



# AUDIT IN GOVT. DEPARTMENT

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# **AUDIT-MEANING**

**The word audit derived from Latin word Audire which means to hear. According to Henson ,” An audit is an examination of such record to establish their reliability and responsibility of statement drawn from them.”**



## **DEFINITION**

**Auditing is defined as a systematic and independent examination of data ,statement, record , operation and performance of an organization for a stated purpose .**

ICAI

# GOVERNMENT AUDIT

**Audit is not an inquisition and its mission is not one of fault-finding .Its purpose is to bring to the notice of the administration lacunae in the rules and regulations and lapses and to suggest possible ways and means for the execution of plans and projects with greater expedition efficiency and economy.”**

A.K.CHANDA

## **C&AG OF INDIA**

**In India the president appoints the Comptroller and auditor General of India under Article 149 of the constitution, which gives the powers and rights and fixes his responsibility for the audit of Government departments and institutions. CAG audits all receipts and expenditure of the government of India and the state governments, including those of bodies and authorities substantially financed by the government.**

# AUDIT IN UTTARKHAND

**Before 2012 audit in uttarkhand were divided in 3 parts**

- 1. Local Fund Audit**
- 2. Co-operative and panchayat audit**
- 3. Internal audit**

# AUDIT DEPARTMENT UTTARAKHAND

In 2012 Government of Uttarakhand passed UTTARAKHAND AUDIT ACT 2012. By this Act local fund audit, co-operative audit and internal audit are merged and a new department emerged as Audit department Uttarakhand and centralized under finance department. The main purpose of this act is to secure independence and objectivity of audit as by internal auditing standards.

## **The role assigned to internal audit department-**

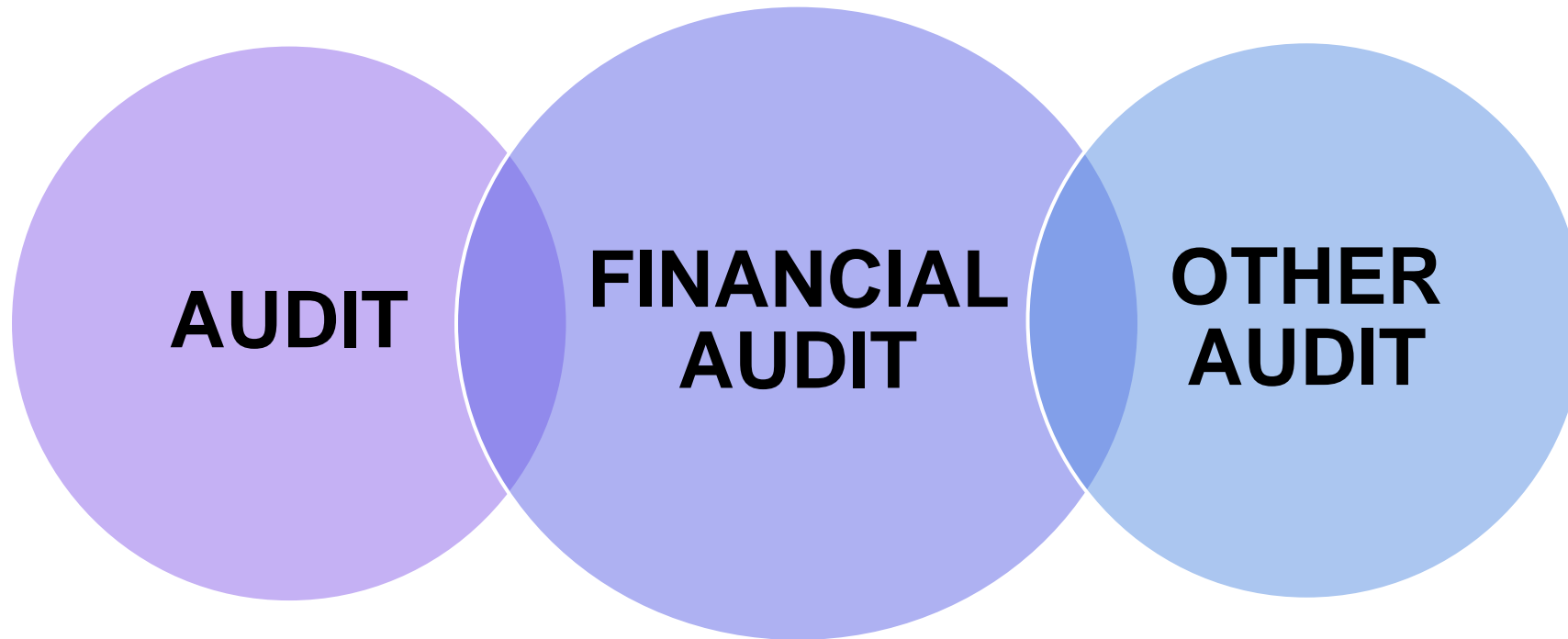
- ❖ **Audit all departments of Government of Uttarakhand on an on-going basis depending on the volume, risk and identified problems;**
- ❖ **Conduct post-audit reviews to monitor corrective action taken on the identified weakness.**
- ❖ **Respond to request for audit services for specific purposes; departments and autonomous organizations working under them for special Audit.**

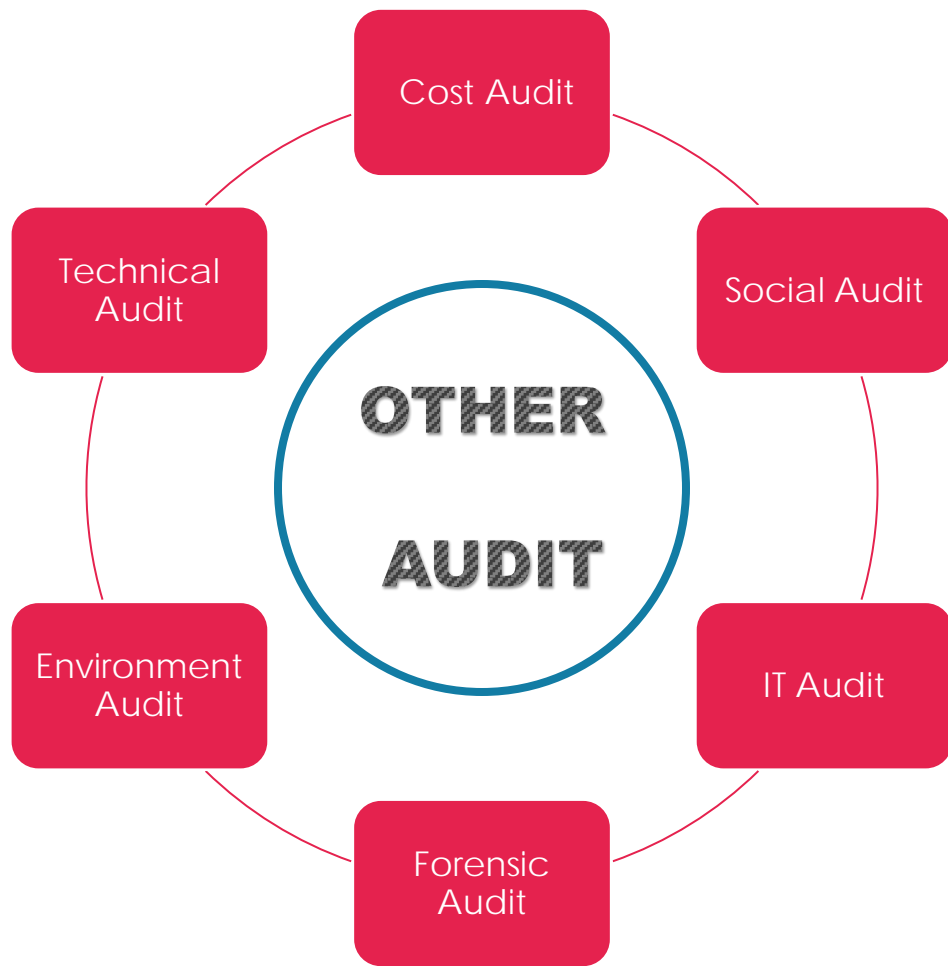
# ROLE OF AUDIT

- **Effectiveness and efficiency of Operations.**
- **Propriety of expenditure.**
- **Transparency in Public expenditure system.**
- **Timely and complete realization of revenue receipts.**
- **Accounting for all receipts and expenditure.**
- **Adequate utilization of the Government Grants.**
- **Compliance with laws and regulations.**
- **Reliability in reporting.**

# TYPES OF AUDIT

Broadly we divided audit in two categories—





# SOCIAL AUDIT

**Social audit is a process of reviewing official record and determining Whether state reported expenditure reflect the actual money spent On the ground.**

**RTI + PUBLIC HEARING = SOCIAL AUDIT**



# **FORENSIC AUDIT**

**A Forensic audit is an examination and evaluation of a firm's/company/individual's financial information for use as evidence in court. A forensic audit can be conducted in order to prosecute a party for fraud ,embezzlement or other financial claim**



# **IT AUDIT**

**An IT audit is the examination and evaluation of an organization's Information technology, infrastructure, policies and operations.**

**Information Audit determine whether IT control protect corporate assets, ensure data Integrity and are aligned with the business's overall goal.**



# **ENVIRONMENTAL AUDIT**

**Environmental audit is an assessment of the extent to which an organization is observing practices which minimize harm to the environment. Its aim to examine the positive and negative aspect of the activities of an enterprise/project.**



# **TECHNICAL AUDIT**

**Technical audit is an audit performed by an auditor, engineer or subject expert evaluates deficiencies or areas of improvement in a process, system or proposal.**

**Technical audit covers technical aspect of the project.**

# **COST AUDIT**

**Cost audit is the audit of cost record. It is the verification of the cost of production of any product, service or activity on the basis of accounts maintained by an enterprise in accordance with the accepted principles of cost accounting. It helps in cost control and cost reduction and facilitates the system of standard costing.**



# **FINANICIAL AUDIT**

**I. TEST AUDIT**

**II. CONCERNT AUDIT**

**III. PERFORMANCE AUDIT**

**IV. SPECIAL AUDIT**

**V. RISK BASED AUDIT**



# **TEST AUDIT**

**Test audit is done on sampling basis to check the internal control systems of an organization. It is the most famous technique of audit to conduct the audit.**



# **CONCURRENT AUDIT**

**Concurrent audit is a systematic and timely examination of transaction on a regular basis to ensure accuracy, authenticity, compliance with procedures and guidelines.**



## **SPECIAL AUDIT**

**Special audit normally conduct on request of a particular department or in order of government to a particular mandate. The mandate of special audit should clearly defined for effective audit .**



# **PERFORMANCE AUDIT**

**Performance audit is an independent assessments or examination of the extent to which an organization ,programme or scheme operates economically, efficiently and effectively.**

# PERFORMANCE AUDIT.....

## Three E

- E-Economy
- E-Efficiency
- E-Effectiveness

In modern days two new "E "are also added

- E-Equity
- E-Ethics



➤ Economy

**Economy is minimizing the cost of resources used for an activity having regard to appropriate quality**

➤ Efficiency

**Efficiency is the relationship between the output, in terms of goods, services or other results and the resources used to produce them**

➤ Effectiveness

**Effectiveness is the extent to which objectives are achieved and the relationship between the intended impact and the actual impact of an activity.**



➤ Equity

**Equity in the context of programmed management relates to fairness and impartiality in use of public fund.**

➤ Ethics

**Ethics in managing public affairs enjoins the qualities of honesty and integrity in personal conduct.**

## **RISK BASED AUDIT**

**"Risk based internal auditing(RBIA) as a methodology that links internal auditing to an organization 's overall risk management framework.RBIA allows internal audit to provide assurance to the board that risk management processes are managing risk effectively, in relation to the risk appetite."**

**- INSTITUTE OF INTERNAL AUDITERS**



# **RISK BASE AUDIT TECHNIQUE**

**Risk based audit is a new concept. In risk base audit – risk areas of a organization are identified and audit focus on key risk areas more and less focus on low risk areas .Uttarkhand audit department started risk based audit from 2020-21**

# Steps to be taken in Audit

- Approval of Audit plan.
- Intimation of Audit.
- Entry conference.
- Audit progress.
- Preparation of draft report.
- Responses/Clarification on draft observation.
- Exit meeting.
- Report finalizing.
- Reviewed of Audit report by expert committee.
- Approval of Audit report.



# THREE T OF AUDIT

**Traditional concept**

**Three T**

**T-Tick**

**T-total**

**T-Trace**

# AUDIT REPORTS

**Audit report mainly divides in 5 parts-**

**1- Information sheet**

**2- Summary of the report**

**3- Audit findings**

**4- List of document which are unavailable**

**5- Performance**



# **AUDIT OBJECTION**

**Features of audit objection-**

**1-Unbiased**

**2-Impartial**

**3-Reliable**



# **STRUCTURE OF OBJECTION**

**Audit objection structured according to 5 C-**

**I. Condition**

**II. Criteria**

**III. Cause**

**IV. Consequence of effect**

**V. Corrective action**

# Common audit observation

- ❖ **Regarding Budget**
- ❖ **Regarding Procurement- goods, services , construction**
- ❖ **Regarding stores**
- ❖ **-Regarding receipt**
- ❖ **Regarding schemes**
- ❖ **Regarding establishment**
- ❖ **Special point regarding department**

# **REGARDING BUDGET /GRANTS-**

- 1. Parking of fund**
- 2. Not Preparation of Budget(specially in local body)**
- 3. Interest earned in grants**
- 4. Not Utilization of grants**
- 5. Misappropriation of grants**
- 6. Advances not adjusted**

# **REGARDING PROCUREMENT GOODS**

- **Purchasing in Parts**
- **Unapproved purchase**
- **Purchase of Material already in stock**
- **Biasness in vendor selection**
- **Not taking or less taking EMD(Earnest Money Deposit)**
- **Deduction of GST-TDS**



# **SERVICES**

- A. Not making proper TOR(Term of reference)**
- B. Not having labour department certificate**
- C. Inefficient personal**
- D. Not taking sufficient EMD**



# **CONSTRUCTION**

- **Not taking technical section**
- **Unauthorized change**
- **Payment against incomplete bill**
- **Not deducting Labor cess, income tax and GST**
- **Not calculating Royalty**



# **REGARDING STORES**

- 1- Maintenance of Stock Register**
- 2-Physical verification of Stock**
- 3-Maintenance of Disposal item register**
- 4- Maintenance of Issue Register**
- 5-Safety measures**



# **REGARDING SCHEME**

**1- Selection Criteria Of Beneficiaries**

**2-Time Lag**

**3-Lack Of Proper Supervision/Guidance**

**4-Non Availability of Adequate Records**



# **REGARDING ESTABLISHMENT**

- **Incomplete/Missing service book**
- **Wrong pay fixation**
- **Personal details not mentioned**
- **Incomplete Leave account**
- **Incomplete deduction like GIS**

# **ONLINE AUDIT MANAGEMENT SYSTEM**

From year 2018-19 Audit department started online audit through “Online audit management system” (OAMS).

## **Key features of OAMS**

- 1- Real time data management**
- 2- Paperless audit**
- 3- Verification of all audit steps**
- 4- Classification of audit objection**
- 5- Database of audit objection**



THANK YOU