

Audit of Expenditure

- Every payment of money on Government account involves three principal processes:
 - (a) the submission of a claim;
 - (b) the disbursement of the money claimed; and
 - (c) the incorporation of the transaction in the accounts.
- It is clear, however, that a disbursing officer must have some criterion whereby he can judge the equity of a claim made and can justify his action in making a payment in satisfaction of it. We have, therefore, to consider what conditions regulate public expenditure.

Incurring expenditure from Consolidated Fund

- Conditions for withdrawal
 - (i) that there should exist sanction, either special or general, accorded by a competent authority, authorizing the expenditure
 - (ii) that there should be provision of funds authorized by competent authority fixing the limits within which the expenditure can be incurred;
 - (iii) that the expenditure incurred should conform to the relevant provisions of the Constitution and of the laws made there under and should also be in accordance with the financial rules and regulations framed by competent authority;
 - (iv) that the expenditure should be incurred with due regard to broad and general principles of financial propriety.
- Based on these principles Audit of Expenditure is conducted

Nature of sanction Audit

- The power to sanction expenditure from the Consolidated Fund and the Contingency Fund of India including power to dispose of property and stores pertaining to the Union Government is vested by Article 77 (3) of the Constitution in the President whose sanction, given directly or by persons to whom the necessary powers have been delegated, is necessary to all expenditure from that Fund.
- The power to sanction expenditure from the Consolidated Fund of a State and the Contingency Fund of a State is like-wise vested by Article 166 (3) of the Constitution in the Governor of the State whose sanction given by himself or by persons to whom the necessary powers have been delegated, is required for expenditure from that the Consolidated or the Contingency Fund of the State.

Nature of Sanction audit contd..

- Audit of expenditure should not merely be confined to seeing that the expenditure is covered by a sanction, either general or special, but should extend to satisfy itself that the authority according a financial sanction is competent to do so by virtue of the powers vested in it by the provisions of the Constitution and of the Laws, Rules or Orders made there under or by the rules of delegation of financial authority made by a competent authority and that the sanction is definite and needs no reference to the sanctioning authority itself or to any higher authority. This check is otherwise known as Audit of sanction.
- Though the duty of audit in this regard is thus very simply stated, the conduct of this audit is complicated and its complexity lies in the knowledge and the correct application of the principles involved. Audit Officers have to conduct this audit with the utmost care and attention as once a sanction is accepted in audit, the expenditure may have to be passed against it for a length of time. In order to conduct the audit of sanctions properly it is, therefore, incumbent upon Audit Officers to make themselves fully conversant with the powers of sanction of the several authorities

Communication of sanctions to audit

- Sanction of expenditure should be communicated to the office of AG (A&E) and to AG(Audit)
- As per rules of executive business of the government and delegation of financial power rules all copies of Sanction of the administrative department to be forwarded to AG should be signed by the Financial Adviser
- For the HOD such sanction must be signed by the Finance And Accounts Officer
- For others by those who have been delegated financial power

Nature of Audit against provision of Funds

- Expenditure is as per appropriation act duly passed by the house and assented by the Governor
- It is as per grants passed by the house as indicated in the budget
- The expenditure should be as per the subheads and detailed heads of the grant for which provision is made for service

Appropriation Audit

- Audit watches that the total expenditure under a Grant or Appropriation does not exceed the amount of that Grant or Appropriation as specified in the Schedule to an Appropriation Act.
- Audit has the responsibility of ensuring that the total expenditure on each of the sub-heads fixed as units of appropriation under a grant or Appropriation does not exceed the allotment there of or as modified by orders of reappropriation passed by competent authority from time to time.

Detailed appropriation audit

- It is conducted in two stages

(i) Sanction audit, i.e. audit of orders of allotment of funds and reappropriation which are to be enforced in audit; and

(ii) Audit of expenditure against allotments. The audit of orders of allotment and reappropriation consists in seeing-

- (a) that an authority making allotments under a Grant or Appropriation does not allot amounts in excess of those available under the Grant or Appropriation;
- (b) that the amount appropriated is available under the unit from which it is allotted;
- (c) that the order is issued by competent authority; and
- (d) that the amount reappropriated is not in respect of an expenditure constituting a 'New Service' or a 'New instrument of Service'.

Audit of contingency funds and Public Accounts

- Audit of expenditure under contingency fund has same characteristics as any expenditure under the consolidated fund except that authorization of expenditure by the legislature cannot be taken in advance.
- Public Accounts embrace debt, deposits and remittances and suspense heads. Transactions under debt/deposit heads comprise receipts and payments in respect of which Government becomes liable to repay the moneys received or has a claim to recover amounts paid together with repayments of the former and recoveries of the latter
- Remittances embrace all transactions which are taken to merely adjusting heads of accounts, the debits or credits under which are eventually cleared by a corresponding credit or debit either within the same or in another circle of audit.
- Suspense heads accommodate temporarily, transactions which can not be taken in to final heads or which represent amount due to or from others and are cleared by transfer to final heads or recovery or payment as the case may be.
- The general principles and rules of audit which govern audit of expenditure apply mutatis mutandis to disbursements under Public Accounts

Audit of contingency funds and Public Accounts contd..

- In the case of a repayment, Audit should check the payment against the original receipts and should satisfy itself that the repayment is made according to the rules, regulations or orders which govern the transactions.
- Similarly, in the case of a payment subject to recovery, Audit should ascertain that the payment conforms to the authority which governs it and has further to watch that the moneys are regularly repaid by the debtor.

Provident Fund

- The audit of transactions pertaining to Service and Provident Funds controlled by Government mainly consists in seeing that the transactions conform to the rules or regulations governing the administration of each Fund and any subsidiary instructions issued thereunder.
- Having first satisfied itself that subscriptions to a Service or Provident Fund are received only from such Government servants as are either required or permitted by the rules of the Fund to subscribe to it.
- Audit will watch that subscriptions and any other dues recoverable under the rules of the Fund are duly and regularly recovered from the Government servant concerned.
- In the case of Contributory Provident Funds, Audit will also examine that Government's share is properly calculated and brought to account.
- Finally, Audit is to verify that the accounts of the funds are correct both in total and in the detailed accounts of the subscribers.

Deposits

- In the case of moneys received to be held as deposits with Government, Audit has to satisfy itself that the money can properly be credited to the Public Account of India or of a State by virtue of a statutory provision or of general or special orders of Government.
- Audit has also to see that no item is credited as a revenue receipt or in reduction of ordinary expenditure of that Government. In respect of repayments of deposits, Audit is required to examine that there are proper vouchers in support of the amount repaid and to check each repayment against the original receipt either individually or against the total credit in a particular account in order to see that repayments do not exceed the amounts originally received and credited to Government.
- Audit also check that balances in deposit accounts are correctly carried over from year to year, that the balances at the close of the year in each account are acknowledged as correct by the person or body concerned where necessary as practicable and that any deposits remaining unclaimed for such periods as may be prescribed by Government in this behalf are duly credited as revenue receipts of Government.

Loans and Advances

- Government disbursed loans and advances to public and quasi-public bodies and individuals. Some of these loans and advances are made under specific laws, other for special reasons or as a matter or recognized policy.
- Audit may also enquire the reason for any unusual condition, e.g., remission of interest in an individual case.
- Audit should see that the conditions of repayment of a loan or an advance are complied with by the debtor and should exercise a close watch over payment of principal and realization of interest, if any.
- In respect of loans and advances the detailed accounts of which are kept by him, the Audit Officer is required to report without delay any default in payment, either of principal or of interest to the authority which sanctioned the loan or the advance. If that authority enforces any penal interest upon the overdue instalments of interest or principal and interest it will be the duty of audit to watch its recovery.