

CHAPTER - 1

INTRODUCTION :

CONSTITUTION OF INTERNAL AUDIT WING

- 1.01 Section 69(1) of the Electricity (Supply) Act, 1948, envisages that Board shall cause proper accounts and other records in relation thereto to be kept including a proper system of Internal Check and prepare an annual statement of accounts, including profit and loss account and the balance sheet in such form as the Central Government may, by notification in the Official Gazette, prescribe by rules made in this behalf in consultation with the Comptroller and Auditor General of India and the State Governments.
- 1.02 Earlier to 01-10-1957, a pre-audit system was prevalent in the Electricity Department of the Government of Mysore (Now Karnataka).
- 1.03 With effect from 01-10-1957, Mysore State Electricity Board (Now Karnataka Electricity Board) was formed as a successor to the Electricity Department.
- 1.04 With a view to secure an independent examination, by audit, of all transactions of the Board, while giving the audit at the same time an opportunity to work in collaboration with the internal organisation, the

office of the Chief Accounts Officer was formed outside the perview of CEE(G)/CEE'S. In matters of audit and accounts, he was guided by the Board.

- 1.05 . With effect from 01-02-1964, the post-audit system was introduced partially in the Board.
- 1.06 An Internal Audit Wing was formed in November 1970 to work under the direct control of the Chief Accounts Officer subsequently designated as Chief Controller of Accounts.
- 1.07 Consequent to the re-organisation of the accounts wing in 1982 on functional basis, the Internal Audit Wing was separated and brought under the Controller (Internal Audit) functioning independently and reporting directly to the Member (Finance) of the Board.
- 1.08 The post of Controller (Internal Audit) was upgraded and redesignated as Chief Controller of Accounts (Internal Audit) in 1992.
- 1.09 The Chief Controller of Accounts(Internal Audit) is assisted at Head Quarters by one Controller of Accounts, one Accounts Officer and four Assistant Accounts Officers.
- 1.10 The Internal Audit Wing, at Division level is headed by an Accounts Officer(Internal Audit), who is assisted by Assistant Accounts Officers and Senior Assistants for conducting audit.

CHAPTER - 2

FUNCTIONS OF THE CHIEF CONTROLLER OF ACCOUNTS (INTERNAL AUDIT)

- 2.01 The Chief Controller of Accounts (Internal Audit) is the Internal Audit Officer of the Board in all matters relating to Finance and Accounts.
- 2.02 He will be in direct charge of the Internal Audit Wing and in matters of Audit of Finance and Accounts he will be guided by the instructions of Member (Finance). He shall report directly to the Member (Finance).
- 2.03 All claims against the Board should be checked by internal audit.
- 2.04 The system of audit of several classes of payments and receipts should be on the lines settled by the Board.
- 2.05 Without prejudice to his other audit functions the Chief Controller of Accounts (Internal Audit) is responsible to see that audit is conducted with reference to the following cannons, viz.,
- a) Every Board Employee should exercise the same vigilance in respect of the expenditure incurred from Board funds as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

- b) No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
- c) Board funds should not be utilised for the benefit of a particular person or section of a community unless the claim for the amount could be enforced in a Court of Law or the expenditure is in pursuance of the recognised policy or custom.
- d) No authority should sanction any expenditure which is likely to involve at a later date, expenditure beyond its own powers of sanction.
- e) The amount of allowances, such as travelling allowance, granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole, sources of profit to the recipients.

2.06 The Chief Controller of Accounts (Internal Audit) should bring to the notice of the Board, breach of any of these cannons, through Member (Finance).

2.07 Whenever there is a difference of opinion between the audit and administrative officers on matters which relate to propriety of payments or matters arising out of audit of cash, revenue, stores etc., the matter shall be referred by the respective administrative authorities to the next higher authority, who shall interpret rules and take a decision. If such a decision is not acceptable to the internal audit, the matter shall be referred by the Chief Controller of Accounts (Internal Audit) along with the opinion of audit and administration to the Member (Finance). Based on the clarification/interpretation of the Member (Finance) the matter shall be settled and the decision of the Board, in such cases, shall be final and binding on all the officers.

2.08 The Chief Controller of Accounts (Internal Audit) may arrange to hold surprise inspection/audit of cash, stores and revenue accounts in any division, sub-division or section office.

2.09 Chief Controller of Accounts (Internal Audit) will dispose of all questions arising in the course of audit according to rules, regulations, difficult and doubtful points being referred to the Board.

Inspections by Chief Controller of Accounts (Internal Audit)

2.10 The Chief Controller of Accounts (Internal Audit) shall inspect all the Central/ Zonal/Circle/Divisional/Sub-divisional and Section offices of the Board. He will conduct audit with the assistance of the Accounts Officer (Internal Audit) of the respective Divisions.

2.11 A notice of Inspection shall be issued to the officers concerned, a few days before the inspection.

2.12 Omissions/commissions observed and irregularities noticed in the course of inspection should be communicated to the respective administrative officers for compliance by them. A copy of the observations/ remarks shall be sent to the concerned Chief Engineer, Electy/ Superintending Engineer, Elecl./Executive Engineer, Elecl., for necessary action on administrative side.

2.13 The officer whose office was inspected will furnish his replies and explanation within 30 days to the Chief Controller of Accounts (Internal Audit).

2.14 The Chief Controller of Accounts (Internal Audit) will record his further remarks if the replies are not satisfactory. The points raised during the inspection have to be cleared in respect of all the items.

2.15 The important irregularities and defects in the system discovered during the course of inspection and irregularities regarding which, in the opinion of Chief Controller of Accounts (Internal Audit) sufficient action has not been taken by the concerned officer, will be intimated to the Board independently through Member (Finance).

- 2.16 The Chief Controller of Accounts (Internal Audit) should take the opportunity afforded by these inspections not only to check and bring to the notice, irregularities which may have occurred but also to guide the office by his advice.
- 2.17 The Chief Controller of Accounts (Internal Audit) should see that the initial accounts are free from corrections and erasures in order to serve as an evidence when required for that purpose. From the nature of the conditions under which the work is generally carried out during the execution of project works, there is considerable scope for occurrence of financial irregularities and it will be necessary for the Chief Controller of Accounts (Internal Audit) through his inspections and examination of accounts to keep a vigilant watch over these transactions.
- 2.18 Although the Chief Controller of Accounts (Internal Audit) is required to audit the accounts of disbursing officers, this will not relieve the Chief Engineer, Electy/Superintending Engineer, Elecl/Executive Engineer, Elecl from the responsibility for the maintenance of authorised system of accounts of the Board, in an efficient manner.
- 2.19 One of the most important points to be looked into, during the course of inspection is the treatment of initial accounts rendered to the divisional officers by their sub-ordinates. When cases are brought in the civil or criminal courts, these initial accounts are the documents which judicial officers generally require as evidence and therefore the mode in which these documents are treated and filed in the divisional offices should invariably form one of the points for investigation in the course of inspection.

CHAPTER - 3

SCOPE AND METHOD OF INTERNAL AUDIT SCRUTINY OF SANCTIONS

- 3.01 The internal audit shall be conducted with reference to the sanctions, rules/regulations and orders issued by the Board or other competent authority from time to time, the instructions contained in the Karnataka Electricity Board Accounts Manuals, Board Employees' Service Regulations, Electricity Supply Regulations and other Regulations/Instructions issued from time to time by the Board and other competent authorities.
- 3.02 The most important of these checks is that the expenditure does not contravene any of the cannons of financial propriety.
- 3.03 The scrutiny of sanctions accorded by the Chief Engineers/ Superintending Engineers/Executive Engineers/Other Subordinate authorities, devolves on the Chief Controller of Accounts (Internal Audit). All sanctions to fresh expenditure shall be checked and acceptance recorded thereon. When any deviation is noticed it should be brought to the notice of the authority issuing the order. If cases arise in which the sanctioning authority does not accept the recorded opinion of the Chief Controller of Accounts (Internal Audit) the matter shall be dealt with as indicated in para 2.07 above.

3.04 All sanctions take effect from the date of sanction unless a different date is specified in the order.

3.05 Before, the Chief Controller of Accounts (Internal Audit) accepts and acts upon any rule, order or sanction he must see:

a) that the authority framing the rule or according the sanction is competent to do so,

and

b) that the rule, order or sanction does not contravene any general or special orders of any higher authority.

3.06 In exceptionally urgent cases where it is necessary to anticipate sanction, payments made provisionally on his personal responsibility, by the Zonal/Circle/Divisional Officer, may be accepted by the Chief Controller of Accounts (Internal Audit) in the following cases.

a) In urgent cases of work, in almost all cases of leave vacancies, the salaries of men appointed may be accepted for a period of three months.

b) In exceptional cases of works undertaken for the safety of the line or the plant in danger, expenditure incurred may be provisionally admitted. On completion of the work, the estimate based on actuals is to be sanctioned by the appropriate authority within four weeks from the date of issue of tentative work order and the expenditure is regularised.

c) To admit sanctions to estimate under lump sum grant under capital to the extent of 100% in excess of Budget grants provided the outlay to be incurred is strictly limited to the amount provided for in the Budget.

d) To admit re-allocation of grant from one work to the other sanctioned by the Board/ Administrative officers, pending approval of the Board/ Competent Authorities provided the total grant required during the

year is not exceeded. The re-allocation should be against sanctioned works only.

- e) In respect of purchases and works, it shall be seen that the usual procedure of calling for quotations etc., is followed and the reasons for actual deviation from usual procedure is recorded and also the reasons for not accepting the lowest quotation.

CERTIFICATION OF PURCHASE ORDER

All purchase orders are subject to pre-audit. Internal Audit should verify and certify the purchase orders placed by the administrative offices and ensure that the necessary purchase grant is available for issue of purchase orders. No administrative officer can procure any materials with a view to regularise such purchases.

SCRUTINY OF RECEIPTS AND EXPENDITURE

3.07 The Chief Controller of Accounts (Internal Audit) should, in course of his scrutiny of receipts and expenditure, constantly aim at improving procedures and eliminating wasteful methods adopted by the executive officers with particular attention to the following points.

- a) If any items of expenditure or concessions in rates for power supply require special examination.
- b) If the arrangements for collections of revenue are defective or susceptible of improvement.
- c) If any officers of the Board are not discharging their financial responsibilities as per rules.

RECEIPTS

3.08 In scrutiny of receipts it should be seen that :

- (a) All sums due to the Board are received and official receipts, as prescribed, shall be issued by such members of staff as are authorised by the Board in this behalf.
- (b) All sums received by or on behalf of the Board are deposited in the specified authorised Banks with least possible delay. In no circumstances shall the sums so received be utilised for meeting any expenditure or making any payment without their being credited to the account of the Board in the Banks.
- (c) The amounts due to the Board for the services rendered, supplies made or for any other reason, are received as soon as they fall due and are in accordance with the rules prescribed thereof.
- (d) All receipts due are properly and promptly brought on the demand registers and action taken for recovery.
- (e) All receipts are correctly classified under the prescribed account heads.

EXPENDITURE

3.09 In scrutiny of expenditure it should be seen that

All claims against the Board shall be checked by the Chief Controller of Accounts (Internal Audit), and shall be scrutinised with a view to satisfy that

- (a) The expenditure or refund of revenue has been sanctioned by the competent authority.
- (b) The expenditure has been incurred by an officer competent to incur it.
- (c) It is covered by the grant at the disposal of the officer incurring it or by funds reappropriated by the competent authority.

- (d) The expenditure does not involve a breach of any of the canons of financial propriety.
- (e) The expenditure has been properly and fully vouched and payment has been so recorded as to render a second/subsequent claim on the same account impossible.
- (f) The charge is correctly classified and if a charge is debitable to the personal account of a contractor, employee or other individual or is recoverable from him under any rule or order, it is recorded as such in the prescribed account.

3.10 All bills paid should be post audited except, where it is specifically prescribed to conduct pre-audit, to satisfy

- a) That they are in the prescribed form wherever prescribed, signed and are in original.
- b) That the details of work upto the total and that the totals in words as well as in figures.
- c) That they have been passed by the authorised officer.
- d) That there are no erasures and that any alterations in totals are attested by the officer concerned as many times as they are made.
- e) That fund and Income tax deductions where necessary have been made.
- f) That they bear a certificate wherever necessary from the responsible officer that the services for which payment has been made have been actually rendered.
- g) That if the bill paid is for tools or other articles supplied which have to be taken to stock, it has been certified by the responsible officer that the articles have been taken to stock.
- h) That the acknowledgement for payment are in English/Kannada and if in any other language, they are rendered into English/Kannada.

- i) That the payment has been made to the right person and the voucher is a full legal/acquittance for the amount due and paid.
- j) That vouchers are stamped where necessary when the original bills are not stamped.
- k) That the amounts are not acknowledged by the payees, such as those in the acquittance rolls of establishment, a responsible officer has certified that, the payment has been made by him or in his presence in the subsequent bills.

SCRUTINY OF CONTRACTS

3.11 All contracts must be scrutinised to satisfy that

- a) The contract has been sanctioned by competent authority and its terms are not in conflict with any general or special orders of any higher authority.
- b) The terms of the contract are precise and definite and there is no room for ambiguity or misconstruction therein.
- c) If standard forms of contracts have not been adopted, legal advice has been taken in drafting of all important contracts before they are finally entered into.
- d) The terms of the contract once entered into are not materially altered without competent sanction.
- e) No contract involving an uncertain or indefinite liability or any condition of an unusual character has been entered into without competent sanction.
- f) Whenever practicable and advantageous contracts are placed only after tenders have been openly invited, and in cases where the lowest tender has not been accepted, whether reasons have been recorded for doing so in writing while accepting the tender on the comparative statement of tenders.

- g) In selecting the tender to be accepted the financial status of the individuals and firms tendering has been taken into consideration.
- h) If any order for supplies etc., has been placed pending a formal written contract, there is a written agreement as to price.
- i) Provision has been made for safeguarding Board's property if any entrusted to a contractor.
- j) The authority signing the contract is competent to do so on behalf of the Board.

AMENDMENT & INTERPRETATION OF RULES/REGULATIONS

- 3.12 The following procedure should be observed by the Chief Controller of Accounts (Internal Audit), when he is of the opinion that an amendment of a Rule/Regulation in any authorised Manual, Board Employees' Service Regulations, Electricity Supply Regulations etc., is required or necessity exists for the authoritative interpretation of a Rule/Regulation.

When any defective Rule/Regulation comes to his notice, in the course of his audit duties, the Chief Controller of Accounts (Internal Audit) will make a reference to the Board in regard to a definite decision being given to the Rule/Regulation as it stands.

- 3.13 The Accounts Officers' (Internal Audit) are enjoined to follow the spirit rather than the letter of the rule when these two appear to conflict. It is important for them to try to understand the real intention of the rules which they have to apply. The framing of rules to express an intention clearly is a difficult matter. If they find that when as applied to a particular case the wording of a rule is conflicting, it is desirable that they should take steps to bring the case to the notice of the Board so that the wording of the rule may be brought more in accordance with the intention.

Some times it happens that two rules seem to conflict each other when applied to a particular case and there is no indication as to which rule should be applied. In that event, if one rule is fundamental and the other

is of less importance, then the fundamental rule should prevail. Here again, however for the reasons indicated above, it may be desirable to bring the apparent conflict to the notice of the Board.

3.14 In the application of the rules to concrete cases the Chief Controller of Accounts (Internal Audit) may find

- a) That the application of the rule both in letter and spirit is clear. In such cases it is for him to give his decision. If there are special reasons which in any case render the decision inequitable, it is for the administrative authority and not for the Chief Controller of Accounts (Internal Audit) to move in the matter.
- b) That even though he is confident as to the correct interpretation of the rules, he may think that the wording might be improved. In that event he should give his decision and should suggest a revision of the rules to remove the apparent discrepancy between the spirit and the letter of a rule or between conflicting rules.
- c) That there is a real difficulty in interpretation and that he cannot decide as to how to apply the rules to that case, in that event he should refer the matter to the Board.

3.15 Another point to remember in interpreting, is that it is often difficult to ascertain the intention of the sanctioning authority from the terms of the order for which the sanction is conveyed unless the Chief Controller of Accounts (Internal Audit) has also before him the letter seeking such sanction. It will then be easy to see as to what information was before the sanctioning authority when he conveyed the sanction and that knowledge is often of at most use in determining the exact meaning of the sanction conveyed.

3.16. Another difficulty arises in the interpretation of orders from the use of etc., in such orders, the authority to whom power is conveyed by such an order may be anxious to interpret that order in the widest possible sense. Such an interpretation however is not permissible, etc., in such cases

mean similar cases of a like nature. It cannot be used to cover other instances of a different nature.

RESULTS OF AUDIT

- 3.17 Results of Audit should be reported to the Divisional Officer/Controlling Authority concerned at the earliest opportunity.
- 3.18 Claims which are obviously correct or for the discharge of which the Board is liable, but, which are defective from an audit point of view, such as want of proper allocation, want of sanction to estimates, etc., should unless contrary to the specific instructions in the manuals or orders of the Board, be placed under objection.
- 3.19 Every objection should be described in such a manner as to obviate necessity for any further reference to the original voucher for information. All objections should be recorded in the objection book and communicated to the officers concerned.
- 3.20 The clearance of objections should be watched very carefully. Every item that can be removed from the objection book should be done at the earliest opportunity and reminders issued once a fortnight or oftener when necessary.
- 3.21 In order to save time and trouble over petty sums audit objections may be waived upto the limit prescribed by the Board.

- Note :-**
1. The order for waiving should be personally recorded on the voucher concerned.
 2. If the irregularity is one that is likely to recur, the officer responsible should be made known that it is objectionable even though no recovery is made.
 3. A register of objections waived shall be maintained with brief particulars of objection and amount waived.

3.22 When erroneous payments have been admitted in audit for a considerable time, owing to a wrong interpretation of financial rules or owing to oversight, the following procedure should be followed for the recovery or otherwise of the amounts over paid.

- a) When a wrong interpretation of a financial rule has been followed, the new interpretation should, in the absence of special instructions to the contrary, be given effect to from the date of issue, by the competent authority of the orders stating the correct interpretation.
- b) When erroneous payments have been left unchallenged owing to oversight, the Chief Controller of Accounts (Internal Audit) should not on his own, undertake re-audit of bills paid more than one year previously but should report the facts of the case to the Board for orders and a re-audit should be made only if so desired by the Board.

Note :- Charges that have been for a long time admitted in audit are not to be summarily intimated for recovery on the ground that it has been discovered that they have not been authorised. The proper course is to bring such cases to the notice of the Member (Finance) and take his orders on such cases.

FRAUDS AND LOSSES.

3.23 When any fraud or loss comes to notice, the Chief Controller of Accounts (Internal Audit) should investigate it fully with a view to fixing responsibility and to finding out whether the fraud or loss was rendered due to violation of rules or procedures. He must bring to the notice of the concerned administrative officers for taking action under Classification, Disciplinary, Control and Appeal Regulations.

3.24 He should also see whether adequate disciplinary action has been taken and if he considers that it is not adequate he should bring such cases to the notice of the Member(Finance).

CHAPTER - 4

ESTABLISHMENT

- 4.01 Audit of establishment matters shall be done as per the following guidelines. These checks are supplemental to the prescribed norms under work load.

ESTABLISHMENT REGISTERS

4.02 **A) HISTORY OF SERVICES OF GROUP 'A' OFFICERS.**

The History of Services of all group 'A' officers is recorded in the Establishment Register maintained in the office of the Financial Adviser & Chief Accounts Officer. This register records the particulars for four years and provides space for changes in the pay, their incumbency etc.,

One folio should be used for recording the particulars of one officer. The names should be entered alphabetically and some blank sheets should be left after each initial letter for future entries during the currency of the register.

- 4.03. New register should be prepared shortly before the old registers are filled up. The names to be omitted should be struck through with a coloured pencil and the remaining names should be entered in the new register. At the foot of the page containing the last name of one initial

letter should be noted the number of leaves to be left blank after it, for future entries.

- 4.04 All orders still in force, any unexpired leave any transfer ordered not carried out, must be brought forward in the new register.
- 4.05 When the new register is prepared, it should be verified by the Assistant Accounts officer and the Accounts officer incharge of establishment of group 'A' officers.

CHANGE IN PAY

- 4.06 On receipt of the Board order relating to the pay of group 'A' officers, necessary entries shall be made in the establishment registers and a payslip for alterations in pay shall be issued under proper signature on the payslip and under attestation of the Accounts Officer incharge of establishment, in the establishment register. All the orders, necessitating the alterations in pay shall be put up to the officer, along with the revised payslip.
- 4.07. Where an officer is entitled to draw his pay at an increased rate from the date of taking charge of an appointment (and not from the date of order or is appointed to the Board services for the first time), the pay slip shall be issued after the receipt of necessary charge report.
- 4.08. The number and date of the pay slip shall be entered in the space provided in the establishment register.

ANNUAL INCREMENTS

- 4.09. The payslips authorising group 'A' officers to draw their periodical increments shall be issued by the Financial Adviser and Chief Accounts Officer one month in advance of the date of earning of the increment.

CIVIL LIST

- 4.10. The civil list of group A officers of the Board shall be prepared by the

Financial Adviser and Chief Accounts Officer every year in January of each year incorporating the alterations since the publication of last year's list. This list shall be got printed and circulated among all officers for information of the concerned.

SUPERANNUATION OF OFFICERS

- 4.11 Before 1st of september each year the Financial Adviser & Chief Accounts Officer's office shall examine the establishment register of group 'A' officers and prepare a list of officers who attain the age of 58 years during the next financial year, for submission to the Board with a view to enable it to pass necessary orders as to their retention or retirement from the service.

ENTRIES REGARDING LEAVE & TRANSFERS

- 4.12 The particulars of leave and transfer shall be entered in the establishment register with reference to the orders sanctioning such leave. The date of handing over/taking over charge shall be entered with reference to the charge reports received from the respective officers. In case of sanction of combined leave or other leave, the day which reckons as the first day of each kind of leave will appear in the column headed 'Begins' and the which reckons on the last of each in column headed 'Ends' the column "period of absence" there filled up to show whether or not the period of leave granted has been overstayed. In the case of joining time 'admissible' and that 'taken' should be filled in when the certificate of taking over charge is received with a view to checking whether and by how much, the proper joining time has been exceeded. In cases where the transfer is from one station to another and the time taken is less than 10 days, the column joining time admissible, need not be filled in.

LEAVE ACCOUNT

- 4.13 For each group 'A' officer a leave account is also maintained in the office of the Financial Adviser & Chief Accounts officer showing the period during which the officer was on duty, the leave earned by him, the leave actually taken, and the balance at his credit. From the entries in the

account it is possible to calculate the leave admissible to an officer at any given date.

- 4.14 All the administrative authorities shall refer the leave applications of all group 'A' officers to the Financial Adviser & Chief Accounts officer for furnishing the leave title admissible to the officer. The respective administrative officers, shall, thereafter sanction the leave, if admissible, and within their powers or taking action for obtaining sanction of the Board, if necessary.

Note :- On receipt of the leave application, the Financial Adviser & Chief Accounts officer's office shall work out the leave and furnish the leave title, duly debiting the proposed leave in the leave account of the officer, which is checked by Assistant Accounts officer & Accounts officer in charge of the establishment of group 'A' officers. The office copies of the leave title furnished shall be filed in the personal files of the officer concerned.

- 4.15 For crediting unavailed joining time to the earned leave account of the officers, the respective leave sanctioning authorities shall issue necessary official memorandum and send a copy of the official memorandum to the Financial Adviser & Chief Accounts officer to facilitate making entries in the leave account of the officer.

DRAWAL OF PAY AND ALLOWANCES OF GROUP 'A' OFFICERS.

- 4.16 Based on the basic pay authorised by the Financial Adviser & Chief Accounts officer the pay drawing officers shall draw the pay and allowances at admissible rates by observing the relative provisions contained in K.E.B. Accounts Manual, Volume-II (under chapter-Establishment).

ISSUE OF PAY SLIPS TO GROUP 'B' OFFICERS

- 4.17. The issue of pay slips to group 'B' officers shall be regulated as per the provisions of K.E.B. Accounts Manual, Vol.II (Para 577).

B) ESTABLISHMENT REGISTERS OF OTHER OFFICERS/OFFICIALS

- 4.18. The maintenance of establishment registers in respect of different categories of employees, by the pay drawing officers shall be governed as per the provisions contained in K.E.B. Accounts Manual, Volume-II (para 570).

TEMPORARY ESTABLISHMENT

- 4.19. When sanction is received for a temporary establishment, the requisite entry should be made in the establishment register, the period for which the sanction holds good being distinctly specified.

Note :- Temporary establishment should be entered in the establishment register separately after all the permanent establishments are entered.

PROPOSITION STATEMENT

- 4.20. A proposition statement is prepared to show the extra cost likely to be incurred against a new post to be sanctioned by the Board.

On receipt of a proposition statement for verification by audit, it should be seen;

- a) That the statement contains relevant details such as name of the post, grade, average cost, number of posts existing and required extra cost likely to be incurred etc.,
- b) That the required number of posts are worked out in accordance with the norms in force from time to time.

- c) That whenever the required posts are not supported by norms, full justification is given for requisitioning the extra posts, over and above the sanctioned posts.

AUDIT OF ESTABLISHMENT MATTERS

4.21. Audit of establishment matters should be done as per the following guidelines. These checks are supplemental to the instructions prescribed under the rules.

4.22 ESTABLISHMENT REGISTER

- a) Verify the sanctions for the posts.
- b) Verify the incumbency against the posts with reference to the previous establishment register.
- c) Verify the changes in incumbency with reference to official memorandum, transfer orders etc.
- d) Verify whether the establishment register is opened and maintained as per rules in force.

4.23 MONTHLY PAY ROLLS/SUPPLEMENTAL PAY ROLLS

- a) Verify the rates of pay claimed to all the employees with reference to their service registers/pay slips.
- b) Verify the attendance extracts and check whether leave has been sanctioned to those on leave.
- c) Verify the rates of allowances claimed.
- d) Verify if there is any change in pay and as to whether the rates of increments and dates of increments drawn are correct and that the increments have been sanctioned by the competent authority in accordance with rules.

- e) Verify the certificates in respect of conveyance and other allowances and their correctness.
- f) Verify the correctness of deductions of Professional tax, Income tax, Provident Fund, Family Pension, E.S.I. and other statutory recoveries.
- g) Verify the correctness of deductions towards dues to Board and other approved organisations.
- h) Verify the arithmetical accuracy.
- i) Verify the receipt of non-payment certificate if required.
- j) Verify as to whether cheques have been issued to the correct persons/ establishments for correct amounts.
- k) Verify the adjustment entries (journal entries) put up.
- l) Verify the orders of termination of services and ensure that no pay roll is prepared in respect of terminated employee.

4.24 LEAVE SURRENDER BILLS

- a) Verify whether the application for surrender of earned leave has been made 15 days in advance from the intended date of surrender and it is prospective.
- b) Verify whether there is a minimum interval of 12 months between any two surrenders which is reckoned from the day following the last day of the last surrender of leave.
- c) Verify whether the Board employee has put in a minimum service of one year as on the date of surrender.
- d) Verify the leave at credit.
- e) Verify whether the leave permitted for surrender is only to the extent of a minimum of 30 days and a maximum of 60 days in a year.
- f) Verify the rate of pay and allowances claimed.

- g) Verify whether the employee was on duty during the period of leave surrendered, with reference to the attendance extract for the period of leave surrender.
- h) Verify whether the payments are made after the completion of the calendar month.
- i) Verify the admissibility in the cases of employees on foreign service to K.E.B. with reference to the terms & conditions of their deputation.
- j) Verify admissibility in the case of employees on retirement/death.
- k) Verify whether entries have been made in the Service Registers/ Service Records.
- l) Verify the correctness of the journal entries.

4.25 FESTIVAL ADVANCE BILLS

- a. Verify the admissibility as per rules.
- b. Verify whether entered in the establishment register.
- c. Verify the correctness of the journal entries.

4.26 SHIFT ALLOWANCE BILLS

- a. Verify the shift attendance extract, with the monthly attendance extract and verify the admissibility.
- b. Verify the correctness of pay and calculations made.
- c. Verify the correctness of the journal entries.

4.27 OTHER BILLS (Leave, Leave salary advance, Double Wages, Overtime, Extra Work Allowance, Ledger Remuneration etc.)

- a. Verify the admissibility with reference to rules
- b. Verify the attendance extract to establish the correctness of period

- for which double wages are paid.
- c. Verify the pay and allowances taken for calculation.
 - d. Verify arithmetical accuracy.
 - e. Verify the correctness of the journal entries.

4.28 ADVANCE OF GRATUITY ON DEATH OF AN EMPLOYEE

- a. Verify the admissibility with reference to the rules.
- b. Verify the entries made in the service register.
- c. Verify the correctness of allocation.

4.29 BONUS

- a. Verify the admissibility with reference to Bonus Act and other orders issued in this behalf.
- b. Verify the correctness of pay and D.A. taken for calculation.
- c. Verify the correctness of calculations.
- d. Verify the correctness of the journal entries.

4.30 WORKMEN'S COMPENSATION BILL

- a. Verify the accident report, medical certificates with reference to the official memorandum issued.
- b. Verify the correctness of amount of compensation, with reference to relevant table.
- c. Verify the allocation.

4.31 MEDICAL REIMBURSEMENT BILL

- a. Verify whether the treatment is obtained from an Authorised Medical Attendant.

- b. Verify the official memorandum with reference to the admissibility as per essentiality certificate, vouchers enclosed, rules applicable and the amount reimbursable.
- c. Verify the allocation and ensure that the essentiality certificate, and vouchers have been cancelled duly noting the contra reference to the official memorandum.
- d. Verify whether the Medicines have been purchased on or after the date of the prescriptions and that the Medicines and quantity purchased are in accordance with the prescriptions.

4.32. ADVANCE OF PAY AND T.A. ON TRANSFER/TOUR

- a) Verify the admissibility with reference to tour programme/deputation order/transfer order/relief/report and rules in force.
- b) Verify the correctness of advance required for.
- c) Verify the correctness of journal entry.

AUDIT OF TRAVELLING ALLOWANCE BILLS FUNCTIONS OF COUNTERSIGNING OFFICERS

- 4.33 Countersignature does not dispense with the necessity for audit with reference to rates, distances and general conditions. Ordinarily the audit should accept the countersignature by the empowered authorities as final evidence that the facts of the journeys on which the claim is based are correct and that the controlling officer has exercised the scrutiny entrusted to him with reference to frequency of journeys, necessity, duration etc. The audit has to point out whenever the heads of offices/countersigning officers do not correctly interpret the travelling allowance rules and properly exercise the discretion vested in them under the rules.

INCIDENCE OF CHARGE

- 4.34 The travelling allowance of a Board employee on whatever duty he may be employed, is chargeable to the same head as his pay.

Exception :- The travelling allowance charges for journeys made specially in connection with capital works of the Board will be debited to the works even though the pay is debited to working expenses/revenue expenditure.

- 4.35 The travelling allowance of a Board employee transferred from one Division to another is debited to the Division to which he is transferred.
- 4.36 The travelling allowance of a Board employee called away from his duty to give evidence in any court is, during the period of his absence, debited to the Department/Organisation which would bear the charge if he were on duty.

SUNDRY RULES

- 4.37 The Chief Controller of Accounts (Internal Audit) is competent to bring to the notice of the Board, cases involving unnecessary and excessive expenditure under travelling allowance.
- 4.38 For proceeding beyond the State of Karnataka sanction of the Board, unless exempted otherwise should as a rule be obtained.
- 4.39 The rules regarding travelling allowance have not been framed with the intention of securing to an employee, in every instance, the exact amount which he spends or securing a profit. Their object is to recoup, on an average and for a number of journeys put together the extra expenditure which he incurs by travelling. Employees may some times get more and some times less than what they have actually spent for a particular journey. A claim for special treatment in the latter class of cases is against the underlying principle of Service Regulations.

CHECK LIST FOR AUDIT OF TRAVELLING ALLOWANCE BILLS

- 4.40 The audit should verify that
- a) The bills are drawn in the prescribed form and each claim is supported by a separate journal.

- b) The dates, hours and object of journey i.e., whether on tour or transfer etc., are stated in the journal as the case may be.
- c) The railway fares claimed is correct by reference to railway time tables and the metreage claimed by reference to distance from topographical sheets and road maps wherever possible, accepting the distances passed by the controlling authority in other cases where check is not possible.
- d) The allowance is due, the rates at which it is claimed are authorised and the calculations are arithmetically correct.
- e) Though production of vouchers is dispensed with in respect of T.A. on transfer, vouchers are produced wherever prescribed.
- f) Various certificates prescribed are signed and the bills are countersigned by the controlling authority.
- g) Charges on account of carriage by rail/road are supported by receipts wherever required.
- h) No travelling allowance is claimed for journeys which do not exceed eight kilometers from headquarters and for halts within eight kilometers
- i) The amount of salary mentioned in the travelling allowance bill is correct.
- j) When the first item in a travelling allowance bill is a halt and no note is made in the journal as to when the halt commenced, check with the last journal to see that the ten day's limit has not been exceeded without a special authority or obtain the information from the previous bills to apply the necessary check.
- k) Daily allowance is not claimed for more than ten day's halt at one place unless specially sanctioned by competent authority.
- l) The journey is duly authorised whenever travelling allowance is claimed for proceeding on duty beyond the limits of his jurisdiction.

- m) The bill is supported by a certificate in the case of travelling allowance for attending an obligatory departmental examination, to the effect that the Board employee drawing the travelling allowance has not exceeded two chances
- n) No revision of T.A. claim is allowed in cases where a Board employee is promoted with retrospective effect, in respect of the period intervening the effective date of promotion and the date of the order.
- o) The claims on account of travelling allowance of a Board employee to give evidence are supported by Court Certificates.
- p) The claims are in order with reference to rules contained in K.E.B. Accounts Manual, Vol.II and Board Employees' Service Regulations.

TIME ROLLS

- 4.41 The system of time keeping is described in K.E.B. Accounts Manual Vol.II.
- 4.42 Ordinarily no temporary labour establishment can be employed on maintenance works and/or normal works since the maintenance establishment is intended to take care of such normal works. Rolls wherein claims for temporary labour are paid should be scrutinised with reference to the special rules contained in K.E.B. Accounts Manual, Vol.II
- 4.43 Temporary Time Rolls should be scrutinised to see
- a) That there are no cases of excesses under the work orders concerned. In cases of excesses, clear explanation has been furnished together with action taken for regularising excess over or want of provision for labour.
 - b) That the rates of wages claimed for the temporary men do not exceed that of the schedule of rates or special orders issued by the Board.
 - c) That the claims in respect of the maintenance establishment men are supported by sanctions of the competent authority

- d) That the sanction to estimates, budget grant, provision for labour and up-to-date outlays are furnished on the rolls.
- e) That the progress of work done are enclosed to the rolls or recorded on the rolls.
- f) That the test check of attendance and allocation by the Divisional Accounts officer is recorded.
- g) That the test check and other certificates are recorded by the Divisional Officers or others as prescribed.
- h) That claims for overtime/double wages etc., are not included.
- i) That the attendance shown in the T.T Rolls agree with the time cards.
- j) That deductions towards P.F., F.P., E.S.I., etc., are made as per rules.
- k) That necessary entries have been made in the Measurement Book.
- l) That provision is made towards Bonus.
- m) That allocations to heads of account are correct.

CHAPTER - 5

AUDIT OF PURCHASES

AUDIT OF TENDERS AND PURCHASE ORDERS

- 5.01. In accordance with para 103 of K.E.B. Accounts Manual, Vol.II (as revised from time to time) original tenders/ quotations, comparative statements and also purchase orders, before issue, are subject to 100% pre-audit by the Internal Audit.
- 5.02. The Chief Engineer, Electricity (MM&P) shall forward the comparative statement together with the tenders/quotations in original and the recommendations thereon to internal audit, who shall scrutinise and return them within ten days from the date of receipt together with audit remarks/ observations and certificate.
- 5.03. The Chief Engineer Electricity (MM & P) shall forward the purchase orders before issue for audit scrutiny. The Internal Audit shall return them on the same day or the next day duly furnishing the certificate of availability of purchase grants, on all the copies of the purchase order.
- 5.04 The other purchasing authorities shall also forward the comparative statement together with tenders/quotations in original and recommendations thereon and also the purchase order before issue to

the Internal Audit who will scrutinise on priority basis and return them either on the same day or within the next two days duly furnishing the audit certificate and audit observations if any. They may hold discussions or seek clarifications on points of doubt.

5.05 A certificate of availability of purchase grant shall be furnished on every purchase order.

5.06 The Internal Audit shall not withhold furnishing of the required certificate on tender papers/purchase orders except for the following reasons.

- a. The figures in the comparative statement do not tally with those furnished in the tenders/quotations.
- b. Purchase orders are proposed to be placed on a tenderer other than the lowest, without placing on record the reasons therefor.
- c. Purchase orders are split up with a view to avoid obtaining the sanction of a higher authority.
- d. Non-availability of purchase grant.
- e. When the proposed purchase is not within the financial power of the purchasing authority.

5.07 While verifying tenders for procurement of materials, the Internal Audit shall verify:

- a) Whether proper consolidation of requirement of materials is done.
- b) Whether details of average consumption of materials during the last three years, stock in stores and quantity in the pipe line, have been taken into account while assessing the quantity to be procured.
- c) Whether the quotations have been obtained on oral or circulated enquiry or by notification in newspapers and whether the quotations

have been opened on the due dates as specified and whether the seal has been affixed on the quotations with the initials of the Executive Engineer/any other Authorised Officer.

Whether the amount fixed towards cost of tender documents and Earnest Money Deposit are correct according to the value of the purchase as per the Board's norms.

- d) Whether the participating firm have paid the E.M.D. If any firm has claimed exemption from the payment of E.M.D., the correctness of such claim has to be verified.
- e) Whether quotations of all firms have been evaluated. If any quotation is left out, whether substantial reasons have been placed on record for such action.
- f) Whether the rates, duties and taxes and other charges quoted by the firm have been brought on to the comparative statement with reference to quotations and whether they are correct.
- g) Whether loading or deloading of any duties or other charges like freight and insurance has been correctly done.
- h) Verify the other items and conditions as quoted by the firm with reference to tender specifications and whether these have been brought on to the comparative statements.
- i) Verify the calculation to find out the lowest quotation.
- j) Verify whether the past performance of the firm to whom orders are proposed to be placed is satisfactory.
- k) Verify whether the samples have been passed by inspection wing without any adverse remarks.

The Internal Audit should generally accept the technical details and the necessity for the purchase as furnished by the purchasing authorities. Any glaring instance of impropriety shall be brought to

the notice of the Purchasing Authority/Chief Controller of Accounts. If the observations are not complied with by the Purchasing Authority, this should be brought to the notice of Chief Controller of Accounts (Internal Audit) who will examine and clarify/report to the Member (Finance).

5.08 In all these cases the file shall be returned by the Accounts Officer (Internal Audit) with audit observations. On receipt of the files, the Officers concerned shall:

- (a) Comply with the requirements as pointed by audit.
- (b) Limit the quantum of purchases upto his powers of purchases, or obtain the sanction of the entire quantity in case the quantities are split.
- (c) Obtain adequate purchase grants in case grants are not available.

5.09 While verifying the purchase orders, the following points shall be kept in view. The Internal Audit should point out only serious irregularities, violation of purchase rules and replies obtained. Procedural omissions like 'Date is not mentioned'. "Rubber stamp is not affixed" and observations of minor nature may be sorted out by mutual discussions.

5.10 In cases where replies are not received even after a lapse of a week and the irregularities continue to occur, the Internal Audit shall report to the next higher executive authority and the Chief Controller of Accounts (Internal Audit) for further action.