AUDIT MANUAL

CONTENTS

Chapter one
INTRODUCTION

1.1.0 In 1959, The Tibetan Government in Exile was set up in India. The need for a separate audit office with the objective of supervising and scrutinizing the accounts and records of all government, semi government and various undertakings of the Central Tibetan Administration was strongly felt. Thus in 1962, a separate Office of the Auditor General (OAG) was established under the supervision of Kashag. It was then headed by an officer with a rank of Secretary. Accordingly, audit rules and Regulations were also formulated in conformity with the situations at that time.

AUDITOR GENERAL

1.2.0 With the adoption of the Charter of the Tibetans in exile in 1991 as the supreme law governing the functions of Central Tibetan Administration, the Office of the Auditor General was commissioned as an Autonomous Body status under the article 106 of the Charter. Article 107 provided for an Auditor General to be appointed by His Holiness the Dalai Lama. Accordingly, the first Auditor General was appointed on the 23rd of September 1991.

AUDIT MANUAL

1.3.0 The very purpose of this Audit Manual is to ensure a standard procedure of auditing and to achieve uniformity in all auditing procedures rather than following one's own personal interpretations and opinions at the time of actual auditing. It is therefore mandatory for all auditors to follow and adhere to the instructions provided in the manual rather than to rely on personal interpretation & opinion. The purpose of audit is to enable the Departments, offices and Institutions to efficiently carry out its various activities. It is not aimed at finding faults. Taking this into consideration, guidance should be sought and given as prescribed in this manual. The concerned parties/staff should maintain a healthy and mutually beneficial professional relationship.

DUTIES AND POWERS OF THE OFFICE OF THE AUDITOR GENERAL

1.4.0 Article 108 of the Charter of the Tibetans in Exile and the Regulations of the Office of the Auditor General 1992, clearly highlights the Duties and Powers of the office of the Auditor General as under:

i) The Office of the Auditor General shall complete the audit of the accounts of all the Departments and its branches and fully Government Funded autonomous institutions within 7 months commencing from the end of the accounting year and submit the certified Statement of Account and report thereof to the Assembly of Tibetan People's Deputies within 9 months commencing from the end of the accounting year.

ii) The office of the Auditor General shall complete the audit of the accounts of the semi Government funded projects before the end of the next financial year. In case of recurring sanction, utilisation certificate and report thereof shall be submitted before the release of the next year's final installment.

iii) The Office of the Auditor General shall have the power to review all the accounts of the previous ten years and such power shall be exercised only:

  a) If it is deemed necessary by the Office of the Auditor General; or
  b) If it is required to do so by any of the Head Departments, or the Assembly of Tibetan People's Deputies or the Standing Committee of the Assembly or the Cabinet or the Supreme Justice Commission. In case the Review Report conflicts with the previous Audit Report the later may be deemed void.

iv) The discrepancies or cases which ultra vires the principles of accounting revealed in the course of review audit shall be reported to the Assembly of Tibetan People's Deputies through the concerned Ministry within the stipulated time period.

v) The Office of the Auditor General shall also have the power to audit the annual accounts of all the self-funded autonomous institutions under the jurisdiction of the Government. It shall submit the Audit Report and Financial Statement of such institutions to the Assembly of Tibetan People's Deputies within 3 months commencing from the date of conclusion of such audit.

Chapter Two
AUDIT PROCEDURES AND PRINCIPLES

2.1.0 AUDIT OBJECTIVES:

The auditor is to ensure that the prescribed standards of accounting are observed and that the transactions are entered under proper heads. It is further required to see that:

i) The expenditures are incurred according to the budget sanctioned;
ii) The expenditures are in compliance with the objectives of the amount sanctioned;
iii) The purposes of the sanction are served;
iv) Efforts are made for judicious expenditure;
v) Price quotations, proper bills and receipts are obtained, quality control is maintained and that the tax laws of the resident country are duly observed;
vi) Proper requisition for special sanction is complied with and that the expenditure so incurred does not exceeds the amount so sanctioned.

2.2.0 AUDIT PROCEDURES:

Audit procedures as prescribed in the Rules and Regulation of the Office of the Auditor General as given under shall strictly be observed.

i) The Office of the Auditor General shall standardize and prescribe the maintenance of books of account, system of accounting, pro-forma of receipt & disbursement, income and expenditure and balance sheet to all its units. For this purpose, it may train personnel if so required. But no staff of the Office of the Auditor General shall write or help write the books of account of any units.

ii) All accounts and other related documents after being verified by a competent authority should be submitted to the Office of the Auditor General within following specified time.
   a) Commencing from the month of April, the period to close every account of 1st quarter, 2nd quarter and 3rd quarter will be 30 days for the Departments in Dharamsala and 45 days for the units situated outside Dharamsala and 60 days for the office of Representatives (Abroad)
   b) For the 4th quarter, the period to close the accounts are 45 days for the Departments in Dharamsala, 60 days for the units situated outside Dharamasala & 90 days for the office of Representatives.

iii) In case of any units failing to submit the books of account and the other related documents within the stipulated period of time, the Office of the Auditor General shall make inquiry and issue notification to the concerned Department.

iv) In the course of audit, all the books of accounts relating to Receipts and Payments, Income and Expenditure Account, Cash Balance, Bank Statement, Balance Sheet and other related files and documents shall be produced before the auditor. If need be, even the confidential documents should be produced before the Auditor General for scrutiny.

v) In the course of audit, the unit shall immediately give explanation and clarify all audit queries or discrepancies raised by the auditor. Any unconvinced queries or errors shall further be dealt with the competent head of the concerned unit. Still unconvinced and un-clarified, such cases, shall finally be appended with the certified Statement of Account.

vi) The Office of the Auditor General shall, in consideration of the situation of any of its units, execute Revenue Audit, Cost Audit, Administrative & Management Audit, System Audit, Performance and Propriety Audit and Social Audit

vii) The Office of the Auditor General shall also execute test audit as and when circumstances demand.

2.3.0 AUDIT PLANNING:

i) Planning of audit is very essential for an efficient conduct of audit. While planning audit following aspects shall be taken into account.
   a) Nature of business & its operation
   b) Accounting policy & procedure and
   c) Reliability of internal checks & control system

ii) As per annual audit allocation, after every three months, detailed information specifying the units which were audited, being audited and remaining un-audited must be submitted to the head office.

2.4.0 AUDIT PROGRAM:

Audit program is a blue print containing details about what should be done, by whom and how much time it should take. It plays a vital role in an efficient and timely completion of the audit. Audit program must be prepared as per ***annexure 1(A)+(B)***

Following aspects must be highlighted in the audit program.

i) Procedure to be adopted during the course of examination.

ii) Distribution of work among the staff.

iii) An anticipated time for the completion of an audit work.

iv) Discussion of Audit Program with the head of a branch office or concerned Deputy/Under Secretary in the head office is necessary. Auditor should execute audit work according to the audit program and if any change is needed to the audit program, it has to be discussed with the above concerned officers.

2.5.0 AUDIT OBSERVATION NOTE:

All observations made during the course of an audit should be properly recorded. This would serve as an important tool to the auditor for future references and evidence of the work done. All observations shall be recorded, with all the necessary information, in the manner as prescribed in the ***Annexure II***.

2.6.0 AUDIT MEMO:

The provision in the Article 6 of the Regulations of the office of the Auditor General, "In the course of audit the unit shall immediately give explanation and clarify all audit queries or discrepancies raised by the auditor. Any unconvinced queries or errors shall further be dealt with the competent head of the concerned unit. Still unconvinced and un-clarified cases, if any, shall finally be appended with the certified statement of account" must be complied with. For this, an audit memo has to be issued.

Audit memo is an audit query on audit observation, in written, to the competent authority whereby an explanation/clarification in written is sought. ***(refer Annexure III)***

2.7.0 AUDIT DIARY:

Every audit team must maintain a diary to record daily activities undertaken during the course of an audit including proceedings of any meeting/discussion held, verbal explanations and clarifications given etc.

2.8.0 INTIMATION TO THE AUDITEE:

Before commencement of any audit, it is important to inform the auditee concerned well in advance about the audit.

2.9.0 ANY PROBLEM FACED WHILE AUDITING:

Auditor may face many complex issues or uncertainties in the interpretation of rules and regulations. In such cases, avoid individual judgment and follow as guided below.

a) Auditor is required to seek guidance from the Head Office, in written/e-mail.
b) Head office will provide instruction back in written.
c) Decision taken will be separately filed for future references.

2.10.0 QUALITY & TIME CONTROL FOR AUDIT WORK:

i) The senior auditor will supervise and review the work done by the assistant (s).
ii) The progress of the audit work will be monitored regularly by the concerned Branch Head at the branches and by Under Secretary /Deputy Secretary at head office, to see that the work has been performed in accordance with the audit program & quality has been maintained.
iii) Before completion of audit work, a review will be carried out by the concerned Joint Secretary for units in Dharamshala.

Chapter Three
INTERNAL CHECK AND CONTROL

3.1.0 ASCERTAINING THE SYSTEM:

At the outset, the auditor should acquaint himself/herself with the internal check and control system of the unit under audit. This will help the auditor to identify those areas where he can rely upon without any detail investigation/examination. This will also allow the auditor to devote more time to other important issues/ matters.

The auditor may execute the following exercises to study the internal check and control system:

i) Discussion with staff of various levels,
ii) Studies of:
    a) Procedural manual-norms or procedural requirements;
    b) Job description- responsibility and accountability of each staff;
iii) Observation of the system.

3.2.0 SYSTEM EVALUATION:

After having acquainted with the system of internal check and control the auditor should evaluate whether:

i) The internal check and control systems and procedures are adequate enough to detect material errors and frauds;
ii) The system provides for any chance to collusion among the staff or not;
iii) There are sound reasons for the changes in the control system, if any ; and
iv) The system is a cost effective one.

3.3.0 COMPLIANCE TEST:

After evaluation of internal check and control systems, the auditor may find certain areas where can he decide not to exercise detail examinations. Before taking such decision, a compliance test must be taken to ensure that the internal check and control systems are adopted in practice also. This can be done, by selecting a few representative samples of different transactions and examining them in depth, especially, the procedural and the check and balance aspects.

Based on this evaluation, an audit program can be chalked out, keeping in view the nature of the audit and the time available. In the areas where the internal check and control system is inadequate, a detail examination shall be done.

3.4.0 REPORT ON WEAKNESSES OF INTERNAL CHECK & CONTROL SYSTEM:

Any weakness detected in the internal check and control systems should be discussed with the management and necessary steps to bring changes should be recommended in the report.

Chapter Four
COMMENCEMENT OF AUDIT

4.1.0 STUDY OF ORGANISATION:

Before the commencement of actual audit the auditor must study the following:

i) Organisational set up by referring to organisational charts.
ii) Main objectives and functions of the organisation.
iii) Delegation of administrative and financial responsibilities and powers.
iv) Rules and Regulations prescribed if any.
v) Previous years audit reports and statements of account and explanations submitted.
vi) Minutes of Board and General Meetings.
vii) Annual report.

4.2.0 ANALYSIS OF ACCOUNTING SYSTEM:

The auditor must study the accounting manual, policies and procedures thereof to understand the accounting system. In this regard, the auditor shall conduct following checks and see:

i) Whether the accounting system adopted are in conformity with the Generally Accepted Accounting Principles and have maintained all the relevant records.
ii) Whether there exists a sound system to check the errors or irregularities in recording financial transactions.
iii) Whether there exist an effective budgetary control and any variation between the actual expenditure and budgeted amount, if any, is promptly analysed.
iv) Whether the accounting records maintained are clear and adequate to give all necessary information.

4.3.0 COMPLIANCE OF PREVIOUS AUDIT REPORT:

It is required that all auditee must study the audit report and necessary audit recommendation must be complied with. To ensure this, the auditor shall unfailingly analyse the compliance report and the progress. Lapses, if any, must be highlighted in the audit report.

Chapter Five
AUDIT OF PAYMENTS

5.1.0 WHILE CARRYING OUT THE AUDIT OF PAYMENTS, CHECK WHETHER:

i) There is a proper budget along with a target to be achieved during the set period.
ii) The expenditures incurred are in accordance with the budget and financial rules and regulations.
iii) Sanction is accorded to all expenditure by a competent authority.

5.2.0 VOUCHING:

Vouching is an examination of all documentary evidences available to support the authenticity of a transaction, recorded in the book. While vouching, the auditor should ensure that:

i) The payment is supported by proper voucher duly authorized or sanctioned by a competent authority.
ii) The date of the bill or invoice relates to the period under audit;

iii) The payment and the actual payees' receipt are genuine;
iv) There is proper internal check and control available on the self made bill or invoice on plain paper, such payments should be at least certified by two people;
v) All bills are properly verified by the staff concerned. Incase of purchase, it should be verified and the charge of stock is duly accepted by the store in-charge;
vi) All vouchers are properly defaced after verification.
vii) All adjustment/transfer entries must be verified and authorised/sanctioned by a competent authority.

5.3.0 AUDIT OF PURCHASE:

While auditing purchases, the auditor shall see that:
i) All purchases are made economically and in accordance with rules or direction, if any ;
ii) Quotations must have been called for all purchases exceeding amount of Rs. 20,000.00;
iii) The purchase has been made from the lowest quotation unless there are recorded reasons to the contrary;
iv) Rate paid is that of the rate shown in the quotation approved.
v) Certificate of quality and quantity are furnished by the store in-charge and verified by the accountant before any payment is made;
vi) All purchases are made strictly as per the requirements;
vii) A wide publicity is made for calling the quotation. At least three quotations from different suppliers must have been presented in every case;
viii) Specific make and brand required must be mentioned in the publicity inviting such quotation and;
ix) In case of immovable property documents such as title deed, sale deed, registration and mutation papers etc., are properly secured.

5.4.0 SALARY & ALLOWANCE:

While auditing salaries and allowances, following essential points have to be checked:
i) The amount of salary drawn by a staff is in accordance with the relevant entitlement rules and orders;
ii) Appointment of the staff is as per the rules and regulations and post sanctioned;
iii) The pay drawn by a newly appointed staff is as per the appointment letter;
iv) chatehl contributions and other necessary deductions have been made in accordance with the relevant rules and orders ***(see chapter XII for detail);***
v) Salaries paid have been properly recorded in the salary register ***(see annexure IV)***
vi) The payment of salary must be duly acknowledged by the payee staff only; and
vii) Salary increments are as per the rules and orders.
viii) Any govt. servant, retained in govt. service beyond the date of superannuates in the rules & regulation, must be highlighted in report.

5.5.0 TRAVELLING ALLOWANCE:

While auditing travelling allowance, following points should be checked:
i) The claims are in accordance with the relevant TA rules and orders;
ii) The purpose of the journey is official and is duly authorised by the competent authority;
iii) TA claims are duly supported by receipts and proper sanction obtained;
iv) Rent receipts in original are produced for all reimbursement of room rent;
v) All travelling bills/claims are settled within two months from the date of completion of the journey.

Note: See chapter Seventeen for various allowances for the Central Tibetan Administration staff.

5.6.0 AUDIT OF VEHICLE LOG BOOK:

While auditing vehicle log book, following points should be examined to ensure that:

i) A separate log book is maintained for each vehicle in the prescribed form ***(see annexure V)***

ii) There should be prior written approval for all vehicle running;

iii) In the case of private use, proper hire charges have been collected;

iv) The purpose of journey is always recorded in detail with the signature of person using the vehicle. (Use of term simply "official use" is not at all adequate and hence be discouraged);

v) In case of low mileage per liter of petrol or diesel, causes should be investigated in time;

vi) Vehicle in-charge should maintain separate register of tools & equipment and repairs & maintenance for each vehicle.

vii) There is prior written approval for all repairs of vehicle.

5.7.0 AUDIT OF TELEPHONE REGISTER:

While auditing telephone expenses following points should be examined to ensure that:

i) A separate telephone register is maintained for each telephone (number) in the prescribed form ***(see annexure VI)***

ii) All long distant calls are made under proper authority and duly signed by the person making the call with his name and the phone numbers;

iii) Purpose of call whether official or private is clearly mentioned;

iv) In case of official, purpose must be described briefly;

v) In case of private calls recoveries have been made; and

vi) The bills received from the telecom department tallies with the entries made in the register and deviation, if any, is examined thoroughly.

5.8.0 AUDIT OF CONTRACT & CONSTRUCTION:

While auditing the contract of works or supplies, following checks must be exercised:

i) Terms of the contract are precise and definite;

ii) Necessary advice on legal and financial matters, if required, have been sought from experts before the contract is finalised;

iii) Terms of contract are not altered without prior approval of a competent authority and reasons recorded thereof;

iv) No uncertain liabilities or conditions of an unusual nature have been entered into.

v) While accepting any quotation, financial status of the person or institution submitting the tender is taken into consideration besides other aspects;

vi) No payment is made, either in violation of terms and conditions of the contract or in excess of contract amount, without appropriate reason and necessary sanction by a competent authority;

vii) In case, evidence is found that any concerned officer has any undue interest with the contracting party is found, it is brought to the knowledge of the concerned authority and also highlighted in the report;

viii) If the contracting rates accepted are higher than the prevailing rates, reason thereof shall be highlighted in the audit report;

ix) No payments is made to any person other than the actual contracting firm or person;

x) Security amount mentioned in the contract deed is collected on time. Also, in the event of any default, penalties liable under the terms of the contract are fully enforced.

xi) During the audit of contract documents, it is important to see that the quality control clauses, testing & inspection clauses and escalation clauses are mentioned in the contract deed.

xii) On presentation of bill by contractor, ensure that claims made by the contractor is checked by the construction supervisor or site engineer from measurement books, and certified by the Architect.

xiii) Proper linkage or comparison of various bills submitted by contractor.

xiv) Scrutinize payment relating to extra items that is not part of agreement.

xv) Auditor should take proper care while scrutinizing the final bills and bills submitted thereafter.
xvi) Check arithmetic accuracy of the bills and ensure that rate quoted in it is as per the contract deed.
xvii) Blue print and cost estimate is prepared and adhered to.

Legal Requirement

i) After making a blue print and cost estimate by the Architect, permission to construct first from the Town planning and then the Municipal Corporation have been obtained or not.
ii) Permission from the Municipal Corporation for any alteration in initial blue print should accordingly be obtained.
iii) After completion of building, whether no objection certificate (NOC) from the Municipal Corporation is obtained or not.

5.9.0 AUDIT OF EXPENDITURE:

While carrying out audit of expenditure, auditor has to see that expenditure is governed by the following essentialities.

i) The expenditures have been incurred according to the budget sanctioned by the Assembly of Tibetan people's Deputies, Local Assembly or Governing Body.
ii) The expenditure have been made in compliance with the objectives of the amount sanctioned.
iii) The purposes of the sanction have been served.
iv) Efforts have been taken for judicious expenditure.
v) Price quotations, proper bills and receipts have been obtained, quality controls have been maintained and the tax laws of the resident state have not been violated.
vi) Proper requisition for special sanction has been complied with and the expenditure so incurred does not exceed the limit sanctioned.
vii) All purchases of fixed assets must be recorded in the Fixed Assets register.
viii) All payments above Rs. 20,000.00 must be paid only in crossed cheque/demand draft.

5.10.0 COMPLIANCE/REGULARITY AUDIT:

Compliance audit is an important aspect of audit. It is the duty of the auditor to ensure that expenditures so incurred conforms to the relevant provisions of financial rules, regulations and orders issued from time to time. In case any particular event is not covered within the rules & regulation, it should be brought to the notice of the competent authority and must be highlighted in the audit report. In regularity audit the auditor is required to ensure that following are strictly observed.

i) Powers to frame such financial rules & regulations are within the limit.
ii) Powers to accord sanction and incur expenditure are in order.
iii) Financial rules, regulations and orders etc., are not inconsistent with the charter, rules and regulations formulated there under and the audit and account requirements as prescribed by the Office of the Auditor General from time to time.
iv) No undue advantage is taken thereof any rules, regulations and orders by any person making such rules, regulations and orders.
v) Rules and orders don't impair any financial control efficiency.
vi) Financial rules, regulations and orders are observed not merely in letter but also in spirit.

5.11.0 ECONOMY / PROPRIETY AUDIT:

Even with proper accounting order and regularity, improper utilization and waste of money or stores could happen. This needs to be checked while conducting the audit of expenditure. Such exercise is called "**Propriety Audit**". In propriety audit, the auditor has to examine that reasonably high standard of financial morality and interests of the institution have been satisfactorily maintained by the person incurring the expenditure and the sanctioning authority. In this regard the auditor has to ensure that following basic principles are strictly observed.

i) The expenditure is not prima facie more than reasonably required.
ii) The expenditure is made with same degree of vigilance, as a person of ordinary prudence would exercise in respect of his own money.
iii) The officer involved has not derived any personal benefit from the expenditure either directly or indirectly.
iv) The expenditure is really necessary in furtherance of the objectives.
v) Optimum benefits have been obtained in respect of all the expenditures.

5.12.0 EFFICIENCY AUDIT:

Efficiency audit looks into whether the various schemes/projects operations are conducted and executed economically and whether they are yielding the results expected of them i.e., the relationship between goods and services produced and resources used to produce them are acceptable.

5.13.0 EFFECTIVENESS AUDIT:

Effectiveness audit is the appraisal of the performance of programmes, schemes and projects with reference to the overall objective arrived at as well as efficiency of the means adopted to attain the objectives. The gamut of the programme, scheme or project, right from conception to execution & functioning is covered in such appraisals.

5.14.0 TEST AUDIT:

i) Head of the branch office and Deputy/Under Secretary in the Head Office will discuss with the higher authority in the Head office and decide which Department/ unit will be undertaken for a test audit.
ii) Time allotment for audit, detailed months and account heads to scrutinize, and all the transaction crossing the prescribed limit of amount will also require to be discussed/decided as above.
iii) Any major irregularities, if observed, need to be informed to the Head Office and further instruction will be given by the Head Office in discussion with the head of the Branch office, to what extent it has to be further scrutinized.
iv) It is sufficient to state in the opening paragraph that a test audit was conducted without specifying the months but in the office file, however a note should be kept as to months & accounts which were subjected to detailed audit. The auditor will not be liable for any error ascertained from the months, which were not subjected to scrutiny.
v) The auditor responsible to conduct test audit will be decided in consultation with the higher authority in the head office.

Chapter Six
AUDIT OF RECEIPTS

6.1.0 RECEIPT AUDIT:

While auditing receipts the auditor is required to ensure the followings:

i) Receipt books are serially numbered and stocked. A certificate thereof is recorded under the initial of a competent officer.
ii) Issues of the receipt book and the return of the used booklet are properly recorded.
iii) Original copies are not detached for cancellation of any receipt.
iv) All receipts are posted daily in the cash book under proper account head.
v) All sources of revenue are properly assessed and collected within every set interval. Incase of long interval, surprise cash verification may be done to ensure that no mis-utilisation of the fund has

occurred.

vi) Printed official receipts are issued for all the receipts, whether in cash or in cheque.
vii) All receipts are duly signed by the accountant and the cashier.
viii) All receipts are issued by the accountant and not by the cashier.
ix) Checks/drafts received are deposited into the bank on the very next working day.
x) All foreign currency receipts are duly recorded in the cash book at the prevailing exchange rates.
xi) A foreign currency register is maintained showing daily receipts, issues and balances with relevant exchange rates.
xii) The number of receipt book agrees with the purchased/printed quantities and are kept under lock & key by the responsible person.
xiii) At the beginning of a financial year, the department/ unit instead of using the remaining part of a receipt book uses a new receipt book. Always make sure to discourage it. If part of a receipt book is un-utilized, it is necessary to deface it.

6.2.0 AUDIT OF SALES:

All sales recorded in the books of account represent cash or credit sales at the fixed rate. The
Auditor must vouch all sales with reference to stock issue, delivery challan, rate fixed, sales invoice and cash/ credit sales register. In addition to above the auditor must also see that:

i) All sales made during the period under audit have properly been recorded in the books of account with proper classification between cash sale, credit sale, export sale and sales tax;
ii) There is a proper system of obtaining an acknowledgement of the goods receipt from the customer on delivery challan;
iii) Sales invoices are raised for all goods delivered to the customers;
iv) All credit sales must have been accounted in the books of account;
v) Any sales at a price lower than the fixed price must be supported by proper reason;
vi) There is clear-cut policy/authorisation of credit sales;
vii) There is fixed credit time limit and such limit is strictly observed;

Chapter Seven
CASH BOOK AUDIT

7.1.0 CASH BOOK AUDIT:

Cash book is one of the most important books of account. All transactions pertaining to cash and bank are recorded in this book. While examining the cash book the auditor must ensure the followings.

i) Opening balances of cash and bank are correctly brought down.
ii) All receipt entries are supported by carbon copies of the receipts issued.
iii) All payments are properly supported by relevant documents.
iv) All transactions are recorded in the cash book on the same day. Non-recording of any transaction must be brought to the notice of the competent authority for clarification.
v) Cash book is closed every day and closing balances so ascertained are verified at least once a month by the competent officer, the accountant and the cashier with their initials.
vi) Entries once recorded in the Cash Book are not altered or erased. In case of such instances, it has to be attested by the competent officer.
vii) That there is no tendency to keep unduly large cash balance and also ensure that daily cash balance maintained are not in excess of the prescribed norms.
viii) That private cash are not mixed up with the regular office cash balance.

Chapter Eight
AUDIT OF BALANCE SHEET

8.1.0 INTRODUCTION:

Since a great importance is placed on the financial statement of a concern, it is important to see that the Balance Sheet represents true and fair view of the financial position of a concern. With a mere tally of balance sheet the work of the auditor does not come to an end. The auditor, still require to ensure that no overstatement, understatement, mis-presentation or manipulation of any financial figure is being done in any manner. Balance Sheet format is standardised and every auditor should see that preparation of Balance Sheet is as per that. ***(see Annexure VII)*** Brief guidelines to audit few of the balance sheet items are as under:

8.2.0 FIXED ASSET:

Fixed Asset includes all those assets of long-term nature, acquired for use in business, possessing physical substance that provides service at least for few years such as land, building, machinery, furniture etc. While auditing fixed assets following points must be ensured.

- i) All fixed assets depicted in the balance sheet do exist physically and are in working order.
- ii) Any asset purchased is necessarily required and a sanction is obtained.
- iii) Ownership/title of all assets is with the concern itself.
- iv) Proper amount of depreciation, as prescribed, is charged.
- v) Proper records of fixed assets are maintained in the fixed Asset register. ***(As per Annexure VIII)***
- vi) In case of newly acquired fixed asset, relevant documents such as invoice, title deed etc. are in order.
- vii) Neither purchase of any fixed asset nor any expenditure of capital nature is accounted as repairs and maintenance.
- viii) In case of title of any asset held by some other person(s), necessary arrangement is made to secure the title. In such cases a special and irrevocable power of attorney is a good instrument to retain the title. Such instance must be mentioned in the report;
- ix) No expenditure of revenue nature such as renovation, replacement, etc., is treated as addition to fixed asset.
- x) Asset costing Rs. 1,000.00 or less is to be charged 100% depreciation. Record of such asset must be placed in the fixed asset register.

8.2.1 Verification of Fixed Asset:

Verification of fixed asset pertains to an examination of relevant records and physical checking of the asset. The auditor must pay particular attention to the verification system and see whether the system in practice is adequate and reliable. In case of an inadequate system, a random verification must be done to ensure actual existence and good condition of the asset.

8.2.2 Valuation of Fixed Asset:

The auditor must see that the values of the assets have been fixed properly as under :

- i) All fixed assets are valued at cost.
- ii) In case of direct purchases the cost shall comprise of the cost price and all other expenses incurred on its acquisition and installation.
- iii) In case of self-built or manufactured asset the cost shall comprise of those direct expenses incurred to have the asset built or manufactured.
- iv) In case of donated asset the cost shall be the value if any mentioned in the deed of donation or transfer document, otherwise market value and all other expenses incurred on its acquisition and installation.
- v) In case of hire purchase asset the cost shall be the total amount paid or payable till date.

8.2.3 Obsolete Asset:

In case of any asset becoming obsolete (non-performing), the same should have been eliminated from the books and disposed off in the manner as prescribed in clause 8.1.4

8.2.4 Disposal of Asset:

Incase of disposal of any fixed asset, following aspects should be observed.

i) The disposal is properly authorised by the competent person. Also appropriate procedures such as calling quotations, public auctions etc., are adopted.

ii) In case of trading concern, the proceeds of such disposal should be accounted in the profit/loss account and should be highlighted in audit report also. Incase of non- trading concern, it may be mentioned in the income & expenditure account.

8.2.5 Depreciation of Fixed Asset:

Every fixed asset must be charged full year depreciation irrespective of the period of use. But trading concerns filing income tax return shall charge full year depreciation for every fixed asset purchase before September and six month for fixed asset purchase after that. Building under construction shall not be charged any depreciation unless it is fully completed and put into use.

8.2.6 Depreciation in case of Non-trading concern:

In case of non-trading concern depreciation amount shall be directly deducted from fixed asset fund and where there is no such fund, from the General fund.

8.2.7 Depreciation Rate:

Rates of depreciation for assets already in use shall be as per the old rate. Rates for new category of assets acquired during the year must be as prescribed from time to time ***(see annexure IX).***

8.2.8 Token Value:

In the case of straight line method of depreciation, where the depreciation amount is reduced from the asset value every year and where such asset value is reduced to nil, a token value of Re. 1.00 is to be provided till the complete disposal of such asset.

8.2.9 Loss of Asset:

Any loss of asset due to natural calamity, theft etc., must be dealt with as under.

i) The asset lost must be eliminated from the books by reducing from the Asset and General/Asset Fund after adjustment of the accumulated amount of depreciation, if any,

ii) Details of elimination should be mentioned in the report.

iii) Thorough investigation of such loss is carried out.

iv) Elimination of such loss is duly authorised in writing.

8.3.0 STORES AND STOCKS:

The audit of stores or stocks is mainly to ensure that the purchases, receipts and issues etc. are properly carried out. Since mismanagement of stocks is as serious as mismanagement of fund, due care must be given while carrying out the audit of stores and stocks.

Generally the audit of stores and stocks must be conducted in accordance with the rules or directives laid down. In case there are no such rules or directives laid down or any grave defects in the system of control is detected during audit, must be brought to the notice of management by highlighting it in the report

8.3.1 Purchases:

In case of purchases of stores, the following must be examined.

i) There is efficiency & effectiveness of purchase function and system in the department and material management as a whole.

ii) The purchases are properly sanctioned and are economically made in accordance with rules or directives. In case of huge and bulk purchases, quotations are called to derive optimum benefit;

iii) The stocks so purchased are properly recorded in the stock books in terms of quantity, rates, etc.;

iv) The rates quoted are strictly as per the quotation tendered;

v) No unnecessary accumulation of stocks, representing blocking of capital is done. In order to avoid this problem there must be prescribed maximum and minimum levels for each item of stock. Maximum limit shall not exceed the total quantity required (either sale or issue) for the next two months unless where it is necessarily required.

If no such limits are fixed, it shall be mentioned in the report with necessary suggestion;

vi) All receipts, whether purchase or obtained otherwise are booked as and when received; and before payment is made, it is important to get acknowledgement from dealing incharge regarding quality and quantity.

vii) Purchase is made only on a stock item reaching the minimum required level.

8.3.2 Issue/Sale:

In case of issue of stores/stocks, following points must be seen to ensure that:

i) All issues of stores/stocks are supported by an indent or a requisition slip approved by the competent authority, and properly acknowledged by the recipient;

ii) All sales/issues/transfers are properly recorded through either debit notes or invoices;

iii) All issues/sales/transfers are booked as and when it takes place;

iv) Stocks issued on account of gifts and complimentary must also be properly booked Debit Gift/ Presentation and Credit Stock Presented and shown in Profit/Loss and Trading Account respectively;

v) Daily closing balances are correctly worked out;

vi) There are adequate systems of check and inter-reconciliation between indents, customers orders, delivery/shipment challans and invoices; and

vii) All issues are made as judiciously as possible.

8.3.3 Stocks on Consignment:

In case of stocks on consignment following points must be seen

i) A confirmation duly certified is obtained from the consignee in case of any stock held on consignment.

ii) Value of the stock on consignment shall be shown in the final account at cost price.

iii) Proper record of stock on consignment, stock received on consignment (stock list, consignor's name etc) must also be maintained for each kind of stock.

8.3.4 Physical Verification of stock:

Though the auditor is not mandatorily required to personally carry out the physical verification of stocks, yet the auditor has a serious responsibility to ensure the fairness of stock position as certified by the management. As such the auditor is required to examine whether the management has carried out a proper physical verification of stocks before issuing such certificate. If no physical verification of stocks is done at all a random verifications of stocks must be done to ascertain the actual position. In addition, the auditor is also required to see that:

i) If physical verification is done on a day other than year end, method of adjustment made must be reviewed to ascertain correctness of the actual balance;

ii) All the verification statements are duly verified and signed by a competent authority and the store in-charge;

iii) All purchases and sales/issues are correctly recorded in the stock book and balances updated;

iv) Difference, if any, between the book and physical balance is properly probed into and necessary action is taken;

v) Only the actual (physically verified) balance is taken in the closing stock and shown in the statement.

vi) In case of any doubt on the stock position as shown in the certified statement, the auditor shall do physical verification at random to verify the actual position. The below given method may be adopted in such cases.

Balance as per physical verification	xxx
Add: issues from the date of closing to the date of physical verification	xxx
Total	xxx
Less: purchases/productions from the date of closing to the date of physical verification	xxx
Position of stocks as on the closing date	xxx

8.3.5 Stock Excess:

Stock found excess during physical verification should be added to the book balance.

8.3.6 Stock Shortage:

Stock found shortage during physical verification should be reduced from the book balance.

8.3.7 Adjustment of Shortage:

i) The net of the stock shortages and excesses must be shown as recoverable from the stock in-charge at the last selling price of the year.

ii) Incase the net value is positive nothing shall be done.

iii) The recoverable amount shall be credited to STOCK SHORTAGES ACCOUNT and shown in the trading account as usual.

iv) It is to be observed strictly that stock shortage shall be allowed to adjust against the excess stock of homogeneous nature. Homogeneous here refers to the product as well as the material of the product. Example; there should be difference between gold & brass and cotton cloth & brocade.

8.3.8 Valuation of Stock:

Every care should be taken to ensure that closing stocks are properly valued at justifiable rates. Valuation must be done in accordance with the method “market price or cost price (FIFO) whichever is less” and in addition to that following points must be ensured.

i) Proper method of valuation is adopted.

ii) Values are justifiable keeping in view the actual condition of the stocks.

iii) The same valuation method is consistently applied every year.

iv) Stock excesses and shortages are duly adjusted.

v) Cost of physically verified stock balance only should be accounted.

vi) Work in progress are properly valued

8.3.9 Valuation of livestock:

All the expenses incurred to bring the livestock to its productivity stage, such as purchase cost/cost of calving, fodder, cereals, overheads etc are capitalised to form the cost.

In the case of livestock that are maintained for their produce or services, no depreciation is charged till the livestock reaches the stage of declining productivity i.e. no depreciation for initial and constant productivity period. The accumulated cost upto that stage is proportionately written off once the earning capacity of the livestock starts declining, over the remaining life of the animal by straight-line method. Ascertaining the remaining life is bit technical and hence judiciously calculated.

8.3.10 Damaged and Obsolete Stock:

Damaged and obsolete stocks shall be written off only with proper sanction by a competent authority. In case there is no such sanction available, a list of damaged/obsolete stocks shall be separately maintained and values of such stocks shall not affect the gross profit. Such list must be reviewed and verified every year till the stocks are completely disposed off.

8.3.11 Disposal of Obsolete Stock:

While examining the disposals of obsolete or damaged stocks the auditor must see that:

i) unserviceable, obsolete and damaged stocks are disposed off in time;
ii) necessary sanctions are accorded by a competent authority for such disposal;
iii) proceeds from such disposal are properly accounted in the books.

8.4.0 AUDIT OF CONSUMERS STORES WHERE LIABILITY SYSTEM IS ADOPTED:

While auditing, following points should be examined to ensure that:

i) All purchase shown in purchase a./c are recorded in the purchase register;
ii) All articles are fully issued to the shops and liability delegation advice issued;
iii) Liability register is correctly recorded with reference to delegation advice, sales a/c price revision advice (PRA), stock transfer advice (STA), and physical stock statement;
iv) Sales remittances are made daily or as approved by the management;
v) Liability register is correctly totaled and balanced. Shortage, if any, is recovered/ shown as recoverable;
vi) check and control is applied from time to time in order to give no room for malpractices like, unauthourised price revision and keeping private goods etc.;
vii) Damaged stock are certified by the board of management and removed from the shop;
viii) Profit margin is deducted from the physical stock value before taking it to trading and balance sheet; and
ix) Liability statement prepared should be attached with the final account.

8.5.0 CASH VERIFICATION:

It is important to carry out a surprise cash verification at least once, either at the year-end or at any time during the audit, to ascertain the actual cash position. While carrying out physical verification the auditor must ensure that:

i) all receipts and payments are duly recorded in the cash book;
ii) no unaccounted payment bills or advance receipts (directly paid by the cashier) maintained by the cashier be treated as cash in hand.
iii) a surprise verification of the cash balances of various sections must also be done to ascertain the actual position.
iv) after cash verification is certified by the official in-charge, explanation of any kind like cash & bills not included in cash verification will not be entertained.

8.5.1 Statement of Physical Cash Verification:

Name of the concern: ....

Date of Physical Verification: ....
Name of the Cashier: ....
Details of Cash in Hand:

Denominations	**Amount**
500x	
100x	
50x	
20x	
10x	
5x	
2x	
1x	
Coins	
Total	xxxxxxx
Add : Stamps	xxxxxxx
Total Cash in hand	xxxxxxx
Cash balance in cash book	xxxxxxx
Cash Shortage/ Excess	xxxxxxx

Manager	Accountant	Cashier	Auditor
(Signature)	(Signature)	(Signature)	(Signature)

8.5.2 Cash Excess:
Cash excess, if any, should be added to the balance by crediting a suspense account. Incase no reason for the excess cash is found during the audit of the next accounting year, same shall be credited to the general fund or miscellaneous income.

8.5.3 Cash Shortage:
Cash shortage, if any, must be reduced from the book balance and shown as recoverable from the cashier.

8.5.4 Cashier's Cash/Day Book:
Cashier must also maintain a cash book in which daily cash receipts and payments are recorded. The auditor may take the reference of this cash book incases of any cash excesses or shortages. The cashier shall be advised not to record any non-cash transaction in this book and also not to pay any loan or advance directly without entry in the main (accountants') cash book.

8.6.0 AUDIT OF BANK ACCOUNT:
While examining the bank transactions following points should be given attention to ensure that:

i) The operation of the account is duly authorised by a competent authority in writing;
ii) The transactions are operated jointly, at least by two officers.
iii) No surplus or idle money should lie in the saving/current account unnecessarily. If so an appropriate

amount shall be kept in term deposits for higher interest earning.

iv) A proper register of fixed deposit is maintained and it is reviewed frequently to avoid any delay in realisation of the deposits ***(see annexure X for format)***. Each fixed deposit should have a separate folio and renewal of the deposit should be recorded in the same folio. On the transfer of fixed deposit to saving /current account, it should be closed;

v) A proper Bank Reconciliation Statement is drawn after every month;

vi) A proper year-end balance confirmation certificate is obtained from the concern bank;

vii) All pay-in-slips are maintained in bounded form or attached with the payment voucher.

8.6.1 Bank Reconciliation Statement:

Bank reconciliation statement must be prepared to ensure the correctness of bank balance shown. While scrutinising the Reconciliation Statement following points must be examined to see that:

i) All deposits are given due credit in the pass book. Any undue delay should be discussed and cleared.

ii) Amount withdrawn from the bank must appear in the cash book on the same day. If not, it must be properly probed into;

iii) Bank accounts are reconciled after every month and all entries are passed in the cash book in time to avoid lengthy bank reconciliation statement.

iv) In case the accountant has not prepared the bank reconciliation statement; the auditor should prepare it and also advice the accountant how to prepare it.

8.7.0 SUNDRY DEBTORS:

While auditing debtors, following points must be seen to ensure that:

i) There are clear policies and rules regarding credit system;

ii) Balance confirmations from the customers are obtained to ascertain the correctness of the balances shown;

iii) Incase of any difference, necessary steps are taken to investigate and clear the difference;

iv) All debtors are scrutinized so as to determine the realiseability keeping in view the age, nature, debtors whereabouts, number of claims so far made to recover the debts;

v) All debtors are classified into:

   a) Good debtors;

   b) Doubtful debtors;

   c) Bad & irrecoverable debtors

vi) Write off of the debts are being done as per the rules and procedures;

vii) A periodic review of the debtors position is done and a suitable action is taken against the defaulting debtors;

viii) Amounts in the list of debtors tallies with the figures of the main and the individual ledgers;

ix) Postings from main ledger to individual ledgers are done properly to avoid any mispresentation of the debtors position; and

x) Ascertain whether there is a provision for doubtful debts.

8.8.0 LOANS & ADVANCES:

While auditing the loans and advances following points should be observed to ensure that:

i) The purpose of the loan/advance given is strictly in pursuance of the activities of the concern;

ii) Prior and proper arrangement is made judiciously for its recovery before any loan/advance is given;

iii) Loan/advance given is duly authorised by a competent person;

iv) No fresh loan/advance is given if the balance of the previous loan/advance is still unsettled.;

v) Loans and advances are classified into;

   a) Good;

b) Doubtful; and

c) Bad

vi) The amount of interest payable or receivable is calculated and accounted;

vii) Amounts in the list of loans and advances tallies with the main and the individual ledger figures; and

viii) Loans/ advances given are strictly as per the directives of the Kashag's notification dated 12.8.2002.

8.9.0 INVESTMENTS:

Since many of the organisations are going in for the investment option of its surplus money for better generation of income, it is important that a fair investment position is shown in the statements of account. In order to fulfill this, following points must be seen.

i) Whether the register maintained provides all the necessary details regarding name, amount, period, rate of return, date of payment, date of maturity etc.

(For this check all the investment certificates and reconcile with the ledger figures)

ii) Whether investment yields a proper return (cost & benefit analysis is to be done.)

iii) Whether all the investments made are fully secured.

iv) Whether all the investments made are duly authorised in writing.

v) Whether certificates in original of all the investments are properly maintained.

vi) Investments in Fixed Deposits are shown under Cash & Bank Balances in the Balance Sheet.

8.10.0 SUNDRY CREDITORS:

Sundry creditors as shown in the balance sheet must be true and correct. In order to ensure this, following points must be looked into:

i) Amount in the List of creditors tallies with the main and individual ledger figures.

ii) Additions during the period are in accordance with the purchase invoices.

iii) All settlements are duly authorised after proper verification.

iv) All settlements of Rs. 20,000.00 or above are made in crossed cheque/demand draft only.

v) All long outstanding creditors are thoroughly probed into to determine whether they are really required to be paid.

vi) Postings from main ledger to individual ledger are properly verified to ascertain true and correct position of each creditor.

8.11.0 OUTSTANDING LIABILITY:

It is required that all incomes and expenses pertaining to a particular accounting period are duly accounted in that period itself, so as to present:

i) A fair operational result of the period; and

ii) A fair financial position (liabilities & assets) at the end of the period.

a) Outstanding Expenses

All expenses payable at the year end such as wages, salaries, rent, electricity & water charges, commission, interest etc., are properly charged to profit and loss account and shown in the balance sheet as "Outstanding Expenses/Payable"

b) Unearned Incomes

Generally certain incomes relating to the following years are received in advance during the year. Such incomes are not taken as income of the year in which the amount is received. These receipts are simply shown payable in the balance sheet as "Unearned Income"

8.12.0 WRITE OFF:

Any amount of asset or liability shall be written off only with prior authorisation. The competent bodies to accord such authorisation are as under:

i) Board of Directors/governing body, and Local assembly.
ii) For those concerns not having Board of Directors/Trustees/Governing Body/Local Assembly from the Department under which it comes.
iii) The Kashag for those concerns, funded from the consolidated fund of Tibetan government in exile (irrespective of whether governing body exists or not)

Chapter Nine
AUDIT OF FUNDS AND GRANTS

9.1.0 FUND AUDIT:

While performing the audit of Fund (earmarked) the auditor shall ensure the following points:

i) The fund is created for a specific purpose.
ii) The fund is created with a self-explanatory account head (generally the purpose)
iii) The fund is utilised only on the set purpose.
iv) All the subsequent incomes (interest) are credited to the fund itself.
v) Purchase of any asset is shown in the Balance Sheet as usual.
vi) A sum equal to the cost of an asset purchased out of a fund is added to the General or Asset fund, as the case may be (Incase fund amount is to be written down)
vii) No unnecessary fund account is created. Old and redundant fund, if any, must be added to the general/ other fund after proper authorization.

9.2.0 GRANT AUDIT:

In addition to the fund audit following points must be seen while auditing the grant account.

i) Proper estimates are prepared for each project proposal.
ii) All conditions mentioned in the grant agreement are duly complied.
iii) The fund is used only for the purposes for which the grant was made.
iv) No fund is transferred to any other activities without prior sanction of the donor or the competent authority.
v) Audit should also try to ascertain how far the overall objectives of the major schemes have been attained & that there was no wasteful expenditure.

Chapter Ten
FOREIGN CONTRIBUTION ACCOUNT

10.1.0 All auditors must ensure that following requirements are fulfilled while submitting the F.C return-Form FC-3.

i) All properties created out of F.C whether movable or immovable shall be reflected in the F.C Balance Sheet.
ii) Proper distinction must be made between the amount received directly from foreign sources and the amount received as second and subsequent receipts.
iii) Total F.C receipts as per FC form must reconcile with the amount as per donor's list and the total receipts as per Receipt and Payment Account.
iv) Total F.C utilisation amount must reconcile with total payment as shown in the Receipt and Payment Account.
v) Unutilised balance as per F.C form must reconcile with the balances as shown in the Balance Sheet and cash & banks balance in the Receipt and Payment Account.

vi) No advances, either receipt or payment, shall be treated as foreign contribution.

vii) Subsequent receipts such as interest, exchange rate differences etc., shall also be treated as foreign contribution.

viii) No receipt other than FC shall be booked in the F.C account.

ix) Any contribution received from European Union shall not be treated as foreign contribution.

x) Sale proceeds of any FC fixed asset must also be treated as subsequent FC receipt.

xi) Any changes in regard to the name of the Association, its address, its Chief Functionary and bank account must be reported to Home Ministry, Govt. of India.

xii) Prepare and submit worksheet of actual receipt & payment extracted from the receipt & payment account regarding FC form and reconciliation statement.

xiii) There should be a prior permission for each and every F.C receipts.

xiv) No fund shall be transferred to any organisation not having any prior permission or registration under Foreign Contribution Regulation Act.

xv) Any receipts from any organisation whose original source is foreign shall also be treated as FC receipts.

xvi) A set of books of account must be maintained separately for foreign contribution received and utilised.

xvii) All contributions received in kind must be maintained and reported in the manner as prescribed ***(see annexure XI)***

xviii) Detail of each column of the FC form must be prepared and kept in office file. This need not required to be submitted along with the FC form.

Chapter Eleven
FINAL STATEMENTS OF ACCOUNT

11.1.0 Following statements must be presented along with the audit report in all cases :

In case of non-trading concern	In case of trading Concern
i) Receipt and Payment Account	Trial Balance
ii) Income & Expenditure	Profit & Loss Account
iii) Balance Sheet	Balance Sheet
iv) Schedules & Lists	Schedules & Lists

11.2.0 While presenting the final statements of account, the auditor must ensure that following aspects are also fulfilled.

i) It is important to start the receipt and payment account receipt side with opening cash and bank balances and close the payment side with closing cash and bank balances.

ii) Manufacturing Account must be presented for the manufacturing concern.

iii) Receipt and Payment Account must always be presented in T-form only.

iv) Receipt and Payment Account must show the actual receipts and payments during the year.

v) Statements of all units/branches of a concern must be consolidated so as to show an overall position of the concern.

vi) Inter unit transactions or balances must be neglected while consolidating a balance sheet.

vii) Incase of schedules or list of payables and receivables such as advances, creditors, debtors, etc., it is important to show the total (gross) payables in the liability side and receivables in the asset side of the balance sheet.

viii) Figures of the Receipt and Payment Account/Trial balance and Balance Sheet must correlate with the ledger figures. (The auditor must mark the ledger figures with initials to check any future alteration)

ix) Profit and Loss Appropriation Account must be prepared to apportion the net profit or net loss according to the fixed ratios and should be appropriately shown in the balance sheet.

x) Business Profile and Check list as prescribed must be duly filled and presented ***(see annexure XII & XIII)***

xi) Previous year amount must be shown in the left side of the Income & Expenditure /Trading & Profit & Loss account and Balance Sheet.

xii) While presenting income and expenditure/ trading & profit & loss account, any account head, representing expenses with small income can be adjusted with each other, for example income raised in telephone & vehicle can be adjusted along with its expenses.

xiii) Net worth and Capital Employed shall be computed as under :

i) Net Worth

A)	Fixed Assets at written down value			xxx
B)	Current Assets		xxx	
	Less: Bad debts/receivables	xxx		
	Doubtful debts/receivables	xxx		
	Obsolete Stocks	xxx	xxx	xxx
	Total of (A)+(B)			xxx
C)	Less: Current Liabilities	xxx		
	Less: Bad/uncertain payable	xxx	xxx	
	Less: Fund Pending utilisation	xxx		
	Less: Fund not to be utilised	xxx	xxx	xxx
	Net Worth			xxx

ii) Capital Employed

A)	Total Fixed Assets at written down value	xxx
B)	Current assets, inventories (less obsolete &damaged) Debtors/ advances/ receivables (less bad and doubtful)	xxx
C)	Cash and banks	xxx
	Total of (A)+(B)+(C)	xxx
	Less Current liabilities	xxx
	Capital employed	xxx

iii) Return On Capital Employed (ROI)

Net Profit
---------------------X 100
Capital Employed

Chapter Twelve
CHATEHL CONTRIBUTION

12.1.0 Business Income: 15% of the net profit as defined in clause 12.4.0 should be provided in the case of all the concerns listed in annexure XIV and shown payable in the relevant period. Incase it is not feasible, due to certain legal restrictions, to show the amount as payable in the statement the amount shall simply be mentioned in the audit report.

Business income should be calculated as below

Net Profit (Before deduction of 15%) x $\frac{15}{115}$

For Tibetans residing in India, Nepal and Bhutan having no salary income but having business income should pay the amount fixed for the net profit slab under which one falls.

12.2.0 Salary Income: All bona-fide Tibetans having salary income shall contribute a sum equal to 4% on the basic or 2% of the gross pay whichever is higher.

12.3.0 Deduction from Grants: A Percentage of deduction for grant, from within and foreign, should be as per rate prescribed in the annual budget by the finance minister.

Present rate are as below:

Contribution received through Department of Finance 5%

Contribution received directly by the Department 2%

Contribution received directly by the Settlement/ Welfare office and autonomous institution 1%

12.4.0 Net Profit: Net profit where ever relevant shall be construed as gross profit less all expenses excluding provisions and reserves, uncertain and non-chargeable to profit, such as provision for education fund, construction fund etc., and reserves of any kind. Provision for bonus shall be treated as chargeable expenses in this case. Concerns, having accumulated losses, shall adjust years profit with its accumulate losses and it is not required to deduct 15% of the business income. Computation of deduction shall be from the consolidated account of all its section.

12.5.0 Remittance: All deductions shall be remitted to the respective Rangden Tsokchung as below:

i) Collections on account of salary and monthly chatehl excluding business incomes within 15 days from the date of collections.

ii) Collections on account of business income before the end of the next accounting period.

iii) Remittance of the amount liable to the Department of Finance for the contribution received within or foreign shall be at the time of receiving it. Other wise it should be remitted immediately after receiving audit report.

Chapter Thirteen
AUDIT FEE

13.1.0 Audit fee for the Statements of Final Account of Departments/Organizations requiring certification of Chartered Accountants and Internal Assessment Charges payable to this office shall be separately accounted. Audit fee should be calculated as per annexure XV.

Chapter Fourteen
INCOME TAX

14.1.0 All auditors must check whether following provisions of the Income Tax Act 1961, have been properly observed or not. If not, proper instructions shall be given to observe the same.

i) All payments exceeding Rs. 20,000.00 must be made either by account payee's cheque or crossed demand draft.

ii) All receipts or payments of deposits/advances must be made by crossed cheque or demand draft, if the amount exceeds Rs. 19,999.00

iii) In case of institution/trust registered under Income tax act, all corpus or accumulated fund must be invested/deposited only in the following modes

a) Government Saving Certificates

b) Post Office Saving Account

c) Co-operative Society Bank

d) Scheduled or Nationalised Bank

Chapter Fifteen
PENSION AND PROVIDENT FUND AUDIT

15.1.0 AUDIT OF PENSION:

Audit of pension consists of verifying that the qualifying conditions governing the grant of pension are fulfilled and that the amount of pension sanction and drawn is correct.

The points to be seen during the check of pension are:

i) Check the statement of service, statement of leave with reference to the entries in the service book & unpaid leaves if any, to be excluded from his service.

ii) Check whether the pension have been worked out correctly on the basis of his/her service and as per the rules & regulation.

iii) Ensure that receipts of the pension are properly attached. Incase, pension is drawn by another person on behalf of the retired person, it is necessary to see that instruction is given in written by the person, who is entitle to receive pension.

15.2.0 AUDIT OF PROVIDENT FUND:

While auditing provident fund of staff, following points should be seen.

i) Check whether the rates of deduction of provident fund are in compliance with the rules & regulation.

ii) Interest is worked out at the proper rate as prescribed from time to time.

iii) Interest so calculated is invariably credited to the respective subscribers at the end of each year.

iv) Amount of the individual is correctly entered in his ledger head.

v) Temporary or final withdrawals of provident fund are as per the rules & regulation.

vi) Before the final withdrawal of provident fund, No due certificate is properly submitted.

vii) Ensure that receipts of provident fund are properly attached.

Chapter Sixteen
RANGDEN TSOKCHUNG AUDIT

16.1.0 NECESSARY DOCUMENT TO STUDY BEFORE AUDIT:

i) Rules & Regulation pertaining to the voluntary tax & contribution and rules of Rangden Tsokchung.

ii) Resolution passed in the minute book of Rangden Tsokchung.

iii) Files relating to the correspondence with the Assembly of Tibetan People's Deputies and Department of finance.

iv) Handing and taking over files of Tsokchung.

v) Audit reports & account statement.

vi) Clarification of audit report.

vii) Other related files.

16.2.0 FINANCIAL YEAR:

i) From April 1 to March 31.

ii) If not audited, period commencing from the latest handing & taking over to March 31.

16.3.0 NECESSARY BOOKS & DOCUMENTS:

i) Audit should be done based on the cash book maintained, if not, they should be advised and trained on how to maintain it.

ii) Incase cash book is not maintained, based on the stamp balance handed over during the handing and taking over of old Tsokchung, a receipt and payment account should be prepared.

iii) Register of people residing in the region.

iv) List of all the staff and its pay structure of the Autonomous Institution in the region.

v) Contribution register book ***(as per annexure - XVI)***

vi) Register of budgeted expenses ***(as per annexure - XVII)***

vii) Stamp register, showing stamp received, issued & its balance ***(as per annexure - XVIII)***

16.4.0 RECEIPT AUDIT:

i) It is essential to examine whether the collection of voluntary tax contribution is in accordance with the list of people residing in the region, provided by the settlement or welfare office. Since detail examination for all is not possible, a test audit can be conducted by taking a few camp into consideration and highlighted in the report.

ii) Examine whether all the salaried staff coming under the Tsokchung has remitted the compulsory contribution on salary. Special emphasis should be given to the salaries of teacher and staff coming under Institutions, which are not audited by the CTA Audit. If anyone found not remitted, should be reported.

iii) Any Institution, audited by CTA Audit, should be guided to deduct the salary deduction before making payment & the same should be accounted in the books of account.

iv) Verify that 15% of the profit from the commercial unit has been collected. *(Listed in the Annual Budget).*

v) Whether prescribed amount or rate have been collected from the profit of the private ventures.

vi) Revenues are properly classified against voluntary contribution, salary deduction, profit percentage and donation (extra contribution).

vii) See the remittance of revenue to Department of Finance is made within the stated period in article 15(4) of the voluntary tax rules & regulation.

viii) Interest received from the balance revenue kept with the bank should also be remitted to the Department of Finance.

ix) Examine whether people seeking fresh green book are bona fide Tibetan. Green Book shouldn’t be issued to Non-Tibetans.

16.5.0 PROCEDURE TO AUDIT STAMP:

i) As per article 15(2) of the Voluntary Tax and Contribution Regulations “Any contribution, without giving or receiving equivalent stamp, cannot be contributed or received”. Check whether it was adhered to.

ii) Verify all the correspondence from the Department of Finance and Tsokchung regarding the stamp issued and money remitted in return against the entries in the account and the stamp stock register.

iii) To keep track of the balance position of green book and stamp, it is imperative to maintain stock register.

iv) Physically verify the balance of stamp and green book to see whether there is any cash shortage or excess.

v) Advice that balance of stamp and green book at the year ending 31st march should be physically verified and counter signed by the Chairman of the Tsokchung and dealing in-charge. Also examine every year whether it has been followed or not.

Chapter Seventeen
ALLOWANCES AND COMPENSATION FOR CTA STAFF

17.1.0 PER DIEM:

Per diem shall be paid to all the CTA Staff during an official tour as prescribed below :

i) Rs. 225.00 per day to Joint Secretary and above.

ii) Rs. 180.00 per day to Deputy Secretary and below.

iii) Rs. 160.00 per day to Peon and Driver.

iv) Per diem to all the CTA Staff during an official tour to abroad (excluding India, Nepal, Bhutan)

 a) $ 25 per day to Joint Secretary and above.

 b) $ 20 per day to Deputy Secretary and below.

 c) One fourth of the per diem shall be claimed in cases where boarding facilities have been provided.

 d) Extra allowance of 50% of the per diem shall be allowed in the case of tour to the areas of Ladakh, SoloKhumbu, Rasogiri, Lo-Tserog, Dorpatan, Walung, Bomdila, Miao, Tenzingang, Tezu, Bhandara, PokhraTashiling, TashiPalkyil, Jampaling, Paljorling, Orissa, Mainpat.

 e) For travels to India, Nepal and Bhutan, where boarding facilities have been provided, half of the allowable per diem shall be claimed.

17.1.1 Per Diem Slabs:

Per diem as referred in clause 17.1.0 shall be allowed and calculated as below:

i) General Staff

Per diem shall be allowed for a maximum period of 40 days as under:

 a) Full per diem for the first 15 days

 b) Half per diem for the remaining 25 days.

ii) Staff of the Office of the Auditor General

In the case of staff of Office of the Auditor General per diem shall be allowed for a maximum period of 90 days as under:

 a) Full per diem for the first 40 days.

 b) Half per diem for the remaining 50 days.

17.1.2 Per Diem Calculation:

i) Full per diem for travel not less than six hours and covering a distance of 12 kilometers;

ii) Half per diem for travel less than six hours and covering a distance not less than 12 kilometers.

17.2.0 TRAVELLING EXPENSES:

Staffs are entitled to travel as follows:

i) Joint Secretary and above:

 a) Train: 1st class or AC II

 b) Road: AC deluxe buses.

ii) Deputy Secretary and below:
    a) Train: 2nd class III tier
    b) Road: Deluxe bus.
    c) Incase two staff of different levels required to travel together out of necessity, travelling allowance entitled to the higher level staff can also be availed by the other staff, provided a prior sanction is obtained.

17.2.1 Travel by Air:

Prior sanction should be obtained for all official travels by air and examined as under.

i) Staff at the Head Office, Offices abroad and others funded from Consolidated Fund of CTA, sanction from Kashag.

ii) Staff at the units, local offices, school, hospital etc. where Local Assembly or Governing Body is not there, sanction from the Head Office.

iii) Staff at Registered Autonomous Institution, if provided in the Institutions rules and regulations, as per it. Otherwise sanction from the Governing Body for the air travel done or to be done.

iv) Head office/Department shall purchase air ticket from the Potala Tours & Travel through Bureau office in Delhi, vide Kashag's notification dated 9-8-1998 and booking of bus & train ticket also from the Potala tours & travel, vide Department of Finance's circular dated 15-11-2003.

17.3.0 TRANSFER ALLOWANCE:

i) A staff on his/her transfer, from one place to another shall claim his/her travel allowance only from the office/unit to which the staff is transferred.

ii) Transfer allowance
    a) Rs. 1280.00 for Joint Secretary and above.
    b) Rs. 960.00 for Deputy Secretary and below.

iii) A staff shall be re-imbursed expenses incurred on transportation of his/her luggage due to his/her transfer from one place to another as under:
    a) Maximum of 800.00 kgs (by train only) for Joint Secretary and above.
    b) Maximum of 600.00 kgs (by train only) for Deputy Secretary and below.
    c) Incase of transportation other than by train, actual expenses or one-fourth of the train waybills which ever is less shall be re-imbursed.
    d) Incase of places where no train service is available, actual expenses of transportation shall be allowed.

17.3.1 Dependence Allowance:

Incase of transfer of any staff, all his/her dependent shall also be entitled for compensation equal to that of the staff himself/herself. But dependent are not entitled to per diem.

17.3.2 Time limit:

All claims shall be made, along with necessary supporting documents, such as actual expenses bills showing luggage weight, names of passengers traveled, date, etc., within two month from the date on reaching the transferred place.

17.4.0 REMOTE AREA ALLOWANCE, CITY ALLOWANCE, DIFFICULT AREAS ALLOWANCE AND WEATHER ALLOWANCE:

i) Remote & Difficult Area Allowance:
    a) Rupees 600/00 per month for Ladakh region, Solokhumbu, Rasogiri, LoTserog, Dorpatan, Walung, Bomdila, Tenzingang, Miao,Tezu and Bandhara.

b) Rupees 400/00 per month for Pokhara Tashiling, Tashi Palkhel, Jampaling, Paljorling, Orissa and Mainpat.

ii) City Allowance:

a) Rupees 500/00 per month for Delhi and Kathmandu.

b) Rupees 300/00 per month for Bangalore.

iii) Weather Allowance Rs. 250/00 Per month:

Ladakh region (4& half winter months)

Solokhumbu, Rasogiri, Lo-Tserog, Dorpatan and Walung (3& half winter months)

17.5.0 MEDICAL ALLOWANCE:

With effect from the new pay scale (dated 1-1-2003), any staff willing to join medical insurance may contribute 1% of his/her monthly gross salary to the Department of Health. Medical facilities will not be extended to those staff, who opted not to contribute. An option in written to join or not to join a scheme will be taken in the month of December every year and is not allowed to change it for one year.

17.6.0 PROVIDENT FUND:

Every CTA staff (recruited before 31.12.2002) is required to maintain a Provident Fund Account with the Department of Finance. The Provident Fund Account (PFA) shall be operated as follows:

i) Every staff is required to contribute 8% of the gross salary to PFA.

ii) No staff is allowed to contribute more than 8% of his/her gross salary.

iii) Concern organisation/institution from where the salary of a staff is drawn must also contribute a sum equal to 8% of the salary of the staff to the PFA of the staff.

iv) Salary referred to in clause (i) supra shall be the salary entitled to a staff in consideration of his/her designation in the CTA staff levels and not the actual salary drawn due to his/her posting or responsibility held.

v) Salary in this case shall be the basic pay, dearness allowance if any and service increment ***(see annexure XIX CTA's pay scale)***

vi) CTA staff recruited after 1/1/2003 will have to make personal contribution to PFA but will not get the equal contribution from the concern organisation/institution.

17.7.0 RENT ALLOWANCE:

House rent allowance to the staff, recruited directly by the office/department will be same as the staff, recruited by the Public Service Commission (PSC) as below:

a) Bachelor employees – Rs. 1,200.00 per month.

b) Married employees – Rs. 1,500.00 per month.

In case of married employees, if either of the spouses avails staff quarter from Housing & Estate office (CTA), individual department or autonomous institution and that this quarter is situated within a distance of 5 kms. from work place, then an additional quarter cannot be allotted. Whether both the husband and wife are recruited by Public Service Commission or by individual office/department, will be entitled to either one housing facility or one house rent. No explanation, differentiating house rent with house rent allowance will be entertained. If it happens, the competent authority and the accountant will be held accountable. (Kashag's notification dated 13.6.2002).

17.8.0 OFFICIATING ALLOWANCE:

Staff officiating the responsibility of higher designation will get 10% of the basic pay of the higher designation and also be entitle to draw travel and per diem benefit of higher designation.

Chapter Eighteen
AUDIT OF SCHOOL, CARPET MANUFACTURING & HOSPITAL

18.1.0 School Audit:

While auditing school, few specific guidelines to take note of are as follow:

a) Examine whether the collection of fees is as per prescribed rules. School Fee Register, bifurcating student paying and not paying fees is annually maintained. Examine the list of fees receivable and fees received in advance, at the year-end.

b) Gift money from sponsor to children should be accounted and also posted to the individual children account. Amount reflected in main account should tally with the total of individual balances.

c) Determine teacher/student ratio.

d) Examine that qualified teachers are available and they are provided with required training at regular interval.

e) If the number of dropout student rises, try to find the cause of it.

f) Availability of basic facilities to school like hospital with basic necessities, playground, library, number of bathroom and toilet commensurate with student strength etc.

18.2.0 Carpet manufacturing & exporting units:

a) Examine the system of buying the raw material and ascertain that the price, quantity, quality and supplier of the purchases are proper.

b) Ascertain whether there is proper control system of handing over goods received and recording them.

c) Whether the commission given or discount/rebate allowed was fixed by the Management or not.

d) Examine that weaver's wages are paid according to the rate prescribed by the management and production is registered from job card for every wages paid.

e) Examine in detail the materials issued for all work and materials received from each work in return.

f) Examine whether the export of carpet has been made in conformity with the relevant legal provision of the land.

g) Examine the bill of lading, invoice, bank credit advice, packing list and custom clearance documents.

h) Whether every order from customer is duly registered and executed within the stipulated time.

18.3.0 Hospital Audit:

a) Examine the doctor/nurse/patient ratio, number of nurses and quality, number of patients, number of patients leaving without being cured e.g. tuberculosis patient and availability of basic medicines, laboratory, ambulance, generator, oxygen etc.

b) Also see the hygiene of the hospital and mortality rate in the hospital.

Chapter Nineteen
AUDIT REPORT

19.1.0 A most vital object of audit report is to stimulate management's action to correct problem areas. The auditor's contribution to the organisation is measured not in findings disclosed or length of reports issued, but in increasing operational effectiveness and efficiency and economy that results from corrective actions taken by management. However, there are number of instances where the management has not acted upon the recommendations. An effective reporting needs to be carried out in order to initiate improvements.

19.2.0 IMPORTANCE OF REPORT:

An Audit Report should show findings in a positive manner, specially the corrective measures taken by the management. Negative & inconsiderate audit report destroys auditor-auditee co-operative spirit. Destruction of this spirit spells the end of audit effectiveness. Auditor's empathy is essential when evaluating why a problem exists and how the auditor can act as a contributing partner with management in creating a positive opportunity to the problem. The audit report should be a report of findings as well as means of stimulating actions. The audit report should pinpoint the real control weakness. Report should contain analysis of the problems and evaluate the severity and effect of those problems. It should convince the reader that auditors' recommendations or suggestions should be put into practice.

19.3.0 READERS OF THE REPORT:

Report should consider the reader to whom it is directed. Reader here does not mean only the concern to whom the report is addressed to, but all those who are to make use of the report. Since an Audit Report should be a report of findings and means of stimulating action, it should be directed to the immediate level of management whose activity has been audited and make every attempt to achieve the stated purpose of correcting the weaknesses. The report should be so written in such a way that it is taken as an aid to the organisation.

19.4.0 CONTENTS OF REPORT:

Contents of an audit report should consist of the following five elements:

i) **What should be done:** This is the basis that the auditor uses to measure a given subject under audit. It may be a procedure, practice, law, policy of accounting principle.

ii) **What is being done:** This is what the auditor has observed while auditing a factual record. It needs to be stated simply and clearly with necessary data in absolute or relative terms.

iii) **What made the deviation:** Here, causes that led to deviations are stated. This is a very delicate part of the report, as the auditor has to use his expertise to pinpoint.

iv) **What is the effect of deviation:** Here effect of the deviation on the organisation is to be stated. It may indicate the risk the auditee is being exposed to.

v) **What is the recommendation:** This is auditor's specific recommendation or suggestion for corrective action to be taken by the auditee.

19.5.0 REPORT FORMAT:

i) All report must be presented as per the prescribed format ***(see annexure XX for format)***

ii) It is not required to clarify any explanation given to the audit report by the Department after the release of the report. Explanations shall be compulsorily reviewed during the next audit period and further mention may be made in the report, if required.

iii) While reviewing the previous year's audit report, auditor must see the explanation made by the head office/Department to the Assembly of Tibetan people's Deputies. If not complied with, the explanation of head office must be included in the audit report. If explanation made was incorrect, it must be stated clearly in the audit report.

iv) Incase of any indictment of either the auditor or the genuineness of any remark made in the report, the Auditor General may take any step he deem fit.

19.6.0 DISCUSSION OF DRAFT REPORT/STATEMENT OF ACCOUNT:

As provided in the article 6(5) of the Office of the Auditor General Regulation 1992, an opportunity must be given to the auditee for explanation on audit observations, before giving shape to the final report. The draft report must be conveyed and discussed with the responsible officer(s) of the auditee concern. This primarily is intended to bring out quality and factual audit report, by giving an opportunity to the auditee to place their clarifications and also to avoid occasional mistakes either due to wrong information or lack of information, misinterpretation etc. by the auditor. It is important that any explanation/ clarification given against any audit observation placed in the report must also be mentioned in the report in brief. All auditors are necessarily required to complete the draft report at the place of audit. Initial of the concerned authority must also be obtained to acknowledge the discussion of the report/statements of account.

19.7.0 REPORT SUBMISSION:
Report on audit of any kind must be submitted within seven days after the completion of the audit.

19.8.0 SECRECY OF REPORT:
No contents or information of the audit report shall be disclosed un-officially to any one until the report is officially released.

19.9.0 IMPORTANT POINTS TO KEEP IN MIND WHILE DRAFTING AUDIT REPORT:

i) The full financial implications of each objection, or approximate value thereof, calculated from the data in hand should be brought out in the audit report to stress the significance and gravity of the audit objection.

ii) Any minor and procedural objections which could not be settled on the spot should be included in the audit register and not be mentioned in audit report.

iii) No supposition, assumptions or allegations should be included in the audit report. Only facts should be mentioned and inevitable conclusions drawn.

iv) Auditor should also note any large variations in the income and expenditure of the year as compared with the figures for the last year and as far as possible give the causes which have contributed to this.

v) It is important that statement and figures in relation to any defects or irregularities discovered should be based on clear documentary evidence.

Chapter Twenty
LANGUAGE BASE

20.1.0 For easy use, this audit manual is a bilingual. Incase, circumstance arises in future where difference is found between the two languages, then one in the Tibetan language should be considered as base.