatment taken in unrecognized hospitals, Claims preferred for ineligible Dependents, Wrong referral to Specialist by AMA.
- d) Reimbursement of inadmissible medicines.
- e) Reimbursement for diseases not covered.

Provident Fund Account

3.21 The CSD maintains General Provident Fund and Contributory Provident Fund accounts in respect of their employees. The following records are maintained both for general Provident Fund and Contributory Provident Fund.

Trial Balance Book [CSF 128B]

3.22 All subscribers are allotted account numbers through this book. Posting of monthly subscription is done with reference to pay bills. At the end of the year, trial balance is prepared and reconciled with the total amounts recovered from the employees.

Loan/Advance Register [CSF 205]

3.23 All advances are recorded in this register. Recoveries made towards advances are recorded in this Register and outstandings watched.

Provident fund Ledger [CSF 129A]

3.24 The accounts of subscribers are posted monthly with reference to Trial Balance Book. Interest is calculated and credited to subscribers' accounts at the end of the year.

Payment Register

3.25 All final withdrawals and final settlement cases are recorded in this register.

Summary Register

3.26 Consolidation of the Provident Fund accounts is done at the end of the year showing therein amounts of opening balance, subscriptions made during the year, advances/final withdrawals/

final settlements made during the year, interest credited to subscribers accounts and final closing balances for the subscribers as a whole.

Internal audit will follow the broad principles of audit of Fund accounts enunciated in Para 342 Defence Audit Code.

Sales Journal Section

Control Account of Sales

3.27 With a view to have control on the total sales made by Area Depots, this section maintains a control Register for Sales, depot-wise. The posting of the above control register is made with reference to the following documents and figures of sales reconciled with those maintained by Area Depots. :-

- a) Summary of invoices [Form-5]- Total amount of sales as per invoices.
- b) Total amount of sales realization as appearing in daily cash statement of each depots.
- c) Summary [Form CSF 79] of debit notes [Form 7] received from all Area Depots.
- d) Summary [Form CSF79] of Credit Notes [Form-8] received from all Depots.
- e) Adjustment entries [ADJTT Journal CSF 221] on account of advances paid to unit Run Canteens and also debit/credit on account of transfer of one unit from the area of one depot to another.
- f) Adjustment entries [Journal CSF 220] for rectification of errors.
- g) To check the numerical sequence of the invoices, debit notes, credit notes to ensure that all documents have been received from the depots and accounted for.

This section also maintains the Ledger called "Quantitative Discount Ledger [CSF 154I]. The amount of purchase made by various unit-run-canteens is entered in this ledger with reference to particular invoices, Debit/Credit notes etc. On the basis of purchases made by a particular URC, discount payable is worked out as per approval of the Board of Control. The payments for the same are made; acknowledgement obtained and kept on record in this section.

Since the audit of the invoices/Sales and debit/credit notes is done by the local audit at area depots only general scrutiny of Control Account will carried out.

In the case of quantitative discount allowed to the URCs, it will be seen that the same has been correctly paid on the total purchase made by them and also with reference to the orders is issued by the Board of Control.

Unpriced Invoices register [CSF 172]

3.28 CSD HO also maintains the above register in which all copies of unpriced invoices received from Area/Base Depots are entered. The same are priced and sent to bills section for recovery of amounts from suppliers.

Since LAO will schedule a copy of such invoices received from the Base/Area Depots under his jurisdiction to CDA(CSD) vide para 4.7 of Section IV the internal audit will ensure that all such invoices have been entered in the above register and amounts recovered from suppliers.

Imprest Account

Imprest

3.29 All Area Depots/Base Depots and Admin. Section of CSD HO have been provided with imprests to meet day to day office expenditure. The imprest limits for various depots are sanctioned by CSD HO. For this purpose, Imprest Reimbursement Register is maintained in CSD HO. This Register reflects the imprest held by various depots as well as recoupment of the same. Weekly Imprest Expenditure statement [CSF82] is sent by Imprest Holders for recoupment etc. The amount when reimbursed is entered in the above register. Monthly Imprest Summary under various heads of expenditure is prepared by this section, depot-wise/section-wise and sent to General Ledger Section for posting etc.

Generally, all advances payable to staff posted outstation are paid out of imprest on the basis of sanctions issued by CSD HO. On receipt of statement of imprest expenditure, the same are entered in the 'Register of Advances' [CSF 205A]. For the purpose of recovery of these advances paid to staff through imprest, an extract of amount recoverable from staff is sent to pay section for noting on the Master Card for subsequent recovery. The recoveries made are posted in the Register with reference to Pay bills and outstanding, if any, watched.

Internal Audit will see that:-

- a) the expenditure met out of imprest is an authorized one and is supported by vouchers and receipts.
- b) the weekly statement of expenditure is received from all depots etc in time.
- c) the ceiling limit of imprest has been maintained at all times.
- d) all entries pertaining to advances paid to staff and recoveries thereof made from pay bills are correctly posted in the Advance Register and
- e) in case any non-consumable item has been purchased out of imprest, the same has been duly taken on charge in the concerned stock book, for example, Register of Dead Stock Articles.

The documents by which audit is carried out are as under:-

- a) Imprest Accounts
- b) Supporting Vouchers
- c) Sanctions
- d) Excise duty Register.

The following risks are identified in this area

- a) Incurring expenditure in excess of allotment.
- b) Splitting up of sanctions
- c) Sanction beyond powers of CFA
- d) Incurring Expenditure not covered by rules
- e) Norms of procurement not being followed

General Ledger Section and Monthly Statement of Receipt and Expenditure Account :-

3.30 This section maintains General Ledger for Canteen Stores Department as a whole in which day-to-day transactions occurring/appearing in Cash Book of Depots, Cash Book of Head Office, Imprest Statement, Purchase Ledger and Journal etc are recorded under different statement of receipts and expenditure

On receipt of Monthly Statement of Receipt and Expenditure from CSD HO, the internal audit will see that:

- a) the details appearing in the monthly statement of receipt and expenditure have been correctly transcribed from the General Ledger in respect of each head of expenditure/receipts.
- b) in addition to the above, a percentage check is also carried out from entries in various books of account on to the General Ledger to ensure the correctness of the accounts and
- c) castings in the General Ledger are thoroughly scrutinized to ensure the correctness of monthly total arrived at.

Advances/Loans to Unit –run-Canteens

Loans and Advances

3.31 To assist the Unit-run-Canteens to improve the canteen facilities and to keep sufficient inventory, some funds are allotted in the Budget every year to sanction Loans to URCs.

The URCs are required to submit an application in the prescribed form together with the copies of the Balance Sheet for the last three [3] years. On scrutiny of the financial position and sales potential and scope for improvement, their requirement for financial assistance will be considered and the amount admissible and recommended will be put up for consideration by the Board of Administration. The amount approved will be intimated to the URC and the loan sanctioned will not be made by cash, but will be credited to the account of the URC by the depot concerned who will release the stores against their indent.

The repayment of the loan availed will be made within five years in half yearly or yearly equated installments with interest directly to HO CSD by bank draft payable at Mumbai which will be intimated to the Depot concerned. The Loan repayment will be watched by CSD HO through a register maintained as per the proforma [CSR 222] for all the URCs showing due date of payment of installments including interest.

The sanctions of the loan during the year should be restricted to the allotted funds in the budget. Only in very exceptional cases, a second and third loan will be sanctioned by the BOA before clearance of the earlier loan provided the aggregate amount sanctioned to the unit does not exceed Rs. 5 lakhs. Rate of interest for second and subsequent loan will be higher as determined by the Govt. from time to time. Loans for more than Rs.5 lakhs can be sanctioned only with the approval of the Executive Committee of the Board of Control.

The internal audit will ensure that:-

- a) loans/advances have been sanctioned by the Competent Authority.
- b) loans and advances have been paid in the form of goods supplied on credit and not in cash.

- c) the register of loans/advances is maintained properly and kept up to date.
- d) proper action has been taken in respect of the defaulting units for recovery of loans and interest thereon and
- e) repayment schedule prepared by CSD HO is in accordance with the orders.

Work, Maintenance and Transport

Works and Maintenance

3.32 This section at the CSD HO caters for execution of works and maintenance. All major items of works are carried out through the agency of MES on deposit work basis. Other items of works which do not fall in the above category are executed on competitive tender basis. Contracts are concluded with the lowest tenderer and the procedure followed by and large conforms to the MES procedure. Two registers, one for Major works carried out by MES and the other for works carried out through contractors are maintained. Since the quantum of work executed by this section is rather meager, the broad principles laid down in Office Manual Part VIII will be followed in Internal audit.

Transport/Motor Vehicles

3.33 Works and Maintenance Section maintains Car diary, POL register and duty slips for the staff car and station wagon on its charge. Internal audit on vehicles held at HO CSD will be carried out by CDA (CSD) and checks on duty slips and car diary to verify the following:-

- a) All relevant columns of Log Book are properly completed and the exact nature of duty is specifically mentioned and clearly worded so that the bonafide nature of the journey may be determined.
- b) Correct distances have been shown in the log book.
- c) The log book has been signed by the Officer authorized for this purpose and
- d) The running of vehicles has been carefully checked, the POL has been use for bonafide Government duties, there has been no misuse of petrol etc and that the register of POL has been properly maintained.

The above checks will also equally apply where Car Diaries are maintained by the Depots.

Cash Section

Cash Book/Cash Statements

3.34 All Depots prepare Daily Cash Statements in the prescribed form and send them to CSD HO as mentioned in para 71 of Section III. These cash statements along with the cash book prepared/maintained by the Head Office will be checked to see that:-

- a) all receipts entries in the Cash Statements received from Area Depots conform to the amounts shown in the copies of the official receipts [having consecutive serial numbers] received at the CSD HO along with Daily Cash Statement. This scrutiny may be carried out with reference to official receipts being linked to the Cash Statement and not vice versa. In case of missing serial number of the official receipts (if any) the case may be examined in detail.

- b) the receipts of CSD HO may also be checked in the manner stated above
- c) the payment side of the Cash statement received from Area Depots will be checked with reference to supporting payment vouchers sent by the Area depots.
- d) the payment side of the Cash book of CSD HO will also be checked in the manner stated above.
- e) casting of cash book is proper
- f) all moneys realized are taken on charge in the Cash book immediately and deposited in the bank latest by following day.
- g) the Cash statements are balanced daily and signed by the Area Depot Manager/AGM Accounts, HO CSD.
- h) the receipts and payments shown in the Cash book of the HO including the amounts transferred by depots to the bank account of the HO tallies with those shown in the Bank Statements and necessary reconciliation statement prepared, if required.
- j) the bank balances shown in the daily cash statements received from the Area depots agrees with those shown in the Bank Statement of each Area depots and necessary reconciliation statement received is checked to ensure the correctness of the same.

3.35 Wet Canteen of CSD HO

Wet Canteen accounts along with the yearly Balance sheet are post- audited with reference to the detailed vouchers.

The following checks are applied during internal audit:-

- a) Payment vouchers and the Bank Pay-in slips are linked with the entries in the Cash Book, Bank Pass book and it is verified that no entries are omitted.
- b) Payment vouchers for purchase of stores and the vouchers for issue of store are linked with the Stock ledger for verifying that the stock held at the end of the financial year is correctly worked out.
- c) It is verified that receipt towards Sales during a particular day is accounted properly in the Sales account and that amounts outstanding on account of credit sales are recovered regularly
- d) The amounts realized as sales are correctly deposited into the bank
- e) Posting in the general ledger account is linked with the entry in the Cash Book.
- f) Final accounts of the Wet Canteen i.e Profit and loss account, Receipts and Payments account and Balance Sheet have been prepared correctly from the general ledger balances.
- g) Dead stock register is maintained properly and all the articles purchased for the canteen are correctly posted.

The documents by which audit will be carried out are the following:-

- a) Canteen Account
- b) Purchase voucher / Ledger
- c) Sales Ledger
- d) Dead Stock register

- e) Stock register
- f) Issue Vouchers
- g) Sales register
- h) Cash Book
- i) Bank Pass Book.

The risks identified are as under

- a) Issue of Excess provisions
- b) Non accounting of Sales
- c) Loss of Cash
- d) Non accounting of articles purchased in Ledger

3.36 Telephone Bills

Post Audit of the expenditure incurred on payment of telephone bills is carried out.

The following checks are applied during audit:-

- a) Provisioning of telephone has been made in accordance with the scale laid down from time to time.
- b) Verify that the facility of telephone at the residence in respect of entitled officers has been regulated as per the prescribed ceilings

The documents by which audit is carried out are the following:-

- a) Telephone Bill Register
- b) Imprest Account.

The risks identified in this area of work are as under:

- a) Unauthorized Calls
- b) Telephone provided to ineligible Officers
- c) Non recovery of charges for excess calls

3.37 Dead Stock Register

CSD HO maintains a register to record dead stock articles purchased from the Imprest.

The following checks are applied during audit:-

- a) All items purchased have been taken on charge and all entries are recorded in all respects.
- b) In case of disposal of dead stock items, correct disposal action following the approved procedure has been taken before charging off the item from the dead stock register

The documents by which audit is carried out are the following:-

- a) Dead Stock Register
- b) Imprest Account

- c) Vouchers
- d) Annual Stock Taking Certificate
- e) Board proceedings & Sanction for Disposal

The following risks have been identified in this area of work:-

- a) Items not taken on charge
- b) Stock taking not done
- c) Loss of Item
- d) Erroneous charging off of items.

SECTION IV

AUDIT OF ACCOUNTS OF BASE DEPOTS/AREA DEPOTS

	Para	Page
Introduction	4.1	31
General Principles for conducting Local Audit	4.2	32
Scope of Local Audit	4.3	32
Receipt of Stores from Base/Area Depot	4.4	32
Receipt of Stores from Suppliers at Base/Area Depot	4.5	33
Issue of Stores	4.6	34
Discrepancies in Receipts and issue of Stores	4.7	35
Salvage Stores	4.8	36
Non-lifting of the goods by the Unit-run Canteen	4.9	36
Return of goods to Suppliers by Area/Base Depot	4.10	36
Placing of Indent-cum-Invoice	4.11	37
Weekly Sales Summary	4.12	38
Summary of Invoices	4.13	38
Reconciliation of Weekly Sales Summary and Summary of Invoices	4.14	38
Customers' Ledgers	4.15	39
Statement of Account of Customers	4.16	40
Stock Taking	4.17	40
Loan Accounts Unit Run Canteen	4.18	41
Register of Dead Stock articles	4.19	41
Motor Vehicles	4.20	42
Daily Cash Statement [CSF 449]	4.21	42
Imprest Account	4.22	43
Physical Verification of Cash balances	4.23	43
Bank Statement	4.24	43
Statement Cheques and Demand Drafts	4.25	44
Dishonoured Cheques	4.26	44
Other Payments	4.27	44
Payment of Excise Duty for Liquor	4.28	44
Quantitative Discount	4.29	45
Reimbursement of Freight Charges to URCs	4.30	45

SECTION IV

AUDIT OF ACCOUNTS OF BASE DEPOTS/AREA DEPOTS

Introduction

4.1 Local Audit of the 35 Depots of CSD located all over India is carried out by 5 Local Audit Offices working under the administrative control of CDA (CSD) Mumbai. LAO (CSD) offices are located at B.D. Bari, Delhi, Mumbai, Chennai, and Narangi. Each LAO office provides audit cover to approximately 7-8 CSD depots as shown below.



LAOs carry out audit of Store and Cash Accounts of the depots under their jurisdiction. The audit is Post-Audit in nature and carried out in a half yearly cycle. The accounts are subjected to Post-Audit as per the laid-down percentages.

Preliminary slips (P.S.) detailing the discrepancies/Deviations noticed during audit are issued to the depots concurrently during audit of the depots. Preliminary slips in respect of which satisfactory replies are received are settled during audit and the unsettled preliminary slips are converted into Objections. All objections raised are compiled into Objection statement on completion of audit. One copy of the Objection statement is forwarded to the depot for remedial/rectification action by the depots and CSD HO. A copy of the objection statement is also forwarded to Main office CDA (CSD) for information and records.

The settlement of objections is one of the important areas of functioning of LAOs. On receipt of suitable replies from the depot, objections are settled after due verification. The replies forwarded by the depot on the Super Review Objections raised by CDA(CSD) are also verified and forwarded to Main office CDA(CSD) with recommendations.

Further, serious irregularities noticed during local audit are forwarded to Main office for inclusion in the Major Financial and Accounting Irregularities (MFAI) report. The matter is then pursued for two quarters by Main office and if no remedial action is taken, the item is proposed by main office for inclusion in the Internal Audit Report.

In addition to their normal functions, the LAOs consider and put forward proposals on their own

initiative for reduction of expenditure wherever practicable in the form of Financial Advice to the depots. If the same are accepted by the depots, a report on the matter along with the probable savings is forwarded to Headquarters office through the Quarterly Activity Report.

General Principles for conducting Local Audit

4.2 The general principles for the local audit of all stores accounts will be:-

- a) that the accounting procedure followed by Base Depot/Area Depots does not differ from that prescribed by the Board of Administration CSD.
- b) that all records and issues of stores by depots/Base depots and transfer of stores between area depot/Base depots have been duly accounted for in the stores ledgers and returns etc.
- c) that all losses and damages/deficiencies are dealt with in accordance with the orders issued by Administration CSD from time to time.
- d) that the balance of stores shown in stores ledgers etc does not exceed the approved inventory level and
- e) that stock verification has been carried out in accordance with the instructions and certified as such on the relevant stock ledgers and action taken to adjust the deficiencies/surpluses.

Scope of Local audit

4.3 Consistent with the commercial nature of the CSD with regard to scope of local audit, verification of castings, closing and opening balances, the provisions contained in paras 32 to 39 Army Local Audit Manual Part will be followed.

RECEIPT OF STORES

Receipt of Stores from Base Depot/Area Depot

4.4 When stores are transferred from Base depot to Area depot or from one Area Depot to another, the Transfer invoice [CSF 81] is prepared in 6 [six] copies and disposed of by the issuing depot as under:-

1 st copy	Consignee depot
2 nd -do-	-do-
3 rd -d-	-do-
4 th -do-	Consignor depot
5 th -do-	Consignor LAO
6 th -do-	-do-

Out of 3 copies received by the Consignee depot, 1st and 2nd copies are retained by the Consignee depot and 3rd copy duly receipted is transmitted to Consignor depot.

The two copies of the Transfer Invoices [analogous to] D & E copies of the vouchers floated by Supply Depot / Stores Depot on the Army Side] will sent by the consignor depot to the LAO by the decades on the third day after the close of each decade. For this purpose the decade will be

for a series of days 1st to 10th, 11th to 20th and 21st to end of a month. These will be sent under a skeleton list. If the skeleton list and the transfer invoices are not received on the due date, they will be called for from the Depot concerned and cases of abnormal delay reported to CDA (CSD) who will taken up the matter with the appropriate CSD authorities and ensure that documents are rendered on the due date.

LAO of the Consignor depot on receipt of the 5th and 6th copies of the transfer invoices from this depot, will pair the same and after making the requisite pairing enfacement on copy number 6 [i.e. the copy scheduled to LAO of the Consignee depot for carrying out audit verification to the prescribed extent] will transmit the sixth copy of the transfer Invoice to his counterpart at the Consignee depot along with a top list. Issue audit will be conducted by the consignor LAO with reference to the 5th copy of the Transfer Invoice held by him. The LAO of the Consignee Depot will carry out credit verification to the prescribed extent with reference to the paired copy [6th copy] received from the Consignor LAO keeping in view the broad principles laid down in the Army Local Audit Manual Part I.

The documents by which audit will be carried out are the following:-

- a) Form-2
- b) Stock Ledger
- c) Transfer invoice
- d) ER Report

The following risks have been identified in this area of work:-

- a) Non/Improper Accounting of Stores.
- b) Missing credits (Credits not traceable in the ledger)
- c) Non-raising of Debit Notes against Transporter for breakages/short supplies.

Receipt of Stores from Suppliers at Base/Area depot

4.5 When stores are received direct from suppliers [as distinct from transfer of stores from another depot] the same are taken on charge through a Form-2 i.e. "Goods Received Statement". Six copies of Form-2 are prepared and disposed of as under:

1 st	copy	Sent to Account-Bills Sec CSD HO
2 nd	-do-	Bill Section of Depot
3 rd	-do-	Depot copy for posting in stock ledgers
4 th	-do-	LAO
5 th	-do-	Consignor
6 th	-do-	Book copy of the depot

On receipt of two copies of Form-2 [4th and 5th copy] from his depot, LAO of the receiving depot will pair the same and after making the requisite pairing enfacement on copy number 4 will transmit the same to the CDA (CSD). Receipt audit will conducted by the LAO with reference to the 5th copy of Form-2 held by him.

The systematic receipt of Form-2 from Base depot/Area depot will be watched by the LAO through a control register. The top list containing Form-2 will be sent to CDA (CSD) by decades on the 3rd day after the close of the decade.

On receipt of the 4th copy of the Form-2 duly paired by CDA(CSD), Mumbai, the same will again be paired with the copy received in Bill Section/Accounts Section of CSD HO to ensure the correctness of quantity exhibited in the copy of Form-2 received and retained by the Bills/Accounts on the basis of which payment will be ultimately made to the suppliers.

The procedure outlined in regard Transfer invoices set out in para 52 above will also be followed in the case of Form -2.

The documents by which audit will be carried out are the following:

- a) Form-2
- b) Stock Ledger
- c) Control Register
- d) ER report

The following risks have been identified in this area of work:

- a) Non/Improper Accounting of Stores.
- b) Credit not traceable in Ledger.
- c) Non-raising of Debit Notes against Suppliers for shortages

Issue of Stores

4.6 When stores are issued to Unit-run-canteens it will be ensured in audit that:

- a) the quantity charged off from ledger agrees with that shown in the weekly sales summary.
- b) the rates charged are in conformity with the wholesale catalogue rates as updated by price revision circulars.
- c) the arithmetical calculations are correct and
- d) there is no undue delay in issuing the stores which have been purchased by Area depot against firm demands.

When stores are issued from one depot to another, the LAO of the consignor depot will check from the ledgers to "Transfer invoice" and not vice versa to ensure that all items charged off and backed up by authenticated transfer invoice.

The documents by which audit will be carried out are the following:

- a) Indent-cum-Invoice
- b) Selling Price Circulars
- c) Prevailing rates of VAT, Sales Tax etc.
- d) Govt Levies
- e) Stock Ledger

The following risks have been identified in this area of work:

- a) Non / Improper accounting of stores.
- b) Incorrect pricing resulting in less payment by URCs for goods collected.

Discrepancies in Receipts and issue of Stores

4.7 Discrepancies in the process of receipt and issue of stores may arise in one or more of the following ways:

- a) Discrepancies noticed after taking delivery of goods from the transporters i.e. goods physically received differ from those mentioned in the transfer invoices/Form-2 etc in terms of quantity and/or nomenclature.
- c) Discrepancies/shortages detected during periodical godown survey.
- d) Discrepancies in respect of goods actually sold to Unit-run-Canteen and those mentioned in the invoice.

In all the above cases the concerned LAO will ensure that:

- a) All Examination Reports have been entered in the ER register and pursued to finality.
- b) Examination reports [CSF 285] have been prepared in respect of [a], [b] and [c] and the quantity shown in the original Transfer Invoice/Form-2 has been correctly taken on charge in the first instance, and thereafter to bring in line the physical quantity with book balance, the Examination Reports are posted in the Stock Ledgers. In the case [d] above the stock ledgers are adjusted through means of Debit/Credit Note issued by the Depots. ;
- c) Follow up action on all Examination Reports has been taken by the concerned depot including receipt of Stores Adjustment Statements from Base Depot/Area Depot and linking of the same with the Examination Reports.
- d) Discrepancy/shortage detected during periodical survey has either been made good or got written off by the Depot by obtaining orders of Competent Authority and
- e) A copy of unpriced invoice in respect of goods returned to suppliers by the Area depot/Base depot due to supply of discrepant/damaged goods has been correctly prepared and charged off from the stock ledgers. In respect of shortages the depot will raise Debit Notes against the Suppliers/Transporters and forward the same to CSD HO for effecting recovery. LAO staff posted in Area Depot/Base Depot will schedule a copy of such unpriced invoices to CDA (CSD) for verification of recovery from suppliers etc.
- f) Depots levy Liquidated Damages on suppliers for Non-Supply / Part-Supply / Delayed supply and Non-extension of Consumer Promotion Scheme (CPS).

The documents by which audit will be carried out are the following:

- a) Indent-cum-invoice
- b) Examination Report
- c) Stock Ledger
- d) Transfer Invoice

The following risks have been identified in this area of work:

- a) Non / Improper accounting of stores.
- b) Incorrect invoicing resulting in less payment by URCs.

Salvage Stores

4.8 Items found damaged and/or in deteriorated condition are classified as fit for salvage and are reflected as such in the Examination Report. LAO will ensure that such items are disposed to the best advantage, charged off from stock ledgers and sale proceeds realized are promptly deposited to the credit of the depot account. In cases where damaged goods/stocks have been destroyed, necessary certificate to the effect that the goods were not fit for sale is recorded by the Depot Manager/Astt Manager. LAO will verify the certificate in all such cases.

Non –lifting of goods by the Unit-run Canteens

4.9 In cases where indent has been received from the Unit-run-Canteens for supply of goods and the goods have been assembled for delivery but the Unit-run-Canteen authorities fail to collect the goods against payment within 45 days, 'Return Form-2' and Credit note will be issued by the Area Depot to adjust the stock ledgers as well as 'account' of the customers. LAO staff will ensure that:

- a) the 'Return Form-2' prepared by the Area Depot agrees with the quantities shown in the invoice of the particular Unit-run-Canteen.
- b) the stock ledgers have been credited with the quantity of goods correctly ; and
- c) Customer's ledgers account initially debited with the amount of invoice has now been credited with the same amount through Cr. note.

The documents by which audit will be carried out are the following:

- a) Return Form-2
- b) Stock Ledger
- c) Customers' Ledger
- d) Debit / Credit notes

The following risks have been identified in this area of work:-

- a) Incorrect maintenance of Stock Ledger
- b) Non posting of Debit / credit Notes in Customers' Ledger

Return of goods to Suppliers by Area Depot/Base Depot

4.10 In cases where goods supplied by the suppliers are not in conformity with the supply order or found otherwise unacceptable are returned to suppliers by Area Depot/Base Depot through 'Unpriced Invoice'. Six copies of the same are prepared and disposed of as under:

- 1st copy Dr/Cr Note Section of Head Office along with Form-5. HO enters the same in the Unpriced Invoice (UPI) Register for follow up action through Claims Section of HO by recovery/adjustment.
- 2nd copy Suppliers/other consignee
- 3rd copy Ledger section of the Despatching depot
- 4th copy Consignor LAO
- 5th copy –do–
- 6th copy Retained as book copy by Area/Base Depot for use by Store keeper.

LAO of the consignor Depot will pair both the copies of the 'Unpriced Invoices' [4th and 5th copy] and after making the requisite encasement on copy number 5, will transmit the same to CDA(CSD) for verification of recovery from the suppliers vide para 55(v) ibid. Copy number 4 of the 'Unpriced Invoice' will be retained by LAO for carrying out issue audit.

Local Audit staff of Area Depot/Base Depot will ensure that :

- a) the stock ledgers have been correctly adjusted ; and
- b) the form-5 i.e. summary of such invoices is correctly prepared and sent to HO for recovery/ adjustment.
- c) the Stores for which recovery has been effected have been back loaded

The documents by which audit will be carried out are the following

- a) ER Registers
- b) Stock Ledgers
- c) Debit Notes
- d) Unpriced Invoice
- e) Control Register.

The following risks have been identified in this area of work:-

- a) Non / Improper accounting of stores.
- b) Non / Delayed recovery due to non / delay in forwarding of UPI.
- c) Blocking of Godown space due to delayed back loading

Invoice Section

Placing of Indent-cum-Invoice

4.11 Unit-run-Canteens assess their requirement of goods and place indents on the dependent Area Depot. This indent also serves the purpose of Invoice. This Indent-cum-Invoice is prepared by the Unit-run-Canteen on the standard form issued by the CSD(CSF 81). Four copies of the same are received in the Invoice Section of the Depot. A control number is allotted to these invoices through a register maintained for the purpose. Allotment of goods is made on the above indent with reference to the availability of the stocks as well as rational methods of distribution of scarce materials. After allotment of the goods, the Invoice is priced with reference to the Price List issued by the CSD HO. The disposal of Priced Invoices is as under :

- 1st copy sent to Unit-run-Canteen through Accounts Section of Area Depot. Accounts Section also prepares "Collection Stores Advice" and debits the amount to the concerned Unit-run-Canteen. The payment is obtained for the party and official receipt issued. Posting of credits to the concerned Unit-run-Canteen account is also done by this Section.
- 2nd copy sent to CSD HO along with Form 5, i.e. Weekly Sales Summary.
- 3rd copy Invoice Section, after checking the entries in the weekly Sales Summary, forwards the same to Ledger Section for posting the issues in the stock ledgers and retention.
- 4th copy sent to Warehouse of the Area Depot.

LAO staff will carry out general scrutiny of the Invoices to ensure that the amount of invoice has been realized prior to the lifting of the goods and amount so realized has been deposited promptly. In exceptional cases, where a Unit-run-Canteen is permitted by the Depot Manager to lift the goods after receiving less than full payment, the LAO will verify that the balance amount has been received promptly.

Weekly Sales Summary

4.12 Ledger Section of the Area Depot prepares 'Weekly Sales Summary' (Form No. CSF 408) with reference to the invoices. It lists out all invoices raised/issued in a particular week and shows the corresponding individual money value as well as the total money value of all the invoices.

Summary of Invoices

4.13 A quantitative summary of invoices is prepared on Form 5 (CSF 410) on weekly basis. It shows the nomenclature of goods and quantity. With reference to the prevailing rates, the total money value for the entire summary is worked out.

Reconciliation of Weekly Sales Summary and Summary of Invoices

4.14 The Area Depot carries out reconciliation between Weekly Sales Summary and Summary of Invoices and thereby ensures that the goods sold out during given period have been correctly billed for and money realised.

Any difficulty in reconciliation of the above two documents may arise mainly due to wrong pricing of invoices, in which event necessary Dr/Cr Notes are issued by the Area depot and also reflected in the Reconciliation Statement of both the documents. The reference number of Dr/Cr Note is quoted on the Reconciliation Statement of Weekly Sales Summary.

Weekly Sales Summary and Summary of Invoice along with the Reconciliation Statement are transmitted to CSD HO for further scrutiny and appropriate action.

LAO staff will ensure that:

- a) The invoices have been correctly transcribed in the Weekly Sales Summary without any omission.
- b) The summary of invoices has been correctly made out.
- c) The calculations on the 'Weekly Sales Summary' are correct, the totals of the Summary of Invoices tally with the totals of Weekly Sales Summary. In case of any discrepancy, a proper reconciliation statement has been prepared and attached to Weekly Sales Summary duly supported by Debit/Credit Notes.
- d) The rates charged in the invoices/weekly sales summary are correct. The fact that the totals of Weekly Sales Summary tally with the totals shown in the Summary of Invoices does not prove the correctness of the rates charged. The possibility of adopting/charging the same incorrect rates both in Invoices as well as in Weekly Sales Summary cannot be ruled out. Accordingly, the rates adopted for pricing the Weekly Sales Summary should be checked to ensure that the implementation of any revision in rates has been effected on due dates; and
- e) Dr/Cr issued have been correctly posted into 'customers' ledger accounts.

The documents by which audit will be carried out are the following:

- a) Invoices
- b) Sales Summary
- c) Debit Notes /Credit Notes
- d) Reconciliation Statement.
- e) Price Revisions Circulars
- f) Customers Ledger

The following risks have been identified in this area of work:

- a) Wrong pricing of Invoices
- b) Non / Improper maintenance of Sales Summary
- c) Incorrect posting of debit / Credit Notes

Customers' Ledgers

4.15 The Accounts Section of the depot concerned maintains the Customers' ledger Accounts. On receipt of the two copies of the Indent-cum-Invoice from the Invoice Section, action is taken :

- a) to debit the amount in the customers' ledger account in the first instance without waiting for delivery of the items.
- b) to make out 'Collection of Stores Advice' and send the same to the Unit-run-Canteen for arranging payment and obtaining delivery.
- c) on receipt of the amount from the Unit-run-Canteens an official receipt is issued (Form No.CSF 134) and immediately posted to the credit of the customers' ledger account.
- d) release orders are issued to the Unit-run-Canteens for collection of items duly noting the official receipt number thereon ; and
- e) on the basis of release order warehouse prepares Gate Pass and delivers the goods.

The Local Audit Staff will ensure :

- a) that debit/credit entries in the Customers' Ledger Account have been correctly made with reference to the Invoices/Official Receipts respectively. Entries of credit in the Customers' Ledger Account will be checked from the official receipts into the Ledger.
- b) that the Receipt Book operated by the depot concerned is controlled.

The documents by which audit will be carried out are the following:

- a) Invoices
- b) Official Receipts
- c) Control Register

The following risks are identified in this area of work:

- a) Improper maintenance of Customers' Ledger
- b) Non posting of Debits / credits.

Statement of Account of Customers

4.16 The Customer's ledger is closed monthly and statement of Account (CSF 26) in triplicate is prepared by the depot. One copy is sent to customer and acknowledgement in token of having accepted the balance obtained and posted on the office copy of the statement of account. Second copy is sent to CSD HO.

LAO will ensure that:

- a) the acknowledgements obtained from the customers are kept on record.
- b) normally there are no debit balances in the customer's accounts and in the case of appearance of such balances reasons thereof, are convincingly explained by the depot authorities; and
- c) cases of abnormal nature i.e. where debit balance persists over a period should be specifically brought to the notice of CDA(CSD) for examination and, if necessary, reporting to the top level authorities at the CSD HO.

The document by which audit will be carried out is the following:

- a) Customers' Ledger

The following risks have been identified in this area of work:

- a) Incorrect Statement of Account
- b) Improper maintenance of Customers Account

Stock Taking

4.17 The responsibility for carrying out verification as per standing orders issued by the CSD HO rests primarily and solely with the executive authorities concerned. The LAO during his periodical visit, will verify that stock taking has been carried out as it falls due. He will further see that:

- a) the system of stock taking adopted is adequate and proper.
- b) the results of stock taking are recorded in the 'Stock taking Price List Book' by a responsible officer under his dated initials.
- c) that the comparison of ground balances in the ledgers has been properly carried out with the balances shown in the Stock Taking Price List Book and
- d) all the discrepancies detected during the stock taking are properly investigated, that all surpluses found on stock taking have been taken on charge and the deficiencies have been dealt with under the orders of the competent financial authority.

The LAO will bring to the notice of the CSD HO through CDA (CSD) any case of failure on the part of the Depot authorities to carry out periodical stock verification of cases of heavy discrepancies or other serious irregularities noticed in stock taking. LAO may also make critical study of the stock position of slow-moving items and items of limited shelf life and bring to attention such cases which in his opinion might result in large unsold or damaged stocks. The level of the inventory may also be reviewed to ensure that stocks in excess of authorised limits are not held at the same ensuring that the rate of denials is not unduly high.

Loans to Unit Run Canteens

4.18 Unit-run-Canteens are sanctioned loans/advances by the CSD HO. In such cases the depot authorities are informed by CSD HO by means of advices to afford credit for the amount of loan sanctioned to a particular unit. Depot Managers have also been delegated powers to grant Temporary Loans to the URCs which are interest free and repayable within 30 days. The depots are permitted to entertain credit facilities for supplying goods to the limit of loan sanctioned. As the recovery of loan together with interest is watched centrally by CSD HO, LAO will ensure that:

- a) the credit advice note has been received from CSD HO in proper form.
- b) the customer's ledger has been credited only with the amount of loan sanction by CSD HO.
- c) the money value of supplies made to the unit do not exceed the limit of loan sanctioned by the CSD HO.
- d) In case of Temporary loans not repaid within 30 days Penal Interest @ 15% is recovered from the URC.

The documents by which audit will be carried out are the following:

- a) URC Loan Register
- b) Official Receipt
- c) Customer Sales Ledger

The following risks are identified in this area of work:

- a) Delayed refund of Loan
- b) Non Levy of Penal Interest.

Register of Dead Stock articles

4.19 LAO staff will ensure that registers of dead stock articles are properly maintained and the prescribed returns are sent to CSD HO. They will also ensure that no item is charged off or condemned without following the approved procedure.

The following checks are applied during audit:

- a) All items purchased have been taken on charge and all entries are recorded in all respects
- b) In case of disposal of dead stock items, correct disposal action following the approved procedure has been taken before charging off the item from the dead stock register

The documents by which audit is carried out are the following:

- a) Dead Stock Register
- b) Imprest Account
- c) Vouchers
- d) Annual Stock Taking Certificate
- e) Board proceedings & Sanction for Disposal

The following risks are identified in this area of work:

- a) Items not taken on charge
- b) Stock taking not done
- c) Loss of Item
- d) Erroneous charging off of items

Motor Vehicles

4.20 Local audit posted at the Base/Area depots will see that:

- a) all relevant columns of Log Book are properly completed and the exact nature of duty is specifically mentioned and clearly worded so that the bonafide nature of the journey may be determined.
- b) correct distances have been shown in the log book.
- c) the log book has been signed by the Officer authorised for this purpose and
- d) the running of the vehicles has been carefully checked the POL has been used bonafide government duties, there has been no misuse of petrol etc. and that register for POL has been properly maintained.

The above checks will also equally apply where car diary is maintained by the depots.

The documents by which audit is carried out are the following:

- a) Log Book
- b) Car Diary
- c) POL Register
- d) Petrol Book
- e) POL Bills
- f) Imprest Account

The following risks are identified in this area of work:

- a. Non recording of Petrol purchased in Log Book
- b. Incorrect distances reflected
- c. Unauthorized usage
- d. Unwarranted Repairs

CASH SECTION

Daily Cash Statement (CSF 449)

4.21 All depots prepare daily cash statement in the prescribed form in duplicate. Receipt entries are posted in the above statement from Official Receipts issued by depots in respect of cheque and cash received from Unit-run-Canteen and other sources. Similarly payments are charged off by a copy of Pay orders issued by depot authorities towards payment of govt. dues and payment of certain specified major suppliers through bankers.

The daily cash statement is balanced daily and is sent to Head office along with supporting vouchers

for receipt as well as payments. LAO will ensure with reference to official receipts that amounts realized are promptly deposited with the Bank and shown in the daily cash statements.

Imprest Account

4.22 Each depot has been given an Imprest Account for meeting day to day expenditure. Since all the supporting documents relevant to Imprest account are available centrally at CSD HO for appropriate audit check by the staff of CDA (CSD), the LAO staff will ensure that the imprest account has been maintained properly and sent to CSD HO for reimbursement as and when required.

The following checks are applied during internal audit:

- a) Verify that Expenditure is supported by Bills / Vouchers
- b) Sanction of the CFA is available
- c) Bank charges levied for collection of cheques are recovered from the URC concerned
- d) Closing balance is within the prescribed limits
- e) All Telex Transfers received have been correctly accounted for
- f) Expenditure is within the allocated budget
- g) Statutory deductions like TDS have been made

The documents by which audit is carried out are the following:

- a) Cash statement
- b) Bank Statement
- c) T.T Advices
- d) Official Receipts
- e) Imprest Vouchers

The following risks are identified in this area of work:

- a) Improper accounting system
- b) Unauthorized expenditure
- c) Non- recovery of bank charges from the URCs
- d) Expenditure in excess of allotment

Physical Verification of Cash balances

4.23 During the review of the cash statement as well imprest account, it would be sufficient, if LAO ensures that certification of cash balance has been rendered by the Depot Manager and LAO need not under take physical verification of cash balances.

Bank Statement

4.24 These statements are received by the Depots concerned at periodical intervals during the course of a month and necessary reconciliation statement is made out by the Depot authorities. The L.A.O. will ensure that such reconciliation has been factually carried out by depot authorities and particulars furnished therein are correct and discrepancies noticed if any are taken up promptly with the Bakers by the Depot authorities for settlement.

The following checks are applied during internal audit:

- a) Verify that all the receipts have been deposited
- b) All Debits and Credits are authorized and linked with relevant documents
- c) Unreconciled amounts are adjusted in the subsequent months
- d) Confirm that the entire available balance over Rs 5000/- is being transferred to CSD HO Branch on a daily basis
- e) Penal Interest on delayed collection of cheques is received

The documents by which audit is carried out are the following:

- a) Cash statement
- b) Cheque Dishonoured Register
- c) T.T. Advices
- d) Official Receipts
- e) Statement of uncleared cheques
- f) Bank Statement

The following risks have been identified in this area of work:

- a) Unauthorized debits
- b) Unreconciled amounts outstanding

Statement Cheques and Demand Drafts

4.25 It will be ensured by the L.A.O. staff that the statement/register is systematically maintained by the Depot authorities.

Dishonoured Cheques

4.26 The cases of dishonoured cheques as disclosed/noticed from Bank Reconciliation Statement etc. will be checked to ensure that the amounts have been duly debited to the customers' ledger account and appropriate action has been taken by the Depot authorities for recovery of the amount.

Other Payments

4.27 With regards to payments such as Sales tax, Octroi, Excise Duty; clearing charges etc. LAO staff will ensure that such payments are made in accordance with the relevant orders.

Payment of Excise Duty for Liquor

4.28 CSD HO places orders for Liquor items centrally. On receipt of the allocation, CSD Depots deposit Excise duty at the prescribed rates with the Excise department and obtain Permits. The CSD Depots forward these permits to the distilleries to enable them to supply the items. If the distilleries fail to supply the items within the prescribed time the order is cancelled. Penalty at the prescribed rate is levied on the suppliers and refund obtained from the Excise department.

The following checks are applied during internal audit:

- a) Scrutinize the Allocation / Orders placed by CSD HO
- b) Verify that Excise Duty has been paid and Permits obtained
- c) Link the Excise Duty Payments with Imprest Account & Excise Duty Register
- d) Verify that Permits have been forwarded to the Distillery within the prescribed time schedule
- e) Verify whether in case of Non supply, Penalty has been levied & Excise Duty refunds have been adjusted against future permits

The documents by which audit is carried out are the following:

- a) HO Allocation
- b) Excise Duty Register
- c) Imprest Account

The following risks have been identified in this area of work:

- a) Outstanding Excise Duty refund due from the Excise Department
- b) Non-levy of penalty on Supplier in cases of Non supply

Quantitative Discount

4.29 Quantitative Discount is given to the URCs at the prescribed rates, based on the total purchase made by them in a year. QD is not given in cash but only in form of stores. The Depots prepare the QD statement URC-wise reflecting the purchases and QD amount which is audited by the LAO and certified.

The following checks are applied during internal audit:

- a) Yearly purchase has been taken correctly
- b) Eligible items are only taken for calculating the QD
- c) QD has been calculated as per the prescribed rates
- d) QD amount has been worked out correctly

The documents by which audit is carried out are the following:

- a) Invoices
- b) Customer Sales Ledger
- c) Eligible & Ineligible items list
- d) Percentage of QD

The following risks are identified in this area of work:

- a) Incorrect calculation of QD

Reimbursement of Freight Charges to URCs

4.30 URCs that collect stores from CSD Depots by hiring civil vehicles are given freight reimbursement as per the prescribed rates.

The following checks are applied during internal audit:

- a) Invoices of all the Stores collected are attached
- b) Original Lorry Receipt and Bill for actual freight paid are attached
- c) Entitlement has been worked out correctly as per the rates
- d) Claim has been preferred within the prescribed time frame

The documents by which audit is carried out are the following:

- a) Invoices
- b) Freight Charges Register
- c) Rates of reimbursement

The following risks are identified in this area of work:

- a) Incorrect / Over payment of Freight charges

SECTION V

ANNUAL ACCOUNTS

	Para	Page
Annual Accounts	5.1	48
Trading Account	5.5	48
Profit and Loss Account	5.6	49
Profit and Loss Adjustment Account	5.7	50
Balance Sheet	5.8	50

SECTION V

ANNUAL ACCOUNTS

5.1 Soon after closing of the financial accounts for the year, Appropriation Accounts and Annual Accounts will be prepared by the CSD authorities and submitted to the CDA (CSD) for further action. The Appropriation Accounts are sent to the Accounts Section and the Annual Accounts (with connected statements) to the Audit Section of the CGDA duly checked and certified by the CDA (CSD) by the due dates. Detailed instructions for preparation of the above accounts are contained in the Accounts Manual [CSD(India)].

5.2 The Annual Accounts of the CSD are prepared keeping in view the commercial character of the organization and the prescribed principles of commercial accounting. The Annual Accounts consists of the following:

- a) Trading Account
- b) Profit & Loss Account
- c) Profit and Loss Adjustment Account
- d) Balance Sheet

Each of the above account is prepared keeping in view the fundamental principles of book-keeping followed in commercial accounting in respect of concerns dealing with purchase and sale of goods.

5.3 The proforma for the Annual Accounts are given in this section. The Accounts are subjected to detailed scrutiny by the CDA (CSD) before certification and submission to the CGDA. The opening and closing balances should be verified to the extent of 100 per cent as also the outstanding liabilities and pre-paid expenses.

5.4 A reconciliation statement explaining variation between appropriation under Demand No. 20 and the amounts exhibited in the Annual Accounts will also be prepared by the CSD authorities and appended to the Annual Accounts. The reconciliation statement will also be checked to the extent of 100% by the CDA (CSD). Comments of the CDA (CSD) on the Annual Accounts highlighting points of interest will be suitably incorporated in the forwarding memo under which the Annual Accounts are sent to the CGDA.

5.5 Trading Account

The Trading account is prepared to show the gross profit on the sale of goods. Gross profit is the difference between the sale proceeds of goods and what those goods cost the seller to buy, or cost of sales. The cost of sales for this purpose includes the amount which has been debited for them to the purchases account plus the cost of getting them to the place of sale, which is usually the seller's premises, i.e. the carriage inwards of those goods.

The following checks are applied during internal audit:

- a) Confirm that Closing Balance of Closing Stock of previous year has been correctly taken as Opening Stock in the current year.
- b) Verify that all Purchases made during the year including those not paid for have been accounted.

- c) Confirm from Trial Balance that Purchase Return have been deducted to arrive at figure of Purchases.
- d) Verify from the General Ledgers that the amounts of Freight Charges, Excise Duty, State Sales Tax, Central Sales Tax, Value Added Tax etc, have been correctly taken from Imprest Statements.
- e) As regards Quantitative Discount (QD), confirm that the Depot-wise amounts (audited by the LAOs) have been totalled to arrive at the figure.
- f) Verify that the Depot-wise Form-5 (Sales Summary) has been totaled correctly and Sales Return deducted to arrive at the figure of Sales.
- g) Ensure that the data reflected in the Stock Sheet (prepared by CSD HO) is in agreement with Monthly Stock Taking Catalogue (MSTC) (prepared by Depots).
- h) Ensure that the figures of Physical stock, Assembled stock and Goods-in-transit of the depots have all been accounted for to arrive at Closing Stock
- i) Ensure that the Closing Stock has been valued at landed cost and not at market price.
- j) Confirm that Annual Stock Taking has been undertaken as per the prescribed time schedule.

The documents by which audit is carried out are the following:

- a) General Ledgers
- b) Imprest Statement of Depots
- c) PNB (Imprest Account), PCB (Payment Cash Book)

The following risks have been identified in this area of work:

- a) Non/Improper Accounting of Purchases
- b) Misclassification/Wrong booking of expenses
For eg. Excise Duty wrongly booked to Purchases
- c) Omission of Freight paid, Excise Duty, State Sales Tax, Central Sales Tax, Value Added Tax etc.
- d) Wrong calculation of Quantitative Discount
- e) Non/Improper Accounting of Sales
- f) Improper valuation/accounting of Closing Stock

5.6 Profit & Loss Account

The Profit and Loss account shows items of income or expenditure which although earned or expended by the business are incidental to it and not part of the actual manufacturing, buying or selling of goods. The purpose of preparing a Profit and Loss account is to find out Net profit earned or Net loss incurred during the year

The following checks are applied during internal audit :

- a) Check from the General Ledgers that the amounts of expenses towards Staff Salaries, LTC, Medical etc., have been correctly extracted from the Imprest Account.
- b) Ensure that all the Operating expenses like Rent, Taxes, Repairs, Telephone etc., incurred

by all CSD Depots have been correctly recorded in the ledger from their Imprest Statement. Similarly, in respect of Operating expenses incurred by CSD HO, these have been correctly reflected in the ledgers.

- c) Verify that the Depreciation has been correctly calculated as per Income Tax Rules. Ensure that the Depreciation is being charged on Assets acquired during the year and has been discontinued for the Assets disposed of during the current year.
- d) Verify that the Interest on Capital has been computed correctly and the rate applied is as prescribed by Ministry of Finance.
- e) Undertake a test check of MROs (Military Receivable Orders) to confirm that the Misc. receipts have been taken into account in the ledgers.
- f) Confirm that all the receipts towards advertisements are correctly accounted for in the ledger.

The documents by which audit is carried out are the following:

- a) General Ledgers
- b) Imprest Statement of Depots
- c) PNB (Imprest Account), PCB (Payment Cash Book)

The following risks have been identified in this area of work:

- a) Improper classification of expenditure
For eg: LTC expenses wrongly booked to Salaries.
- b) Depreciation being charged although the Asset has been written down to Nil value
- c) Wrong calculation of Interest on Capital
- d) Non/Improper accounting of Misc. Receipts/Income from Properties etc.

5.7 Profit and Loss Adjustment Account

Profit and Loss Adjustment account is prepared after Profit and Loss account has been prepared. It incorporates adjustments for miscellaneous items that either could not have been anticipated or were otherwise not captured.

The following checks are applied during internal audit:

- a) Check whether adequate provision has been made for claims against CSD on account of Value Added Tax/Service Tax etc.

The documents by which audit is carried out are the following

- a) Value Added Tax files
- b) Service Tax files

The following risks are identified in this area of work:

- a) Non/Inadequate provision for claims against CSD.

5.8 Balance Sheet

The Balance Sheet is a statement of the financial position of a business at a given date. It shows

the Assets and Liabilities of the business on the last day of the financial year. It is, therefore, only a "snapshot" in time. When comparing business performance therefore, a number of years and time periods may be more suitable.

The following checks are applied during internal audit

- a) Ensure that the figures of the unpaid bills for which goods have been received up to 31st March have been accounted as Sundry Creditors for the Current year.
- b) Verify the correctness of total of Sundry Creditors by ensuring that outstanding Sundry Creditors of previous years for which bills have been cleared have been deducted.
- c) Ensure that all amounts collected as Security Deposits are accounted correctly and find place in the General Ledger.
- d) Ensure that the Furniture & Fixtures purchased during the year have been taken into the Gross Block Register. Verify that the furniture & fixtures which have been disposed of have been deducted from the Gross Block Register.
- e) Ensure that the Buildings constructed through MES which have been handed over by MES during the year are accounted for in the Gross Block Register. While calculating the figure of Fixed Assets verify that the depreciation has been correctly deducted.
- f) Verify that the figures of VAT claims made against State Govt. figure in the amount of Sundry Debtors.
- g) Ensure that the Debit Notes raised against the Suppliers as reflected in the Purchase Ledger Control Account have been correctly accounted in Sundry Debtors.
- h) Verify the correctness of MES Deposits from their relevant files, schedules and registers.
- i) Verify that the Excise Duty amounts paid in advance are correctly reflected as Deposits.
- j) Verify that the Cash at Bank as per CSD book tallies with the Bank Statement

The documents by which audit is carried out are the following

- a) Gross Block Register
- b) Imprest Statement
- c) General Ledgers
- d) Cash Book of PNB and SBI
- e) VAT files and List of Outstanding Sundry Creditors

The following risks are identified in this area of work

- a) Non/Improper accounting of Sundry Creditors
- b) Non accounting of Fixed Assets
- c) Wrong calculation of Gross Block.
- d) Incorrect calculation of VAT claim.
- e) Excise Duty paid in advance omitted.
- f) Un-reconciled amounts between Bank Balance as per CSD books and Bank Statement.

TRADING ACCOUNT FOR THE YEAR ENDED 31 MARCH 20...

PREVIOUS YEAR 20... 20... RUPEES	PARTICULARS	SCH NO.	CURRENT YEAR 20... 20....		PREVIOUS YEAR 20... 20...	PARTICULARS	sch NO.	CURRENT YEAR 20.. 20...	
			RUPEES	RUPEES				RUPEES	RUPEES
	TO OPENING STOCK					BY SALES			
	TO PURCHASES PURCHASES DURING THE YEAR LESS: CASH DISCOUNT					BY CLOSING STOCK			
	TO TRADING EXPENSES WAGES EXCISE DUTY PACKING/FORWARDING CHARGES FREIGHT CHARGES CLEARING CHARGES STATE SALES TAX CENTRAL SALES TAX OCTROI CHARGES TRADE & LICENCES FEES DEMURRAGE VALUE ADDED TAX (VAT)								
	TO LOSSES TRANSIT LOSS GODOWN LOSS OTHER LOSSES								
	TO PROVISION FOR QUANTITATIVE DISCOUNT								
	TO, GROSS PROFIT (TRANSFERRED TO P/L A/C)				0				0

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 20....

PREVIOUS YEAR 20... 20... RUPEES	PARTICULARS	SCH NO.	CURRENT YEAR 20... 20... RUPEES		PREVIOUS YEAR 20... 20... RUPEES	PARTICULARS	SCH NO.	CURRENT YEAR 20... 20... RUPEES	
			RUPEES	RUPEES				RUPEES	RUPEES
	TO STAFF EXPENSES					BY, GROSS PROFIT (TRANSFERRED FROM TRADING A/C)			
	SALARIES					BY, MISCELLANEOUS INCOME			
	TO OTHER BENEFITS TO STAFF					INTEREST ON UNIT LOAN			
	LTC AND MEDICAL					INT. ON OTHER ADVANCES			
	INSURANCE (DLIS)					OVERDUE INTEREST			
	PENSION/RETIREMENT BENEFITS					OTHER INTEREST RECEIPT			
	OTHER STAFF WELFARE					INCOME FROM PROPERTIES			
	PROFESSIONAL CHARGES					ADVERTISEMENT IN			
	LIVERIES (STAFF UNIFORM)					PRICE LIST			
	GOVT. CONTRIBUTION TO NPS					MISCELLANEOUS			
						RECEIPT			
	TO OPERATING EXPENSES					PROFIT ON SALE OF			
	RENT & TAXES (INCL. MAINT. OF BLDG)					FIXED ASSET			
	REPAIRS AND LIGHTING								
	PRINTING AND STATIONERY					BY CONTRIBUTION TOWARDS INT. ON CAPITAL			
	ADVERTISEMENT								
	TELEPHONE/TRUNKCALL CHARGES								
	POSTAGE, TELEX, TELEGRAM								
	TRAVELLING & CONVEYANCE								
	MOTOR CAR EXPENSES								
	BANK CHARGES								
	AUDIT FEES								
	SUNDRY EXPENSES								
	TO DEPRECIATION								
	TO PROVISIONS								
	TO INTEREST ON CAPITAL								
	TO NET PROFIT (TRANSFERRED TO P & L ADJUSTMENT A/C)								

PROFIT & LOSS ADJUSTMENT ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

PREVIOUS YEAR 20.... 20.... RUPEES	PARTICULARS	SCH NO.	CURRENT YEAR		PREVIOUS YEAR 20.... 20....	PARTICULARS	SCH NO.	CURRENT YEAR	
			RUPEES	20.... 20.... RUPEES				RUPEES	20.... 20.... RUPEES
	TO EXPENDITURE PERTAINING TO THE PREVIOUS YEAR					BY NET PROFIT (TRANSFERRED FROM PROFIT & LOSS A/C)			
	A) SALES TAX/SERVICE TAX					BY CLAIMS			
	B) VAT					BY EXCESS PROVISION WRITTEN BACK			
	TO NET PROFIT (TRANSFERRED TO BALANCE SHEET)					QUANTITATIVE DISCOUNT			
	TOTAL					PLB			
						TOTAL			

DGM (FINANCE &
ACCOUNTS)
CANTEEN STORES
DEPARTMENT

GEN. MANAGER & CHAIRMAN
(BOA)
CANTEEN STORES DEPARTMENT

CONTROLLER GENERAL OF
DEFENCE ACCOUNTS

SECRETARY
(DEFENCE
FINANCE)

BALANCE SHEET AS ON 31ST MARCH 20....

PREVIOUS YEAR 20.... 20.... RUPEES	LIABILITIES	SCH NO.	CURRENT YEAR		PREVIOUS YEAR 20.... 20....	ASSETS	SCH NO.	CURRENT YEAR	
			RUPEES	20.... 20.... RUPEES				RUPEES	20.... 20.... RUPEES
	1. CAPITAL					1. <u>FIXED ASSETS</u>			
	NET PROFIT DURING YEAR					GROSS BLOCK AT COST LESS: DEPRECIATION			
	2. FUNDS AND RESERVES					2. (a) <u>INVESTMENT</u> (b) <u>DEPOSITS</u>			
	3. <u>SUNDRY CREDITORS /</u> <u>OTHER LIABILITIES</u>					(i) CUSTOM & PORT TRUST (ii) COURT ATTACHMENT (iii) OTHERS			
	GOODS SUPPLIED QUANTITATIVE DISCOUNT FREIGHT SECURITY DEPOSIT/EMD. AUDIT FEES INSURANCE (CGEGIS) GPF (INCLUDING INTEREST) NPS(INCL.GOV.T. CONTRIBUTION) PENSION AND GRATUITY DUES TO EMPLOYEES OTHER PROVISIONS					3. <u>CURRENT ASSETS</u> CLOSING STOCK SUNDRY DEBTORS LOANS AND ADVANCES OTHER GOVT.DEPOSITS INCOME ACCRUED BUT NOT RECD.			
	TOTAL					4. <u>CASH AND BANK</u> BALANCE CASH IN HAND CASH AT BANK DEPOSIT WITH RBI (IN FAVOUR OF CDA (CSD))			
						TOTAL			

DGM (FINANCE & ACCOUNTS)
CANTEEN STORES DEPARTMENT

GEN. MANAGER & CHAIRMAN
(BOA)
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CONTROLLER GENERAL OF
DEFENCE ACCOUNTS

SECRETARY
(DEFENCE
FINANCE)

SECTION VI

PERFORMANCE AUDIT

	Para	Page
Performance Audit	6.1-6.7	57

SECTION VI

PERFORMANCE AUDIT

6.1 Performance audit is an overall examination and appraisal of a Department as to organization, objectives, policies and controls, use of equipment, materials and people, and method of operation. It covers the entire field of managerial decision making for the purpose of assessing how far the managerial operations are conducted with economy and efficiency.

6.2 Performance audit is a device to measure performance with the intent of improving it, for eliminating inefficiency and increasing profits. The audit of a Department's operations is as important as audit of its financial transactions, because weaknesses in control of operational areas can result in money being spent un-necessarily or income lost through inefficiency.

6.3 Performance audit is not an end in itself, but a means to measure the achievement and bring to light the deficiencies for corrective action. It is not limited to search for deficiencies only, but to seek out avenues for better performance.

6.4 The efficiency of operations and the performance of the operating personnel can be greatly increased, if constructive criticism is available to them from an independent objective observer. Performance audit should be looked on by the operating people as a help in the discharge of their functions. It is important that the objective and scope of investigation is explained to the operating people and their cooperation solicited.

6.5 The type and variety of performance audit can be varied or numerous as the operations within an organization. For example, the appraisal of adequacy and effectiveness of existing systems is a good field for Performance Audit. In this category would fall questions like the adequacy of the accounting system, adequacy of internal audit and how effectively is it performed, examination of how well devised are departmental regulations regarding receipt, issue, custody, condemnation, stock-taking and purchase of stores and whether these are put into effect properly.

6.6 The level of inventory is another important area for Performance Audit. For example, it may be worth while to examine the inventory level so that stock far in excess of requirements are not held, at the same time ensuring that the stock does not fall below a certain minimum thereby pushing up the rate of denials. The system of review of stock position for improved demand forecasting by a Depot before preparing indents can be another area for investigation. With regard to denials, it may be worth while to examine if a Depot stocks sufficient range of items listed in the price list and investigate reasons for denials of stores, including cases of non-supply, short supply and substitution.

6.7 Inadequate utilization of men and facilities often results in wastage of resources and Performance Audit can bring out cases for corrective action.

Appendix – I

TABLE SHOWING SCOPE OF AUDIT C.S.D HEAD OFFICE

ITEMS	PERCENTAGE OF AUDIT	REMARKS
(A) Purchase Orders 1 Initial Purchase Orders		Post audited to the extent falling with in the scope of audit of Payment of Bills vide item D I.
2 Repeat Purchase Orders (includes purchase orders for stores for resale as well as other items like stationery etc.)		
(B) Costing /pricing of Stores	100%	
(C) Claims and Losses 1 Railway Claims 2 Claims on suppliers 3 Salvage Items-sales 4 Losses	General Scrutiny	
(D) Payment of Bills 1 Payment for stores (i) Bills for Rs.50000/- and above (ii) Bills for Rs. 10000/- to Rs. 50000/- (iii) Bills below Rs. 10000/-	12% 6% 1%	
2 Payment for other items like stationery etc.	33.1/3 %	
3 Positioning of entries of bills of stores in Purchase Ledger, Purchase Journal & Memoranda Ledger.	10%	10%
4 Positioning of Debit/Credit Notes in Purchase Ledger Memoranda Ledger	10%	
(E) Military Credit Notes		
1 Payment of Railway Bills	General Scrutiny	
2 Bills raised on suppliers on account of freight originally charger in R/R and those actually charged in final bill by Railway where contractual liability to pay freight is of the supplier.	General Scrutiny	
(F) Administration		
1 Pay Fixation	100%	
2 Service Books & Leave Records	Service Books relating Pension non-effective cases will be attended to.	

ITEMS		PERCENTAGE OF AUDIT	REMARKS
3	Dead Stock Register	Tracing credit from paid Bills to Dead Stock Register Rs 1000 and above 100% Below Rs 1000 /- 33.1/3%	
(G) Pay Section			
1	Pay bills- Officers	16.2/3 % (one month in 6 months)	
2	Pay Bills -Others	33.1/3 % (one month in a Quarter)	
3	TA/DA/LTC claims Below Rs 100 Above Rs 100	General Scrutiny 25 percent	
4	Contingent Bills Below Rs 100/- Above Rs 100/-	General Scrutiny 16.2/3 per cent	
5	Medical charges i.e. bills preferred by Mily. Hospital for impatient treatment of CSD employees.	33.1/3%	
6	House Building Advance	100 %	
(H) Provident Funds			
1	Application /Nomination Forms	33.1/3%	
2	Posting of Fund recovery in ledgers from pay bills.	33.1/3%	
3	Post Audit of Payment of Advances for financing Insurance policies.	33.1/3%	
4	Posting of Advances/withdrawals in the Fund card.	33.1/3%	
5	Post Audit of Ty. Advances	33.1/3%	
6	Post Audit of Final withdrawals.	33.1/3%	
7	Post Audit of Final settlement cases.	33.1/3%	
8	Provident Fund Cards	33.1/3%	
(I) Sales Control Account			
1	Sales Control Account	General Scrutiny	
2	Unpriced Invoice Register	100 %	
3	Quantitative Discount to Canteens	Total quantum apportioned for distribution will be checked 100 % and individual distribution among different Unit-run-Canteens will be subjected only a general scrutiny.	

ITEMS		PERCENTAGE OF AUDIT	REMARKS
(J) Imprest Account			
1	Vouchers below Rs 100	16.2/3%	5 Depots for each month to be selected to be selected by JCDA(CSD). In addition general scrutiny of all Vrs of all Depots from audit point of propriety of expenditure.
2	Vouchers above Rs 100	Full	
(K) General Ledger			
1	Posting of Credits/ Debits	General Scrutiny	Intelligent
2	Monthly Receipt & Expenditure Account.	100%	
3	Trading & Profit and Loss A/C, Balance sheet together with reconciliation of these accounts with accounts compiled by DAD.	100%	
4	Loan Account of Unit Run Canteens.	100%	
5	Repayment schedule of loan	100%	
(L) Cash Section			
1	Receipts/Payments (100% includes transactions representing amount transferred from Depot Account to Head Office A/C through Bank).		
2	Reconciliation of balances in the cash book with those shown in the Bank Statement in respect of Depot & H.O.	100%	
(M) Pairing			
1	Pairing of F2		

Appendix – II

TABLE SHOWING SCOPE OF AUDIT CSD DEPOTS

	ITEMS	SUGGESTED % OF AUDIT	REMARKS
(A)	VERIFICATION OF :		
1	Casting	100%	
2	Closing book balances	100%	
3	Opening book balances	100%	
(B)	LINKING OF RECEIPTS :		
1	Transfer invoices	66.2/3 %	
2	Goods received statt (Form 2)	100 %	
3	Return (Form 2)	100 %	
(C)	LINKING OF ISSUES :		
1	Weekly Sales Summary	66.2/3 %	
2	Examination Reports	100%	
3	Debit/Credit Notes	100%	
4	Unpriced Invoices	100%	
(D)	RECONCILIATION OF WEEKLY SALES SUMMARY AND SUMMARY OF INVOICES		
1	Transcription of amounts from invoices to summary of invoices.	100%	
2	Transcription of items from invoices to weekly sales summary.	33.1/3%	
3	Pricing of items in weekly sales summary.	100%	
4	Reconciliation Statement casting etc.	100%	
(E)	PRICING OF INVOICES	General Scrutiny	
(F)	DEBIT/ CREDIT NOTES	100%	
(G)	CUSTOMERS LEDGER ACCOUNT :		
1	Debit Transactions	33.1/3 %	

	ITEMS	SUGGESTED % OF AUDIT	REMARKS
2	Credit Transactions	100 %	
(H)	CLAIMS:		
1	Railway Claims	100%	
(I)	CASH:		
1	Amount realised from customers deposited in the bank (with reference to Official Receipts & Bank Statements)	100%	
(J)	PAIRING OF FORM 2 AND TRANSFER INVOICES	100%	
(K)	TELEPHONE, TRUNK CALL	General Scrutiny	

Appendix - III

Annexure 'A'

LIST OF AUDITABLE DOCUMENTS (CSD HEAD-OFFICE)

- 1) Indent (CSF 81).
- 2) Consolidated statement of Indents (CSF 427).
- 3) Purchase Order (CSF 228).
- 4) Purchase Order (IS) (CSF 232).
- 5) Supplier's Terms Register.
- 6) Liquor Return (CSF 302).
- 7) Register of Indents (stores Group-wise).
- 8) Price List- Wholesale/Retail.
- 9) Register recording circulars for revision of prices/rates.
- 10) Railway Claims Register.
- 11) Register showing finalization of action on 'Examination Reports.
- 12) Register of claims (CSF 379).
- 13) Register for write off of losses.
- 14) Shortage Register.
- 15) Purchase Ledger (CSF 154 S).
- 16) Goods Received Statement (Form 2) (CSF 262).
- 17) Service Books.
- 18) Dead Stock Register.
- 19) Rent Register (CSR 423).
- 20) Provident Fund Loan Register (CSR 205).
- 21) Misc. Recovery Register (CSR 479).
- 22) House Building Advance Register (CSR 474).
- 23) Children Education Allowance Register.
- 24) Register of Medical Charges paid to Military Hospitals.
- 25) Trial Balance Book for G.P. Fund (CSF 128B).
- 26) Loan/Advance Register(CSF 205).
- 27) Provident Fund Ledger (CSF 129A, 129B).
- 28) Payment Register of provident Funds.
- 29) Summary Register of Provident Funds.(CSR 692,128).
- 30) Quantitative Discount Ledger [CSR 154(L)].
- 31) Unpriced Invoice Register(CSR 172).
- 32) Imprest Statement (CSF 82).
- 33) Imprest Reimbursement Register (CSF 85).

- 34) General Ledgers(CSR 80).
- 35) Expenditure Ledger(CSR 76).
- 36) Adjustment journal (CSR 28A).
- 37) Adjustment journal (CSF 92).
- 38) Imprest Summary (CSF 86).
- 39) Bills Register (All) Depots (CSF 34).
- 40) Imprest summary of Depots (CSF 86).
- 41) Register of Excise Duty.
- 42) Unit Loan Register (CSR 222).
- 43) Register for Minor Works.
- 44) Register for Major Works.
- 45) Car Diary.
- 46) Duty Slips.
- 47) Cash Statement of Area Depots (CSF 449).
- 48) Cash Book Head OIffice [CSF 113(L) and 140 (S)].
- 49) Bank statement.
- 50) Register of Telephone, Trunk-Call.

Annexure 'B'

LIST OF AUDITABLE DOCUMENTS AREA DEPOTS/BASE DEPOTS

- 1) Transfer Invoice(CSF 81).
- 2) Form 2 –Goods Received Statement.
- 3) Return Form 2
- 4) Examination Report (CSF 285).
- 5) Register for Examination Reports.
- 6) Stores Adjustment Statement.
- 7) Summary of Invoices (form 5) (CSF 410).
- 8) Weekly Sales Summary (CSF 408).
- 9) Indent-cum-Invoice (CSF 354).
- 10) Reconciliation Statement between weekly Sales Summary and Summary of Invoices (CSF 409).
- 11) Customers' Ledger.
- 12) Statement of Customer's Ledger (CSF 26).
- 13) Daily Cash Statement (CSF 449).
- 14) Dead Stock Register.
- 15) Imprest Statement.
- 16) Bank Statement.
- 17) Sales Tax/Excise Duty Register.
- 18) Car /Diary/Log Books.
- 19) POL Register.
- 20) Military Credit Notes.
- 21) Register of Valuable Documents.
- 22) Stock Taking price list book.
- 23) Register for Receipt & Disposal of Official Receipts.
- 24) Official Receipts.
- 25) Debit/Credit Note Books.
- 26) Unpriced Invoice Books.
- 27) Stock Ledgers.
- 28) Register of Telephone, Trunk-call.

Annexure 'C'

GLOSSARY

A

AFD - I : Against Firm Demand Category – I [Purchase of Four wheelers, M/Cycles, TV, Refrigerators etc. by Serving/Retd. Army Personnel]

AMA : Authorized Medical Attendant

B

BFA : Bill Forwarding Advice [Under which Depot forwards Suppliers Bills, Debit/Credit Notes to CSD HO]

BOA : Board Of Administration

BOO : Board Of Officers

BOCCS : Board of Control Canteen Services

BRS : Bank Reconciliation Statement

C

CA : Competent Authority

CAMO : Chief Authorized Medical Officer

CB : Contingent Bill/Cash Book

C & C : Costing and Claims [Section dealing with Price Revision Circulars]

CEA : Children Education Allowance

CFA : Competent Financial Authority

CFI : Consolidated Fund Of India

CGEIS : Central Government Employees Insurance Scheme

CPS : Consumer Promotion Scheme

CSD HO : Canteen Stores Department, Head Office, Mumbai

CS : Cash Statement

D

DA : Daily Allowance

DDF : Draft Discounting Facility [Overdraft facility provided by SBI, PNB to CSD Depots]

DDGCS : Deputy Director General Canteen Services

DDP : Daily Deposit and Payment

DN : Debit Note [document through which the recoveries of damages & Liquidity damages is made.]

DS : Direct Supply orders [Supply Orders placed by CSD HO]

DSR : Dead Stock Register

E

- EOL : Extra-ordinary Leave
- ER : Examination Report [on receipt of the consignment in the Depot, the report prepared on the Board's recommendation for the losses]

F

- FA : Financial Advice
- F-2 : Form -2 [Goods Received Statement]
- Form-5 : Sales Summary [Depot's Monthly sales summary]
- Form – 7 : Return of Debit Notes [Report on total debit notes prepared by the depot during the month and forwarded to CSD HO]
- Form- 8 : Return of Credit Notes [Report on total credit notes prepared by the depot during the month and forwarded to CSD HO]
- FR : Financial Regulations

G

- GFR : General Financial Rules
- GPF : General Provident Fund

H

- HBA : House Building Advance
- HPL : Half Pay Leave
- HQrs. : Headquarters

I

- ICS : Indent-Cum-Invoice [Demand placed by the URCs for the purchase of CSD stores]
- IDTI : Inter Depot Transfer Invoice [The document under which the surplus CSD stores transferred from one depot to another, wherever required]
- IFA : Integrated Financial Advisor
- IAR : Internal Audit Report

L

- LAO : Local Audit Officer
- LD : Liquidated Damages [Penalty levied on suppliers for non/ part/late delivery of goods]
- LS Orders : Local Supply Order [Supply orders placed locally by the depots]

M

- MES : Military Engineering Services
- MFAI : Major Financial Accounting Irregularity

MIS	:	Monthly Imprest Summary [details of expenditure incurred during the month by CSD HO and Depots]
MSTC	:	Monthly Stock Taking Catalogue [summary of stock position]
N		
NPS	:	New Pension Scheme
O		
OR	:	Official Receipt [Acknowledgement of payment received by CSD]
P		
PNB	:	Punjab National Bank
PRC	:	Price Revision Circulars [Circular showing increase/ decrease of procurement rate of CSD stores]
PRGO	:	Provision Review To Guide Orders [Summary showing the ordering quantity to be placed on suppliers]
Q		
QD	:	Quantitative Discount [This is given in form of the CSD Stores to the URCs, which is based on their previous year's purchases.]
QMG	:	Quarter Master General
U		
UPI	:	Un-priced Invoice [The document is used by charging off the defective CSD stores from Stores ledger]
URC	:	Unit Run Canteen
R		
RIOR	:	Receipt and Issue Of Official Receipt [Register showing the receipt and issue of Official Receipt by CSD Organization.]
RPAD	:	Registered Post Acknowledgement Due
S		
SAI	:	Stores Accounting Instructions
SAS	:	Stores Adjustment Statement [The document through which discrepancies of surplus/ shortage CSD stores dispatched by Base Depot to 34CSD depots are adjusted]
SBI	:	State Bank Of India
SCA	:	Special Compensatory Allowance
T		
TA	:	Traveling Allowance
TDA	:	Tax Deducted At Source
TTA	:	Telex Transfer Advice [The advice given by the bank for the money transferred to PNB/SBI Mumbai Branch by the depot Bankers.]

V

VAT : Value Added Tax

W

WAT : Weighted Average Tax

Annexure 'D'

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