# PSU Audit

Categories
- Govt Departments [Eg Telecom, Railway, Posts]
- Public Commercial Enterprises → controlled < Union / State Govt
  Eg Govt Cos. → BHEL, HAL, SAIL, LIC, IRFC, SBI, NHPC, ONGC, NTPC etc.
- (Naya) Non-commercial autonomous bodies → owned / controlled → Union / State.
  (Eg Delhi University) ~~profit~~
- (others) Authorities / Bodies substantially financed from Union / State revenues.

Q Who conducts such audits?

C&AG [Comptroller & Auditor General of India]
through IAAD [Indian Audit & Accounts Deptt].

Q Who evaluates reports? ⇒ "3 committees" [Imp.]

Public Accounts Committee (PAC) [Govt Deptts]

Satisfy:
- i) Moneys legally disbursed for purpose they were applied.
- ii) Expenditure incurred was authorised.
- iii) [distribution of funds] (Baki jaya) Re-appropriation in accordance with provision made.
- (Basic) iv) Examine Statement of A/c (F.S.) < Autonomous & non-autonomous Bodies

audit conducted by CAG.

## Estimates Committee [415M → MTP]

Examines estimates with view to :

i) Report what — Economies / Improvements / Efficiency } "Basic"
· consistent with Policy underlying est.
· may be effected. Actuals

policy

ii) Suggest alternative policies.

infra ↷ sodoc

iii) Examine → money is well laid out within limits.

ndsi

iv) Suggest form in which estimates presented to Parliament.

Imp

Note: It doesn't ~~comment~~ on Policy approved by Parliament

But if policy is waste → Bring it to notice of House.

## Committee on Public Undertakings (P.U.) [COPU → PSUs other than Govt Depts] (PAC)

Examine →
i) Reports & A/cs of P.U. (CFS)
ii) Reports of CAG on P.U. (galtiyan)

Examine → iii) autonomy & efficiency of P.U. [Sound Business Principles]

AND

See whether they are managed as per → SBP / PCP [Prudent commercial practices]

iv) Exercise other $f^n$ of PAC/Est. comm. not covered above, & may be alloted by speaker time to time.

C&AG's Role → friend, Philosopher & guide to Committees.

Teacher

① C&AG Report on [Deptt/ministries) → Committees — Report / Observations / Recommendations → Parliament / State Legislature (Parent)

Student

Parliament / State Legislature ↓ (action) Deptt / Minist. → Actions (notes) f / fig — ② (C&AG checks it) → Committees → Action Taken Report (ATR) → P/SL

① (C&AG) His Report forms basis of committee's workings, but they can examine other issues also.

② He scrutinises (check) notes which ministries submit to Committees to check correctness of facts/ figures.

③ Financial Committees report to P/SL (observations/ recommendations)

PTM

- Ministries / Deptt inform committees of action taken by them.
- Committees present ATR to P/SL.

④ If A/Report couldn't be discussed in detail, written ans. obtained from Deptt/ ministries.

Ensuring no A/Report is taken lightly by Govt.

# Performance Audit

- Objective & Systematic examination of evidence
- for providing independent assessment
- of performance of your
  - org.
  - programme
  - Activity
  - fn

To
- provide info. & improve public accountability
- facilitate decision making by Responsible parties **or** initiate corrective Action.

Performance Audit ⟶ "EEE"
- Econ.
- Efficiency
- Effectiveness

i) **Economy**: Minimise cost of resources w.r.t.
- Qty
- Quality

ii) **Efficiency**: Input – output Ratio
- maximise output for given input.
- **or**
- Min. input for given Qty/Quality of output.

Check:
a) Sound procurement policies followed.
↓
b) Resources protected & maintained
↓
c) Efficient utilisation of resources [physical, human, financial]

Basic
d) Public Sector (Act, prog, etc) should be efficiently managed.
e) Efficient operating procedures used.

iii) Effectiveness: Extent to which objectives are achieved (output)
&
relation b/w intended (SOT) & actual results (AI).

Check: i) Extent to which Results achieved. Swachha Bharat Abhiyan.
( aapki wajah → pakka? )
ii) Assess & establish with evidence socio-economic impact due to policy or other reasons.

iii) Assess effectiveness of program.
⇓
(not)

(Solution)
(iv) Identify ways of making prog. work more effectively

(Compliant)
(v) objectives & means (legal, financial etc:) provided for public sector prog. proper, suitable etc.

Internal control | policies | SOPs
Laws | Regn | contract

# * Compliance Audit *

Independent Assessment
↓
whether Subject matter
is in Compliance
with Criteria.

{ Eg Payment / trans comply policies / laws etc. }

(a) Regularity → Regulation

compliance

Adherance of subject matter to "formal" criteria like Laws, regulations, contracts etc.

(b) Propriety [ public ke ₹ kharche → Apna paisa ]

Observe general principles

① SFM i.e. sound financial mgt ↓ koi → "dekhi!"

② Ethical conduct of officials.

- Revise ✓
- QOTD ✓

Shri Girish Chandra Murmu

D.O.B → 21.11.1959 +65
Joined → 8.8.2020
65 years [earlier]

# Planning the Performance Audit

* Understanding of Govt – Entity / Prog * 4-5m

Sources → Docs (Role)
- Policy [Planning commission, ministry of finance)
- legislative [legislation, Parliamentary ques & Debates, committees reports
- Entity [Annual reports, minutes of meetings, info. on website etc.)

Sources →
- Past audits [Past financial / performance audits)
- Media coverage [Print & E-media)
- Academic / Spl. research. → IIMs / ISB

* Determine Audit criteria [Stds] *

Same
- Procedural manuals of entity.
- Policies, stds, guidelines
- Criteria used by same-entity or others in similar programs.

Ranjit Nahi
Independent Expert opinion / know how

IIT    IIM

New / established
Scientific knowledge

General mgt &
Subject matter
Literature.

# Comprehensive Audit [Questions] 5M

① Has the planned rate of return achieved?

(–)

Sales

② Has the planned output achieved?
↓ (not)
Under-utilisation of capacity?

cost

③ Overall cost of capital compared to planned cost?

- Substantial increase?
- Yes → Extravagant expenditure?

↓

④ Are the cost control measures adequate?

AC
Bijli ↑

↓

Does the entity have

Inverter
AC

⑤ R&D program

AC service

⑥ R&M System?

# Propriety Audit

focus → Govt. ke kharche → • MP/MLA → maze
• Schemes → Benefit → politicians & Aam
• Prog. CWG scam
• Toilet Rolls → ₹17/10 Hazaar → ₹500

Verification of transaction under test of
- P — public propriety
- S — Std. of conduct (Ajay, Bike, corruption)
- C — Commonly accepted customs. (contract, quotation)

UPSC

**Principles**

1) Expenditure not prima facie more than what occassion demands.

Funds sanction not benefit
- (2) → Authority sanctions expenditure
- (3) → particular person(s)
- (4) → mgt / employees. (Salary ✓, Rewards ✓, Benefit)

## functions of Auditor [Propriety Audit]

(1) Expenditure is properly planned. (Maldives) (& mirro) (Aeroplane)

Expenditure gives
- (2) → maximum Results
- (3) → optimum Results

(4) Substitute plan of Action → Improvement & return on CApex. (ITALY)

(5) Examine Actions & decisions of mgt → PSC ? (Basic)

# Spl point for Audit of Govt Cos.

Sec 143(5) Govt Cos. → C&AG may give directions to Auditor.

Rohit Shetty

Auditor shall include Audit report:

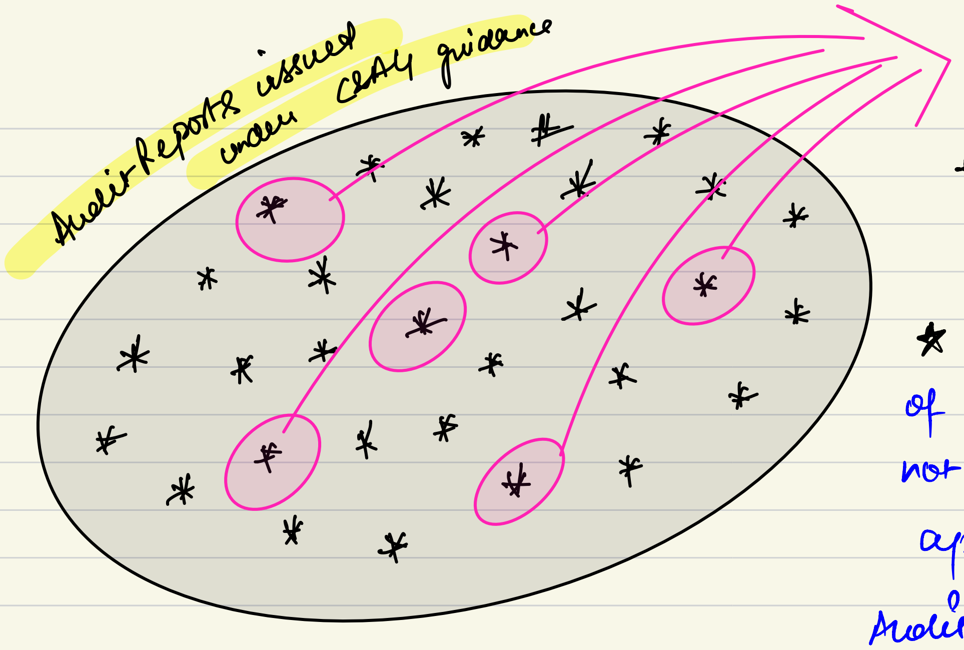
- $\boxed{\text{Directions}}$ issued by C&AG
- Actions taken thereon
- $\boxed{\text{Impact}}$ on A/cs & FS.

C&AG can comment / supplement A/Report within "60 days" of receipt of A/Report.

Sec 143(6)(a) Supplementary Audit by person authorised by C&AG.

Sec 143(6)(b) Comment upon / Supplement such A/Report
⇓
Sent by Co. to every person entitled to receive copy of audited FS.
+ to be discussed in AGM also

Sec 143(7) Test Audit
C&AG may order Test audit which shall be conducted as per Sec 19A of C&AG (DPCS) Act 1971.




comprehensive appraisal [Audit Board]

★ Sig. Results of undertaking not taken for appraisal by Audit Board.