



Winter Exam-2024

Solutions – Audit & Accounts Rules and Procedure (Application)

Q.1. Audit evidence refers to the information and documentation that auditors gather and use to support their findings and conclusions during an audit process.

Types of Audit Evidence;

1. Documentary Evidence
2. Analytical Evidence
3. Observational Evidence
4. External Evidence
5. Electronic and Digital Evidence
6. Physical and oral Evidence

Ref: Audit Evidence 4.4.5 FAM

Audit Evidence

4.4.1 The field standards include:

Competent, reliable, relevant and reasonable evidence should be obtained to support the auditor's judgment and conclusions regarding the organisation, programme, activity or function under audit

The following paragraphs explain the audit evidence as an auditing standard.

4.4.2 The audit findings, conclusions and recommendations must be based on evidence. Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. When computer-based system data are an important part of the audit and the data reliability is crucial to accomplishing the audit objective, auditors need to satisfy themselves that the data are reliable and relevant.

Auditors should have a sound understanding of techniques and procedures such as inspection, observation, enquiry and confirmation, to collect audit evidence. The Department of the AGP shall

4.4.3 ensure that the techniques employed are sufficient to reasonably detect all quantitatively material errors and irregularities.

4.4.4 In choosing approaches and procedures, consideration should be given to the quality of evidence, i.e., the evidence should be competent, reliable, relevant and reasonable.

4.4.5 Auditors should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit.

4.4.6 Adequate documentation is important for several reasons. It will:

- a) Confirm and support the auditor's opinions and reports;
- b) Increase the efficiency and effectiveness of the audit;
- c) Serve as a source of information for preparing reports or answering any enquiries from the audited entity, legislature and its committees or from any other party;
- d) Serve as evidence of the auditor's compliance with Auditing Standards;
- e) Facilitate planning and supervision;
- f) Help the auditor's professional development;
- g) Help to ensure that delegated work has been satisfactorily performed; and
- h) Provide evidence of work done for future reference.

The auditor should bear in mind that the content and arrangement of the working papers reflect the degree of the auditor's proficiency, experience and knowledge. Working papers should be sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit subsequently to ascertain from them what work was performed to support the conclusions.



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Q.2. Ref: Rule 20- GFR Vol-1
REPORT OF LOSSES 20)

1. With the exceptions noted below, any loss of public money, departmental revenue or receipts, stamps, opium, stores or other property held by or on behalf of Government, caused by defalcation or otherwise, which is discovered in a treasury or other office or department, should be immediately reported by the officer concerned to his immediate official superior as well as to the Accountant General, even when such loss has been made good by the party responsible for it. Such reports must be submitted as soon as a suspicion arises that there has been a loss; they must not be delayed while detailed enquiries are made. When the matter has been fully investigated, a further and complete report should be submitted of the nature and extent of the loss, showing the errors or neglect of rules by which such loss was rendered possible, and the prospects of effecting a recovery.

2. If the irregularity be detected by Audit in the first instance, the Accountant General will report it immediately to the administrative authority concerned, and if he considers necessary, to Government as well.

Exception I. -In the case of Customs Revenue, (a) mistakes in assessments which are discovered too late to permit of a supplementary claim being made, and (b) under assessments which are due to the interpretation of the law by the local Customs authority being overruled by higher authority more than three months after the assessment was made, need not be reported to the Accountant General. A record should, however, be kept of such cases for examination by the Accountant General at the time of audit.

Exception 2. -Petty cases, that is, cases involving losses not exceeding Rs. 200 each, need not be reported to the Accountant General unless there are, in any case, important features which merit detailed investigation and consideration.

21) The officers receiving a report submitted to him under para. 20 must forward it forthwith to Government through the usual channel with such comments as may be considered necessary. He should also submit a detailed report, after completing such departmental investigations as may be necessary or expedient on the causes

17 or circumstances which led to the defalcation or loss, the steps taken to prevent its recurrence and the disciplinary or any other action proposed as regards the person responsible

Q.3.

S. No.	Item	Original budget	Supp. budget	Revised budget	Expenditure	Excess Saving
1	Pay of officers	480	85	535	480	85
2	Pay of Staff	445	0	445	445	0
3	Allowances of officers	385	0	385	385	0
4	Allowances of Staff	370	54	424	370	54
5	Misc. /Others	230	65	295	230	65
6	Equipment/Machinery	260	0	260	260	0
7.	POL	35	10	45	35	10

Remarks:

1. Some officers were transferred to other districts, therefore, the posts were lying vacant.
2. Due to retirement of some staff members and new appointments could not be taken place. So saving occurred. the saving.
3. Due to austerity measures, the Government imposed ban on purchase of contingent material.
4. Due to transfer of officers to other districts, their vehicles were not in operation.



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Q.6. Ref: 4.2.3 to 4.2. 12

4.2.3 The general standards for Department of the AGP include:

The Department shall frame policies and develop procedures to recruit personnel with suitable qualifications (see paragraph 4.2.2a)

The following paragraph explains recruitment as an auditing standard.

4.2.4 Personnel of the Department of the AGP shall possess suitable academic qualifications and be equipped with appropriate training and experience. The Department shall establish, and regularly review, minimum educational requirements for the appointment of auditors.

4.2.5 The general standards include:

The Department shall frame policies and procedures to develop and train its employees to enable them to perform their tasks effectively and to define the basis for the advancement of auditors and other staff (see paragraph 4.2.2b)

The following paragraphs explain training and development as an auditing standard.

4.2.6 The Department shall take adequate steps to provide for continuing professional development of its personnel, including, as appropriate, provision of in-house training and encouragement of attendance at external courses.

4.2.7 The Department shall maintain an inventory of skills of personnel to assist in the planning of audits as well as to identify professional development needs.

4.2.8 The Department shall establish and regularly review criteria, including educational requirements, for the advancement of auditors and other staff of the SAI.

4.2.9 The Department shall also establish and maintain policies and procedures for the professional development of audit staff regarding the audit techniques and methodologies applicable to the range of audits it undertakes.

4.2.10 Personnel of the Department of the AGP shall have a good understanding of the government environment, including such aspects as the role of the legislature, the legal and institutional arrangements governing the operations of the executive and the charters of the public enterprises. Likewise, trained audit staff must possess an adequate knowledge of the Department's auditing standards, policies, procedures and practices.

4.2.11 Audit of financial systems, accounting records and financial statements requires training in accounting and related disciplines as well as a knowledge of applicable legislation and executive orders affecting the accountability of the audited entity. Further, the conduct of performance audits may require, in addition to the above, training in such areas as administration, management, economics and the social sciences.

4.2.12 The Department shall encourage its personnel to become members of a professional body relevant to their work and to participate in that body's activities.

Q.7. For adjustment of suspense balances, following documents are essentially required.;

1. Budget allocations
2. Sanctions of competent authorities
3. Bills of suppliers
4. Entries in Sock registers- In and Out with value of items
