

**Instruction No.10/2011**

**Office of the Development Commissioner  
Special Economic Zones  
Karnataka and Kerala  
Administrative Office, CSEZ, Kakkanad,  
Kochi, Kerala – 682 037**

30<sup>th</sup> June 2011

**To**

**All Specified/Authorised Officers  
All Assistant Development Commissioners**

**Subject: Audit by CAG – regarding**

The audit by the office of Accountant General in relation to this office covers expenditure audit and receipts audit, with Customs Receipts Audit (CRA) carrying out the latter. While the former relates to this office, the latter may cover any of the Zones in the jurisdiction. It has been observed that there is no centralised point of prompt responses to audit and the consequences have been inclusion in the Audit Report. With increasing activities in the new Special Economic Zones, this has is likely to become even more serious. Accordingly, all responses to audit matters shall be handled in the Audit wing of the Cochin Special Economic Zone which shall be under the charge of the designated Assistant Development Commissioner.

2. All communications relating to Audit with and from the Office of Accountant General in the Objections file, separate for expenditure audit and receipts audit, in which the matters dealt with directly with this office shall be handled and shall be maintained year-wise. For each Draft Audit Para and Audit Report which are dealt with through the Ministry for paragraphs relating to this office, separate files shall be maintained. Similarly for Performance Audits and Systems Studies, the correspondence with Office of Accountant General shall be in a separate Objections file for each such performance audit or system study and the Audit Report file shall also be separately maintained.

3. All files shall have the correspondence side serially numbered in Arabic numerals in chronological order of receipt in the office. The note-sheet side shall be serially numbered in Roman numerals. All references in in-coming correspondence from Office of Accountant General shall be referenced to previous correspondence on the subject. Paragraphs which are the subject of correspondence with the Ministry in the Audit Report file shall be cross-referenced with the correspondence in the relevant Objections file. While submitting Audit Report Files, the corresponding Objections file shall also be submitted.

4. Every correspondence in any of these files shall be required to have the approval of the Development Commissioner before issue by the Assistant Development

Commissioner (Audit). Upon receipt of the audit objection/enquiry and subsequent correspondence before the stage of Statement of Fact, the Assistant Development Commissioner (Audit) shall send the file to Assistant Development Commissioner (Administration) in matters relating to expenditure audit or Specified Officer in matters relating to revenue audit. These officers shall, within three days of such submission, place their comments on each audit objection within three days of such submission.

5. The comments in the Objections file, which is the response to the Office of Accountant General, shall comprise two parts: the “gist of the objection” which will include the revenues/expenditure involved and the deviation of particular rule/instruction which led to the purported loss. Identification of the key issue in the objection is critical for responding appropriately. In the second part of the response viz., “Comments on Audit observations”, the concerned examining official to whom the file is submitted shall verify the individual facts in the objection and either accept the facts or offer correct facts in relation to the enquiry/objection. It will also examine the infringement of rules/instructions and identify officials concerned. The Statement of Facts is an important stage as the facts admitted at this stage, even by default arising from non-examination can never be denied or controverted later and will be incorporated in the Draft Audit Para should it proceed to that stage. If the Office of Accountant General does issue a Statement of Fact, that shall be dealt with in a manner similar to the earlier stage. The need for complying with the deadlines prescribed by Audit cannot be overemphasized and all files dealing with Audit matters shall be tagged as urgent with the last date of response indicated in the tag. This tag shall be removed by the Assistant Development Commissioner immediately on issue of the response to Office of Accountant General. In all such responses, the status of pendencies listed in the correspondence from the Office of the Accountant General should also be verified and incorporated in the response before examining the new objections. It should be ensured that all the documents referred to in the response is enclosed with the outward correspondence.

6. At the Draft Audit Para (DAP) stage, the feedback to the Ministry should examine the general comments made by the Office of Comptroller & Auditor General especially in Performance Reviews. The specific paragraphs that relate to this office should be dealt with in the manner prescribed in paragraph 5 above. The Assistant Development Commissioner (Audit) may draft the response to the Ministry in accordance with the responses made to Office of Accountant General and place before the Development Commissioner within three days of receipt of reference from Ministry. In view of the elaborate responses generally made in the Objections file, there is no requirement for further examination unless the Development Commissioner specifically desires to have it done.

7. If the Audit Objection is, at any stage of the process considered to be correct and acceptable, Development Commissioner may direct immediate action for recovery, in

case of expenditure audit, or for issue of demand by Authorized Officer in case of revenue audit. This should be intimated to the Office of the Accountant General.

8. A list of all original references for each objection shall be maintained by the Assistant Development Commissioner (Audit) and which shall contain details of the files in which it is dealt with. On the dropping of any Audit objection by the Office of the Accountant General, the serial number in the list shall be rounded off.

9. The above is for strict compliance by all concerned. Any difficulty in implementation may be brought to the attention of the undersigned.

C J Mathew  
Development Commissioner