

**Draft study material in reference to 148(28) -FS/Sectt/Food /Trg/02-2021(pt-1)
dated 13/01/25**

**System of record keeping for avoiding audit para and analysis of reply of long
pending audit paras**

- ❖ Audit report has 4 parts of which II and III parts are related to audit paras for Current & Past periods respectively. Part II has two segments namely IIA & IIB. Part IIA contains the financial irregularities of serious nature or serious deviation from the normal procedure as per rules whereas part IIB contains those irregularities that are not so serious and they are reversible by not repeating the irregularities in future i.e. the paras are used as future guidance. If they are not complied immediately or if those are treated casually, they may turn into serious nature.
- ❖ Paras in Part II-A are placed in draft paras and are likely to be placed in the Assembly House of the State (PAC) if those are not rectified while submitting Audit replies.
- ❖ Now efforts must be given to avoid all types of irregularities. PDS Operations deals with transactions related to procurement and distribution of PDS items and other general transactions like other offices. The transactions may include the following: -
 - ❖ A) Financial Transactions related to receipts/income and payments/expenditure. (Generally, Maintenance of financial record supported with proper documents after authentication needs to be adhered to.)
 - ❖ B) Stocks of PDS items relating to procurement and distribution and their management & preservation.
 - ❖ C) Establishment related issues.

A. (Accounting of Transaction)

Receipts /incomes	Payments/expenditure
Recording of receipts in reference to sanction order and order of receipt. This should include budgetary allotment, bank transfer sale proceeds of food grains, sale of auctioned materials of PDS and non PDS items.	Payment for office expenses and Payment for PDS Operation as per provisional cost sheet. Every payment should be supported with Relevant G.O.s /KMS Guidelines/sanction order/ standing orders/ policy of the Govt for PDS agreement with payees, work order, challans, invoice, money receipts, Cash memo/ Voucher. Quantum of payments is dependent of the rule of Delegation of Financial Power (approval of Higher authority is required if the amount exceeds own limit of expenditure)
Cash book including bank account for different schemes/purpose	Registers of payments, check issue register, Cheque cancellation register, agreement register, tender register, Register of Assets, counter foils of check
Bank Pass book	Bank reconciliation statement.
	Bill register, Bill transit Register
Scheme wise Utilization certificates of fund received and amount spent out of it with proper documentation and balance of fund (with proper certificate of correctness of expenses).	Ledger of different payment heads (PDS transaction) with columns of schemes. Preparation of Trial Balance (of PDS Transaction). Accounts must be maintained on accrual basis.

B. (Stock of PDS articles and its management)

Procurement

Register of: -

- Stock of Paddy procurement (Pool wise),
- Quantity of Rice delivery (pool wise) and
- stock of rice/ Paddy with rice miller (pool wise).
- RO and DO register should be maintained
- Stock flow statement of (Pool wise) Rice (raw and parboiled).
- Register of agreement with rice /flour miller
 - Register of Bank guarantee of Rice/Flour Miller.
- Register of Security deposit/earnest money of different service provider.

Distribution

- Transportation charges (as per cost sheet) (pool wise)
- Milling charges (as per cost sheet) (pool wise)
- Godown registers for receipt and issue of PDS items (FIFO basis) and its stock
 - Register of Agreement with handling contractors.
- Register of Dealers & Distributors and their commission
- Register of Maintenance of Quality Control
- Registers of physical verification of stock.
- Register for Issue of Jute bag to different rice millers and its stock.

B. (Stock of PDS articles and its management)

Procurement	Distribution
▪ Register of procurement of wheat ▪ Agreement with flour miller ▪ Stock register of resultant Atta. ▪ Agreement registers with godown owners ▪ Register of hiring and operation of godowns ▪ Agreement registers with CMR Agencies ▪ Register of allocation and receipt of sugar ▪ Tender and agreement of Jute bag procurement ▪ Inspection book at rice millers and godowns	• Registers of society for payment of their commission. • Record of issuance & deletion of ration card (scheme wise) and no of existing ration cards thereof. • For inter district movement of stock, proper acknowledgement of delivery should be obtained from receiving district. Relevant register is desirable. • Register for issue of Rice for Mid-Day Meal, welfare scheme should be maintained. • Maintenance of documents of stock loss.

C. (Establishment related issues)

- ❖ Maintenance of service book and its updating, LTC bills, leave salary bills, Health Scheme bills, Car hiring bills with log book, list of employees going to retire within 2 years, T.A Bills, Register of assets, preparation of budget.
- ❖ Most important: -1) Maintenance of guard file of different G.O.s must be adhered to.
- ❖ 2) Accounts of any month should be examined with supporting documents by a team of other employees so that mistakes can be avoided.
- ❖ 3) Prudence of fund management should be made in a manner so that optimum usage of fund can be ensured. Estimation of required fund can be made by preparing fund flow statement in terms of ensuing receipt of fund and probable amount of expenditure over a reasonable time of completion of operation.

Long pending audit paras

- ❖ Audit paras on long pending issues should be assessed very closely. These paras are pending due to (mainly) non maintenance of proper documents such as cash book, agreement, different ledger accounts, non-adherence to KMS guidelines while making payments for PDS Operations, non-maintenance of scheme wise stocks records and mismatch between book balance and physical balance, non-availability of documents etc. Paras should be studied thoroughly. Necessary documents should be searched out and genuineness of transaction should be established.
- ❖ Therefore, a little effort of completion of every transaction in reference to the appropriate G.O. should be maintained to avoid further paras.
- ❖ Above notes are exemplary in nature and meant for guidance while keeping accounting records with documents. Audit team verifies the transactions in the light of Government Orders and the authentic documents.