

Speed Post

IMMEDIATED/MOST IMPORTANT CIRCULAR

PERSONAL ATTENTION OF JCDA (AF) Nagpur/ LAO'S/ALAO'S(AF)/
Officer in Charge AUDIT SECTION

NO.IA/III/076/XX
Office of the PCDA (AF)
107 Rajpur Road,
Dehradun
Dated: 02-05-2019

To

The Jt.CDA (AF), Nagpur
All LAOs/ALAOs (AF)
OIC Audit Section (M.O.)
OIC Accounts Section (M.O.)

Sub: **ANNUAL AUDIT CERTIFICATE 2018-19**

Ref: (i) PARA 540 TO 550 DEFENCE AUDIT CODE
(ii) FA/III/076/XIV DATED 3-5-91
(iii) FA/III/076/XV DATED 11-4-94
(iv) FA SECTION CIRCULAR FA/02/02 DATED 8-1-2002
(v) FA/III/76/2002-03 DATED 23-5-03
(vi) FA/III/76/2003-04/CG DT 20-5-04
(vii) FA/III/076/XVIII dt 20-5-05 & 19-6-06 & 25-5-07 & 22-5-08
(viii) FA/III/076/XIX dated 01-06-2012 , 02-05-2013 & 01.05.2014
(ix) FA/III/076/XX dated 27-04-16 & 24-04-17 & 26.04.18

As per order on the subject the CGDA's Audit Certificate for the year 2018-19 is required to be finalized and rendered to Min. of Defence (Fin/Bud). Accordingly HQrs office desires that Controller's AAC for the year 2018-19 should **reach HQrs office on or before 03-07-2019 without fail**. It is therefore requested that AAC report for the year 2018-19 showing the position as on 31-5-2019 may please be dispatched to this office/section by Speed Post / email so that the same reaches this office latest by 10-06-2019 positively without fail. However, if there is any change in the position between the date of dispatch of report and 30-06-2019, the same may be intimated to M.O through fax immediately on 30-06-2019. **Late receipt of the report will defeat the target date fixed by Hqrs office and may attract adverse comments.**

2. The Annual Audit Certificate pertaining to this organization for the year 2018-19 and the Annexure – I would be as prescribed vide this office circular no NO.IA/III/076/XIX dated 30-04-2012. All other statements will continue to be rendered in the manner as were being done earlier.

3. The detailed guidelines/instructions for preparation of various Annexure/Statements of AAC issued from time to time should be studied afresh and followed meticulously to **ensure error free report**. Particular attention is invited to this office FA Section Circular No.FA/29/88 & FA/02/02 wherein detailed instructions for formulation of various Annexure/Statements have been illustrated.

4. Strict adherence to the provision of this office Important Circular No.FA/III/076/XIV dated 3-5-1991 and FA/III/076/XV dated 11-4-1994 regarding

reporting of Annexure Items may be ensured. The procedure for preparing Annexure III and IV are re-iterated for guidance.

(i). Annexure III and IV may please be sent to this office well in advance so that before the inclusion of the same in AAC, the irregularity may be considered for inclusion in MFAI report as per the instructions of HQ Office. Instructions issued vide this office letter No.FA/III/076/XVI dated 21-6-1999 may also be kept in mind while rendering the report.

(ii) While proposing an item for inclusion in Annexure III and IV of AAC, the item should have been included first in MFAI report and brought to the notice of administrative authorities. No item whose financial value is less than Rs. Five Lac should be included in Annexure III and IV unless there is very serious breach of Rules/Orders justifying its inclusion as Annexure item of AAC. Instructions issued in this regard vide FA Section circular No.FA/13/92 may please be kept in view.

(iii) There may be No. of items which have been included in Annexure III & IV of the previous AAC reports and subsequently considered for inclusion in Appropriation Accounts (DS) by the CGDA. In this regard necessary circulars were issued every year intimating details of all such items. For details of various items (MFAI) considered for inclusion in Appropriation Accounts (Defence Services) 2005-06 please refer our circular No.FA/III/076/XIII dated 15-5-07. As these items were to be pursued to finality, some of them have however not yet been settled and irregularities continue to exist. though, these items are not to be repeated in subsequent reports (Annexure III and IV), HQrs office have now directed to highlight such outstanding items in the annual certificate by giving the status in the format prescribed below, to enable us to include the same in Annexure III of the AAC 2018-19. In this connection please refer to Item No.1 of Annexure III of the AAC 2017-18 wherein all outstanding items up to 2016-17 have been shown.

| Sl.No | Year of AAC | Item No of Annexure III/IV to AAC | Heading/Subject | Present Status/Action Taken. |
|-------|-------------|-----------------------------------|-----------------|------------------------------|
| 1 | 2 | 3 | 4 | 5 |

(iv) In respect of items included in Annexure I to IV, it may please be ensured that the period of irregularity, period of Accounts affected, Financial effect, Objection No.& period, action taken to regularize the item are given. In case audit report has been rendered, the No. and date of the audit report and present position etc should invariably be indicated.

5. While preparing Statement 4(A, B, C), 7A following points may please be kept in mind and strictly adhered to.

(i) Statement No.4 (A, B, C) regarding non-credit of stores may please be prepared on the same lines as indicated in this office letter No.FA/III/076/XVI dated 19-5-2000. Further HQrs Office has also desired that the outstanding vouchers in respect of which credit is not traceable in consignee ledgers along with status thereof are to be reported in AAC against the year to which they pertain irrespective of the date of receipt in the office/objection raised. Thus it is reiterated that the complete details of the outstanding vouchers i.e. No. and dated contract No. of EX/IV, Year of transaction, whose value is below Rs5000/- and between 5000/- to Rs.15000/- (Statement 4A-B) may also be invariably furnished along with those valuing Rs.15000-00 or more in the respective statement to ascertain their actual date. In other words year of transaction and the EX/IV number is to be indicated irrespective of value of vouchers. This may

be noted for **strict compliance**. Further the status of various outstanding vouchers may also be furnished in the remarks column of the statement No.4B&C. Non furnishing of above details by sub office will be reported to HQrs office.

(ii) While preparing last year AAC report, instances have come to the notice that some of the LAOs (AF) have not mentioned the value of outstanding vouchers awaiting credit verification (Statement No.4-A, B &C) in Consignee's ledger. In the absence of the value, the correctness of the placement of the outstanding vouchers No. in statement No.4A, B& C could not be ascertained. Thus the value of all such outstanding vouchers may be furnished. It should however be ensured that if a voucher contain several items out of which only a few have been placed under objection and reflected in statement No.4-A, B, C, the value of only those items which are reflected outstanding in AAC should be mentioned. The value of entire number of items in the voucher should not be reflected.

(iii) Further HQrs has intimated that Secretary (Defence Finance) has expressed concern over large number of high value cases where credit is not traceable in consignee's ledger as reflected in Stat No. 4C and desired that details of all such cases is to be reported through an item in Annexure III of an organization as a whole. Thus it is enjoined upon for the items reported in Annexure 4C the following additional information on the format given below may be invariably furnished for reporting to HQrs office without fail. This may be noted for strict compliance to avoid back reference. and beside rendering the information through existing format of AAC the details of all the item reported through Stat No.4C & 16 C may be in the under mentioned format in hard copy as well as in floppy (MS Excel format):-

| Sl. No | Year | Contract No. & date | Value in Rs. | Nomenclature of stores | Quantity of Stores | Name of Consignor | Name of Consignee | Reason for outstanding | Present position |
|--------|------|---------------------|--------------|------------------------|--------------------|-------------------|-------------------|------------------------|------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

The office of the Jt.CDA (AF) Nagpur is also requested to furnish the ibid information in r/o sub offices under their control.

(iv) HQrs office vide FAX No.AT/XII/12016/ATR/AAC/Vol-XV dt 27-7-05 has observed that O/S items non verification of credits in respect of imported stores (Foreign Invoices) are being mixed with Inland stores and reflected in Statement 4 ABC of AAC which is incorrect.

It is therefore requested that all such out standings pertaining to imported stores (Foreign Invoices) may be reflected in Statement 16 A,B,C as per their monetary value i.e below Rs5000/- in Statement 16-A, between Rs5000 to 15000/- in Statement 16-B and above Rs15000/- in statement 16-C form of the AAC for the current year 2018-19.

(iv-a) Further HQrs. offices vide their most important circular No. AT/XII/12016/ATR/AAC/VolumeXVII dt.13.9.2007 has stressed that the factual position of the statement NO. 3(Non-linking of vouchers with consignor's issue vouchers), 4 A, B, C &16A,B,C (Non-verification of credit of stores in consignors in consignor's ledger) may be furnished after rechecking.

(v) In respect of outstanding claims against carrying agencies claims in statement 7-A a breakup details of all these claims against Railways/Shipping company/Airways etc should also be given. It is requested that in remarks column of

above statement the details of carrying Agency viz Railways/Shipping companies/Airways etc. may please be indicated along with status thereof.

(vi) Please also ensure to furnish precise reasons for outstanding items in Statement 4, A, B, C, 8, and 16 of AAC. As per AAC 2017-18 the number of voucher/Invoices relating to non credit of store in respect of AF was 4914 of amount Rs 7948 Crores, which needs to be cleared or shown reasons for outstanding. In case SOC has already been raised, SOC No. and level of pendency may be furnished in remarks column.

6. As HQrs office has directed that with the reduced scope of audit, it is to be ensured that audit of Units programmed up to a March is completed by 30-09-19 and no arrear is to be projected for reflection in the AAC to be furnished by CGDA on 30-09-19 to MOD (Fin. /DG ADS). It is therefore requested that local audit program may please be adjusted in such a way so as to complete the audit positively by stipulated date. In this connection please refer to circular No.FA/IV/107-10 dated 8-11-2002.

7. In addition to above following points may also be noted for strict compliance while rendering AAC 2018-19.

(i) The statistical figures included in various statement/Annexure are to be got accepted in writing from the unit authorities and recorded at your end. A certificate to this effect be endorsed in the respective statement/Annexure in addition, embodying a general certificate to this effect in the forwarding memo.

(ii) All Annexure/Statements in support of AAC 2018-19 showing the position as on 30-6-2019 may please be sent in duplicate.

(iii) The statement should also specifically indicate under the remarks column the reasons for the items remaining outstanding and action taken/proposed to be taken for their clearance.

(iv) **Nil Annexure/Statements are not required to be attached with the report.** However, in index, enclosures indicating NIL Annexure/Statements must be indicated.

(v) Normally items of irregularity etc detected/established during the year should be included in that year's AAC. The reasons of belated inclusion of any such item should be explained suitably, while rendering the AAC.

(vi) While approving the QPR for 03/19 on AAC 2018-19 it has been observed by the PCDA(AF) ,that overall clearance of outstanding items is not satisfactory .Please do all needful in this regard to increase the clearance up to the maximum level.

8. It is again emphasized that the forwarding memo of your AAC report must embody the Certified regarding:-

- (i) Correctness of factual position of the items proposed in various Annexure/Statements and acceptance of these by administrative authorities.
- (ii) Correctness of statistical figures.
- (iii) Audit Certificate as required vide para 540 of Defence Audit code.

- (iv) Clubbing of all the objections of similar nature raised during the year, in the last objection statement issued during the year. This section circular No.FA/27/89 refers.

9. **FOR SUB OFFICES UNDER DIRECT CONTROL OF JCDA (AF) NAGPUR**
LAOs /ALAOs (AF) under the direct control of JCDA (AF), Nagpur should prepare their AAC report in triplicate. Original report will be dispatched to Jt.CDA (AF) Nagpur, duplicate endorsed with full set and all certificate etc to this office and triplicate retained as their office copy.

10. **FOR JT.CDA (AF) NAGPUR.** Please ensure that dispatch of report i.e. statement No.7,8,9 and 16 should invariably reach M.O. on or before 12-6-2019 positively and consolidated report of all the LAOs/ALAOs separately to this office positively by **15-6-2019** through **SPEED POST/ email** by name to the under signed in hard as well as as in soft copy

11. **for Store Section of Main Office and Jt.CDA (AF) Nagpur**

(a) Store section of Main Office and Jt.CDA (AF) Nagpur are responsible to prepare and submit **STATEMENT NO.5 (ABC) AND (16) (ABC)** from the invoices Registers maintained at their end after verifying the reports received from sub offices to this office positively **before 05-6-2019** by hand/through **email / SPEED POST in hard/soft copy** by name to the under signed respectively. Attention in this connection is invited to the instructions contained in this office circular No.FA/29 dt 27.9.88 (Para2.10) Content of this office Most Urgent Circular No.FA/III/076-XVIII dt 2-2-05 may be strictly complied while furnishing Stat No.16 of the AAC 2018-19 and beside rendering the information through existing proforma of AAC the details of all the item reported through Stat No.4C & 16 C may be in the under mentioned format in hard copy as well as in floppy (MS Excel format):-

| Sl. No | Year | Contract No. & date | Value in Rs. | Nome nclatur e of stores | Quantity of Stores | Name of Consi gnor | Name of Consig nee | Reaso n for outsta nding | Presen t positio n |
|--------|------|---------------------|--------------|--------------------------|--------------------|--------------------|--------------------|--------------------------|--------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

(b) **Attention** is invited to HQrs. Office most important circular No. AT/XII/12016/ATR/AAC/VOL-XIII Dt.30th Oct. 2002 forwarded to your office vide this section No. FA/III/076/XVII dt. 14 -11-2002 wherein it was requested to include the outstanding position of advances against PSUs and Private Parties in the Appropriation Account in the prescribed format as given in the above mentioned letter. While rendering the AAC 2018-19, this may please be kept in view.

The year-wise and contract-wise break-up of outstanding amount separately for PSUs and private parties may also be provided, thoroughly checked and totaled .This should exactly tally with the amount of outstanding Advances shown. Each page should indicate the page total at the end and Grand total at the end .The summary of outstanding Advances against PSUs and Private Parties should also be given as the top sheet with the oldest date also.

The details of the outstanding Advances against PSUs and Private Parties for more than five years is also required to be rendered .The PSUs-wise and Private Parties-wise break-up of Advances for more than five years may also please be submitted .All the above information /statement should have a proper heading and presentation, which is clear and un ambiguous.

(c) **It is further requested** to submit the details of the outstanding defence dues from foreign govts. on account of casual services rendered on payment up to 31st March 2019 and outstanding as on 30th June 2019,if

any, separately country-wise and item-wise, for inclusion in the CGDA's Annual Audit Certificate for the year 2018-19 in the following format

| SL. No. | Particulars | Total amount for the claims preferred upto 31th March 2019 and outstanding as on 30th June 2019 (Amount in Rs.) | No. of items exceeding Rs. 1 Lakh | Value of items exceeding Rs. 1 Lakh |
|---------|-------------|---|-----------------------------------|-------------------------------------|
| 1 | 2 | 3 | 4 | 5 |

This should be clearly be marked with heading " Outstanding defence dues from foreign Government on account of services rendered" .this is different from statement No. 5-A which is required to be rendered as usual. The defence dues outstanding from various countries on account of casual services rendered may not be added in any statement and has to be shown separately. **This may please be noted for strict compliance**

12. **For Audit Sections (M.O.) including Accounts Section.** AAC report of the Audit Section including Account Section in Main Office should be signed by the respective Officer-in-Charge, who may ensure its timely submission to avoid last minute rush in compilation of the report by this section.

13. LAO (AF)/ALAO (AF) and OIC Audit section should pay personal attention to this work and ensure strict compliance of the aforesaid instructions and ensure error free report. Further the figures included in each of the statements of your Annual Audit Certificate report must be checked carefully before its rendition, to avoid any discrepancies.

14. **In regard to the follow up progress reports showing the position as on 30.09.2019, 31.12.2019 and 31.03.2020 , the same may please submitted complete in all respects in single copy together with a comparative statement showing the position as on 30.06.2019 and the subsequent quarters as per the time schedule prescribed in Para 550 of Defence Audit Code.**

15. Please acknowledge receipt of this communication within three days of its receipt in your office/Section under the signature of LAO (AF)/ALAO (AF) OIC Audit Sections.

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(KAVITA SHARMA)
DCDA

Copy to:-

All groups in IA Section (M.O.) Local for necessary action. Necessary Annexure/Statements may please be sent to this section (Group) before 15-06-2019 positively.

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(V.P. Verma)
Sr. ACCOUNTS OFFICER (AF)

To :- EDP Section } For uploading on website.