

REGULARITY AND PROPRIETY AUDIT

AUDIT AGAINST REGULARITY

- Audit against regularity consists in verifying that the expenditure conforms to the relevant provisions of the Constitution and of the Laws and Rules made there under and is also in accordance with the financial rules, regulations and orders issued by a competent authority either in pursuance of any provisions of the Constitution or of the Laws and Rules made there under or by virtue of powers formally delegated to it by a higher authority.
- in regard to directions which are of a financial or quasi-financial character issued by the President to a State, the Comptroller and Auditor General has a right to watch in audit their due compliance and bring to notice any cases in which he considers that they have been infringed.

AUDIT AGAINST REGULARITY contd..

- The financial rules, regulations and orders against which audit is conducted mainly fall under the following categories:
- (1) rules and orders regulating the powers to sanction and incur expenditure from the Consolidated Fund and the Contingency Fund,
- (2) rules and orders dealing with the mode of presentation of claims against Government, withdrawal of moneys from the Consolidated Funds, Contingency Funds and Public Accounts and in General the financial rules prescribing the detailed procedure to be followed by Government servants in dealing with Government transactions; and
- (3) rules and orders regulating the pay and allowances, pensions and other conditions of service of Government servants.

AUDIT AGAINST REGULARITY contd..

- The work of Audit in relation to regularity of expenditure is of a quasi-judicial character.
- It involves interpretation of the Constitution, Statutes, rules and orders with reference to the case law of previous decisions and precedents.
- The Comptroller and Auditor General has not, however, save in the case of rules made by himself, the final power of interpretation;
- this resides in the authority specified in the Constitution or the Authority which is the author of the rule or order so long as the interpretation is not against the orders of a superior authority or contrary to any established financial principle or rule.

AUDIT AGAINST REGULARITY contd..

Scrutiny of Rules and Orders

- In relation to audit of expenditure against regularity, it is the duty of Audit to examine all financial rules and orders affecting expenditure and other transactions subjected to audit, issued by the Executive authorities to see that the audit of transactions which they govern, may be effectively conducted against them.

AUDIT AGAINST REGULARITY contd..

Scrutiny of Rules and Orders

- In the scrutiny of these rules and orders it should be seen in Audit that:
 - (1) they are not inconsistent with any provisions of the Constitution or of the laws made there under;
 - (2) they are consistent with the essential requirements of audit and accounts as determined by the Comptroller and Auditor General;
 - (3) they do not conflict with the orders of or rules made by, any higher authority; and
 - (4) in case in which they have not been separately approved by a competent authority, the issuing authority possesses the necessary rule making power.
- All rules and standing orders of a financial character issued by State Government or by authorities subordinate to State Government are scrutinized finally by the Accountant General of the State concerned.

AUDIT AGAINST PROPRIETY

- It is an essential and inherent function of Audit to bring to light not only cases of clear irregularity but also every matter in which in its judgment appears to involve improper expenditure or waste of public money or stores even though the accounts themselves may be in order and no obvious irregularity has occurred.
- Such audit, often called 'Propriety Audit'. extends beyond the formality of the expenditure to its wisdom, faithfulness and economy.
- It is of equal importance to see that the broad principles of orthodox finance are borne in mind not only by disbursing officers but also by sanctioning authorities.

AUDIT AGAINST PROPRIETY contd..

- **The object of audit against propriety is to support a reasonably high standard of public financial morality, of sound financial administration and of devotion to the financial interests of Government.**
- **Audit Officers in the performance of their duties should in any case apply the following general principles which have for long been recognized as standards of financial propriety.**
 - (a) The expenditure should not be prima facie more than the occasion demands. Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person or ordinary prudence would exercise in respect of expenditure of his own money.**
 - (b) No authority should exercise its power of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.**
 - (c) Public moneys should not be utilized for the benefit of a particular person or section of the community unless:**
 - (i) the amount of expenditure involved is insignificant; or**
 - (ii) a claim for the amount could be enforced in a court of law; or**
 - (iii) the expenditure is in pursuance of a recognized policy or custom.**
- **While conducting Propriety Audit, audit will not only see whether there is proper authority for expenditure, but will also investigate the necessary for it. It will ask whether individual items were in furtherance of the scheme for which the budget provided; whether the same results could have been obtained otherwise with greater economy, whether the rate and scale of expenditure were justified in the circumstances.**