

# **AUDIT CODE**

**Department of  
the Auditor General of Pakistan**

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No. 1 to 8..

**SECTION I**  
**DEFINITIONS**

1. In this Code the following terms and expressions, unless the contrary intention appears, shall have the meaning hereby assigned to them: -

- (a) "Accountant-General" means the head of an office of audit or of accounts and audit subordinate to the Auditor-General whether known as "Accountant General" or Comptroller " or by any other designation;
- (b) "Audit" includes test audit but not internal scrutiny applied by departmental officers or by an authority other than the Pakistan Audit Department;
- (c) " Audit Department" means " Pakistan Audit Department;
- (d) "Audit Officer " means any Gazetted Officer of the Pakistan Audit Department who exercises audit function;
- (e) "Debt heads" means the heads of account under which the transactions of Government relating to debt, deposits, sinking funds, advances and suspense accounts are recorded;
- (f) "Government " means either the Central or the Provincial Government or both as the context may imply;
- (g) "Pakistan Audit Department" means the Officers and establishment, subordinate to the Auditor General, that are employed upon the audit or upon the keeping and audit of the accounts of the Central Government and of the Provinces;
- (h) "Remittance heads" refers to heads of account to which transactions relating to remittance business are taken;
- (i) "Subsidiary Accounts of a Commercial Undertaking" include trading, manufacturing and profit and loss accounts and balance sheets kept by order of the President or of the Governor of a Province in any department of the Central Government or of the Province;

- (j) "Constitution " means the Constitution of the Islamic Republic of Pakistan of 1962.
- (k) "The Audit and Accounts Order" means the Government of Pakistan (Audit and Accounts) Order, 1952.
- (l) "The Auditor General" means the Auditor General of Pakistan.

**Note:** —Any terms or expressions used in this Code which appear also in the Constitution of in any Order in Council or rule issued thereunder shall have the same meanings as have been assigned to them in the Constitution, the Order in Council or the rules concerned.

**Section II**  
**FUNCTIONS OF THE AUDITOR GENERAL AND GENERAL AUDIT**  
**ARRANGEMENTS**  
**Introductory**

2. The functions of the Auditor General are derived in the main from the provisions of Articles 191 to 198 of the constitution, under which he is entrusted, subject to certain specified reservations, with the duty of keeping the accounts of the Central Government and of the Provinces and of auditing those accounts.

**Duties and Powers with regard to Audit of Government Accounts**

3. The duties and powers of the Auditor General in relation to the audit of the accounts of the Central and Provincial Governments as prescribed' in the Audit and Accounts Order are reproduced below—

" Paragraph 13 (1).—It shall be the duty of the Auditor General—

- (i) To audit all expenditure from the revenues of the Centre and of the Provinces and to ascertain whether moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied "1 or charged and whether the expenditure conforms to the authority which governs it;
- (ii) to audit all transactions of the Centre and of the Provinces relating to debt, deposits, sinking funds, advances, suspense account and remittance business ;
- (iii) to audit all trading, manufacturing and profit and loss accounts and balance sheets kept by order of the President or of the Governor of a Province in any department of the Centre or of the Province;

and in each case to report to the President or as the case may be, to the Governor on the expenditure, transactions or accounts so audited by him.

(2) The Auditor General may with the approval of, and shall if so required by, the President or the Governor of any Province audit and report on—

- (i) the receipts of any department of the Centre or, as the case may be, of the Province;
- (ii) the accounts of stores and stock kept in any office or department of the | Centre or, as the case m»y be, of the Province..

The President or the Governor of a Province may, after consultation with the Auditor General, make regulations with respect to the conduct of audits under this sub-paragraph.

"Paragraph 14.—If the President appoints an independent officer to audit sanctions to expenditure accorded by the Auditor General, the Auditor General shall produce for inspection, by that officer all books and other documents relating there to and give him such information as he may require for the purposes of his audit."

"Paragraph 16. —The Central Government and the Government of every Province shall—

- (i) supply to the Auditor General free of charge the annual Budget estimates of the Centre or of the Province and any other publications issued by a department of the Centre or of the Province which he may require for purposes connected with his audit functions, and
- (ii) give to him such information as he may require for the preparation of any account or report which it is his duty to prepare." -

"Paragraph 17. —The Auditor General shall have authority to inspect Government' treasuries and such offices responsible for the keeping of initial or subsidiary accounts as submit accounts to him."

"Paragraph 18. —The Auditor General shall have authority to require that any books and other documents relating to transactions to which his duties in respect of audit extend shall be sent to such places he may appoint for inspection by him.

Provided that, if the President or the Governor of a Province certifies that any such book or document is a secret book or document, the Auditor General shall accept as a correct statement of the facts stated in that book or document a

statement certified as correct by the President or, as the case may be, by the Governor."

"Paragraph 19. —Anything which under this Order is directed to be done by the Auditor General may be done by an officer of his department authorised by him, either generally or specially;

Provided that except during the absence of the Auditor General on leave of otherwise, an officer shall not be authorised to submit on his behalf any report which the Auditor General is required by the constitution ft) submit to the President or the Governor of a Province."

4. Implicit in the provisions reproduced in the preceding Article is the power of the Auditor General to frame rules and to give directions in all matters pertaining to the audit expenditure, and to the audit of such transaction and accounts as he is required to audit subject to any limitation contained in the Audit and Accounts Order. Thus all rules and directions issued by the Auditor General in the form of code rules or otherwise in respect of the method and extent of audit and the rising and pursuance of objections derive their authority from those provisions.

5. The audit of receipts or of accounts of stores and stocks of any office or department of the Central Government or of a Province shall be conducted under such regulations as may be made by the President or the Governor of the Province after consultation with the Auditor General.

6. The rules and directions of the; Auditor General pertaining to audit as contained in this Code and in any other Code or Manual issued by his authority are primarily intended to be applied in relation to the accounts of the Central Government or of the Provinces but they may be made applicable mutatis mutandis to the accounts of any other authority the audit of which is undertaken by or on behalf of the Auditor General.

### **Audit Reports**

7. As required by Article 198 of the Constitution the reports of the Auditor Genera I relating to the accounts of the Central Government are submitted to the President who causes them to be laid before the Federal

legislature and the reports of the Auditor General relating to the accounts of a Province are submitted to the Governor of the Province who causes them to be laid before the Provincial Legislature. The accounts submitted to the Legislature, with the Audit Reports, embrace, besides the Appropriation Accounts, those of the accounts of the Central Government or of the Province including accounts of receipts and of all transactions relating to Debt and Remittance heads.

### **Other Statutory Duties**

8. Besides the duties and functions relating to, the keeping and auditing of and reporting upon the accounts of the several authorities in Pakistan the Auditor General may be required under Article 2(3) (a) of the Distribution of Revenues—" and Consolidation and Repayment of Loans Order, 1962 (President's Order No-23 of 1962) to ascertain and certify the net proceeds of any tax or duty mentioned in Distribution of Revenues and consolidation and repayment of Loans Order, 1952 (President's Order No. 23 of 1962) or any part of such tax or duty in or attributable to any area.

### **Non-Statutory "Duties"**

9. It has been held that Article 196 of the Constitution is exhaustive of the means whereby duties other than those specified in other provisions of the constitution itself can be imposed statutorily upon the Auditor General. Consequently no additional duties can be imposed on the Auditor General either by the Central or the Provincial Legislature or by an executive direction of a Controller Provincial authority otherwise than in relation to the accounts of the Central Government or of the Provinces. There is, however, nothing in the Constitution to preclude the Auditor General from undertaking any additional duties by consent and on such terms and conditions as may be settled upon between him and the Government concerned after consultation with the President. This is the position in respect of the audit of the accounts of local authorities and public or quasi-public bodies under the control of the Central and Provincial Governments, e.g., Cantonment Funds, Municipal Funds, etc. If it were

desired to attach statutory authority to the performance by the Auditor General of such additional duties by consent, there is nothing to prevent the inclusion in Central or Provincial legislation, otherwise within the competence of the Central or Provincial Legislature respectively, of a provision to the effect that the accounts of any specified public body shall be audited by the Auditor General, during such time as the Auditor General with the concurrence of the President consents to do so and otherwise by such specified agency, the existing statutory provisions imposing duties on the Auditor General (or any of his officers) otherwise than in relation to the accounts of the Central Government and of the Provinces continue to remain in force only on such consent basis.

10. (a) The Auditor General also audits pension payments on behalf of certain Colonial Governments and pensions of such States as have acceded to Pakistan when they are paid in Pakistan. The audit of these payments is also undertaken on a consent basis. .

(b) As a reciprocal arrangement the Auditor General of Pakistan and the Auditor General of Burma have agreed to accept audit of pension payments on behalf of the one on behalf of the other, the audit of such charges being conducted to the prescribed extent and accepted on the certification of the Auditor General of the country in which the pensions are paid.

(c) This procedure may be extended by mutual agreement between the Auditor General of Pakistan and the Auditor General of Burma to other payments made in Pakistan on behalf of Burma or vice versa. Duties of the Pakistan Audit Department

11. Subject to the proviso under paragraph 19 of the Audit and Account Order the Accountant General and other officers and establishment of the Pakistan Audit Department shall under such special and general directions as may be given by him from time to time, perform all such duties and functions as are imposed on, or undertaken by, the Auditor General under the provisions of the Constitution, or the aforesaid Order or Rules issued thereunder, or under any executive arrangements.

### **Relations of Audit with the Executive Government**

12. (a) Deleted.

(b) The responsibility for financial operations of the Central Government or of any Province, as for all exercise of executive authority, rests on the President or on the Governor of the Province respectively. -The responsibility for seeing that such directions when they are of a financial or quasi-financial character are observed will rest on the Finance Department of the Government concerned and not on the Auditor General. As a matter of established convention, the Finance Department of Central or of the Provincial Government concerned may communicate all such directions to the Auditor General and he may informally bring to the notice of that Department any circumstances in which he considers that they have been infringed.

NOTE. —Deleted.

13. It is essential that an Accountant General should work in close co-ordination with the Finance Department of the Government concerned to enforce propriety and secure regularity in the public expenditure. Under the Rules of Business framed under Articles 32 (b) and 81 (b) of the Constitution the Finance Departments of the various Governments are the authorities primarily responsible for (1) administering the financial rules of the Government, and (2) seeing that suitable accounts are maintained by other departments and establishments subordinate to them. The Accountant General should render all legitimate assistance to the Finance Department and not only in cases where his advice is sought with regard to application of financial rules or orders concerning which there may be doubt. At the same time the Accountant General is entitled to seek the support of the Finance Department in cases of disregard of rule or order and ordinarily he should, if necessary, refer to this department before taking any other action open to him whether to secure a satisfactory settlement of an audit objection, or for the production of any papers or information under paragraph 16 of the Audit and Accounts Order, or for any other purpose.

## **GENERAL PRINCIPLES AND RULES OF AUDIT**

21. The primary function of Audit is to verify the accuracy and completeness of accounts to secure that all revenue and receipts collected are brought to account under the proper head, that all expenditure and disbursements are authorised, vouched, and correctly classified, and that the final account represents a complete and true statement of the financial transactions it purports to exhibit,

22. The right of independent criticism is inherent in the auditorial function and therefore the statutory provisions defining the position of the Auditor General and governing his functions explicitly or tacitly recognize his independence in the sphere of audit. In so far as the Auditor General is responsible for keeping accounts he is in some respects under the authority of the Executive Government Central or Provincial as the case may be.

23. Government audit necessarily functions in a dual role, firstly on behalf of the Executive Government to check the compliance by Government servants subordinate to it, with the rules and orders issued by it in the discharge of its responsibility to the Legislature or other authority, and secondly on behalf of the Legislature to secure that the Executive Government (aided by its subordinates) acts in accordance with the law and also with the views and requirements of the Legislature.

24. It is a first principle of Government audit to recognize the clear distinction between auditorial and administrative functions. **It is a function of the Executive Government to make financial rules and orders. It is the function of Audit to verify that financial rules and orders satisfy the provisions of the law and are otherwise free from audit objection, and that these rules and orders are properly applied. It is not otherwise the function of Audit to prescribe what such rules and orders shall be or to interfere with their administrative application.**

25. Except in regard to the application of certain statutory rules framed under the Constitution, relating to the regulation of conditions of service of

Government servants, reservation of posts rules, the audit of the Auditor General is a financial and not an administrative audit.

26. Criticism offered by the Pakistan Audit Department must be limited to financial criticism based on the accounts. It is not the function of Audit to range over the field of administration or of statistics and offer suggestions –how Government may better be conducted.

The Executive Government and not the Pakistan Audit. Department is responsible for enforcing economy in the expenditure of public moneys. It is, however, the duty of Audit to bring to notice wastefulness in public administration and in fructuous expenditure, and in certain events the criticism may be made public in the Audit Reports on the Appropriation Accounts. Generally a Government will welcome suggestions to promote economy based on information forthcoming from the accounts. Only the Accountant General should make such suggestions and the right to make them should be used with discrimination and sparingly. Suggestions of this kind should rarely be pressed after initial rejection by Government and rejection should not ordinarily form the subject of public comment

27. In the course of scrutiny of accounts and transactions of Government Audit is entitled to make such queries and observations and to call for such vouchers, statements, returns and explanations in relation to them, as it may consider necessary in the interest of proper discharge of its duties. All queried and observations shall be couched in language which is courteous and impersonal.

28. In auditing Government accounts Audit should not make independent enquiries from private individuals or members of the general public, as such action would amount to an encroachment on the functions of the Administration. Audit should confine itself to caning upon the Executive to furnish any necessary information and, in cases of difficulty; it should confer with the Executive as to the best means of obtaining the evidence, which it requires.

29. The final discretion whether an objection should be pressed or dropped rests with the auditor. Ordinarily, except in the cases specified in

articles 248 to 250 and 254, where a transaction requires the authorization of a higher authority Audit must insist that such authorization be/obtained; or where a sum of money is recoverable Audit must insist on recovery save where authority to waive recovery has been delegated or the competent authority has directed that recovery should be forgone. But all objections are not of equal importance and a residuary discretion rests with the Auditor General and with the Accountant General under him to refrain from pressing an individual objection when there is sufficient assurance that the aim of audit to secure regularity and propriety is safeguarded for the future.

## CHAPTER 2—AUDIT OF CLASSIFICATION.

### General Rules.

30. The first duty of Audit in examining an account is to verify that all financial transactions are properly recorded, in the account under examination and that they are allocated to the proper heads of account.

Under Article 197 of the Constitution, the forms of the Accounts of the Central Government had been prescribed by the Auditor General with the approval of the President, and the Auditor General with like approval has issued directions with regard to the forms of the accounts of the Provinces. Rules and directions under this Article regulate the classification of all financial transactions. The incidence of charges is regulated either by directions under Article 197 of the Constitution, or according to agreements made by the various Governments in Pakistan. The Auditor General in his dual capacity as keeping and as auditing, the accounts of Government is responsible for securing that entry of financial transactions in the accounts conforms to such forms, rules, directions and agreements.

31. It is an important function of Audit to verify that no expenditure is classified as " charged on the revenues of the Federation or of the Province ", as the case may be, except in accordance with the terms of the Constitution and conversely that no expenditure is classified as voted which should be " charged ". The orders issued in this connection of the President or of a Governor in his discretion are final, but all doubtful cases should be referred for decision.

32. In, exercising the check over classification of transactions it should be borne in mind that the ultimate authority for determining the head of account under which a transaction is to be included rests with the President or the Governor of a Province after consultation with the Auditor General vide sub-paragraph (5) of paragraph 11 of the Audit and Accounts Order. Audit will, however, in its auditorial capacity have the right to criticize the validity of a classification, which is (a) inconsistent with the provision in the Budget or (b) which renders the accounts an incorrect or misleading representation of the facts.

### **Allocation of Expenditure between Capital and Revenue**

33. It should be borne in mind that the decision whether expenditure shall be met from current revenues or from borrowed moneys rests with the Executive cum the Legislature. It is, however, the duty of Audit to bring to notice occasions on which the classification of expenditure between revenue and capital or its distribution between current revenues and loan funds appears to be contrary to the dictates of sound and prudent financial administration. The principles upon which such criticism should be based are described in the following Articles.

34. Capital expenditure may be" broadly defined as expenditure incurred with the object of either increasing concrete assets of a material and permanent character or of reducing recurring liabilities. The following considerations are relevant in arriving at a decision whether or not expenditure is of a capital nature: —

- (a) It is not essential that the concrete assets should be productive in character or that they should even be revenue producing. A productive asset may be considered as one which produces sufficient revenue to afford a surplus over all charges relevant to its functioning. It may on rare occasions be necessary and justifiable to treat as capital a scheme not commercially remunerative but involving large expenditure, say for the construction of a new city.
- (b) The purpose of the commutation of recurring liabilities is their extinction or reduction. Although expenditure on this purpose may be genuinely capital expenditure, it is always necessary to examine from the point of view of economical financial administration whether such capital expenditure does not in fact merely replace one set of recurring payments by another, e.g., whether the commutation by debit to capital of pension payments does not result in the substitution of equivalent payments of interest.

- (c) It is inherent in the definition of capital expenditure that the assets produced should belong to the authority incurring the expenditure. Expenditure by Government on grants-in-aid to local bodies or institutions for the purpose of constructing assets which will belong to these local bodies or institutions cannot legitimately be considered as capital expenditure.
- (d) Expenditure on a temporary asset cannot ordinarily be considered as expenditure of a capital nature.

35. When it has been decided that expenditure on a scheme for the creation of a new or additional asset shall be classed as capital the following are the main principles applicable to the treatment of the expenditure in the accounts.

- (a) Capital bears all charges for the first construction of project as well as charges for intermediate maintenance of the work while not yet opened for service and bears also charges for such further additions and improvements as may be sanctioned under rules made by competent authority.
- (b) Subject to (c) below, revenue bears all subsequent charges for maintenance and all working expenses. These embrace all expenditure on the working and upkeep of the project and also on such renewals and replacements and such additions, improvements or extensions as under rules made by competent authority are debatable to the Revenue Account.
- (c) In the case of works of renewal and improvement which partake both of a capital and revenue nature, it is impracticable to draw a hard and fast line between what is properly debatable to capital or to revenue. Allocation in such cases is made by detailed rules and formulae devised by the Executive authorities, which are applied in estimates and accounts to determine the allocation of expenditure between capital and revenue. These rules and formulae must necessarily be based upon some general principle of sound

finance, which should aim at an equitable distribution of burdens between present and future generations.

- (d) In theory it is legitimate to make capital bear the charges for interest on money borrowed to finance the construction of a new project before this project becomes revenue earning. In fact, however, a Government project is part of the only operations of Government and it may be sound financial administration to meet interest charges from other revenue during the process of construction. The charge of interest to capital in Government accounts is justified only when there would be under disturbance in the Government's budgetary position by taking interest to revenue. The writing back of capitalized interest should be the first charge on any capital receipts or surplus revenues derived from a project when opened for working.
  
- (e) Capital receipts in so far as they relate to expenditure previously debited to capital accruing during the process of construction of project should be utilized in reduction of expenditure. Thereafter their treatment in the accounts may depend on circumstances, but except in the case of recovered stores on Railways and the Posts and Telegraphs Department or as otherwise provided in the rules of allocation applicable to a particular Department, they should never be credited to the ordinary revenue account of the undertaking.

36. The financial and accounting conception of capital expenditure is imported from commercial theory and practice, and an essential feature is that expenditure of a capital nature is not met from the revenue or profits of a concern in the sphere of Government accounts the classification of expenditure as capital expenditure affords prima facie justification for recording it outside the Revenue Account of Government. The essential purpose of the opening of Capital heads of account is to facilitate the exhibition of the financial results of any special undertaking on the basis of generally accepted commercial principles, or in some

more simple conventional manner, either that the cost of a service may be ascertained or that the full financial implications of any policy may be made clear.

37. Expenditure debatable to capital may be financed "from the following sources: —

- (a) Revenue;
- (b) Borrowing; either—
  - (i) Specific for a particular purpose;
  - (ii) Non-specific for all Government purposes; or
  - (iii) Unfounded; and
- (c) Sources other than 1 revenue and borrowings, e.g., accumulated balances.

For the purposes of accounts (b) and (c) are grouped together, the capital expenditure met from these sources being described as outlay financed outside the Revenue Account and being quite apart in treatment from expenditure met from revenue. On the other hand, capital expenditure met from revenue is accounted for separately under the appropriate major head within the Revenue Accounts. The purpose of recording capital expenditure within the Revenue Account as separate and distinct from revenue expenditure is almost always to enable accounts to be prepared according to commercial principles.

It is the function of Government, and not of Audit, to determine the sources from which capital expenditure shall be financed. According to the decision 01 Government, the expenditure will be classified under the appropriate major head outside or within the Revenue Section of the accounts.

38. Although it is the function of Government to determine the source from which capital expenditure shall be financed, it is one of the duties of Audit to bring to the notice of the proper financial authority cases in which their decision seems contrary principles of sound financial administration. Before 1st April 1937, the principles by which capital expenditure was charged to borrowed funds were prescribed and jealously guarded by the Secretary of State for India. According to these principles, capital expenditure could legitimately be financed from borrowings if it were (o) on productive works (&) in a commercial

department which was working at such a profit as to fulfill the test of productivity imposed by the Secretary of State, or (c) on commercial undertakings whose accounts were maintained on a commercial basis. Otherwise the prescribed condition was that the proposed expenditure should be so large that it could not reasonably be met from current revenues, this condition being made concrete by the rule that expenditure on Provincial works could not ordinary be mailroom borrowed "funds/unless the estimated cost of work, or a group of works, was not less than Rs. 5 lakhs.

39. With the advent of autonomy in the Provincial field these restrictions have ceased to be binding upon Provincial Governments who can now lay down whatever limitations they deem proper for this purpose in agreement with their Legislatures but their decision in this respect should be expected to conform to the principle of prudent finance once enunciated by the undivided Government of India in the following terms: —

"Two conditions must be fulfilled -before it would be justifiable for the Government of India to spend loan funds on unproductive purposes. These are, firstly that the objects for which the money is wanted are so urgent and vital that the expenditure can be neither avoided, postponed nor distributed over a series of years and secondly that the amount is too great to be met from current revenues ".

And it may be said generally that the cost of all comparatively small schemes whether productive or unproductive ought to be met from revenue. Audit, Will legitimately use its influence in this matter by discouraging a tendency to secure relief from present taxation by the expedient of transferring items of expenditure doubtfully classifiable as capital from the Revenue Section of the budget to the section outside the Revenue Account.

Note 1. —The Central Government have decided that from the financial year 1952-53, expenditure on new Major works costing up to Rs. 10 lakhs should be debited to the Revenue Account under the head " 50—Civil Works " and that on works costing more than Rs. 10 lakhs should be debited to Capital Account under " 81—Capital Account of Civil Works outside the Revenue Account". For

purposes of this classification, individual Works forming part of a single scheme, should be grouped together and if their collective cost exceeds Rs. 10 lakhs, they will be accounted for under the Capital Account.

Note 2. —The Central Government have decided that with effect from the financial year 1955-56, the expenditure on new major works costing up to Rs. 1 lakh should be debited to the Revenue Account under the head "50—Civil Works " and that on works costing more than Rs. 1 Lakh should be debited to Capital Account under the head "81—Capital Account of Civil Works outside the Revenue Account"

The modified classification shall not apply to works under execution before the commencement of the financial year 1955-56.

40. It must be remembered of course that, although it may seem to be sound and prudent finance to meet any expenditure, whether of a capital nature or otherwise, from revenue, it must be a corollary of this action that the revenue derived from taxation and other revenue sources is sufficient to cover the expenditure debatable to it. Otherwise the debit to borrowed funds is merely disguised, since in normal circumstances revenue deficits must be financed from borrowings.

41. The duties of Audit in connection with the allocation of expenditure between capital and revenue and in connection with the record of expenditure inside or outside the Revenue Account may be summarized as follows: —

- (a) It should see that commonly accepted accounting or commercial principles are not infringed;
- (b) It should verify that the accounts exhibit the true financial facts, and
- (c) It should bring to notice transgression of generally accepted principles of public finance.

Although Audit has the right of enforcing in the light of financial rules which have been generally laid down or on grounds of general financial propriety any order of classification issued by Government, it should be remembered that the final decision will in the last resort rest with (the President or the Governor, as the case may be, after consultation with the Auditor General, vide Article 32.

42. Discussions of the allocation of expenditure between capital and revenue, and of the legitimacy of financing expenditure from funds outside the Revenue Account often involve difficult questions of policy, and an Accountant General would be well advised to consult the Auditor General in cases of doubt before pressing any objection to Government action.

42-A. In cases where it is decided to write down capital, it is the duty of Audit to satisfy itself that such writing down is approved by the competent authority for valid reasons and is in accordance with commonly accepted principles both of Commercial accounting and Government financial control. Where necessary the writing down of capital should also be brought to the notice of the Public Accounts Committee.

#### **Accounting of Transactions curtaining to Reserves and Reserve Funds.**

43. Any device of rendering grants non-lapsing by withdrawing amounts to a fund is contrary to the strict theory of Parliamentary financial control; but if such a course is adopted with the cognizance and approval of the Legislature Audit cannot make any demur. Subject to this fundamental condition Reserves or Reserve Funds may be constituted by the Central and Provincial Governments under any statutory provisions or otherwise, either by allotment of sums from the revenues of a year or series of years or from grants or contributions made by other Governments or out-side agencies, with the object of expending the moneys accumulated in the funds on the specific and particular purposes for which they have been constituted. The procedure of accounting for transactions pertaining to such funds will ordinarily be determined by the procedure followed in budgeting for these transactions. It shall, however, be the duty of Audit to see that the procedure adopted in budgeting and accounting for such transactions generally conforms to the principles mentioned in this Article and, where departures are made from these principle\*, to suggest to the Executive Government the desirability of following them. The Reserves or Funds referred to may be classified under the following three categories according to the sources from which they are fed:

- (i) Funds accumulated from grants made by another Government and at times aided by public subscriptions, e.g.. Fund formed from subventions from the Central Board Fund; Fund for Economic Development and Improvement of Rural Areas;
- (ii) Funds accumulated from sum set aside by the Central or Provincial Governments from revenues, to provide reserves for expenditure to be, incurred by themselves on particular purposes, e.g., the various Depreciation or Renewals Reserves Funds created in respect of commercial departments and undertakings;
- (iii) Funds accumulated from contributions made by outside agencies to the Central or Provincial Governments, e.g., deposit account of grants made by the Pakistan Council of Agricultural Research in the undivided India.

(2) The main principles which should govern the procedure of expenditure from these funds and its exhibition in estimates and accounts are set out below.

- (i) The first principle relates to control. A grant by another Government or by an outside agency to the Central or Provincial Government may be made conditional on the granting authority reserving full control over the expenditure from the grant. Where such control is retained, the grant itself and the expenditure from it cannot enter the ordinary revenue and expenditure estimates framed by Government and submitted to the Legislature. The expenditure from the grant will not be subject to the vote of the Legislature and should therefore be taken as a direct charge against the moneys held in the Deposit Section of the accounts.
- (ii) The second principle is that, where moneys are set aside by a Government and the expenditure from the Reserve so constituted is incurred by the same Government the expenditure requires to be voted by the Legislature (or shown as " charged ") only once. For example, if the Legislature has voted an allotment from revenue to be taken to a Depreciation Reserve Fund for Government Presses,

it is not necessary that it should vote again the actual expenditure on renewals and replacements in the Press concerned. This principle of a single vote is not a vital principle though the adoption of it reduces complications and is in fact strictly legal. Its adoption is, however, a matter for settlement between the Executive Government and the Legislature.

- (iii) The third principle is that expenditure from a fund should be brought into the Appropriation Accounts of the Government, which incurs it and exhibited therein except where some measure of control on it is exercised by an outside authority. The corollary of this principle is that if expenditure is to be exhibited in the Appropriation Accounts, the provision for it must appear in the estimates although under the Pakistan constitutional practice of voting .net grants, no actual vote is made by the Legislature.

Note:-- be Central and Provincial Governments of Pakistan have decided with the concurrence of the Comptroller and Auditor General of Pakistan that the vote of the Legislature will be taken for the gross amount of expenditure without taking recoveries into account. The recoveries will, however, be continued to be shown at the end of the Central and Provincial Budget Estimates for the information of the Legislatures.

In view of these changes in budgeting, the actual recoveries against a grant will be exhibited, in a note below the Appropriation Accounts, but the Accounting of such recoveries in the Central and Provincial Finance Accounts will not in any way be affected and will continue to be regulated by the directions contained in chapter 5 of Account Code Vol. I.

(3) The method of accounting which, having regard to the foresaid principles, should be applied to the three classes of funds mentioned in clause (1) above will be as follows:

- (i) Funds accumulated from grants made by another Government.—  
The grants by another Government will in the first instance be taken to the relevant head in the Deposit Section, of the accounts of the

Government to which the grant is made. The expenditure from the grants accumulated in the fund, where the Government making the grants has not reserved any control to itself, will be entered under the relevant Service head of expenditure while an equivalent amount will be transferred to the corresponding Revenue head of account by debit to the Deposit head to which the grants were originally taken. In cases where the other Government desires to retain some measure of control over expenditure from the grants made by it the procedure described in (iii) below will be followed.

- (ii) Central and Provincial Funds fed by Central and Provincial revenues respectively. —The amounts voted by the Legislature for transfer to , the fund are taken to the Deposit head reserved for the purpose. A, second vote for expenditure from the fund is not necessary but in order to bring the expenditure from the fund into the Appropriation Accounts, at should be accounted for under the relevant Service head and an equivalent amount transferred from the Deposit head concerned and shown as a deduct entry under the Service head concerned. Where, however, the Legislature does not desire to retain any detailed control over the expenditure from the fund, the expenditure may be adjusted by direct debit to the fund.
- (iii) Funds fed by grants by outside agencies. The grants received from an outside agency will be taken to the appropriate head in the Deposit Section of account. In cases where outside agencies retain control over expenditure from the grants made by them the expenditure from these funds is adjusted direct against the Deposit head under which the grants have been credited. If the outside agencies exercise no such control, then the expenditure will be entered under the relevant Service major head while an equivalent amount will be transferred to the corresponding Revenue head of o£ account by debit to the Deposit head.

(4) The principles and procedure described in this article do not apply to transactions pertaining to Famine Relief Fund and Sinking Funds for loans, which are governed by special arrangements, nor do they apply to certain special Reserves maintained by the Central Government such as the Defence Reserve Fund or the Silver Redemption Reserve.

### **CHAPTER 3 —AUDIT OF EXPENDITURE.**

#### **Introductory**

44. Under the provision of paragraph 13(1) of the Audit and Accounts Order it is the duty of the Auditor General to see that the incurring of expenditure from the revenues of the Central Government and of the Provinces is governed by the following essential conditions—

- (1) That there should be provision of funds authorised by competent authority fixing the limits within which expenditure can be incurred;
- (2) That the expenditure incurred should conform to the relevant provisions of the Constitution or, of the Orders made thereunder and should also be in accordance with the financial rules and regulations framed by competent authority; and
- (3) That there should exist sanction, either special or general, accorded by competent authority, authorizing expenditure.

45. Implicit in the provision of the Order cited in the preceding Article is the condition that the expenditure should be incurred with due regard to broad and general principles of financial propriety. Any cases involving a breach of these principles and thus resulting in improper expenditure or waste of public money should be treated by Audit in the same manner as case of irregular or unauthorized expenditure.

46. According to the general provisions of the Constitution, the power to sanction expenditure from the revenues of the Central Government, including power to dispose of property and stores pertaining to that Government, is vested in the President whose sanction, given directly or by persons to whom the necessary powers have been delegated, necessary to all expenditure from these

revenues. The power to sanction expenditure from the revenues of a Province is likewise vested by the Constitution in the Governor of the Province whose sanction given by himself or by persons to whom the necessary powers have been delegated, is required for expenditure from the revenues of the Province,

47. Deleted.

48. Articles 40 to 47 and 89 contain the important financial provision of the Constitution which describe the control which the Federal and Provincial Legislatures exercise & over expenditure from Central and Provincial revenues.

49. The extent and conditions of delegation of financial powers to different authorities in the Central and Provincial field are described in the financial rules of the several Governments issued under the relevant provisions of the Constitution.

50. The various financial provision of the Statute as expressed in the Constitution in any Order issued thereunder together with the rules, directions and orders of a financial character issued by the President and other authorities in exercise of the powers vested in, them by the provisions of the Constitution, and any other roles or orders issued by the Central and Provincial Governments and authorities subordinate to them in exercise of the powers formerly delegated to them, constitute the various regulations with reference to which the work of audit entrusted to the Auditor General is conducted.

### **Audit against Provision of Funds**

51. Audit against provision of funds should be directed primarily to ascertaining that the money expended has been applied to the purpose or purposes for which the Grants and Appropriations specified in the Schedule of Authorised Expenditure authenticated under Article 43 or. Article 89 of the Constitution were intended to provide and that the amount of expenditure against each Grant or Appropriation does not exceed the amount included in that Schedule.

Note: - "Appropriation" as used in this Article and elsewhere TO this Code land for sums required to meet "charged" expenditure as specified in an Authenticated Schedule of Authorised Expenditure.

52. Each Grant or Appropriation specified in the Schedule of Authorised Expenditure is a single total sum appropriated to the purposes set out in it. The particulars of a Grant in that Schedule are, however, based on the detailed estimates drawn up for the information of the Legislature. The distribution in the estimates between the various sub-heads and items may therefore be taken as general evidence of the purposes for which the Grant is made and the expenditure should be recorded against the Grant and the sub-head of the Grant under which provision is made for the service.

Note: - The initial responsibility for the form of estimates of "voted" and "charged" expenditure belongs to the Executive but it is open of Audit to make suggestions, which may serve to promote clearness of account or the better information of the Legislature.

53. The Accountant General has to satisfy himself that the expenditure which is being audited falls within the ambit of a Grant or an Appropriation (according as the expenditure is "voted" or "charged") duly authenticated and that it is within the amount of that Grant or Appropriation. Expenditure in, excess of the amount of a Grant or Appropriation on as well as expenditure not falling within the scope or intention of any Grant or Appropriation as specified in the Authenticated Schedule, unless regularized by a Supplementary Schedule of Authorised Expenditure as laid down in Article 44 or Article 89 of the Constitution, Articles 43(2) and 89, should be treated as unauthorized expenditure within the meaning of Articles 43(2) and 89 *ibid*.

Note: - Disbursements under certain Debt and Remittance heads of accounts if not included in the Schedule of Authorised Expenditure according to convention established between the Government and the Legislature, are not to be regarded as "expenditure" for the purposes of this Article.

54. A Grant or Appropriation is intended to cover all the charges, including the liabilities of past years, to be paid during a financial year or to be

adjusted in the accounts of that year. It is operative until the close of that year. Any unspent balance lapses and is not available for utilization in the following year.

Note: - The Expenditure recorded against a Grant or Appropriation should ordinarily present sums which actually come in course of payment within the financial year. There are, however, in operation various special arrangements to secure that grants shall not lapse. In fact these are at variance with strict constitutional theory of parliamentary financial Control and may be adopted only with the knowledge and concurrence of the Legislature. (See also Article 43).

55. The responsibility for watching-the progress of expenditure against a grant or Appropriation devolves on the Executive and the executive is ultimately responsible for keeping the expenditure within the Grant or Appropriation. Audit should, however, render all legitimate assistance to the Executive in this matter and should see that suitable and adequate arrangements exist in all departments of Governments for the control of expenditure.

56. As mentioned in Article, 52 a Grant or Appropriation is divided into a number of units, called sub-heads ", each of which may be subdivided into smaller units of appropriation corresponding to sub-heads or detailed head of account.

Within the amount of the Grant or Appropriation as shown in the schedule of Authorised expenditure all allotments to and re-constitutions within sub-heads and sub-divisions of sub-heads may be sanctioned by Government or by subordinate authorities when they are duly authorised to do so. This is, however, subject to the limitation that any expenditure not falling within the scope or intention of a Grant may not be authorised from funds provided under that Grant. Any allotment or re-appropriations within a Grant or Appropriation may be authorised at any time before but not after the expiry of the financial year to which such Grant or Appropriation relates.

Note: - The Central and Provincial Government have decided with the concurrence of the Comptroller and Auditor General that a re-appropriation during the course of a financial year cannot be modified after the close of that

year by issue of a fresh order in substitution of the previous one as it will tantamount to sanctioning of re-appropriation after the close of the year, which is not permissible and would therefore be ignored for purposes of Appropriation Accounts.

Note; 2 — Similarly a re-appropriation made or sanctioned during the financial year by an authority not competent to make or sanction it, cannot be regularized by a formal sanction of the competent authority after the close of the year, because such sanction would also tantamount to a re-appropriation after the close of the year. An irregular re-appropriation of this type, if not regularized by the competent authority during the relevant year, would be treated as null and void. Cases may also arise where a single order sanctions a number of re-appropriations some of which are valid and some are invalid. In such cases the valid portion of re-appropriation, if independent of the invalid portion, would not be rejected merely because it happened to be included in the same order. But if they form one series of transfer in which the required expenditure is met by part re-appropriation from several sub heads some of which required the sanction of another authority, the entire re-appropriations become null and void for want of adequate sanction and would, therefore, be ignored altogether for purpose of the Appropriation Accounts.

57. In addition to seeing that expenditure against any Grant or Appropriation as a whole does not exceed the amount provided thereunder the Pakistan Audit Department has to audit orders of allotment of funds and re-appropriations within Grants or Appropriations issued by the Executive authorities and may also be required to audit expenditure against allotments and provision of funds made under sub-heads or sub-divisions of sub-heads. Rules for conducting such audit are laid down in Chapter 1 of Section IV.

### **Audit of Sanctions to Expenditure**

58. As explained in Article 44 one of the important functions of Audit in relation to the audit of expenditure is to see that each item of expenditure is covered by the sanction of the authority competent to sanction it. Here Audit has not only to see that the expenditure is covered by a sanction, either general or special, but it has also to satisfy itself (1) that the authority sanctioning it is competent to do so in virtue of the powers vested in it by the provisions of the Constitution or of the Rules or Orders' made thereunder or by the rules of delegation of financial authority made by a competent authority, and (2) that the sanction is definite and thus needs no reference either to the sanctioning authority itself or to any higher authority. When a -sanction to expenditure received by the Audit Officer has been examined and admitted as regular and correct the audit of expenditure against the audited sanction becomes a simple matter, as Audit has merely to see that the expenditure conforms to the provisions of the sanction.

59. It is imperative that the Utmost care and attention should be devoted "- to the work connected with the audit of sanctions to expenditure as once a sanction has been accepted in audit expenditure may have to be passed against it for a length of time.

60. The Audit Department is entitled to receive a copy of an order sanctioning expenditure, or a sanction, which is otherwise to be enforced in audit from the authority competent to accord the sanction. The procedure of communicating such sanctions to Audit is determined by the Rules of Business of the Government concerned and the Accountant General should not be satisfied until such a procedure, is definitely settled, and unequivocally stated. It is necessary that all sanctions and orders communicated to Audit Officers should be signed by an authorised gazetted Government servant. Consolidated statements of sanctions relating to a particular class of expenditure or other transactions may be accepted in audit in lieu of copies of individual orders, provided the statements reach the Audit office in time for the application of the audit check on the relevant transactions.

61. Deleted.

62. In the case of the Central Government all financial sanctions and orders issued by a Department of that Government within its own financial powers are -communicated direct to Audit. All other orders, involving financial sanctions, which may be issued by Departments of the Central Government, i.e., sanctions beyond their own financial powers, are communicated to Audit through the Finance Department, the Financial Adviser (Communications) or Financial Adviser, Military Finance, as the case may be.

The implication of this arrangement is that if an order is endorsed by the Finance Department, that department must be understood to have examined it and to take full responsibility for it. All order issued by an Administrative Department and not endorsed by the Finance Department will be open to challenge by Audit either on the basis of powers or on propriety and Audit may in the last event require an order of the Finance Department either supporting or modifying the original order. Audit would not, however, have power to force consultation with the Finance Department merely on its own view that the Finance Department should be consulted, that is to say, unless there were a specific objection which could be substantiated.

63. In cases in which a financial rule or an order issued thereunder by competent authority requires that an authority of another Ministry /Department of Government shall consult the Finance Ministry when or before issuing an order or sanction, and the Finance Ministry desires Audit to watch compliance with such a requirement, the Accountant General shall merely report breaches of the rule to the Finance Ministry and not raise any formal audit objection or enter into any correspondence with the sanctioning authority.

64. Audit of sanctions and orders of the Central Government and those accorded by subordinate authorities of that Government will devolve upon the Accountant General concerned but the sanctions and orders which have- been issued with the concurrence of the Auditor General require to further audit check.

Note: —Whenever the Auditor General gives an audit ruling on any case referred to him "by a Government, it will be communicated to the Accountant General concerned by the Auditor General.

Note: 2. —If the Accountant General has any serious doubts as to the correctness of any sanction or order, which has been issued with the concurrence of the Auditor General, he may place his view privately before the Auditor General.

Note 3. —If it is claimed that documents relating to any sanction or order are secret, the Accountant General should accept a statement of facts certified by the President in lieu of those documents (proviso to paragraph 18 of the Audit and Accounts Order).

65. The audit of financial sanctions and orders of Provincial Government and those of authorities subordinate thereto will devolve on the Accountant General of the Province concerned.

Note: If documents relating to any sanction or order are stated to be secret, the Accountant General should demand the certificate of the Governor in lieu of those documents (vide proviso to paragraph 18 of the Audit and Accounts Order).

66. In the audit of sanctions to expenditure, the guiding principles enunciated below should be observed; —

- (i) if the sanctioning authority is vested with full powers in respect of a certain class of expenditure, a sanction accorded under those powers can be challenged by Audit only on ground of propriety (See Article 85).
- (ii) if it is vested with powers which may be exercised provided due regard is paid to certain criteria which are expressed in a general form, sanctions accorded under those powers can be challenged by Audit—
  - (1) if the disregard of the criteria is considered to be so serious as to make the sanction perverse, or

- (2) if the facts of the case are such as to make the Accountant General confident that one or more of the criteria have been disregarded:
- (iii) if it is vested with powers which are expressed in precise terms; the Accountant General is bound to ascertain that the order defining its powers is obeyed exactly in every instance ;
  - (iv) for the purpose of financial sanction a group of works which forms one project shall be considered as one work, and the necessity for obtaining the sanction of a higher authority to a project is not avoided by reason of the fact that the cost of each particular work in the project does not require such sanction ;

Note: - To Ac case of projects of irrigation, navigation, embankment or drainage works the construction estimates of which have been closed, this rule is subject to the special rules prescribed for sanction to open capital expenditure.

Note: 2.—A preliminary enquiry, survey or experiment which must accessorially precede the preparation of any project, or scheme, need not be considered for the purpose of the rule as forming part of that project or scheme.

- (v) if any one item of a scheme requires sanction of a higher authority, Audit should hold under objection any expenditure on that item until sanction to it is obtained and in determining whether objection should be raised to expenditure on any other portion of the scheme prior to the receipt of such sanction it should be seen that the expenditure is not likely to exceed, at a later date, the limit up to which sanction can be accorded by the original sanctioning authority.

67. In scrutinizing sanctions and orders for the grant of additions to pay and other special concessions and allowances, the Accountant General besides. Considering the competency of the authority in relation to the provision of the Constitution should examine carefully the reasons for the grant of the special pay, allowance or concession, as recorded in the sanctioning order or as communicated to him confidentially by the sanctioning authority if any such

arrangement exist and should question the propriety of such sanctions if it appear to him that the principles laid down in the relevant service rules for the grant of such special pay, concessions, etc., have not been observed. No Challenge should be made however, except on the basis of a specific provision in the relevant rule s. (See also Article 179).

68. Sanctions to expenditure accorded by the "Auditor General are not subject to scrutiny by the Pakistan Audit Department. Such sanctions will be audited by an independent officer appointed by the President in pursuance of the provisions of paragraph 14 of the Audit and Accounts Order.

69. All sanctions to expenditure should be noted and properly attested in a prescribed audit" register or other against which the audit of the expenditure will be conducted, and if it is known that, the charge will entail recovery from a third party, or such a recovery has been ordered by the sanctioning authority, a note of the recovery due should also be made and properly attested in a suitable register so that it may be watched.

70. Sanctions with a long period of currency, as well as sanctions of a permanent nature require to be reviewed periodically so that, if there is any reason to think that the Administrative authority; concerned should be invited to review the sanction, such action may be taken.

#### **Audit against Rules and Orders (Audit against Regularity).**

71. Audit against regularity consists in verifying that the expenditure conforms to the relevant provisions of the Constitution or of-the Orders in Council made thereunder and is also in accordance with the Financial rules, regulations and orders issued by a competent authority either in pursuance of any provisions of the Constitution or in virtue of powers formally delegated to it by a higher authority. The rules, regulations and orders against which audit is conducted mainly fall under the following categories—

- (1) rules and orders regulating the powers to incur and sanction expenditure from the revenues of the Central and Provincial Governments ;
- (2) rules and orders dealing with the mode of presentation of claims against - Government, withdrawing moneys from the public accounts of the Central and Provincial Governments, and in general the financial rules prescribing the detailed procedure to be followed by Government servants in dealing with Government transactions ; and
- (3) rules and orders regulating the conditions of service and pay and allowances and pensions of Government servants.

72. The work of Audit in relation to regularity of expenditure is of a quasi-judicial character. It involves the interpretation of statute, rules and orders with reference to the case law of previous decisions and precedents. The Auditor General has not, however, save in the case of rules made by himself, the final power of interpretation: this resides in the authority specified in the Constitution or, where the Constitution is Silent, in the Executive Government. Interpretation by Audit should be based on the plain meaning of the section, rule or order except where this is inconsistent with another section, rule or order in such a case the inconsistency should be referred to the competent authority for resolution, or removal. In no case must interpretation by Audit ever verge on legislation.

### **Scrutiny of Rules and Orders**

73. "In relation to audit of expenditure against regularity it is the duty of Audit to examine all financial rules and orders affecting expenditure and other transactions subjected to audit issued by the Executive authorities to see .that the rules, etc., are themselves *infra vires* and that the audit of transaction which they govern may be effectively conducted against them.

74. All general rules and orders of a financial character including those relating to conditions of service issued by the President are scrutinized by the

Auditor General himself. Other rules and orders of a financial character issued by the President (which are not of a general nature but are applicable exclusively to specified Departments), and all rules and orders of a financial character issued by authorities subordinate to the President are scrutinized by the Accountant General concerned, but when such rules and orders affect more than one Accountant General, they should be scrutinized by the Accountant General, Pakistan Revenues, who may consult other Accountants General concerned where necessary.

Note.1 —In the case of delegation of powers to the Auditor General no scrutiny by the Pakistan Audit Department is necessary as such delegation are made by the Central Government after consultation with the Auditor General.

Note 2. —Rules and orders issued by the Auditor General himself are not subject to the scrutiny of any officer subordinate to him. (See also Article 68).

75. All rules and regulations of a financial character issued by the President or any subordinate authorities which are applicable to the Defence Services and Railways should be scrutinized finally by the Director" of Audit, Defence Services. or Railways, as the case may be. He will be at liberty in the ordinary way to refer points of special difficulty to the Auditor Generals

76. All rules and standing orders of a financial character issued by Provincial Governments or by authorities subordinate to Provincial Governments- should be scrutinized finally by the Accountant General of the Province concerned.

77. Accountants General may, on their own responsibility, accept the rules orders, etc., for the scrutiny of which they are made responsible, object to them, or ask for their alteration. The Auditor General should, however, be consulted in all cases of doubt, difficulty, and difference of opinion, 'unless they are trivial and on all points in connection with which his specified concurrence is required.

It should, however, be borne in mind that Audit should not practice a meticulous type of examination as the Finance Department and other Departments- of Government have their respective responsibilities also which have to a certain extent been apportioned between Audit and the Executive.

78. In the scrutiny of these rules and orders it should be seen—

- (1) that they are not inconsistent with any provisions of the Constitution or of any Orders issued thereunder ;
- (2) that they are consistent with the essential requirements of audit and accounts as determined by the Auditor General;
- (3) that they do not conflict with the orders of, or rules made by, any higher authority ; and
- (4) that, in case they have not been separately approved by competent authority, the issuing authority possesses the necessary rule making power.

79. In applying the second check prescribed in the preceding Article, the Audit Officer should be guided by any subsidiary instructions, which may be issued by the Auditor General from time to time. The principle to be observed is that the discretion vested in authorities empowered to make rules is not to be fettered unnecessarily merely because difficulties may arise in the application of the necessary audit checks or the maintenance of proper accounts. If the audit and accounts procedure can be amended without loss of efficiency or extra expense/the rule should be accepted and that procedure amended accordingly. All doubtful points unless they are trivial should be referred to the Auditor General and no objection should be raised without reference to him.

80. In applying, the third check prescribed in the preceding Article, the guiding principles enunciated in (i), (ii) and (iii) of Article 66 should be observed. Further, if the Accountant General has reason to think that undue advantage is taken of the provisions of any orders under which the rule is issued, he may bring the case to the notice of the proper superior authority.

81. All orders of delegation of financial authority should be scrutinized carefully as, once they have been accepted, audit of sanctions as well as of expenditure or other transactions may be conducted against them for an indefinite length of time. They should accordingly receive the personal attention of the Accountant General and should be formally accepted by him before they are admitted in audit.

82; Cases may arise in which though no audit objection can be taken to the terms of an order of delegation, or order financial rule, yet the Accountant General feels that the order is likely to impair seriously the efficiency of financial control. For instance, the principle of authorising disbursing officers themselves to sanction special charges may be carried too far or extended to cases in which some sort of control by higher authority seems specifically advisable. If such cases are important, the Accountant General should make a suitable representation to the Finance Department, and thus give the latter the opportunity of reviewing the orders.

83. The authorities of the Pakistan Audit Department are not required, under Article 73 et seq. to undertake the formal scrutiny of and thereby make themselves responsible for the accuracy of Departmental manuals when these, so far as financial, accounting and audit matters are concerned, merely reproduce extracts from substantive Codes, Regulations, Rules, etc. When such manuals introduce any new detailed financial accounting, or audit procedure the Accountant General concerned may advise whether the rules are *infra vires* of the authority issuing the manual and in accordance with correct principles, but such advice should be given in respect of specific individual rules and not of the manuals as a whole.

Note. —It would be desirable from a practical point of view that departments of Government engaged on the revision of codes or rules acquaint Audit through the Finance Department of the rationale of the revision sending at the same time drafts of all rules and regulations having financial implications for scrutiny before issue. The scrutiny will essentially be a test check and in no circumstances it is intended that the exercise of this check should hold up the publication of the regulations. This procedure may also be followed when the preparation of any departmental codes, or rules including rules of a financial character is undertaken. —

### **Audit against Propriety**

84. It is an essential function of Audit to bring to light not only cases of clear irregularity but also every matter, which in its judgment appears to involve improper expenditure or waste of public money or stores, even though the accounts themselves may be in order and no obvious irregularity has occurred. It is thus not sufficient to see that sundry rules or orders of competent authority been observed. It is of equal importance to see that the broad principles of orthodox finance are borne in mind not only by disbursing officers but also by sanctioning authorities.

85. No precise rules can be laid down for regulating the course of audit against propriety. Its object is to support a reasonably high standard of public financial morality, of sound financial administration, and devotion to the financial interests of the State. Audit officers in the performance of their duties, should in any case apply the following general principles, which have for long been recognised as standards of financial propriety.

- (1) The expenditure should not be *prima facie* more than the occasion demands. Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of Ms own money.
- (2) No authority should exercise its powers of sanctioning expenditure to pass an order, which will be directly, or indirectly to its own advantage.
- (3) Public moneys should not be utilized for the benefit of a particular person or section of the community unless: —
  - (i) the amount of expenditure involved is insignificant, or
  - (ii) a claim for the amount could be enforced in a court of law, or
  - (iii) the expenditure is in pursuance of a recognised policy or custom.

- (4) The amount of allowances, such as travelling allowances, granted to meet expenditure of a particular type, should be so regulated that the allowances are not on the whole sources of profit to the receipts.

The proper discharge of duties by an Audit Officer in this field is a very delicate matter and requires much discretion and tact. A challenge against expenditure should not be expressed as based on "canons financial propriety", but as transgressing a universally accepted standard of official conduct or financial administration.

#### **Miscellaneous Instructions about Audit of Expenditure.**

86. The general instructions set out in the preceding Articles can be expressed in a more detailed form as below. The objects of audit of expenditure are to ensure

- (a) that there is provision of funds for the expenditure duly authorised by competent authority;
- (b) that the expenditure is in accordance with a sanction properly accorded and is incurred by an officer competent to incur it ;
- (c) that the claims are made in accordance with rules and in proper form:
- (d) that all prescribed preliminaries to expenditure are observed such as proper estimates framed and approved by competent authority for works expenditure, a health certificate obtained where necessary, before disbursement of pay to a Government servant, etc.;
- (e) that the expenditure sanctioned for a limited period is not admitted in audit beyond that period without further sanction;
- (f) that the rules regulating the method of payment have been duly observed by the disbursing officer ;
- (g) that payment has, as a fact, been made, and has been made to the proper person, and that it has been so acknowledged and recorded

that a second claim against Government on the same account is impossible ;

- (h) that the charge is correctly classified, and that if a charge is debatable to the personal account of a contractor, employee or other individual or is recoverable from him under any rule or order, it is recorded as such in 'a prescribed account;
- (i) that the rates paid for work done or supplies made are in accordance with any scale or schedule prescribed by competent authority ; and
- (j) that the payments have been correctly brought .to account in the original accounts.

87. Recurring charges which are payable on the fulfillment of certain conditions or uptill the occurrence of a certain event should be admitted in audit on receipt of a certificate from the drawing officer to the effect that the necessary conditions have been duly fulfilled or the event has not yet occurred, as the case may be.

88. "The audit of rates paid for work done and supplies made should receive special attention, but as objections can be raised only on grounds of financial propriety (see Article 85) this audit will usually present considerable difficulty, It demands the exercise of great intelligence and care. Individual abnormalities in rates should of course be watched, but the institution, from time to time, of a comparative examination, through the vouchers and accounts received for audit, of the rates paid by various officers in the same or neighboring localities, may indicate cases in which, the rates being abnormal, further enquiry may be desirable. The assistance of the Finance Department may be invoked in obtaining reliable schedules of-rates and other necessary information. In the case of Public Works offices, useful work in the direction of making a comparative examination of rates can be done also at inspections, vide Article 152.

89. The instructions relating to detailed audit of vouchers in support of payments are contained 'in the Audit Manual. It is of considerable importance

that the audit checks prescribed should be observed in spirit and not in the letter as opposed to the spirit.

90. In certain cases cent-per-cent check over vouchers is considered unnecessary and the extent to which relaxation of audit is authorised is indicated in the Audit Manual. The Manual also lays down certain instructions, which should be observed in relation to vouchers not selected for audit under the Audit Relaxation Scheme.

90A. Proposals may sometimes be made by Government for waiving off audit due to loss of relevant documents, etc. When such proposals are referred to Audit-for concurrence. Audit should consider the following points among others that may be relevant to each case and make necessary proposals to Government.

- (1) Any alternative method of reconstructing the lost or destroyed initial records or documents to such an extent as would fulfill the essential requirements of Audit.
- (2) Possibility of loss or destruction of initial records and the documents to be rendered to Audit, due to deliberate action, laxity of control or carelessness. on the part of the responsible Officers and the desirability of suitable disciplinary action.
- (3) Desirability of mentioning each such case individually (or several case collectively, if there are a number of cases of this type) in the Audit report, when the importance of the case (cass3) justifies it.,

## **CHAPTER 4—AUDIT OF DEBT AND REMITTANCE TRANSACTIONS.**

### **Introductory.**

91. Transaction relating to Debt, Deposits and Advances comprise receipts and payment in respect of which Government becomes liable to repay the moneys received or has a claim to recover amounts paid, together with repayments of the former and recoveries of the latter. Remittances embrace all transactions which are taken to merely adjusting heads of accounts, the debits or credits under which are eventually cleared by a corresponding credit or debit either within the same or in another circle of audit.

92. The general principles and rules of audit which govern audit of expenditure apply *mutatis mutandis* to disbursements under Debt and Remittance heads. In the case of a repayment, Audit should check the payment against the original receipt and should satisfy itself that the repayment is made according to the rules, regulations or orders which govern the transaction. Similarly, in case of a payment subject to recovery. Audit should ascertain that the payment conforms to the authority, which governs it and has further to watch that the moneys are regularly repaid by the debtor.

93. It is an important part of the duties of Audit to review and verify the balances under Debt heads and the outstanding under Remittance heads as disclosed in the books of Accounts Offices at the close of the year. The first step in the process of till verification is to see how far the final results of any detailed accounts kept of the transactions work up to, and agree with, the balances on the Ledger. The next step is to ascertain, where necessary, whether the person or persons by whom the balance is owned or to whom it is due admit its correctness, and in case of balances due to Government how far they are really recoverable.

### **Borrowings.**

94. Under Article 139 of the Constitution the Central Government can raise money by borrowing upon the security of its revenues within such limits, if any as may from time to time be fixed by the Act of the Federal Legislature.

Under Article 140 of the Constitution a Provincial Government may borrow upon the security of the revenues of the Province within such limits, if any, as may from time to time be fixed by the Act of the Provincial Legislature, subject to the condition that a Province may not without the consent of the Central Government borrow outside Pakistan nor without the like consent raise any loan if there is still outstanding any part of a loan made to the Province by the Central Government or in respect of which a guarantee has been given by the Central Government. Provincial Government may also obtain loans from the Central Government subject to such conditions as regards interest and repayment or such other conditions as the latter may think fit to impose.

It is an important duty to Audit to see that borrowings of a Government are so regulated as not to exceed the limits fixed by the Legislature from time to time. In the case of loans raised in or outside Pakistan by a Provincial Government or obtained by it from the Central Government Audit should also watch that any conditions imposed by the latter Government in giving consent to raise-28 a loan, or in giving a guarantee in respect of a loan, or in granting a loan, so far as they fall within the purview of audit, are duly complied with by the Provincial Government.

95. An essential part of the duties of Audit in relation (o borrowings is to see that the proceeds of loans are properly brought to account and whether they are expended Only on objects for which the loans were originally raised or to which borrowed moneys may properly be applied in accordance with sound principles of public finance.

96. Audit should also see whether adequate arrangements are made by Government for amortization of debt particularly in cases where borrowed moneys are utilized on objects or works which cannot be regarded as productive and should bring to notice instances in which amortization is ignored or appears to .be prima facie inadequate.

97. The prima facie adequacy of the amortization arrangements should be examined by Audit in accordance with the general principles set out below.

- (1) Amortization arrangements for loans for unproductive purposes may be related to some extent to the period of maturity of the loan, and also to the chances of growth of the particular type of unproductive debt. It is, however, sounder and more prudent to relate the arrangements rather to the object of the borrowing than to the currency of the actual loan. The period ought to be comparatively short where the expenditure on the unproductive purpose should more properly be met from revenue, where the assets constructed from the loan are comparatively short-lived, or where the total of the borrowings for the unproductive purpose is likely to increase rapidly. Where a material asset is produced the amortization period should never exceed the life of the asset.
- (2) The arrangements for the amortization of loans for productive purposes must again depend on the particular circumstances of each case. Where the net earning power of an asset substantially exceeds the interest on the debt, it may not be necessary to suggest amortization it should be recognised, however, that it is sound and prudent financial policy to make amortization arrangements even in connection with the most productive debt. In the case of borrowings to finance loans to cultivators and others, the actual recoveries of principal may be set against debt repayment if used for that purpose provided all losses, etc are written off to revenue. Where depreciation or renewal reserves are constituted for the replacement of assets constructed from loan fund amortization is often omitted altogether or its rate scaled down'; but here again the remark made about productive loan is valid. Normally the rate of amortization should be related to the life of the revenue-producing asset for the construction of which the debt was incurred.

98. The responsibility for the audit of transactions connoted with the Debt Redemption Scheme of the Central Government or of any such scheme adopted

by a Provincial Government devolves on the Pakistan Audit Department. It should be seen that the conditions of the scheme are scrupulously observed, that is, the annual debits against revenue under the scheme are calculated strictly in accordance with the approved programme, the appropriations for reduction or avoidance of debt are applied to the objects for which the money has been set Aside and that liquidation of debt proceeds at the rate and on the lines prescribed.

### **Sinking Funds.**

99. In auditing the transactions connected with the Sinking Funds regularly constituted for the redemption of loans raised by the Central and Provincial Governments Audit has to satisfy itself that credits to these lands are in accordance with the undertakings given by Government and set forth in the prospectus of the loans and that the payment's are eventually utilized for the purpose for which the funds themselves were created.

### **Investments**

100. Audit is- responsible for keeping a: watch ever investment of funds forming part of the public account of the Central or of a- Provincial Government. It should be seen in audit that the investments made on account of any-regularly constituted Sinking or other Fund administered by Government are of the category authorised by the statutory provisions for instrument by which the fund is governed. When there is no governing statutory provision or instrument, proper authority for the investment should be demanded. This principle also applies (o the investment of cash balances of the Central or of Provincial Government. The Accountant General should promptly take up with the Government any of investments which he considers to be unauthorized, irregular or unsound. Any ascertained losses connected with investments or unusual depreciation in the market price of any investment should also be reported to Government in a suitable manner with such comments 'as the Accountant General may think fir.

### **Contingent Liabilities.**

101. Under Articles 139 and 140 of the Constitution the Central and Provincial Governments are empowered to give guarantees in respect Of loans raised by others within such limits as may be fixed from time to time by Act of the Federal or, as the case may be of the Provincial Legislature. Such guarantees constitute contingent liabilities of Government and it is an essential duty of Audit to keep it a close watch over them to see that limits prescribed by the Legislature are not exceeded. It is also necessary that the total amount of such guarantees should be mentioned in the report on the Central or Provincial accounts.

102. In order to safeguard the financial interests of Government in respect of such contingent liabilities the Accountant General concerned should Satisfy himself that the accounts of the public body or institution whose loan or loans have been guaranteed by Government, are subjected to audit by qualified auditors acceptable to Government and may also require that these accounts as certified by those auditors are submitted to him annually or at other suitable intervals for general scrutiny. The Accountant General may even undertake with the consent of Government to audit (he accounts of any sinking funds created by such a public body or institution in pursuance of a scheme for the liquidation of debt under some statutory ^provision or otherwise. Such audit should be directed to ascertaining —

- (i) that the scheme of liquidation prescribed, as the basis of the Sinking fund, is financially sound and consistent with principles laid down in Article 97.
- (ii) that the fund contain the amount which should have been accumulated if the prescribed scheme of the Sinking Fund had been observed in respect both of the amount to be credited to the fund and of the interest which it anticipated: and
- (iii) that the investments of the Sinking Fund are sound and are valued at not more than their market price.

Defects in the scheme of liquidation, the deficiency, if any, found in the fund, any unsound investment, or unusual depreciation in the market price of any investment should be brought prominently to the notice of Government.

### **Service and Provident Funds**

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

### **Reserves and Reserve Funds.**

104. As mentioned in Article 43 there exist a number of Reserve and Reserve Funds in the Deposit Section of the accounts of the Central and Provincial Governments which have been created for specific and well-denned purposes and are fed by contributions or grants from the revenues of the Central and Provincial Governments or from outside agencies. The functions of Audit in relation to the transactions pertaining to such funds are described below.

- (1) It should be seen that the transactions are classified and accounted for according to the principles laid down in Article 43.
- (2) It should be seen that these transactions conform to the rules or orders governing the administration of each fund made by competent authority.

- (3) The balance at the close of the year standing in the account of each fund should be verified, here the whole or any part of the balance of a fund is invested the instructions contained in Article 100 should be observed.

### **Deposits.**

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

106. Ordinarily the opening of a banking deposit account or of a Personal Ledger Account is sanctioned by Government after consultation with the Accountant General. It is generally recognised that Government should not agree to the opening of such an account unless it is satisfied that the initial accounts of moneys in the Personal Ledger Account are properly maintained and are subject to audit. It will rest with the Accountant General to determine whether or not audit of initial accounts should be conducted by him and if conducted by him, whether it should be conducted centrally or locally. If he decides that this

audit need not be undertaken by him, on the ground that the moneys involved belong to a Local Fund or a private fund not administered by a Government servant or for any other reason, it will be for Government to entrust audit of the initial accounts to another recognised authority—the Examiner, Local Fund Accounts, or a qualified auditor.

### **Loans and Advances by Government.**

107. Government occasionally makes loans and advances to public and quasi-public bodies and to individuals. Some of these loans and advances are made under special laws, others for special reasons or as a matter of recognised policy. Except in the case of loans and advances made under special laws or in respect of which Government has issued any general rules or orders Audit may require that the reasons for making it as well as the conditions on which it is made are stated in full in the orders sanctioning the loan or advance. Audit may also enquire the reason for any unusual condition, e.g., remission of interest, in an individual case. Audit should see that the conditions of repayment of a loan advance are complied with by the debtor and should exercise a close watch over repayment of principal and realization of interest, if any. In reviewing the outstanding loans and advances special attention should be directed to irregularities in repayment, acknowledgement of balances and unrealizable and doubtful assets.

108. In respect of loans and advances the detailed accounts of which are kept by him, the Accountant General should report without delay any default in payment either of principal or of interest to the authority which sanctioned the loan or the advance. If that authority enforces any penal interest upon the overdue installments of interest or principal and interest, it shall be the duty of Audit to watch its recovery.

In order to protect the financial interest of Government the Accountant General should also communicate to Government any information which comes to his notice in the course of his official business in respect of the financial position of a debtor with such comments as he may think fit. This duty of the

Accountant General should be performed by him personally with the utmost care and discretion, and communications of the kind should invariably be confidential.

### **Suspense Accounts.**

109. Under suspense heads are recorded all such transactions as are ultimately removed either by payment or recovery in cash or by book adjustments. Unless otherwise provided for by rules made by the Auditor General or with his consent the use of suspense heads for provisional adjustment of transaction ultimately adjustable under ordinary revenue and service heads should be avoided as far as possible.

Audit of transactions under suspense heads consists not only in applying the ordinary procedure of audit of expenditure and receipts but also in seeing—

- (1) that the unadjusted balances, under these heads continue to represent bona fide assets or liabilities of Government capable of being realised or settled, as the case may be, and
- (2) that satisfactory action towards such realization or settlement is being taken by officers, responsible therefore.

All balances under suspense heads must be reviewed at short intervals and in reviewing the balances it should be secured that no item remains unadjusted longer than is reasonably 'necessary to bring about its clearance in the ordinary course with due regard to the rules applicable to each case.

**Remittance.**

110. In the audit of Remittance transactions it should be seen that debits and credits are cleared either by receptor payment in cash or by book adjustment under the relevant Service or Revenue heads of accounts or have been paired off by corresponding credits or debits within the same or in another audit circle. An important part of the audit is the scrutiny of balances from month to month in order to effect their early clearance and to determine the accuracy of the outstanding at the end of the; year.

111. Deleted.

**CHAPTER 5.—AUDIT OF SUBSIDIARY ACCOUNTS OF GOVERNMENT  
COMMERCIAL UNDERTAKINGS.**

112. The operations of some departments of Government include undertakings of a commercial or quasi-commercial character, e.g., a factory or a store. Even though these be maintained almost entirely for the benefit of the department, it is necessary that the financial results of the undertaking should be expressed in the normal commercial form so that the cost of the service, or of the undertaking may be accurately known. This implies the maintenance of suitable capital, manufacturing, trading and profit and loss accounts, and as the Government system of accounts, being on a purely cash basis, is unsuitable for commercial accounts these are usually kept on a Pro forma basis outside the general accounts of Government. The actual transactions entering those Pro-forma accounts except those adjusted on a purely liability basis find a place primarily in the regular accounts and the commercial accounts are additional as well as separate.

113. The principles and rules to be applied to the audit of commercial accounts are those generally adopted by commercial law or practice for non-government concerns. But this does not involve the abrogation of the general principles of the audit of receipts and expenditure of Government in relation to the individual financial transactions of the undertaking. Audit of commercial accounts by the Auditor General must always go further than the ordinary

practice followed by commercial auditors in the examination of the authority for financial orders, and the regularity and propriety of financial transactions.

114. The main object of the audit of the subsidiary accounts of Government commercial undertakings as of all commercial accounts (apart from the fundamental purpose of preventing and detecting error and fraud) is to secure that the commercial accounts present a full and true picture of the financial results of the undertaking in terms of commercial ideas of liability and asset, debit and credit, profit and loss. If the commercial accounts are maintained for the purpose of the accurate ascertainment of the cost of an article or a service it is the duty of Audit to verify that the cost is a true cost. Any failure in the complete and accurate presentation of results must be brought to notice.

115. It is also an important function of Audit to ensure that the subsidiary accounts are so prepared as to render it possible to compare, as far as may be, the relative efficiency of Government trading and manufacturing institutions with one another or with similar institution not controlled by Government.

116. To the audit of commercial accounts it is of primary importance to verify the correctness of the allocation of expenditure between capital and revenue, the valuation of assets upon a reasonable basis, and the adequacy of provision for depreciation and bad debts. At the same time it is not necessary that every practice of commercial audit should be applied meticulously to Government commercial concerns. Allowance must be made for the fundamental difference between private and Government undertaking that the primary object of the former is to provide income for its owner or dividends for its shareholders. The comparative permanence of a Government undertaking also sometime affects the decision whether commercial practice shall or shall apply to Government concerns.

117. In discussion of the results of audit of Government commercial undertakings it must be remembered that the abolition of commercial accounts, if that is suggested, or the modification of the principles of their maintenance does not dispose of the losses, which these accounts may have disclosed. The abolition of commercial accounts is justified only when the character of the

undertaking is changed from commercial to service, or when it is accepted that the undertaking exists as a "service" undertaking. Even in such cases a self-contained account of receipts and expenditure and in some cases a simple cost account should be maintained where possible to indicate generally to the Manager of the undertaking its financial results and to facilitate his financial control.

118. In auditing the accounts of a commercial undertaking Audit has frequently to accept the results of what is known as "Internal Control" i.e., the continuous internal audit carried out by the staff of the concern itself by means of which the work of each individual is independently checked by other members of the staff. It is an important part of audit therefore, to scrutinize the system of "Internal Control" exercised by responsible officers of the concern in respect of examination of account books, vouchers and other documents and verification of stock in order to see that it is adequate in itself and as independent in character as circumstances permit and to assure itself that the system is being applied efficiently. The extent of scrutiny to be applied should depend on the adequacy of the system of "Internal Control" and on the completeness and accuracy with which it is being applied.

119. When the Accountant General becomes aware of the existence of a commercial undertaking in any department or finds that funds are provided for it in the estimates, he should ascertain the exact nature and scope of the activities of the undertaking with a view to determining whether it is essential or advisable to maintain suitable subsidiary and pro forma accounts. If he considers that the maintenance of these accounts is desirable he should communicate his views to Government for consideration. In case Government decides that subsidiary accounts should be maintained it may entrust the preparation of a system of accounts to one of its own officers. The Accountant General should, however, represent to the Government the desirability of—

- (a) requiring the officer entrusted with the work to devise, not merely a system of accounts, but also a set of standing orders to regulate the working of the concern and a schedule of the powers entrusted

by Government to authorities subordinate to it in connection with the central and management of the concern, and

- (b) the submission to Audit for expert scrutiny of the complete system, together with the account forms, the standing orders relating to the working of the concern and the schedule of powers of the officers controlling and managing the concern.

The Accountant General will be responsible for seeing that the system, adopted Conforms to the fundamental principles of accounts and audit from the ordinary and the commercial points of view. In all cases of importance the advice of the Auditor General should be sought

## **CHAPTER 6.—MISCELLANEOUS.**

### **Workshop Accounts.**

120. The audit of workshop accounts includes not only the usual scrutiny of the admissibility of the payments and the correctness of the accounts, but also an examination of any cost accounts, where maintained, in order to test whether they are soundly compiled and made to tally with the expenditure accounts. Appreciable discrepancies between the aggregate of the expenditure-charged to various jobs and the figures in the expenditure account should be investigated.

121. It is a duty of Audit to verify that stores received in the workshop are properly brought to account and that the issue of stores against work orders is properly controlled.

122. In the case of manufacturing operations, the financial results of the year should be scrutinized and, if possible, the cost of manufacture in the workshop compared with the price of similar articles outside.

123. The pro forma accounts of workshop should be scrutinized to verify that they form an accurate and complete record of all the financial transactions directly or indirectly affecting workshops. Contracts.

124. It is an important function of Audit to examine contracts or agreements for works or supplies entered into by Government servants on behalf of Government.

125. The responsibility for the placing and fulfillment of contracts for works to be done or supplies to be made rests entirely with the Executive but this does not preclude audit criticism where the action or procedure of any Administrative Department results in loss or waste of public money, or where its regulations do not afford reasonable Security against mal-practice.

126. The Central Government has laid down the following fundamental principles for the guidance of authorities authorised to enter into contracts or agreements involving expenditure from Central revenues. These are financial rules but they state audit principles as well—

- (1) The terms of a contract must be precise and definite, and there must be no room for ambiguity or misconstruction therein.
- (2) As far as possible, legal and financial advice should be taken in the drafting of contracts and before they are finally entered into.
- (3) Standard forms of contracts should be adopted wherever possible the terms to be subject to adequate prior scrutiny.
- (4) The terms of a contract once entered into should not be materially varied without the previous consent of the competent financial authority.
- (5) No contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without the previous consent of the competent financial authority.
- (6) Whenever practicable and advantageous, contracts should be placed only after tenders have been openly invited, and in cases where the lowest tender is not accepted, reasons should be recorded.
- (7) In selecting the tender to be accepted—the financial status of the individuals and firms tendering must be taken into consideration in addition to all other relevant factors.
- (8) Even in cases where a formal written contract is not made, no order for supplies, etc., should be placed without at the least a written agreement as to price.

- (9) Provision must be made in contracts for safeguarding Government property entrusted to a contractor.
- (10) The Auditor General and under his direction, other Audit authorities have power to examine contracts, and to bring to the notice of the proper authority any cases where competitive tenders have not been sought, or where high tenders have been accepted, or where other irregularities in procedure have come to light.

127. Deviations from contracts require authority not inferior to that required for the original contract. Audit should also see that any payments outside the strict terms of the contract or in excess of contract rates are not made without the consent of the competent financial authority.

128. Cases in which there is evidence that an officer or agent of a contracting department has an undue common interest with the other contracting party should be brought to the notice of the competent higher authority for such action as it may deem necessary.

129. Standing contracts should be reviewed occasionally and if Audit has reason to believe that the rates adapted in those contracts are considerably higher than the rates prevailing at the time of review such variations should be brought to the notice of competent authority.

### **Grants of Land, Assignment of Revenue, and other Concessions involving relinquishment of Revenue**

130. All orders which involve grant of land, or assignment of revenue, or concession, grant, lease, or licence of mineral or forest rights, or a right to water power, or any easement or privilege in respect of any such concession; or which in any way involve a relinquishment of revenue, come within the purview of audit as they have important financial implications. Audit may assume that no concessions of this kind, except such as may be in accord with any general delegations made by the Finance Department, can be sanctioned by any department without previous consultation with the Finance Department. For the

proper discharge of its duty by Audit in regard to these concessions all sanctions accorded to such grants, assignments, etc., are required to be communicated to it by the Government concerned for scrutiny. The audit of these sanctions is conducted against regularity and against propriety.

### **Refunds.**

131. Charges for refunds are in essence of the nature of disbursements under Deposit heads and provisions of the rules relating to repayment of deposits laid down in Chapter 4 of this Section apply mutatis mutandis to these transactions. To prevent a second claim a note of payment should be kept against the corresponding item of receipt wherever practicable.

### **Financial stock-taking of big engineering prefects**

132. (I) Scrutiny of estimates and expenditure pertaining to large works or projects to ensure that there have not occurred any material modifications of or deviations from the sanctioned estimates can be usefully undertaken by Audit. It is also a matter of great financial importance that there should be a financial stock-taking of large engineering projects at suitable intervals so as to correlate the progress of expenditure with the progress of work actually done as compared with the estimates in order to ascertain the prospects of the projects being completed within the limits of sanctioned estimates. It must be understood that the stocktaking of the finances of a project is primarily the duty of the Financial Adviser to the project. The Accountant General as an Audit Officer is not responsible for providing a financial forecast but he is responsible for calling the attention of the financial authorities concerned to the necessity of providing or revising such a forecast, and of bringing the point prominently to notice where no such forecast is prepared. In the capacity of a combined Audit and Accounts Officer the Accountant General will have to advise the financial administration about the preparation of the financial forecast of the project and act in collaboration with the financial authorities in preparing the forecast. The responsibility of the Audit Department is at its greatest when a separate

combined Audit and Accounts Officer has been formed to deal directly with the accounts of a large project, for in this case, the officer Incharge of the separate office may also be constituted as the financial adviser to the project. The responsibility for carrying out a financial stocktaking of the project is then more directly upon the Officer Incharge of the special Accounts and Audit office as the agent of the Finance Department of the Government.

(2) Where the financial forecast is to be under-taking by an Audit Officer, the audit investigation should be made in proper time by correlating, as far as possible, the progress of expenditure with the progress of work as compared with the estimates in each case and by ascertaining, as accurately as possible, what the prospects are of the work remaining to be done being executed within the limits of the latest sanctioned estimate which holds the field. The amount of the residual work to be done in the project and the amount of expenditure required to complete it should, if necessary, be ascertained from the engineers of the project indeed, the whole forecast should be prepared in collaboration as close as possible with the Engineer Incharge of the project. If the investigation indicates the probability of large excesses over the sanctioned estimates or the probability of a project sanctioned as productive, proving unproductive, the matter should be brought forthwith to the notice of the Administration of the project and of the Government concerned.

The investigation by Audit of the financial position of the project should be continued every year until the project reaches completion and the results brought to the notice of the Government concerned. The data collected or relied upon and their source should be briefly stated but the Audit Officer should avoid expressing his own opinion about the conclusions derivable therefrom and should state the views held by the Administrative Officers concerned.

In reviewing the financial prospects of a productive project; the revenue aspect of the case should also be mentioned. It should, however, be remembered that the estimating and watching of revenue receipts is for the department of the Government concerned and not for the Audit Department.

(3) The foregoing instructions should be applied with thought and discrimination by the head of the Audit and Account office whose duty it is to deal with the accounts of. the project qua auditor or accountant or financial adviser.

**Calculation of net Proceeds of certain Taxes and Duties.**

133. As mentioned in Article 8 it is the duty Of the Auditor Grafted tinder Article 2 (3) i.e) of the Distribution of Revenues and consolidation and repayment of Loans Order 1962 President's Order No. 23 of 1962) to ascertain and certify for the purposes mentioned in Article 2(1) of the said Older, the net proceeds in a financial year of any tax or duty, or of any part of any tax or duty, in or attributable to any area.

134. The net proceeds of taxes to be assigned to the provinces will be determined in accordance with the Distribution of Revenues and Consolidation and Repayment of Loans Order 1962 (President's Order No. 23 of 1962) as revised from time to time and as certified by the Auditor General of Pakisan, whose certificate in the matter shall be final.

135. Deleted.

13S-A. Deleted.

136. Deleted.

137. Deleted.

138. Deleted.

## **CHAPTER 7—AUDIT OF RECEIPTS AND ACCOUNTS OF STORES AND STOCK.**

### **Receipts.**

139. The audit of receipts is not ordinarily a statutory function of the Auditor General: but in virtue; of his responsibility for the keeping of accounts of receipts he deems it to be within his functions to verify in so far as he can, from the accounts rendered to him that (a) sums due are regularly recovered and checked, again stand, and (&) sums received are duly brought to credit in the accounts,

140. The audit of receipts accruing under Debt and Remittance heads and of those included in the subsidiary accounts of Government commercial undertakings devolves cm\* the Auditor General under paragraph 13(1) of the Audit and Accounts Order and is conducted in such manner and to such an extent as may be prescribed by him.

141. The Auditor General does not audit Government receipts other than those mentioned in the preceding Article except where he undertakes or is required (6 do so in case of a department of the Central Government or of a province under the provisions of paragraph 13 (2) of the Audit and Accounts Order. He will, however, so far as he is enabled to do so from the accounts for the keeping of which he is responsible, supply the Central Government and the Government of every Province with such review of the progress of (he revenue collections as it may desire and render those Governments such assistance as they may require in order to ensure that all revenue collected in the revenue collecting departments is brought to credit in the accounts.

142. Where the audit of the receipts of any department of Government is entrusted to the Auditor General under the provision of paragraph 13(2) of the Audit and Accounts Order it is conducted in accordance with such regulations as may be made by the President or, as the case may\*be, by the Governor of the Province after consultation with the Auditor General,

For the sake of convenience the aforesaid regulations are reproduced in appendix 1 to this Code.

### **Accounts of Stores and Stock**

143. The audit of payments for the purchase of stores is conducted according to the rules prescribed by the Auditor General in regard to the audit of expenditure from the revenues of the Central and Provincial Governments.

144. Irregularity in the disposal of public stores is equivalent to an illegal appropriation of public money, and an audit of the expenditure of money spent on the purchase of store cannot in itself be a complete audit of the final application of the money, without an audit of the disposal of stores.

145. The Auditor General does not, however audit the accounts of stores, and stock kept in any office or department of the Central Government or of a Province as a matter of course except in so far as it forms part of his duty in relation to the audit of the subsidiary accounts of Government commercial undertakings he will undertake to audit such accounts only with the approval of, or if so required by, the President or, as the case may be, by the Government of the Province.

146. Notwithstanding what is said in the preceding Article, Audit may be required to scrutinize sanctions to write-offs of stores accorded by competent authority and to bring to the notice of Government any defect of system which appears to require attention.

147. When audit of the accounts of stores and stock kept in any office or department of the Central Government or of Province, as the case may be, is undertaken by the Auditor General, it is conducted in accordance with such regulations as may be made by the President or the Governor of the Province after consultation with the Auditor General. The regulation so made by the respective authorities have been incorporated in Appendix 2 to this Code.

147-A. The audit of the accounts of furniture in the residences of High Officials of Government is not ordinarily the statutory function of the Auditor General but where regulations made by the President or the Governor of a

Province under paragraph 13 (2) of the Audit and Accounts Order for the conduct of the audit of such furniture require that the appropriate authority should submit periodical certificates to the Audit Officer, the receipt of such certificates is watched in audit. The regulations vary in detail but conform in substance to the following model form: -

Regulation for the conduct of the audit of the furniture the residences  
of.....

The administration of the furniture grants of the official residences: of the  
..... (Designation of, the official) including the upkeep of a  
stock list and the purchase, repair and maintenance of furniture shall be  
conducted by the..... (Designation of the executive authority  
nominated in this behalf). The latter should furnish the.....'-...  
(Audit Officer) with an annual certificate of verification in the form given below.  
During the Second and fourth year of the incumbency of the..... "and  
at least once in every three years the certificate of verification should be  
countersigned by a Gazetted Officer of the Public Works Department in token of  
this joint responsibility for the actual verification,.

#### **Form of certificate of verification**

Certified that the furniture in.....has been inspected, an checked  
with stock lists maintained. I am satisfied, (i) that all new supplies up-to-date  
have been correctly brought on to the stock lists, (ii) that the stock lists are  
correct in all respects, (iii) that the articles in stock agree with the stock lists, (iv)  
that the sale proceeds have been properly accounted for, and (v) that sanction of  
competent authority exists for writing-off all articles struck-off the stock lists.

**CHAPTER 8—INSPECTION AND LOCAL AUDIT.**

148. Audit conducted in a Central office of the Pakistan Audit Department is based on accounts rendered to that office in the form prescribed by the Auditor General. The major portion of the original records, namely, Ac initial accounts and other books or papers on which the account's so rendered are based, are retained in the offices where they originate. To enable him to assure himself of Ac accuracy of the original data on which the accounts and his audit work are based the Auditor General has authority to inspect Government treasuries and such offices responsible for the keeping of initial or subsidiary accounts as submit accounts to him, vide paragraph 17 of the Audit and Accounts Order.

149. The primary objects of inspection are (i) to see that the initial accounts from which Ac accounts rendered by departmental officers are compiled, or on which they are based, are properly maintained in the prescribed forms and that financial rules and orders are being carried out and (ii) to test the degree of care exercised by the departmental authorities responsible for keeping the accounts over the accuracy of original records. At the same time a test audit may be applied to such accounts, vouchers, etc., as are not audited in the central Audit office or as cannot be checked adequately except at a local audit. In inspections the purpose of this test audit is to provide the material upon which a conclusion' regarding (i) and (ii) above may be reached.

150. Local audit may be distinguished from inspection in that its purpose is to audit the initial accounts maintained in certain Government institutions and Offices on the spot. Here the duties of Audit are not confined merely to seeing whether the initial accounts are maintained in proper form or whether the financial rites are properly observed but a test audit of accounts is conducted in sufficient detail to verify the accuracy and completeness of accounts according to the prescribed rules for the audit of expenditure and receipts of the Central and Provincial Governments.

151. Inspection and not local audit is applied to the accounts of treasuries the object being to assist the Revenue 'authorities in establishing a system of treasury working strictly, in accordance with the prescribed rules. It is not

intended that those authorities should be relieved of their responsibilities for management and inspection, but the Inspecting Audit Officer should see generally that the rules prescribed by Government are understood and observed. He may also be asked to undertake any special enquiry, which Government desires to be made. The Accountant General is responsible for seeing (i) that the procedure observed at treasuries meets all the requirements of audit and that accounts are properly maintained and (ii) that orders regarding the custody and handling of cash and other valuables and the control of the balances are duly observed. No responsibility for physical verification of balances of cash, stamps or opium, however rests with the Inspecting Audit officers or indeed on the Pakistan Audit Department.

Note:—Audit is not responsible for vouching for the correctness of balances of each, etc., appearing in any reports required to be submitted by Collectors to the Audit office under the Treasury Rules.

152. An Inspecting Audit Officer is not expected merely to confine himself to the routine audit and inspection work. He should avail himself of the opportunity of assisting the departmental officers and accountants with his advice in matters affecting accounts, budget, etc., or the financial regularity of transactions. He may even offer suggestions bearing on the economy of public money and is expected to do so in all cases of superfluous clerical work connected with accounts and audit. There are various directions in which an intelligent Inspecting Officer can find scope for his enquiries. In case of a Public Works Division he may find that there are chronic delays either in measuring work done or in making payments after measurements have been taken, and it may reasonably be presumed that such delays lead to enhancement of rates. He may notice that no attempt is made to invite competition amongst contractors, or that the arrangements for giving out contracts for work or supplies are, otherwise, so defective as to suggest that possibly Government does not receive full value for payment made. An examination of the authorised Schedules of rates, or a comparative study of them, may show that the data on which estimates of the cost of works are framed for sanction of competent authority are not so

satisfactory as to secure economical results. He may observe any peculiar features of the revenue receipts or expenditure of the division which may be suggestive of possible leakage of revenue realised, of untapped sources of revenues, or of want of attention to economical considerations. An Inspecting Officer must, however, keep prominently in his mind that he is concerned primarily with the accuracy of accounts and regularity of financial procedure and not with administration. Suggestions which affect financial or departmental administration should not be included in a report unless they have been discussed with the responsible departmental officer either personally or by demi-official letter.

153. The results of the inspection and local audit should be set forth in two separate documents :—

- (1) the Inspection Report, detailing merely the more important defects of procedure and financial irregularities, and describing briefly the general state of the accounts and the nature of the financial control over transactions ;
- (2) the Test Audit Note, dealing with errors and minor irregularities which are not important enough to be brought to the notice of higher authority.

As a rule, trifling matters, which can be and have been set right on the spot or are of no consequence to the finances of the State, need not be mentioned, but if a number of similar points is noticed, it may be desirable to mention the type of error or irregularity, with one or more instances, so that proper instructions may be issued for the future guidance of the Government servants concerned. It is desirable that statements and figures in relation to any defects or irregularities discovered should be based on clear documentary evidence. It is not sufficient to quote the rule or the order violated; the actual or possible effect of such deviation on the financial interests of Government should be explained clearly. Particular care should be taken in regard to the language and tone of the report. The Inspection Report should be completed before the Inspecting Audit Officer leaves the office inspected and it should not be signed until the officer

Incharge of the office (or any other officer acting on his behalf) has been given the opportunity of reading and discussing it and suggesting any omissions or modifications. The Inspection Report should be as brief as possible but the points raised in it should be pursued until finally settled. The Audit Note does not require a reply in detail, but it should be verified at a subsequent inspection that adequate notice was taken of it.

## **CHAPTER 9—AUDIT OF ACCOUNTS OF NON-GOVERNMENT INSTITUTIONS.**

154. Where under the provisions of Article 9 the Accountant General is required to audit the accounts of any local fund, public or quasi-public fund or non-Government Institution or any private accounts, the audit of such accounts, unless otherwise provided, should be conducted in accordance with the general principles and rules prescribed by the Auditor General to regulate the audit of Government accounts.

155. Sanctions constituting local bodies or funds ordinarily prescribe what classes of receipts are to be credited to them, what classes of expenditure are to be admitted against them, and what will be the controlling authority. The Accountant General should see that in regard to receipts and expenditure the prescribed rules are followed and for this purpose he should require, in respect of all items of the account, sufficient information, either in the form of vouchers or in some other form, as may be considered necessary in each case.

156. In the audit of these accounts. Audit should not make independent enquiries of taxpayers or of the general public unless such a procedure is expressly authorised by statutory regulations or executive orders.

**SECTION IV.**  
**SUPPLEMENTARY AUDIT REGULATIONS**

**CHAPTER 1. —APPROPRIATION AUDIT**

157. The general principles and roles of audit against provision of funds are given in Chapter 3 of Section HI of this Code. The following Articles contain certain supplementary instructions to be observed in conducting this audit, which is technically known as " Appropriation Audit". These instructions are primarily for the guidance of those Audit Officers under the Auditor General who «» ate responsible for keeping accounts under paragraph 11 (1) of the Audit and Accounts Order. In the case of departments whose accounts are kept by a separate organization not subordinate to the Auditor General the apportionment of responsibility in respect of appropriation audit between the accounting and the audit authorities is described in separate manuals.

158. Audit is responsible for watching firstly that the total expenditure under a Grant or Appropriation does not exceed the amount of that Grant or appropriation as specified in the Authenticated Schedule or Schedules of Authorised Expenditure and secondly, that the total expenditure on each of the sub-/heads fixed as units of appropriation under a Grant or Appropriation does not exceed the allotment thereof as modified by orders of re-appropriation passed by competent authority from time to time. The first duty involves a responsibility to the Legislature, the second to the financial authority of the Executive Government, i.e., the Finance Department.

In the case of a single Grant or Appropriation which is divided into an English and a Pakistan portion. Audit Officers in Pakistan arc not only responsible for watching expenditure against the Pakistan portion, but also against the grant or Appropriation as a whole. The appropriation audit conducted by the Chief Auditor in London will he confined in such a case to seeing that the expenditure in the United Kingdom does not exceed the several sums allotted for such expenditure by competent authority.

159. Articles 43(2) and 89 of the Constitution prescribe that no expenditure from the revenues of the Federation or of the Province shall be deemed to. Be duly authorised unless it is specified in the Schedule of Authenticated Expenditure. It follows that any disbursements made on or after 1<sup>st</sup> April of a financial year and before authentication of a Schedule of Authorised Expenditure by the President or the Governor, as the case may be, will not be protected by law. All such disbursements, made on the responsibility of Government, will be challenged by Audit as unauthorized expenditure under the provisions of paragraph t3 (l) (Q of the Audit and Accounts Order. If provision is made in a Demand for Grant for any expenditure, which has already been incurred, the voting of flag demand and its subsequent authentication may for practical purposes be deemed to have regularized the initial want of legality. But the criterion to be applied in judging whether an audit objection to the disbursements in question be withdrawn or not will be whether Audit is satisfied that the failure to achieve an Authenticated Schedule was involuntary and that the necessary steps to secure authentication at the earliest possible date were duly taken.

The Auditor General should be consulted about, and kept closely in touch with, any situation of the kind contemplated in this Article.

Note.—The Central and Provincial Governments have decided that the supplementary grants, will be obtained by them at the earliest opportunity after the necessity for additional expenditure becomes obvious. The supplementary grants would therefore be taken both by the Central Sub Provincial Government twice' a year, once in the Autumn Session and again in the Budget Session.

160. Unless it is otherwise desired by Government as special case, or where there is a division of superintending control between departmental authorities under a sub-head, appropriation audit will not be exercised beyond sub-heads of a Grant or Appropriation fixed as units of appropriation for the purposes of Appropriation Accounts. In the case of Public Works Department expenditure, however, appropriation audit may be conducted in respect of all

works or items of expenditure, the allotments for which, whether individually or by groups, are provided separately for each division.

161. The Accountant General may also be required to see on behalf of the Executive Government that—

- (a) if under the financial rules of that Government a particular object of expenditure requires a specific allotment, all expenditure on it is audited-against such allotment, and
- (b) if a lump sum allotment is made for a group of items of expenditure of an office, the total expenditure thereon is audited against the lump sum placed at the disposal of the disbursing officer for the purpose.

When, however, several officers are authorised to incur charges relating to a unit of appropriation, against a lump sum allotment placed for the purpose at the disposal of a single higher authority, it devolves upon this authority to watch the progress of expenditure in all the offices and to keep the aggregate charges within the allotment. If the Accountant General is requested by Government to audit the charges against the allotment, he will comply with the request.

162. Appropriation audit is conducted in two stages—

- (i) Sanction audit, i.e., audit of orders of allotment of funds and re-appropriation which are to be enforced in audit, and
- (ii) the audit of expenditure against allotments.

163. Subject to the provisions of Articles 16 the audit of orders of allotment and re-appropriation consist in seeing: —

- (a) that an authority making allotments under a grant or appropriation does not allot amounts in excess of those available under the Grant or Appropriation,
- (b) that the amount appropriated is available under the unit from which it is allotted, and
- (c) that the order is issued by competent authority.

Note.—Re-appropriation from one Grant or Appropriation to another Grant or Appropriation are not permissible, as such re-appropriation will have the effect of reducing and increasing the amounts of the Grants or Appropriations concerned as specified in the Authenticated Schedule or Schedules of Authorised Expenditure and will thus be ultra vires of the provisions of the Constitution.

164. It is not sufficient to exercise merely a close watch over orders of allotment and re-appropriation; the progress of expenditure against (1) the Grant or Appropriation as a whole, and (2) allotments for sub-heads, and subordinate units of appropriation here necessary under Articles 160 and 161 should also receive special attention. The booked expenditure should be scrutinized intelligently and warnings issued to the Controlling Authorities and if necessary with reference to Articles 160 and 161 to disbursing officers also, when excesses appear to be likely. Such warning should not, however, be followed up in formal or routine manner since the regularization of an appropriation irregularity rests with the Executive financial authority and the occasion and manner of the regularization within the law can be chosen by that authority. See also Article 55.

## **CHAPTER 2.—AUDIT OF PAY AND ALLOWANCES**

### **General Rules**

165. The instructions governing the audit of pay and allowances as embodied in this Chapter are intended primarily for the guidance of the Civil and Posts and Telegraphs Audit offices. In other Audit offices these instructions may be taken as a guide, though in matters of detail the rules in their respective Codes or Manuals are applicable.

166. The Audit of pay, leave salary and other allowances admissible to the various classes of Government servants is mainly conducted with reference to the rules and regulations made by a competent authority governing their conditions of service. These rules and regulations are referred to in this Code as " Service rules ".

167. No person may be substantively appointed in Pakistan to a permanent post in Government service without the production of a medical certificate of health in such form and signed by such medical or other officers as may be prescribed by Government. When the Service rules require the production of a medical certificate on substantive appointment of a person to a permanent post in Government service. Audit must verify that a certificate in the prescribed form is attached to the first pay bill of the person concerned drawn after such appointment. The Central and Provincial Governments may, however, dispense with the production of the certificate in individual cases and may also by general order exempt any specified class of Government servants from the operation of this rule.

168. The essential points to be observed in the audit of pay bills beyond the test of the formal completeness of the voucher are (a) to check the title of the Government servant to the pay drawn by or for him, i.e., that it is claimed and is admissible in respect of a post to which he has been duly appointed, and of which he is actually in charge; and (6) in the case of Government servants whose pay is drawn for them, to verify that they receive the remuneration to which they are entitled.

1. No claim can be admitted for service in a post not duly sanctioned or for pay not assigned or provided for the post held.

### **Gazetted Government Servants**

169. Besides the checks prescribed in the preceding Article the duty of Audit in case of the pay bill of an effective gazetted Government servant is—

- (1) to record the payment as a check on any second claim ;
- (2) to see that each alteration in pay, etc., is based on an order of Government or is otherwise permissible under the rules made by Government ;
- (3) to record the period of duty, suspension or leave as a check on future claims to leave and pension ; and

(4) in some cases, to record the employment in a scale register as a check on appointments in excess of the sanctioned scale and to watch that no post is abolished or held in abeyance, except to the extent authorised, the orders of the competent authority.

170. In the case of a gazetted Government servant on leave, it is necessary to see that leave has been granted, that it has not been exceeded, and that (be leave salary claimed is covered by the rules proper to the case. Besides, it should be seen that a life certificate is attached to the claim or that the bill is endorsed to some well-known bankers or Agents who have executed a general bond of indemnity for the refund of any overpayments.

171. No pay can be passed in favour of a gazetted Government servant who has not drawn pay for the last month or has been entitled to draw pay for the last month, unless either he is newly appointed to the service of Government, a fact of which the Accountant General has received due intimation, or unless he produces a last-pay certificate signed or countersigned by the authorities at the office of the High Commissioner for Pakistan in London or a leave-salary or last-pay certificate signed or countersigned by another Accountant General.

172. In respect of gazetted Government servant claiming Sterling Overseas Pay for the first time it is the duty of Audit to examine whether he is entitled to it according to the terms of the relevant rules on the subject. If the Audit Officer concerned is satisfied of the validity of the claim he will issue necessary authority for payment to the High Commissioner for Pakistan in London. All alterations in the amount of Sterling Overseas Pay, method of payment, incidence of charge, etc., should also be communicated separately to the High Commissioner for Pakistan in London as they occur. Any reduction or cessation of Sterling Overseas Pay should, however, be communicated immediately to avoid over-payment. A consolidated statement of the payments admissible and authorised is also sent, to the High Commissioner for Pakistan in London monthly.

173. Advances of pay and allowances to gazetted Government servants under proper sanction must, like pay and allowances, be audited, and the payment formally recorded.

1. On the death of a military officer, a demand against his estate in respect of an advance of pay obtained under the rules when proceeding on leave is remitted, but not any other demand.

174. No demand for repayment of an unadjusted advance of pay made in England (except where security has been required) is to be made against the estate of a deceased Government servant; but in exceptional circumstances, when a deceased Government servant leaves no kin entitled to share in his estate, which therefore devolves on the Government as bona vacantia) an unadjusted portion of such an advance may under the special orders of the Government concerned, be recovered from the estate of the deceased person.

175. When any gazetted Government servant gives notice, that he is about to take leave or to retire or when he is approaching the prescribed limit of his service after which retirement is compulsory and also immediately on receipt of the news of any gazetted Government servant's death all demands against him should be ascertained promptly by the Accountant General concerned and adjusted. This is especially necessary in the case of Government servants proceeding out of Pakistan (vide Article 247).

### **Non-gazetted Government Servants**

176. Besides the general checks laid down in Article 86, the test of the formal accuracy and completeness of the voucher and the observance of important rules prescribed in the Treasury and Financial Rules of Government the essential requirements of pay bills of non-gazetted Government servants are:—

- (1) that the bill is drawn according to the sanctioned scale, that the substantive pay, and the increase thereto, of an officiating Government servant, are distinctly shown, where necessary, that arrear pay is drawn on a separate bill, that the name of any person

on leave, suspension or deputation, as well as the name of the officiating person, is shown in the bill and in the absentee-statement, accompanying the bill ;

- (2) that the increment certificate is attached when an increment is drawn ;
- (3) that, in the case, of Government servants passing an efficiency bar in a time scale, a declaration from the authority .empowered to allow the increment that it has satisfied itself that the Government servant is fit to pass the efficiency bar is received.

177. Deleted.

### **Passage Concessions**

178. A pro forma account in the form prescribed by the Auditor General will be maintained by the Accountant General concerned outside the Government Account for each Government servant, and for each member of his family, who is eligible for the benefits of the Passage Concessions under the Service rules made by competent authority. This will be called the Personal Passage Account. Detailed rules for maintaining the passage accounts and for auditing the passage concessions are laid down in the Audit Manual.

### **Compensatory Allowances and Honoraria**

179. In auditing sanctions to the grants of any compensatory allowances, fees or honoraria to Government servants the following general conditions should be kept in view.

- (1) Unless in any case it be otherwise distinctly provided, the whole time of a Government servant is at the disposal of the Government which pays him, and he may be employed in any manner required by proper authority, without claim for additional remuneration, whether the services required of him are such as would ordinarily be remunerated from the revenues of the Central or a Provincial

Government, from a local fund or from the revenues of an Acceded State.

- (2) The authority granting or permitting a Government servant to receive any honorarium or fee is required to pay due regard to the principle enunciated in (1) above and also to record reasons justifying the grant of the extra remuneration to the Government servant concerned.
- (3) The amount of a compensatory allowance is to be so regulated that the allowance is not on the whole a source of profit to the recipient.

180. The fundamental requirements which Audit must find satisfied in travelling allowance bills are: —

- (i) that the journey was actually performed.;
- (ii) that it was necessary, and authorised by general or special orders ;
- (iii) that it was performed as expeditiously as possible ;
- (iv) that no bill has been submitted for it before ; and
- (v) that the amount drawn is correct with reference to rates and general conditions.

181. As some of the checks prescribed above cannot be exercised by an Audit office independently the duty of scrutiny of travelling allowance bills is divided between controlling officers and Audit Officers. It is an important function of Audit to conduct an occasional test check to see that the scrutiny entrusted to controlling officers under the rules of the Government in relation to these bills is exercised by them properly.

### **Recruitment to Posts and Services**

182. (1) Audit Officers are not required to watch the observance of provisions of the following nature relating to recruitment or appointment to posts or services, as these are the concern of the Administrative authorities :—

- (a) rules relating to the representation of communities, sects, creeds or races or of persons of a particular domicile, birth or sex ;

- (b) rules relating to the proportion to be observed in recruitment to services between personnel promoted from subordinate ranks and that recruited direct; or
- (c) rules relating to educational or other qualifications.

(2) When, however, an Audit Officer is of opinion that in accordance with any rule or order a post is reserved for members of a particular service and an outsider is appointed he will call for the sanction of the authority which is competent to remove the reservation. The fact that the pay of a post has been fixed on the assumption that it will be held by a member of a particular service tends to show that it was intended to reserve the post for that service but this by itself is not conclusive evidence.

Note.—This check need not be applied in case of non-gazetted Government servants.

### **Payment beyond the Age of Superannuation**

183. No pay should be passed for a Government servant beyond the date of attaining the age of superannuation or on the expiry of a term of extension of service sanctioned by competent authority.

### **Last-Pay Certificate**

184. Under the Treasury Rules of the Central and Provincial Governments no withdrawal can be permitted on a claim for the first of any series of payments of pay and allowances in a district by a Government servant other than a person newly appointed to Government service, unless the claim is supported by last-pay certificate in such as may be prescribed by the Auditor General.

The preparation of last-pay certificates in cases of transfers on duty or of return from leave is to be regulated according to the rules in Appendix 3. In order to enable him to draw his pension a similar certificate will be furnished to the Audit office when a Government servant retires on pension.

### **Leave Procedure and Leave Account**

185. The instructions issued by the Auditor General in order to secure efficiency and uniformity of audit in connection with the leave procedure are embodied in Appendix 4 to this Chapter. The instructions are mainly applicable in case of Civil Officers or Military Officers in Civil employ.

186. Subject to any exceptions specially authorised, a leave account is maintained by the Accountant General for every gazetted Government servant whose pay is audited by him. The account should be maintained in Forms 1, 2 or 8 according as the Government servant concerned is subject to special/Ordinary Leave Rules of the Fundamental Rules or the Prescribed Leave Rules 1955. Government may require a similar account-to be maintained in the case of non-gazetted Government servants whose pay is audited like that of gazetted Government servants. The rule does not apply to Government servants to whom the Revised Leave Rules 1933 apply.

The leave account is posted both when the Government servant applies for and when he returns from leave.

### **Record of Service**

187. Subject to such exceptions as may be authorised by the Auditor General a record of services in Form 3 should be maintained for each gazetted Government servant or a specified non-gazetted Government servant by the Accountant General who audits his pay. This record may be styled as History of Services. It is primarily intended for the records of all facts in the official career of the Government servant, which have a bearing on pay, promotion, leave pension, etc. Officiating promotions involving no change of duties should generally be omitted; but in the case of members of services which consist mainly of grades, the duties of which are not separate and distinct, all officiating promotions should be shown.

188. A service book in Form 4 is to be maintained for every non-gazetted Government servant for whom it is prescribed under the orders of the Government concerned. In this book every step in the Government servant's

official life should be recorded and each entry attested by such superior officer as may be prescribed by the Government.

189. If a non-gazetted Government servant is transferred to Foreign Service, the Accountant General of the Government (Central or Provincial) under which he was permanently employed at the time of his transfer to foreign service, will on receipt of the service book from the head of the office or department concerned, have noted in it, over the signature of a Gazetted Officer, the order sanctioning the transfer, the effect of the transfer in regard to leave admissible during foreign service and any other particulars which he may consider to be necessary, and return the service book to the officer from whom it was received. On the Government servants retransfer to Government service, the Accountant General will again have noted in the service book, over the signature of a Gazetted Officer, all necessary particulars concerned with the Foreign Service. All entries relating to the time spent in Foreign Service should be attested by the Audit Officer.

#### **Appendix 4**

**(See Article 185)**

**Instructions issued by the Comptroller and Auditor General In order to secure Efficiency and uniformity of audit in relation to leave procedure.**

#### **CHAPTER 3. —GRANT-IN-AID AUDIT**

190. The following Articles apply to the audit of the grants-in-aid made by Government to a body, fund or concern which is financially independent of Government. If in any case it is found politic or expedient to finance- from a lump sum grant sanctioned as a grant-in-aid, any expenditure on the public service, the relevant sanction and the resultant expenditure will be audited on the principles laid down by the Auditor-General for the classes of expenditure actually concerned. At the same time the implications of this method of financing and controlling expenditure on the public service should be examined carefully and, if necessary, brought prominently to notice.

191. In the case of a grant-in-aid, audit can be applied (i) to the original grant itself and (n) to the expenditure, which is subsequently incurred from it by the grantee.

192. The audit of the grant itself will be conducted according to the general principles and rules laid down for the audit of expenditure in Section III of this Code, with particular reference to the following provisions.

- (a) In auditing sanctions to grants-in-aid, the general principles enunciated in Articles 58 et etc. should be followed. It frequently happens, however, that the power of sanctioning grants is delegated to subordinate authorities subject to the previous fulfillment by the grantees of certain conditions. Thus, grants may be made to educational institutions which reach specified standards in respect of number of scholars, methods of instructions and the like. In such cases, if the order sanctioning the grant quotes the relevant rule. Audit should ordinarily accept the expressed or implied certificate of the sanctioning authority that the prescribed conditions have been fulfilled; but it should take any available opportunity of scrutinizing the methods by which that authority satisfied itself of such fulfillment. In addition, a test audit should, where possible, be applied to check the fulfillment of the conditions in individual cases.

Note 1. —The test audit suggested in this rule can most conveniently be done in the office of the sanctioning authority where all necessary papers will be available. The precise method by which the check will be exercised for different classes or grants-in-aid may be settled by the Accountant General in consultation with the Auditor General and detailed in the relevant office manual.

Note 2.- 1C a Government has ruled that before a grant is paid the sanctioning authorities under its Control should, as far as possible, obtain audited statements of the accounts of the institutions to which they pay grants-in-aid in order to see that the grant was justified by the financial position of the grantee

and also to ensure that any previous grant was spent for the purpose for which it was intended. Audit should watch that these orders are observed.

Note 3. —Audit should ordinarily accept statements on purely technical matters made by responsible technical officers.

- (b) The audit of the disbursement of grants-in-aid should be conducted as prescribed in Article 86 et seq.

193. The extent of the audit of expenditure from a grant-in-aid by the grantee depends on whether the grant is conditional or unconditional. Where no conditions are attached to a grant. Audit is in no way concerned with the manner in which the grant is utilized by the grantee.

Where conditions are attached to the utilization of the grant, these usually take the shape of specification of the particular objects on, or the time within which the money must be spent. Whatever the nature of the conditions. Audit cannot be completely divested of responsibility for seeing that they are fulfilled. The procedure specified below should be observed in such cases.

- (a) If in any case the expenditure from the grant is audited by the Accountant-General either centrally or in the course of local inspections, his scrutiny should include a complete or a test check of the fulfillment of the prescribed conditions.
- (b) If the expenditure from the grant comes under the audit of an officer subordinate to the Auditor-General under the provisions of Article 9, it will suffice if the Accountant-General satisfies himself, by reference to the reports of that officer, that the conditions are being fulfilled. The extent of check to be applied by that officer will be prescribed by the Accountant General.
- (c) In cases not falling under (a) and (b) above, the statements and certificates of the Administrative Government authorities may be accepted in audit; but here also a test check should, where possible, be applied, the test check being extended even to examining the adequacy of the procedure observed for obtaining the assurance whereon the certificates are based. In provinces in

which the audit of local authorities and public or quasi public bodies is conducted by an officer not subordinate to the Auditor-General, a certificate based on that officer's audit may be accepted without further test check.

Note. —Where expenditure from a grant-in-aid is audited locally the auditor should either include in his report a certificate that the conditions on which the grant was made have been or are being fulfilled, or should give details of the breaches of those conditions.

194. Unless it is otherwise ruled by Government, every grant made for a specified object is subject to the implied conditions: —

- (i) that the grant will be spent upon that object within a reasonable time, if not time-limit has been fixed by the sanctioning authority, and
- (ii) that any portion of the amount which is not ultimately required for expenditure upon that object will be surrendered.

**Audit scrutiny, when applied, should pay due attention to these points.**

195. When recurring grants-in-aid are made to an institution it should, as far as possible, be verified in audit that the grantee continues to function as such institution, and that the circumstances in recognition of which the grant was sanctioned still continue to exist.

**CHAPTER 4.—CONTINGENT AUDIT**

196. The actual classification of Contingent charges is determined by the orders of the Government concerned and as a result it differs in the sphere of different Governments. It will be found, however, on consideration of the dominant conditions governing the particular expenditure that all contingencies will fall into one or other of the following five classes.

- (a) Contingent charges met from a lump sum grant placed at the disposal of a disbursing officer for expenditure, at his discretion, on

certain specified objects. Such charges are known as Contact Contingencies and generally consist of charges the annual incidence of which can be averaged with reasonable accuracy.

- (b) Contingent charges, regulated by scale laid down by the superior authority. Such charges may be designated Scale regulated Contingencies.
- (c) Contingent charges whether recurring or non-recurring which cannot be incurred without the special sanction in each case of superior authority. These may be termed Special Contingencies.
- (d) Contingent charges, which, though they may be incurred without special sanction, require the approval and counter-signature of superior authority before they can be admitted as legitimate expenditure against the revenues of the Central or of the Provincial Government. Countersignature is ordinarily obtained after the bills are paid, but in rare cases it is necessary before payment. Such charges are known as Countersigned Contingencies.
- (e) Contingent charges, which require neither special sanction nor countersignature but may be incurred by the disbursing officer on his own authority subject to the necessity of accounting for them. Such contingencies may be termed Fully Vouched Contingencies; though in actual practice the Auditor-General dispenses with the production to Audit of vouchers of less than a prescribed amount.

197. It must be recognised that the five classes of Contingencies described in the foregoing Article are not necessarily mutually exclusive. There may be cases in which Special Contingencies are regulated by scale; or in which a bill for Scale-regulated Contingencies requires countersignature. Where a contingent bill falls in this way within two or more classes, the methods of audit prescribed for each of those classes should, as far as possible, be applied to it.

198. It is for the Government to prescribe what classes of expenditure will be brought under the contract system and to which departments the system

will be extended. It is also for the Government to lay down any scale in regard to contingent charges to be regulated thereby to determine the authority competent to sanction special contingencies and to name the controlling authority whose signature is necessary in regard to Countersigned Contingencies.

199. The responsibility for the effective control of contingent expenditure rests primarily upon the heads of offices and departments. Audit Officers merely examine the fulfillment of that responsibility by their audit of such expenditure, the extent of which varies greatly with the different classes of contingent charges. It is least of all in the case of Contract Contingencies. It is some what greater in respect of Scale-regulated and Special Contingencies as in the former case Audit has to satisfy itself that the charges incurred are in accordance with the scale which governs them and in the latter it has to watch the expenditure against the necessary sanction of the superior authority. Over Countersigned Contingencies, the major portion of the control apart from certain definite audit responsibilities is exercised by the countersigning authorities. The responsibility of Audit is the greatest of all in the case of Fully-vouched Contingencies. For all classes of Contingent Charges alike, except that in the case of Contract Contingencies these responsibilities should be discharged only as far as the rules in connection with those contingencies permit; the Accountant-General has the following minimum responsibilities, which should be exercised in respect of all Contingent bills audited. He must see: —

- (i) that each class of expenditure—
  - (a) is a proper charge against the Grant or Appropriation concerned ;
  - (b) has received such sanction as is necessary ;
  - (c) has been incurred by a Government servant competent to incur it ;
- (ii) that such vouchers as are required by Audit have been submitted (see Article 201) ;

- (iii) that any certificates required under the financial rules of the Government concerned have been provided ;
- (iv) that the rates are apparently not extravagant and that standards of financial propriety as laid down in Article 85 are properly observed;
- (v) that the bill is in proper form and the classification is correctly recorded thereon;
- (vi) that the flow of expenditure is not too rapid; this check will be applied in the case of those bills for which an audit register is maintained ; and
- (vii) that, if the expenditure in the month of June is unusually large, it does not lead to irregularities.

200. When payments are made at certain contract rates, which are not required to be communicated to the Audit Office a certificate should be obtained from the competent authority to the effect that the claim is correct with reference to such contract rates.

201. In case of Contract Contingencies no sub-vouchers need be sent to Audit unless the financial rules of the Government provide to the contrary.

Sub-vouchers above Rs. 25 each in the case of other contingencies should be furnished to the Audit officer for purposes of audit unless this limit is altered in any case by the Auditor-General. In the case of Counter-signed Contingencies, however, if having regard, to the control exercised by the controlling officers the Accountant-General is satisfied that he can dispense with sub-vouchers for higher amounts not exceeding Rs. 100 he may prescribe this limit; he should be careful to intimate to Government that he has done so.

## **CHAPTER 5. —AUDIT OF MISCELLANEOUS TRANSACTIONS**

### **Pension Audit**

202. The term "Pension" used in the following Articles includes Gratuity.

203. The audit of pensions consists in verifying that the qualifying conditions governing the grant of a pension are fulfilled and that the amount of pension sanctioned and drawn is correct.

204. No pension is ordinarily sanctioned until the Accountant-General concerned has verified that the qualifying conditions are fulfilled and certifies that the amount which it is proposed to sanction is permissible under the relevant rules.' On receipt of the order of sanction the Accountant-General who reported on the admissibility of the claim will, before authorizing payment of pension, check that the sanction conforms to the report made by him.

205. In cases in which an authority which is competent to sanction a pension records on the pension application or on the letter forwarding the application its recommendation that the pension claimed should be admitted, the Audit Officer, on finding the claim in order, should forthwith issue the necessary authority for payment and intimate the fact of having done so to the authority concerned.

206. When an authority, which is competent to sanction claims to pension without previous reference to the Audit office, sanctions a pension without such a reference the Audit Officer should satisfy himself that the amount sanctioned is correct and that the rules governing the grant of the pension in question have been properly applied, before arranging for the payment of the pension sanctioned.

207. Pension payments must be authorised strictly in the terms stated and to the persons named in the sanctioning order. Accountants-General have no authority to discuss or enter upon any questions relating to succession to, or division of, or claims to pensions, but must direct all such matters to be referred for the orders either of the Government or of the authorities who may have been appointed to decide them in the rules framed under Act XXIII of 1871.

208. The rules contained in the preceding Articles apply mainly to combined Audit and Account offices subordinate to the Auditor-General!- In case of department, e. g., Defence and Railway, where accounts are kept by an agency not under the control of the Auditor-General, the reports on the admissibility of claims for pension are prepared in Accounts offices of those departments. The work done in the Accounts offices is, however, subject to test check by Audit Officers subordinate to the Auditor-General.

209. The audit of payment of pensions, besides testing the formal accuracy of vouchers, should be directed to seeing: —

- (1) that the amount of pension drawn is not greater than the amount sanctioned ;
- (2) that the amount paid was duly authorised ;
- (3) that the voucher is duly supported by the prescribed life-certificate, if the pensioner does not appear in person to receive payment ; and
- (4) that the prescribed certificates regarding non-employment, marriage, etc., are furnished in evidence of the continued title to pension.

Note.—Claims to arrears of pension should be carefully examined and it should be seen that they are supported by requisite sanction of the competent authority where necessary. Audit Officers should further see that the rules regarding periodical identification of pensioners are duly observed by disbursing authorities.

### **Interest Payment Audit**

210. The audit of interest payments on Government borrowing is divided between the Audit Department and the Public Debt Office, State Bank of Pakistan. The former is to assume that the principal sum stated in the interest voucher is the correct amount upon which interest is to be paid, and also that interest has not been already paid for the half year for which the claim is made. But in all other respects, and especially in respect of the correctness of the

calculation of the interest and income tax and the casting of totals, the vouchers are subject to regular examination and audit.

211. The duty of the Public Debt Office in regard to these payments is to check that (1) the amount of the promissory note is correctly stated in the voucher, and (2) interest has not been paid twice for the same half year.

Note—The work done in the Public Debt Office is subjected to a test audit by the Auditor General.

### **Miscellaneous**

212. For some payments of a miscellaneous nature, e.g., remittance vouchers, cheques, discount vouchers, etc., nothing more than a minimum audit can be prescribed generally : this minimum consists in a verification that there is a sufficient vouchers for the payment and that there is a sufficient authority for making it.

213. Where with the consent of the Auditor-General the Accountant-General undertakes to perform all or any prescribed part of the duties of a treasury at station where Audit office is located in respect of claims against the Government that may fall due for disbursement, and moneys that may be tendered for credit to the Public Account of the Government, the procedure to be followed in making such payments and receiving such moneys is as prescribed in the rules in Appendix 5 to this Chapter.

## **CHAPTER 6.—WORKS AUDIT**

### **Scope of Audit**

214. The audit of Works transactions is conducted in three stages: —

- (1) preliminary audit by the Divisional Accountant in the Divisional office;
- (2) audit in the Audit office; and
- (3) test-audit at the periodical inspection of the Divisional office.

Preliminary Audit

215. As a primary auditor (i. e., as the representative of the Audit Department, charged with the responsibility of applying certain preliminary Checks to the initial accounts, vouchers, etc.) the Divisional Accountant is responsible for examining the accounts returns of Sub-divisional Officers to sec:—

- (i) that they have been received in a complete state ;
- (ii) that all sums receivable are duly realised and on realization credited to the proper head of account, and also to the proper personal account. (if any) of the contractor, employee or other individual;
- (iii) that the charges are covered by sanctions and allotments, and are supported by complete vouchers setting forth the claims and the acknowledgements of the payees legally entitled to receive the sums paid;
- (iv) that all vouchers and accounts are arithmetically correct;
- (v) that they are in all respects properly prepared in accordance with rule;
- (vi) that all charges are correctly classified, those which are debatable to the personal account of a contractor, employee or other individual being recorded as such in a prescribed account ; and
- (vii) that on the basis of rates sanctioned by competent authority and of facts (e.g., quantities of work done, supplies made, etc., or services rendered) certified by authorised Government servants, the claims admitted for payment are valid and in order.

Note— It is not necessary that the Divisional Accountant should check personally the arithmetical accuracy of all voucher and accounts, but he is responsible that a cent percent check is exercised efficiently under his supervision.

216. The Divisional Accountant should exercise a similar check, from day to .day, upon—

- (i) the transactions recorded direct in the accounts of the Divisional office, and
- (ii) bills and vouchers of sub-divisions, which are submitted to the Divisional Officer for approval before payment is made by the Sub-divisional Officer: in respect of charges this examination should be conducted before the payment is made.

The cash and stock accounts of the entire division, as also all transfer transactions, should be scrutinized by the Divisional Accountant before they are included in the Monthly Account and connected registers and schedules.

217. The Divisional Accountant should see that every payment is so recorded, and a receipt for it so obtained, that a second claim against Government on the same account is impossible, and if it represents a refund of a sum previously received by Government, that the amount paid is correctly refundable to the payee.

218. It is one of the functions of the Divisional Accountant to see that expenditure, which is within the competence of the Divisional Officer to sanction or regularize, is not incurred, as a matter of course, under the orders of subordinate disbursing officers without his knowledge. All such items of expenditure should at once be brought to the notice of the Divisional Officer and his orders obtained and placed on record.

219. (a) The Divisional Accountant should also bring to the Divisional Officer's notice all instances in which subordinate officers exceed the financial limitations on their powers placed by the Divisional Officer or higher authority.

1. If the Divisional Officer is allowed a lump sum provision for expenditure on a group of works, and he has made out of it allotments or individual works, expenditure should be watched against individual allotments and excesses brought to the Divisional Officer's notice.

(b) He may further be required by the Divisional Officer to undertake on his behalf, such other scrutiny of the accounts of the receipts and disbursements of subordinate officers falling within the Divisional Officer's own powers of sanction, as the latter may consider necessary.

220. If against a single sanction, two or more disbursing officers have to operate simultaneously, the Divisional Accountant should see that orders of the Divisional Officer are obtained imposing a definite limitation on the money transactions of each officer. Similarly, if disbursing officers of two or more divisions are concerned, the orders of the Head of-the Circle or higher authority should be obtained. In such cases, it may be advisable to have a separate working estimate, or other sanction, to cover the transactions of each officer, and, for the purpose of bringing the expenditure to account, these should be treated, as far as possible, as independent transactions pertaining to the same group works or the same project. If this is not possible, special arrangement must be made for the check of the total expenditure against the sanction.

221. The Divisional Accountant should check the works expenditure with the estimates to ensure that the charges incurred are in pursuance of the objects for which the estimate was intended to provide. In the case of works the expenditure on which is recorded by sub-heads, i.e., items of works such as brickwork, etc., the Divisional Accountant is responsible for checking the expenditure on each sub-head with the estimated quantity of work to be done, the sanctioned rate, and the total sanctioned cost, so that he may bring to notice all deviations from the sanctioned estimate.

222. The Divisional Accountant should see that without the orders of competent authority the authorised gross expenditure on a work is not exceeded and that any surplus recoveries of expenditure are not utilized.

217. The results of the examination of accounts and vouchers received from Sub-Divisional Officers should be intimated to them in all cases in which it is necessary to obtain further information, accounts, vouchers, certificates, etc., or to direct them to correct the relevant records of their offices or avoid the recurrence of any irregularity. The procedure to be observed may be prescribed by the Divisional Officer. The records connected with the results of the examination should be retained so as to be available for the Accountant General's inspection.

228. The Divisional Accountant is further required to inspect periodically, under the orders of the Divisional Officer, the accounts records of sub-divisional offices to check a percentage of the initial accounts. The defects noticed should be reported to the Divisional Officer for orders, but the Division Accountant will be responsible, as far as possible," for explaining personally the defects of procedure and for imparting necessary instructions thereon to the Sub-Divisional Officers and their staff.

The results of these inspections should be placed on record for the inspection of the Accountant General, but serious financial irregularities should be reported at once for the information of that officer, even though set right under orders of competent authority. All defalcations or losses of public money, stores or mother property, which require report to the Accountant General, under the financial rules of the Government concerned should be immediately reported to him.

#### **Audit in Audit Office**

229. The audit of works expenditure in the central office should be conducted in accordance with the general principles and rules laid down in this Code. Due regard should, however, be paid to the financial rules and orders of the Government concerned. The main points with reference to which the audit scrutiny should be exercised are the following: —

- (i) the sufficiency of the authority for incurring the expenditure ;
- (ii) the accuracy of the classification of the charges against the works, persons, services and heads of accounts concerned ;
- (iii) the proof of payment to the correct individual (i.e., through the existence of a properly receipted voucher for all payments, where necessary); and
- (iv) the observance of standards of financial propriety.

**Note. —In as much as the Divisional Accountant employed on conducting the preliminary audit check in a Divisional office is a member of the Accountant General's establishment, and is posted by him to the Divisional office; the Audit**

office is responsible for seeing that the work entrusted to the Accountant is done efficiently. The general supervision of the work of the Divisional Accountant is, therefore, an important function of the Audit office.

230. An important part of the audit conducted with reference to item (i) of the preceding Article is the scrutiny of sanctions and orders. Expenditure on a work must be covered by—

- (a) a sanctioned detailed estimate for the work.
- (b) an allotment (for each year during which any expenditure is inclined on the work), which may be either for the work itself or for the whole unit of appropriation within which the work falls along with one or more other works, according to the rules on the subject prescribed by the Government concerned.

In some cases separate financial sanction of competent authority may also be necessary under the provisions of the financial rules and orders of Government before any expenditure can be incurred on a work. In the case of Central works, such sanction, when accorded by the Finance Ministry of the Central Government is termed "expenditure sanction".

231. The requirement of (a) of Article 230 is satisfied if there exists the technical sanction of competent authority to a detailed final estimate of cost, as distinguished from a rough or preliminary estimate such as is usually prepared by the Public Works Department for obtaining the administrative approval of other departments to works in which they are interested. Unless, with the concurrence of the Auditor General, the Government concerned has laid down this further special instruction, the Audit office is not required to see that the work has received the necessary administrative approval as well, or that the amount of the technical sanction does not exceed, without proper authority, the amount of the administrative approval ; but see Article 232. Before accepting in audit the technical sanction to a detailed estimate, it must, however, be seen that if any separate financial sanction is also necessary (Article 230), it has been accorded by competent authority, and that the amount of the estimate does not exceed the amount of such sanction.

232. Both in provinces and elsewhere, in respect of Civil Works of the Central Government for which the administrative approval of the Central Government or of officers of Central departments not under the control of the Provincial Government is necessary under rule, the Audit office is required to see (1) that such approval has been communicated to Audit, and (2) that, if the amount of the technical sanction exceeds the amount of the administrative approval, the excess has been approved by competent authority. Similarly, in respect of both Civil and Irrigation works, where Public works officers are authorised to accord technical sanction to various component parts of a project after it has been administratively approved, the Audit office is to see, in addition to the abovementioned points, that, if the amount of technical sanction to any component part exceeds the provision for it in the project estimate which has received administrative approval, the excess has received the approval of competent authority.

233. If, under the provisions of any financial rule or order, a competent authority holds that the preparation of a revised or supplementary detailed estimate, to cover an actual or probable excess over a sanctioned estimate, is unnecessary, and it condones or permits the excess, as the case may be, the order passing the excess will take the place, for the purposes of Articles 230 (a) and 231 of the technical sanction to a estimate in respect of the excess.

234. Ordinarily, all cash stock, and other charges incurred on a work which are covered by necessary allotment are admitted in audit against (the total amount of the technical sanction, if they are supported by proper vouchers where necessary, further detailed examination being left to the Divisional Accountant and the Inspecting Officer. But where under the provisions of the financial rules and orders of Government Divisional Officers are required in any case to obtain the special sanction of a higher authority in respect of any items of expenditure debitable against the sanctioned cost of the work, such special sanction where necessary must be communicated to the Accountant General for audit purposes. Special sanctions accorded by the Divisional Officer himself in the exercise of his own powers, are communicated to the Audit office only in respect of technical

sanctions to estimates and sanctions to write off of stores or losses of public money, as the audit of expenditure against other special sanctions accorded by him is conducted, in his own office, by the Divisional Accountant.

235. Every sanction, whether relating to expenditure on works or to revenue or other transactions of a division, should be audited (Article 66) as soon as it is received and even though it may be placed under objection it should be properly recorded. In cases in which a sanction authorizes expenditure, which is known to be recoverable from a third, party or which is required under rule to be so recovered or to be adjusted ultimately otherwise, the necessary recoveries or adjustment should be watched in. the Audit office.

### **Inspection and Local Audit**

236. The audit conducted in the Audit office should be supplemented by periodical inspections and test audit of initial accounts and such other accounts, vouchers, etc., as are not rendered to Audit office or as cannot be checked adequately except at a local audit. The general principles and rules relating to such inspections and test audit are prescribed in Chapter 8 of Section III. The detailed instructions on the subject are given in the Audit Manual.

## **SECTION V**

### **RESULTS OF AUDIT**

#### **CHAPTER I. —RAISING AND PURSUANCE OF OBJECTIONS**

##### **Introductory**

237. Audit depends for its effective value in its right and duty to report results to the proper authority so that appropriate action may be taken to rectify the irregularity or impropriety, where possible, or to prevent a recurrence of it. This authority may be a departmental authority, Government itself, or in the last resort the Legislature through the Public Accounts Committee.

238. It is in the treatment of results of audit that the auditorial function demands the highest qualities of understanding, balanced judgment and sense of proportion: and it is to enable him to deal with results adequately that the auditor

has been accorded a high degree of independence and prestige. An auditor must develop an instinct for assessing the importance of an individual irregularity.

The auditor must keep before him his primary functions of securing the substantial correctness of accounts, and the regularity and propriety of individual financial transactions. He must decide therefore, when the detailed audit of accounts and transactions has been completed and all infractions of rules and orders noticed, whether to demand regularization or correction in an individual case, or whether to be satisfied with prevention of the error or irregularity for the future. In exercising this discretion regard will be paid to the Statement of general principles in Articles 23 to 29. In particular, it will be remembered that, while financial rules and orders must be observed, mere rigid and literal enforcement of such rules and orders may degenerate into wholly unintelligent audit. As a general rule, undue insistence on trifling errors and technical irregularities should be avoided, and more time and attention devoted to the investigation of really important and substantial irregularities with the object not only of securing rectification of the particular irregularity but also of ensuring regularity and propriety in similar cases for the future. At the same time failure to appreciate the significance of what appears to be a trifling irregularity may lead to failure to discover an important fraud or defalcation. Again, notice may be taken of the cumulative effect of numerous petty errors or irregularities as indicating carelessness and inefficiency in the maintenance of accounts or in financial administration generally.

To save time and trouble over petty sums powers have been delegated to Audit Officers by the Central and Provincial Governments to waive audit objections under certain conditions (see Articles 248 to 250) and such powers should be exercised by those officers freely but with discretion.

239. All observations and objections must be conveyed in courteous and impersonal terms, and must be legible and intelligible. It is of the utmost importance that any statement of criticism or of irregularity in an audit report should be accurate, fair, moderately worded and dispassionate. Innuendo is

forbidden: If a charge cannot be substantiated, there should not be even any hint of it.

240. Objections and observations in relation to any accounts or transactions subjected to audit should be communicated to the disbursing and, where necessary, to the controlling authorities at the earliest opportunity. The Treasury Officer should be addressed only when recoveries have to be ordered, or in respect of objections for the removal of which he is directly responsible. It is important that before they are communicated objections should unless otherwise provided in any case, be registered in detail in the prescribed records maintained in the Audit office.

241. Reports of individual cases of serious financial irregularity should, in the first instance, be addressed to the controlling authority concerned or to such other authority as may be specified by Government, though copies may be sent to higher authority simultaneously for information in cases which are regarded to be so serious that they will eventually have to be brought to the notice of that authority.

242. Every query-or observation made by Audit in relation to any accounts or transactions should be taken promptly into consideration by the is disbursing officer or any other Government servant or authority to whom it may be addressed and returned with the necessary vouchers, documents or explanation to the Accountant General concerned within such time as may be prescribed by him in consultation with Government. As irregularities rectified to the reasonable satisfaction of audit will not ordinarily be pursued further it is to the advantage of the disbursing and departmental officers to expedite disposal of audit queries,

### **Pursuance and Clearance of Objections**

243. The responsibility for the removal of objections, and the settlement of other points raised in audit devolves primarily upon disbursing officers, heads of offices, and controlling authorities. To assist the Finance Department of the Government concerned in the maintenance of financial regularity and a proper system of accounts, the Accountant General is expected to maintain a constant

and careful watch over objections and to keep controlling authorities fully acquainted not only with individual cases of Serious disregard of financial rules, but also generally with the progress of the clearance of objections. The procedure to be observed should be determined by the Accountant General in consultation with the Finance Department.

An intelligent, prompt and vigorous pursuance of objections and early report of any important irregularity to Government are essential so that the Audit Reports required to be submitted by the Auditor General may have their full value.

244. If a Government so desires, abstracts of outstanding objections should be prepared in such form and submitted to it, or to any other authority specified by it, on such dates as may be settled by the Accountant General in consultation with the Finance Department. These abstracts may be accompanied, when so required by Government, by suitable extracts detailing by Civil districts. Public Works divisions, etc., the more important of the outstanding objections;

245. (1) While it is the duty of Audit to call attention to any disbursement which it considers to be improper, it is the function of the Executive authorities to order recovery of the amount, to confirm the disbursement or to forego the recovery of the sums improperly disbursed.

(2) Subject to the provisions of Articles 247 to 250 the Accountant General should, as soon as the facts come to his notice, direct the recovery of sums in respect of which there is no doubt that they have been improperly disbursed: this power of directing recovery though not inherent in the auditorial function is accorded by convention to authorities of the Pakistan Audit Department in virtue of their dual accounting and audit capacity. If, in any case, the Accountant General is doubtful of the propriety of any expenditure, he should at once take steps to resolve the doubt by reference to the Executive authorities or to the Auditor General, as the circumstances of the case may require. If, in any case, an Executive authority desires to forego recovery of an amount the recovery of which has been directed by Audit, it may be required to furnish the requisite

sanction. Such sanctions when received should be scrutinized by the Accountant General and if he considers them to be open to criticism on grounds of propriety or for other reasons, should raise and pursue the objections to them (see also Article 251).

246. When an amount is outstanding for recovery against a Government servant and money is also due to him by Government, but has remained undrawn for a considerable period owing to the death or resignation of the Government servant or any similar cause, the Audit Officer may adjust the amount due by the Government servant against the amount due to him by Government; and thus clear the objection. A bill from the head of the office should be called for in the case of Government servants who do not prepare their own bills and note of payment and adjustment should be made in the relevant records.

247. In the case of any Government servant who has proceeded on leave out of Pakistan and to whom overpayments may have been made, claims for repayments should not, as a rule, be enforced until he returns to duty in Pakistan and is 'MS1' in receipt of Pakistan pay and allowances. When, however, it becomes necessary to require any such recoveries to be effected outside Pakistan through the High Commissioner for Pakistan in London, all necessary documents, with the replies of the absentee Government servant to any objections that may have been raised should be furnished in duplicate for the orders of the Government concerned, and for transmission, if necessary, to the High Commissioner for Pakistan in London.

1. Sums less than Rs. 10 should in no case be advised for recovery.

248. (1) In order to avoid unnecessary expenditure of time and labour on cases of a simple and unimportant character, all the Governments in Pakistan, and the Central Government in the case of Posts and Telegraphs, Audit Officer also have agreed to the exercise on their behalf by the Civil Audit Officers of the following powers, which may not be delegated to subordinate officers :—

(a) An Audit Officer of rank not lower than that of Deputy Accountant General may forego recovery of irregular expenditure not

exceeding RS. 100 in any individual case; and a gazetted officer in charge of any section of an Audit-office may exercise the same power up to a limit of Rs. 100.

Note: - if the irregularity is such that it is likely to recur, the Government servants responsible should be told that the expenditure was irregular even if no recovery is made.

- (b) Some items are placed under objection, not because the whole or any portion of the expenditure is unjustifiable in itself but because it is not exactly covered by rule: or the authority for it is insufficient: or full proof, such as is afforded by sub-vouchers, that it has been incurred has not been produced. In such cases, the Accountant General may forego recovery up to a limit of Rs. 100 in each case, if the following conditions are fulfilled: —
  - (i) The expenditure must not be of a recurring nature.
  - (ii) Where the objection is based on insufficiency of sanction, the Accountant General must be satisfied that the authority empowered to sanction the expenditure would accord sanction if requested to do so.
  - (iii) Where the objection is based on insufficiency of proof of payment, the Accountant General must be satisfied that undue trouble would be caused by insistence on submission of full proof and must see no reason to doubt that the charge has actually been paid.
- (c) Where expenditure under objection has, for any reason, become irrecoverable, an Audit Officer of rank not lower than that of Deputy Accountant General may write off an amount not exceeding Rs. 100 in each case.

Note 1. —The powers conferred upon Audit Officers under the foregoing provisions of this Article should not be exercised in respect of items for the check or audit of which they have no authority, such as items in bills which their offices receive and forward to another office for audit or in respect of any amount outstanding under a Debt head. In respect, however, of transactions (relating to

Savings Banks, Money Orders and British Postal Orders which are adjusted under Debt and Remittance heads. Postal Audit Officers possess certain powers of waiving the recovery of petty amounts of overpayments and short realization.

Note 2.—The powers conferred upon the Audit Officers by these provisions cannot be exercised in respect of objections to excess over technical estimates of works. As, however the audit of expenditure on works against technical estimates is conducted on behalf of Government the Government concerned may issue orders empowering the Accountant General to waive objections to petty excesses and powers conferred by those orders should be exercised.

Note 3.—Under the powers conferred by clause (c) above Audit Officers may however write-off out standings in Provident Fund Accounts when such outstanding are not due to any mistake in accounting but represent overpayments established as irrecoverable for other reasons,

(2) (a) In the case of payments on account of personal claims which are placed under objection more than 'a year, after the date on which they are disbursed, the Accountant General before demanding recovery should, subject to the provisions of clause (b) below, refer the Matter for the orders of the Government concerned. If the order given is that recovery should be waived and the Accountant General is satisfied with the action of Government he will withdraw the objection otherwise the circumstances may be reported to the Legislature through the Audit Report.

The power of accepting the orders of Government in such cases is vested in the Accountant General personally and should not be delegated to subordinate Officers.

All cases in which the Accountant General has accepted (the orders of Government to forego recovery without further action should be recorded in a register which should be reviewed by him quarterly, or at such intervals as may be considered by him suitable.

The register should invariably show, inter alia, how the overpayments occurred in each case, what rules were contravened, the degree of responsibility

attaching to the drawing and disbursing officers on the one hand and to the Audit office on the other, the reasons of Government for waiving the recovery, those of the Accountant General for accepting the Government's orders and the remedial measures, if any, taken to prevent the recurrence of such cases.

(b) The Central Government and Provincial Governments have, however agreed that in respect of cases of the type referred to in (a) preceding the Accountant General may forego recovery on their behalf if the amount involved does not exceed Rs. 100 and he is satisfied that it was drawn by the Government servant concerned under a reasonable belief that he was entitled to it.

(3) The provisions of (1) and (2) above apply mutatis mutandis to overpayments discovered during local audits and to non-recovery of Government dues in cases where it is the duty of Audit to watch recovery.

149. The Central Government has agreed to the exercise of the following powers by the Director of Audit, Defence Services, and his subordinate officers to waive objections raised and forego demand through the Executive authorities for recovery of overpayments discovered in the course of test audit: —

#### **Under Article 248 (1) (a)**

Power to forego recovery of irregular expenditure:—

Director of Audit, Defence Services	=	Not exceeding Rs. 20 in any individual case.
Deputy Director of Audit, Defence Ser-	=	Not exceeding Rs. 10 in any individual vices, case.
Asstt. Director of Audit/Asstt. Audit Officer, Defence Services	=	Not exceeding! Rs. 2,-in any individual case.

Under Article 248 (1) (&)

Subject to the conditions laid down in clause (i) to (iii), the power to forego recovery: —

Director of Audit, Defence Services.	=	Upto Rs. 200.
Deputy Director of Audit, Defence	=	Up to Rs 100.

Services.

**Under Article 243 (I) (c)**

Power to write off expenditure under objection, which has become irrecoverable: —

Director of Audit, Defence Services = Up to Rs. 200.

Deputy Director of Audit, Defence = Up to Rs. 100.

Services.

**Under Article 248 (2) (b)**

Power to forego recovery in respect of personal claims: —

Director of Audit, Defence Services = Upto Rs. 200

Deputy Director of Audit, Defence = Up to Rs. 100

Services.

250. The Central Government has also delegated powers to the heads of "Railway Audit offices to refrain from raising formal objections in the following cases provided the powers are exercised only in individual cases when a defect of procedure is not observed and when any irregularity appears unlikely to be recurring or habitual: —

- (a) any item of irregular expenditure which does not exceed Rs. 30.
- (b) any item of expenditure up to a limit of Rs. 200 which, though otherwise justifiable in itself (a) is objectionable on the ground that it is not covered by requisite sanction, but where there is no reason to believe that such sanction would not be forthcoming if sought ; of (b) where full proof of the regularity of the expenditure is not forthcoming although there is no reason to doubt that the disbursement has been actually made ;
- (c) any item of personal claim not exceeding Rs. 100 irregularly disbursed more than a year previously, provided that it is reasonably, evident that the Government servant concerned drew it under a reasonable belief that he was entitled to it ;
- (d) any undercharge in items of earnings up to Rs. 2 ;

- (e) Any mistake, in the apportionment of earnings between State-managed lines, up to a limit of Rs. 200, where one or both of the parties either in a managing or owning capacity is other than Government up to a limit of Rs. 50;
- (f) any overcharge in public traffic less than Rs.10;and (g) any undercharge and overcharge in Government traffic up to Rs. 2

251. When an objection taken in the course of audit cannot be adjusted by the Accountant General in consultation with the concerned Executive authorities and the administrative Departments of Government, the case should be reported to the Finance Department of that Government for orders. In making such a report complete facts of the case with the expressed views of the Accountant General should be laid before that department. If there is a difference of opinion between that Department and the Accountant General, the latter may deal with the matter under Articles 264 and 267 or if he thinks it necessary seek the advice of the Auditor General.

Note.—This rule applies to objections raised on grounds of financial propriety or on any other grounds.

252. If in the course of audit an Audit Officer notices that something more is due to a Government servant than has actually been claimed he should bring the short payment or over deduction (unless the amount be insignificant) to the notice of the disbursing officer, or to that of the Government servant direct if he draws his own bills. The Audit Department will have done its duty when it has warned the Government servant that he has a further claim and" it cannot compel him to prefer it

253. It is not necessary to report individual cases of serious financial irregularity to the Auditor General unless his intervention is deemed desirable, but in cases of doubt or difficulty, the Accountant General may seek his advice: All serious and interesting cases of fraud or forgery, and cases indicating the need for change of procedure, should, however, be reported at once for the information of the Auditor General.

Note.—In all applications to the Auditor General for advice, a clear statement should be made of the point at issue, of the view which the Accountant General thinks should be adopted, of any action he has already taken and of the action he proposes to take. Copies of relevant reports and correspondence should accompany, where these may be necessary to explain any points in detail.

### **Treatment of Erroneous payments admitted in Audit**

254. When erroneous payments have been admitted in audit for a considerable time, owing either to a wrong interpretation of financial rule or to oversight, the following course should be observed.

- (a) When a wrong interpretation of a financial rule has been followed, the new interpretation should, in the absence of special instructions to the contrary, take effect from the date of issue, by competent authority, of the orders stating the correct interpretation.
- (b) When erroneous payments have been left unchallenged through oversight, the Accountant General should not of his own motion undertake a re-audit of bills paid more than one year, previously. He should report the facts of the case for orders to the Government and re-audit should not be made unless the Government so desires.

Note.— Central audit has to, rely largely upon certificate and it is often possible and desirable to check such certificates by examination of original documents at local inspection. Such examination is not a re-audit for the purpose of this clause.

### **Reports on Defalcations or Other Losses.**

255. On receipt of a report on defalcation or loss of public money the Accountant General should call for such further information as he may require on the subject, and carefully examine the case and ascertain whether the defalcation was rendered possible by any defect in the rules, or whether it was

due to neglect of rules or want of supervision on the part of the treasury or other authorities. He should then report the result of such examination to the authority competent: to sanction the write-off the loss, unless he considers, for any special reason that the Government concerned should also be informed.

256. Whenever any case of loss in which there is a possibility of the State Bank of Pakistan being made liable to Government either in respect of operation on Government account conducted by itself or by its agents or otherwise, comes to his notice, the Accountant General should call for such further information as he may require on the subject. On receipt of this information which must be obtained without delay he should at once make a report of the case to the Finance Department of the Government concerned for such action, as it may deem fit.

### **Annual Review of the Working of Treasuries**

257. If the Government so desires, the Accountant General should submit to it a review of the working of treasuries in such form and detail as may be settled mutually.

## **CHAPTER 2—AUDIT REPORTS.**

### **Introductory.**

258. (1) The results of the audit conducted by the Auditor General under paragraph 13 of the Audit and Accounts Order are reported to the Legislature concerned 'through the medium of his reports which requires that he should submit.

The Auditor General in relation to the accounts of the Central Government and of each of the Provincial Governments will submit two separate, reports, namely: —

- (a) Audit Report on the Appropriation Accounts, and
- (b) Audit Report on the Finance Accounts.

In the case of the Central Government the Audit Report on the Appropriation Accounts will be submitted in four separate volumes as follows:—

- (i) Audit Report on the Appropriation Accounts of the Defence Services.
- (ii) Audit Report on the Appropriation Accounts of the Posts and Telegraphs.
- (iii) Audit Report on the Appropriation Accounts of the Railways.
- (iv) Audit Report on the Appropriation Accounts—Civil, i.e., for the remaining departments of the Central Government.

Not Deleted.

(2) The procedure which the Central and Provincial Legislatures follow in dealing with these reports is described in the Rules of Procedure framed by them from time to time under the Constitution.

259. While Article 198 of the Constitution imposes on the Auditor General the duty of reporting on the accounts, paragraph 11 (4) of the Audit and Accounts Order prescribes that the Auditor General shall prepare and present both Appropriation Accounts (in the case of accounts kept by him) and Finance Accounts. Thus with the Audit Report on the Appropriation Accounts the audited accounts in the form of Appropriation, Accounts of the entire expenditure ("voted" or "charged") of the Government for each financial year will be presented to the Legislature concerned. The Audit Report will contain such comments on the regularity and propriety of expenditure as/are deemed necessary and proper as a result of audit investigation. It will also bring to the notice of the Legislature the results of audit of all trading, manufacturing and profit and loss accounts and balance-sheets kept in respect of Government commercial or quasi-commercial undertakings.- Besides, it will include the report which the Auditor General is required to make on his examination of any receipts and accounts of stores and stock under paragraph 13 (2) of the Audit and Accounts Order will be such comments as he may think fit on any important irregularity discovered in the course of audit of such receipts and accounts.

The report should deal with those matters only which are comprised strictly within the ordinary conception of Appropriation Accounts the examination

of which comes within the duties of the Public Accounts Committee of the Legislature as defined in the Legislative Rules. [See Article 258 (2). ]

Note.—The Appropriation Accounts deal with the financial year ending on the 31st March, The Audit Report also deals with the transactions brought to account up to the end of the financial year to which the Appropriation Accounts relate. A convention has, however, been established with all Governments that it may also contain references to transactions accounted for in previous year concerning which further information has since been obtained or transactions in a later year concerning which it is desirable that the Legislature should possess early knowledge.

260. The object of the Audit Report on the Finance Account is to present to the Legislature with the accounts of the receipts and outgoings of the Government for each financial year a report on the financial results disclosed by the different accounts and other data coming under examination, that is to say, the revenue and capital accounts, the accounts of the public debt and of the liabilities and assets of the Government concerned as deduced from the balances recorded in its books and other information. It supplements the Audit Report on - Appropriation Accounts mentioned in the preceding Article.

261. Both these reports are documents of great importance and should invariably receive the personal attention of the Accountant General initially responsible for their preparation. Adequate measures should be taken to ensure the accuracy of information, which they contain.

262. The forms in which the Audit Reports should be prepared will be such as may be determined by the Auditor General from time to time. In prescribing these forms the Auditor General will give due weight to the views and requirements of Governments and Legislatures.

### **Audit Report on the Appropriation Accounts.**

263. The Audit Report should be self-contained in respect of all matters with which it deals. It is essential that a detached, dispassionate and technical attitude should be maintained and (hat expressions suggesting a political opinion

or bias should be avoided. The report should be so designed as to serve a double purpose. To the Government concerned, the report will show the extent to which its subordinates are complying with its rules and orders, and will often suggest directions in which those rules and orders can with advantage be amplified or modified. To the Legislature, through its Public Accounts Committee, it will reveal in general how far\*the Government has complied with its expressed views in matters of importance and in particular how far moneys placed at the disposal of Government were regularly and properly spent. In order adequately to fulfill the latter function the report should, in addition to the points arising out of audit against provision of funds, bring to the notice of the Legislature; (1) important financial irregularities, such as deficiencies of sanction, failure to enforce or respect prescribed rules and procedure, offences against universally accepted standard official conduct or financial administration, or any other class of irregularity, and (2) cases of losses, writes-off or nugatory expenditure.

264. The following may be taken, as some of the important subjects for inclusion in the Audit Report, but it should be clearly understood that the list is only illustrative and is not intended to be exhaustive. It is within the discretion of the Accountant General to comment on any other matter, which he considers of sufficient importance to be brought to the notice of the Legislature,' but see also Article 267.

- (1) Any notable changes in the arrangement of Grants, e.g., increase or decrease in their number, their amalgamation and subdivision.
- (2) Matters affecting the completeness or accuracy of the accounts.
- (3) Expenditure not in accordance with the intentions of the Legislature or which indicates gravely faulty administration of the Grant or Appropriation.
- (4) Expenditure in excess of the Grant or Appropriation.
- (5) Expenditure not in conformity with the authority, which governs it
- (6) Any important change in the extent or character of audit of any class: of transactions.

- (7) Cases of losses, writes-off, nugatory or improper expenditure of public moneys.
- (8) Any irregularity connected with a Grant-in-aid.

265. In commenting on an irregularity the Accountant General should endeavour to give a clear and correct account of it in plain language, so that a person, not versed in the details of accounts and audit, may understand its bearing upon the financial interests of the State. Technical expressions should seldom be used ; and, when their use is unavoidable, they should be explained.

266. It is important that all details necessary for the understanding of an irregularity mentioned in the report, or in the Appropriation Accounts where such a course is prescribed by the Auditor General, should be briefly given, including:—

- (a) an explanation of the transaction ;
- (b) a description of the nature and magnitude of the irregularity;
- (c) Any extenuating circumstances that may exist;
- (d) any defect in system which led up to the irregularity;
- (e) the remedial or preventive measures adopted ; and
- (f) the adequacy of those measures.-

Note.—In mentioning cases relating to financial irregularities it should be borne in mind that it is of more value to drive home a general lesson than merely to mention a particular irregularity.

267. In selecting subjects for comment in the Audit Report the following general limitations are to be observed: —

- (a) Comments are to be confined to such matters as should be of real and practical concern to the Legislature. Individual cases will not be mentioned unless they are really important as involving serious transgression of statutory provisions, rules or orders leading, or likely to lead, to loss of public money or serious breaches of audit procedure or audit safeguards. Petty cases may, however, be mentioned if minor irregularities of one class are so numerous as to produce an appreciable cumulative effect. There is no need to

mention an irregularity discovered by Audit, which has been completely rectified, unless there is a, substantial point to be made.

Note .—Besides cases commented upon individually in the Audit reports, a Ministry/Department wise list of important cases of irregularities, losses, etc., which have been concerned or completely rectified, should be included as an Appendix to the Audit Reports, indicating the amount involved in each case.

- (b) Cases which are sub-judice will not be mentioned in such a way as to prejudice the claim or defence in court. This rule applies to cases actually decided in a lower court until such time as the department concerned intimates that the litigation is finally concluded.
- (c) No mention will be made in the report of any points arising out of the audit of the salary and allowances of the President or the Governor of a Province and any other expenditure relating to his office. Such points should be settled with the Government separately and if necessary the intervention of the Auditor General may be sought.

268. It is desirable that the Government concerned should have an opportunity of making such observations and comments as it may think fit on important: cases of financial irregularity which it is proposed to include in the Audit Report. The procedure for reporting such cases to the Government should be such as may be determined by the Accountant General in consultation with the Finance Department. The draft of all matter in which it is proposed to question the action of the Finance Department and of all matter it is proposed to record under item (7) of Article 264 should be shown to the Finance Department of the Government concerned before final [inclusion in the report so that that department may have an opportunity of suggesting correction or modification.

Note:- A convention has been established with the Central and the Provincial Governments that concurrence or remarks of the Departments./Ministries on the draft paragraphs of financial irregularities and other ancillary matters prepared by the Accountants Genera) for inclusion in the Audit Report on the Appropriation Accounts and sent to the Government

Departments/Ministries concerned for remarks should be communicated by the latter within six weeks of their receipt, except in. case of draft paragraphs sent by the Chief Auditor, High Commission for Pakistan in U.K., London, in which case the period will be ten weeks. In case the comments of the Departments/Ministries are not received by the respective Accountant General within the time-limit prescribed above, he will be at liberty to treat the draft paragraph as final and proceed to incorporate it in the Audit Report. Before doing so, the Accountant General should) however, make sure that the facts mentioned in the draft paragraph are correct.

269. When it is proposed to raise a question on grounds of financial propriety, on a subject, which is predominantly administrative or technical in character, the Accountant General should assure himself that he has properly apprehended the facts, that the raising of the question would be a legitimate audit proceeding, and likely .to serve some practical purpose. In such a case at any stage when it is thought sufficiently important to require mention in the Audit Report, discussion between the Accountant General and the Administrative Department and if necessary the Finance Department 'of the Government concerned must be the first step, and drafting a paragraph for the Report almost the last. The discussion should be for the purpose of clarifying the issues and eliminating points of controversy so far as it is possible to do this. Any points which remain unsolved should then be stated carefully in a definite form and the wording of the statement should be agreed upon between the Audit and the Administrative and Finance Departments. It should be borne in fund that it is inadvisable to initiate a premature and widely ranging controversy in the Audit Report.

270. While it is not ordinarily the task of Audit to conduct an investigation of a case of irregularity, it may on occasions be its duty to criticize the manner in which the administrative authorities have performed their duty of investigation. While dealing with any remedial action taken by the Executive authorities to prevent occurrence of an irregularity in future, it is legitimate for Audit to express

an opinion as to the adequacy and probable efficacy of such action or of the connected financial regulations and procedure of the department concerned.

271. (a) While Audit is not precluded absolutely from commenting on the adequacy or otherwise of disciplinary action taken, it should not normally make any comment .(express or implied) on the adequacy of ^disciplinary action taken in any individual case. On the other hand Audit would be in order in offering comment, for example, when in a series of cases occurring more or less continuously the disciplinary action taken has been obviously and extremely lenient. The facts of disciplinary act1011 may always be stated; but critical comments regarding the adequacy of disciplinary action taken will be made only with the approval of the Auditor General.

(b) If a marked difference is noticed in the standards of disciplinary action observed by different departments of Government, this feature may be brought to notice through the Report with adequate supporting evidence after consultation with the Finance Department.

### **Audit Report on the Finance Accounts.**

272. The Finance Accounts shall be an auditor's presentation of the general accounts of the Government to the Legislature giving some elucidation and some narrative presentation of new or salient features. The report of the Auditor General thereon should include nothing by way of financial appreciation, praise or blame; the expression of financial opinion or opinions, except in exceptional circumstances, as to the merits of the financial administration of the Government, should be avoided. It should be confined to the scope of a report on completed accounts and should rarely if ever mention estimates and prospects. If, however, at the time of dealing with the financial position on the basis of the completed accounts certain established facts subsequently arising have become common knowledge, which necessarily affect the financial position, they should not be ignored but any mention of such facts should be more or less incidental. In short, "every endeavour should be made to convey through the report a Just and impartial picture of the financial position of the Government.

273. In dealing with the financial outturn of the year the salient features of current revenue and expenditure will be brought to notice and the current revenue position as a whole summarized. If the amount of extraordinary receipts realised by any Government every year is considerable and appears to be a continuous source of revenue, this feature of the revenue position may be elucidated.

Such observations as may be thought necessary may also be made in respect of any capital major head either by way of explanation of the outlay recorded under it, or on the productivity, or otherwise, of the outlay incurred.

274. The Debt position of Government will be exhibited by way of a simple consolidated statement to which will be added observations of a technical audit character pointing out salient features, e g; the magnitude of debt, amount of revenue required to meet the services of debt, both present and future, and the necessity of amortization arrangements, their adequacy when made and the extent to which they are carried out. The assets of the Governments as disclosed in the-accounts of loans and advances made by it will also be scrutinized and comments of a technical audit character on the salient features of the current state of these-accounts will be made.

Note. —Comments on the adequacy of amortization arrangements should appear in this report except in special circumstances when they may be included in the Audit Report on Appropriation Accounts.

275. An important part of the report is the Review of Balances of Debt and Remittance Heads. Its object is, in the first place, to show a complete enumeration of balances under all Debt and Remittance heads and in the second place to review the current state of accounts under each head, vide Article 92. The detailed review of balances under each head should include, beside, particulars about the nature of the transactions, reconciliation of accounts and acceptance of balances, all the salient facts noticed as a result of audit of those accounts, e.g. writes off, doubtful assists, etc.

### **Orders of Government on Reports**

276. It is the duty of the Finance Department of the Government concerned to consider any recommendations of the Legislature or of the Public Accounts Committee arising out of the Audit Reports. It will forward to the Accountant General concerned as well as to the Auditor General the findings of the Public Accounts-Committee and the decisions of the Legislature. It will, in addition, communicate to the Accountant General all orders passed by the Government on the recommendations of the Legislature of the Public Accounts Committee including the requisite authority to cover excess over Grants and Appropriations.

### **Watching of the Action taken on Reports.**

277. The general responsibility for watching the action taken upon each Audit Report rests upon the Accountant General who is responsible for the initial preparation of the Report. If he has any doubt whether a particular report or question has been adequately dealt with by the Legislature, or its Public Accounts Committee or the Finance Department of the Government concerned, as the case may be, he should refer the matter for the advice of the Auditor General as to further action to be taken.

Note:—After examining the view of a Provincial Legislature as embodied in its proceedings or in the report of its Public Accounts Committee the Accountant General should direct the attention of the Auditor General—

- (i) to those paragraphs of the proceedings or report which contain recommendation of considerable importance ; and
- (ii) to any adverse comments made on any audit views expressed in the Reports or to any comments which contain a reflection, express or implied, on the Pakistan Audit Department for failure to take proper action, together with his own opinion on them.

278. The orders of the various Governments upon the reports of the Public Accounts Committee, whether they be embodied in resolutions or issued in a less formal manner, constitute a body of case-law relating to the accounts of

each Government Each Accountant General should, therefore, maintain, for the guidance of his own office, a systematic record of such orders. It is» however, desirable that each Finance Department should publish an epitome of such orders, which should be amended from time to time and kept up to date; and, when this procedure is in force, it is unnecessary for the Accountant General to maintain a similar record.

## **APPENDIX 1**

### **(See Article 142.)**

#### **Regulations for the conduct of the Audit of Receipts**

1. It is primarily the responsibility of the departmental authorities to see that all revenue, or other debts due to Government, which have to be brought to account, are correctly and promptly assessed, realised and credited to public account and any investigation by Audit must be so conducted as not to interfere with this executive responsibility. Audit shall, however, have power to examine the correctness of the sums brought to account in respect of receipts of any department in such manner and to such an extent as may be determined by Government in consultation with the Accountant General.

2. In conducting the audit of receipts of any Government department the chief aim should be to ascertain that adequate regulations and procedure have been framed to secure an effective check on the assessment collection and proper allocation of revenue, and to see by an adequate detailed check that any such regulations and procedure-are being observed. In the audit of receipts ordinarily the general is more important than the particular.

3. In the audit of receipts it would be necessary in the case of a department, Which is a receiver of public money, to ascertain what checks are imposed against the commission of irregularities at the various stages of collection and accounting and to suggest any appropriate improvement in the procedure. Audit might, for instance, suggest in a particular case that a test inspection should be carried out by comparing a sample set of receipts

counterfoils with the receipts actually in the hands of the tax payers or other debtors, the results of such an inspection being available to audit.

In no case, however, should independent enquiries be made among the tax payers or the general public. Audit should confine itself to calling upon the executive to furnish necessary information and in cases of difficulty it should confer with the Administrative authorities concerned as to the best means of obtaining the evidence, which it requires.

4. The audit of receipts should be regulated mainly with reference to the statutory provisions or financial rules or orders, which may be applicable to the particular receipts involved. If the test check reveals any defect in such rules or orders the advisability of amendment should be brought to notice.

It is however, rarely if ever the duty of Audit to question an authoritative interpretation of such ram or orders, and in no case may Audit review a judicial decision, or a decision given by an Administrative authority in a quasi-judicial capacity This instruction does not, however, debar an auditor from bringing to notice any conclusion deducible from the examination of the results of a number of decisions.

5. Where any financial rule or order applicable to the case prescribes the wind city of recoveries, it will be the duty of Audit to see, as far as possible, that there is no deviation without proper authority from such scale or periodicity. When this check cannot be exercised centrally, a test audit may be conducted at local inspections the aim being to secure that disregard of rule or defects of procedure are not such as to lead to leakage of revenue rather than to see that a particular debt to Government was not realised at all or on due date.

6. Ordinarily Audit will see that no amounts due to Government are left outstanding on its books without sufficient reason. Audit will continue carefully to watch such out standings and suggest to departmental authorities any feasible means for their recovery. Whenever any dues appear to be irrecoverable, orders for their adjustment should be sought. But unless permitted by any rule or order of a competent authority no sums may be credited to Government by debit to a suspense head; credit must follow, and not precede, actual realization.

7. The procedure prescribed by the Auditor General for raising and pursuing audit objections in relation to expenditure, including powers of Audit Officer to waive recovery of Government dues under certain conditions, shall apply mutatis mutandis in respect of audit objections on any accounts of receipts.

## **APPENDIX 2**

**(See Article 147)**

### **Regulations for the conduct of the Audit of Stores and Stock Accounts**

1. The audit of stores accounts kept in any office or department of Government shall be directed to ascertaining that the departmental regulations governing purchase, receipt and issue, custody, condemnation, sale and stock-taking of stores are well devised and properly carried into effect, and to bring to the notice of the Government any important deficiencies in quantities of stores held, or any grave defects in the system of control.

2. As regards purchases of stores. Audit will see that: -

- (i) these are properly sanctioned, are made economically and in accordance with any rules or orders made by competent authority for purchase of store required for the public service : in particular when stores are purchased from contractors the system of open competitive tender is adopted and the purchase is made from the lowest tender unless there are recorded reasons to the contrary;
- (ii) the rates paid agree with those shown in the contract or agreement made for the supply of the stores;
- (iii) certificates of quality and quantity are furnished by the passing and receiving Government servants before payment is made, except where the contrary is allowed by the rules of Government regulating purchase of stores ;and
- (iv) purchase orders have not been split up so as to avoid the necessity for obtaining the sanction of higher authority required with reference to the -total amount of the orders.

Audit may call attention to cases of uneconomical purchases of stores and to any losses, which may be clearly and definitely attributed to the defective or

inferior nature of stores, which were accepted and certified to be satisfactory in quality.

3. Audit should ascertain that the accounts of receipts of stores whether purchased, or otherwise obtained, and of their issues and balances are correctly maintained. Where a scale has been prescribed by Government or other authority for issue of stores of any particular kind, it should be seen that the scale is not exceeded.

4. Stores, in many cases, represent a locking up of capital, which is not justifiable unless essential. In order to effect economy in this direction Audit will see that the balance in hand does not exceed the maximum limit prescribed by competent authority and is not in excess of requirements for a reasonable period.

5. The accounting for and maintenance of unserviceable stores which cannot be utilized by the department in whose custody they are kept involve waste of labour and space. The retention of stores in excess of the probable requirements of the department in the near future may result in loss to Government through deterioration. Audit will, therefore, see that measures are taken to survey, segregate and consider the disposal of unserviceable, surplus and obsolete stores in accordance with the procedure prescribed by Government in this behalf.

6. It is an important function of Audit to ascertain that the articles are counted periodically and otherwise examined to verify the accuracy of the quantity balances in the books. Audit shall not, except when specially authorised to do so, assume responsibility for the physical verification of stores, but it has the right to investigate balances of stores, if any discrepancies in the stores accounting suggest that such action is necessary. Audit has, however, to see that a certificate of verification of stores is recorded periodically by a responsible authority, that the system of verification adopted by the Executive is adequate and proper, that discrepancies found on stock-taking are properly investigated and adjusted and that, wherever possible, the staff responsible for the verification is independent, the staff which is responsible for the physical custody of the stock

or for keeping accounts of it. It should also be seen that wherever practicable, verifiers of stock work directly under the control of Government, and not under the heads of individual departments.

7. Where a priced account is maintained. Audit will see that—
  - (i) the stores are priced with reasonable accuracy and the rates initially fixed are reviewed from time to time, are correlated with market rates and revised where necessary;
  - (ii) the value accounts tally with the accounts of works and of departments connected with stores transactions, that the total of the valued account tallies with the outstanding amount in the general accounts : and that the numerical balance of stock materials is reconcilable with the total of value balances in the accounts at the rates applicable to the various classes of stores ; and
  - (iii) steps are taken for the adjustment of profits or losses due to revaluation, stock-taking, or other causes, and that these are not indicative of any serious disregard of rule.

8. The procedure for the conduct of audit of any stores and stock accounts and the extent to which those accounts should be examined by Audit will be such as may be agreed upon between the Government and the Accountant General.

9. The procedure prescribed by the Auditor General for rising and pursuing audit objections in relation to expenditure shall generally apply in respect of audit objections on any accounts of stores and stock. Where necessary separate rules of procedure shall be laid down by the Accountant General with the concurrence of the Government.

**APPENDIX 3.****(See Article 184)****Rules regulating the preparation of last-pay certificates in cases of transfers on duty, or of return from leave.**

- (1) Transfers on duty may be of two kinds: —
  - (i) A Government servant may proceed on duty from one province or circle of audit to another.
  - (ii) A Government servant may proceed on duty from one place to another 'in the same province or circle of audit.
- (2) In the former case' the certificate should be given as follow: —
  - (a) If the Government servant is employed at the station of the Accountant General of his province or circle of audit and the system of payment after pre-audit is followed in his office, the certificate should be given by that officer and a duplicate of it should be forwarded to the Accountant General of the transferred Government servant's new province or circle of audit; otherwise the procedure laid down in clause (b) below should be adopted.
  - (b) If he has to pass through that station on his way to his new province or circle of audit, the certificate should be given in duplicate by the officer in charge of the treasury from which he last drew pay and both copies counter signed by the Accountant General; one copy of the counter signed certificate should be forwarded by the latter to the Accountant General of the transferred Government servant's new province or circle of audit.
  - (c) If he is not employed at, and has not to pass through the Accountant General's station, the certificate should be given by the officer in charge of the treasury and a duplicate of it should be forwarded by the Treasury Officer to the Accountant General for counter signature and transmission to the Accountant General of the transferred Government servant's new province.

Exception. —As an exception to the preceding rules the last-pay certificates of non-gazetted Government servants transferred from one province or circle of audit to another may be given by the head of the office and need not be countersigned by the Accountant General concerned, but in the case of transfers out of Pakistan the last-pay certificate should be signed by the Accountant General.

(3) In the second case of transfer, the Government servant should obtain a last-pay certificate from the officer to charge of the treasury from which the last drew pay. Or if he is a non-gazetted Government servant, from the head of the office under whom he was last employed.

(4) A Government servant who has drawn his leave salary in Pakistan should before returning to duty, obtain a last-pay certificate from the Accountant General to whom or within whose jurisdiction his leave salary was last paid.

(5) The last-pay certificate shall be prepared in all cases mentioned above in Form 5. This form provides for details of the fund deductions although the officer preparing the- bills is responsible for their correctness; but the officer preparing the last-pay certificate is responsible not only for entering in the certificate all demands against the departing Government servant, including any made under an order or attachment of his pay by a Court of Law of which he may have received notice before granting the certificate, but also for passing on any, of which he may afterwards receive notice, to the treasury or the disbursing officer from which the Government servant will in future draw pay.

(6) In all cases of transfers from one district to another within the same Audit circle the last-pay certificate should specify the test regular or monthly payment; and the entire pay for the month in which transfer has been made such be paid in the new district except where the Treasury or the financial roles of a Government provide to fl»e contrary.

(7) In the case of the pay bill of a Government servant of whatever rank required to accompany the headquarters of Government to a hill station or station which has been declared to be the headquarters of Government " time

being the signature or countersignature of a Gazetted Government servant on the bill may be treated as a last-pay certificate for the purpose of these rule.

#### **APPENDIX 4.**

**(See Article 185)**

**Instructions issued by the Auditor-General in order to secure efficiency and uniformity of Audit in relation to Leave procedure.**

#### **Certificate of Admissibility**

(1) Gazetted Government Servants. —Leave should be sanctioned to a Gazetted Government Servant only after its admissibility has been certified by the Accountant General who has been auditing his pay except in the case of leave on average pay not exceeding four months or earned leave (other than leave preparatory to retirement or in cases where extension of service is authorised by a competent authority leave extending beyond the date of compulsory retirement) if the Government servant concerned records a certificate to the effect that the leave applied for is admissible to him and the sanctioning authority is satisfied, on the basis of facts known to it, that the leave is admissible. In the case of a difference between two Audit Officers as to their jurisdiction, the officer who initiates the case and possesses complete information required for the purpose of taking action about the certification of the leave admissibility should take that action on provisional basis. When the difference about jurisdiction has been finally settled the appropriate Audit Officer, if different from the one who took the action, should confirm it.

(2) Non-Gazetted Government Servants. —Before leave in Pakistan is sanctioned to a non-gazetted Government servant, the authority sanctioning the leave should either consult the leave account prescribed in paragraph (32) and satisfy himself that the leave is admissible or obtain a certificate to that effect from the officer entrusted with the attestation of the entries in the leave account. When the application is for leave out of Pakistan, the authority sanctioning the

leave should obtain a certificate of admissibility from the Accountant General concerned before sanctioning the leave.

(3) Military Officers. —When a Military Officer becomes subject to the Civil Leave Rules, the Defence Account Officer in charge of his record of pension service will, on application and on being furnished with the date of commencement of active service in Civil employ, furnish the Accountant General to whose audit he becomes subject, a memorandum showing the furlough earned, the different kinds of leave taken (distinguishing those which should be deducted from the maximum furlough admissible) and the balance of furlough due under the Military Rules.

(4) (a) Applications for leave from Military Officers in civil employ whether they are subject to the Military Leave Rules or the Civil Leave Rules should be sent through the Civil Accountant General who audits the pay of the officer going on leave. The Civil Accountant General will, if he considers it necessary, consult the Defence Account Officer from whose payment the officer is transferred to the Civil Department before certifying to the and specifying the leave salary. No leave should be sanctioned to such an officer before a report is received from the Civil Accountant General.

(b) In the case of a Military Officer subject to the Military Leave Rules the Civil Accountant General should obtain from the Defence Account Officer from whose payment the officer is transferred to the Civil Department a certificate stating the amount of leave to which the officer is entitled, the rate of leave pay and allowances admissible during the said period of leave, before issuing a leave salary certificate or a certificate of leave granted to an officer proceeding on leave out at Pakistan who does not intend to draw his leave salary from a Pakistan Mission abroad.

(5) Government servants to Foreign Service. —In the case of a Government servant on foreign service, leave cannot be sanctioned until the Accountant General of the Government (Central or Provincial), under which he was permanently employed at the time of his transfer to foreign service, has certified the amount of leave and the leave salary admissible.

Note: 1. —For the purpose of this rule, the Accountant General of the province in which the contributions towards leave salary and pension of a Government servant on Foreign Service are recovered will act as the Accountant General of the Central Government.

Note: 2. —In the case of Military Officers in temporary civil employ, the Defence Account Officer who received the foreign service contributions of the officer concerned is responsible for certifying the amount of leave and leave salary admissible, the necessary information in the case of military officers subject to the civil leave rules obtained from the Civil Accountant General concerned. Similarly in (the case of Government servants in commercial departments. Railway and Posts and Telegraphs Departments) the certificate will be given by the Accounts Officer concerned who is responsible for bringing the contributions to account.

### **Payment of leave salary in Pakistan**

(6) Non-Gazetted Government servants. —The leave salary of a non-Gazetted Government servant on leave in Pakistan or on leave out of Pakistan cannot be drawn in Pakistan, except over the signature of the head of his office and the latter is responsible for any overcharge.

(7) Gazetted Government Servants. —No gazetted Government Servant can begin to draw his leave salary at any office of payment in Pakistan without producing a leave salary authority from the Accountant General who audited his pay before he proceeded on leave.

(8) If during leave, the gazetted Government servant desires to change the office at which he received payment of his leave salary he must obtain a new authority from the Accountant General within whose jurisdiction his leave salary was last paid.

(9) A gazetted Government servant desirous of discontinuing his subscription to the General Provident Fund during leave should intimate his wishes in the matter to his Accountant General before proceeding on leave.

(10) In the case of a Government servant entitled to Sterling Overseas pay who draws his leave salary in Pakistan, that portion of leave salary which represents Sterling Overseas Pay is payable by the High Commissioner for Pakistan in U.K. A separate authority should be issued to the High Commissioner for payment of the sterling portion of the leave salary and to stop payment of duty sterling Overseas Pay. A copy of this authority should also be sent to the Government servant to enable him to draw the amount in accordance with the procedure laid down for the payment of leave salary in England.

(11) If a gazetted Government servant signs his bills himself he must either appear in person at the place of payment or furnish life certificate signed by a responsible officer of Government or some other well-known and trustworthy person. If he draws his leave salary through an authorised agent, the agent, whether he has or has not a power of attorney, must either furnish a life certificate as aforesaid or execute a bond to refund overpayments. A life certificate may be given periodically, a bond being given to cover intermediate payments not supported: by life certificates.

(12) The provisions of paragraph (7) to (11) above also apply to gazetted Government servants who spend their leave out of Pakistan but resides in Asia and who have to draw their leave salary in rupees in Pakistan under Fundamental Rate 91.

Note: —A certificate of residence should be obtained from Government servants who draw their leave salary at the rupee rate.

(13) Railway and Telegraph Departments and Military Engineer Services. — In the case of the Railway and Telegraph Departments and the Military Engineer Services these rules will be generally applicable subject to any modifications which may be made by the Account Officer in accordance with special rules of the Department concerned.

(14) Return to duty. —Before returning to duty a Government servant who has drawn his leave salary in Pakistan should obtain a last pay certificate from the Accountant General, within whose jurisdiction his leave salary was last paid and deliver it to the Accountant General who audits his pay. Without such a

certificate he cannot obtain payment of any arrear of leave salary or pay due to him.

### **Leave out of Pakistan**

(15) Authority/or the drawal of Leave Salary. —(a) A Government servant proceeding on leave out of Pakistan and intending to draw his leave salary while on leave should be given a leave salary authority by the Accountant General who audited his pay before he proceeded on leave.

Note:- When leave under Military rules is granted to a Military Officer in temporary civil employ, the authority sanctioning the leave will send a copy of the order TO the Accountant General concerned to enable him to issue the leave salary authority.

(b) If during any period of leave on average pay a gazetted Government servant wishes, under the provisions of Fundamental Rules 91 to draw his leave salary in Pakistan, a separate leave salary authority should be issued in respect of that period under provisions of paragraph (8).

Note: -1. —When vacation is taken alone or combined with holidays and spent out of Pakistan, or when vacation or/and holidays is/are prefixed to leave out of Pakistan and is/are actually spent out of Pakistan the Government servant may in the absence of any specific restriction laid down in the Service rules or order issued from time to time be authorised to draw his pay or leave salary or both for the whole periods spent abroad but the exact amounts to be paid on account of each separate period must be stated in the authority issued by the Accountant General.

### **Auditor-General's decisions**

(1) Even in those cases where an officer with the grant of leave is transferred to an appointment under the audit control of another audit Officer and where in consequence, the leave is sanctioned by a Government other than that under which he was employed before proceeding on leave the orders in Rule

(15) should be observed that is to say the leave salary authority should be given by the Audit Officer who audited his pay before he proceeded on leave.

(Ar. G's No. 392-Admn/125-25, dated 7th March 1925).

(2) Authorities issued for drawal of leave salary in countries where Pakistan has no Missions should be submitted to the High Commissioner for Pakistan in U.K.

(Ar. G's letter No. T175-Admi) l'69-36 dated 22nd May 1936).

(16) In the case of a Government servant proceeding on leave to a country abroad other than the United Kingdom and intending to draw that portion Of his leave salary which represents Sterling Overseas Pay in England the leave salary authority should authorize payment of leave salary based on rupee pay only. A separate intimation should be sent to the High Commissioner to pay that portion of leave salary, which represents Sterling Overseas Pay. A copy of this intimation should also be given to the Government servant in order that he may arrange to draw the amount in accordance with the procedure laid down for the payment of leave salary in England.

(17) When a Government servant proceeds out of Pakistan on leave other than extraordinary leave tie Accountant General who audits his pay will as soon as the leave is gazetted or otherwise notified, communicate with the Government servant requiring him to call at his office or give the necessary information to enable him to prepare the leave salary authority etc.

Note. —If a Government servant of European domicile sent home to Europe is a lunatic is granted leave, a leave salary authority should be prepared if necessary by the Accountant General who audits his pay on the basis of the data available to him and forwarded to the High Commissioner for Pakistan in U. K. at the earliest possible date.

(18) A Government servant granted leave out of Pakistan will be paid upto the date of his relief and will be given an authority for the drawal of leave salary by the Audit Officer concerned. Except in the case of Government servant proceeding to the United Kingdom, the authority for leave salary if issued by an Audit Officer other than the Accountant General, Pakistan Revenues of the Chief

Accounts Officer, Ministry of Foreign Affairs, will be in duplicate, the original being addressed to the Pakistan Mission concerned abroad and the duplicate being furnished to the Chief Accounts Officer, Ministry of Foreign Affairs who will issue a confirmatory letter to the Pakistan Mission concerned under his own office-special seal and signature, within one week of the receipt of authority by him. The Pakistan Mission concerned will finalize the payment only on receipt of this confirmatory authority from the Chief Accounts Officer, Ministry of Foreign Affairs.

In the case of a Government servant proceeding to a Commonwealth country where Pakistan has no Mission the leave salary authority will be issued in triplicate. The original, bearing the Government servant's signature, will be forwarded by the Audit officer to the authority designated to arrange payment in that country, the duplicate to the High Commissioner for Pakistan in\* the United Kingdom and the triplicate will be made over to the Government servant concerned.

Note: —If the Government servant takes a leave salary authority under clause (b) of para- graph (15) above, he will not be paid up to the date of relief but will be allowed to draw his pay and allowances for the broken period of the month at the commencement of the next month alongwith the leave salary for the rest of the month,

(19) Notwithstanding the provisions of paragraph (18) above and other paragraphs of these rules, a Government servant proceeding on leave (other than extraordinary leave) out of Pakistan may before leaving Pakistan, draw foreign exchange equal to leave salary admissible to him subject to the conditions that: —

- (i) The period of stay abroad is less than fifteen days, or if more than fifteen days, the stay abroad is spread over a number of foreign countries and the stay in such country is brief, or
- (ii) The visit is to a country where there is no Pak. Mission to make necessary payment, or

- (iii) the place in a country abroad where the leave is to be spent is remote from the Pakistan Chancery and it is not possible for the Government servant to find time to call at the Chancery for receiving payment of his leave salary due to transportation difficulties.

The foreign exchange equal to the leave salary for the period involved will be released by the State Bank of Pakistan at the prescribed rate of leave salary on the basis of sanction issued by the respective Ministry duly verified by the respective Financial Advisor, Deputy Assistant Financial Advisor who will certify that the advance payment of leave salary in foreign exchange has been claimed at the correct rates and that the amount involved would be met from within the foreign exchange allocation approved for the relevant shipping period.

Whenever advance payment of leave salary in foreign exchange is sanctioned in terms of the above provisions, the Ministries etc. concerned will immediately advise the Audit Officer concerned about it. The Audit Officer, while issuing authority for leave salary for the period of leave for which no advance payment in foreign exchange has been made, will specifically mention the fact of the advance payment of leave salary in foreign exchange and the period thereof pointing out also any re-adjustments that have to be made.

(20) The leave salary drawn in foreign exchange will be subject to the usual inductions in the following manner: —

- (i) If the entire leave salary is drawn in foreign currency, deductions which are required to be made at source shall be made and only the net amount shall be paid in foreign currency;
- (ii) If part of the leave salary is drawn in rupees in Pakistan and part of it is drawn in foreign exchange the entire deductions may be made from the portion of leave salary drawn in rupees in Pakistan if it is sufficient to cover the deductions; and
- (iii) If the portion of leave salary drawn in rupees in Pakistan does not cover the entire deductions, the deductions will be made from it to

the extent possible and the balance shall be deducted from the portion of leave salary payable in foreign currency.

(21) When a Government servant proceeds on extra-ordinary leave out of Pakistan or on leave on average pay or half average pay out of Pakistan during which he does not propose to draw leave salary, or v/hen a Government servant is given a leave salary authority for the drawal of leave salary in countries where no Pakistani Mission exists, he should be given a certificate of leave in a prescribed form. This certificate has to be presented by the Government servants to the Pakistani Mission in the country where he may be spending his leave or if there be no Pakistan Mission in that country to the nearest Pakistan Mission if he applies for extension of leave or for permission to return to duty or for a last pay certificate before returning to duty.

Note: —Whenever a Government servant is proceeding to a Commonwealth country which does not account directly to Pakistan a duplicate copy of the certificate should be sent to the High Commissioner for Pakistan in U. K. with the duplicate copy of the leave salary authority (Vide paragraph 1).

(22) A Government servant to whom leave rules in sections I to V of chapter X of the Fundamental Rules are not applicable will when proceeding on leave ex Pakistan be required to report to the Accountant General, the day of his departure from Pakistan.

(23) As soon as an Accountant General has delivered a leave salary authority or certificate of leave to a Government servant who proposes to spend his leave out of Pakistan or has caused it to be sent to the address specified by him, he must forward a copy of the leave salary authority or certificate of leave to .the High Commissioner for Pakistan in U. K. or any other Pakistan Mission concerned as may be necessary under the above rules.

(24) Amended certificate. —If it becomes necessary to amend a leave salary certificate the amendment should take the form of a short corrigendum worded so as to show only the particular item or items in which alternations have been made; this corrigendum should be forwarded by the Accountant General at

the earliest possible date to the High Commissioner for Pakistan in U.K., or any other Pakistan Mission concerned; Every corrected leave salary certificate, whether original or duplicate, should be marked " Amended Certificate ".

(25) Extension or commutation of leave. —Whenever the leave of a Government servant absent on leave out of Pakistan elsewhere than in a country where Pakistan may be having no mission is extended or commuted by the authority in Pakistan which granted the leave, the fact should forth-with be notified by the Accountant General to the High Commission for Pakistan in U. K. or any other Pakistan Mission concerned as may be necessary under the above rules to enable them to check the payment.

Note—This rule applies to Military Officers subject to the Military Leave Rule.

(26) If the leave of a Government servant who draws his leave salary in Pakistan under the provisions of Fundamental Rule 91 is extended or commuted the Accountant General who audited his pay at the time he proceeded on leave must on receiving advice of such extension or commutation forthwith communicate it to the Accountant General within whose jurisdiction his leave salary is drawn. He should also communicate any other circumstances connected with the leave which may be required to be known to the Accountant General who passes the Government servant's leave salary.

(27) Return to duty. —A Government servant who was on leave out of Pakistan must on return to Pakistan, deliver to the Accountant General the last pay certificate obtained by him from the High Commissioner for Pakistan in U.K. or any other Pakistan Mission concerned before he can obtain a payment of any arrears of leave salary or pay due to him.

(28) Railway and Military Accounts Department. —Changes in these rules, may be made by the Railway or, the Defence Accounting authorities in accordance with the special rules of the respective department.

### **Special rules relating to Military Officers**

(29) As soon as the grant of furlough or leave to a Military Officer in Civil employ has appeared in orders, the Account Officer from whose payment the officer is transferred to the Civil Department must forward to the High Commissioner for Pakistan in U. K. or any other Pakistan Mission concerned a statement of the Officer's service in such form as the Military authorities may prescribe. This statement is not required in the case of Officers proceeding on furlough under the staff or British Leave Rules.

(30) When furlough or leave or an extension of furlough or leave is granted to a Military Officer in Civil employ whether subject to the Civil or the Military Leave Rules, the Civil Accountant General should intimate the Defence Account Officer from whose payment the officer is transferred to the Civil Department the date of the beginning and end of the furlough or leave the dates of embarkation and disembarkation in the case of furlough out of Pakistan, as well those of being struck off or of resuming duty.

(31) On the return of an officer from furlough or leave, it will be the duty of the Defence Account Officer in charge of his record of pension service to satisfy-himself that he has returned within his leave, and if not, to report the case to the authority which sanctioned the leave.

### **Leave Account**

(32) The leave account should be kept in Forms A.T.C.I, A.T.C.-II and A.T.C. 3 in respect of Government servants under the Special Leave Rules Ordinary Leave Rules and prescribed leave Rules respectively. The Office in which the account should be kept for any Government servant and the persons by whom the entries should be attested will be such as are prescribed by the Government.

If the forms of the leave account prescribed above are not suitable for the maintenance of leave accounts of any class of Government servants, the form may in such a case be prescribed by Government after consultation with the Accountant General concerned.

(33) In the case of Government servants subject to the " Revised Leave Rules 1933 " leave accounts need not be maintained in the forms prescribed in paragraph (30) above, the particulars entered in Service Books or Histories or Services or other records of service being sufficient for the calculation of the amount of leave admissible at any time.

If a gazetted Government servant subject to the Revised Leave Rules is transferred permanently to another Government, the Accountant General of the lending Government should draw up a leave account indicating therein the amount of " earned leave " at credit, leave salary for which should be borne by the lending Government and send it to the Accountant General of the borrowing Government. The latter should pass on the debit in regard to leave salary for " earned leave up to the extent indicated in the leave account as and when the Government servant takes that leave after permanent transfer to the borrowing Government.

When a non-Gazetted Government servant subject to the Revised Leave Rules is transferred permanently to another Government the head of the office from which he is transferred should prepare a leave account showing the amount of " earned leave " at credit on the date of permanent transfer and send it to the head of the office to which the Government servant is transferred. A copy of the leave account should also be sent at the same time to Accountant General of the office from which the Government servant is transferred so as to enable him to accept the debit on account of leave salary for " earned leave ", up to the extent indicated in the leave account, as- and when the Government servant takes leave.

**APPENDIX 5**  
**(See Article 213)**

**Rules governing the procedure to be followed in an Audit Office in dealing with claims against Government presented for payment and in receiving moneys pertaining to the Public Revenues.**

**Payments**

(1) Bills, which should be only claims and not acknowledgments will be presented by the claimant in person, or through a messenger, or through a Bank or other authorised agent, or by post.

(2) Bills so presented will be subjected to audit before payment by the Audit Section concerned which will be conducted on the same principles and with precise the same formalities as are observed in the case of bills received with the treasury accounts for post audit after payment.

(3) After a bill has been examined and recorded, the audit encasement will be written and the amount admitted in audit will be passed for payment by a Gazetted Officer of the Audit Office.

(4) All bills as soon as passed in audit will be made over to the Cash Department.

(5) Unless there is a special request on a bill for cash payment, all bills will be paid by cheque if the total of all the bills received from one party at the same time exceeds Rs. 10.

(6) If payment is to be made by cheque, the bill should bear an endorsement showing: —

- (a) in whose favour the cheque is to be drawn-self. Bank or other authorised agent

Note: 1. —Cheques may be drawn in favour of a firm or a private person for payment of contingent bills when the Government authorities direct payment to suppliers of articles. These cheques should always be crossed in such manner as may be prescribed in the Treasury Rules or the financial rules of the Government concerned and will be issued by the Audit office; either on

origin bills of the supplier duly countersigned by the Head of the office or on consolidated bills in which claims of different persons are included by the Head of the office, to the latter case the names of the payees should be specified in the bill with the respective amounts, for which separate cheques should be issued.

Note: 2. —Where under the provisions of the Treasury Rules or the financial rules of the Government concerned payments due to contractors may be made to financing Banks, cheque will be drawn in favour of such Banks.

- (b) Whether the cheque is to be an open cheque or a crossed one;
- (c) in the latter case, whether the crossed cheque is to be sent by post, (open cheques are not to be sent by post).

(7) The presenter of a bill (otherwise than by post) will receive a token.

(8) When payment is to be made by crossed cheque sent by post, the cheque will be sent by the Audit Office without further action on the part of the payee. He must, however, acknowledge its receipt by return of post. Failure or delay in doing this will render the payee liable to forfeit the privilege of having his cheque sent by post.

(9) In cases other than mentioned in paragraph (8), intimation of the bill having been passed will be sent to the drawer, where necessary or when desired, in the following form, as soon as possible after the bill is passed: —

" Your bill for Rs.....received on the.....has been passed for Rs.....Please send your messenger with your acknowledgement duly stamped, in the form annexed with instructions to make it over to the paying officer, after actual receipt of the payment " Token No. " or " this intimation " (when the bill has been sent by post and no token received) should also be sent as evidence of identification in addition to the signed acknowledgment ".

(10) A payee, who receives payment by cash or by an open cheque, can receive payment only in person or through a messenger, but who should in no case be a member of the Audit Office. In the latter case the Cashier in the Pro-audit Pay Department will take all reasonable pre-cautions against fraud, but the payee must understand that he receives payment through a third party at his

own risk and that Government is in no way responsible for loss, and will hand over the cheque or cash to any person presenting: —

- (a) any token that has been given to the messenger, and
- (b) what purports to be the payee's receipt for the amount claimed.

This receipt should be in the following form: —

Cash

" Received by.....from the.....

Cheque

In payment of my bill.....dated, the on account of....."

If an advice that the bill has been passed see (9) above) has been received this should also be sent.

Note: It is not necessary that an intimation should have been received by the payee before he can be paid. The payee can send his messenger with the receipt without waiting for the intimation, and the payment will be made if the bill has been passed. It will prevent possible inconvenience to the payee, however, if he waits for the intimation, except for bills, which are paid on the same day or on the day following, e.g., pay bill.

(11) If the receipt is sent by a messenger, the Audit Office will take on the receipt the signature or mark of the messenger himself.

(12) A payee should communicate with the Audit Office in all cases in which payment has been delayed beyond one week from the presentation of the bill.

(13) It is the duty of the Cash Department to scrutinize the receipt of the payee presented by the messenger before making payment. This scrutiny will consist of—

- (a) Comparison of the signature on the acknowledgment with the drawer's signature on the bill,
- (b) Comparison of the amount acknowledged with the amount of the pay order on the bill, and

- (c) The receipt of any token issued; (if an initiation of the bill having been passed has been sent, this should be demanded; but payment should not be refused merely because of its absence).

Note: 1. —In the case of any doubt about the agreement of the signature or about the quittance being legal, e.g., when the payee does not himself sign, the Cash Department will consult the Audit Section before making the payment: -

Note 2. —After payment the Cash Department will attach the payee's acknowledgment total bill stamp the bill as " Paid " then name of the person by whom the payment has been made and the date of the payment also being endorsed on the bill.

Note: 3. —Special care must be exercised by the Cash Department when receipts a presented by unknown messengers.

### **Receipts**

(14) In receiving moneys that may be tendered for credit to the public account of the Central or of a Provincial Government the procedure laid down in this behalf for observance by the Treasury Officer in the Treasury Rules of the Government concerned should be followed mutatis mutandis by the Audit Office.