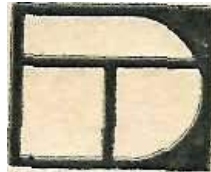


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**MANUAL  
OF  
INTERNAL INSPECTION  
OF  
CENTRAL BOARD OF DIRECT TAXES**



**Office of the Principal Chief Controller of Accounts  
Central Board of Direct Taxes, 9<sup>th</sup> Floor, Lok Nayak  
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## CHAPTER—1

### Introduction

1.1(a) In exercise of the powers conferred by the proviso to sub-section (i) of section 10 of the C. & A.G's (Duties Powers and Conditions of Service) Act, 1971, the C.&A.G. was relieved of the responsibility of compiling Accounts of the Union Govt. (Civil) in stages from 1-4-1976, 1-7-1976. The C.A.G. was relieved of the responsibility for compiling the accounts relating to taxes, duties and other receipts and deposits realized or refunded under any law for the time being in force and administered by the Department of Revenue and Banking including the Central Board of Direct Taxes with effect from 1-4-1977.

(b) The scheme of departmentalization of Union Accounts envisaged setting up of an efficient Internal Audit organization to ensure both accuracy in accounts as well as efficiency in the operation of the accounts set up. Accordingly, an internal audit wing has been set up under Pr. Chief Controller of Accounts for conducting internal inspection- in respect of Central Board of Direct Taxes.

1.2 The transfer of payment functions from the treasuries and accounting functions from the C. & A.G. to the Chief Accounting Authorities took effect from 1-10-1976 and 1-4-1977 respectively. The Pr. Chief Controller of Accounts (for and on behalf of Chief Accounting authority) administers internal audit of accounts formations under C.B.D.T. The internal inspection wing conducts internal audit of Zonal Accounts Offices, DDOs, F.P.U.s, Banks and accounting of Revenue collections by Commissioners of Income Tax. Pr.CCA is responsible in the matter of reporting Internal Audit functions to the C.B.D.T., CG.A, C&A.G.

The Central Board of Direct Taxes is the apex Agency dealing with matters relating to the levy and collection of direct taxes. It has several attached offices viz:

- (a) Settlement Commission.
- (b) Competent Authority (SAFEM/FOPA)
- (c) Director General, Investigations.
- (d) Statistician, RSP&PR
- (e) Directorate of Organization and Management Services.

The subordinate offices of the Board comprise of various Commissioners of Income Tax. Each Commissioner of Income Tax is assigned a specific jurisdiction either over a territory or over a specified group of cases under the Income Tax Act, and is entrusted with the responsibility of

administering the Income Tax Act within his respective jurisdiction. The C.I.Ts. in various states have been put under the charge of Chief Commissioner of Income Tax, who controls the cadre and budget of C.I.Ts under their respective charges.

Payment on account of pay and allowances, contingencies and other expenditure are arranged by presenting bills to the Field Pay Units by the Drawing and Disbursing Officers, Field Pay Units have been authorized to issue cheques on the particular offices/branches of the Reserve Bank of India, State Bank of India and its associates or the Public Sector Banks that may be authorized for handling the receipts and payments of the C.B.D.T. and with which the Zonal Accounts Officer, Field Pay Unit are operating an account.

For incurring expenditure, following Drawing and Disbursing Officers have been authorized:—

- (i) Zonal Accounts Offices,
- (ii) Other DDOs (e.g. ITO/TRO/ DC/AO/CIT)

### **Field Pay Units**

*C.B.D.T. Field Pay Units;*—There will be one C.B.D.T. Field Pay Unit, which will be responsible for payments and accounting functions relating to the offices of :—

- (1) Director General of Income Tax (Investigation)
- (2) Deputy Director of Income Tax Unit-1
- (3) Deputy Director of Income Tax Unit-II
- (4) Director of Income Tax Survey Unit-II
- (5) Director of Inspection (Income Tax/Investigation)
- (6) Director of Income Tax (Recovery)
- (7) Director of Income Tax (RS & P)
- (8) Director of Organization & Management Services (Income Tax)
- (9) Director of Inspection (Vigilance)
- (10) Competent Authority (SAFEM/FOPA)
- (11) Chairman. Settlement Commission (I.T.W.T.)
- (12) Chief Controller of Accounts, C.B.D.T.
- (13) Deputy Director (Regional Office) Settlement Commission
- (14) Deputy Director (IT. & A.)
- (15) Directorate of Income Tax (Special Investigation).

***ZAO/D.C./Field Pay Units:*** - There are two types of Field Pay Units. One is Field Pay Unit at each office of the ITO/AC/DC (other than DC/AC/Addl.CIT located at the headquarters of C.I.T.) and the other is Field Pay Unit at the headquarters of C.I.T. The ITO/AC/DC/Addl.CIT, Field Pay Unit is responsible for arranging payments relating to the officers and staff in the office falling within the territorial jurisdiction of the ITO/AC/DC/Addl.CIT including offices of the ITO/AC/DC/Addl.CIT

Departmental Representatives, Appellate Assistant Commissioner etc. The C.I.T. Field Pay Units is responsible for all payments relating to the officers and staff of the offices located at the station, where headquarters of the Commissioner of Income Tax is located as well as for the offices and the staff outside the CIT's headquarters, but falling within the territorial jurisdiction of the ITO/AC/DC/Addl.CIT located at the CITs Headquarters.

In the, ITO/AC/DC/Addl.CIT Field Pay Unit, the-ITO/AC/DC/Addl.CIT will be given cheque drawing powers and placed in account with the local branch of a nominated Public Sector Bank against a letter of assignment opened in his favour. The letter of assignment is authorised quarterly by the Zonal Accounts Officer on the basis of proportionate budget allotment of the offices under payment control of the ITO/AC/DC/Addl.CIT taking into account the actual cash requirement for each quarter. Similarly, is the Field Pay Units at C.I.T.'s Headquarters, an officer nominated by the C.I.T. will exercise powers for drawing cheques on the local branch of the nominated public sector bank against the quarterly letter of assignments authorised in favour of the concerned C.I.T. by the ZAO. In the case of multi-commissioner charge each commissioner will not have a separate Pay Unit. The pay unit will be attached to the C.I.T.-I and the officer nominated by C.I.T.-I alone will have cheque drawing powers. Similarly, where there are more than one ITO/AC/DC/Addl.CIT at a station other than the C.I.T. Hqrs. The Field Pay Unit will function under the senior most ITO/AC/DC/Addl.CIT.

The Field Pay Units conduct pre-check of bills, which will *inter alia* be directed towards ensuring:—

- (1) whether necessary budget provision exists,
- (2) whether expenditure is covered by sanction of the appropriate competent authority or countersigned by the Controlling Officer,
- (3) whether claims have been prepared in the proper form and their arithmetical accuracy has been checked,
- (4) Whether the claims are prepared correctly in accordance with the Rules,
- (5) Whether necessary certificates have been furnished.

Following categories of payments are made by issue of cheque at the Field Pay Units :—

- (1) Pay and Allowances (including wages, T.A. and Medical claims both advances and final bills) and office contingencies,
- (2) Advances from the Provident Fund for all categories,
- (3) Withdrawals from G.P. Fund and final withdrawals in respect of Group 'D' staff,
- (4) All short term loans and advances to Govt. servants (*i.e.* those recoverable in less than 60 installments).

The Field Pay Unit at CITs Headquarters, are responsible for payments relating to the officers and staff under the territorial jurisdiction of the CIT, whether located at its Headquarters or outside. The ZAO/Pre-check Unit is responsible for making payments of pay and allowances in respect of officers and staff within the territorial jurisdiction of the ITO/AC/DC/Addl.CIT/Incharge of the offices of the IAC (Acquisition). Appellate Asstt. Commissioner, Departmental Representatives etc. In the Field Pay Unit at the CIT's Headquarters, an officer nominated by the CIT exercises powers for drawing cheques on the local branch of the nominated public sector bank (State Bank of India) against a quarterly letter of assignment authorised in his favour by the ZAO concerned. The CIT Field Pay Units (FPU) at New Delhi, Bombay, Madras, Calcutta and Ahmedabad are headed by an Accounts Officer who is posted, by the Pr.CCA (CBDT). He exercises powers for drawing cheques on the local branches of PSB (SBI) against the quarterly letter of assignment issued in his favour by the ZAO. In the Field Pay Unit at the ITO/AC/DC/Addl.CIT's office, the concerned officer exercises cheque drawing powers and operates an account with the local branch of the SBI, against a letter of assignment issued in his favour by the concerned ZAO. The letter of assignment will be issued quarterly, on the basis of proportionate budget allotment of the offices under different pay units after taking into account their actual cash requirements in a quarter.

For accounting of receipts, *only one unit* under C.I.Ts. has been authorised :—

(1) *Now CIT (Computer Operation) is the only designated office at one station.*

It renders its accounts to the concerned ZAOs.



## **Organisation of the Principal Chief Controller of Accounts, Central Board of Direct Taxes.**

The Principal Chief Controller of Accounts (Pr. CCA) heads the accounting organization of the Central Board of Direct Taxes with Revenue Secretary as the Chief Accounting Authority. At the field level, there are 52 Zonal Accounts Offices (ZAOs) under the jurisdiction of Principal Chief Controller of Accounts, Central Board of Direct Taxes. Earlier there were only 24 ZAOs; one IAP exists in each ZAO. However; on account of Restructuring of Accounts Wing of CBDT 28 new ZAOs & 4 E-PAOs have been created. IAP in respect of newly created ZAOs are yet to be formed.

The main responsibilities allocated to the Office of Pr. CCA and its offices throughout the country are:

- Payment functions of all Chief Commissionerates/ Commissionerates/Directorates and Tribunal of the Income Tax through the Zonal Accounts Offices (ZAOs) and designated Field Pay Units (FPUs) located at various places.
- Accounting of both Expenditure and Revenue (Direct Taxes) on monthly basis through the ZAOs and final consolidation of Accounts for the entire department through Principal Accounts Office (Pr. AO) at Head Quarter.
- Preparation of Head wise Appropriation and Finance Accounts for the Department.
- Authorization and Deauthorisation of Bank Branches to undertake direct tax collection and refund work.
- Imposition of interest on delayed remittances.
- A close monitoring of the Direct Tax collection made through the nominated Banks and ensuring their timely remittance to Govt. Accounts.
- Processing the cases for opening of Personal Deposit Accounts.
- Conducting Internal Audit/Inspection of the formations under the Income Tax Department and the nominated/accredited banks.
- Rendering financial and technical advice to CBDT on matters relating to the collection, accounting, remittance and reconciliation of Direct Taxes.

52 ZAOs with a spatial spread encompassing the whole country assist the office of the Pr. CCA in discharging these responsibilities. In addition there are 1456 Drawing and Disbursing Officers (DDOs) of which 93 are Cheque Drawing (CDDOs). The rest i.e. 1363 Non-Cheque Drawing DDOs submit their bills either to the CDDOs or directly to the concerned ZAO.

## CHAPTER-II

### 2.1 Organisation, Scope and Functions of Internal Audit.

The scheme for departmentalization of accounts envisages an internal audit organisation for ensuring correctness of payments, accounts, records and other subsidiary registers. The Internal Audit Unit is working under the control of Pr.CCA with assistance of CCA, CA, DCA and ACA. All offices of CBDT, Authorized Banks for collection of CBDT revenue fall within the jurisdiction of Internal Audit. Internal audit shall also check initial accounts maintained in the executive offices to ascertain how far the rules and regulations, systems and procedures in accounting and financial matters have been followed. The scrutiny would *inter alia* cover the checking of all accounts records including those relating to fund accounts, loans and advances, review of the installation and operating efficiency of expensive equipments and machinery and examination of the records of the physical verification of stores, equipments, tools and plants. Examinations of the accounts of autonomous bodies substantially financed by Government, but which are not subject to statutory Audit (institutions which get less than Rs. 25 lakhs by way of grant but, which at present, do not come within the purview of audit by statutory Audit) would also fall within the ambit of Internal Audit.

The inspection work should be entrusted to trained and competent staff who should be able to examine the accounts intelligently and in proper perspective in addition to exercising prescribed checks. Special attention is, therefore, necessary in selecting and trained staff deputed for inspection work. Internal audit is perhaps the only area in which one wing of the Ministry/Deptt. is in touch with the various wings and executive offices functioning under the Ministry at various places and at different levels. From this point of view, the image presented by the internal audit wing should be wholesome and purposive.

In addition to the Chief Controller of Accounts (Internal Audit) at New Delhi, there will be internal audit parties with their hqrs. located at various Zonal Accounts offices, as per details given below-- :-

<b>CA/DCA/ACA</b>	<b>AO</b>	<b>IAPs</b>	<b>Jurisdiction</b>	<b>ZAOs to be Audited by IAP shown in Col. 3</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>
CA Mumbai	AO (IA) Mumbai	IAP-Mumbai,	All DDOs under ZAO-	ZAO-Chennai, Cochin. Kanpur, Agra, Rohtak,

		Ahmedabad, Bhopal & Jaipur (4 IAPs)	Mumbai, Pune, Ahmedabad, Bhopal, Jaipur, Nagpur and respective Banks	Jalandhar & Meerut
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DCA/ACA (HQ)	AO(IA) HQ	IAP-I & II, Delhi and Patiala (3 IAPs)	All DDOs under ZAO Delhi, Rohtak, Patiala, Jalandhar, Amritsar & respective Banks	ZAO-Patna, Shillong, Bangalore, Lucknow & Ahmedabad.
DCA Kanpur	AO(IA) Allahabad	IAP Allahabad & IAP, Patna	All DDOs under ZAO- Allahabad, Agra, Meerut, Lucknow, Kanpur, Patna & respective Banks	ZAO-Patiala & Amritsar
DCA Kolkata	AO (IA) Kolkata	IAP-I & II Kolkata. (2 IAPs)  The work of IAP Patna will be routed through AO(IA) Allahabad with overall administrative control with DCA Kolkata	All DDOs under ZAO-Kolkata, Shillong, Bhubneswar & respective Banks	ZAO-Hyderabad, Allahabad, Bhopal & Mumbai
DCA Chennai	AO(Ia) Chennai & AO(IA) Hyderabad	IAP- Chennai & Hyderabad (2 IAPs)	All DDOs under ZAO, Chennai, Bangalore, Cochin, Hyderabad & respective Banks	ZAO –  Bhubneswar, Kolkata, Nagpur, New Delhi, Jaipur, Pune

**Parties will function under the overall guidance of Pr.CCA, who would be assisted by CCA/CA/DCAs/ACAs at Delhi, Mumbai, Kolkata, Chennai & Kanpur.**

## **2.2. Scope of Internal Audit**

Under the scheme, role of internal audit would extend to inspection of accounting records maintained in the Office of the Pr.C.C.A., ZAOs, Field Pay Units, and Drawing and Disbursing Offices and Receipt Accounting Units in the Income Tax Department. All Banks authorized for collection of direct taxes and audit of PD Accounts. The main object of internal audit is to assist the departmental officers in matters relating to the maintenance of accounts and other allied matters. Scope of Internal Audit also includes RTI Audit, System Audit, E-payment, etc. In order to make the internal audit more effective and meaningful, the inspection party should satisfy itself that all the initial accounting records to be maintained under the rules, have been maintained properly in the prescribed format.

When the inspection party detects cases likely to lead to defalcation or fraud or any other serious irregularity (including cases involving propriety of expenditure), the same should be communicated vide confidential D.O. addressed to the Pr. Chief Controller of Accounts and further developments reported in due course.

## **2.3. Duties of Internal Audit**

The duties of the internal audit organisation *inter alia* include the following:—

- (i) Study of the accounting procedure prescribed for the department with a view to ensuring that they are correct, adequate and free from any defects or lacunae;
- (ii) Watch over implementation of the prescribed procedures and orders issued from time to time;
- (iii) Scrutiny and check of receipts and payments and accounting work of all the accounting Units;
- (iv) Investigation of important arrears in accounting and other connected records;
- (v) Co-ordination with other Ministries and Controller General of Accounts regarding Internal Audit Procedures; Periodical review of all accounts records;
- (vi) Scrutiny of action taken by the departmental offices of the inspection reports of statutory auditors of the C. & A.G's organization and ensuring that similar type of irregularities do not occur elsewhere in the offices of other DDOs.

**2.4 The extent and nature of checks to be exercised by the internal audit would include**

- (i) Detailed scrutiny of accounts records required to be maintained in the Office of Pr.CCA, C.B.D.T., ZAOs, FPU, DDOs & Receipt Accounting Units for the selected month(s) and general review of accounts in respect of other months;
- (i) Whether instructions contained in the Civil Accounts Manual issued by the CGA are being observed by all concerned;
- (ii) The frequency and extent of checks and control by the Heads of Offices inspected will be looked into to ascertain whether there are any lacunae in the procedure whereby fraud or defalcation could take place, either individually or collusion. Where necessary, steps to remove such lacunae would also be suggested;
- (iii) Scrutiny of sanctioning and purchase procedures in the offices inspected, to ensure that they are free from any defects or lacunae;
- (iv) Disposal of assets will be checked to ensure that scrapping/condemning procedures are adequate;

## **2.5 I.T.A. at Headquarters**

Internal Test audit section at HQs is responsible for :-

- (i) To accord approval of tour programmes of Internal Audit Parties.
- (ii) To vet and approve reports of Internal Audit received from the inspection parties.
- (iii) To forward to field parties copies of important orders/circulars received from the Government, viz. Ministry of Finance, Deptt. Of Personnel, Public Grievances, Pensions and Pensioners' Welfare and CGA's Office etc.
- (iv) To update internal audit Manual from time to time.
- (v) To co-ordinate internal audit work in respect of different zones;
- (vi) To deal with general questions relating to Internal Audit Organization;
- (vii) To issue necessary instructions on technical matters;
- (viii) Preparation of Annual performance review of the working of Internal Audit Organization;
- (ix) To prepare the monthly/quarterly progress reports of internal audit organization;
- (x) To maintain the following registers:
  - (a) Control register of Internal inspections,
  - (b) Progress registers of Internal Inspection Reports.
  - (c) Register showing important irregularities noticed during internal inspections, and
  - (d) Register for watching the inspection reports sent by the field parties.
- (xi) To scrutinize action taken by the Zonal Accounts Offices/Field Pay Units on inspection reports of the Statutory audit as well as inspection Report issued by the Controller General of Accounts. A register to watch the progress of such reports would also be maintained.

## **The Function and Purpose of Internal Audit**

The function and purpose of Internal Audit is to help an organization minimize the risk of such loss to the organization, in this case the Central Board of Direct Taxes in its collection of income tax throughout the country and in the spending and utilization of its annual expenditure budget.

The cost of conducting an Internal Audit must however, be commensurate with the quantum of risk exposure and the potential loss that an auditable unit could suffer in the absence of internal audit scrutiny.

Hence, a proper risk assessment of every auditable unit of Income Tax Department should be made in order to focus attention on every significant audit areas.

### **2.6 Risk Assessment of Auditable Unit of the Income Tax Department**

Risk is the potential for loss that an organization may suffer on account of fraud, error, and inefficiency, failure to comply with statutory rules Government financial rules and departmental rules or actions which bring disrepute to an organization.

Action to be taken for this section: An exercise to be taken to identify and assess the various factors contributing to risk of loss in revenue collection and to expenditure of annual budget etc.

The objective of this exercise is to identify the various levels of risk of loss faced by each auditable unit in terms of loss of revenue collection on account of various reasons such as fraud, error, poor administration, poor planning, change in systems controls.

Similarly on the expenditure side risk of loss to the Department and to Government can be on factors such as poor expenditure planning, fraud, administrative inefficiencies, error or the part of individuals etc.

The auditable units should be classified according to potential for loss, such as high risk, low risk etc. in the areas of receipt and expenditure. The risk should be quantified where possible.

## CHAPTER—III

### 3.1 Programming of Internal Audit

Early in March every year, each Internal Audit Party will submit to Headquarters office, a forecast for the ensuing financial year showing the name of offices for which Internal Audit has become due and the time (including transit time) likely to be taken for conducting such inspections.

All internal audit parties will submit their quarterly programmes to their Accounts Officer at least six weeks prior to the commencement of inspections. The Accounts Officer after exercising due scrutiny would forward the programme of the party alongwith his own supervision programme to *the concerned CA/DCA/ACA* for obtaining approval of the *the concerned CA/DCA/ACA* atleast one month before commencement of the quarter.

#### **Refer to Annexure 'A'**

Number of working days for conducting inspections of different units and their frequency would be as under:

Sl. No.	Name of the Unit	Frequency	No. of working days
<b>A.</b>	<b>Expenditure</b>		
1.	ZAOs at New Delhi, Mumbai, Chennai, Kolkata, Ahmadabad and Hyderabad.	Annual	10
2.	Other ZAOs	Annual	5
3.	CIT, FPU at New Delhi, Mumbai, Kolkata, Chennai, Ahmedabad and Hyderabad	Annual	5
4.	CBDT/CIT FPU other than those mentioned above	Biennial	5
5.	ITO/ACIT/DCIT/Addl.CIT/Pre-check Unit	Triennial	5
<b>B.</b>	<b>Drawing and Disbursing Officers :</b>		
1.	C.C.I.T. at Mumbai, Kolkata, Chennai & Delhi	Annual	10
2.	CIT Offices	Annual	7
3.	Other Head of Departments	Annual	5
4.	DDOs other than mentioned above	Triennial	5



<b>C</b>	<b>Receipt Accounting Units :</b>		
1.	ZAOs at New Delhi, Mumbai, Kolkata Chennai, Patna, Bangalore, Ahmedabad, Hyderabad, Jaipur and Bhopal	Annual	7
2.	ZAOs at Pune, Allahabad, Lucknow, Shillong, Bhubaneswar, Cochin, Agra and Nagpur	Annual	5
3.	For ZAOs other than those mentioned above in 1 & 2	Annual	5
<b>D</b>	<b>Nodal Banks with two receiving branches</b>	Annual	5

A copy of the approved programme of the parties should be forwarded to ZAOs concerned. Timely intimation of the proposed visit of the inspection party should be sent at the office to be inspected in the format given in Annexure 'A'. A list of the records to be examined during the inspection may also be sent along with the notice of inspection, so that the records are kept ready by the concerned office before arrival of the party.

**3.2** A register of programmes of concerned DCAs/ACAs shall be maintained by each internal audit party as well as by the ITA (Hqrs.) to ensure that as far as possible all offices located at the same station are covered in a single stretch and also that all the offices are covered according to their scheduled frequency. This register of programmes will be completed by the ITA Headquarters & DCAs on the basis of intimation of the programmes completed by the parties.

**3.3** In order to keep a proper liaison between post-check conducted by the ZAOs and the internal audit wing, ZAOs will maintain a detailed record of major important irregularities noticed during examination of vouchers of various DDOs, and communicate the same to internal audit party for further detailed examination on receipt of inspection programme. The internal audit party would examine in details all such irregularities brought to the notice by the ZAOs and submit a report thereon (in case the irregularity is really significant) to the ITA Hqrs. for taking further action. A register for such irregularities will be maintained by the ZAOs in the proforma given in Annexure 'B'. This register will be reviewed monthly by the ZAOs and reminders may be issued, where necessary for ensuring prompt settlement of outstanding objections. The register may also be submitted to the audit party, whenever it happens to visit the ZAOs office.

**3.4** The inspection parties at Delhi, Chennai, Kolkata and Mumbai will comprise one or two Asstt. Accounts Officers as available and one Accountant. Supervision by

the Sr. Accounts Officer/Accounts Officer would range from 33% to 100% as per instructions issued from time to time. Wherever feasible, Dy. CA/CA may also supervise inspection party and assist in the finalization of its report.

Intelligent and proper internal check requires an understanding of all financial transactions in their proper perspective. Accordingly, internal audit staff should acquaint themselves with the nature of transactions, system of accounts, prescribed account books, departmental manual etc, so that internal audit become useful and purposive, instead of becoming a routine agency for checking registers and records in a disjointed and mechanical manner. The work should be undertaken with tact and discretion, so as to avoid unnecessary irritation or embarrassment to the local officers. Internal audit should check records maintained in the departmental offices with a view to ascertain how far they are following the prescribed rules and regulations, systems and procedures regarding accounting and financial matters.

## **CHAPTER—IV**

### **4.1 Procedural aspects of Internal Audit**

Before taking up Internal Audit of ZAO/DDO the Inspecting Officer and Internal Audit Party should:

- (1) Study the documents in the headquarters relating to the offices to be inspected alongwith previous inspection reports.
- (2) Ensure that all relevant records from that Zonal Accounts Office/Field Pay Unit have been collected including previous inspection reports/list of cheques issued etc. Call on the Head of Office at commencement of the inspection and seek his assistance in the settlement of old outstanding objections from previous reports.

### **4.2 Requisition of Files and Records for Audit**

The AO/AAO of the Internal Audit Party should send audit memo for requisition of relevant registers and account records required for audit purposes. Important documents like Service Books, Contract agreements, sanctioned estimates, stores purchase files, etc. should invariably be formally requisitioned and acknowledgements be obtained at the time of returning these documents.

### **4.3 Work allocation for members of audit party**

Before commencement of the inspection, the officer-in-charge of the inspection party will allot duties to members of the audit party in prescribed form (Annexure 'C'). The Inspecting Officer would guide the party and also examine personally the important points raised by members of the Inspection Party with reference to original documents. He will be personally responsible for the facts included in the report and also got the facts and explanations verified on the spot. Some of the important aspects to be personally reviewed by the Inspecting Officer are :

- (a) General Review of Cash Book;
- (b) Settlement of outstanding paras of previous Inspection Reports;
- (c) System of requisition of stores, purchases and system of inventory control;
- (d) Scrutiny of pay fixation cases, P.P.Os and final payments of G.P. Fund;

- (e) Scrutiny of R.B.I. Deposits/Public Sector Bank Suspense Registers, Broadsheets of (i) G.P. Fund and (ii) Loans and Advances;
- (f) Review of Service Books of persons due to retire within next five years and assist the Head of Office in prompt preparation of pension papers.

The Inspecting Officer will be held responsible for the quality of Internal Inspection. All efforts shall be made by the Inspecting Officer to settle outstanding paras of the previous inspection reports during the course of inspection. If the same irregularity as pointed out in earlier reports still exists, the Inspecting Officer should bring this to the notice of local officers and incorporate it in the current inspection report. The idea is that the latest report should contain all irregularities existing at that time.

All objections detected or information wanted during the course of internal audit will be communicated under the signature of Jr. A.O./A.O. Such communications seeking confirmation/ information should be precise and to the point and should not contain any accusation or allegations. Immediate replies to these communications should be insisted upon and cases of delay brought to the notice of the Inspecting Officer and other higher authorities. The finalization of such objections need not be postponed till the completion of inspection. The internal audit party should not undertake any investigation, which is not strictly within the scope of internal audit. If any special investigation is considered necessary, the officer In charge of the party should bring it to the notice of the Dy. Controller of Accounts (Internal Audit)/Chief Controller of Accounts. In no case, should the party undertake special investigation of any kind at the instance of the departmental authorities without prior approval of the Headquarters. Similarly, the party should not undertake any enquiries or investigation themselves on any complaint received by them directly from the public. All such cases should be referred to the Headquarters for instructions, and only when instructions to that effect are received, should they proceed with the investigation. In so doing, they should confine the examination to the recorded facts only. It should be appropriate in such cases not to confine the examination to the particular case alone, but also scrutinize a few more cases of the kind to ensure that the irregularity is of a general nature. The result of investigation should be included in the report and attention of the Headquarters invited to the relevant para thereof separately.

#### **4.4 Method of Ticking**

In auditing the records, all entries checked should be ticked by the Senior Accountant/Asstt. Accounts Officer/AAO with red pencil. In case these have already been ticked in red pencil, pencil of a different colour may be used to distinguish the ticking. No notes, correction or remarks should be made in any of the registers or documents of the office inspected.

#### **4.5 Period covered by Internal Audit**

Every Internal Audit should cover all transactions upto the close of financial year marked for audit. No comments should be made on the current records unless these are of a significant nature.

#### **4.6 Extension of Time for Internal Audit**

As far as possible, internal audit should be completed within the stipulated time, as any extension of time, not only increases arrears of internal inspection but also results in upsetting the schedule and programme of other inspections.

Where an internal party experiences difficulties, which are likely to necessitate extension of allotted time the Inspecting Officer should immediately bring the circumstances to the notice of Headquarters/concerned CA/DCA/ACA and seek their instructions.

#### **4.7 Compliance of minor objections during Audit**

As inspection, progresses, points noticed should be communicated to the Head, of Office or other Officer nominated by him for this purpose through preliminary memos in duplicate and got acknowledged by him. The memos should be allotted serial numbers in running order and their return with replies watched. It is expected that Heads of Office will normally furnish their reply/comments on the same or following day. The replies to the points raised during inspection should be carefully scrutinized to see whether the objections need to be pursued further by incorporating it in the Inspection Report. Minor Objections should be got settled on the spot.

#### **4.8 Nature of Checks to be Exercised**

Internal audit parties will, *inter alia*, exercise following checks during inspection of accounts records

## 1. **Zonal Accounts Offices**

- (a) All accounts records required to be maintained are in the prescribed forms, and the accounts are compiled accurately and in correct manner,
- (b) Payments are made in accordance with the rules and orders governing them and the arithmetical calculations are correct,
- (c) last claims of Government servants are correctly worked out and over payments, if any, brought to the notice of concerned DDO for appropriate action,
- (d) recoveries/deductions made from the bills are in order,
- (e) pay fixations have been done correctly,
- (f) all payments and receipts are duly accounted for, all transactions are accounted for under the correct Heads of account and the classification is checked by the Jr. A.O./A.A.O./AO/Sr.AO to the extent prescribed. No unauthorized Head of Account has been operated in the classified Abstract/Consolidated Abstract.
- (g) various Broadsheets, objection books and calendar of returns are maintained properly, the broadsheets are closed regularly every month, and differences between broad sheet and ledger figures have been analyzed and steps taken to clear them expeditiously,
- (h) the balances outstanding under various debt, deposit, suspense and remittance Heads of Accounts are reviewed periodically and steps taken to ensure their expeditious clearance,
- (i) interest, wherever, required has been correctly calculated and accounted for,
- (j) GPF/CPF accounts are maintained properly and agreed by maintaining the prescribed broadsheets, no missing debits/credits and un posted items are kept outstanding for

unduly long periods and the annual accounts are closed and statement of accounts issued by the due dates,

- (k) foreign service contributions have been recovered correctly,
- (l) loans and advances and grants-in-aid are correctly paid and over-payments, if any, brought to the notice of concerned DDO for appropriate action,
- (m) receipt/payments scrolls with challans and paid cheques are received in time from the bank, and checked in accordance with existing instructions and discrepancies, if any, pointed out promptly,
- (n) in the case of payments made by Field Pay Units, list of payments accompanied by paid vouchers are received every week and these are duly checked and properly accounted for,
- (o) the weekly accounts of receipts realised and remitted by the departmental officers with duplicate copies of challans as received from them and checked properly with the bank scrolls,
- (p) the instructions regarding reconciliation of figures under the heads 'Public Sector Bank Suspense' and 'Reserve Bank Deposits', are duly followed,
- (q) the instructions regarding reconciliation of expenditure and revenue receipt figures are duly followed,
- (r) There are no undue delays in the finalisation of pension cases/final G.P. Fund cases.

## **2. Cheque Drawing/Non-Cheque Drawing DDOs**

- (a) All accounts records are maintained in the prescribed forms,
- (b) Payments made by the cheque drawing DDOs are in accordance with the rules and orders governing them, their arithmetical calculations are correct and the recoveries/deductions made from bills are in order, the lists of payments accompanied by paid vouchers are sent every week to the concerned Z.A.O. by the prescribed dates,
- (c) The instructions for the maintenance of cash book, contingent register,

- stock and stores accounts, log books and other accounts records are duly observed,
- (d) Account Payee' Cheques (in favor of government servants and third parties being payable only to the concerned payees) issued by Z.A.Os after pre-check of relevant bills to DDOs, are not entered in the cash book maintained by them and that delivery and acknowledgement of such cheques is being watched through a separate register required to be maintained for this purpose.
  - (e) Pay has been fixed correctly,
  - (f) The weekly accounts for receipts with duplicate copies of challans are being sent to the Concerned Z.A.O.
  - (g) Purchases are made as per rules and orders governing them, and if in any case lowest quotations have not been accepted, reasons therefore were duly recorded,
  - (h) All sub-vouchers pertaining to contingent charges not sent to the Z.A.O. along with Contingent bills are made available for inspection, and these are in order and have been duly cancelled,
  - (i) G.P.F. Accounts of Group 'D' employees are maintained properly,
  - (j) The instructions for processing/submission of pension cases to the concerned Z.A.O are being observed,
  - (k) Verify by referring to the vouchers etc., through which advances were drawn that payment entries have been correctly made in the pay bill register and that recoveries are being effected regularly from the concerned Government servant and also check correctness of entries in the monthly abstracts of recoveries, especially entries relating to 'transfer In' and 'transfer out' cases,
  - (l) Scrutinize every Personal Deposit Account in operation.

**4.9.** The details of the accounts records required to be maintained in the Zonal Accounts Office/Field Pay Unit and Drawing and Disbursing Offices, have been separately given in Annexures 'D', 'E and 'F', respectively.

**4.10.** Some of the general checks to be exercised in conducting internal check of records maintained in ZAOs and other DDOs have been indicated in Annexure 'G' and 'H'.



**4.11.** The inspection party should in addition check Service Books of all Govt. servants retiring within next five years, besides checking pay fixation cases; deductions of Income tax in respect of February Pay bills, cases of final withdrawal from G.P. Fund, Pension payment cases etc.

**4.12** In some of the offices, the Head of the office or some other officer may use a portion of the office premises for residential purposes. In such cases, it should be seen that there is proper sanction indicating rent recoverable from the officer. It should also check recovery of electricity/ water charges, if separate meters have not been installed. Similarly, utilization of official telephone/ staff cars for private purposes should be tactfully checked with reference to the Rules and orders on the subject.

#### **4.13 Quantum of Audit**

The internal audit parties will conduct a general review of all the accounting records maintained by office under inspection since previous inspection and in case of new units, since their formation. Apart from General review, detailed audit of accounting records of the selected month(s) will be conducted by the internal audit party. Subject to the instructions that may be issued from time to time, an internal audit party should check the bills/vouchers and other connected records to the extent indicated in Annexure I.

#### **4.14 Drafting and Finalization of Inspection Reports**

Following instructions may be followed by the Inspecting Officer in connection with the drafting and finalization of Inspection reports:—

- (i) The inspection reports should be drafted by the Inspecting Officer himself. He should not simply copy the preliminary memos issued earlier, as the purpose of such memos is to elicit information, which should be carefully considered to decide whether the objection needs to be incorporated in the inspection report. Whereas a great deal of data may be collected during inspection, ultimately the relevant information alone should form the subject matter of inspection report. Replies furnished by the Office inspected should be carefully examined before inspection report is finally drafted and typed. The language used should invariably be polite as well as concise, so that it does not generate friction. No suppositions, assumptions or allegations should be

included in the report. Only facts should be mentioned and inevitable conclusions drawn. There need be no reference to the fixation of responsibility, as it is for the administrative authorities to take appropriate action in the matter;

- (ii) Irregularities which have been settled but which are important enough to be brought to the notice of the higher authorities may also be included in the report;
- (iii) Inspection reports issued by statutory audit should also be studied, and such irregularities which have not been complied with, may also be commented upon in the inspection report, bringing out at the same time that these irregularities were pointed out by statutory audit but have not yet been complied with.
- (iv) Every paragraph should deal with a specific point and bear a distinct heading. It should first give a statement of facts and then refer to relevant rules or orders which have been infringed upon, nature of irregularity and finally bring out what action needs to be taken for regularizing it. A main paragraph may be divided into sub-paras, but a uniform system of numbering should be adopted throughout the report;
- (v) The report should not contain abbreviations, unless their meaning has been explained in the preceding paragraph;
- (vi) The results of each internal audit should be sent to ZAOs in respect of DDOs pertaining to his charge. Where the inspection reports relate to the office of Commissioner of Income Tax/CIT (Appeals), a copy of the report may be sent to 1TA Hqrs.

The inspection report should be prepared in two parts. Part I "Introductory" and Part II "Irregularities noticed during the current audit/inspection":

***Part I (A) : Introductory :***

- (a) Name of Office audited :
- (b) Period of Accounts audited :
- (c) Duration of inspection:

(with dates)

- (d) Month(s) selected for detailed scrutiny :
- (e) Name of Officer-In charge of the unit audited :
- (f) Name(s) of the personnel in the inspection party:
  - (i) .....
  - (g) (ii).....
- (h) Name of Officer who supervised the Inspection:
- (i) Reference no. of last inspection report with period of audit.

***(B): Review of Inspection Reports of Statutory Audit Indicating the Progress towards Settlement of Outstanding Paras.***

1. Budgetary Provisions.
2. Outstanding paras of last inspection report (Internal Audit).

***Part II: Important Irregularities noticed during current Inspection***

This part should include:—

- (a) Non-maintenance of prescribed records,
- (b) Serious irregularities/lapses noticed in the maintenance of prescribed-Registers/ broadsheets Ledger etc.
- (c) Cases of overpayments/excess payments,
- (d) Cases of Irregular payments
- (e) Mistakes in arranging assignment of funds with the Banks.
- (f) Serious irregularities noticed in the maintenance of Provident Fund Accounts, accounts of long term advances etc,
- (g) Delay in finalization of pension and G.P. Fund claims,
- (h) Irregularities in the issue of cheques, particularly in cases of lost/cancelled cheques and other records relating thereto,
- (i) Improper maintenance of stock registers of cheques,
- (j) Upkeep and safe custody of account records/vouchers paid cheques etc.
- (k) Irregularities noticed in the maintenance of stores etc.

*Note 1:* The Inspection Party should take up all the outstanding paras pertaining to an office during the next inspection and settle them on the spot. Where settlement is not possible outstanding paras with their latest position should be incorporated in the new Report and thereby the old Report(s) should be considered as settled.

*Note 2:* The above guidelines may not be treated as exhaustive but only as illustrative. Any other type of irregularity considered to be serious by the party in charge should be included in this part.

(g) The report should be discussed personally by the Inspecting Officer with the Head of Office. A record of discussions signed by the Head of Office should also be attached.

(h) Important cases of financial propriety, where justification for incurring certain expenditure is proposed to be questioned and all other cases which should be tackled from higher audit point of view, should be reported separately in the form of a confidential d.o. letter addressed by name to the CA/Dy. Controller of Accounts/ ACA (Internal Audit) and should not be included in the Inspection Report. The CA/Dy. Controller of Accounts/ACA (Internal Audit) will process such cases of financial impropriety in consultation with the Pr. Chief Controller of Accounts. The Inspecting Officer should give all necessary details without leaving any gaps in respect of such cases, along with attested copies of supporting documents, so that the CA/Dy. Controller of Accounts/ACA (Internal Audit) may be able to obtain orders of the higher authorities.

After an inspection is completed, internal audit parties will prepare the Inspection Report in quadruplicate. One copy may be handed over to Incharge of the Unit (CCIT/CIT/Addl CIT/ITO etc.) by name for taking early action /direction on the audit report. Second copy should be sent to concerned ZAO for audit pursuance and watching the recovery if any, as they doing the pre-check work and finalizing the pension cases in their jurisdiction. The report shall be discussed with the concerned Head of the Office and one copy of the Report may be handed over to him except reports relating to ZAO/Commissioner of Income Tax referred in para 4.18 after obtaining his signatures on the record copy of the report with remarks "Seen and discussed".

#### 4.15 Documents to be appended to the Inspection Report:

Following documents may invariably accompany an inspection report:—

- (i) Title sheet completed in all respects and signed by the Inspecting Officer/Inspecting Asstt. Accounts Officer,
- (ii) List of Service Books checked along with list of Service Books in respect of officials due to retire within next five years;
- (iii) List of distribution of work amongst members of the inspection party with remarks of work completed duly signed by each accountant/Asstt. Accounts Officer,
- (iv) List of Pension cases/final payment cases of G.P. Fund checked,
- (v) Memos issued alongwith replies received placed in serial order,
- (vi) List of pay fixation cases checked.

#### 4.16 Pursuance of Inspection Reports:

The ZAO/ITA Hqrs. (zone wise) will ensure that inspection reports are received by them soon after completion of internal audit. They shall maintain progress register to watch that compliance in respect of the inspection reports is received speedily and reminders issued at appropriate level. The period for receipt of first reply should ordinarily be one month from the date of issue of the report. The first reminder for reply to an inspection report should be issued after six weeks from the date of issue of report, and a second reminder, if necessary, sent a month later. Subsequently reminders should be by demi-official letters at appropriate level. Normally, it should not take more than six months to settle a report finally. The internal audit parties will check at the time of internal audit of ZAO's office that this procedure is being followed.

The ZAO/ITA Hqrs. will review the reports when received from the parties and will bring important points to the notice of the Pr.CCA/Head of Office.

4.17 Where an Inspecting Officer has sent a confidential letter about any case involving

propriety of expenditure, a separate file shall be opened for processing such a case. Serious and important irregularities finding place in the inspection reports should be brought to the notice of appropriate authorities for taking further remedial action.

4.18 All inspection reports relating to the accounts of ZAOs (expenditure and receipt accounts) will be issued by respective ITA headquarters after these are duly vetted and approved by Chief Controller of Accounts. These will also be submitted to CCA. These reports may, therefore, be sent to respective ITA Hqrs. for vetting instead of being issued directly to the ZAOs.

#### **4.19 Administrative Matters**

The Administrative arrangements for functioning of the internal audit staff will be as under:—

- (i) Inspection parties/officers stationed at places other than hqrs. office will be considered as a part of the Zonal Accounts Office for purpose of drawal of T.A. and other allowances, payments of salaries etc;
- (ii) The tour programme will be approved by the CA/Dy CA/ACA (Internal Audit). On the basis of approved tour programme, the ZAO will sanction, draw and disburse T.A. advances to members of the inspection party. The adjustment T.A. bills will, however, be sent to Pr CCA's office for countersignatures. Final payments of such bills will, however, be made by the ZAO concerned;
- (iii) Service books leave account, etc. in respect of internal inspection staff will be maintained by the ZAO concerned;
- (iv) Accounts Officer (IAP) will sanction casual leave to members of the inspection party working under him. In the case of Accounts Officer (IAP), casual leave will be sanctioned by the Chief Controller of Accounts; respective ITA Headquarters;
- (v) Earned leave up to one month in the case of Asstt. Accounts Officer and other non-gazetted staff will be sanctioned by the Accounts Officer-In

charge of the inspection party. Earned leave up to one month to the Accounts Officer will, however, be sanctioned by respective ITA Headquarters. All cases of earned leave exceeding one month will be referred to the office of Pr.CCA for sanction.

- (vi) If a change of personnel occurs in the inspection party when internal audit is in progress, the relieved person should hand over a statement of work done till the date of relief, together with a list of unsettled objections (raised by him) to the relieving person. He should also hand over books and other documents brought from headquarters to the relieving person.

## CHAPTER—V

### RECORDS TO BE SEEN AND CHECKS TO BE EXERCISED DURING INTERNAL AUDIT

#### 5.1 Cash Book

It is most important record of review and is required to be maintained by every Drawing and Disbursing Officer. General examination of the cash book should be conducted intelligently to ensure that the cash book is being maintained properly in the prescribed form (G.A.R.-3) in accordance with the instructions contained in Rule 13 of the Central Govt. Account (Receipts and Payments) Rules, 1983. It should *inter alia* be seen that:

- (i) Adequate security as envisaged in the General Financial Rules is obtained from the cashier and accepted by the competent authority and the accepted documents are kept in safe custody of the Head of Office. (Rules 275 and 276 of General Financial Rules);
- (ii) All entries of receipts and payments have been recorded consecutively (*i.e.* as and when any transaction occurs), and are simultaneously attested by the DDO;
- (iii) Adequate arrangements exist for safe custody of Government money, *i.e.* it is kept in strong treasure chests under double lock.
- (iv) Private moneys are not mixed up with Government money. Where any DDO has, under special orders, to deal with both public and private funds in his official capacity, it should be seen that Government money is kept in a separate cash box distinct from non-Government money and the transactions relating to the latter are accounted for in a separate set of books and kept entirely outside Government accounts;
- (v) The cash book is closed regularly and signed under dated signatures of the Head of Office and physical verification of cash is conducted periodically under Rule 13 of Central Govt. Accounts (Receipts and Payments) Rules, 1983, by the officer-in charge of cash and requisite certificate to this effect is recorded in the cash book. If the Inspecting Officer has any doubt as to the physical availability of



cash in the chest, he may get the same verified by the Head of Office in his presence;

- (vi) Totals are correct and daily balances have been correctly worked out and the closing balances have been correctly carried forward;
- (vii) departmental receipts and other revenues are deposited in full without any undue delay and are not appropriated to meet departmental expenses except as provided under Rule 6(2) of the Central Govt. Accounts (Receipts and Payments) Rules, 1983 or any other specific orders of the competent authority;
- (viii) No money is drawn in anticipation of demand or to prevent lapse of funds Rule 100(2) of Central Govt. Accounts (Receipts & Payments) Rules, 1983;
- (ix) temporary advances paid to Govt. officials, contractors and suppliers for departmental purposes do not remain unadjusted for unduly long periods [Rule 164 of the Central Govt. Accounts (Receipts and Payments) Rules, 1983 and Rules 292 to 293 of GFRs] and irregular advances are not being paid to staff and suppliers;
- (x) Permanent advances sanctioned by competent authority and retained by departmental Officers are not in excess of requirements and the physical availability of the amount Of advances is acknowledged by the officer concerned as on 31st Mareh every year (Rule 291 of GFRs); also that these advances are being recouped twice every month From the Field Pay Units concerned by rendering proper accounts;
- (xi) in respect of payment entries, proper acquaintances as provided in Rule 92 of the Central Govt. Accounts (Receipts and-Payments) Rules, 1983 have been obtained and kept on record along with disbursement vouchers;
- (xii) remittances into Government account are supported by challans, which should be examined to ascertain that remittance entries are genuine and tally with receipt entries in the receipt books (G.A.R. 6) and receipt scrolls of the Bank brought from Pay & Accounts Officer; and

- (xiii) where an office inspected operates on a bank account opened under orders of the competent authority, Receipts and Payment sides of the cash book (bank columns) tally with the credit and debit entries of the bank statements and differences, if any, are explained at the end of each month in the bank reconciliation statement.

## **5.2 Establishment: Pay Bills/Pay Bill Register**

It should be seen that:

- (i) The register is maintained in the prescribed form GAR-17 and an abstract of pay bills in form GAR-18 and the requisite particulars have been correctly noted in the prescribed columns ;
- (ii) The pay and allowances of individual Government servants have been shown correctly With reference to their pay as recorded in their service books and. rules/instructions Issued by Government from time to time;
- (iii) The individual entries are attested by some responsible official and abstract entries by the DDO;
- (iv) Income tax deductions have been correctly made;
- (v) Other recoveries on account of CGHS, G.P. Fund, various kinds of advances etc. have been correctly worked out and effected regularly;
- (vi) Opening and closing balances in respect of various types of advances are being indicated at the close of each financial year and the figures agree with those appearing in the books of Pay and Accounts Office;
- (vii) there is a valid acquaintance for salary disbursements from the officials entitled to receive;
- (viii) the arrears of pay and allowances are not being drawn on regular monthly pay bills— Rule 89 of Central Govt. Accounts (Receipts and Payments) Rules, 1983; and
- (ix) The register of undisbursed pay and allowances in form GAR-25 is being maintained as per instructions contained in Note 2 below Rule 89 *ibid.*

### **5.3 Contingent Charge Register and Contingent Vouchers**

A contingent charges register is required to be maintained by each Head of Office in form GAR-27 in accordance with the instructions contained in Rule 110 of the Central Govt. Account (Receipts & Payments) Rules, 1983. While examining this register, it should be seen that:

- (ii) it is maintained in the prescribed form
- (iii) all the bills have been entered and charges reflected under appropriate columns under dated initials of the officer authorized for the purpose ;
- (iv) appropriation for each sub-head has been noted at the top and progressive totals worked out from month to month, so as to ensure that actual expenditure does not exceed appropriation; and.
- (v) Each entry is self-contained to indicate the date of payment, number and date of sub-voucher, name of the payee, nature and amount of expenditure.

**5.4** The contingent expenditure should be examined with reference to the provisions of Rule 56 to 60 and Rules 99 to 123 of the Central Govt; Account (Receipts and Payments) Rules, 1983, Rules 290 to 293 of the General Financial Rules, 2005, and Rules 13 of the Delegation of Financial Powers Rules, 1978, as amended from time to time. Further, paid vouchers may be examined to see that :—

- (i) Each voucher bears a proper pay order of the DDO, specifying in words as well as in figures, the amount payable as per Rule 59 of the Central Government Accounts (Receipts & Payments) Rules, 1983;
- (ii) all vouchers bear valid dated acknowledgements of the payees for the payment made [Rule 56 of the Central Government Accounts (Receipts & Payments] Rules, 1983;
- (iii) they have been cancelled and stamped as 'paid' to avoid being used second time;
- (iv) vouchers for purchase of stores bear the stock entry certificate in the manner prescribed in Rule 190 (1) & (2) of GFRs, and the correctness

of certificate may be test checked from various stock ledgers maintained for the purpose;

(v) Prescribed scales, restrictions applicable to scale regulated contingencies are being observed; and

(vi) Permanent advances are being used only for meeting authorized contingent expenses.

### **5.5 Bill Register**

Every Drawing and Disbursing Officer (DDO) is required to maintain a bill register in form GAR-9 for entering bills drawn against the ZAO/FPU or paid by a cheque drawing officer. While examining this register, it should be seen that:

- (i) all bills are entered in this register in chronological order; (ii) all columns are filled in and entries attested by the DDO;
- (ii) the register is reviewed every month by the DDO and the results recorded [Note 1 below rule 34 of CGA (R&P)] Rules, 1983;
- (iii) particulars of cheques with which payment was made/received, and date of encashment of cheque, etc. have been noted;
- (iv) the disbursement of amounts drawn is traceable in the cash book. Correctness of disbursements of pay and allowances should be checked with reference to the closing balance of the column meant for the purpose and the amounts shown un disbursed in the register of undisbursed pay and allowances maintained in form GAR-25.

### **5.6 Service Books and Leave Accounts**

During inspection, the internal audit party should check service books and leave accounts of at least 25% of total sanctioned strength of the office inspected in each category of staff. The selection should be so made as to complete the check of all service books within a cycle of four years. If an office is not inspected annually, percentage of check may be suitably increased. A list showing the names and designation of govt. servants whose service books were checked should be attached

with the Inspection Report to avoid duplication, and also to facilitate selection by the next inspection party.

The service books and leave accounts of officials who are due to retire during next five years must be checked completely to ensure that they are complete in all respects, so that there would be no problem in finalizing their pension cases at the time of superannuation. A detailed report of checking done should be prepared in triplicate in the proforma given in Annexure 'J' in respect of each service book. One copy of the report duly completed and signed should be sent to the ZAO concerned for taking further necessary action. The second copy may be handed over to the Head of Office after obtaining his acknowledgement and third copy attached to the title sheet of Inspection Report.

While reviewing Service Books, it should be seen that:

- (i) Service Books have been maintained in the prescribed form in respect of all Govt. servants (Except daily-wage workers) and a photo of the concerned employee has been pasted;
- (ii) Register of service books is being maintained and availability of all service books has been physically verified/certified at least once in every quarter by the Head of Office or an officer duly authorised;
- (iii) Service books depict entries *i.e.* the date of appointment, completion of other entries on First page certificate of verification of antecedents and medical fitness etc. under attestation of the competent authority;
- (iv) all entries on the first page have been completed/duly attested and the service book has been kept upto date;
- (v) every step in the Govt. employees /official career is recorded in the service book under proper attestation;
- (vi) Option for scale of pay and the statement showing fixation of pay in the revised scale stand pasted in the service book. It should be seen that all pay fixation statements of group 'A' officers under CCS (RP) Rules, 2008 have been checked by IAP or ZAO offices;
- (vii) periods of suspension/interruption in service are promptly recorded with full details of its duration and regularization etc.;

- (viii) the service book is shown to the Government servant at least once every year and his signatures obtained in the prescribed column, in lieu of his acceptance of entries recorded therein;
- (ix) Certificate of verification of service as envisaged in Rule 257 of GFRs is recorded every year, and Head of Office inspects annually at least 10% of the total number of service books/leave accounts and initials them in token of having done so. In respect of periods spent on foreign service, a similar certificate is recorded by the ZAO regarding the receipt of leave salary and pension contributions from the foreign employer or employee himself, if he has to bear the liability in terms of the conditions of foreign service;
- (x) except in case of clerical error, no alteration in the date of birth once recorded in the service book, is made without prior sanction of the Head of Department;
- (xi) Increments have been correctly drawn, keeping in view the provisions of F.R. 26. Correctness of a few entries of pay in the service books may be checked with reference to pay bills in respect of the selected month for detailed audit;
- (xii) declaration regarding home town, G.P. Fund account number, receipt of nominations for gratuity/family pension, Central Govt. Employees Insurance Scheme etc. has been recorded in the service book;
- (xiii) in case of employees retained in service beyond the date of superannuation, entry has been made in the service book, duly supported by orders of the competent authority, and no official is paid pay and allowances beyond the date of superannuation or after expiry of extended period of service;
- (xiv) all leave sanctioned to the employee is recorded in the service book, and debit thereof is traceable in the leave account;
- (xv) The leave account is maintained in the prescribed form, correct credits and debits are afforded and the balances are worked out correctly and attested by an authorized officer.

## **5.7 Advances to Government Servants**

General conditions to be observed by departmental authorities governing the grant of various kinds of loans and advances dealing with sanctions, payment and recovery are laid down in Part II of GFRs. The special conditions governing different types of advances are contained in Chapter I & II of GFRs. During internal audit, it should broadly be seen that the conditions (both general and specific) governing such advances have been complied with. The Drawing and Disbursing Officers (DDOs) are also required to maintain certain, basic records, e.g. applications from the officials concerned, sanctions in respect of advances, payment vouchers alongwith acknowledgements of payees, security bonds, loan registers, broad sheet etc. in connection with the payment and recovery of these advances. The internal audit party should see that:

- (i) the applications for advances are obtained in the prescribed forms and all required details, documents essential for the sanction of advances have been recorded;
- (ii) sanction for each advance exists and the sanctioning authority acted in conformity with general or special conditions governing such advances;
- (iii) in the case of long term advances (*viz.* Motor Car/House Building Advance), it should be seen that ;
  - (a) agreement and mortgage bond in the prescribed forms have been executed and accepted by the competent authority;
  - (b) the property is comprehensively insured from the date of its purchase/construction and is kept insured till repayment of entire advance together with interest accrued thereon; and
  - (c) mortgage bond is kept in safe custody of the sanctioning authority;
- (iv) the register and broad-sheets in respect of each advance are properly maintained and reviewed periodically;
- (v) utilisation certificates have been obtained from the Government servants for utilisation of entire advance, and that recoveries are being made in accordance with the schedule laid down in the sanction order and Govt. instructions on the subject;

- (vi) Whenever a Government servant is transferred to another office, full particulars of the advances drawn, recoveries effected together with balance outstanding are invariably noted on the Last Pay Certificate. A few cases pertaining to the period selected for audit may be test checked with reference to LPCs and connected records relating to advances.

## **5.8 Children Educational Allowance**

The eligibility to this allowance is laid down in the Office Memorandum No. 12011/03/2008-Estt. (Allowances) dated 02 September, 2008 Govt. of India, Ministry of Personnel Grievances and Pensions, Department of Personnel and Training (DoPT) as amended from time to time.

- (i) Children Education Allowance and Reimbursement of Tuition fee which were hitherto payable separately will be merged and will henceforth be known as "Children Education Allowance Scheme".
- (ii) Necessary certificate is submitted by a Govt. servant in Form 1.
- (iii) Reimbursement can be availed by Government Servants for the two eldest surviving children only except when the number of children exceeds two due to second child birth resulting in multiple birth.
- (iv) Reimbursement of CEA is admissible for the first child born after failure of sterilization operation beyond two children.
- (v) Reimbursement will be applicable to classes Nursery to Twelfth will include Class I to XII, *plus 2* classes prior to Class I irrespective of the nomenclature. The Schools/Junior colleges in case of class 11 and 12 must be affiliated to Boards or Universities, as the case may be.
- (vi) If a child fails in a particular class, the reimbursement of CEA shall not be stopped.
- (vii) The annual ceiling fixed for reimbursement of CEA is Rs. 15,000/- per child.
- (viii) For children with disabilities, reimbursement will be at double the normal rates and the annual ceiling will be Rs. 30,000/- per child.
- (ix) CEA is also admissible for children studying through Correspondence or Distance Learning



- (x) In case of Government Servant who ceases to be in service due to retirement, dismissal or removal from service , CEA/Hostel Subsidy is payable till the end of academic year by the office in which the Government Servant worked last.
- (xi) In the case of death of Government Servant while in service, the CEA/Hostel Subsidy is payable till such time the Government Servant would have actually received the same subject to fulfilling of the other conditions by the office in which the Government Servant was working prior to death.

The internal audit party should see that:

- (i) A register in the prescribed form has been maintained and payments made are duly attested;
- (ii) The cash receipt or the counterfoil of bank credit voucher are produced at the time of initial claim.
- (iii) This reimbursement is admissible without any pay limit;

## **5.9 HOSTEL SUBSIDY**

The following points are to be kept in views during internal audit.

- (i) Hostel subsidy will be reimbursed up to the maximum limit of Rs. 3750/- per month per child subject to maximum of 2 children. However, both hostel subsidy and CEA **cannot** be availed concurrently.
- (ii) Day boarding children are not eligible to draw hostel subsidy.
- (iii) Hostel subsidy is reimbursable to the Government Servant for keeping his/her child in the Hostel of a residential school away from the station he/she is posted/ or is residing irrespective of any transfer liability.

Note: In this regard **Annexure K** may also be referred to.

## **5.10 T.A. Bills**

Following points may be seen during internal audit of T.A. Bills:

- (i) that the scrutiny entrusted to the Controlling Officers under the rules is being properly exercised
- (ii) the traveling allowance advances drawn by individuals are adjusted promptly in full and a second T.A. advance is generally not sanctioned till adjustment bill in respect of the earlier claim has been submitted by the Government servant;
- (iii) that T.A. advances should be adjusted within 15 days from the completion of the tour and the T.A. advances, if any, in relation to that journey are adjusted in full;
- (iv) that valid acquaintance for the payment has been received from, the Government servants in accordance with the provisions of Rule 92 of C.G.A. (R&P) Rules, 1983;
- (v) that T.A claims/advance payments are entered in the T.A. bill register indicating the name, designation, pay, period of journey, particulars relating to T.A. Advance/ adjustment bill etc., under proper attestation of the D.D.O, This register should preferably be maintained by setting aside one folio for each officer for facility of checking prompt adjustment of advances and avoidance of duplicate claims.

**5.11 Leave Travel Concession. Silent points:-**

- (i) Concession can be availed for self and family separately on different occasions, even in the different calendar years of the same Block. Family can travel in one or more groups; but each group should complete its return journey within six months from the date of its onward journey.
- (ii) Can be availed of during any leave including study leave, casual leave, special casual leave but not admissible during Child Care Leave.
- (iii) Advance upto 90% of total fare can be taken.
- (iv) Intended place of visit to be declared by the official to the controlling authority in advance in case of LTC to any place in India.

*Following points may be seen during internal audit*

- (i) Particulars in respect of Home Town/Stations, Block year etc. have been noted in the Register and a self-contained entry is also recorded in the Service Book after the official has availed himself/herself of the L.T.C.

- (ii) Declaration of home town furnished by the Govt servant has been accepted by the Head of Office and stands recorded in the Service Book;
- (iii) Declaration once made is not allowed to be changed more than once during the entire service of the Govt. servant;
- (iv) Beneficiary has completed one year's continuous service as on the date of performance of journey;
- (v) Concession of home travel is allowed only once in each block of two calendar years i.e. beginning from 2010-2011, 2012-13 and so on;
- (vi) All other instructions issued by Govt. from time to time have been followed
- (vii) L.T.C. bills are submitted within the prescribed time limit *i.e.* within one month from the date of completion of journey, if any advance was taken for the purpose and within three months from the date of completion of journey, if no advance was drawn.

### **5.12 Over Time Bills**

Following points may be seen during internal audit of O.T.A. bills:

- (i) whether overtime claim is covered by sanction of the competent authority;
- (ii) that work on overtime basis is not resorted to as a matter of routine;
- (iii) that no overtime allowance is sanctioned to a gazetted officer; and
- (iv) That the prescribed register for overtime work has been maintained.
- (v) That OTA has been taken into account in calculating the Income Tax.

### **5.13 Register of Medical Reimbursements**

It may be seen that the register is maintained by allotting a separate page for each claimant giving full particulars, viz. name, designation, pay of the Govt.

servant as well as nature of illness, duration of illness, amount claimed (indicating cost of medicines, injection, consultation fee separately), amount for which claim has been admitted/paid, and relation of the patient with the government servant.

- (i) Separate claim is to be preferred for each spell of illness or an entirely new disease.
- (ii) The claim for reimbursement should be received within 3 months

#### **5.14 Service Postage Stamps Accounts**

Stock account of service postage stamps should be scrutinized to ensure that:

- (i) opening balances have been correctly brought forward from the previous month, and totals as well as closing balances have been correctly worked out;
- (ii) stamps purchased during a month are traceable in the stock account register alongwith relevant details;
- (iii) the balances at the end of each month are physically verified by a member of the supervisory staff and a certificate to this effect is recorded in the register;
- (iv) all issues relating to registered letters/parcels etc. are supported by postal receipts; and
- (v) in case the stamps are issued in bulk to the branch/sub-offices, proper record with details of the forwarding letters and acknowledgements are recorded in the registers and also proper account of consumption is obtained from, the said offices.

#### **5.15 Liveries Account**

It should be seen that the provisions contained in the Hand Book of Uniforms have been adhered to, in so far as purchase and issue of liveries is concerned.

In particular, it should be seen that:

- (i) the register of liveries is maintained in the prescribed form and entries of receipt and issues to entitled officials are made properly, keeping in view the need for accountability
- (ii) the issues are in accordance with the scales and rates prescribed by the Govt. from time to time;
- (iii) the washing allowance has been sanctioned as per norms prescribed by the Govt. and in case of officials proceeding on leave, no deduction,

whatsoever, of washing allowance need be made for the period of any leave taken by the employee.

### **5.16 Log Books and other concerned records of Staff Cars/Government Vehicles**

The internal audit party should verify whether following records are being maintained by the Head of Office/Department in respect of Govt. vehicles under his charge:

- (i) Log Book of each vehicle in form S-263;
- (ii) Register of repairs and replacements, indicating the particulars of voucher number and date, the agency conducting repairs/replacement, brief details of parts replaced and their cost alongwith the progressive cost of repairs and replacements in respect of each vehicle from the date of its purchase/procurement to the date of its disposal;
- (iii) Vehicle-wise inventory of equipment;
- (iv) Register showing P.O.L. bills paid.

During internal audit, it should generally be seen that records required to be maintained under staff car rules and provisions thereof have been maintained/observed. In particular care should be taken to see that:—

(i) entries in the log book are self-explanatory, made in ink and signed by officers using the vehicle and countersigned by the officer-in charge of vehicles;

(ii) the mileage reading at the commencement and completion of the trip are noted by the officer using the vehicle in his/her own handwriting, except in the case of officers of the rank of Joint Secretaries and above. In the latter case, entries may be made by the officer's personal assistant or private secretaries;

(iii) brief details of the object of journey is recorded to indicate whether it was for 'official' or 'private' purposes;

(iv) secret journeys, if any, are recorded as such, and are countersigned by an officer of the rank of Dy. Secretary and above;

(v) the log books are scrutinized by the Head of Office/Department or in the case of Minister by a senior officer, preferably of the rank of a Joint Secretary, once a month to ensure that there is no misuse of Govt. vehicle and officers who used the vehicle have made necessary entries in the log book: also that certificate to that effect is recorded in the log book by the officer so authorised:

(vi) the log book is closed at the end of each month and a summary showing details of duty and non-duty journeys performed during the month is prepared in the prescribed format;

(vii) the vehicle is used for bonafide official purposes as specified in Rule 8 of the Staff Car Rules and its use for non-duty journeys is allowed to a limited extent as permissible under the rules, provided official requirements are not interfered in any way;

(viii) all official journeys outside the headquarters except in the case of Minister, are supported by written sanction of the authority to whom the powers in this regard have been delegated;

(ix) all non-duty journeys are charged at the rates specified in Rules 21 and 22 of the staff car Rules or any other specific orders issued by Govt. from time to time and recoveries effected promptly for the distance/duration covered from the time vehicle left the office/ garage till it returns to the office/garage;

(x) The vehicle is not used for non-duty purposes to places of entertainment, public amusements, parties, pleasure trips etc. and by officers on leave;

(xi) Concurrence of the Ministry of Finance is invariably obtained for all cases of replacements of staff cars.

Records of repairs and replacements should be carefully scrutinized to see that :

(i) the cost of repairs and replacements is not on the high side;

(ii) replacement of the same part/parts is not repeated in quick succession; and (iii) reasons for frequent repairs/break-down are not attributable to negligence of the driver or laxity of supervisory control.

The register of P.O.L. expenses should be examined to see that payment of all bills has been recorded and entries tally with the P.O.L. account maintained, in the log books. It may be seen that equipment inventory accounts are checked by the Controlling Officer every month and losses, if any, are investigated for recovery/write off.

### **5.17 G.P. Fund Accounts of 'Group-D' Staff**

As per the recommendations of the 6<sup>th</sup> CPC, all Group D staff is to be upgraded to Group C, if they have minimum qualification of 10<sup>th</sup> pass or after giving them to some mandatory training. In view of this GP Fund accounts of al such staff should be maintained by ZAO concerned. DDOs are advised to sent all the GP fund ledger to the ZAO concerned.

5.18 Provident Fund ledger may be examined to see that:-

(i) it has been maintained in form CAM-47 and folios are machine-numbered;

(ii) the name/designation of the subscriber, his account number, nomination etc. are recorded on the folio assigned to each subscriber along with other particulars as per columns provided;

(iii) subscription is not less than 6% of the pay + DP of subscriber as on 31st March of the preceding year and in accordance with the provisions of Rule 8 of G.P. Fund Rules;

(iv) subscription is not discontinued except during suspension or leave without pay or leave on half pay. The amount of subscription is reduced or enhanced in accordance with Rule 8(4) of the G.P. Fund Rules;

(v) subscription and refunds are correctly noted in ledger and the accounts are closed every year with interest due and account slips issued to each subscriber on due dates.

### **5.19 Provident Fund Broadsheet**

It may be seen that:

(i) the P.F. Broadsheet has been, maintained in form CAM-48 and closed every month;

(ii) the total credits booked in the broadsheet agree with, the total of G.P.F. deductions in the pay bills for that month;

(iii) the total debits booked agree, with total payments from provident funds;

(iv) the ledger and broadsheet balances tally at the end of each financial year.

### **5.20 Cheque Books**

The cheque books of different categories would be supplied to the Zonal Accounts Offices as well as Field Pay units in accordance with instructions contained in Appendix 3 to Chapter-I of the Civil Accounts Manual. During internal audit, the party should ensure that instructions, regarding accounting, custody and storage of the cheque books are being meticulously followed. The stock register of cheque books in form CAM-1 and daily account of cheque books in form CAM-2 should be examined to see that entries are self-contained and authentic, both in the case of Z.A.Os and F.P.U.s. The party should also see that :

(i) the stock-taking of cheque books has been conducted every six months (in April and October) by an officer other than the officer-in-charge of the cheque books and a certificate of physical count has been recorded in the stock register in form CAM-1. The stock-taking should also be done whenever there is change of charge and the relieving officer should initial the entry in respect of each cheque book noted in the stock register along with prescribed certificates;



(ii) instructions regarding the custody of cheque books contained in para 1.4.3 and point 6 of Appendix-3 of Chapter-I of the Civil Accounts Manual have been observed by the cheque-drawing DDOs as well as by the Zonal Accounts Offices and Field Pay Units;

(iii) information about cheque book to be *used* is being sent to the bank in prescribed form attached with the cheque book before the cheque book is brought into use;

(iv) the correct type of cheque forms are used by cheque-drawing DDOs as laid down in para 1.5.1 and 1.5.3 of the Civil Accounts Manual;

(v) cheques are not signed unless required for immediate encashment or delivery;

(vi) the amount for which cheques have been drawn should be written both **in** words as well as in figures, on the counterfoils, and the counterfoils are initialled by the officer authorised to sign the cheques;

(vii) the amounts exhibited on counterfoils of cheque books agree with entries recorded on payment side of the cash books in the case of DDOs. The cheques issued by Z.A.O. in case of non-cheque drawing DDOs may also be traced in the register of cheques delivered and bank drafts requisitioned and despatched;

(viii) cheques have been drawn in favour of actual payees and payments [have been made to the persons entitled to receive them];

(ix) all paid cheques are traceable in the bank scrolls;

(x) in case of loss of any cheque, the bank has been informed in time to avoid payment of the cheque;

(xi) time barred cheques are cancelled and fresh cheques issued, wherever necessary;

(xii) Para 1.4.5 of the Civil Accounts Manual authorises senior most Asst. A.O. to sign cheques in case Z.A.O. proceeds on leave and a substitute has not been posted. It may be seen whether all bills passed and cheques issued during absence of the Z.A.O. were reviewed by him on resumption of duty and a certificate of checks exercised was furnished to the Principal Accounts Office.

## **5.21 Register of Immovable Property (Land and Buildings)**

The register of immovable and landed Govt. properties maintained in form PWD-25, 25A and 26 should be checked to see that:

- (i) it has been kept upto date, is complete and is in the prescribed form ;
- (ii) the cost of land is shown separately from that of the building or buildings constructed thereon;
- (iii) the title deeds are properly executed;
- (iv) the cost of residential buildings shown in the register tallies with capital and revenue accounts of such buildings (where such accounts have been prepared);
- (v) all Govt. properties such as building; contracted or purchased, lands acquired etc. are noted in the register at correct value;
- (vi) the capital cost as shown **in** the register agrees with the completion cost, as recorded in the register of works and any increase or decrease in the capital cost has been noted;
- (vii) detailed inventory of fixtures and fittings, the. values of which are shown separately in the register, has been maintained;
- (viii) a note regarding annual check of buildings, with a view to verify whether adequate measures were taken for their proper maintenance and that there were no encroachment on such lands has been recorded in the register;
- (ix) all corrections made **in** the capital cost have been duly verified and attested by the authorised official.

## **5.22 Register of Cheques Drawn**

It shall be seen that:

- (i) the register is maintained in proper form, viz. C.A.M.10.
- (ii) all the cheques drawn are serially entered, in their chronological order;
- (iii) all entries are attested by cheque drawing officer;
- (iv) the totals of the amounts of cheques drawn are correctly struck and agreed with those shown in the complied accounts rendered to the Principal Accounts Office/Zonal Accounts Office;

- (v) the date of encashment of cheques are noted against the relevant entries and an abstract of uncashed cheques to the end of the month is prepared;
- (vi) all self-cheques shown to have been drawn are taken promptly to the receipt side of the cash-book.

### **5.23 Register of Cheques Delivered**

The register of cheques delivered is maintained in form CAM-11. It shall be seen that the date of encashment of the cheques is noted in this register from the Daily Bank Scrolls.

### **5.24 Purchase of Stationery/Stores**

It should be seen that the rules regulating the purchase of stationery/stores for public service contained in rule 145 to 154 of General Financial Rules are being followed.

It shall also be seen that:

- (i) they are properly sanctioned by Competent Authority and are made in the most economical manner in accordance with the definite requirements of the public service and that purchases are not split to avoid necessity of obtaining sanction of higher authorities;
- (ii) where purchase has been effected by single tender, or negotiation, sanction of the competent authority was obtained and reasons recorded for resorting to this method of purchase;
- (iii) all tenders are opened on the due dates and numbered and initialled with date by the officer opening them;
- (iv) the comparative statement duly signed is on record and has been checked with original tenders;
- (v) whether any tender received late has been incorporated in comparative statement and considered and whether orders of the competent authority were obtained for the consideration and acceptance of that tender;
- (vi) the lowest offer has been accepted and if not, whether reasons recorded for rejecting lowest offer appear adequate;

- (vii) the successful tenderer has not indirectly desired an advantage over the other tenderers by the insertion of special conditions which have the effect of raising the rate quoted by him;
- (viii) no stores of defective and inferior nature are accepted and certified to be satisfactory in quality; and
- (ix) the specifications indicated in the quotation agree with those shown in the notice inviting tender.

### **5.25 Stores and Stock Account**

The general and essential principles in accordance with which stores and stock accounts are to be kept are laid down in Rules 186 to 193 of General Financial Rules. The check of stores account kept in any office shall be directed towards ascertaining whether departmental regulations governing purchases, receipt and issues, custody, condemnation, sale and stock-taking of stores are well devised and properly carried out, and to bring to notice any important deficiency in the quantities of stores held, or any grave defects in the system of control.

As regards purchases of stores, the Internal Audit must ensure that the departmental offices were guided by provisions contained in rules 145 to 154 of General Financial Rules.

In regard to the custody and accounts of stores, it may be mentioned that as per rules (Rule 190 of GFR) separate accounts are to be kept of (i) "Dead stock" such as plant, machinery, equipment, furniture fixture and (ii) other stores like stationery, liveries, library books etc.

In the scrutiny of the stock accounts of "Dead stock" articles, it should be seen during internal audit that :

- (i) the stock books are maintained in prescribed form and their pages are numbered and a certificate of page count has been recorded by a responsible officer;
- (ii) the closing balance of the previous year has not been tempered with and carried over to the current year under proper attestation;
- (iii) all the stores when received are examined, counted, measured and weighed as the case may be, before delivery is taken and are entered in the appropriate stock register after verifying that the quantities are correct,

their quality is good and they are according to specifications, where prescribed;

- (iv) full particulars of all the stock articles are entered in the stock register;
- (v) receipt and issue entries are supported by documentary evidence such as supplier's bills, transfer from/to other offices, issue vouchers, loss statements etc.,
- (vi) distribution of various items of stock as shown in the stock register compares with the inventories of stock maintained by the corresponding officers or sections;
- (vii) periodical verification/valuations/inspection are duly carried out and certificates to that effect are recorded in the stock registers;
- (viii) balances of articles are not held in excess of the requirements of a reasonable period or in excess of any prescribed maximum limit;
- (ix) excess quantities, if any, noticed in the course of physical verification are brought to account immediately so that stores account reflects true state of the stores;
- (x) shortage and damages as well as unserviceable stores are reported immediately and investigated in accordance with the instructions contained in GFRs and Delegation of Financial Power Rules, and should not be written off without the sanction of the competent authority, and until that is done, the items in question should not be removed from the stock register;
- (xi) stores found surplus, obsolete or unserviceable in the course of inspection are declared as such and disposed of by the authority competent to do so, indicating the manner of disposal, proper records for all such stores are also maintained for watching disposal thereof and there has been no undue delay in the disposal in the manner stipulated by the competent authority;
- (xii) when the stores found surplus, obsolete or unserviceable are disposed of, the instructions laid down in Government of India decision below Rule 196 of the GFRs are observed;
- (xiii) stores acquired or purchased are utilised within reasonable time for the purpose for which they were purchased or acquired.

In the scrutiny of stock accounts of consumable stores, it should be seen in addition to the points mentioned above that :

- (i) all issues of stores are supported by requisitions and indents in the form prescribed by the competent authority and duly approved by the authorised indenting officer;
- (ii) all stores are issued under orders of the officer-incharge of stores;
- (iii) written acknowledgements are obtained from the person to whom stores are delivered or from his duly authorised agent;
- (iv) where scales have been prescribed by the competent authority or other authority for issue of stores, the same has not been exceeded.

#### **5.26 Physical Verification of Stores**

In regard to physical verifications, it should be ensured during local audit that physical verification of all stores is done at least once every year according to the principles prescribed in Rule 192 of GFRs by a person authorised to do so, and a certificate of verification of stores (with the results of verification) is recorded on the inventory account. The Inspecting Officer (Internal Audit) should not, unless specifically authorised to do so, assume responsibility for physical verification of stores. However, he has the right to investigate all the balances of stores, if any discrepancy in the stores accounts comes to his notice. He should not only see that a certificate of physical verification is recorded periodically by a responsible authority but the system of verification is adequate and proper, discrepancies noticed during stock-taking are properly investigated and adjusted and that the staff responsible for verification is independent of the staff responsible for physical custody of stock or for keeping accounts of stocks.

#### **5.27 Disposal of Surplus and Obsolete Stores**

In regard to sale and disposal of stores, it should be seen during internal audit that:

- (i) previous sanction of competent authority has been obtained not only for the declaration of the stores as obsolete, surplus or unserviceable, but also for their disposal. Such authority shall specify the manner of disposal by sales or otherwise;

- (ii) each order declaring the stores obsolete, surplus or unserviceable specifies the full reasons for declaring them as such and proper records of all such stores are maintained for watching their disposal.

### **5.28 Defalcation/Losses and their Reporting**

It shall be seen that any loss or shortage of public moneys, departmental revenue or receipts, stamps, stores or other property held by or on behalf of Government caused by defalcation or otherwise including losses and shortages noticed as a result of physical verification, has been immediately reported by the subordinate authority concerned to the next higher authority as well as the audit officer and the Accounts Officer even when such loss has been made good by the party responsible for it.

### **5.29 Guidelines for Detection of Defalcations and Frauds**

In fact, efficiency of Internal Audit largely depends upon the intelligence, thoroughness and resourcefulness of the inspecting staff. Even an apparently minor defect or irregularity which might conceal a potential fraud or misappropriation may come out through intelligent probe. All illustrative list of irregularities which are likely to conceal potential frauds is given below for guidance:

- (i) erasures, overwriting, interpolations, and unattested corrections in figures, pass orders, etc. in accounts books and registers, bills presented at Zonal Accounts Offices/Field Pay Units, invoices, sales bills, receipts etc.;
- (ii) removal of pages from account books and registers;
- (iii) tampering in totals and carry forward of totals, especially in cash books and stock books;
- (iv) errors in totaling in bills;
- (v) errors in carry over of figures from subsidiary registers to main register;
- (vi) delays in disbursement of money drawn from Bank to payees (including moneys recovered against court attachment, undisbursed salaries etc.);
- (vii) non-availability of challans in support of remittance entries in cash book;
- (viii) tampering of figures in challans.



### **5.30 Office Expenditure**

The expenditure in a particular office generally consists of (a) establishment expenditure like that on salary T.A., O.T.A., (b) expenditure on office contingencies, purchase of stores, and (c) on certain schemes/projects, etc. The nature of the check exercised will generally depend upon the nature of transaction/relevant codal provisions and departmental instructions, if any, on the subject. It should, generally, be seen that:

- (i) there exists sanction, special or general, accorded by the competent authority;
- (ii) there is provision of funds sanctioned by the competent authority;
- (iii) the expenditure has not been incurred merely to prevent lapse of budget allotment, or charges incurred have not been met in anticipation of budget allotment or from the budget of next year;
- (iv) in the case of work done or purchases made, the accepted tender along with rejected ones, and comparative statements and noting etc. are available along with reasons for non-acceptance of lowest tender, if any;
- (v) the payment has been made to the proper person and has been so acknowledged and recorded so that a second payment on the same accounts is not possible;
- (vi) the charges do not exceed the rates or scales fixed under rules/orders issued by the competent authority and the arithmetical calculations are correct;
- (vii) the expenditure is incurred with due regard to the prescribed canons of financial propriety;
- (viii) the sub-vouchers retained by the disbursing officers are so defaced/cancelled after disbursement that they cannot be used again;
- (ix) recoveries/deductions from bills are in order;
- (x) pay fixations are correctly done;
- (xi) interest wherever due has been correctly calculated and recovered; and
- (xii) the expenditure has been correctly classified and accounted for under the prescribed heads of accounts.

## **CHAPTER—VI**

### **6.1 Internal Audit of Zonal Accounts Offices**

Besides general checks as laid down in para 2.3.2 of Chapter II, the internal audit parties should see that the rules, procedure and instructions contained in the Central Govt. Accounts (Receipts and Payments) Rules, 1983, Civil Accounts Manual, Accounts Codes, General Financial Rules etc. in regard to the payments and accounting have been followed. In particular, checks enumerated in the following paragraphs should be carried out.

### **6.2 Pre-Check of Payments**

It should be seen that bills presented to the Zonal Accounts Office are passed for payment after exercising checks, prescribed in the Central Govt. Accounts (Receipts and Payments) Rules, 1983 and the Civil Accounts Manual. Besides general checks like provision of funds, sanction of competent authority and expenditure conforming to the principle laid down in the General Financial Rules, other checks that should be exercised in respect of different categories of bills have been indicated in Chapter-IV of the Civil Accounts Manual.

The Internal Audit Parties will carry out 100 % check of vouchers in respect of the selected month.

### **6.3 Establishment: Payment Section**

While conducting internal audit of establishment expenditure and other pre-check sanctions, it should be seen that checks prescribed in Chapter-IV of the Civil Accounts Manual have been exercised by Z.A.O. before making payments of bills. Some of the important points to be seen are :

- (i) that fly-leaf registers (Form CAM-23) are opened for all Group 'A' officers in respect of each DDOs and selection register is maintained by ZAO. It may also be checked that the Establishment Check Register (CAM-24) for exercising numerical check on sanctioned strength was maintained and necessary checks exercised in accordance with the instructions issued by the Controller General of Accounts;
- (ii) that D.V. (Disbursement Voucher) Register is maintained properly and in prescribed form in each payment section, D.V. Nos. and cheques Nos. have been indicated in the relevant columns, slips in respect of totals are

sent to the cheque section alongwith vouchers for the preparation and tallying of the Daily Report;

- (iii) that periodical charges register (Form CAM-25) was maintained properly in respect of each DDO and that sanctions are duly noted therein with proper attestation;
- (iv) that bills received in the Zonal Accounts Office for payments are passed promptly and cheques are prepared by the cheque section within prescribed time schedule. Cases of delay in passing of the bills by the Zonal Accounts Offices should be included in the Audit report;
- (v) that weekly, fortnightly, monthly reports are prepared in time and submitted to ZAO for approval;
- (vi) that post check of paid vouchers was conducted by the Z.A.O. as per procedure prescribed in the Civil Accounts Manual;
- (vii) that specimen signatures of the DDOs have been obtained and pasted in the ECR (Expenditure Control Register);
- (viii) that Objection Book is maintained properly and closed regularly. Items which are outstanding since long are pursued by the ZAO with concerned offices at appropriate level;
- (ix) that calendar of Returns is maintained in Zonal Accounts Office;
- (x) that when a regular ZAO proceeds on leave and there is no other Accounts Officer to pass bills and sign cheques, bills passed and cheques issued during the absence of ZAO are reviewed by him on return from leave and certificate to this effect sent to the Principal Accounts Office (para 1.7.5 of C.A.M.)

#### **6.4 Expenditure Control Register**

While examining the Expenditure Control Register, it should be seen :—

- (i) that the Register is being maintained in the prescribed form (*i.e.* Form CAM-9) and relevant columns have been duly filled;
- (ii) that budget provisions under each sub-head has been noted;
- (iii) that progressive totals have been struck to ensure that budget is not

- exceeded under any sub-head;
- (iv) that figures as per Expenditure Control Register tally with compilation section every month and discrepancies, if any, are rectified; and
  - (v) that all inward claims received by the Z.A.O. are first noted in the Expenditure Control Register before settling the debits.

## **6.5 Foreign Service Contributions**

Following points should be kept in view while scrutinising records in respect of foreign service contributions:—

- (i) it should be seen that a register to watch leave salary/pension contributions has been maintained in the prescribed form (Form CAM-58), and all columns have been filled;
- (ii) rates of leave salary and pension contributions have been intimated to the Borrowing Departments. Some calculations may also be test checked to ensure that rates of foreign service contributions have been worked out correctly;
- (iii) leave salary and pension contributions are recovered in full;
- (iv) penal interest has been recovered, where foreign service contributions have been delayed;
- (v) that receipts have been credited to the correct Heads of Account; and
- (vi) that cases of non-receipt/short receipt of foreign service contributions were pursued vigorously by the Z.A.O.

## 6.6 Broadsheets of Long-term Advances

Following points may be seen during examination of broadsheets of long-term advances:-

- (i) that the broadsheets of H.B.A., M.C.A./ **OMC** Advance have been maintained properly and in the prescribed form (Form CAM-30);
- (ii) that entries of debits have been attested by the Zonal Accounts Officer;
- (iii) that posting of debits and credits have been made with reference to vouchers/schedules and is not in arrears;
- (iv) whether grand total of the debits (Col. 5) and credits (excluding interest, recoveries posted in red ink) posted against individual loanee during the month tallies with figure appearing under Head "7610" in the monthly classified abstract/consolidated abstract, by drawing up an abstract at the end of each month in the following format :

	<b>Opening Balance</b>	<b>Debit</b>	<b>Credit</b>	<b>Closing Balance</b>
Broadsheet Figure				
Accounts Figure				
Ledger Figure				
Difference				

- (a) It may also be seen whether analysis of differences between ledger and broadsheet figures was carried out and action taken noted in the broadsheet. The broadsheet should be submitted to the ZAO every month

by 20th of the second succeeding month (para 4.30.6 of the Civil Accounts Manual).

- (b) It should be seen whether total recoveries during the year have been posted in column No. 19 and the outstanding balance in respect of each official has been noted in column No. 20, and whether communication has been sent to the DDOs regarding outstanding balances in respect of each officer and a certificate of acceptance of balance obtained through DDO and noted in column No. 21 of the broadsheet;
- (c) whether grand total of all outstanding balances shown against (all the officers has been worked out and tallied with the figures appearing under long term advances) below 'Major Head 7610' in accounts at the end of year ? In case of differences, whether these were analysed and action taken towards their reconciliation? Whether carry over of outstanding balance shown in Col. 20 has been brought forward in Col. 5 in the subsequent year?
- (v) that balances in respect of outgoing officials have been transferred/received from concerned PAO/A. G.;
- (vi) in case of short-term advances (i.e. advances recoverable in less than 60 instalments), monthly abstracts in respect of each advance i.e. Cycle Advance, Flood Advance etc. have been received in the Zonal Accounts Office from the DDOs concerned every month and whether these have been reconciled/checked. If any discrepancy has been noticed, whether the same was reconciled.

## **6.7 General Provident Fund Accounts**

Following points may be seen during scrutiny of G.P. Fund ledgers :—

- (i) records maintained in the Provident Fund section (viz. General Index Register, Register of Nominations, Ledgers, Register of missing credits and debits, and Register of Excess Final Payments) may be checked to see whether these have been properly maintained and posting in the ledger are not in arrears;
- (ii) final payment cases pertaining to the month selected for detailed audit should be checked to ensure that payments, including maturity proceeds of Deposit linked Insurance Scheme together with interest accrued

thereon have been correctly worked out.

During review of final payment cases, it should be seen whether progress of recovery in respect of final payments is being watched through a Register of Excess Final Payments as laid down in the Controller General of Accounts Do. No. G. 2501/13/86/MF. CGA/Insp./141 dated 24.2.1988.

- (III) it may be seen whether the Provident Fund broadsheet has been closed monthly and totals of debits/credits tally with totals booked by the compilation section, and whether broadsheets are being squared up at the end of each year and tallied with the figures appearing under the concerned heads of accounts at the close of financial year ;
- (iv) that annual statements to the subscribers are being issued in time;
- (v) that the register of missing credits/debits have been maintained in the prescribed form (CAM-50);
- (vi) that some interest calculations are checked with reference to rates applicable; (vii) whether efforts to clear unposted items have been taken without undue delay;
- (viii) that physical verification of nominations and policies financed from the G.P. Fund has been conducted periodically;
- (ix) that periodical review of all ledgers was conducted to ensure that all accounts are checked within a period of three years;
- (x) that reasons for non-recovery of G.P. Fund subscription and refund of G.P.F. advances were noted in the ledger, whenever contributions were not received;
- (xi) that transfer entry in respect of interest has been incorporated in the same financial year;
- (xii) that broadsheet of Group 'D' employees is maintained DDO-wise and totals tallied with figures booked by the compilation section and also tallied with the quarterly statements of debits/credits received from the DDOs;
- (xiii) that balances carried forward in respect of each subscriber in the broadsheet have been attested- by the AAO;

- (xiv) that a certificate from the respective Heads of Offices was obtained regarding entry in the pass book of subscribers of G.P.F (Group 'D'). ;
- (xv) ordinarily, there should not be any missing credit/debit in respect of the post-departmentalisation period. Internal Audit should report such cases analysing reasons which contributed to these omissions;
- (xvi) when a subscription is recovered for the first time on a revised rate, it should be seen that the revised amount of subscription is within the ceilings prescribed;
- (xvii) that annual review of Provident Fund Accounts, as prescribed under para 6.10.4 of C.A..M. has been conducted.

## **6.8 Pension**

Following checks may be exercised during internal audit of pension cases :—

- (i) all pension cases in respect of the selected month may be checked to verify that the amount of pension (including family pension), commuted value of pension and D.C.R.G. had been correctly worked out and there was no undue delay in authorizing terminal benefits; ,
- (ii) whether list of persons due to retire within next 24-30 months (required under Rule 56 of the Pension Rules) is being received from the Heads of Department;
- (iii) that separate diary is maintained in respect of pensions and pension commutation cases; . .
- (iv) that provisional payment register was properly maintained and amounts authorized towards provisional pension are adjusted while issuing final pension payment order;
- (v) that pension payment authority are sent after affixing special seal;
- (vi) that proper records are maintained in respect of pensions disbursed by the P.A.O,, so that a pensioner does not draw pension twice during any month;
- (b) Non-employment certificate is attached in respect of graded relief on pension;



- (vii) that instructions to ensure timely processing and prompt finalisation of pension cases as specified in Chapter VIII of Central Civil Service (Pension) Rules are followed scrupulously by the D.D.O./Z.A.O.:
- (viii) the internal audit party will take an extract of the Register of P.P.Os maintained *in* the Chief Controller of Accounts office in respect of the P.P.Os routed through it as well as those directly sent by the P.A.O. {*vide* para 7.1.4 of the C.A.M.). A test check of these cases as well as those whose pension is being paid by the originating Zonal Accounts Office itself should be undertaken with reference to the pension papers received from the Head of Office.

### **6.9 Settlement of Inter Governmental/Departmental Transaction**

Under the prescribed procedure, transactions arising in the accounts of a Zonal Accounts Office which are adjustable by Accounts Officer of another Department are initially booked under the Head "'8658-Suspense Accounts-PAO Suspense-Items/adjustable by PAO/AG/Rly/Defence/ P&T Accounts Offices'. These are required to be settled by Cheque/demand draft with the concerned office. In this regard, it may be ensured that a proper system exists in the Zonal Accounts Offices for settlement of such transactions. Normally, no balance should remain unsettled for a long period. Outstanding balances should be periodically reviewed to achieve prompt settlement. It may be seen, that :—

- (i) registers for settlement of Inward and Outward claims have been maintained in the prescribed forms (i.e. CAM-55 and CAM-53 respectively) and all columns are properly filled in;
- (ii) acknowledgement of cheques/Demand Drafts issued in settlement of claims are received and noted in the register;
- (iii) outstanding claims, are pursued promptly and where some recovery has to be effected, action is not delayed;
- (iv) broadsheet in respect of 'PAO-Suspense' was maintained in form CAM-64. While reviewing the broadsheet, it should be seen whether all transactions recorded in the subsidiary registers were

brought forward in the broadsheet and differences, between accounts and broadsheet figures were analyzed and action taken towards their reconciliation. Outward and Inward claim registers are closed every month and details of outstanding items worked out. It may also be seen whether total of outstanding claims tallies with outstanding amount as per accounts.

#### **6.10 Payment Scrolls—P.A.O. Cheque Register**

If may be verified whether:—

- (i) main scrolls in duplicate alongwith paid cheques/challans were received in Z.A.O. from the Focal Point Bank daily; the scrolls were numbered serially and none of the scrolls were missing;
- (ii) that the daily payment scrolls were checked in accordance with CGA's circular dated 23-3-89 (Annexure-N). The duplicate copy of the scrolls were returned to the Focal Point Bank by Z.A.O. within 24 hours after verification by getting the errors amended, if necessary;
- (iii) that all the paid cheques were obtained from the Focal Point Bank by personal contact if; necessary, credit certificates were obtained from the Focal point Bank in lieu of missing challans;
- (iv) the entries in the register of daily memo of cheques delivered tally with payment scrolls/ paid cheques, and date of encashment has been noted in relevant columns of the register and a list of outstanding cheques prepared;
- (v) that total amount of outstanding cheques at the end of each month tallies with the balance outstanding under '8670—Cheques and bills';
- (vi) that a check register in form CAM-15 was maintained by the Z.A.O. separately for cheques drawn and creditable to minor heads; 'PAO cheques' and 'Departmental Cheques' as laid down in para 2.6.4 and para 3.5.2. of the Civil Accounts Manual. In this register, totals of daily issues and encashment of cheques and the balance arrived at should be compared with the total of the cheques

outstanding as per list of outstanding cheques. It should also be seen whether the Z.A.O. has independently tallied the balance so arrived at with the amounts shown as outstanding, under the Suspense head 'PAO Cheques' and 'Departmental Cheques' exhibited in the accounts. If any difference existed whether action was taken to analyse it for ensuring prompt clearance;

- (vii) that bank scrolls in respect of receipts and disbursements are posted in the register of Reserve Bank deposits daily. Receipt scrolls should be reconciled with the weekly account of challans received from the D.D.O. in terms of para 1.16.2 of the Civil Accounts Manual;
- (viii) that the procedure for reconciliation of bank scrolls (as laid down *vide* para 2.1 to 2.9 of chapter 2 of Manual of Bank Reconciliation) is being followed;
- (ix) that a list of time barred cheques is prepared at the end of each month. Where a payment occurs against a time barred cheque, the matter may be investigated to ensure that no double payment takes place by issue of a fresh cheque;
- (x) that following checks are exercised by Z.A.O. in respect of payment Main Scrolls/Date-wise Monthly statements received from the Focal Point Bank:—
  - (a) Cheques received in support of main scrolls are linked with entries in form CAM-19;
  - (b) paid cheques included in the main scroll correspond to cheques issued by the ZAO/DDO and are not time-barred;
  - (c) amount of paid cheques tally with the amount shown in the main scrolls;
  - (d) in respect of receipts, the scroll correctly relates to ZAO/FPU/DDOs;
  - (e) Amount of challan correctly relates to ZAO/FPUs;
  - (f) arithmetical accuracy of totals of payments/receipt, scrolls is verified;
  - (g) each discrepant item is noted in the register and action initiated to rectify the discrepancy. The discrepancies may be got amended within 24 hours by personal contact with the Focal point Bank;

- (h) on receipt of the datewise monthly statement, daily totals are checked with reference to main scrolls and entered in the register. If amounts in the monthly statements differ from the amount of the scrolls or for any day main scroll has not been received or items of main scrolls has not been included in the monthly statement or totals have been incorrectly struck, those were settled by personal contact with the Focal point Bank;
- (i) a register of discrepancies noticed in the monthly bank statement was maintained ;
- (j) it may be verified whether amount credited/debited to the head. '8658-PSB Suspense' reconciles with the amount of payments/receipts as shown in the datewise monthly statement after taking the discrepant items into account;
- (k) it may be verified whether the Z.A.O. was receiving datewise monthly statements from the Focal Point Bank on scheduled dates *i.e.* by the third of the following month and whether the discrepancies are got settled by the 7th of the following month;
- (l) that the Z.A.O. received 4 copies of Date wise Monthly Statement (DMS) from the Focal point Bank by the third of the following month; that he verified DMS obtained from the Focal Point Bank; that thereafter verification was recorded on it by the Z.A.O.; that the DMS was verified for part of amount; that the triplicate and quadruplicate copies of DMS duly verified were returned to the Focal Point Bank within three days of their receipt; that the duplicate copies were forwarded to the Principal Accounts Office so as to reach that office, by the 8th of the following month while the original copies were retained by him.

#### **6.11 Reconciliation of Put through with DMS figures and clearance of P.S.B Suspense Account.**

It may be verified:

- (i) whether, the Z.A.O. received every month a monthly statement of amounts put through in the form prescribed in CGA's circular dated 23-3-89 and whether the ZAO checked the entries therein with reference to the figures in D.M.S. already verified;

- (ii) Whether after verification of the put through statement, monthly reconciliation statements (Annexure W) were prepared every month in form prescribed in CGA's circular dt. 23-3-89 whether as regards discrepancies in part VI(b) of the analysis and transactions other than those pertaining to the last few days of a month appearing in part VI (a) of the analysis the Z.A.O. ensured that rectifications were carried out and items put through by the Focal point Bank through GAD/Link Cell in the second month; whether grand totals of the columns vi(a) and vi(b) were tallied with the closing balance shown against Col. (v) of part 'C of analysis;
- (iii) Whether the Z.A.O. maintained a "Register of amounts put through" part I & part II as laid down in CGA's circular dt. 23-3-89;
- (iv) whether the Z.A.O. prepared every month a statement of monthly reconciliation between the amounts as per D.M.S. and those booked under "8658-Suspense Accounts P.S.B. suspense" in the prescribed form and whether those were submitted along with the monthly account format to the Principal Accounts Office;
- (v) it may be seen whether the A.O. maintained a broadsheet of 'PSB-Suspense' in the prescribed form separately for "Receipts" (Debit) and payments (credit); the PAO shall maintain a strict watch over the clearance of the balances under this head; whether in case ZAO deals with two different banks, PSB figures of each were kept separate;
- (vi) Whether in order, to have age wise analysis of the balance under 'PSB Suspense', a record in form CAS 26 (Abstract of objections) was maintained;
- (vii) whether DMS and statement of excess re-imburements in the prescribed form as per CGA's circular dated 23-3-89 were submitted to Principal Accounts office every month.

### **6.12 Internal Audit of Canteens**

In terms of the Ministry of Home Affairs (Deptt. of Personnel and Administrative Reforms) O.M.No. 23/3/83-Dis (C) dated 8-2-84, audit of accounts of non-statutory

Departmental Canteens/ Tiffin Rooms, covered under the scheme of the Deptt. of Personnel and Administrative Reforms will be conducted by the Departmentalised Accounts Organisation. According to CCA, CBDT's O.M-No. ITA/10-29/84-85/CCA/28 dated 9-4-85 the above audit will be conducted by the Zonal Accounts Offices in their respective zones as per procedure/guidelines contained in the Deptt. of Personnel and Administrative Reforms, Director of Canteens' O.M. No. 23/3/83 Dir(C) dated 31st Jan. 1985 (copy at Annexure-L). The compliance of the Audit reports will be pursued by the respective Zonal Accounts Offices. The Audit Reports will be forwarded by the Zonal Accounts Offices to the Chairman of the canteen with a copy to the Director of Canteens.

## Chapter VII

### 7. INTERNAL AUDIT OF RECEIPTS AND REFUNDS OF DIRECT TAXES

Detailed procedure for the accountal of direct taxes receipts and refunds by ZAOs is contained in the publications entitled (i) 'Departmentalised Accounting System for Direct Taxes' issued by the Central Board of Direct Taxes, and (ii) 'System of Accounting for Direct Tax Receipts and Refunds' issued by D.O.M.S.(IT). The system of collection, rendition of documents by Banks has been revised w.c.f- **1.6.2004**. revised procedure ***under "OLTAS" has been laid down vide C.G.A. office letter No. (1)/2003/Pt.I/TA/221-22, dated 8.4.2004 and RBI's letter No. RBI/2005/114/1, dated 1.4.2005, which is placed at Annexure 'P'. The Income Tax Department has introduced with effect from June 1, 2004 a new system relating to payment of taxes called Online Tax Accounting System (OLTAS). The taxpayer friendly features of OLTAS include a single copy challan-cum-acknowledgement form instead of the present four-copy challan. Every challan will have a unique identification number called Challan Identification Number (CIN). This consists of BSR code (Bank branch code), Challan Tender Date (cash/cheque deposit date) and Challan Serial Number. With the help of CIN, every payment will be uniquely identified enabling online transmission of details of tax payments by banks to the Income Tax Department.*** These publications may be carefully studied by the Internal Audit Parties before undertaking internal inspection of receipts and refunds of Income Tax Department in the Zonal Accounts Offices as well as Income Tax Offices. However, some broad guidelines are given below for the guidance of internal audit parties. These may also be kept in view while auditing transactions pertaining to the receipts and refunds in respect of the Income Tax Department. These guidelines are meant for general guidance and as such are not exhaustive.

#### *Zonal Accounts Offices:*

Following guidelines may be followed by the internal audit parties during test check of accounts records of receipts and refunds, maintained by the Zonal Accounts Offices

:—

## 7.1 Check of Scrolls

From **1.6.2004** scrolls and challans etc. are received from the Nodal Branches of Banks nominated for collection of Direct Taxes in that Zone. The scrolls and challans of the selected months should be examined to see that Z.A.O. has ensured :—

- (i) that the Daily Main Scrolls, Daily Summary of Receipts & Payments, and receiving branch scrolls are received promptly and regularly from the Nodal branch banks. If the scrolls were not received promptly, it should be seen whether the matter was actively pursued by the Zonal Accounts Officer with the respective Nodal branch Bank;
- (ii) that the serial number of the Main scroll and of the scrolls of receiving branches are in a consecutive running order and see that there are no missing scrolls. In case any scroll was found missing, whether the same was noted in the register of missing scrolls and called for from the concerned nodal branch;
- (iii) that the total of scroll of each receiving branch has been carried over to the Daily Main scroll prepared designated officer-wise by the Nodal Bank;
- (iv) that totals of daily scrolls of all receiving branches allocated to the Daily main scroll are correct;
- (v) that total of the Daily Main Scroll is correct, and total of each Daily Main scroll has been correctly carried, over in the Daily Summary of Receipts and Payments received from Nodal Bank. There is no entry in it which is not supported by Daily Main Scroll received by ZAO or no entry of any Daily Main Scroll received in Z.A.O. is missing in it;
- (vi) the total of Daily Summary of Receipts and Payments is correct;
- (vii) that the Daily Main Scroll received from each Nodal Bank, designated officer-wise are pasted in the Register prescribed for the purpose and totals as per monthly Abstract page tally with the major headwise totals of the Daily Summary of Receipts and Payments received from the Nodal Banks. It should be seen that each Daily Main Scroll contains a certificate to the effect that necessary advice has been sent to the Link Cell of the same bank at Nagpur on (date) for crediting the amount to the C.B.D.T. account;



- (viii) that monetary entries in the scrolls have been checked with reference to entries in the challans/refund vouchers and the arithmetical accuracy of the totals of the scrolls has been verified. For this purpose, each entry in the scroll should be ticked with reference to each entry in the challan and totals of the scrolls worked out independently;
- (ix) that the main scrolls received from the Nodal Bank are filed major head wise separately for each designated officer;
- (x) that separate scrolls with challans and paid cheques have been received in respect of the Personal Deposit /Accounts;
- (xi) that each challan pertains to the same head of account as the scroll
  - (xii) The challans scrolls in respect of transactions up to Rs. 1,00,000/- bear the initials of the Accountant/Sr.Accountant, transactions ranging between Rs. One lac to Rs. 5 lacs bear the initials of the Jr./Asstt.Accounts Officer and the transactions of Rs. 5 lacs and above bear the initials of the Accounts Officer in token of having checked correctness of the classification recorded on the challns. The purpose behind the checking is to ensure that cases involving mis-classification are noted in the prescribed register and promptly taken up for reconciliation of the classification with the Designated Officer.
- (xiii) that challans not pertaining to the C.B.D.T. are separately recorded in the Register of receipts pertaining to other Departments and, thereafter, returned to the Nodal Bank under intimation to the Designated Officer, and the amount of such challans has been excluded from, the respective scroll;
- (xiv) that missing challans/refund vouchers are promptly obtained from the Nodal Bank. If any missing challans/refund voucher was found to have been misplaced/lost in transit, a certificate of credit/certificate of payment should have been obtained from the Nodal Bank. It may be verified whether such missing challans/refund vouchers were found recorded in the Register of missing challans and matter taken up with the concerned bank for obtaining them;

- (xv) whether the receiving branch had been duly authorised to receive collection of taxes on behalf of C.B.D.T. For this purpose, a Directory of Receiving Branches may be consulted. In case the collecting branch is not amongst the authorised branches, the matter should be highlighted in the internal audit report and also brought to the notice of ZAO as well as the Pr. Chief Controller of Accounts for taking up the matter with the R.B.I, Mumbai;
- (xv) that action was taken to get the discrepancy of challan/scroll settled in the subsequent scrolls;
- (xvii) that there was no undue delay in the remittance of taxes from the receiving branch. Normally, the receiving branch should send challans/scrolls to its Nodal Bank at the beginning of the next day. Similarly, the Nodal bank is required to send challans/scrolls (after including its own) to the ZAO and also to report transactions to its Link Cell at Nagpur on day to day basis. Where the collection has not been remitted to Government Account within 3 working days (as per R.B.I. orders in respect of PSBs and 3 days (including Sundays & Holidays in respect of Private Sector Bank after the date of transaction irrespective of amount. Such cases of delay of remittances from receiving branches to the R.B.I. C.A.S., Nagpur are required to be reported in internal inspection reports and

All cases of delay in respect of amounts of Rs. one crore and above and delay exceeding T+3 days in respect of private Banks and T+3 days i.e.(working days as per calender of RBI ) in respect of Public Sector Banks should invariably be brought to the notice of the Pr.. Chief Controller of Accounts for taking up the matter with the concerned bank for recovery of penal interest. The internal inspection parties should check whether challans involving Rs.one lakh and above bear initials of the Accounts Officer, in token of having checked whether there had been any delay in the remittance.

## **7.2 Refunds**

The detailed procedure governing refunds of Income tax receipts are contained in paras 6.1 to 6.3 of the booklet "Departmentalised Accounting System of Direct Taxes". The internal audit should examine :

- (i) that separate registers have been maintained in respect of refunds, as in the case of receipts;
- (ii) that same procedure was followed for maintenance and check of paid refund orders as applicable to challans in the case of receipts;
- (iii) that there was no interpolation/erasure in the figures noted on the refund order;
- (iv) that the amounts incorporated in the scroll tally with the amounts indicated on the refund order. Any violations of the rules and procedure noticed during the course of audit should be clearly brought out in the inspection report.
- (v) that following checks should be undertaken by audit parties such as:

Excess of irregular refund, inadmissible refunds due to incorrect allowance of TDS credit ,irregular refunds on belated claims , non-levy of interest on refunds sets of against arrear demands, irregular payment of interest on advance tax/TDS credited to govt. account beyond the financial year, irregular payment of interest on self assessment tax.

**7.3** The records/registers etc. to be maintained by the ZAOs are contained in para 5.3 of the booklet "Departmentalised Accounting System for Direct Tax". The various forms in which these records/registers etc. are to be maintained by the ZAOs are given in para 1.1 of the C.C.A., C.B.D.T., New Delhi O.M. No. 101/51/78/CCA/I441 dated 3-5-80 and 101/92/88/CCA/557-591 dated 18-8-1988. These records may be examined in following respects :

### ***"A" Register showing progress of recovery of state T.D.S.***

it should be ensured :

- (i) that the register is properly maintained;

- (ii) that the month upto which cheques in respect of tax deducted at source have been received from the State AGs are duly noted in the Register;
- (iii) that delays in the receipt of state T.D.S. drafts from the AGs offices are promptly taken up and vigorously pursued by the ZAO;
- (iv) the cheques/demand drafts received from the State AGs are promptly entered in the 'Register of Valuables' before being deposited with the Nodal branch bank branch;
- (v) that separate scrolls are received from the bank in respect of such deposits of state T.D.S.;
- (vi) that the amount of T.D.S. has been intimated by the ZAO to the concerned Commissioner of Income Tax;
- (vii) that necessary details in respect of the transactions, where provisional amount was remitted by the State A.G. were obtained to enable proper classification of the tax receipts;
- (viii) the state T.D.S. has to be accounted for in the year to which it pertains. There might be cases where the cheques/demand drafts in respect of collections made towards the end of a year may not reach the Zonal Accounts Offices well in time to enable him to deposit the same before 31st March. In such cases where cheques/Demand Drafts are received in the succeeding financial year but before the dispatch of second batch of Journal Entries of the previous financial year, the ZAOs shall account for the receipts in the accounts of the previous year by preparing a transfer entry to credit the amounts to the concerned Revenue head of account by contra debit to the Head '8658-Suspense Accounts—P.A.O. Suspense'. On receipt of credit advice from the Bank, the suspense head will be cleared by affording (— )debit to the "Head-8658—Suspense A/cs P.A.O. Suspense" by contra debit to "8658-Suspense Accounts—Public Sector Bank Suspense" or "8675-Deposits with Reserve Bank" according as the Nodal bank is a Public Sector Bank (including S B I) or RBI as the case may be.

The above accountal is done in pursuance of the instructions issued every year in regard to the closing of annual accounts of Direct Taxes Receipts and Refunds. The Internal Audit Party should check the 'P.A.O. Suspense' Account and the

'Register of Valuables' to ensure that instructions issued annually *in* this regard were properly followed.

**"B" Register showing details of wanting detailed Accounts from the Designated Officers.** (*CIT Computer Operation R.K.Puran, New Delhi*)

- (i) It should be seen whether detailed accounts were received from the Designated Officers within one prescribed time schedule.
- (ii) This register should be examined to ensure that up-to-date detailed accounts have been received from the Designated Officers.
- (iii) Where any detailed account was found wanting, whether follow up action was initiated to obtain it.
- (iv) Normally, there should be 'nil' balance at the end of a financial year under the minor head "Receipts awaiting transfer to other Minor heads". However, if any balance remains outstanding, *the* internal audit party should verify whether ZAO initiated appropriate steps for obtaining the detailed accounts from the Designated Officers.

**"C" Register of reconciliation between the figures of receipts and refunds as per Major Headwise account of Nodal Bank branch with corresponding figures of ZAOs,**

The internal audit party should see:

- (i) that major head wise accounts were received from Designated Officers by the prescribed dates and that in case of delays necessary action was taken;
- (ii) whether the register has been properly maintained;
- (iii) that the figures under each major head were reconciled with corresponding figures of the Designated Officer and appropriate action taken to reconcile differences, if any. These differences should also be incorporated in the register of reconciliation;
- (iv) that where reconciliation work had remained in arrears, whether efforts were made to reduce the quantum of arrears;
- (v) that as a result of reconciliation, necessary corrections were incorporated.

**"D" Register of Bank Reconciliation of Receipts and Refunds.**

It should be checked whether :

- (i) the register has been properly maintained;
- (ii) that the differences are noted separately under each major head;
- (iii) that no item was lying in the register for periods longer than necessary.
- (iv) that each item had been ticked on encircled after being reconciled.

**"E" Classified/Consolidated abstracts of Account.**

The internal inspection parties should check:

- (i) that the classified/consolidated abstracts were properly maintained and had been posted up-to-date;
- (ii) that classified and consolidated abstracts for the selected months were examined to ensure that :
  - (a) neither any unauthorised heads of accounts were opened, nor any amount booked under these heads.
  - (b) the credits in respect of State T.D.S. (for which cheque/demand drafts were received from the AGs.) are duly posted as separate items in the classified abstract under the relevant major/minor and sub-heads of account on the basis of information received from the Accountant General's office in terms of the instructions contained in the Department of Expenditure, CGA's O.M. No. S-I 1024/1/80/TA/2487 dated 24th June, 1980.

**"F" Register of Major Head Wise collection**

It should be checked:

- (i) that the register is properly maintained in Performa prescribed vide C.C.A., C.B.D.T. circular No. 101/92/88/CCA/557-591 dated 18-8-1988;
- (ii) that receipts and refunds under each major head were posted separately;
- (iii) that totals under each major head as worked out in the Monthly Abstract page of the Register tally with the corresponding major headwise totals of Daily Summary of Receipts and Payments received from the Nodal Bank;
- (iv) that the perforated copies of pages of the Register were removed and sent to D.O. for verification.

**"G" Transfer Entries and Transfer Entry Abstract.**

It should be checked :

- (i) that the abstract was properly maintained;
- (ii) that all transfer entries had been noted in the register;
- (iii) that all transfer entries noted in the register were duly incorporated in the relevant account heads;
- (iv) that transfer from the major head to another, on receipt of the detailed accounts from the Computer Operation, were carried out by 'the ZAO on proper authority by means of a Transfer Entry;
- (v) that all adjustments in the accounts were carried out by means of Transfer Entries only.

## **"H" Register for watching Receipts of Wanting Scrolls.**

It should be seen that:

- (i) that the register was properly maintained;
- (ii) that details of wanting scroll noted during examination of scrolls of the selected month were found noted in the register;
- (iii) that action calling for wanting scrolls was promptly initiated;
- (iv) that follow-up action was taken without delay.
- (v) that credit balances relating to the pre-departmentalization period (if any) have been transferred, and where these were yet to be transferred, whether ZAO had taken action to ascertain these balances from the A.Gs. concerned/Treasuries and the same were reconciled with the figures of the P.D. A/c. holders and incorporated as opening balance on Performa basis in the respective broadsheet;
- (vi) that action had been taken to reconcile differences (if any) between the balances so adopted by the Zonal Accounts Office and the balances intimated by the P.D. Account holder.

### **7.4 Rendition of Monthly Accounts by ZAOs To Headquarters.**

:

Internal audit party should check whether the monthly account was being sent to Pr.CCA's office in time, accompanied by relevant documents, viz. :—

- (i) Statement of progress of recoveries of TDS from the AGs;
- (ii) Statement showing wanting detailed accounts;
- (iii) reconciliation statements between the figures as per account and figures as reported by the Designated Officer;
- (iv) Bank reconciliation statement;
- (v) Statement showing details of the wanting/missing scrolls.



The audit parties should also check whether the accounts submitted to Pr. CCA's office tally with the Consolidated Abstract maintained by the ZAO. Audit parties should also see that the progressive totals as per detailed accounts do not exceed the progressive totals as per the major head-wise account up to the corresponding month. Where the progressive totals of detailed accounts in respect of any Designated Officer exceed the progressive figures as per books of the ZAO, it should be verified whether the matter had been taken up with the Designated Officer for reconciliation of the difference and corresponding corrections carried out in the subsequent month's account.

### **7.5 Personal Deposit Accounts maintained by ZAOs**

The rules governing opening and maintenance of the Personal Deposit Accounts are contained in para 6.5 of the Booklet "Departmentalized Accounting System for Direct Tax Receipts and Refunds";

The internal audit party should check.

- (i) that the P.D. account has been opened with proper authorization from the Govt.;
- (ii) that the P.D. Accounts were properly maintained and closed on due dates, the differences were analysed and appropriate action taken towards their reconciliation;
- (iii) that separate scrolls with, paid cheques/challans were received regularly in the Zonal Accounts Office. It should be verified whether the monthly statement showing transactions during the month were received from the Bank.
- (iv) that the scrolls in respect of all the transactions appearing in the reconciliation statement sent by the P.D. Account holder (i.e. CIT) were received in the Zonal Accounts Office. In the event on non-receipt of any such scrolls, whether appropriate action was initiated by the ZAO to obtain them;
- (v) that the monthly account required to be sent by the P.D. Account holder by the 10th of the following month, in terms of para 6.5(iii) of the booklet referred to above, was received by the ZAO within the prescribed date and requisite action had been taken by the ZAO, in case of delayed receipts;
- (vi) that the account is reconciled every month so that there were no

discrepancies amongst the figures of the P.D. Account holder, the bank and the Z.A.O.;

- (vii) that appropriate action was taken to reconcile the differences, if any;
- (viii) that all P.D. Accounts opened in the names of the CIT were alive and cheque books required for operation of the accounts have been duly supplied by the ZAO;
- (ix) that ZAO had ascertained the desirability/necessity of continuing such P.D. accounts where no transactions were taking place for a long time;
- (x) that minus balances do not appear in respect of any P.D. account and that transactions relating to P.D. Accounts were correctly accounted for by the ZAO under the head '8443-Civil Deposits—Personal Deposits etc.
- (xi) that credit balances relating to the pre-departmentalization period (if any) have been transferred, and where these were yet to be transferred, whether ZAO had taken action to ascertain these balances from the A.Gs. concerned/Treasuries and the same were reconciled with the figures of the P.D. A/c. holders and incorporated as opening balance on Performa basis in the respective broadsheet;
- (xii) that action had been taken to reconcile differences (if any) between the balances so adopted by the Zonal Accounts Office and the balances intimated by the P.D. Account holder.

## **7.6 Reconciliation**

The rules governing reconciliation of receipts and refunds are contained in para 5.5 of the booklet "Departmentalised Accounting System for Direct Tax Receipts and Refunds" and C.C.A.,C.B.D.T. circular No. 101/92/88/CCA/557-591 dated 18-8-88. The internal audit party should check:

- (i) that major headwise accounts of receipts and refunds prepared by the ZAO on the basis of daily Main scrolls were reconciled with the major headwise account received from the CIT Computer Operation These should also be reconciled with the monthly statements received from the Nodal Banks. It may be seen that the

statement in the prescribed proforma was sent by the ZAO with the monthly account to the headquarters;

- (ii) that appropriate action in terms of paras 5.5(i) and 5.8(3) of booklet referred to above and CCA, CBDT letter quoted above had been taken by the ZAO where monthly statements were not received within the prescribed time schedule;
- (iii) that discrepancies noticed by the ZAO in the course of his scrutiny were vigorously pursued, and settled promptly;
- (iv) that a reconciliation statement in respect of figures appearing in the monthly account and figures reported by the Computer Operation/Nodal Bank Branch was sent to the Pr. CCA's office alongwith the Revenue account of the month;
- (v) that the differences reported by the Computer Operation between the figures as per perforated copies of monthly statement and the register of daily collections maintained in form as per Annexure 'A' to CCA, CBDT dated 18-8-88 (posted by him on the basis of the daily main scrolls received from the Nodal Bank) were promptly attended to and action taken to reconcile them. The ZAO should keep a watch over the receipt of such reference in form as per Annexure 'E' to CCA, CBDT letter dated 18-8-88 quoted above, from the Designated Officer;
- (vi) that the Date wise Monthly Statements received by the ZAO from the Nodal Banks were promptly verified as per procedure contained in CCA, CBDT circular dated 18.8.88 and that one copy each was returned to the Nodal Bank.
- (vii) that reconciliation of the amounts 'put through' by Banks as per monthly account rendered by R.B.I. C.A.S., Nagpur, has been done with reference to the verified monthly statements of Nodal Banks available in Z.A.O.;
- (viii) that discrepancies, if any, noticed during the course of reconciliation were got settled with the Nodal Banks and that Z. A.O. reported the matter to Dy. CA concerned for taking up the matter at higher level for settlement of items which could not be settled by personal contact by Z.A.O.;
- (ix) that the copies/extracts of the monthly analysis of transactions settled (as reported by R.B.I. C.A.S., Nagpur to Pr.CCA, CBDT through monthly account) were received from the Pr.CCA and prompt action was taken by Z.A.O, for settlement of discrepancies, if any, with the Nodal Bank concerned;

- (x) that the broadsheet of "PSB Suspense" was maintained properly showing the amounts booked by Z.A.O. as per his accounts and that the amounts cleared were those as per extract of monthly analysis supplied by CCA, CBDT; and the balance outstanding. It should be seen that prompt action was taken by Z.A.O. for settlement of old transactions;
- (xi) that ZAO sent monthly reconciliation report to CCA, CBDT by 25th of the following month.

### **7.7 Internal Audit of Receipt Accounting in the Income Tax Offices.**

The procedure in respect of accountal of transactions in the Income Tax Offices is contained in Chapter-IV of the booklet "Departmentalised Accounting System for Direct Tax" and the booklet "System of Accounting for Direct Tax receipts and refunds" which should be referred to by Internal Audit parties before conducting internal inspection of I.T. Offices. The internal audit parties should keep the following points in view during audit of accountal of receipts.

#### **A. Audit of CIT (Computer Operation)**

The scrolls accompanied by challans and refund vouchers are received from the Nodal Bank by the CIT (Computer Operation) as the case may be. While conducting audit of CIT(CO.), it should be seen that all the challans/refund vouchers except suspense and transfer challans were sent to the concerned C.O. through Distribution Memos indicating the individual amount of each challan, refund advice, number of challans and total amount of challans. It should be seen that the Daily Main Scrolls are posted in the Bankwise Register (separately for Receipts and Refunds) in form circulated vide CCA's letter dated 18-8-88 and that Monthly Summary is also prepared in prescribed form. It should be seen that entries in the Daily Tally Register of Collections/Refunds tally with the scrolls.

2. In respect of challans/refund advices whose destination is not discernible (i.e. Suspense challans), CIT (CO) is required to maintain Central Daily Collection Register (CDCR)/ Central Register of Daily Refunds (CRDR). Audit parties should check:

- (a) that all suspense challans/Refund advices, whose destination could not be ascertained within three months were accounted for in terms of para 4.5(vi) of the booklet "De-partmentalised Accounting System for Direct Taxes". It should be seen that a rubber stamp indicating 'Accounted for' has been affixed on such suspense challans / refund advices to avoid their subsequent accountal when their destination becomes known;
- (b) that outstation challans were accounted for by CIT(CO) before being transmitted to the ITO to whom they pertained;
- (c) that proper action was taken to obtain missin scrolls/challans/refund vouchers, etc. from the concerned Nodal Bank;
- (d) that immediate action was taken on the discrepancies noticed in the scrolls;
- (e) that major headwise accounts were prepared in respect of all challans/refund vouchers received upto a cutoff date (viz., upto last day of the month) in the prescribed format and transmitted to ZAO within the prescribed period;
- (f) that proper watch had been kept on receipt of detailed accounts from the DCUs against challans/refund vouchers sent to them;
- (g) that detailed accounts from all the C.O. were compiled/consolidated, after incorporating Suspense challans/vouchers alongwith transfer challans before transmitting them to ZAO. It should also be seen that suspense challans/refund advices for the last quarter of the financial year were accounted for in the month of Mareh itself, and not carried over to the next financial year; It should also be seen that following documents were despatched alongwith detailed accounts to the Z.A.O.:—
  - (i) proof-sheet in prescribed form showing the difference between the major headwise account and detailed account.
  - (ii) details (in prescribed form) of amounts transferred from one major head to another.

- (h) that challans received from other Designated Officers (after their accountal) were properly distributed to the ITOs through CIT(CO) after keeping record in the CDCR/CRDR;
- (i) that detailed statement showing sub-/detailed/minor/major head-wise break-up of the collections pertaining to the charge of a C.I.T. was furnished in the prescribed proforma to enable exercise of managerial control;
- (j) that no detailed accounts were remaining to be sent to the Z.A.O. at the end of a financial year. No balance should remain outstanding under the minor head 'R A T' in any major head at the close of the financial year.

**B. Audit of Refunds**

The IAPs should check the following points during Audit of Refunds:-

- (i) records of two months in a year of at least two wards of each ITO of each CCIT/CIT/DCIT/ACIT/DIT;
- (ii) that the refund order/advice refund order books were maintained properly and kept in the safe custody of the issuing officers;
- (iii) that a certificate regarding verification of credit had been recorded on the back of refund voucher;
- (iv) that entries of refund vouchers were made in red ink in the image of computerized sheet;
- (v) that quarterly review is done with the entries in the Demand/Collection Register to assess whether all the Vrs. issued by the AOs are encashed and the same are noted in column provided for in D&CR maintained in AC Circle/ITO wards;
- (vi) that the specimen signatures of the officers of the Income Tax Department who are authorized to draw refund order are being sent to the Paying Branches concerned in advance by the Income Tax Authorities;
- (vii) that specimen signatures are duly certified by an officer of the I.T. Deptt. whose specimen signatures is in turn already on record with the branch;

- (viii) that the Register of Stock Account of Refund Voucher books are properly maintained by Assessing Officer and that physical verification of stock of Refund Vouchers conducted are periodically with certificate to this effect being recorded in the Stock Register.
- (ix) That all the refund vouchers issued by Regd. Post and their acknowledgements are kept in the record of Asstt. Commissioner, Circle of respective AC Circle/ITO Wards;
- (x) That intimation regarding use of new Refund Voucher book given to paying bank while there is a change of No. in use of book.
- (xi) IAP should also report any other defect noticed with regard to the procedure of issue of Refund Orders.

**C. P.D. ACCOUNTS: Major points to be checked by IAP**

While conducting internal audit in respect of the Personal Deposit Accounts maintained by the Commissioners of Income Tax/Tax Recovery Officers, the internal audit parties should see :—

- (i) that the P.D. account has been opened after obtaining sanction of the Government;
- (ii) that the account was opened at the RBI/SBI at the headquarters of the CIT
- (ii) that the cash book in respect of P.D. Account was properly maintained showing the deposits made and the payments made through cheques;
- (iii) that the amounts seized/collected by the CsIT were promptly deposited into the authorised P.D. Account maintained at the RBI/SBI and noted in the cash book and there were no unusual delays in depositing or entering the amounts in the cash book;
- (iv) seizures made at the outstation (i.e. at places other than the headquarters of the Cs.I.T.) were deposited in the RBI/SBI at these stations with the request in writing that the money should be transferred to the P.D. Account concerned in the RBI/SBI at headquarters of the C.I.T. concerned;
- (v) that balances in the cash book were reconciled with balances in the books of bank/ZAO;

- (vi) that action was taken to reconcile differences (if any), between the figures of the CIT and the bank and between, the figures of the C.I.T. and the Z.A.O.;
- (vii) that the CIT/ maintaining the P.D. Account rendered a simple monthly account by 10th of the following month showing opening balance, receipts during the month (with datewise details), payments made (with details of cheques issued—whether encashed or otherwise) alongwith closing balance;
- (viii) that the P.D. Account holder had been receiving a statement from the Bank,  
by the 5th of the following month showing :—
  - (a) Opening balance of the month;
  - (b) Total receipts during the month;and
  - (c) Total payments during the month;
- (ix) that in respect of P.D. Accounts where transactions had. not taken place for a long period whether there was adequate justification for the continuation of such accounts;
- (xi) that minus balances do not appear in the P.D. Accounts.

#### **D. Audit of Receiving Bank Branches**

I. The extent and scope of bank inspection will be limited to records relating to payment of Govt. claims and departmental receipts maintained by the accredited receiving Bank branches. These records will be inspected with reference to various points enumerated in the check list (Annexure-O).

(a) These branches are to be inspected to ensure that collections have been promptly remitted to the Nodal Bank branches. More emphasis may be laid on such branches which have persistent delays in sending various scrolls/statements prescribed or branches which are making abnormal delays in remittances of collections to the Nodal Point branches.

(b) Generally the record for the last one year should be seen with special emphasis on record for the last months to assess the performance of the branch in regard to



prompt remittance of collections to Nodal Bank branches and rendering of various scrolls to the PAOs.

(c) Number of working days to be taken for inspection of a branch will be normally one day to three days depending upon the quantum of work involved and as decided by the Pr. Chief Controller of Accounts (Internal Audit) frequency of inspection should normally be once in two years or as may be decided by the Pr. Chief Controller of Accounts (Internal audit).

(d) The internal audit parties should inspect bank branches in consultation with the PAO/ ZAO concerned. Preference should be given for the inspection of a branch which is Habitual in sending various scrolls/statements late or there are discrepancies/incorrectness/omission in these scrolls/statements etc. and the receiving branches where heavy revenue receipts are generated and where there are repeated instances of delayed remittances.

(e) The inspection reports should be issued in the form of a checklist (Annexure-O) mentioned above. These reports should be addressed to the General Manager of the Public Sector branch concerned highlighting the major deficiencies and a copy of the inspection report should also be endorsed to the Regional/Zonal Manager as well as the branch concerned for taking appropriate remedial action.(CGA`s D.O. No.G-25020/1(9)/88-MF-CGA/Bank Insp/299 dated 16.5.89, P.17 of file on PSB Audit)

**II.** Besides, the following points pertaining to OLTAS may be kept in view and reported upon:-

- (i) The Sl. No. on the challans should be recorded by the Branch. Double Dated stamp in the case of payment of tax by cheque should be embossed on the challan.**
- (ii) The total challans, collection should be remitted to the Nodal Branch alongwith printout details same day in the evening.**
- (iii) The stamp 'Cash Received' should be embossed on the challan.**
- (iv) The date of deposit and date of realization should be recorded on the challan.**
- (v) The paper token to the assessee should issued by the branch.**

**(vi) (a) Permissible period for remittance of Government revenues into Government account.**

**Revenue collections (Manual)**

<b>Sl. No.</b>	<b>Transaction</b>	<b>Remittance period for Public Sector Banks</b>	<b>Remittance period for Private Sector Banks</b>
1.	OLTAS	T+3 working days (excluding put-through date) (Local & Outstation)	T+3 days (including holiday, Sunday and put-through date)
2.	EASIEST and Other Government Transactions	T+3 working days for Local Transactions (excluding put-through date) & T+5 working days for Outstation Transactions (excluding put-through date)	T+3 days (including holiday, Sunday and put-through date)
3.	Branches located in Jammu & Kashmir, Leh, Uttarakhand, Himachal Pradesh, Sikkim, North Eastern Region (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura), Jharkhand and Chhattisgarh.	T+12 working days (excluding put-through date) (w.e.f. 01.01.2010)  The extended period is not applicable to remittance of funds under the deposit schemes viz. PPF/SCSS, etc. of Ministry of Finance.	T+3 days (including holiday, Sunday and put-through date)

**E-payments (though Internet) (including EASIEST and OLTAS)**

<b>Sl. No.</b>	<b>Remittance period for Public Sector Banks</b>	<b>Remittance period for Private Sector Banks</b>
1.	T+2 working days (excluding put-through date)  (w.e.f. 01.08.2008)	<hr/> <b>T+1 working day (including put through date) w.e.f. 01.08.2008</b> <hr/>
2.	T+1 working day (excluding put-through date)  (w.e.f. 01.01.2009)	<hr/>

(CGA's O.M. No. S-11012/3/P.Intt.(RP)/CGA/2007/RBD/1058 dated 08.07.2008)

The time is to be counted from the date of receipt in the Receiving Branch to its transmission to nodal branch and then to Govt. Account at CAS, Nagpur. Thus, the period of delay will be counted from the date of receipt of the collection at the Receiving Branch (actual realization of money in the Bank) till it is reported to Reserve Bank of India, Central Accounts Section, Nagpur for credit to Govt. Account. For calculating the working days, Reserve Bank of India calendar will be followed.

(b) Levy of petty amount of penal interest on delayed remittances of Government receipts. Considering the cost, time and resources involved in pursuing petty claims of delayed period penal interest involving amount of ` 500/- or below, it has been decided that these claims of penal interest will be ignored and excluded from the purview of penal interest w.e.f. 01.01.2008.

(CGA's O.M. No. S-11012/3/P.Intt.(RP)/CGA/2007/RBD/499 dated 31.03.2009/06.04.2009)

(c) Waiver of penal interest due to the teething problems experienced by dealing branches during the initial period of OLTAS.

After considering the various problems which had arisen during the initial period or implementation of OLTAS before the systems stabilized, the six quarters (i.e. 01.04.2005 to 30.09.2006) have been exempted from the purview of penal interest.

(CGA's O.M. No. S-11012/3/P.Intt.(RP)/CGA/2007/RBD/499 dated 31.03.2009/06.04.2009)

**(d) Rate of Interest**

If there is any delay in remittance the banks are liable to pay "Delayed Period Interest" at bank rate (as notified by RBI from time to time)+ 2.00%. The existing rate of interest on delayed remittances and double/excess reimbursements is 8% (i.e. Bank Rate 6.00% + 2.00%).

(CGA's O.M. No. S-11012/3/2003-04/Pt.III/RBD/1046 dated 08.07.2008)

**E. Audit of Nodal Branches of tax collecting Banks**

The IAP should check the following during the audit of Nodal Branch of authorized bank in addition to the points mentioned above in Para "D".

- (i) that multiple challans are not generated by the bank against same PAN/TAN under same Major, Minor Head on a single day.
- (ii) that sub-agency arrangement is not adopted by the bank for collection of CBDT dues.
- (iii) whether the Turn over Commission (ToC) claim is certified by the external auditor (CA) before it is submitted to the RBI for payment.

## **CHAPTER VIII**

### **8. Implementation of "COMPACT" PROGRAMME**

As all are aware, the O/o C.G.A. is very keen to see that each and every PAOs under the accounting jurisdiction of each Pr.CCA/CCA/CA have implemented the COMPACT and E-Lekha in its totality. It includes generation of token to issue of cheques, monitoring of budget, compilation of monthly account, finalization of apension and GPF cases, thereafter uploading of all these activities in e-lekha. Although, the COMPACT and E-Lekha are implemented and running successfully in all of our Zonal Accounts offices, however it is necessary to ensure that all the modules of COMPACT should continue to run in all ZAO's of CBDT and uploaded in E-lekha regularly. For the purpose, Internal Audit Party should specifically check and comment on the following point while conducting the audit of respective ZAO's.

#### **(I) Checks for Pre-check Module.**

- (i) The budget is fed with proper Major/Minor & Sub Head with relevant Code Nos.
- (ii) No. of token generated during a particular period.
- (iii) No. of bills pending during that period.
- (iv) No. of cheques pending during that period.
- (v) Total no. of vouchers generated during that period.

#### **(II) Compilation of Accounts Module.**

- (i) Physical no. of CDDOs and no. in respect of whom data entered.
- (ii) No. of vouchers entered.
- (iii) No. of challans entered.
- (iv) No. of Payment/Receipts scrolls entered.
- (v) No. of cheques cancelled permanently.
- (vi) No. of cheques cancelled for issuing fresh cheques.

**(III) G.P.F. Module.**

- (i) No. of active subscribers
- (ii) No. of Accounts for which schedules entered.
- (iii) No. of Transfer out cases.
- (iv) No. of Final payment cases.

**(IV) Pension Modules.**

- (i) No. of PPOs generated.
- (ii) No. of PPOs sent to CPAO through Text file.

Basically the above information will be available with each ZAO on the website [cga.nic.in/e-lekha](http://cga.nic.in/e-lekha) under the column MIS-8 (COMPACT) and the audit parties have to check and certify its correctness having checked physically with respect to original records.

2. Besides, the audit party will comment clearly upon any difficulty or problem being faced by a particular ZAO in implementation of computerized programme under "COMPACT" and "e-lekha" alongwith suggestion to solve it.

**(V) E-Lekha:**

- (i) No. of payment Heads for which budget not entered.
- (ii) No. of bills passed with budget overriding & reason thereof.
- (iii) GPF schedule entered up to.
- (iv) Date of last back-up taken.
- (v) Version of COMPACT in use. Is it the latest version issued by the NIC?

(vi) Data up-load status. Whether the data are being uploaded in e-lekha regularly.

(vii) No. of back-ups and restores.

## **Chapter IX**

### **9. INTRODUCTION OF NEW PENSION SCHEME**

#### **9.1 Checks to be exercised by Internal Audit in ZAOs/PAOs :**

The Govt of India, Ministry of Finance, Deptt. of Exp.have introduced a new defined contributory Pension scheme replacing the existing system w.e.f. 1.1.2004 vide O.M. No. F.No.1(7)(2)/2003/TA/11 dated 7.1.2004 (which is placed at Ann. ). The AOs/AAOs/JAOs of Internal Audit Parties of this organisation are advised that during the course of internal audit it may be ensured that: -

1. On receipt of consolidated information in Annexure-II from the DDOs/CDDOs the ZAO has allotted a 16 digit Permanent Pension Account Number (PPAN) to each individual and sent the statement to concerned DDOs/CDDOs by 10<sup>th</sup> instant.
2. ZAO has maintained an index register for the purpose of allotment of PPAN in Annexure VII.
3. ZAO has consolidated the information received in Annexure-II from various DDOs/CDDOs in Annexure-II A and sent to Pr. AO by the 12<sup>th</sup> of every month.
4. On receipt of separate salary bills in respect of Govt. Servants joining service on or after 1.1.2004, ZAO has exercised usual checks and passed the bill and made the payment, and after the payment is made and posting done, one set of schedules relating to Pension contributions have been detached from the bills as done in the case of other schedules such as GPF advances etc. The schedule has been utilized for posting the credits of contribution in detailed ledger account of the individual.
5. The Govt. contribution has been posted in different columns of the individual ledger account, to be maintained in the format (Annexure-V) and broadsheet and tallied with the accounts figure as being done in the case of GPF.
6. The ZAO has consolidated the information available in the pension fund schedule received from the various DDOs and forwarded the same in



the prescribed from Annexure-VII to PrAO by 12<sup>th</sup> of the month following to which the credit pertains.

7. Whenever any Govt. servant is transferred from one office to another office within the same accounting circle or to another accounting circle balances are not transferred by the PAO/ZAO to another Accounts Office.
8. Since arrear of Salary and arrear of Dearness Allowance also attracts the provision of deduction @10%, whether the same is deducted or not.
9. It should be ensured that no withdrawal of any amount is allowed from pension fund.
10. Whether PRAN has been allotted by NSDL or the amount of employee contribution of Govt. Contribution recovered from the bills has been initially classified under the head – Receipt Awaiting Transfer (RAT) and subsequently cleared the same head while sending cheque to Trustee Bank of NSDL.
11. It should be ensured by the ZAO that there should be no balance under the head – RAT at the end of each month.
12. ZAO/CDDO has timely remitted the contribution to the Trustee Bank preferably through RTGS/NEFT.
13. Whether the cheque has been sent after enfacing transaction ID by CDDO/ZAO and matches with the Account figure of the month.
14. Whether CDDO/ZAO has maintained the individual wise account indicating the amount of contribution paid to the trustee Bank and details of remittance.

## **9.2. GUIDELINES REGARDING INTERNAL AUDIT OF DDOs/CDDOs.**

The Govt. of India has introduced a new Defined Contribution Pension Scheme replacing the existing system. The new pension scheme comes into operation w.e.f. 1.1.2004 and is mandatory to all new entrants to Central Govt. Service joining on or after 01.01.2004. With a view to ensuring complete implementation of the new pension scheme the following 10 points must be verified and commented upon in internal audit of DDOs/CDDOs: -

- 1 Whether immediately on joining Govt. service by an individual on or after 1.1.2004, the DDO/CDDO has asked the Govt servant to provide particulars/information's such as his/her name, designation, scale of pay, date of birth, nominee(s) for the pension fund, relationship of the nominee(s) etc. in the prescribed form (Annexure I) and kept in his office for records.
- 2 Whether DDO/CDDO has consolidated the above information's in the prescribed format (Annexure II) for all those who have joined the Govt. service during the month and sent the Annexure II to the ZAO by 7<sup>th</sup> of the following month.
- 3 Whether on receipt of the above information ZAO has allotted a 16 digit account number to each individual and sent the statement to the concerned DDO/CDDO & in turn he has intimated the account number to the individual concerned and also kept a note in his/her PBR.
- 4 Whether the DDO/CDDO has prepared a separate PBR in respect of the Govt. servants joining the Govt. service on or after 1.1.2004 and also prepared separate Pay bills in respect of these Govt. servants and has sent with all the schedules to the ZAO before 20<sup>th</sup> of the month to which the bills relate.
- 5 Whether Cheque Drawing DDOs in respect of Govt. servants joining service on or after 1.1.2004 have only prepared the pay bills and not drawn payments and such bills are sent by them to the ZAO for pre check and payment.
- 6 Whether the DDOs/CDDOs have deducted the contribution for pension scheme equal to 10% of basic pay plus DA from the pay of each Govt. servant every month and have also prepared a recovery schedule in duplicate in the prescribed form (Annexure III) and attached them with the pay bills.
- 7 Whether alongwith the salary bill for the Govt. servants who join service on or after 1.1.2004, the DDOs/CDDOs have also prepared a separate bill for drawal of matching contribution to be paid by the Govt. creditable to pension account.
- 8 Whether the bill for drawal of matching contribution has also been supported by the schedules of recoveries in form (Annexure-IV).

- 9 Ensure that whenever any Govt. servant is transferred from one office to another either within the same accounting circle or to another accounting circle balances were not transferred by the ZAO/PAO to other accounts office. It may also be verified if the DDO/CDDO has clearly indicated in the LPC of the individual the unique account number, the month upto which Govt. servant's contribution and Govt. Contributions have been transferred to the pension fund.

**ANNEXURE 'A'**  
(Referred to in para 3.1)

Office of the Pr.CCA, C.B.D.T., New Delhi.

No. IAP/CBDT/

To

The....., .....

*Sub* : Internal Inspection of Accounts.

Sir,

The internal inspection of your office would be undertaken by the internal audit party of this office headed by Shri/Smt/Kum       Accounts Officer/Asstt Accounts Officer from ..... to .....

2. Suitable instructions may be given for making available necessary records to the Inspection Party. A list of important records to be examined by the party is enclosed. Necessary instructions may also be given to the concerned staff to furnish relevant information/replies to audit queries at the earliest.

3. ***A proper room and sitting arrangements may kindly be provided alongwith almirahs with proper locking system for safe keeping of records being examined.***

4. Arrangements may also be made for the accommodation of the party members as per details given below.

Yours faithfully,

A.O./AAO

**ANNEXURE 'B'**

*(Referred to in para 3,3)*

REGISTER OF SPECIAL POINTS FOR INVESTIGATION BY INTERNAL  
AUDIT PARTIES

<b>S.No</b>	<b>Name and Particulars of D.D.O.</b>	<b>Brief description of the Irregularity</b>	<b>No. &amp; date of letter under which communicated to IAP for Inspection</b>	<b>Final observation of I.A.P.</b>	<b>Initials of ZAO</b>	<b>Remarks</b>

**ANNEXURE 'C'**  
**(Referred to in para 4.3)**

**ALLOTMENT OF DUTIES DURING INTERNAL AUDIT OF THE**

---

<b>Sr. No</b>	<b>Name and designation</b>	<b>Duties Allotted</b>	<b>Signature of the AAO/JAO/Sr.Acctt./Acctt</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>

AAO (IAP)

Certified that the duties allotted to the above have been duly discharged by me effectively.

Signature of Acctt/Sr. Acctt../AAO

## **ANNEXURE 'D'**

*(Ref. Para 4.9)*

### RECORDS TO-BE MAINTAINED IN ZAO OFFICE (OTHER-THAN- AS DDO)

1. Stock register of cheque books/form CAM-1.
2. Stock register of cheque form CAM-2. ....
3. Bill Diary—CAM-4.
4. Token Register—CAM-5.
5. D.D.O.-wise bill passing-cum—expenditure Control Register—CAM-9.
6. Register of cheques drawn—CAM-10.
7. Register of cheques delivered—CAM-11.
8. Register of requisition of Demand Draft-CAM42.
9. Pay and Accounts Office, Check Register—CAM-15.
10. Register of Valuables—CAM-16.
11. Register of P.S.B. Suspense—CAM-17.
12. Register of bills received—CAM-18.
13. Register of cheques issued—CAM-19.
14. Fly-leaf of pay register—CAM-23.
15. Establishment check register—CAM-24.
16. Register of special charges—CAM-25.
17. Objection book—CAM-26.
18. Broadsheet of HBA/MCA/other conveyance—CAM-30.
19. D.D.O.-wise Broadsheet of short term advance—Form CAM TR-62.
20. Register of final post check of pre-checked bills—CAM-32.
21. Classified abstract Part I—CAM-37,
22. Classified abstract Part-II—CAM-38.
23. Consolidated abstract.—CAM-39.
24. Major/Minor head-wise ledger of balances under DDR heads—CAM-40
25. General Index Register of G.P.F.—CAM-44.
26. Alphabetical Index Register of G.P.F.
27. Stock register of Insurance Policies—CAM-45.
28. Register of details of Insurance Policies—CAM-46.
29. G.P.F. Ledger—CAM-47.
30. G.P.F. Broadsheets—CAM-48.
31. Subscribers Annual Account Statements ---CAM-49.
32. Register of Missing G.P.F. credits/debits—CAM-50.
33. Register of final payment cases—CAM-51.
34. Pension payment order register—CAM-52.
35. Register of outward claims—CAM-53.
36. Register of inwards claims—CAM-55.
37. Register of watching Pension and leave salary contribution—CAM-58.
38. Register of permanent advance—CAM-61.
39. Appropriation audit register—CAM-61
40. Register of Deposits—CAM-63.
41. Broadsheet of P.A.O. Suspense—CAM-64.
42. Bank reconciliation statements—CAM-20.
43. Register of periodical charges—CAM-27.

44. Register of Grants-in-aid.
45. Register for selection of vouchers for normal/numerical audit.

**ANNEXURE 'E' (Ref. para 4.9)**

**RECORDS TO BE MAINTAINED IN FIELD PAY UNIT**

1. Bill Diary—CAM-4
  2. Token Register—CAM-5.
  3. Token census Register—CAM-7.
  4. D.D.O.-wise bill passing-cum-expenditure control Register—CAM-9.
  5. Stock Register of cheque books—CAM-1
  6. Stock account of cheque forms—CAM-2,
  7. Register of cheques drawn CAM-10,,
  8. Register of cheques delivered - CAM-11
  9. Register of requisition of Bank drafts - CAM-12.
- 
10. Register of bills received—CAM-18.
  11. Register of cheques issued—CAM-19.
  12. Intimation regarding the cheque forms brought to use—CAM-3.
  13. Register of special charges—CAM-25.
  14. Register of periodical charges—CAM-27.
  15. Bank reconciliation statements—CAM-20.



## **ANNEXURE 'F'**

### **(Ref. Para 4.9)**

#### RECORDS TO BE MAINTAINED IN DRAWING & DISBURSING OFFICES

1. Cash-Book in form - GAR.3.
2. Receipt Book - GAR-6.
3. Challan File - GAR-7.
4. Subsidiary Cash Book.
5. Acquaintance Rolls-GAR-11, GAR-24
6. Register of undisbursed pay and allowances-GAR-25
7. Pay Bill Register - GAR-17
8. Abstract of pay bill - GAR-18
9. Office copies of arrear bills.
10. Register of Contingent charges - GAR-27
11. Office copies of contingent bills and sub-vouchers.
12. Register of reimbursement of Medical charges-GAR-23
13. Register of T.A./Medical/LTC advances
14. Office copies of T.A. ./Medical/LTC bills
15. Over time allowance register
16. Register relating to court attachment - GAR-22
17. Membership register of C.G.E.G.I.S. Scheme - form-9
18. P.L.I. register
19. Register of valuables - GAR-5
20. Bill Register - GAR-.9
21. Bill Transit Register - GAR-10
22. Stock register of service postage stamps
23. Fidelity guarantee given by Cashier
24. Annual Sanction of special pay to cashier
25. Log book of Departmental Vehicles
26. Files relating to purchase of stationery
27. Files relating to purchase and distribution of liveries.
28. Guest House Register
29. Register relating to distribution/recovery of rent etc. in respect of Departmental Pool quarter
30. Telephone-Trunk calls registers-Recovery of Private Calls/Excess Calls etc.
31. Files relating to payment of special pay to Cashier/staff with important work/conveyance to handicapped etc.
32. Files relating to fixation of pay.
33. Pension files of officers retiring within next two years and those already retired
34. Files relating to sanction of House rent for Govt. Building - lease deeds etc.
35. Register of Service Books
36. Service books of 25% of the staff selected for review.

37. (i) Stock register of furniture/fixture dead stock etc.  
(ii) Stock register of typewriters/computers;  
  
(iii) Stock register of forms;  
  
(iv) Stock register of consumable items;  
  
(v) Stock register of Liveries.
38. Physical verification reports of stores.
39. G.P.F. A/c records of Group 'D' – Ledger-Broadsheet etc.
40. Previous Internal Audit reports
41. Audit report of CAG/CGA organization
42. Monthly abstract of short-term advances – GAR-39
43. Library register
44. Permanent Advance Register – GAR-61

## **ANNEXURE 'G'**

*(Ref. para 4.10)*

### **GENERAL CHECKS TO BE EXERCISED**

Internal audit parties will exercise the following general checks during internal audit of the Zonal Accounts Offices :

- (a) All accounts records required to be maintained are maintained in the prescribed forms and the accounts are compiled accurately and in correct manner and are submitted to the Zonal Accounts Office by the due date.
- (b) Payments are made in accordance with the rules and orders governing them and the arithmetical calculations are correct.
- (c) Terminal claims of Government servants are correctly paid and overpayments, if any, brought to the notice of concerned DDO for appropriate action,
- (d) Recoveries/deductions made from the bills are in order.
- (e) Pay fixations are correct.
- (f) All payments and receipts are duly accounted for.
- (g) All transactions are accounted for under the correct heads of account and the classification is checked by the JAO/AO to the extent prescribed. No unauthorised head of account is operated in the Classified Abstract/consolidated Abstract.
- (h) Various broadsheets, objections books and calendar of returns are maintained properly:  
  
the broadsheets are closed regularly every month, and. the differences between broadsheets and ledger figures analysed and steps taken to clear them expeditiously.
- (i) The balances outstanding under various debt, deposit, suspense and remittance heads are reviewed at periodical intervals and steps taken to clear the same as expeditiously as possible,
- (j) G.P.F./CP.F. accounts are maintained properly and agreed by maintaining the prescribed  
  
broadsheets; no missing debits/credits and unposted items are kept outstanding for unduly long periods and the annual accounts are closed and statements of accounts issued by the due dates.

- (k) Foreign service contributions, wherever necessary are recovered correctly.
- (l) Loans and advances and grants-in-aid are correctly paid and overpayments, if any, brought to the notice of concerned DDO for appropriate action.
- (m) Receipt scrolls/payment scrolls with challans and paid cheques are received in time from the primary Bank branches, checked properly as per instructions and the discrepancies, if any, pointed out promptly.
- (n) In the case of payments made by FPU/cheque drawing DDOs, the lists of payments accompanied by paid vouchers are received every week by the prescribed dates from them, checked and properly accounted for.
- (o) The weekly accounts of receipts realised and remitted by the departmental officers with duplicate copies of challans, are received from them and checked properly with the bank scrolls.
- (p) The instructions regarding reconciliation of figures under the heads "Public Sector Bank Suspense" and "R.B. Deposits" are duly followed.
- (q) The instructions regarding reconciliation of expenditure and revenue receipt figures are followed.
- (r) There is no undue delay in the finalisation of pension cases and final payments of provident fund balances.

**RECORDS TO BE SPECIALLY SEEN AT CCIT/C.I.T. OFFICE IN ADDITION  
TO GENERAL RECORDS LISTED ABOVE**

1. File relating to payment of grants-in-aid/subsidy to canteen/tiffin room cell/recreation club and its utilisation.
2. File relating to sanction on repairs of staff car.
3. Files relating to purchase of staff car.
4. Sanction for purchase of furniture /printing of forms,
5. Files relating to payment of rewards to staff and informers—Certificate of payment,
6. Files relating to payment of professional charges,
7. Files relating to payment of Suspense Court deposits.
8. Files relating to-contingency paid staff.
9. Stock register of receipt books.
10. Files/records relating to allotment of quarters.

II. Sanction files of HBA/MCA/Cycle advance.

12. Stock register of refund books.

13. Files relating to sanction of special pay/fixing of rents/stepping up-of pay etc.

14. Expenditure on search and seizure.

15. Deposits for diet charges.

**ANNEXURE 'H'**

***(Ref. para 4.10)***

**GENERAL CHECKS TO BE EXERCISED DURING INTERNAL AUDIT OF  
ACCOUNTS OF CHEQUE DRAWING/NON-CHEQUE DRAWING D.D.Os.**

- (a) All accounts records required to be maintained, are maintained in the prescribed forms.
- (b) Payments made by the FPU/cheque drawing DDOs are in accordance with the rules and orders governing them, their arithmetical calculations are correct and the recoveries/deductions made from bills are in order; the lists of payments accompanied by paid vouchers are sent every week by them as per instructions to the concerned Zonal Accounts Officer by the prescribed dates.
- (c) "Accounts Payee" cheques in favour of Govt. servants and third parties (being payable only to the concerned payees) issued by the Zonal Accounts Officers after, pre-check of relevant bills to DDOs are not being entered in the Cash Book maintained by them and that the delivery and acknowledgement of such cheques is being watched through a separate register required to be maintained for the purpose.
- (d) Pay fixations are correct.
- (e) The weekly accounts of receipts with duplicate copies of challans are being sent to the concerned Zonal Accounts Office.
- (f) Purchases are made as per rules and orders governing reasons thereof are recorded.
- (g) All sub-vouchers pertaining to contingent charges not sent to the ZAO alongwith contingent bills are available in office, are otherwise in order and have been properly cancelled.
- (h) GPF/CPF accounts of Group 'D' employees are maintained properly.
- (i) The instructions for processing/submission of pension cases to the concerned ZAO are observed.

**ANNEXURE 'I' (Referred to in para 4.13)**

**PROPOSED QUANTUM OF CHECK/REVIEW DURING INTERNAL AUDIT OF EXPENDITURE ACCOUNTS**

**(Central Board of Direct Taxes)**

S. No.	Particulars of documents/ vouchers etc	Extent of Check		Extent of Check			Remarks
		Acctt.	AAO	AO	AAO	AO	
1	2	3	4	5	6	7	8
1	(a) Pay bills including bills for allowances and honorarium, tuition fee, children education allowance for selected month	100 % (for arithmetical accuracy of vrs.)	100%		25% of bills checked by Acctt.	25% of bills checked by JAO	%
	(b) Arrears bills/ supplementary bills of the selected month		100%			25%	
	(c) Scale Audit Register		100% of any one month to be selected from ZAOs records			25%	
	(d) Fly leaf	100%			25%	25%	
2.	TA Bills of selected month including LTC bills	50%	25%		25% of Acctt. work	General Review	
3.	Medical reimbursement bills of	50%	50%		25 of bills checked	10% of bills checked	

	<i>selected month</i>				by Acctts.	by AAO	
4.	<p><i>Contingent bills of selected month:</i></p> <p><i>(a) Bills upto Rs. 1000/-</i></p> <p><i>(b) Bills above Rs. 1000/- but less than Rs. 5000/-</i></p> <p><i>(c) Above Rs. 5000/-</i></p>	<p>25%</p> <p>50%</p> <p>-</p>	50%		<p>50%</p> <p>25%</p>	<p>General Review</p> <p>25%</p>	
5.	<p><i>Vouchers for payment of loans and advances to Government servants for the period under check:</i></p> <p><i>(a) House Building Advance</i></p> <p><i>(b) M.C.A.</i></p> <p><i>(c) Other Advances for which DDO-wise Broadsheets are kept viz. Cycle Advance, Festival Advances etc., for the selected month</i></p>	100%	<p>100%</p> <p>50%</p>		25%	<p>25%</p> <p>10%</p> <p>General Review</p>	
6.	<p><i>Provident Fund Accounts Vouchers of selected month:</i></p> <p><i>(a) Temporary withdrawals</i></p> <p><i>(i) upto Rs. 1000/-</i></p> <p><i>(ii) Above Rs.</i></p>	100%	<p>50%</p> <p>50%</p> <p>50%</p>		25%	<p>12.1/2%</p> <p>12.1/2%</p> <p>25%</p>	



	<p>1000/-</p> <p>(b) Part/Final Withdrawal:</p> <p>(i) upto Rs. 10,000/-</p> <p>(ii) Above Rs. 10,000/-</p> <p>(c) Final Payments:</p> <p>(i) upto Rs. 10,000/-</p> <p>(ii) Above Rs. 10,000/-</p>		<p>50%</p> <p>100%</p>			<p>12.1/2%</p> <p>25%</p>	
7.	<p>P.F. Credits</p> <p>(i) Check of schedules of selected month with Ledger Col. And Broadsheets (Other than Gr. 'D' staff)</p> <p>(ii) Check of annual imprest calculations</p>	<p>33.1/2% of the total no. of a/cs so that all cards are reviewed once in a duration of three years</p> <p>8.1/3% of total No. of accounts</p>		<p>10%</p>	<p>12.1/2%</p> <p>General Review</p>	<p>General Review</p>	

8.	<i>Pension Cases (for the period under check)</i> <i>(i) Verification of pensionable service Report on pension and issue of authority:</i> <i>(a) Group A &amp; B Officers</i> <i>(b) Group C &amp; D Officers</i>		50% 25%			25% General Review	
9.	<i>Leave Salary &amp; Pension Contribution cases for the period under check</i>		33.1/3% of total no. of cases in the broadsheet			10%	
10.	<i>Review of A.D.A. (CDA) A/c Broadsheet (Compulsory Deposit Scheme) Debits, Credits for selected month.</i>	100%			25%	General Review	
11.	<i>Review of Inward/Outward Accounts for the selected month</i>	100%			25%	General Review	
12.	<i>Review of outstanding under "PAO Suspense" Broadsheet for the period under check</i>		100%			10%	
13.	<i>Check of compilation of accounts upto consolidated Abstracts/Detail book for the selected month including bank reconciliation and paid cheques</i>					The various items of work in this regard may be distributed by Inspected Officer according to the volume of work involved.	

## **GENERAL REVIEW OF OTHER RECORDS:-**

- Check of Assignments (Quarterly)
- Expenditure Control and appropriation (Audit Registers)
- Objection-Book and Adjustment Registers
- Personal Deposit A/c Register and Broadsheets
- Register of Valuables
- Register of Special/periodical charges
- Register of Cheque Books
- Calendar of Returns
- Register of irregular/insufficient sanctions
- A.O.s' check Registers
- Any other record/registers to be maintained as per orders/instructions.
- Records maintained by Z.A.O. in their capacity as D.D.O./Heads of Office.

## **ANNEXURE 'J'**

### *Chapter V (Para 5.7)*

#### QUESTIONNAIRE ON THE CHECKING OF SERVICE BOOKS

1. The Government Servants who are due to retire during the next five years
2. Name of the Govt. Servant and his designation
3. Has any entry been made that the Govt. Servant has furnished the medical certificate of fitness on first appointment
4. Has the Provident Fund Account Number allotted to a Govt. Servant been entered on the right hand top of Page 1 of his Service Book by means of a rubber stamp?
5. Have the entries on the first page of the Service Books been reattested after every five years?
6. Have the statements furnished by Govt. Servants pertaining to a family pension Scheme 1964, showing the details of family been countersigned and pasted with the Service Books?
7. Have the annual certificates of verification of service (including periods of leave including extraordinary leave been recorded?
8. Have all the orders of the Competent Authority been obtained for counting or otherwise of periods of extra-ordinary leave as qualifying service for pension? Similarly, are there clear indication about how the period of suspension or of unemployment preceding reinstatement is to be treated?
9. Has the entry regarding relaxation of upper age limit been made where applicable and got attested?
10. Have the entries regarding revision of pay and increment been made upto date?
11. Are the leave accounts complete and upto date and duly attested?
12. Do the entries regarding resumption of duty on return from leave clearly indicate forenoon or afternoon?
13. Has the note of recovery of leave salary and pension contributions been recorded in

respect of persons who remained on foreign service?

14. Have the corrections/overwritings been attested?
15. Have all the entries been attested in the Service Book?
16. Have the Service Books been shown annually to the Govt. Servant concerned and his/her signatures obtained thereon in token of his/her inspected the Service Book?
17. Has the D.C.R.G. & CGEGIS nomination been obtained and pasted in the Service Book?
18. Any other important event to be recorded

Place \_\_\_\_\_

Acctt./Sr. Accountant/A. A.O.

Date. \_\_\_\_\_

*(Name in capital letters)*

## **ANNESURE 'K'**

(Clause 23 of the orders)

### **OFFICE MEMORANDUM**

(No. 12011/03/2008-Estt. (Allowances) dated 02.09.2008.

Consequent upon the decision taken by the Government on the recommendations made by the sixth Central Pay Commission and in supersession of all earlier orders on the subject of Children Education Allowance and Reimbursement of Tuition fee, the President is pleased to issue the following instructions :

- (a) Children education Allowance and reimbursement of Tuition Fee which were hitherto payable separately will be merged and will henceforth be known as 'Children Education Allowance Scheme.
- (b) Reimbursement can be availed by Government Servants for the two eldest surviving children only except when the number of children exceeds two due to second child birth resulting in multiple birth.
- (c) Reimbursement will be applicable to classes Nursery to Twelfth will include Class I to XII, plus 2 classes prior to Class I irrespective of the nomenclature. The Schools/Junior colleges in case of class 11 and 12 must be affiliated to Boards or Universities, as the case may be. Even if a child fails in a particular class, the reimbursement of Children Education Allowance shall not be stopped.
- (d) Reimbursement for the following items can be claimed under this Scheme.  
Tuition Fee, Admission Fee, laboratory Fee, Special Fee charged for agriculture, electronics, music or any other subject, Fee charged for practical work under the programme of work experience, fee paid for the use of any aid or appliance by the child, library fee, games/sports fee and fee for extra-curricular activities. This also includes reimbursement for purchase of one set of text books and note books, two sets of uniforms and one set of school shoes which can be claimed for a child, in a year. However, the cost of pen, pencils, etc. Will be reimbursable.
- (e) The annual ceiling fixed for reimbursement of CEA is Rs. 12000/- . Under this scheme, reimbursement can be claimed once every quarter. The amount that can be claimed in a quarter could be more than Rs. 3000/- and in another quarter less than Rs. 3000/-, subject to the annual ceiling of Rs. 12000/- per child being maintained.

- (f) Hostel subsidy will be reimbursed upto the maximum limit of Rs. 3000/- per month per child subject to a maximum of 2 children. However, both hostel subsidy and CEA **cannot** be availed concurrently.
- (g) The above limits would be **autopmatically raised by 25% every time the Dearness Allowance on the revised pay structure goes up by 50%.**
- (h) These orders shall be effective from 1<sup>st</sup> September, 2008.

## ANNEXURE 'L'

(Referred to in par a 6.11)

### OFFICE MEMORANDUM

**Subject** :—Procedure for conduct of audit of accounts in the non-statutory canteens/Tiffin rooms functioning in various Ministries/Departments/Office mcss/Establishments of the Central Government.

It was decided in consultation with the Controller General of Accounts, Ministry of Finance (Department of Expenditure), that henceforth the audit of accounts in the aforesaid canteens/ tiffin rooms would be carried out by the Departmentalised Accounts Organisations of the concerned Ministries/Dcpartments/Offices. Necessary instructions in this regard were issued by this Agency vide O.M. of even number dated 8-2-1984.

2. A need has been felt for outlining the scop of audit its periodicity etc. in order to enable the Departmentalised Accounts Organisations in carrying out the audit of accounts in the Canteens/Tiffin Rooms. These are given in the succeeding paras of this O.M.

#### 3. SCOPE OF THE AUDIT :

Audit will generally be carried out on the basis of the following documents :—

- (i) DP & AR Scheme as enunciated in the Hand Book of "Administrative Instructions on Departmental Canteens in Government Offices and Industrial Establishments" (also popularly known as Green Book).
- (ii) Departmental Canteen employees (recruitment and conditions of Service) Rules, 1980 [published as GFR-54 dated 17-1-1981 in the Gazette of India, Part-U, Section 3, sub-section (i) ]
- (iii) Administrative instructions/orders issued by the Agency of the Director of Canteens, from time to time.

#### 4. PERIODICITY OF AUDIT :

The following time-schedule is prescribed for audit in the Canteens/Tiffin Rooms :—

- (i) More than 'A' typs Canteens .. .. . Once a year 'A', 'B' and 'C' type Canteens.



(ii) Type 'D' Canteens, type 'A' and ..... .. Once in 2 years. 'B' Tiffin Rooms.

However, the Departmentalised Accounts Organisations may carry out the audit earlier than the prescribed schedule, if considered necessary.

5. QUANTUM OF AUDIT :

One month's transactions may be checked in detail and general scrutiny including checking of casting exercised over the remaining period.

6. FORM FOR CONDUCT OF AUDIT :

While conducting audit, the Audit Team will complete the enclosed Form in collecting the organisational, functional and other data. If necessary, the audit team may add more columns to this Form. Departmentalised Accounts Organisation while forwarding the Report to the Chairman of the Canteen/Tiffin Room, for compliance, would also endorse a copy of the report to the Agency of the Director of Canteens. In turn, the Chairman, while furnishing the compliance report to the Accounts organisation would send a copy of such compliance report to this Agency for scrutiny, alongwith information regarding the month selected for detailed audit.

7. In case of any doubt or clarification on the conduct of audit, this agency may be addressed in the matter.

8. This issue with the concurrence with the CGA, accorded vide their U.O. No. G-25014/19/79/Inspection/Vol.11/579 dated 17.9.1984.

[Vide Government of India, Department of Personnel and Administrative Reforms, Director of Canteens, New Delhi, No. 23/3/83/Dir.(C) dated 31st January, 1985]

**FORM FOR CONDUCTING INTERNAL AUDIT OF ACCOUNTS OF THE  
CANTEEN/TIFFIN ROOM**

**A-ORGANISATIONAL SET UP**

1. Name of the organization with Postal address.
2. Name of Accounts Office which passes the Canteen/Tiffin room bills.
3. Controlling Ministry/Department.
4. Name of the Canteen/Tiffin room with Postal address.
5. Period for which the audit is being carried out.
6. Date of audit.
7. Name of the Chairman with official designation.
8. Name of the Honorary Secretary with official designation.  
  
(Note: Chairman and the Honorary Secretary should be of the rank of Section Officer or equivalent and above)
9. Number of office employees.
10. Type of the Canteen/Tiffin room.
11. Registration number allotted to the Canteen/Tiffin Room by the agency of the Director of Canteens.
12. Annual subscription paid upto.
13. Whether the Canteen/Tiffin Room is correctly types in accordance with the scale given in para 1.6 of the Green Book.
14. Number of Canteen employees:      Regular ..... Ad hoc .....
15. Any other relevant information.

**B- AUDIT OBJECTION**

(To be filled by the Audit Team)

**C-GENERAL OBSERVATION**

(To be filled by the Audit Team)

## **ANNEXURE 'M.'**

OFFICE OF THE PR. CHIEF CONTROLLER OF ACCOUNTS,  
CENTRAL BOARD OF DIRECT TAXES, 9th FLOOR, LOK NAYAK BHAVAN, KHAN  
MARKET, NEW DELHI-3

No. L01/51/78-CCA/1441

Dated : 28-4-1980

### **Office Memorandum**

**Subject: Submission of Accounts of Direct Taxes Receipts and Refunds—modified procedure regarding.**

In supersession of the existing orders for preparation and submission of Accounts of Direct Taxes Receipts and Refunds issued from time to time, the following procedure should be followed from 1-4-1980 (*i.e.* in respect of collections and Refunds for the month of April, 30 onwards), in view of the revised procedure of Accounts of Receipts of Direct Taxes introduced by the Board vide their O.M.F. No. 385/85/78-1T (B) dated 30-11-79. However, the existing instructions already prescribed in the booklet 'Departmentalised Accounting System for direct Taxes—Receipts and Refunds' and other instructions issued by the Chief Controller of Accounts regarding checking of scrolls, their accountal etc. shall continue to be followed subject to the changes now being made.

### **1. Records/Registers for compilation of Accounts**

**1.1** The following records/registers etc. shall be maintained by the Zonal Accounts Offices for the compilation of Accounts:

- (i) Register showing progress of recovery of T.D.S. (Annexure 'b');
- (ii) Register showing details of wanting Detailed Account from the Designated Officers (Annexure 'c');
- (iii) Register of Reconciliation between the figures of Receipts and Refunds as per the Major Headwise account of Designated Officers with the corresponding figures of the Zonal Accounts Offices (Annexure 'd');
- (iv) Register of Bank Reconciliation of Receipts and Refunds (Annexure 'e');
- (v) Register of watching Receipts of wanting scrolls (Annexure 'f');

- (vi) Classified/Consolidated Abstracts for Major Head-wise and Detailed Accounts (Annexure 'g');
- (vii) Register of Major Headwise collections Part A and B (Annexure 'h');
- (viii) Transfer Entries and Transfer Entry Abstracts.

(The maintenance of the register of Reserve Bank Deposits and other Broadsheets mentioned in CCA- R shall be discontinued).

1.2 The account shall include Receipts and Refunds for a month for which main scrolls are received from, the focal point bank by the Zonal Accounts Office by the cut off date viz. 5th of the following month. Any scrolls for a month received after the cut off date shall be included in the Accounts for the next month.

1.3 The entire collections and Refunds for a financial year shall be accounted for in that year itself. A supplementary Account for Mareh shall be submitted by the Zonal Accounts Office to account for the collections and Refunds for the year, which for some reason or the other could not be included in the monthly accounts upto Mareh as also for the purpose of including the remaining detailed accounts of the Designated Officers.

## **2. Preparation of Accounts**

**2.1** The Zonal Accounts Officers will henceforth render only one Receipt account (in the format Annexure 'a') for a month including the detailed account received from the CIT (Computer Operation) in their zone. This should reach to Chief Controller of Accounts office by the 8th of the following month, *i.e.* Account for April, 80 should be submitted by 8th May, 1980 and so on.

**2.2** The monthly totals of receipts and refunds under each Major Head in respect of each Focal Point Bank should be worked out in the register of Major Headwise collections (Annexure 'h').

**2.3** The net receipts in respect of each Focal Point Bank *i.e.* Receipts *minus* Refunds shall be credited in the classified Abstracts as Receipts against the concerned Minor Head under the minor head 'Receipts Awaiting Transfer to other Minor Heads' by per contra debit to the head '8658-P.S.B. Suspense/8675-R.B. Deposit', as the case may be.

**2.4** The State T.D.S. for which cheques/Drafts are received by the nominated Zonal Accounts Officers from the Accountants General shall also be posted as a separate item in the classified Abstract under the minor Head 'Receipt Awaiting Transfer to other Minor Head' under the major head concerned.

**2.5** (a) On receipt of the Detailed Account from the Designated Officer, the amounts thereof shall be credited to the Concerned Minor Heads/Sub heads etc. by per contra *minus* credit to the head 'Receipt Awaiting Transfer to other Minor Heads' in the Account in hand *e.g.* adjustment in respect of detailed account of a Designated Officer for 4/80 received by the end of May, 80 will be carried out in the Accounts of 5/80 which will be in hand at that time, Similarly in respect of accounts received after close of 5/80 accounts the adjustment will be carried out in the Account of subsequent month that may be open at that time.

(b) The Zonal Accounts Office nominated for the purpose of accountal of State T.D.S. shall also include the amounts of State T.D.S; booked by them under the concerned Minor/Sub heads etc. in the account to be submitted by them to the Chief Controller of Account. In this regard the instructions issued vide Chief Controller of Accounts O.M. No. 101/29/79/CCA/853 dated 4-9-79 shall be followed for preparation of Detailed Account of such receipts.

(c) Any changes in classification from one Major Head to another on the basis of Detailed Accounts of the Designated Officer shall be carried out by the Zonal Accounts Officers in the Account in hand by proposing Transfer Entry transferring amount from/ to the Minor Heads 'Receipt Awaiting transfer to other Minor Heads' against the Major Heads concerned. Similarly any other adjustment required in the, account shall be carried out only by proposing Transfer Entries. A Transfer Entry Abstract (Designated Offices wise shall also be maintained for consolidating all the Transfer Entries in respect of each Designated Officer.) This Transfer Entry Abstract shall then be posted in the classified Abstract.

**2.6** The accounts for April every year shall as such show the entire receipts in each Major Head under the Minor Head 'Receipts Awaiting Transfer to other Minor Heads'. In the account for month of May onward till Mareh, the fresh receipts for the month as per scrolls shall be credited against each Designated Officer under the head 'Receipts Awaiting Transfer to other Minor Heads'. The amounts for which detailed account have been received from the Designated Officer(s) and prepared by the Zonal Accounts Office (in respect of Tax Deducted at Sources) before the close of the Accounts for the month shall be credited to the concerned Minor Heads by per contra minus credit to the Head 'Receipts Awaiting Transfer' to other Minor Heads under the respective Major Heads. Similarly changes in classification from one Major Head to another shall also be incorporated in the Account of the Month by credit/minus credit to the head 'Receipt Awaiting Transfer to other Minor Heads' under the concerned Major Heads.

**2.7** A classified/consolidated Abstract in the proforma (Annexure 'g' to this Office Memorandum may be maintained. Against each Designated Officer the following entries will appear in respect of each Sub/Detailed/Minor/Major Head etc.

- (a) Receipts as per Scrolls,
- (b) Receipts as per Detailed Accounts,
- (c) Receipts as per Transfer Abstract,
- (d) Progressive Total.

If necessary more than one volume of the abstract (deciding the number of Designated Officers to be entered in each volume) may be maintained and the totals of each Abstract may be consolidated in one of the Abstracts.

**2.8** The Accounts for May onwards shall be accompanied by a statement giving details of the amounts for which detailed accounts are awaited in the proforma (Annexure 'c') to this Office Memorandum.

**2.9** The Zonal Accounts Officers shall maintain a register in the proforma (Annexure'd') to this Office Memorandum for reconciling the monthly figures of Major Headwise Receipts and Refunds with the Designated Officers. A consolidated statement showing the differences for and upto the month far the zone as a whole (in the same proforma as the register) for a month shall also be enclosed with the account for the following month *i.e.* the reconciliation statement for April, 80 shall be sent alongwith the account for May, 80 and so on.



**2.10** The Zonal Accounts Officers shall keep a watch over the amounts outstanding under the head 'Receipts Awaiting Transfer to other Minor Heads' in respect of each Designated Officer so that the figures under this minor head are brought to 'nil' before the close of the Accounts of the year.

**2.11** It might sometime happen that some scrolls might have been received by the Designated Officers but are not received by the Zonal Accounts Officers. In such cases the matter may be pursued with the Banks for obtaining the wanting scrolls. In case, however, the scrolls are not received even after reminders and the amount thereof has appeared in the monthly statements and has also been included by the Designated Officer in his Major Headwise Account, the Zonal Accounts Office may also include the same in his Account to avoid differences between his books and Designated Officers books. The matter may, however, be pursued with the bank for obtaining the wanting scrolls and a watch kept through a separate register to be maintained for the purpose.

### **3. General**

**3.1** The Designated Officers will render Major Headwise Accounts and Detailed Account to the Zonal Accounts Officers in the proforma circulated alongwith this Office Memorandum No. 101/51/78-CCA/1442 dated 28-4-1980.

**3.2** On receipt of the Major Headwise Account from the Designated Officers the same shall be scrutinised by the Zonal Account Officers and the discrepancies, if any, got reconciled.

**3.3** The Detailed Account of the Designated Officer shall be scrutinized by the Zonal Accounts Officers with a view to seeing that *prima facie* amounts have not been booked under wrong sub heads e.g. the Designated Officer should not normally book amounts against the heads. 'Income Tax on Union Emoluments' & 'Deduction of tax at source from Govt. Employees other than Union Govt. Employees'. In case such booking appears in the account the matter should be taken up with the Designated Officers and they may be asked to make corrections, if necessary, in the Accounts for the subsequent months.

**3.4** The surcharge should work up to the prescribed percentages. Where the surcharge does not work up to the prescribed percentages, the matter should be taken up with the concerned Designated Officer and he may be asked to scrutinize the detailed accounts and requested to carry out necessary corrections in the accounts.

**3.5** The reconciliation statement between the Major Head-wise and Detailed Account sent by the Designated Officer alongwith the Detailed Account should be scrutinised to see that the progressive figures of receipts as per detailed account normally do not exceed the Major Headwise Account of the Designated Officer for all the Major Heads upto that month. In these, cases where the total of Detailed Account exceeds the totals of all the Major Heads as per the Account, the same may be reconciled in consultation with the Designated Officer. It should be especially seen that at the close of the year, the detailed account for the year does not exceed the Major Headwise account and that there is no minus balance under the Total of Minor head 'Receipt Awaiting Transfer to other Minor Heads'. Where the detailed account at the close of the year exceeds, the excess amount should be withdrawn in consultation with the designated officer.

3.6 A register for watching the missing scrolls shall be maintained and details of the wanting scrolls shall be furnished alongwith the Accounts in the proforma (Annexure 'f').

#### **4. Accountal of State TDS**

4.1 The nominated Zonal Accounts Officer shall receive the Cheque/Demand Draft in respect of Tax Deducted at source by the paying authorities of State Govt. from the concerned Accountants General.

4.2 The cheque/Demand Draft on receipt shall be entered in the register of valuables and deposited in the Focal Point Bank for credit to the. Account of C.B.D.T.

4.3 On receipt of the credit scroll from the Bank, the amount thereof shall be credited to concerned Major Head viz. '020—Corporation Tax', '021—Income Tax' under Minor head 'Receipts Awaiting Transfer to other Minor Heads" by per contra Debit to the head 8658-PSB Suspense/8675-R.B.D. as the case may be.

4.4 A watch shall be kept about the prompt receipt of cheque/Demand Draft in respect of State Tax Deducted at Source from the concerned Accountant General through the register for showing the progress recoveries of Tax Deducted at source from the Accountants General and their detailed classification. A copy of the register should also be sent to Headquarters along with the monthly account.

4.5 The Zonal Accounts Office shall follow the instructions laid down in the Chief Controller of Accounts' O.M. No. 101/29/79/CCA/853 dated 4-9-1979 and submit the detailed account in respect of state T.D.S. keeping in view, the instructions mentioned above. The receipt of schedule from the Pay and Accounts Offices/State Treasuries etc. shall, however, be watched by the Zonal Accounts Officer.

4.6 The procedure mentioned in the preceding sub para shall be followed *mutatis mutandis* in the case of receipts/ refunds made by sub-treasuries at these places where Focal Point Banks 'do not exist at the moment. In these cases, however, the detailed account shall be rendered by the concerned Designated Officers as they would have received one copy of the scroll and challans from the Treasury.

## **5. Bank Reconciliation.**

5.1 The receipts and refunds as per Major Head wise account prepared on the basis of daily scrolls shall be reconciled by the Zonal Accounts Officer with the monthly statements one copy of which shall be received by him from the Bank and the other from the Designated Officer duly verified by the later.

5.2 The Zonal Accounts Officer should obtain the monthly statements from the Focal Point Banks and the Designated Officers promptly and in those cases where the banks do not send the statements, the matter should be taken up with the local head office of concerned bank and in case this also does not bring the desired results the matter may be reported to Headquarters for being taken up with the Banks at higher level.

5.3 The Zonal Accounts Officers should scrutinize the reconciliation statement prepared by the Designated Officers and see that the old differences have been got settled by the Designated Officer.

5.4 The Zonal Accounts Officer shall maintain a designated office-wise register of reconciliation with the Bank in the proforma (Annexure 'e') to watch that the progressive differences are settled promptly.

5.5 A reconciliation statement in the Annexure V (separately for Receipts/Refunds) for a month shall also be sent to Headquarters alongwith the monthly Account for the following month duly supported by the monthly statements *i.e.* Reconciliation statement for April may be sent along with the Account for the month of May, by which time all the monthly statements would have been received from the banks.

5.6 The differences which might come to notice should be pursued vigorously with the Bank(s) and got settled. Any persistent delay in this regard may be brought to the notice of the Local Head Office of the bank and if this also does not bring the desired results, the matter be brought to the notice of Headquarters for being taken up at higher level.

## **6. Due Dates and Documents**

6.1 The due date for submission of the Account shall be the 8th of the following month *i.e.* Account for 4/80 shall be due on 8-5-80 and so on. The due date shall be followed strictly.

**6.2** The Account shall be accompanied by the following documents:

- (a) Statement of progress of recoveries of Tax Deducted at Source from Accountants General and their detailed classification (Annexure 'b') ;
- (b) Statement showing wanting detailed accounts (Annexure 'c') ;
- (c) Reconciliation statement between the figures as per Account and as per Designated Officers' book (Annexure 'd') ;
- (d) Bank Reconciliation Statement (Annexure 'e') ;
- (e) Statement showing details of wanting/missing scrolls (Annexure 'f').

**7.** The submission of the Telegraphic Report shall stand discontinued henceforth.

Sd/-

(P. S. SANKAR)

CONTROLLER OF ACCOUNTS

To

- (1) All Zonal Accounts Officers (2 copies each).
- (2) Accounts Officer
- (3) P.A. to Pr.Chief Controller of Accounts.
- (4) P.A. to Chief Controller of Accounts.
- (5) P.A. to Controller of Accounts.
- (6) Deputy Controller of Accounts.



## ANNEXURE 'c'

### STATEMENT SHOWING DETAILS OF WANTING DETAILED ACCOUNTS

Sl. No.	Name of Designated Officer	Month(s) for which Detailed Account awaited	Amount for which Detailed Account Awaited	Remarks
Total				

Note : The total should tally with the Amount Outstanding under the head 'Receipts Awaiting Transfer to other Minor Heads' for all the banks taken together reduced by the receipts for the month of Account as per the Bank Scrolls.





Designated Officer												
6. Progressive Receipts upto the month (item 6 of previous month plus item No. 5 above)												
7. Monthly Difference i.e. difference of item No. 3 & 5. More in a/c (+) Less in A/c (-)												
8. Progressive Difference i.e. diff. of item No. 4 & 6. More in a/c (+) Less in A/c (-)												

9. Reasons for the progressive Difference

1. Value of Scrolls received by the Zonal Accounts Office after cut off date and hence accounted for in the next months Account, but accounted for by the Designated Officer

Major Head Dates Amount Total

2. Value of Scrolls not received by Zonal Accounts Office till submission of Account but received by the Designated Officer

Major Head	Dates	Amount	No. and Date of last reference made to call for the wanting scrolls	Remarks
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Total

3. Value of Scrolls received by Zonal Accounts Office and Accounted for but not included by the Designated Officer in his account.

Major Head	Dates	Amount	No. and Date of last reference made to call for the wanting scrolls	Remarks
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Total

4. Any Other Reason

Accounts Officer

**ANNEXURE 'e'**

**BANK RECONCILIATION STATEMENT FOR RECEIPTS /REFUNDS**

Sl. NO.	Name of DO/P D A/c Holder	Bank A/c Code No.	Amount booked under 115 'PSB/86 75 RBD as per Major Head wise Account	Amount as per Monthly Statement								Difference Col. 4-12 More as per A/c (+) Less as per A/c(-)	Difference outstanding at the end of previous	Progressive difference	Remarks
				020 Corp. Tax.	021 Income Tax	028 Intt. Tax	031 Estate duty	032 Wealth Tax	033 Gift Tax	843 P.D. A/c	Total 15 to 11				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
													i		■

**ANNEXURE 'F'**  
**STATEMENT SHOWING DETAILS OF WANTING SCROLLS**

Sl. No.	Name of station of Focal Point Bank	Details of Wanting Scrolls				No. & Date of last reference made to call for the wanting scrolls
		Receipts		Refunds		
		Date(s)	Amount (if available)	Date(s)	Amount (if available)	







## **ANNEXURE 'N'**

**CGA's No. S11012/1/89/RBD/591 dated 23-3-89 Referred to in para 6.10 & Para 6.11**

### **REVISED SYSTEM OF REPORTING, ACCOUNTING AND RECONCILIATION OF EXPENDITURE ACCOUNT TRANSACTIONS OF MINISTRIES/DEPARTMENTS**

Various documents to be received from banks, records to be maintained and action on the part of Pay and Accounts Offices/Principal Accounts Offices under the revised system will be as under :

#### **A. Pay & Accounts Offices**

(i) On receipt of original copy of Main Scroll accompanied by original copies of branch bank Scrolls/paid cheques/challans and duplicate copy of the main scroll without documents, the PAO will check the totals and verify the main scroll with reference to the enclosed documents. After verification, duplicate copy of the main scroll will be returned duly verified to the F.P. Bank within 24 hours.

*Note :* Before the scrolls are verified by the PAO, necessary entries in CAM-17 as per instructions in the revised memo of instructions should also be made.

(ii) The PAO will ensure that error free main scroll is verified. The cheques/scrolls not relating to the PAO included, if any, in main scroll, will be returned and the main scroll shall be got amended by personal contact. PAO may accept credit certificate from the bank in lieu of missing challans. In case a paid cheque is not found attached the PAO shall obtain the same by personal contact from the F.P. Bank, otherwise the main scroll shall be got amended after deleting the item" for inclusion in the subsequent main scroll. Verification for part Amount of the main scroll while rejecting a part of it should not be resorted to by the PAO.

(iii) It shall be ensured that main scrolls with supporting documents are being received consequently and no S1. No. is missing.

(iv) The PAO shall receive four copies of Date wise Monthly Statement (DMS) from the F.P. Bank by 3rd of the following month. If the DMS is not received the PAO shall obtain the same by personal contact. The figures in DMS shall be verified by PAO with reference to daily main scrolls. In case the amounts shown in DMS differ from



the daily main scrolls (which already stand verified), the DMS should be got amended or revised DMS obtained from the F.P. Bank. Thereafter verification should be recorded on it by the PAO. It should not be verified for part of the amount of the DMS while rejecting a portion of it.

The triplicate and quadruplicate copies of DMS duly verified, shall be returned to F.P. Bank within 3 days from its receipt. The duplicate copy (duly verified) shall be forwarded to the Principal Accounts Office so as to reach him by 8th of the following month, while the original copy of DMS shall be retained by the PAO.

- (v) The PAO shall receive by the end of the first week of the following month a monthly statement of amounts put through (in form as per Annexure VH/Annexure 5 to the Memorandum of revised procedure for SBI/other P.S. Banks). This statement shows the dates of put through, dates of transactions of Receipts and Disbursements. PAO shall check the entries therein with reference to the figures in DMS (already verified).
- (vi) After verifying the put through figures with the DMS the PAO shall start reconciliation work. He shall prepare a "Monthly Reconciliation Analysis" in form as per Annexure-W. The PAO shall be responsible for any difference appearing in part 'A' of the Analysis. For discrepant items appearing in part vi (b) of the Analysis and transactions other than those pertaining to last few days of a month appearing in Part vi(a) of the Analysis, the PAO shall immediately contact the F.P. Bank and ensure that the rectifications are carried out and items put through by the F. P. Bank through GAD/Link Cell in the second month positively.

The Grand total of the columns vi(a) & vi(b) shall be tallied with the closing balance shown against col. (v) of Part 'C' of Analysis.

- (vii) The PAO shall maintain a register—"Register of Amounts put through" Part I in form as per Annexure 'X' (Separately for 'Receipts' and 'Payments') Amount put through relevant to the revised procedure will be entered in this Register. Normally all the amounts except those relating to the last 3-4 days of the month, will be put through in the same or subsequent month. The items of last 3-4 days of the month are expected to be put through in the first few days of the subsequent month. In case the PAO finds some balance of a month outstanding while closing the Register for the subsequent month he shall immediately contact the F.P. Bank for remedial action without further delay.

(viii) After preparation of Part I of "Register of Amounts put through", Part II thereof showing progressive position every month, shall be maintained by PAO in form as per Annexure "XX". The opening balance on the introduction of the revised procedure may be taken as 'NIL' to keep the previous balance separate for clearance.

(ix) The PAO shall prepare a statement of Monthly Reconciliation between the amounts as per DMS and the amount booked under "8658-Suspense Accounts—PSB Suspense" in the form as per Annexure "XXX". Proper explanation/reasons for the difference with reference to DMS shall be given in the statement. Action taken for the clearance of the difference shall also be given therein. This monthly reconciliation statement shall be submitted positively along with the monthly account format by the PAO to the Principal Accounts Office.

(x) The PAO shall also maintain a Broadsheet of "PSB Suspense" in the form as per Annexure "Y". Separately for "Receipts" (Debit) and "Payments" (Credit). Opening balance under the revised system may be taken as 'NIL'. Balance relating to the period prior to introduction of the revised system may be kept separate for clearance. The clearance of the head "PSB Suspense" will be done by the Principal Accounts Office on the basis of monthly statement (CAS 121 & 122) received from the RBI., C.A.S., Nagpur. As such the figures for the Col. "Amount of clearance of PSB Suspense in the month" shall be intimated to the PAO by the Principal Accounts Office every month. The PAO shall keep a strict watch over clearance of the balances under this head.

*Note :* In case a PAO deals with two different banks PSB figures of each shall be kept separate. Accordingly Broadsheet folios will also be separate.

(xi) In order to have age-wise analysis of the balance under "PSB Suspense" the PAO shall keep a record in a form prescribed for Abstract of objections (form CAS-26).

(xii) Verification of the amounts put through with the figures of DMS and preparation of "Monthly Reconciliation Analysis" will throw light on the amounts of disbursements claimed in excess, if any, by the bank. For such excess reimbursements interest is to be claimed from the bank. A statement of excess reimbursements in form as per Annexure "Z" shall be sent by the PAO to the Principal Accounts Office for consolidation and onward transmission to the CGA in terms of this office Circular No. S. 11012/1/84/RBD/1144-93 dated 21-12-1984.

## **B. PRINCIPAL ACCOUNTS OFFICE**

- (i) The Principal Accounts Office shall receive monthly statement of put through in forms as per Annexure VI, VII & VIII/9 & 10 to the memoranda of revised procedure for SBI/other P.S. Bank. The Principal Accounts Office shall check these statements to see that :
  - (a) Total of each Annexure VII agrees with the total amount settled as shown against respective PAO in Annexure VIII.
  - (b) Total of Annexure VIII agrees with the total amount settled as shown in Annexure VI.
  - (c) As for other P. S. Banks it shall be seen that total of all the Annexures 9 agrees with the total amounts shown in Annexure 10.
- (ii) On receipt of monthly consolidated account (supported by amounts put through) in form CAS-I21 & 122 the Principal Accounts Office shall carry out adjustment clearing the head "PSB Suspense" by (—) credit/debit and affording credit/debit under the head "8575-Deposits with Reserve Bank". Details of these adjustments will be intimated to the PAO concerned for preparation of "Broadsheet of PSB Suspense" every month.
- (iii) The Principal Accounts Office shall maintain a monthwise and PAO wise "Register of amounts put through" in Part J separately for "Receipts" and "Disbursements" in form as per Annexure "X" except that the column "Month" shall be substituted by "Names of PAOs". Similarly Part II of the Register (separately for Receipts & Payments) shall be maintained PAO wise, in form as per Annexure "XX" except that column "Names of PAOs" shall be added in the beginning.
- (iv) The Principal Accounts Office shall also maintain PAO-wise (separately for Debits and Credits) Broadsheet of PSB Suspense in form as per Annexure "Y" except that the first column "Month" shall be Substituted by "Names of PAOs". Abstract of form CAM-26 shall also be maintained.
- (v) The Principal Accounts Office shall prepare "Monthly Reconciliation Analysis" in form as per Annexure "W" in respect of all the PAOs and take immediate action for getting the older items put through by the F. P. Bank through GAD/Link Cell in the second month positively.

(vi) Receipt of statement of Monthly Reconciliation in form as per Annexure XXI from the PAOs will help the Principal Accounts Office in analysing the outstanding balance under "PSB Suspense". Strict watch on receipt of this Annexure from PAOs shall be kept by the Principal Accounts Office.

(vii) Consolidation & Transmission of Annexure 'Z' for Excess/Double Reimbursements to C.G.A.

**ANNEXURE "W"**

**MONTHLY RECONCILIATION ANALYSIS**

**PAO.....MONTH.....**

...

**Between F.P. Bank and the PAO RECEIPTS**

*RECEIPTS*

*DISBURSEMENTS*

(i) Figures shown by **the** F. P. Bank in the DMS

(ii) Figures as per verification of DMS by the PAO

(iii) Difference .....

.....

IV) Reason for the difference .....

.....

**B—Old items put through *iLe*. Pertaining to period prior to introduction of revised procedure).**

(i) Total Amount put through

(ii) Less amounts relating to old period included

Now in current put through statement. ....

.....

(iii) Amount put through relating to New Procedure.....

**C-Between the DMS and GAD/Link Cell**

(i) Opening balance

(ii) Figures as per DMS for the month (iii)

Total

(iv) Amount put through by GAD/Link Cell relating to revised procedure

(v) Closing balance .....

(vi) Analysis of closing balance

.....

(a) Amounts pertaining to last few days of the month no put through.

**Date of Transaction**

**RECEIPTS**

**DISBURSEMENTS**

Total (a).....

.....  
.....  
**(b) Other Discrepancies**

<b>Date of Put through DISBURSEMENTS</b>	<b>Date of Transaction</b>	<b>RECEIPTS</b>
--	----------------------------	-----------------

<b>Total (b)</b>		.....
------------------	--	-------

.....

<b>(i) Grand total</b>	<b>(a + b)</b>	.....
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.....

**Asstt. Accounts Officer**

**Accounts Officer**









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**ANNEXURE 'xx'**

PAO.....

PART-II

July	August	Total	Closing Balance	And so on upto the close of the year Total

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**ANNEXURE 'xxx'**

**STATEMENT OF MONTHLY RECONCILIATION BETWEEN THE FIGURES AS PER DMS  
AND THE AMOUNT BOOKED UNDER "8658-SUSPENSE A/C-PSB SUSPENSE"**

**FOR THE MONTH OF \_\_\_\_\_**

	Receipts (Dr. P.S.B. Suspense)	Disbursements (Cr. P.S.B. Suspense)
(i) Opening balance		
(ii) Amount as per D.M.S.		
(iii) Total		
(iv) Amount booked under "8658-SUSPENSE A/C-PSB SUSPENSE"		
(v) Difference:		
(vi) Explanation/Reasons for difference		
(viii) Action taken for clearance of the difference		

**ANNEXURE 'Y'**

**BROADSHEET OF P.S.B. SUSPENSE**

(Dr.) Receipts/ Disbursement (Credit)

PAO \_\_\_\_\_

Month	Opening balance of P.S.B. Suspense	Amount of P.S.B. Suspense booked in the month	Progressive Total	Amount of clearance of P.S.B. Suspense in the month	Closing Balance	Remarks
1	2	3	4	5	6	7
4/89						
5/89						
6/89						
7/89						
& so on						





**ANNEXURE 'Q'**  
**INSPECTION REPORT**

<b>Name of the Public Sector Bank :</b>
<b>Name of the Branch :</b>
<b>Date(s) of inspection :</b>
<b>ACCEPTANCE OF DIRECT TAXES</b>
<b>I. Amount of Direct Taxes received :</b>
<b>(a) For the last financial year : Rs.</b>
<b>(b) From 1<sup>st</sup> April upto the date of inspection : Rs.</b>
<b>II. Challans:</b>
<b>(a) Is a 'Prima Facie scrutiny of the challans carried out by the counter clerk with reference to the following points?</b>
<b>(i) Name &amp; Address of the assessee :</b>
<b>(ii) Assessment Year :</b>
<b>(iii) I.T.O. ward or Circle :</b>
<b>(iv) Permanent Account No. :</b>
<b>(v) Major classification head :</b>
<b>(vi) Some amount is filled up in the Space on the challan form meant for surcharge in regard to deposit of Income Tax by non-company assesses.</b>
<b>(vii) Total Amount has been shown both in figures and words.</b>
<b>(b) Are all the parts of the challan branded with suitable receipt stamp(s) indicating additionally date of tender in respect of receipts by cheque?</b>
<b>(c) Is the Impression of the stamp(s) legible?</b>
<b>(d) Does the receipt stamp contain all the essential particulars; viz. name of the bank, its branch, date of receipt of taxes?</b>
<b>(e) Are running serial numbers given on all the copies of the challans by the receiving branch separately for each major head on each day?</b>
<b>(f) Are all the parts of the challans numbered simultaneously on the right top corner and does the same number appear on all copies of a set?</b>
<b>III. Tokens:</b>

<b>(a) Are tokens (metal/paper) issued to the assessee at the time of tender of tax where necessary and token number is recorded on challan?</b>
<b>(b) Are the receipt challans delivered to the assesses on the due date on surrender of the relative tokens?</b>
<b>(c) Are the receipt challans delivered to the assesses on the day cash/cheque/draft (if drawn on the same branch of the bank) is tendered?</b>
<b>IV. Scrolls:</b>
<b>(a) Are the receipt scrolls prepared in form PSB(7) in quadruplicate?</b>
<b>(b) Is the impression on all the copies of the scrolls legible?</b>
<b>(c) Are separate scrolls prepared for each type of direct tax/for each major head?</b>
<b>(d) Are the serial numbers of the challans appearing in the scrolls the same as the numbers noted on the challans?</b>
<b>(e) Is a running serial number extending to a financial year given on each days scrolls and separate running number given for each type of tax and each type of major head with suitable prefixes?</b>
<b>(f) Are three copies of the scrolls (two with challans attached and one without challan) sent to the designated main branch alongwith summary in Form PSB-8 on the early morning of the next working day? If not, list out cases of delayed sending of scrolls.</b>
<b>(g) Are the totals of the scrolls correct?</b>
<b>V. Transfer of receipts to the designated Main branch</b>
<b>Are all the amounts of direct taxes received on a day transferred to the designated main branch of the bank on the early morning of the next working day through the usual inter-branch accounting channel when the daily scrolls, summary and challans are sent? If not, bring out cases of such dealys with total amount involved in each day and the number of days involved.</b>
<b>VI. Procedure at the designated main branch</b>
<b>(a) Does the designated main branch undertake a scrutiny to ascertain whether the amount of remittance sent to it by a branch agrees with the total amount of deposit(s) made by the assesses as per the challans and scrolls received by it from the particular branch?</b>
<b>(b) Does the designated main branch stitch one copy of all the scrolls without challans received by it from the branches and keep for its record?</b>
<b>(c) Does the designated main branch dispatch on the date of receipt itself the remaining two copies of the scrolls with challans stitched and consolidated in proforma PSB-9 including its own receipts to the</b>

	office of the Reserve Bank of India or State Bank of India as the case may be? If not, list out such cases of delays.
(d)	Does the designated main branch send the total tax collections made by all the branches including the collections made by it to the Reserve Bank of India or State Bank of India as the case may be, by means of a cheque or draft alongwith a forwarding letter in form PSB-10 in triplicate without delay on the day the scrolls and challans are received from the branches? If not, bring out cases of delayed put through.
(e)	Whether RBI instructions for introducing "Special Messenger System" in the second fortnight of Mareh every year are being followed or not? (The designated main branch of a public sector bank is also receiving branch. Items I to IV will therefore, apply to the designated main branch also. Item VI is additional portion which is applicable only in the case of the designated main branch of a public sector bank).
<b>VII. Refund of direct taxes paying Branch</b>	
<b>(A)</b>	<b>(i) Is the particular branch specifically authorized by the controlling authority to handle the</b>
	<b>refund transactions under the scheme?</b>
	<b>(ii) Whether or not the branch makes the payment of ITROs of Rs. 1,000/- and above only on receipt of advice note from the concerned ITO?</b>
	<b>(iii) Are the refund scrolls prepared in Form PSB-7 major-headwise in quadruplicate?</b>
	<b>(iv) re running serial numbers extending to a financial year given to refund scrolls pre-fixed by respective abbreviations for each major head of account?</b>
	<b>(v) Are three copies of the scrolls (two with paid refund orders and advice &amp; notes as prescribed and one without paid instruments) forwarded to the designated link branch alongwith summry in form PSB-8 as in the case of receipt scrolls?</b>
<b>(B)</b>	<b>(i) Does the designated Main branch stitch one copy of all scrolls without paid instruments</b>
	<b>received by it from the branches and keep the same for its record?</b>
	<b>(ii) Does the designated main branch consolidate (in PSB-9) the remaining two sets of</b>
	<b>refund scrolls received from other branches and include its scroll and dispatch the same to the focal point bank alongwith paid instruments under forwarding letter in Form PSB-10 as in the case of receipt scrolls, claiming reimbursement for the total amount of refunds? (if the designated main branch is itself a paying branch the items referred to at Sl. No. (i) to (iv) under A above also apply to it).</b>

**ANNEXURE 'P'**

**OFFICE OF THE CONTROLLER GENERAL OF ACCOUNTS,  
Department of Expenditure, Ministry of Finance,  
7th Floor, Lok Nayak Bhawan, Khan Market,  
New Delhi**

No. 1(1)/2003/Pt.I/TA/221-22  
8.4.2004

Dated:

To

Sh. Gopal Mukherjee  
Commissioner of Income Tax (Systems)  
Directorate of Income Tax (Systems)  
ARA Centre, Ground Floor,  
E- Jhandewalan Extension  
New Delhi- 110055.

**Sub: Accounting Procedure Online Tax Accounting System(OLTAS).**

Sir,

Kindly refer to your office letter No. F.No.SW/07/01/03/03/DIT(S)/20165 dated 26.03.2004 on the subject noted above. A copy of the accounting procedure on OLTAS finalized by this office duly incorporating the changes necessitated by the observations of the O/o C&AG of India is enclosed herewith for information.

Your's faithfully

Sd/-

(RAJESH KUMAR)

Dy. Controller General of Accounts

Copy to:

The Principal Chief Controller of Accounts, CBDT, 8111 Floor, Lok Nayak Bhawan, New Delhi with a copy of the revised accounting procedure for information and necessary action. A copy of the

revised accounting procedure may kindly be sent to the Reserve Bank of India to incorporate the modified procedure in the Pink Book ('Accounting of Direct Taxes'). He is requested to issue suitable instructions to all ZAOs concerned.

Sd/-

(RAJESH KUMAR)

Dy. Controller General of Accounts

**ANNEXURE 'P'**

*(Issued vide C.G.A.'s Letter No. 1(1)/2003/Pt.I/TA/221-22, dated: 8.4.2004)*

## **ACCOUNTING PROCEDURE RELATING TO ON- LINE TAX ACCOUNTING**

### **SYSTEM (OLTAS)**

#### **1. Procedure for acceptance of taxes at the receiving branches**

**1.1** A taxpayer can pay direct taxes at any authorised branch of the authorised bank either in cash, direct debit to account or by a cheque/draft drawn on the same bank or another bank/branch at the same centre where the payment is made. The payment of tax by outstation cheques/drafts can also be made at any authorised bank, or through an electronic means of remittance to the authorized bank / branch. For every payment there should be a challan in the prescribed format. The challan format is a single copy challan with the main challan at the top and the taxpayer's counterfoil at the bottom of the challan. (Specimen at Annexure 'A').

**1.2** According to the instructions issued to the banks by the Reserve Bank, the receiving clerk/ teller of the receiving branch will have to check up the following points while accepting the payment: -

- a. Whether main portion of the challan and the taxpayer's counterfoil form have been filled in properly and the amount and major head of account to which the amount is to be accounted /credited is correctly recorded therein;

- b. Whether details of the Permanent Account Number (PAN) or Tax Deduction Account Number (TAN), name and address of the taxpayer, assessment year and nature and type of payment are properly filled in. The amount should be written correctly both in words and figures.
- c. Whether the Permanent Account Number (PAN) / Tax Deduction Account number (TAN) has been quoted in the challan at the prescribed place. U/s 139 A (5) (b) of the Income Tax Act, quoting of PAN is mandatory. Similarly, u/s 203A of the Act, quoting of TAN is mandatory. This number, as quoted by the taxpayer should be validated (checked to see whether it is in conformity with the valid PAN/TAN structure) and the designated banks accepting tax payment should ensure that the challans for payment are accepted only when a valid PAN is quoted in the challan. However, where the taxpayer indicates that he has already applied for allotment of PAN or TAN but has not yet been allotted the same, the tax payment challans may be accepted by the bank provided the tax payer indicates PAN/TAN application number in the challan. In such cases it should invariably be ensured that the full address of the taxpayer has been mentioned in the challan.

**1.3** After scrutinizing the challan and satisfying himself that the amount of cash, cheque or draft tendered agrees with the amount shown in the challan, and also that the cheque is not post dated/stale the receiving teller or counter-clerk of the branch will issue a paper token to the tenderer to facilitate delivery of the counterfoil receipt to him. In the case of challans deposited with cheque or draft, the counterfoil *receipt* will be issued only on realization of the amount of the cheque or draft and hence the counter-clerk will indicate on the token, the date on which the same will be available.

**1.3.1** A challan tendered with cash, if found in order after scrutiny, will be stamped 'CASH RECEIVED'. The bank will also stamp both the main portion and the taxpayer's counterfoil of the challan with a stamp mentioning the name of the bank & branch, the BSR code the branch (7 digits), date of deposit (DDMMYY) of the amount and unique serial number of the challan (5 digits). The stamp will be impressed on both the main portion as well as the taxpayer's counterfoil of the challan. Care must be taken to ensure that the impression of the receipt stamp is clear and legible.

An authorized official of the branch will sign in full the taxpayer's counterfoil of the challan and initial the main copy of the challan having received the amount. In the taxpayer's counterfoil, the amount received will be indicated in both words and figures. The receipted taxpayer's counterfoil will be returned to the tenderer and the main copy will thereafter be passed on for scrolling in the Receipt scroll.

**1.3.2** A challan tendered with cheque/ draft will be branded with a 'double date stamp' to indicate the date of tender of the instrument as well as the date of realization thereof. It may be possible that some branches might be following the practice of branding the challans with an inward date stamp as soon as the challans are tendered over the counter. In that case the double date stamp may not be necessary. However, it will be ensured that the inward date stamp is invariably branded on both the main copy and the taxpayer's counterfoil of the challan.

The checking official will initially ensure that there is no difference between the amount of cheque/ draft and the amount recorded in the challan by the tenderer. The cheque/ draft will thereafter be sent for realization. Subsequently, on realization of the cheque/draft, the date of realization will be indicated on the double date stamp or in the space in the challan as the case may be. The bank will also stamp both the main and the taxpayer's counterfoil of the single copy challan with a stamp mentioning the name of the bank & branch, the BSR code the branch (7 digits) date of deposit (DDMMYY) of the amount and unique serial number of the challan (5 digits). After signing the challan for having received the amount, the taxpayer's counterfoil will be returned to the tenderer against the surrender of the token.

**1.3.3** Running serial number will be given for all the challans (both paid by cash and by cheque) for each day. It must be ensured that the serial number on each challan issued on a particular day should be unique to trace it subsequently. The bank must therefore ensure that the serial numbers given to the challans deposited with cash do not overlap with the serial numbers given to the challans against which cheques have been realised on that day.

Counterfoil of the challans tendered along with cash/ cheque/ draft payable at the same branch will be returned to the tenderer duly receipted at the counter. The challans tendered with cheques/ drafts drawn on a different branch of the same bank or any other bank situated at the same center, will be returned duly, receipted not later than the

working day following the day fixed under the rules of 'Local Bankers House' for return of unpaid instruments of any day's clearing.

**1.4.1** In case of challans tendered with cheque/ draft, the date of realization of the cheque will also be stamped on the main portion of the challan, which will be retained at the bank for onward transmission to ZAO along with the Receipt Scroll. Although as per the Income Tax Act the date of presentation of cheque/ Demand Draft realized will be treated as date of payment of tax, the cheque/ Demand Draft will be scrolled only after it's realization.

**1.4.2.** The main portion of the challan through which a cheque/ draft is deposited will, therefore, have two dates as under :

- i) Date of tender : DDMMYY (in the rubber stamp acknowledgement)
- ii) Date of realization: DDMMYY (at the place indicated in the challan)

In case of cash tender the 'Date of tender' and "Date of realization' will be the same.

**1.4.3.** The collecting bank will not issue receipt in any other format.

## **2. Preparation of Scrolls by the Collecting Branch**

**2.1** A running serial number will be given to all the challans received at a bank branch counter on each day against which cash payments have been made or cheques/ drafts have been realized on that date.

**2.2** All the challan fields such as name and PAN, the serial number, date of deposit and BSR code of the branch are required to be captured when the challan is deposited by the tax payer at the bank counter. The data structure of the fields of the challan for which data has to be captured and transmitted will be as informed to the banks by the Income-tax Department. Permanent Account Number (PAN) and the name of the taxpayer will invariably be incorporated in the Receipt & Payment Scroll.

**2.3** At the end of customer banking hours, the bank branch should identify all those challans against which payment has been received in cash for the day or for which payments by cheque/draft have been realised for the day. As the details of all these challans is already in the bank's computer system, the bank should generate a file containing all the challan data for which payments have been *realised* for that day and transmit it to its Nodal Branch for onward transmission to the Income Tax



Department's TIN through the banks' Link Cell. However the non-computerized/ non-networked authorized branches should ensure that data is transmitted from its nearest computerized/ networked branch to the Nodal Branch. It should be ensured that no challan for which payment has been realised on that day is left out. A running scroll serial number extending through a financial year (1<sup>st</sup> April to 31<sup>st</sup> Mareh) will be given to the records relating to each type of tax (major head) which are transmitted on a particular day. The complete data structure of records and the file which is to be transmitted by the bank to the Department will be in the format prescribed by the Income-tax Department. The collecting branch will in no case alter the online data file at its end after it has been transmitted to the Income Tax Department. The security features of the Department's TIN is annexed CD').

**2.4** The collecting branch should also identify all those challans against which instruments were returned unpaid. Such instruments along with related challan should be kept separately in the bank for taking further necessary action as deemed fit.

**2.5** The collecting branch will also generate separate printouts of the scrolls in Form and summary in Form based on the type of tax (major head-wise) on a daily basis from the challan data on its computer which has been transmitted to the Income Tax Department. The same running serial number extending through a financial year (1<sup>st</sup> April to 31<sup>st</sup> Mareh), which was given to the scrolls transmitted for the relevant day, prefixed by the appropriate abbreviation of the type of tax (major head) concerned, will be printed on the scroll. The collecting branch will in no case generate any printed scrolls or summary from data which is changed in any manner from the data earlier transmitted to the Department. Thus the scrolls generated by the branch will exactly match the scrolls generated by the RCC from the data transmitted to the Department's TIN on-line by the bank. Thereafter, the branch will prepare a set of computer printed summary and receipts scrolls and attach with each scroll the physical challans arranged in the same serial order in which they are entered in the scrolls. At the beginning of the next working day, the receiving branch will forward the same to the Nodal branch for onward transmission to the ZAO.

**2.6** In case of any error by the collecting bank branch in reporting the amount of payment made by a taxpayer or major head of payment, the bank will transmit the

corrected information on-line to TIN through an error record, the format for which will be as prescribed by the Income-tax Department. Rectification of the errors in the amount and the head of account will also be reported to ZAO through 'Error Scroll' to be sent through Nodal branch. Only the amount of tax payment as reported by the bank to the TIN will be accepted by the Income-tax Department as the payment made by the taxpayer.

### **3. Procedure for payment of Income Tax Refund Orders (ITROs)/ECS**

**3.1** Direct *tax* refund work is entrusted to only one branch of an authorized bank generally RBI, SBI or its Associate Banks at an ITD centre / a District. The Refund Orders will be presented to the branch by the taxpayer for transfer to his account with the same branch. Alternatively, it might be received through clearing. The specimen signatures of the officers of the Income-tax department who are authorized to draw refund orders will be sent to the paying branches concerned in advance by the Income-tax authorities. The specimen signature will be duly certified by an officer of the Income-tax Department whose specimen signature is already on record with the branch. Any change in the authorised official will be advised to the branch concerned immediately. The relieved officer will attest the specimen signature of the relieving officer. While passing the refund orders for payment, the passing official should exercise utmost care apart from the precautions usually exercised by the banks in connection with payment of Negotiable Instruments, the instructions issued by Controller General of Accounts as well as Reserve Bank from time to time. The payee is required to affix his signature in the space provided for 'Claimants signature' on the reverse of the Income Tax Refund Order (ITRO). The procedure relating to Refund Advices will continue as at present except that advices of paid ITROs and printed payment scrolls will no longer be sent by the bank to the Income-tax Department.

**3.2** As in the case of receipts, refunds are required to be classified by the paying branch according to the type of tax under which the refunds are made. Separate major head wise payment records will be maintained in respect of payment of ITROs.

**3.3** Direct tax refunds can also be credited directly to the taxpayer's bank account through Electronic Clearance Scheme (ECS) of RBI. In order to avail of this facility, the taxpayer gives a mandate by mentioning type of his

bank account (Savings or Current), account number and bank branch code (9 digit) in his Return of Income. After processing of the taxpayer's Returns

and determination of the refund by the Assessing Officer, all taxpayer's refunds (in which credit through ECS has been sought) in the jurisdiction of an RCC *are* automatically consolidated on the computer system at the RCC. All this refund data is downloaded, encrypted and copied onto a magnetic media (floppy or rewriteable CD) or transmitted electronically. This is sent by the RCC to the local ZAO as well as refund issuing branch of RBI or SBI. After validating the data in the file, the bank debits the Income-tax Department Account for the total amount of the refunds and thereafter issues instructions through clearing to the different local branches of the banks where the taxpayer's accounts are located to credit the taxpayer accounts with the amount intimated by the Department. This single debit to the Department's account appears in the payment (refund) data transmitted by the bank to the Income Tax Department for that day. In case any of these credits to the taxpayer's accounts are not effected due to reasons like closing of the account etc., the same is later accounted for by a separate minus debit entry for ECS Return in the Income Tax Department's account and is intimated to the Income Tax Department through the payment (refund) data transmitted for that particular day. The files in the electronic media (floppy or rewriteable CD etc.) are returned along with the computer printed payment (refund) scroll to the ZAO while the same data is transmitted online by the bank to the Income Tax Department through the Income Tax Department's Tax Information Network (*TIN*).

#### **4. Preparation of Payment (Refund) Scrolls**

**4.1** The procedure for preparation of payment scrolls will be the same as the procedure applicable to receipts scrolls.

**4.2** The scrolls will be made into set similar to the set relating to receipts except that instead of the challans, the paid Refund Orders will accompany the scrolls. The entire data regarding the paid refund vouchers will be transmitted electronically by the paying bank to the Link Cell for onward transmission to the Department's TIN while the physical scrolls with the paid Refund Order will be forwarded to the ZAO through the Nodal Branch. If the Nodal Branch is not *locally* situated, all the above documents (receipt/payment scrolls etc.) should invariably be sent by Registered Post.

**4.3** In the case of *ECS* Refunds, the data will be transmitted online to the Link Cell and subsequently to the Income Tax Department while the same *ECS* detail on electronic media will be sent to the local ZAO by Paying Bank through the Nodal branch.

## **5. Loss of Counterfoil by the taxpayer**

**5.1** In the event of loss of receipted challan counterfoil by the depositors, the bank branches may, on receipt of a specific request in writing for issue of a certificate of credit from assesseees, issue the same to the depositor based *on* their record after satisfying themselves about the bona fides of the applicant in each case and may charge a nominal fee at its discretion. The certificate should mention the challan details i.e. amount, bank name and branch, BSR Code and Date of Deposit of cheque/cash major head, challan serial number, date of realisation of cheque /date of deposit of cash and Collecting branch scroll number and date on which details of tax payment have been transmitted earlier.

## **6. Functions of Nodal Branch**

**6.1** Nodal Branch will be responsible for the prompt and accurate transmission accounting of the collections/refunds reported to it daily by all the receiving branches under its jurisdiction (including its own receipts). It will also be responsible for prompt remittance of the collections of all the receiving branches (including its own collections) linked to the Government account at RBI, CAS, Nagpur. It will also be responsible for reconciliation of figures with the ZAO.

**6.2** On receipt of on-line data regarding all the challans realised for a particular day from the Collecting Branches, the Nodal Branch will take the following action on day-to-day basis

a. It will collate the challan data on its computer system and transmit the data in the format prescribed by the Income Tax Department to its Link Cell for onward transmission to the Departments TIN on the same day after giving a common Nodal Branch scroll number and date to all the challan records being transmitted on that day.

b. It will also generate a copy of the summary and main scroll based on the computer data in a floppy or other media (as informed by ZAO) and transmit it to the ZAO on the next working day.

c. On receipt of the hard copy of the computer-generated Branch scrolls from the collecting branch, the Nodal branch will validate that these computer-generated branch scrolls exactly match the data transmitted earlier by the collecting branches. It will consolidate these computer printed Branch scrolls (with challans) received from all the branches including its own along with the main scroll by stitching the scrolls together Major head-wise. It will also generate a computer printout of the Major head-wise Main scrolls and Summary. It will then forward these (with challans) to the ZAO concerned on a daily basis.

d. Second set of scroll prepared in the same manner without challans as discussed at (c) above will be retained by the Nodal branch for its record.

e. The Nodal branch will also similarly generate computer printed separate main scrolls for payments (i.e. refunds), and forward them along with the paid ITROs to the ZAO. It will also forward ECS refund details on electronic media to the local ZAO. The refund data (in respect of paper ITROs and ECS refund) will be transmitted on-line by the Nodal Branch to TIN through the Link Cell. It will retain the advice/advices of the paid ITROs.

f. During the first 25 days in April every year, the nodal branches will transmit and prepare two separate sets of scrolls - one normal scroll pertaining to April transactions and the other one pertaining to Mareh transactions (*which* means scrolls of cheques / drafts / ITROs tendered and cleared upto 31st Mareh by receiving branches and sent to the nodal branch subsequent to 31st Mareh but before 25th April) - these will be scrolled by nodal branch as Mareh *residual* account. The nodal branches will intimate the link cell at Nagpur for inclusion of these transactions as Mareh transactions. The nodal branches will send another scroll for April transactions prominently indicating the month of account. Any cheque/draft tendered on or before 31st Mareh and realised on or after 1st. April will be treated as part of the April transactions. However, /n light of the instruction that data for all challans for which payment has been realised on a given day should be transmitted online to the Income Tax Department on the same day, separate Mareh residual scroll should only be needed in exceptional cases.

g. The nodal branch will pass on the consolidated amount accounted by it to its Link Cell on day-to-day basis.

## **7. Crediting the tax collection to Government Account**

**7.1** The nodal branch acts as a pooling centre for all the receiving branches coming under its control and it is responsible for reporting of the transactions (along with all the related documents i.e. Challans and scrolls) to the ZAO. It is also responsible for transmitting the challan data for all these transactions to its link cell at Nagpur for onward online transmission to the Income Tax Department as well as for crediting the amount collected to RBI (Central Accounts Section or CAS), *Nagpur*.

**7.2** The Nodal Branch will prepare a daily memo and send it on a daily basis to its Link Cell at *Nagpur* (GAD, Mumbai in case of SBI) which in turn will make a daily settlement with RBI, CAS, *Nagpur*.

**7.3** The Link Cell of the bank at Nagpur will consolidate the challan data received from the Nodal Branch for transmission to the Department's Tax Information Network (TIN) and will also monitor the daily receipts and check the accuracy of the daily memos received from the Nodal Branches. The Link Cell will then transmit the daily memos to CAS, RBI, *Nagpur*.

**7.4** The Nodal Branches of the banks will carry out monthly reconciliation with ZAOs of the amount settled by them with their Link Cell at *Nagpur*. On the basis of their records the ZAOs will verify the statements received from the Nodal Branches both major head-wise and *Nodal* Bank-wise. In case of any discrepancy, the Nodal Branch will carry out the corrections immediately and adjust the *difference* in the amount already credited / debited to the CBDT's account through its Link Cell at Nagpur under information to the ZAO.

**7.5** For the purpose of final reconciliation of the transactions with ZAOs and the Link Cell, the CAS, RBI, Nagpur will generate a monthly statement and furnish the same to ZAO and the Link Cell of the banks. RBI, CAS, Nagpur will furnish by 20th of the following month, a monthly analysis indicating major head-wise receipts / refunds etc. to the CCA, CBDT.

## **8. Payment of interest on delayed transfer of tax collections**

**8.1** The tax collections *effected* by the *designated branches* of the *authorized* banks have to be credited to the Government Account, promptly on day-to-day basis. The maximum number of days allowed for crediting tax collections to Government Account at

CAS, Nagpur are as under : -

Sl. No.	Transaction	Remittance period for Public Sector Banks	Remittance period for Private Sector Banks
1.	OLTAS	T+3 working days (excluding put-through date) (Local & Outstation)	T+3 days Including holiday, Sunday and put-through date)

**8.2** If there is any delay in remittance the banks are liable to pay "Delayed Period Interest" at bank rate (as notified by RBI from time to time)+2.00%. The existing rate of interest on delayed remittances and double/excess reimbursements is 8% (i.e. Bank Rate 6.00% + 2.00%).

## **9. Accounting of "Mareh" transactions**

**9.1** Reserve Bank, Central Office, Mumbai will issue in the month of February each year special instructions to all banks collecting direct taxes regarding the procedure to be adopted in accounting the Mareh transactions.

**9.2** The Nodal banks will be receiving scrolls relating to Mareh of the previous Financial Year in April of the current year. In order to account for the entire collections of Mareh in the same financial year the Nodal banks have to follow the following procedure during the month of April:

The nodal banks have to prepare two sets of separate scrolls - one pertaining to Mareh residual collections (payments realized from taxpayer's account before 31<sup>st</sup> Mareh).and another for April transactions during the first 15 days in April 7. They should ensure that all the tax collections made by the receiving branches upto 31st Mareh are accounted as "Mareh Residual Transactions" and should not be mixed up with the transactions of April which fall in the financial year. The main scrolls for Mareh transactions prepared from 1st to 15th April are to be distinctly marked as "Mareh Residual".

**9.3** It may also be noted that all the cheques / amount realized on or before 31st Mareh should be treated as transactions relating to the current financial year and should be accounted for as such under the head "Mareh or Mareh Residual Transactions" in the current financial year.

**9.4** While reporting to their Link Cell in Nagpur, the Nodal banks should send

two sets of figures distinctly showing Mareh Residual and April Transactions separately upto 15th April.

**9.5** The date-wise monthly statements should also be prepared in two sets, one pertaining to Mareh Residual Transactions and another relating to April Transactions.

**10.** Special arrangements during the month of Mareh every year

**10.1** The branches should follow the procedure explained in the *earlier* paragraphs meticulously and ensure that the collections made towards direct taxes are passed on promptly for credit to Government Account through the Nodal branch / Link Cell. However, during the second fortnight of Mareh every year, wherever the receiving branches and Nodal branch are situated locally, a special messenger system should be introduced by the receiving branches. All efforts may a/so be made to provide the collection figures on daily basis to the ZAO during the second fortnight of June, September and December every year, for onward transmission to the Government for monitoring, estimates etc.

## **11. Monitoring Committee - holding of periodical meetings**

**11.1** For the smooth functioning of the revised scheme for collection and accounting of direct taxes by the Authorised Banks, the Monitoring Committees consisting of officials from Nodal Banks/local authorities of the banks, ZAO and I.T. Department will be formed at every Zonal Accounts Office centre. The Committee will meet half-yearly and discuss various issues connected with direct tax work such as accounting, scrolling, reporting, remittance and reconciliation etc. and make efforts to sort out the problems at its own level. Further, annually there will be a special Monitoring Committee meeting in which very senior officials from CBDT, RBI, I.T. Department and banks will participate and redress the various problems being faced by the banks, ZAOs and I.T. Department in the fields. Banks will ensure that the necessary follow-up actions are taken on the Minutes of such meetings.

## **12. Redressal of public grievances**

**12.1** Each Authorised Bank should have an effective procedure for dealing with public complaints at the branches rendering service to Government Departments or members of



the public as prescribed, from time to time. In case the bank detects a mistake in reporting of a tax payment or the major head of tax payment, either suo moto or being brought to its notice by the tax payer, the bank will promptly transmit the error record (as described earlier at Para 4.7) to TIN. This is imperative as the Income Tax Department will give credit to a taxpayer's on the information transmitted by the bank to TIN.

### **13. Facility of payment of Direct Taxes over Internet**

A system of payment of Direct Taxes by the assesses over 'Internet' under the On-Line Tax Accounting System (OLTAS) has been put in place. The technical Committee constituted by the High Powered Committee on OLTAS to examine the issue of Direct Tax payments being made over the Internet has since finalized a Concept Paper on Electronic Payment of Taxes through Banks having Internet Banking facilities. As per the Concept Paper National Securities and Depositories Limited (NSDL) will provide the data screen for entry of challan details and validate the same against the PAN/TAN database, codes of Major Heads/Minor Heads, types of payment etc. NSDL will also provide a secured link between its website and the website of the participating Bank. NSDL has informed all the Banks participating in OLTAS about the system becoming operational giving the technical document on Internet payment.

A copy of the concept paper on the subject circulated by the Indian Banks' Association (IBA), outlining the main features of the system is enclosed for reference. The main points that need to be kept in view by Zonal Accounts Offices receiving challans/scrolls for collection through 'Internet' are summarized below:-

#### **(a) Receiving Branch and Nodal Branch**

The Banks authorized for direct tax collection will be eligible for tax collection through Internet. However, on case to case basis, depending on the availability of infrastructure, each Bank will be specifically authorized for this activity (tax collection through Internet). All such authorized Banks would identify one of their branches as the Internet Collection Branch (ICB) for the entire country. This ICB would be reporting all transactions to the existing Nodal Branch in that particular Zone. Upon authorization of the ICB by Pr. CCA, CBDT, New Delhi, the concerned Zonal Accounts Office (ZAO) would be intimated.

#### **(b) Identification of Zonal Accounts Office and Regional Computer Centre for tax collection through Internet:**

The location of 'Internet Collection Branch' would decide the Zonal Accounts Office/Regional Computer Centre responsible for reconciliation and accounting of tax collection/receiving challans/scrolls data.

(c) **Printing of Hard copy of the Challans**

The Internet Collection Branch (ICB) would print a hard copy of the challan (in black & white) on behalf of each tax payer for inclusion in the Nodal Branch Scroll. The Nodal Branch would make separate sets of scrolls/challans (Major Head wise) for tax payment over Internet and forward top the ZAO. The ZAO would also keep the scrolls/challans pertaining to direct tax payments over Internet separately for proper identification.

(d) **Remittances and Reporting**

The ZAO, under whose jurisdiction the ICB of a particular Bank falls would be responsible for monitoring of timely remittances of collections to Government account. While reporting figures of collections to Headquarters, the collections but would be mentioned separately for proper identification.

**14. Concept Paper on Electronic Payment of Taxes through bank having Internet banking facilities**

Income-tax Department through Tax Information Network (TIN) provide a screen at its website for the taxpayers to fill up electronic challan in the prescribed performa. It will be mandatory for the taxpayers to quote PAN/TAN, Name and address of the taxpayer, Assessment Year, Major Head, Minor Head, Type of Payment. The system will validate the PAN/TAN against the database of PANs/TANs and also ensure that other particulars are filled up properly with valid codes. Once the date is validated, a drop down menu will appear indicating the names of various bank offering internet payment facilities. The taxpayers can opt for any of these banks in which he has an internet account. A link will transfer the data to the web of the selected bank. The tax payers will be able to fill in the payment details and amount on the bank's website. After satisfying himself of the correctness of the particulars, the taxpayer will complete the transaction using the internet username and password allotted to him by his bank.

2. On completion of the transaction, the taxpayer will have an option to download the counterfoil from the website of the bank. This will contain all details available that are usually given in the hard copy of the counterfoil including Challan Identification Number (CIN).

**3. Role of TIN**

NSDL will provide the data screen for entry of challan and validate the same against the PAN/TAN database and codes of Major heads, Minor Head, types of payment. It will provide a secure link from its website to the website to the different banks. The facility tax payment on the TIN website will be available 24 hours of the day every day (24x365).

#### **4. Role of banks**

- (i) Participating banks having net banking facilities will allocate one particular branch as the Internet Collection branch for receiving/accounting tax payment made through internet. The website of participating banks will display the PAN/TAN details, Name, Major/Minor head etc. of the challan form in non-modifiable format and allow only entry of payment details by the taxpayer at their website in a secure mode. They will also ensure that on completion of the transaction, the taxpayer is allotted a unique Challan Identification Number (CIN) comprising of BSR code of the Internet Collection branch, the date of receipt and serial number of the electronic challan in that branch on that day. Participating banks will also ensure that on completion of the payment, taxpayer is able to down load the taxpayer's counterfoil containing all the details presently on the hard copy counterfoil including CIN. The Banks will also print details of CIN in the customer's bank account statement/pass book so that the taxpayer will have a permanent record of CIN details. The blackout period, during which the facility for tax payment over bank's website is disabled, will depend upon the bank's operational policies and will be bank specific. Such black out timings will be displayed on the bank's site for the information of the tax payer.
- (ii) The banks will print a hard copy of the challan on behalf of the taxpayer for including in the nodal branch scroll of the Internet Collection branch. (a separate scroll for internet collections), and forward the same to the concerned ZAO of the city where the Internet Collection branch is situated. The bank branch will be at liberty to sign the hard copy of the challan through facsimile signature of their authorized signatory. The same branch will also transmit the relevant data to TIN in the prescribed record structure and in the prescribed manner as other banks branches.

#### **15. Mandatory electronic payment of tax by certain Categories of taxpayers w.e.f.**

**1.4.2008**

The Central Board of Direct Taxes vide their Notification No. 34/2008 dated 13-3-2008 (copy enclosed) have made electronic payment of taxes mandatory for the following categories of tax payers w.e.f. 01.04.2008 :

- a. A company
  - b. A person (other than a company), to whom provisions of Section 44AB are applicable.
2. In this regard the following instructions may be kept in mind while implementing the Government Notification:

- (i) the status of all corporate taxpayers can be identified from the name itself. Further, the 4th digit of the PAN of all corporate assessee would necessary be **"C"**. **Physical challans from such assessees shall not be accepted across the counter.**
- (ii) In case of tax payers covered under Section 44AB, there should be no insistence of any proof of eligibility to pay tax through physical challans at the bank counters. The responsibility of making epayment rests primarily with the taxpayer. Hence, the word of taxpayers should be taken as final.
- (iii) the acknowledgement for e-payment should be made available immediately on screen by the bank concerned.
- (iv) the transaction id of e-payment should be reflected in the bank's statement.
- (vii) each bank should prominently display on its e-payment gateway page, the officials to be contacted in case the taxpayer faces any difficulty in making the payment, completing the e-transaction, generating the counterfoil etc.
- (vi) each bank should give the ITD and NSDL a list of officials with contact particulars, to be contacted if required for any problems faced by ITD or taxpayers.

**Authority: DGBA.GAD. No. H. 10875 / 42.01.038 /2007-08 Dated 10<sup>th</sup> April 2008)**

**NOTIFICATION NO. 34/2008, DATED 13.03.2008**

In exercise of the powers conferred by sub-section (1) of section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules 1962, namely:-

1. (i) These rules may be called the Income-tax(Fourth Amendment) Rules, 2008.

(ii) They shall come into force from the date of their publication in the Official Gazette.

2. In the Income-tax Rules, 1962, after rule 124, the following rule shall be inserted, namely:-

**“Electronic-payment of tax”**

**125. (A)** the following persons shall pay tax electronically on or after the 1<sup>st</sup> day of April, 2008:-

- (a) A company; and
- (b) A person (other than a company), to whom provision of section 44AB are applicable.

(B) For the purpose of this rule:-

(a) “Pay tax electronically” shall mean, payment of tax by way of-

- (i) Internet Banking facility if the authority bank; or
- (ii) Credit or debit cards;

(b) The word “tax” shall have the meaning as assigned to it in clause (43) of section 2 of the Act and shall include interest and penalty”.

**MANDATORY E-PAYMENT OF TAXES CIRCULAR NO. 5/2008, DATED 14-7-2008**

The Central Board of Direct Taxes, vide notification S.O.No.493(E) dated 13.3.2008 have notified the categories of taxpayers who are mandatorily required to electronically pay taxes on or after the 1st day of April, 2008. The taxpayers who are required to pay taxes by the prescribed mode are – (i) a company; and (ii) a person (other than a company), to whom provisions of section 44AB of the Income-tax Act, 1961 are applicable.

2. Further, payment of tax electronically has been defined to mean payment of tax by way of - (i) internet banking facility of the authorized bank; or (ii) credit or debit cards.

3. In the context, representations have been received from some of the foreign assesses highlighting the difficulties being faced by them in complying with the provisions with regard to

mandatory e-payment of taxes. It has been pointed out by such foreign assesses that they do not have a presence in India and, therefore, are not able to meet the 'know your customer norms' of the banks. This has resulted in their inability to open bank accounts and make payment of taxes, through the electronic mode. Representations have also been received from the resident taxpayers highlighting difficulties in availing internet banking facilities of the authorized banks. A clarification has also been sought as to whether payment of tax deducted at source by a deductor will fall within the meaning of 'tax' for the purpose of the impugned notification.

4. With a view to facilitating electronic payment of taxes by different categories of taxpayers, it is hereby clarified that, - an assessee can make electronic payment of taxes also from the account of any other person. However, the challan for making such payment must clearly indicate the Permanent Account Number (PAN) of the assessee on whose behalf the payment is made. It is not necessary for the assessee to make payment of taxes from his own account in an authorized bank. Further, it is also clarified that payment of any amount by a deductor by way of tax deducted at source (TDS) or tax collected at source (TCS) shall fall within the meaning of 'tax' for the purpose of the rule 125 of the Income-tax Rules, 1962.

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**RESERVE BANK OF INDIA**  
**Department of Governtrienf & Bank Accounts**  
**Central Office**  
**4th floor, Byculla Office Building**  
**Opp. Mumbai Central Station**  
**Byculla, Mumbai - 400 008**  
Telephone 2308 4121 Fax.: 2300 0370.,  
2301 0095 e-mail address: psen@rbi:org.in

RBI/2005/411  
DGBA.GAD.No. H- 5287/42.01.034/2004-05  
The Chairman and Managing Director/  
Managing Director  
State Bank of India and its Associates /  
All Public Sector Banks /  
Jammu & Kashmir Bank Ltd.,

April 1, 2005

**On-line Tax Accounting System (OLTAS) - Accounting Procedure relating to crediting of CBDT collections to Govt. Account**

Please refer to instructions contained in para 8 of Accounting Procedure Relating to On-line Tax Accounting System (OLTAS) regarding payment of interest on delayed transfer of tax collections to Government account at Central Accounts Section, Reserve Bank of India, Nagpur.

2. It has been decided in consultation with Government of India to amend the instructions relating to the maximum number of days allowed for crediting tax collections to **T+3 working days** instead of T+3 days (including Sunday and Holidays) with effect from April 1, 2005.

3. The period of delay will be counted from, the date of receipt of the collection at the receiving branch (actual realization of money in the bank) till it is reported to Reserve Bank of India, Central Accounts Section, Nagpur for credit to Government account. Delayed, period interest will be recoverable from the banks regardless of the amount involved. For calculating the working days, Reserve Bank of India: calendar will be followed.

4. Please acknowledge receipt.

Yours faithfully,

Sd/-

**(Prabal Sen)**

Chief General Manager

## **Checks to be exercised while conducting Internal audit of Nodal Banks/Receiving Branch**

### **Inspection of Receiving Branch**

1. Whether the Receiving Clerk is checking the challan properly as per RBI instructions while accepting the challan?
2. Challan
  - (a) Whether a prima facie scrutiny of the challan carried out by the Counter Clerk with referent to the following points:-
    - (i) Challan No./ITNS at the right top corner
    - (ii) Assessment Year
    - (iii) Whether the branch is indicating the (PAN/TAN invalid structure)
    - iv) Whether an authorized official of the branch is signing in full on the Taxpayer's counterfoil of the challan.
    - v) Whether double dated stamp is being affixed on the challan by the Receiving Branch showing the date of deposit and date of realization.
    - vi) Whether running Sl. No. is being given for all the Challan (both paid in cash and by cheque) for each day. The Sl. No. given to the challans deposited in cash do not overlap with the Sl. No. given to the challans against which cheques have been realized on that day.
    - (vii) Whether the branch generating the file containing all the challans Data for which payments have been realized for the day and transmit it to its nodal branch.
    - viii) Name and address of the taxpayer.
  - B. Whether main portion of challan and the tax Payer's counter foil form have been filled properly.
  - (C) Whether the amount and major head of account to which the amount is to be accounted/credited is clearly and correctly recorded in the challan. The amount should be indicated both in words and figures.

Whether a paper token showing the date of receipt of counterfoil of challans by receiving branch to the tax payer for collection of counter foil and the same token number is being indicated on the counter foil. (If the amount is being deposited by cheaue/DD the counterfoil receipt will be issued only on realisation of the amount of cheque/DD.) Whether the challans tendered with cash is being stamped as "CASH RECEIVED"

Whether the main portion of challan and counter-foil is being stamped in the prescribed place mentioning the:-



- (i) Name of the bank and branch
  - (ii) The BSR code of the branch (in seven digits)
  - (iii) Date of deposit (DDMMYY) of the amount.
  - (iv) Unique serial no.of the challan (5 digits)
  - (v) Whether both the dates i.e.date of receipt and date of realization of cheque are being entioned in the stamp.
  - (vi) Whether the impression of the Stamp on both portion of the Challan is clear and legible.
- E. Whether an authorized official of the Branch is signing in full the tax payer's Counterfoil and initial the main copy of the challan having received the amount.
- F. Are the receipted challans delivered to the assessee on the day which has been indicated on the paper token?
- G. Whether the receiving branch is sending the daily scroll as prepared above to Nodal branch everyday.
- H. Whether any challan for which payment has been made/realized with that day is left Out? (List such cases).
- I. Whether a running scroll Sl.No. extending through a financial year (1st April to 31<sup>st</sup> mareh) is being given to the records relating to each type of tax (Major Head) which are transmitted on a particular date?
- J Scrolls
- i) are the receipt scrolls in form is being generated on daily basis
  - ii) Are the summary in form is being gnenerated on daily basis
  - iii) Are separate scrolls and summary are being generated for each type of direct tax based (major head wise)
  - iv) Whether the same running Sl. No. extending through a financial year prefixed by the appropriate abbreviation of the type of tax (Major Head) is being printed on the scroll.
  - v) Are three copies of the scrolls/summary one with challan and two without challan are being sent to Nodal branch at the early morning of the next working day?
  - vi) Whether the challans and receipt scrolls are attached with the summary in the same order as these are entered in the scrolls.
  - vii) Are the total of the scroll/summary are correct?
- K Detection of errors:
- i) Whether any error is deducted by the receiving branch either in direct tax amount or major head of payment.

- ii) Whether an error record is prepared by the bank in duplicate.
- iii) Whether the error record is prepared in prescribed format.
- iv) Whether the error record with correct Information was sent on line to TIN.
- v) Whether the correct record was informed to ZAO through "error Scroll".

*INSPECTION REPORT OF NODAL BANK*

1.	Whether the receiving branch is sending online the data of all the challans on day to day basis to Nodal Branch along with hard copy.	
	Whether the nodal branch is collecting the data on its computer sent by the receiving branch.	
	Whether the nodal branch is transmitting the collected data to its link cell on prescribed proforma on same day or next morning. If not list out delayed cases with delay period and amount of the challan.	
	Whether the Nodal branch is putting a common Nodal branch scroll number and date to all the Challans records being transferred on that day.	
	Whether the nodal branch is exercising a scrutiny of computer generated data sent online by the receiving branch.	
	Whether the nodal branch is generating a computer Print out of the major head wise scrolls and summary in triplicate after consolidation of Computer printed branch scrolls (with challans) received from all the branches including its own collection.	
	<i>Whether the nodal branch is sending two copies of main scroll and summary ( one with challan) to the ZAO concerned on daily basis.</i>	
	Whether the nodal branches reconciling the figures with I) ZAO concerned and II) with Receiving branch.	
	Whether the nodal branch is keeping the third set of scroll prepared as above for its own record on printed form.	
	During the month of April of the next financial year whether the nodal branch is preparing two different sets of scrolls I) Normal Scroll for the month of April transactions and II) for those checks/DDs and ITROs deposited for 31 <sup>st</sup> Mareh and cleared on 1 <sup>st</sup>	

	April or afterwards but before 15 <sup>th</sup> of April.																																			
	<p>Whether the nodal branch is preparing a consolidated and daily memo of receipt and sent it on daily basis to its link cell at Nagpur. If not prepare a list of delayed cases in the prescribed Proforma given below:</p> <table border="1"> <thead> <tr> <th>SL .No.</th> <th>Name of bank/branch</th> <th>Date of Receiving branch</th> <th>Date of Sending By Nodal Branch</th> <th>Delayed Period</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2.</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3.</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4.</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>5.</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>					SL .No.	Name of bank/branch	Date of Receiving branch	Date of Sending By Nodal Branch	Delayed Period	1.					2.					3.					4.					5.					
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	<p>Whether the nodal bank is reconciling the data on monthly basis with ZAO. Indicate the period up to which reconciliation has been completed. If it is in arrear it should be indicated in the report.</p>	
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	<p>Whether any discrepancy has been noticed between the statement sent to ZAO and settled with CAS Nagpur. If any the same may be indicated.</p>																	
	<p>Whether the receiving branch and nodal bank is sending the collected amount of CBDT collection within prescribed period of its link cell so that the CBDT collection could be deposited into RBI within in three days T+3 days(excluding bank holidays). If not prepared a list of such cases and the amount of interest on delayed payment may be shown in the proforma given below:-</p> <table border="1" data-bbox="289 695 1354 1031"> <thead> <tr> <th data-bbox="289 695 375 961">SI .No.</th> <th data-bbox="375 695 532 961">Name of Receiving Branch</th> <th data-bbox="532 695 690 961">Date of Receiving Branch</th> <th data-bbox="690 695 808 961">Date of Nodal Branch</th> <th data-bbox="808 695 950 961">Put Through Date of CAS Nagpur</th> <th data-bbox="950 695 1084 961">Amount</th> <th data-bbox="1084 695 1219 961">Delayed period</th> <th data-bbox="1219 695 1354 961">Amount of interest</th> </tr> </thead> <tbody> <tr> <td data-bbox="289 961 375 1031"></td> <td data-bbox="375 961 532 1031"></td> <td data-bbox="532 961 690 1031"></td> <td data-bbox="690 961 808 1031"></td> <td data-bbox="808 961 950 1031"></td> <td data-bbox="950 961 1084 1031"></td> <td data-bbox="1084 961 1219 1031"></td> <td data-bbox="1219 961 1354 1031"></td> </tr> </tbody> </table>	SI .No.	Name of Receiving Branch	Date of Receiving Branch	Date of Nodal Branch	Put Through Date of CAS Nagpur	Amount	Delayed period	Amount of interest									
SI .No.	Name of Receiving Branch	Date of Receiving Branch	Date of Nodal Branch	Put Through Date of CAS Nagpur	Amount	Delayed period	Amount of interest											

**(Inspecting Officer)**

## **Inspection of Records pertaining to TIN.**

Checks should be exercised to ensure:-

- (i) that all taxes deducted are reconciled with the credits claimed by different deductees in their respective returns of Income Tax.
- (ii) that no bogus T.D.S. Certificates are related to frauds.
- (iii) that the Accounts Officer of Central Government has booked the amount of tax deducted by various DDOs under the appropriate Major/Minor/Sub Head of Account in the monthly account.
- (iv) that compilation of monthly account of DDOs have reconciled the amount deducted by them with the amount booked by Accounts Officer in respective months.
- (v) that the A.O. has entered the details of tax deducted by various DDOs in the form prescribed by Income Tax Department.
- (vi) that the details for a quarter are entered in the prescribed form for each DDO under the jurisdiction of the Accounts Officer.
- (vii) that details of each quarter are uploaded to TIN by the Accounts Officer on quarterly basis.
- (viii) that the details of first quarter ending June are uploaded upto 31<sup>st</sup> August and that of second quarter by 30<sup>th</sup> November and so on.
- (ix) that separate forms are used for each type of T.D.S. i.e. Salary, TDS on other than Salary, TDS on non-resident and TCS.

### II. In regard to State T.D.S.

- (i) that treasury-wise breakup of TDS along with Demand Draft have been received by the ZAOs every month from the respective A.G.s
- (ii) that the ZAO has deposited the D.D. through challan form No. ITNS-281 in the authorized receiving bank branch by quoting TAN that is different from TAN allotted to DDOs responsible for deducting tax at source.
- (iii) that the data in soft copy provided to the ZAO by the A.G. match the amount of D.D. drawn earlier in favour of the ZAO.

**CHECKS TO BE EXERCISED WHILE CONDUCTING INTERNAL AUDIT OF LINK CELL**

1.	Whether the generating files containing all the Challan data for which payments have been realised for that day are being received from Nodal Branch on daily basis.	
2.	It should be ensured that no Challan for which payments have been realised on that day is left out	
3.	A running serial scroll No. extending through a financial year (1st April to 31 <sup>st</sup> March) is given to the records relating to each type of tax (Major Head) which are transmitted on a particular day.	
4.	Whether a daily memo is received from Nodal Branch on daily basis and in turn makes a daily settlement with RBI, CAS Nagpur.	
5.	Whether the collected Challan data transmitted from nodal branch is in the format prescribed by the Income Tax Department.	
6.	Whether the link cell monitors the daily receipts and check the accuracy of the daily memos received from the nodal branch.	
7.	Whether the link cell after checking the accuracy of daily memos received from Nodal Branch, transmit the daily memos to CAS, RBI, Nagpur.	
8.	Whether during the 1 <sup>st</sup> fifteen days in April each year nodal branches transmit two separate sets of scrolls distinctly showing March Residual and April transactions separately up to 15 <sup>th</sup>	

	April.	
9.	Whether the link Cell consolidates the Challan data, received from Nodal Branches for transmission to the Department's Tax Information Network.	
10.	Whether the final reconciliation of the transactions is being done by the link cell, with reference to monthly statement furnished by RBI CAS Nagpur.	
11.	Whether the refund data (in respect of paper ITROs and ECS refund) transmitted on line by the nodal Branch.	



**RESERVE BANK OF INDIA**

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Chief General Manager-In-Charge

DO.DGBA.GAD.No.553/42.01.018/2005-06

August 9, 2005

Dear Shri Ramachandran,

Fraudulent encashment of Income Tax

**Sub: Refund Orders (ITROs) at RBI, PAD, New Delhi**

We invite your kin attention to the recent incident of fraudulent encashment of a number of ITROs in New Delhi. A team of officers deputed by us to our New Delhi office to enquire into the matter noticed certain serious deficiencies in observing the prescribed safeguards in handling the ITROs in the Income Tax Department. These are listed in the Annexure. We also observe that the provisions contained in the Central Treasury Rules in regard to dealing with the ITRO forms and the procedures to be followed in case of missing forms have also not been followed by the ITRO issuing authorities.

2. We have already issued suitable instructions to our dealing staff in our Delhi Office urging upon them to strictly comply with our manual provisions in this regard. May I request you also to issue necessary instructions to the authorized signatories of your Department, highlighting the importance of complying with the set of provisions/safeguards regarding safe custody, issue and accounting of ITROs, early verification of the genuineness of the paid ITROs etc. I shall be obliged to receive a line in confirmation at any early date.

With regards,  
Yours sincerely,

Sd/-  
(Prabal Sen)  
Encl:3

Shri Vijay Ramachandran,  
Principal Chief Controller of Accounts  
Central Board of Direct Taxes  
Deptt. of Revenue, Ministry of Finance  
9th floor 'A' Wing  
Lok Nayak Bhawan, Khan Marg,  
New Delhi 110003

## **ANNEXURE**

### **List of Common Irregularities observed in the issue of Refund Orders by Income Tax Department in New Delhi**

The list of officials who are authorized to issue ITROs was not being updated regularly by the Income Tax Department. It is a pre-requirement that in the event of any change in the incumbency of the signing officials on account of transfer out of the circle, retirement, termination of service, expiry etc. duly attested specimen signature of the relieving officials should be furnished by the Income Tax Department and the signature of the previous incumbent should be deleted from the file. However, it is our experience that, while the signatures of the newly posted/promoted officials are registered with RBI promptly, the signatures of the retired/transferred officials were not got cancelled by the Department. For instance, our New Delhi office is presently having more than 1,100 specimen signature cards on record, while there are approximately 300 authorized officials in the Delhi circle to operate the account with RBI.

Since the ITRO forms are got printed by the Income Tax Department, the serial number of the ITRO books allotted to each Ward/Circle and the distinct numbers of foils in each ITRO book are required to be invariably intimated to the concerned RBI office beforehand, every year. However, this practice is not being followed presently by most of the Income Tax Offices, especially, the New Delhi Circle. As a result, the PAD, RBI is not aware of the number/series of the ITRO books used by each Ward/Circle or the distinct numbers of ITROs in each book.

It appears that there is no proper control in the use of ITRO books by the Wards in the Delhi Circle. Several ITRO books are in use simultaneously in each Ward office which is against safe banking principles. Further, even though the ITRO books are required to be kept in the personal custody of the ITRO issuing officer (ITOs), it is felt that this is not being ensured always. This may be ascribed as one of the reasons for the loss/missing of ITROs.

It is our experience that the "List of lost/stolen/missing ITROs from their books" is not advised by the concerned Income Tax Officer to the PAD immediately after the loss is detected for recording "stop payment" in our books. At times these are not reported at all or reported after 8 – 9 months, by which time the fraudster might have successfully encashed the forged instrument. Availability of this information to the PAD in time will go a long way in the prevention of such frauds. Needless to mention, such delayed reporting/non-reporting of lost/stolen ITROs facilitates fraudulent encashment. Had the

details of the stolen instruments been reported in time, most of the fraudulent encashment could have been averted at RBI end.

The authorized officials have not been furnishing the complete 12 digit number of the missing ITROs (6 alpha suffixes, 3 numeral suffixes and the 6 digit number) while reporting the loss of the instruments to RBI for recording stop orders.

Instructions are put in place in RBI for cross-verification of the high value ITRO advices, on receipt, with the concerned Income Tax Officer for its genuineness and the fact recorded on the relative ITRO advice. For this, an up to date list of telephone number of contact persons in each circle/ward is required at each RBI office. Further active cooperation from the Income Tax Department is required for cross checking the genuineness of high value ITROs received for payment. Necessary instructions may be issued to the officials to respond to such queries from RBI on high priority basis.

RBI, PAD is sending the paid ITROs/Advice Notes to the ZAO and Computer Cell every day along with the Payment Scroll and a list of paid instruments. The parcels containing the paid instruments, which are the only records available at the time of dispute, are delivered to the ZAO on the next day itself after the payment is made. It is suggested that the paid ITROs should be cross checked by the ZAO with their records preferably on the same day or next day itself and confirmation/position advised to RBI so that fraudulent encashment can be detected in time.

There are instances where paid instruments are stolen in transit to ZAO and presented again to RBI for payment, after chemical alteration. To obviate this, we had suggested that the paid instruments be sent to ZAO in a locked box, operated from both ends so that pilferage en-route can be eliminated. This has not been introduced in the New Delhi Circle.

A decision has been taken by Central Board of Direct Taxes to introduce the Electronic Clearing System (ECS) system for payment of ITROs in 12 RBI centers including New Delhi. Although it has been introduced in other centers like Ahmedabad, Chennai, Hyderabad, Bangalore, etc. ECS has not yet started in New Delhi.

In case any delay is anticipated in the introduction of ECS for the ITRO payments in Delhi, as a short term measure, a list of the ITRO advices in respect of refunds exceeding Rs.9999/- issued by all the wards may be supplied to RBI in a floppy on a daily basis, digitally signed, so that the problems due to tampering the ITRO foils can be totally eliminated.

### **DDO'S DO's & DON'T DO's**

1. DDO must watch that there are different funds are available
2. DDO must watch that there proper function obtained from the competent authority as per delegation of Financial Power Rule
3. DDO must ensure that all money received by or on behalf of the Govt. either as dues of Govt. or for deposit, remittance or otherwise, shall be brought into Govt. Account without delay.
4. DDO must check the receipt in form GAR-6 in lieu of money received on behalf of Government.
5. It is the duty of DDO's that the receipts and dues of the Govt. are correctly and promptly assessed, collected and duly credited to Bank.
6. DDO should keep watch that the expenditure incurred from public money should be guided by high standards of financial property
7. DDO must see that all sanctions to the expenditure shall indicate the details of the provision in the relevant grant appropriation where from such expenditure is to be meet
8. DDO must see that all financial sanctions and orders issue by a competent authority shall be communicated to the Accounts Officer.
9. All order conveying sanction to expenditure of a definite amount or up to a specific limit should express both in words and figures the amount of expenditure sanctioned.
10. Sanctions accorded by a head of department may be communicated to the Accounts Officer by on authorized Gazetted Officer.
11. Sanction will lapse when there is a specific provision in a sanction that the expenditure would be met from the budget provision of a specified financial year, if shall lapse at the close of that financial year.
12. In case of any loss or shortage of public money, Department receipt or revenue, stamps stores or other property irrespective of cause of loss and manner of detection shall immediately reported by the DDO to the higher authority as well as to the statutory audit officer and to the concerned . Principal Accounts Officer even when such loss have been made good by the party responsible for it.
13. Savings must be surrender to the ministry by the date prescribed before the close of financial year.

14. DDO must see that the purchase of goods up to the value of Rs. 15000/- only on each occasion may be made without inviting quotations of DDO on the basis of certificate to be recorded by the competent authority as follows :

I..... am personally satisfied that there goods purchased are of the requisite quality and specification and have been purchased from a reliable supplier at a reasonable price.

15. Purchase of goods costing above Rs.15000/- and up to Rs. 1,00,000/- on each occasion may be made on the recommendations of a duly constituted local purchase committee consisting of three members of an appropriate level as decided by HOD.
16. Withdrawal from Govt. account should be made only be presentation of various types of bill prescribed for contingent charges, personal claims etc.
17. It is the responsibility of the DDO to ensure that his figures agree with those of the Accounts Officer /ZAO.
18. A DDO shall not withhold any information, books or other documents required by audit.
19. DDOs should forward the specimen signatures to the PAO/ZAO/paying branch of the bank duly attested.
20. DDOs should verify the cash balance in hand with reference to the closing balance and record a signed and dated certificate. Certificate will normally be in the following form:

Certificate that cash amounting to Rs.\_\_\_\_\_ (Rupees\_\_\_\_ only) has been physically verified and found correct as per balance recorded in the cash book .

Any discrepancy notice during verification should be reported to the HOD and to the Accounts Officer.

- 21 DDO should ensure that bills should be filled in and signed in ink. The Amount of the bill should be written both in figures and words
- 22 DDO should maintained a Bill Register in form GAR-9
- 23 DDO must record a certificate that sub vouchers other than those submitted with the contingent bill have been so detected or mutilated that they can not be used again.
- 24 When an amount is disbursed, the DDO should see that the legal quittance is

obtained in an acquittance roll in form GAR-24 in respect of monthly pay and allowances.

- 25 DDO should watch that the undisbursed amount should be entered in a separate register called "Register of Undisbursed". Pay & allowances in form GAR-25.
- 26 DDO should see that if any amount attached by the court as per attachment order record from Court than proper deduction is made from the Govt. Servant pay and keep a record of such deductions in form GAR-22
- 27 DDO's empowered to draw cheque for payment of salaries, contingencies etc.as also other specified charges if any.
- 28 DDO's are to obtain their requirement of cheque books for a minimum period of three months from PAO by placing a requisition.
- 29 DDO should enter the cheque books in the 'stock register of Cheque books,' Separate pages may be allotted of each of the three types of Cheque books.
- 30 DDO must send the intimation to the bank and the PAO of the serial number of cheque forms to be used.
- 31 DDO should intimate the PAO concerned that the total of Cheques issued on last day at the end of financial year.
- 32 DDO should intimate to the bank promptly in case of loss of cheque book or form.
- 33 Physical verification of Cheque book in stock should be conducted by an officer other than the DDO twice in a year.
- 34 DDO should maintain a register of Cheque issued.
- 35 The DDO is personally responsible for the amount drawn on a bill until he has paid it the person entitled to receive it.
- 36 The DDO is responsible that the proper deductions made from the Govt.Servant pay against court order and keep a record of such deductions.
- 37 DDO is responsible to deduct income tax from the salary every month on the basis of calculations at the rates prescribed every year.
- 38 Payment received by PAO by cheque to be encashed and disbursed to the staff should be entered in cash book.
- 39 All the cheques /drafts received by the DDO on account of receipt of govt. money should be drawn in favour of the PAO.
- 40 DDO must reconcile the expenditure figure with the figure of PAO.

## **DON'T DO'S**

1. DDO should see that excess tax is not received in any case to avoid hardship to the employees even if they can get refunds in due course.
2. DDO should not enter the cheque in the cash book if cheque drawn in favour of the officer.
3. DDO's must see that he may not incur any expenditure or enter any liability involving expenditure or transfer of money for investment or deposit from Govt. account
4. DDO's must watch that there will be no private cash kept in the Govt. cash chest.
5. Rush of expenditure particularly in the closing month of the financial year, shall be regarded on a branch of financial propriety and shall be avoided.
6. Late bills i.e. bills received after the specified date and time of receipt , should not be considered.
7. Money received as receipts should be promptly remitted into bank and should not be utilized to meet any departmental expenditure.
8. DDO must watch that the withdrawal should not be made in anticipation of demands or to prevent the lapse of budget grant.
9. No separate sanction is necessary for write off of loss when stores are declared absolute, surplus or unserviceable.