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DEFENCE ACCOUNTS DEPARTMENT

R&D INTERNAL AUDIT MANUAL

For use of Defence Accounts Department only

Issued by the Authority of

CONTROLLER GENERAL OF DEFENCE ACCOUNTS

PREFACE

This manual for R&D is a departmental publication and it being published for the first time. The instructions contained in this manual are supplementary to the rules prescribed in civil & Defence Audit and Account Codes, Civil Service Regulations, Financial and other Regulations, Purchase Management 2006, Office Manual Part II, Army Local Audit Manual and other Departmental Manuals containing Internal Audit drills & Instructions.

2. With the scope and concept of internal audit and internal controls undergoing a change, it has been ensured that the manual covers the concept of Risk based internal audit & conforms to the Internal Control & Risk Management (ICRM) framework proposed by the Government of India. Though every attempt has been made to make this manual as exhaustive as possible, it may need updation/modification in the light of actual experience gained and Government orders issued from time to time.

3. In the era of Information Technology manual systems are becoming redundant. We as a department are alive to this change and to the growing need of information system audit. Special care has been taken to incorporate guidelines for conducting audit in an automated environment. I hope that all officers and staff will make themselves fully conversant with the content of this manual and utilize it gainfully.

4. The Principal Controller of Defence Accounts (R&D) New Delhi will be responsible for keeping the manual up to date.



New Delhi
Dated: 03 -01- 2013

(Arunava Dutt)
Controller General of Defence Accounts

INDEX

Sl. No.	Chapter	Page No.
1.	Organization & Functions of Principal Controller Defence Accounts/Controllers of Defence Accounts (R&D)	1 – 4
2.	Defence Research & Development Organization and organizational overview	5 – 7
3.	Internal Audit Section	8 – 20
4.	Audit of Sanctions	21 – 50
5.	Store Section	51 – 170
	Cash Assignment	64 – 103
	Foreign Purchase	104 – 118
	Resource Generation	119 – 153
	CARS/CAPS	154 – 170
6.	Miscellaneous Section	171 – 192
7.	Pay Section	193 -243
8.	Fund Section	244 – 248
9.	Local Audit Office (R&D)	249 - 310
10.	Risk Based Internal Audit	311 - 315

CHAPTER-1

ORGANIZATION AND FUNCTIONS OF PRINCIPAL CONTROLLER/ CONTROLLERS OF DEFENCE ACCOUNTS (R&D)- An Overview

1.1 Organization

1.1.1 The organizations of Principal Controller/Controllers of Defence Accounts (R&D) are responsible for rendering efficient, correct and prompt Payment, Accounting and Internal/Local Audit services relating to DRDO. It is a relatively younger organization in comparison with other Regional and Functional Controller's organizations of the DAD. The erstwhile CDA (R&D), New Delhi became a self-accounting Controller's organization with effect from 1st July, 1984 and was later upgraded to the Principal Controller's level with effect from April 1999. Earlier, before the formation of separate Controller's organization for R&D, the Audit and Accounting services to DRDO was rendered by various Regional Controllers depending upon the field of activities in DRDO. In fact the works expenditure of DRDO is still under the audit purview of the Regional Controllers for which steps are underway for streamlining as like other activities.

1.1.2 The principal reasons which necessitated the formation of a separate Controllers for R&D was the increase in the scope of day to day activities of DRDO. For over a decade the organization has been rapidly expanding its operation with a view to harnessing critical technologies in the areas of Aeronautics, Armaments, Combat Vehicles, Electronics, Instrumentation, Engineering Systems, Missiles, Materials, Naval Systems, Advanced Computing, Simulation and Life Sciences. There has been a corresponding increase in the scale of investment, Budget Allotment and Financial Transactions in DRDO. Moreover, the specialized nature of activities carried out by the DRDO also requires a certain element of specialization in the role of the associate finance and accounts personnel who are required to interact effectively with scientists and engineers in the Labs.

1.1.3 Originally the CDA (R&D), New Delhi had twelve sub-offices located at various stations all over the country. The sub-offices were created to provide

effective and prompt service to the R&D Labs/Establishment located throughout the country. The sub-offices are headed by officers of the rank of Jt. Controller/Dy. Controller/Asstt. Controller & Sr. Accounts Officer. In August 92 the sub-office of the JCDA(R&D), Bangalore was upgraded to the level of CDA(R&D) and in April, 1994, it became a self accounting CDA with the sub-offices at Avadi and Cochin under its charge for its effective monitoring and control. Subsequently in July 98, the Sub-Office of JCDA (R&D) Hyderabad was upgraded to the level of CDA (R&D) and it became a self-accounting unit in April, 99 with sub-offices at Visakhapatnam and Hyderabad and simultaneously the office of CDA (R&D) New Delhi was upgraded to Principal Controller's level.

1.2 Role of PCDA/CsDA (R&D)

1.2.1 *General Functions* : In brief the charter of duties of PCDA/CsDA (R&D) are:-

- (a) Efficient, correct and prompt payment, accounting, auditing of all expenditure relating to Defence R&D organisation except works expenditure, ATVP (Advance Technology Vessel Programme).
- (b) Rendering Financial Advice to DRDO Labs/Estts.
- (c) Local Audit of DRDO Labs/Estts.
- (d) Compilation of DRDO receipt and expenditure.

1.2.2 *Special Functions* : In addition to the above responsibilities some of the other special functions of PCDA/CsDA (R&D) are:-

- (a) Arrangement of Cash Assignment and audit thereof.
- (b) Accounting of Resource Generation projects.
- (c) Participation in Local Budget Committees.
- (d) Participation in Tender Purchase Committees.
- (e) Maintenance of Provident Fund Accounts of DRDO personnel and generation of CCO-9 by PCDA (R&D), New Delhi.
- (f) Monitoring of Projects.
- (g) Internal audit of financial Accounts maintained by DRDO for various projects.

The salient points relating to these specialised functions of the organization are discussed in the succeeding paragraphs:

1.3 Arrangement of *Cash Assignments* : Cash Assignments on specified banks are arranged by PCDA/CDA(R&D) in favour of certain Directors of Labs/Estt to meet emergent needs, provided an Accounts Officer is borne on the strength of the Lab/Estt and thereafter its accounting, compilation and audit is also ensured by these Controllers.

1.4 Tender Purchase Committees

1.4.1 In DRDO TPC's are held round the year. A sub-office of PCDA/CsDA (R&D) on an average has to attend 200 TPCs in a year, as a finance rep in the TPC's constituted for procurement of items of varied nature required for different activities by various R&D Labs/Estt for purchases valuing upto Rs 1.00 Crore.

1.4.2 There are two types of order for purchases

- (a) Normal orders for purchase of stores/equipment and maintenance/conservancy contracts etc.
- (b) Development contracts for fabrication of prototype components and sub-assemblies.

1.4.3 The level of participation also varies according to the value of the demand from the level of an Accounts Officer to that of Jt. CDA.

1.5 *Maintenance of Fund Accounts* : The work relating to maintenance of Fund Accounts of DRDO officers and staff was taken over by PCDA (R&D), New Delhi with effect from 1.4.1988. Presently 30,000 GPF accounts are being maintained by PCDA (R&D), New Delhi. The entire work relating to funds, right from the allotment of fund account numbers to final settlement is dealt with in the office of PCDA(R&D).

1.6 Monitoring of Projects

1.6.1 DRDO undertakes a large variety of projects covering a wide spectrum of disciplines in science and technology. The types of projects undertaken can be broadly categorized as:-

- (a) Applied Research/Technology
- (b) Creation of Infrastructural Facilities
- (c) Product/System development

(d) Process development

1.6.2 These projects can be further categorized into two generic types: -

(a) Staff Projects: These are specific to the qualitative requirements submitted by the users where detailed performance parameters are provided. A product is required to be produced as a prototype and its performance demonstrated. After the prototype gets approval of the users it enters into production phase when transfer of technology is affected to the designated production agency.

(b) R&D Projects : Projects other than those categorized as staff projects are taken as R&D Projects and include competence building projects, projects requiring validation of concepts, system development and process development.

1.7 One important function of PCDA/CsDA (R&D) is to monitor the progress of expenditure against the sanctions and budgetary allotments of these DRDO projects. As such project codes were introduced for classification. This code is a 8-digit number. The first two digits denote discipline, the next three about the Project and the last three digits denote the Lab./Establishment. Reviews are also carried out to analyze the incidence of time and cost over-runs and their reasons. In addition, detailed performance appraisal studies are conducted, especially in regard to delayed projects.

1.8 **Internal Audit/Higher Audit of Projects** : Traditionally, internal audit has been a compliance audit. However, there has been a shift from individual transaction audit, to review of systems as a whole. As regards areas of economy and efficiency audit and review of operations/programmes, some meaningful efforts have been made by the PCDA/CsDA (R&D) to carry out performance appraisal of R&D activities and projects with respect to documents made available by way of undertaking a number of studies/higher audit drills with the aim to improve the effectiveness and quality management in DRDO.

CHAPTER-2

Defence Research and Development Organization

An Organizational Overview

2.1 The Department of Defence Research & Development

2.1.1 Mission : The Main Mission of the Department of Defence Research and Development is progressive enhancement of self-reliance in the state-of-the-art of technologies for the Armed Forces. The Department undertakes programmes for the Development and production of Indigenous Sensors, Platforms, Weapons and Equipment in accordance with the requirements of the Services. It is working in diverse areas which include Aeronautics, Armaments, Combat Vehicles, Electronics, Instrumentation, Engineering systems, Missiles, Materials, Naval systems, Advanced Computing, Simulation and Life Sciences. Their objective is being met with the help of a network of around 50 R&D Labs/Estts spread throughout the country.

2.1.2 These Labs/Estts are headed-by senior scientists who are specialists in their respective fields and are responsible for the research programmes for which they are provided with necessary staff and facilities. The activities in the Labs/Establishments are project oriented. The projects, currently 500 in number, are either R&D Projects, aimed at technologies of the future, or Staff Projects, taken up in response to the requirements projected by the Services, with the specific aim to develop an effective military system or hardware indigenously. All these projects have specified cost and time schedule. The small and medium value staff projects are monitored within the organization and by representatives from the services. High value projects like IGMDP, MBT, LCA, IEW etc are reviewed by three-tier management boards set up for each such project.

2.2 Technologies handled by DRDO

- (a) Aeronautics : Design, Development and Manufacture of Light Combat Aircraft (Kaveri Engine) and Design and Development of Pilotless Target Aircraft (Lakshya)

- (b) Computer and Systems : Parallel processing system as a substitute for Super-Computers at moderate cost (ANURAG) and ANAMICA (Medium Imaging and Characterisation Aid).
- (c) Electronics and Instrumentation: Development of Satellite Imagery Techniques Development of Multifunction Phased Array Radar (Rajendra) for Akash Missiles, Thermal Signaling System for 'Nag', G.A. and MC-T Chips, preliminary design review of integrated electronic warfare programme 'SAMYUKTA'
- (d) Materials : Super Alloy Casting for Jet Fuel Starter (LCA), Carbon Compound for re-entry system.
- (e) Naval System : Composite Sonar System and Tactical Weapon Control System (Panchendriya) is under installation on board a submarine; software for operational /theatre level Naval war game (SAGAR) has been installed in Naval establishment; a lightweight anti-submarine torpedo has been successfully launched from ship for dynamic trials and propulsion, control, launch and recovery system.
- (f) Weapon System: Integrated Guided Missile Development Programme has launched Prithvi, Agni, Nag, Akash and Trishul, Multibarrel rocket system PINAKA, Combat Vehicle MBT Arjun, Rail Track Rocket Shed for dynamic flight test and Limpet mines (Maindeka).
- (g) Life Sciences : Life support system for hot air balloon has been successfully completed. Diagnostic kit for diagnosis of soft tissues and bone tumours; Bone implants and Titanium Bone Plates developed and fabricated for fractures of facial skeleton and a deferrization unit for providing potable water.
- (h) Spin – Offs : Development of floor reaction orthosis, which were based on a spin off of missile programme based composites. FROs mass produced using standardized sizes and tools, were distributed to polio patients; Cardiac Catheters have been developed indigenously and Cardiac Stents made of coiled special grade

stainless steel wire; Mass Screening of tribal women for incidence of cervical cancer using CYTOSCAN System developed by DRDO.

2.3 Objectives of Creation of DRDO

2.3.1 The core objective which has inspired the setting up of the above goals is achievement of self reliance in critical Defence technology. However, despite the sizeable allocations for Defence R&D, the cherished objective of self-reliance in military technology is still ahead. Thus, our Defence forces are still dependent to a large extent on imports for acquisition of modern military hardware and warfare systems. Indigenous R&D efforts are being continuously made, but still the Cost and Time overrun of R&D projects is a cause of concern. This makes it necessary to enhance the capabilities and efforts of Defence R&D organisation, not merely from the angle of financial management, but also from the perspective of policy of self reliance as well.

2.4 Funding of DRDO

2.4.1 The annual voted Budget Estimates of DRDO is met under two heads of accounts as shown below: -

Revenue Major Head 2076, Minor Heads 110 & 108

Capital Major Head 4076, Minor Head 052

2.4.2 The allocation under Revenue account, takes care of all the Maintenance/Running Expenditure like Pay and Allowances of the staff, Procurement of stores, Transportation and Miscellaneous expenditure. The Allocations under Capital head of account are made for Construction of Buildings and other Infrastructure Facilities. In addition, specific allocation are made for grant of Fellowship and Grants-in-Aid under Minor head 108 of Revenue head of account for promoting research activities outside the organization in various renowned universities and research institutes.

CHAPTER-3
INTERNAL AUDIT SECTION

Contents	Para No.
Introduction: Internal Audit	3
Definition, Scope & Meaning of Internal Audit	3.1
Objectives	3.2
Duties	3.3
Functions <ul style="list-style-type: none"> i. Local Test Audit Reports/Notes ii. Draft Para iii. Loss statements 	3.4
Reporting System in R&D Controllers <ul style="list-style-type: none"> i. MFAI Report ii. Internal Audit Report iii. Annual Audit Certificate vi. Appropriation Accounts v. Reports & Returns 	3.5

3 Introduction:

3.1 Internal audit by definition is a review of all financial operations and accounting records. This is generally undertaken on a continuous basis within an organization by specially assigned staff. The scope of internal audit is determined by the authorities of the organization. The internal audit's objective is to ensure that the accounting system and mechanism are efficient and the accounting reports are accurate and disclose all material facts. They are also to suggest corrective measures, when called for.

3.1.1 Internal audit involves conducting a systematic examination of records, systems and procedures and operation of an organization as a service to the Executive. In the modern concept, Internal Auditing is an independent appraisal function to examine and evaluate its activities as a service to the organization and provide the Executive with analysis, appraisals recommendations, counsel

and information concerning the activities reviewed. Thus, Internal Auditing is concerned with an evaluation of both internal controls as well as the quality of actual performances. It has been viewed as an agency, which assists the Executive in ensuring that the money and other resources have been properly accounted for and there have been no frauds, misappropriations, leakage or mis-utilisation of resources and the assets have been properly accounted for and safeguarded. It also ensures that the structure, operating systems and internal control systems are cost effective and efficient and that the objectives of performance have been achieved with optimum EFFICIENCY, ECONOMY AND EFFECTIVENESS.

- (a) ECONOMY: Requires that Goods and Services are procured at a Minimum cost consistent with quality.
- (b) EFFICIENCY: Is concerned with maximization of output for a given Quantum of inputs.
- (c) EFFECTIVENESS: Is the extent to which the goods or Services produced and procured satisfying the purpose envisaged.

3.1.2 Scope of Audit: The role of Audit includes the following:

- A. Compliance/Regulatory Audit
- B. Operational Audit
- C. Performance Audit
 - I. Scope of Regulatory Audit (of expenditure)
 - a. Compliance with canons of financial propriety.
 - b. Compliance with Rules and Regulations.
 - c. Regularity of transactions.
 - II. Scope of Operational Audit
 - a. Examination of Control and Reporting Systems.
 - b. Periodical review of operations including its technical aspects with the help of specialists if required.
 - c. Analysis of adequacy of powers i.e. use of delegated powers at various levels and discharge responsibilities at various levels (Authority and Responsibility Centres).

- d. Examination of Economy and Efficiency in resource utilisation (value for Money).
- III. Scope of Performance Audit: This is called the audit of 3 Es
- a. Economy Audit
 - b. Efficiency Audit
 - c. Effectiveness Audit

3.1.3 Meaning of Internal Audit : An Internal Auditor has to function as a member of the Executive team and, therefore, has to gain the confidence of the Executive. This could be ensured by proper planning, corrective action and re-orientation of priorities. Its scope does not stop at finding faults but extends to making suggestions for improvement and commending excellence in managerial functioning. Internal performance audit should have a sympathetic appreciation of the risk and uncertainties confronting the decision-makers at the time when decision is made. Thus there is a greater need for use of professionalism and technique by the internal auditor. In short, the aim of Internal Audit should be to play a positive role through constructive criticism and concurrent advice.

3.1.4 Internal Audit of DRDO: The organization of PCDA/CsDA (R&D) is responsible for carrying out Internal Audit of the accounts maintained by the DRDO.

3.1.5 The functionaries of PCDA/CsDA (R&D) not only review the reliability and integrity of financial operation and information, but also compile the basic accounts in respect of transactions of Defence R&D. In its role as agency performing regulatory and propriety audit, the organization of PCDA/CsDA (R&D) seeks to ensure compliance with policies, rules, regulations and laid down procedures by the DRDO. The role of reviewing the norms of safe-guarding assets and ensuring that the existence of such assets is properly verified is also being performed. In the discharge of these functions, the organization is guided by the system and procedures prescribed in the departmental Codes and Manuals as also the Defence Services Regulations.

3.1.6 As regards the areas of Economy and Efficiency, Audit and Review of operations/programmes, some meaningful efforts have been made by PCDA/CsDA (R&D) through Performance Appraisal/Review of R&D activities and

projects with reference to the documents available and other information elicited through interaction with R&D authorities.

3.2 Objectives of Internal Audit Section are:

- i) To assist Admin and Executive Authorities of DRDO in improving the financial administration of the Labs/Estts under their command.
- ii) To keep the Admin and Executive authorities of DRDO and CGDA informed periodically of the General State of Accounts.
- iii) To ensure that financial and other resources placed at the disposal of the Admin and Executive Authorities of DRDO are utilized in the best interest of the State.
- iv) To evolve methods to increase the cost effectiveness of the expenditure incurred by Admin and Executive Authorities of DRDO.

3.3 Duties: Internal Audit Section deals with:

- i) Receipt, Examination and Circulation of Govt. Letters etc. in respect of matters effecting Local Audit and other checks.
- ii) Examination of important points meriting investigations received from LAO, sub-offices and Audit sections of Main Office.
- iii) Rendering Financial Advice to the local Admin. Authorities of DRDO.
- iv) Approval of Local Audit Programme (LAP) proposed by LAOs and watching Local Audit Completion Reports (LACRs) thereof.
- v) LTARs/Draft Paras raised by Test Audit authorities.
- vi) Rendition of Quarterly MFAI Report.
- vii) Consolidation and Rendition of the AAC and its Quarterly follow up reports to the CGDA.
- viii) Rendition of Audit Reports on Loss Statements and preparation of Appropriation Accounts Reports for rendition to the CGDA.
- ix) Examination of TPC/NC cases and nomination of finance representative to attend the TPC/NC
- x) Providing concurrence for procurement on PAC basis
- xi) Examination of references received for clarification/instruction/guidance and further reference to the HQr office for clarification/guidance etc.

- xii) Examination of DRDO expenditure with a view to exploring ways and means of achieving Economy where practicable.
- xiii) Circulation of latest Govt. orders and CGDA's clarifications concerning Defence civilians of DRDO and to ensure that these orders/clarifications are applied correctly in disposal of various items of work.

3.4 Functions of Internal Audit Section : In addition to other functional areas as stipulated above the Internal Audit Section in the Controller's offices is mainly responsible for monitoring the areas of Internal Audit through its agencies i.e. Local Audit Offices/Sub Offices responsible for the Internal Audit of Units/Labs/Establishments of R&D organization.

3.4.1 Job description of areas of work dealt in Internal Audit Section of R&D Controller's office is described in the succeeding paragraphs for the convenience of the staff deployed in these areas in Controller's offices of R&D:

3.4.2 Draft Paras:

- (a) To see that draft para (DP) has been received either from the CGDA or from the command office of the DADS.
- (b) If the draft para (DP) is related to work peculiar to other section of the Main Office, see that the DP is passed on to the concerned section for further action.
- (c) Verify that the cases of similar subject as described in the DP have/have not been dealt with already as an objection in the LTAR. If so the stand taken thereon should be kept in view while dealing with the DP.
- (d) Forward copies of the DP without delay to Hqrs of the organization/Estt/other appropriate Executive authorities, for verifications of fact and their acceptance/comments.
- (e) Simultaneously forward copies of DP to lower formation concerned and LAOs/Sub-offices for verification of facts.
- (f) Watch carefully receipts of replies from various parties to ensure that no undue delay takes place in furnishing final reply on the DP to HQrs office.

- (g) Scrutinize replies received, to see that:
 - i) Clear statement regarding acceptance or otherwise of the DP has been made by the Executive authorities
 - ii) The points stated in DP has been accepted / challenged by the Executive authorities whatever the case may be and verify its authenticity with reference to rule position shown in DP.
 - iii) Verify from the reply of the LAO that there is no inconsistency as regards verification of facts between his report and that received from the Executive authority.
 - iv) If DAD is in any way responsible for failure to detect the irregularity, scrutinize the details furnished in prescribed proforma carefully with a view to assess the extent and nature of the failure and to fix responsibility for taking disciplinary action/remedial measures.
- (h) Frame reply to CGDA/DADS which should contain detailed report on all the facts/points brought out in the DP.

3.4.3 Local Test Audit Reports (LTARs): On receipt of the LTAR/LTAN from DADS authorities the following line of action is required to be taken in the controller's office:

- i) See that the local Test Audit Reports received from the DADS relate to Labs/Estt under the audit area of the Controller's office in which it has been received.
- ii) Open a new case file for each LTAR and enter the number of LTAR objections with other particulars in Audit Progress Register (APR) against the concerned Lab/Estt.
- iii) Put up reply to the LTAR objections which can be answered directly i.e. without reference to outside parties. In other cases, refer the observations to the concerned (i.e. Lab/Estt with copies to LAOs/Sub-offices) or the other sections of MO etc.
- iv) On receipt of reply from Units/Formations, scrutinize the same to see that replies to all the points raised in the LTAR have been given

appropriately and the facts stated have been verified by the LAOs concerned to the extent possible.

- v) Ensure that replies to LTAR objections are furnished to the Test Audit Authorities within the time limits prescribed
- vi) Furnish reply to the Test Audit Authorities and ensure that replies are clear, comprehensive and supported by relevant Authorities /Rules /Regulations / Orders on the subject.
- vii) Note settlement of objections in the Audit Progress Register as and when communicated by Test Audit Authorities.
- viii) Prepare summary of outstanding objections in APR at the close of every month.

3.4.4 Loss Statements and rendition of audit reports thereon: The Loss Statements of the following category will be scrutinized by the Main Office:

- i) IA Section is responsible for audit and scrutiny of loss statements on account of cash/store loss of Labs/Estts of DRDO.
- ii) The loss statements will be scrutinized to see that :
 - (a) They are complete in all respects and have been prepared on the prescribed form and are duly priced.
 - (b) No breach of the accounting rules has contributed to the loss.
 - (c) The loss has been properly investigated by Court of Inquiry constituted by the CFA.
 - (d) Proceedings of the Court of Inquiry have been enclosed with the loss statement.
 - (e) The loss is a real one and not fictitious.
 - (f) The remedial measures and/disciplinary action taken where necessary are adequate and satisfactory.
 - (g) LAO has exercised preliminary scrutiny where necessary and has rendered the preliminary audit report.
 - (h) The loss has been correctly priced with reference to the category of equipment prior to the loss.

- iii) Audit reports are rendered as under by Controllers office on all cases of losses requiring sanction of the competent authority.
- iv) While furnishing the Audit Report the following points may be ensured:
 - (a) Verify whether a loss statement, duly price checked by LAO, is attached when loss of cash/stores is involved.
 - (b) See that a self-contained letter addressed to the competent authority/DRDO HQrs. is submitted with the statement of case.
 - (c) To see that the statement of the case is in a narrative form covering all points.
 - (d) Verify whether the recommendation of all lower authorities is recorded.
 - (e) Verify whether the particulars shown in the statement of the case are factually correct.
 - (f) Examine the case carefully and determine the competent Financial Authority whose sanction would be required to regularize the loss as per Sl. No. 7 of Appendix-A to Govt. of India, Ministry of Defence Letter No. DRDO/DBFA/FA/83226/M/01/2031/D(R&D) dated 30.07.2010.
 - (g) Prepare an audit report on the case. It should show briefly the specific case, the designation of the authority competent to sanction it and the relevant rules in support of the same.
 - (h) The audit report should be unambiguous and state clearly the CFA who is competent to write-off/regularize the loss and cite reference to the authority under which he is vested with these powers.

3.5 Reporting System of Audit in the Controllers of (R&D): The results of audit carried out by Controllers of (R&D) are communicated to the concerned Executive Authorities and HQrs Office through various audit reports and certificates.

3.5.1 Major Financial & Accounting Irregularities (MFAI): Irregularities detected in local Audit/Internal audit should, in the first instance, be brought immediately to the notice of the concerned Executive Authorities. On receipt of a report of defalcation or loss of public money or stores, the CDA should call for further information as may be required on the subject. The case is then carefully examined to ascertain if the defalcation of loss is due to any defect in rules or due to neglect of rules or lack of supervision on the part of Executive Authorities. The CDA then reports the result of such examination to the authority competent to write off/regularization of the loss. In individual cases of serious irregularity or as well as in all cases of losses/over-payment/irregularities involving lapses on the part of Defence Accounts Department, the CDA will submit a report to the CGDA in the matter. Such reports will contain:

- i. Full particulars of the cases including the background and modus operandi of the irregularities;
- ii. the rules/regulations/orders disregarded
- iii. the agencies which discovered the irregularities;
- iv. the circumstances in which the irregularities could not be detected by the DAD earlier;
- v. views of the CDA in regard to responsibility of individuals of the DAD, if any;
- vi. recommended action and remedial measures to prevent the recurrence of such irregularities etc.

3.5.2 The Major Financial Accounting Irregularities (MFAI) report constitutes the means by which CDA can report major financial and accounting irregularities and short-comings to the Executive Authorities and to HQrs Office. Controllers' Quarterly MFAI reports for the quarters ending June, September, December and March each year are rendered by the 20th of the month following the quarter.

3.5.3 MFAI report cover:

- i. potentially serious cases involving irregularity/non-maintenance of accounts;

- ii. cases involving financial irregularity or loss amounting to Rs.1 lakh or above as well as other cases which disclose loopholes for fraud or defalcation;
- iii. cases of serious irregularity which cannot be translated into financial terms;
- iv. non/under-utilization of plant and machinery;
- v. identification of slow moving and non-moving stores;
- vi. deterioration of stores due to long/inadequate storage;
- vii. defective planning and implementation of projects involving, in particular, time overrun and cost overrun.

3.5.4 MFAI reports are rendered in two parts viz., Part I and II. Part I is for indicating Fresh irregularities and Part II for Irregularities reported earlier but still outstanding. Both the parts are further divided into two sections, 'A' and 'B', showing Cash and Stores irregularities respectively.

3.5.5 The MFAI reports are addressed to DGR&D by name with copies to the concerned Labs/Establishments. A copy of the report will also be endorsed to CGDA as well as to the Test Audit authorities.

3.5.6 In view of its importance, the MFAI report should be drawn up and edited with utmost care. The narration of each item should be brief, self contained and lucid and clearly bring out the nature of irregularity, the extent of its seriousness, the amount involved, the precise deficiency/failure revealed and reference to the relevant rules and orders. The narration should also indicate all the action taken till the time of reporting. It should also be mentioned whether the irregularity came to light during percentage audit or otherwise as well as the precise point at which and the extent to which Executive failure is revealed.

(Defence Audit Code Para No.523, Volume II Edition-1992)

3.5.7 Internal Audit Reports: With a view to evolve an institutionalized reporting system to highlight periodically, the major deficiencies noticed by PCDA/CDA(R&D) in the functioning of DRDO Labs/Estt/Units and devise methods for enhanced Economy, Efficiency & Effectiveness , a bi-annual Internal Audit Report is submitted by the Controller's to CGDA office.

3.5.8 Keeping in view that these Internal Audit Reports serve as an effective tool to the higher level management for enhancement in "Economy"," Efficiency" &" Effectiveness" in the system, it is essential that selection of items for inclusion in the IAR receives personal attention of the Controllers and all important irregularities noticed during Super Review visits and meaningful items reported by LAOs/sub offices find place in the controller's Internal Audit Report (IAR).

3.5.9 Write ups and the formats of the Internal audit report is required to be of the pattern in which the DP are floated by the Statutory Audit Authorities and as such it should always be accompanied by a 'Key' to the references made in the IAR for the proper appraisal of higher authorities.

3.5.10 Annual Audit Certificate (AAC): The PCDA/CDA (R&D) furnishes annually a Certificate to the CGDA not later than 1st August each year that to the best of his knowledge and belief no part of the expenditure contained in appropriation accounts for the year has been incurred without the sanction of the Govt. of India wherever required, except for items where the necessary sanction is awaited (Para 541 Defence Audit Code Vol-II (Edition 1992). Particulars of such items exceeding Rs. 50,000 in each case are furnished in a statement attached to the Annual Audit Certificate. The Annual Audit Certificate will also include reservations and specific instances of relevant serious irregularities in respect of store accounts, stock verification etc. which are considered important enough to be brought to the notice.

3.5.11 The Controller's Annual Audit Certificate for a year should embrace all the expenditure contained in the accounts of that year and should also depict as a whole the correct results of Internal Audit conducted by the PCDA/CDA(R&D) vis-a-vis the entire field of Defence R&D expenditure. The certificate should be self-contained, comprehensive and precisely worded. In cases of any reservations of qualifications, a few specific and glaring instances in support of each such reservation or qualification should be furnished separately as an Appendix.

3.5.12 The Annual Audit Certificate and the various statements will be prepared by the Controllers after examining all objection statements (including those issued by the LAO) and other documents containing a record of the charges complied in the accounts of the relevant year which have been placed under

objection for want of sanction of Govt. of India. To facilitate the preparation of Annual Audit Certificate, a register will be maintained in each audit section of the Controller's office and also by each LAO, showing items of the nature referred to above placed under objection and the subsequent progress of the objection with notes on the final orders issued.

3.5.13 Controllers will also keep a close watch over the progress made in respect of each of the various reservations made in the Annual Audit Certificate and its various Annexures. A quarterly progress/follow-up report for Quarter ending September, December & March will be rendered to the CGDA showing the position of each of the reservations and outstanding items. The detailed instructions regarding preparation of Annual Audit Certificate have been enumerated in Para 541 Defence Audit Code Vol-II (Edition 1992).

3.5.14 Appropriation Accounts: The Financial Adviser, Ministry of Defence (Fin) is responsible for preparation of Appropriation Accounts of the Defence Services and for their submission to the C&AG and the Director of Audit (Defence Services) on the 15th January of the year following that to which they relate. A proof copy of the accounts will be sent to those officers on the 15th December. The object of the Appropriation Accounts is to present the audited accounts of expenditure from the Appropriations for the year with full explanations of all important variations between final appropriations and the actual expenditure. The appropriation accounts also contain a general review of expenditure of Defence Services as well as miscellaneous observations. The important statements include the following:

- | | |
|------------|--|
| Appendix-A | Statement of Losses of Cash, over payment etc. finally dealt with during the year |
| Appendix-B | Statement showing the total amount of Store Losses of various categories dealt with finally during the year. |
| Appendix-C | Statement of Infructuous Expenditure exceeding Rs. 1 lakh in each case with complete details and aggregate value of all other items of infructuous |

expenditure between Rs. 10,000 to Rs. 1 lakh finally dealt with during the year.

Appendix-D

Statement showing variation between the year's original allotment and expenditure in respect of works carried out during the year.

(Defence Audit Code Para No.532-535 Volume-II, Edition-1992)

3.5.15 The following important Reports and Returns (other than those mentioned above) are compiled and rendered to HQrs office by Internal Audit section:

S.No.	Subject	Periodicity
1.	Quarterly Activity Report	10 th of the month following the quarter
2.	Report on outstanding TA/DA & LTC Demands	Half-yearly by 10 th July, and 10 th January
3.	CGEIS	31 st January

CHAPTER-4

AUDIT OF SANCTIONS

CONTENTS	PARA NO
Audit of Sanction	4.1
Scope of Audit	4.2
Types of Sanctions	4.3
Objectives	4.4
Percentage of Audit	4.5
Reporting to Executive Authorities	4.6
Check List for conducting Basic Audit on Sanctions/Orders	4.7
Check List for conducting Higher Audit on Sanctions/Orders	4.8
Sanction issued by Government of India	4.9

4.1 Audit of Sanctions

4.1.1 Prior to introduction of IFA system in the DRDO and delegation of revised financial powers to various authorities in the R&D organization for sanction of expenditure under Revenue and Capital heads of accounts for various Programmes & Projects vide Government of India, Ministry of Defence letter No. DRDO/DBFA/FA/83226/M/01/2031/D(R&D) dated 30.07.2010 the delegated powers of these authorities under the ambit of Govt letter No. 93916/RD 26(ii)/5242/D (R&D) dated 15.10.1985 as amended vide Corrigendum Nos. DBFA/FA/83226/M/01/1097/D(R&D) dated 25.03.2003 and 05.08.2008 were not so significant and as such most of the sanctions issued for high value projects and programmes were emanating from the level of Secretary to the Department of Defence (R&D) or above that level with the result that such sanctions were being issued with the concurrence of Defence (Finance) and were not subject to audit by Controllers (R&D) offices. With the issuance of revised financial powers vide Govt of India, Ministry of Defence letter dated 30.07.2010 as mentioned

above resulting in a significant increase in the delegated financial powers of the authorities lower than the Govt of India the role of PCDA/CsDA(R&D) in the field of audit of sanctions has become very important and therefore the need for incorporating a separate section in this manual on this subject has been emphasized to highlight the importance the Controllers' organization in the role of an internal auditor for the R&D organization in this sphere of work.

4.1.2 Basically after introduction of IFA system all the high value proposals are vetted by the IFAs right from the AON stage till the formal issuance of sanction letter and even after that at various stages till the formulation of Supply Order or Contract etc. This process of association of IFA in the revised set up does not forbid the Controllers' organization from carrying out audit of sanctions as the role of IFA in this process is entirely in the capacity of integrated finance which is a part of decision making process and is distinct from the role of internal auditor which is to be exercised by the concerned controllers' office while acting on the basis of these sanctions.

4.1.3 Para 23 to 37 of Defence Audit Code prescribes audit of sanctions, issued by authorities lower than the GOI, to be carried out by PCsDA/CsDA. A clear distinction has been made therein between the financial concurrence given by various IFAs and Audit of Sanctions by PCsDA/CsDA. The latter have been given mandate to carry out audit of all sanctions issued with or without financial concurrence.

4.2 **Scope of Audit:**

- i) The audit of Government of India sanctions is conducted by the Director General of Audit, Defence Services. A regular audit of such sanctions will not, therefore, be carried out by the PCsDA/CsDA.
- ii) All codes, regulations and standing orders issued by the Government of India are scrutinized by the Director General of Audit, Defence Services and the Controller General of Defence Accounts and need no further scrutiny by PCsDA/CsDA.
- iii) The audit of all sanctions and orders affecting Defence Services issued by authorities lower than the Government of India devolves

on PCDA/CDA concerned and such audit must be carried out before audit is conducted on the transactions arising from such sanctions and orders.

- iv) All sanctions accorded by the Defence HQrs should be audited by PCsDA/CsDA with reference to the orders governing the sanction, even if the sanctions indicate that the same were concurred in either by the Min of Def (Finance) or concerned IFA or Service HQrs.
- v) All expenditure of public money, which is not authorized by the Regulations or other orders, requires the sanction of the Government of India. Accordingly, all orders which convey sanction, either directly or indirectly, to such expenditure should issue in the form of a Government letter or Army/Air Force/Navy Instruction. The PCDA/CDA should not act on any letter issued by the branches of Armed Forces HQrs which should have been appropriately issued in the form of a Government letter or Army/Air Force/Navy Instruction.

4.3 Types of Sanctions : Audit of sanction covers all the sanctions and orders affecting financial transaction and these can be divided into three classes-

- a. Rules and general orders.
- b. Grants and Appropriations.
- c. Sanctions to expenditure.

4.3.1 However, this chapter covers only the procurement sanctions received in Store Audit and Miscellaneous sections. The definition of procurement is as under:

"The term procurement means acquiring all types of goods, such as equipment, stores, spares, technical literature etc., as well as all types of services, including packing, unpacking, preservation, transportation, insurance, delivery, special services, leasing, technical assessment,

consultancy, systems study, software development, maintenance, updates, conservancy etc."

4.3.2 Following types of cases will continue to be done by the respective sections during the course of their normal duties as mentioned in OM Part II Vol-I:

- i. All sanctions issued regarding Pay & Allowances received in Pay Sections.
- ii. All sanctions regarding TA/DA and LTC received in TA Section.
- iii. All sanctions regarding Loss regularization received in IA Section.
- iv. All Administrative approvals and other work related sanctions received in Engineering Section.
- v. All sanctions regarding Medical received in Medical Section.

4.4 Objectives

4.4.1 The objectives behind Audit of Sanctions is to ensure that the orders/sanctions fulfil following criteria -

- (a) That they are consistent with the essential requirements of audit and accounts, as mandated by C&AG, CGA & CGDA.
- (b) That they do not conflict with the orders of, or rules made by any higher authority.
- (c) That in case they have not been separately approved by competent higher authority, the issuing authority possesses the necessary rule making powers.
- (d) That canons of financial propriety have been followed, where the CFA has been vested with full powers in respect of the particular class of expenditure.
- (e) That wherever CFA is vested with powers which are exercised with reference to certain criteria which are expressed in a general form, then the disregard of the criteria is not done so as to make the sanction perverse or that one or more of the criteria have not been disregarded.

- (f) That the order defining CFA's powers is obeyed exactly in every instance, wherever CFA is vested with powers which are expressed in precise terms.
- (g) That undue advantage is not taken of the provisions of any orders where under the rule is issued.
- (h) That the sanction is definite and thus needs no reference either to the sanctioning authority itself or to any higher authority.
- (i) That the case requiring the sanction of the higher authority has not been sanctioned in installments by a lower authority.
- (j) That the sanction has been received from or through the sanctioning authority.

4.5 **Percentage of Audit**

- a) **Preliminary Checks:** This will be done in 100% cases. All sanctions/orders will be scrutinized for carrying out these checks.
- b) **Higher Audit Checks:** An ABC analysis of sanctions/orders will have to be carried out to select few sanctions for carrying out an in-depth study from higher audit angle. An illustrative list of criteria for deciding the criteria for selection is given below for guidance. However, PCDA/CDA are free to include any case not fulfilling this criteria, depending upon merits of the case -
 - i. All cases, whose value is more than 75% of the CFA's maximum powers. For example, if CFA's power is Rs 1 Crore for a particular item, then all sanctions issued for more than 75 lakh by that CFA can be seen from higher audit angle.
 - ii. All Single Tender and PAC tender cases irrespective of value.
 - iii. All IT cases costing more than Rs. 25 lakhs.
 - iv. For cases where powers have been exercised without consultation of IFA, the values may be small, but there could be an attempt to split the powers to obviate the need for taking IFA's concurrence. For this, a pattern of similar sanctions over a particular period (a week or a month or a

quarter or an year) should be seen to examine this point and other check points.

4.6 Reporting to Executive Authorities

A consolidated observations arising out of audit of sanctions will be made promptly to the Executive Authorities. No piece-meal observations will be made. The letter will be addressed direct to the CFA. If the replies are not found satisfactory, then the next higher authority will be informed to take suitable action in terms of Para 40 of Defence Audit Code.

4.6.1 Reporting Mechanism

- a. If the cases fulfil the criteria fixed for MFAI Items then the same will be included in quarterly MFAI Reports
- b. At the end of every six months, all the cases arising out of audit of sanctions have to be gone through and important cases can be selected for inclusion in Internal Audit Report.

4.6.2 Follow-Up Action: The post sanction activities are to be linked at two stages.

- a. Payment Stage: After the item is delivered and taken on charge, the bill for that item will be received in the concerned audit section. At this stage, inputs from sanction audit can be an additional check point. Obviously this will have to be done on selective basis. The idea is to ensure that the required corrective action was taken by the executive authorities at the time of submission of bills.
- b. Transaction Audit Stage: While generally the local audit mechanism is able to ensure correct receipt and recording of items bought by the users, it is the aspect of actual usage and effective utilisation which does not get its due attention. An illustrative list of cases can be sent by audit sections to IA Section for conducting higher audit:
 - i) Cases processed by executives on grounds of urgency - to be seen whether the usage pattern of item justified its procurement.
 - ii) Bulk Procurement Cases - to be seen whether distribution to various users was done as planned earlier and whether consumption rate justified its procurement in bulk quantity.

- iii) Costly Equipment - to be seen whether the usage pattern over a period was sufficient enough to justify its procurement or whether purpose could have been served with a cheaper alternative.

4.7 Check List for conducting Basic Audit on Sanctions/Orders

4.7.1 Competence of CFA

- i) See that CFA's powers in the relevant schedule of delegated powers and confirm that sanction is issued within the limits prescribed therein.
- ii) Ensure that monetary limit, which has been set in each case, extends to each separate sanction. Confirm that the criteria in the case has been taken as total cost of a measure and no measure which requires the sanction of higher authority shall be sanctioned by a lower authority in installments by splitting in view for bringing the issue of such sanctions within its powers.

4.7.2 Concurrence of IFA: Whether IFA's concurrence is required to be taken, confirm that UO number allotted by IFA has been indicated in the sanction/order.

4.7.3 Re-delegation of powers: Ensure that delegated powers have not been re-delegated by CFA to any lower functionary, as it is not permissible to do so.

4.7.4 Issuing Authority

- (i) Powers for communication of sanction can be delegated by CFA provided the latter's approval was given in file. Ensure that the designated officer signing the sanction on behalf of CFA has been authorized by CFA through an order. Keep these orders in a guard file.
- (ii) Match the signature of the signing authority with specimen signature held in guard file.

4.7.5 Receipt of sanction : See that the sanction has been received from or through the sanctioning authority.

4.7.6 Nature of Sanction

- (a) See that the sanction is definite and does not contain any reference either to the sanctioning authority itself or to any higher authority.

- (b) Confirm that the sanction has been issued in the prescribed format.
- (c) See that the order has been signed in ink wherever applicable.

4.7.7 Provision of Funds

- a. See that confirmation of specific allotment exists against the value being sanctioned.
- b. See that correct code head vis-a-vis nature of item has been mentioned.

4.7.8 Audit against Propriety

- i) See in general that canons of financial propriety have been observed.
- ii) See that broad principles of orthodox finance have been kept in mind by the sanctioning authority.
- iii) See that economy instructions issued by Govt have not been violated.

4.8 Check list for conducting Higher Audit on Sanctions/Orders

4.8.1 Competence of CFA

- i) Match the ceiling of powers given in schedules with the total likely expenditure given in the proposal. Carefully see if proposal had any add-ons and whether they had been taken into account for calculating the grand total.
- ii) See that the terms and conditions laid down, while delegating the financial powers, were fulfilled by the CFA.
- iii) Ensure that the Delegated powers had been used duly giving due considerations to the standards of financial propriety.
- iv) See that the powers have been properly exercised for the indented purpose and advice rendered by IFA have been regarded in spirit.
- v) In case there was splitting of sanctions, Audit examination should look beyond whether it has resulted into financial loss to the Govt. apart from violating the basic delegation of powers.
- vi) Look at the nature of item. If it was of recurring nature throughout the year, then ascertain the period for which the

present case had been sanctioned. Critically examine this issue to ensure that no splitting of expenditure is done.

- vii) For processing cases of similar items but with different sizes, the relevant Govt./CGDA decision may be kept in mind as it differs from item to item. For example, in case of drugs/consumables of same nomenclature but having different sizes/strengths, MoD vide their letter dated 8.5.2006 have clarified that they will not be treated as different items and will not be considered as splitting of order, provided a certificate is given by Addl DGAFMS (F&S).
- viii) Ensure that CFA's powers have been exercised by CFA himself as delegated powers cannot be re-delegated to lower authorities by CFA.

4.8.2 Scrutiny of Justification

- i) Carefully examine the justification given for the item in SOC and important noting. See whether any queries or issues were raised in the noting.
- ii) Ensure that procurement had been done on objects specified in basic regulations/rules with reference to scales laid down by Government. Find out whether item pertained to scale or un-scaled category or whether it had been mentioned in the categories mentioned in various Govt rules or Army orders. Remember that an item is scaled when it is approved by CCS.
- iii) If PPP existed for the category of items being proposed, then whether comparison of the nomenclature, quantity and cost of item given in PPP and present proposal has been analyzed while taking the decision.
- iv) See that the proposed distribution of item would not be resulting in any extravagance and over-provisioning and that items have been procured for authorized personnel and offices.
- v) See whether the thought was given to achieve the purpose by modification or up-gradation of existing items/facilities. See that

disposal of existing item, in case of old vintage, has been given thought to get the best value to state.

- vi) If existing facilities were being strengthened with additional quantities, see that issues like standardization and compatibility had been taken into account.

4.8.3 Funds' availability

- i) Ensure that the Major, Minor and Detailed heads are mentioned correctly in the sanction as per MoD orders and CGDA guidelines. Consult Classification Hand Book, if necessary.
- ii) Look for the confirmation regarding funds' availability under allotment for that financial year.
- iii) See that the progressive expenditure total given in the file has been added to the committed liabilities and estimated value of current case and that this total did not exceed the allotment under this head.
- iv) See for status report in respect of all carry-over cases in the noting, whenever a new case is put up by users.
- v) If sanction has been issued at the AON stage, then look for the basis on which estimated cost of proposal had been worked out in the sanction. Was it based on LPP, Budgetary quotes or Market Survey? See that estimates were realistic and that they had not been under-valued either to get over any allotment related issues or get clearance of lower CFAs at AON stage.

4.8.4 Mode of tendering

- (a) Open tender:
 - i) See that all common use items, which are normally available in open market with a wide range of sources, were done through Open tender.
 - ii) Confirm that notifications were sent to DGCIS, Calcutta for publication in their weekly issue of Indian Trade Journal and to DAVP, New Delhi for publication in leading newspapers. Also see that selection of newspapers was done keeping in

view the nature of item and likely sources of regions in the country.

iii) See that the letter was also sent to MoD and NIC for publishing in their Web-sites.

(b) Limited Tender:

i) If it was proposed on the grounds of urgency, then look for the reasons given in SOC/Noting as to why the demand could not be anticipated earlier.

ii) If it was proposed on the grounds of limited/known sources, then look for the background papers related to the work done in the past. Did it have the endorsement of agencies like DGQA, DRDO, etc?

iii) If it was proposed on the grounds of Public interest, then look for the justification given to do so and whether other sister organizations had also done the same for that item.

iv) If it was proposed on the grounds of items having stringent MIL specs, then whether a detailed justification from Indenting officer was given.

v) If it was proposed on the grounds of Govt policies, then the relevant Govt letter may be analyzed.

vi) List of proposed vendors and reasons for including some and excluding some may be gone through to ensure that sufficient competition was generated.

(c) Single Tender with PAC:

i) See that PAC certificate had been issued only to OEM though the purchase could be done through the OEM's authorized distributors or dealers.

ii) Ensure that the PAC certificate date has not expired as it remains valid only for three years after the date of its issue.

iii) See that the PAC certificate contains concurrence of IFA and approval of CFA in terms of Para 7.8 of PM 2006.

- iv) In the case of spares, ensure that the PAC is issued only to the OEM or OEM-approved manufacturers.
- (d) Single Tender:
 - i) Ensure that the case for single tender i.e., for Non-PAC items was done only on the grounds of urgency or operational or technical requirements.
 - ii) Detailed reasons from User, justifying the reasons to go in for Single tender, may be seen.
 - iii) See that the selected vendor was a reputed firm.
 - iv) Find out whether reasonable estimate of rates for the item was prepared in advance by the user.
 - v) Govt. instructions exist for Product/Purchase/Price Preference on certain items to KVIC, ACASH, MSMEs, Pharma CPSEs, NCCF and Kendriya Bhandar.
- (e) Rate Contract:
 - (i) Local Purchase against DGS&D Rate contracts
 - a. Ascertain whether the items being bought are on the DGS&D Rate contract list or not. If yes, whether the procurement was done by placing order against Form-131 or Appendix F of DPM-2009 on DGS&D Contracts.
 - b. Ascertain whether the items being brought are on the RC concluded by Central procurement agencies of MoD or Service HQrs or not.
 - (ii) Entering into Rate/Running Contracts by Labs/Estts
 - a. Check that these contracts are entered into only for stores whose annual drawl against the contracts are expected to exceed Rs.5,00,000/- and the price is not subject to appreciable market fluctuations based on assessed future consumption.
 - b. The duration of rate/running contract is not more than three years.

- c. No new rate contract should be placed with the firms having backlog against existing contracts and also if the backlog is likely to continue for the major portion of the new contract period.
- (f) Repeat Order:
 - i) See that the items ordered had been delivered successfully.
 - ii) See that the Original order did not cover urgent/emergent demand.
 - iii) Look for the past and present order to find out whether R.O. has not been done to split requirement to avoid sanction of the next CFA.
 - iv) Look for the confirmation regarding no downward trend in prices.
 - v) Look for the confirmation that the firm has given consent to hold the same prices terms and condition including delivery schedule as per service requirement.
 - vi) Ensure that the requirement is for stores of identical nature/specification, nomenclature etc. Minor improvements in spec(s) or phasing out of products due to adolescence may not be precluded from purview of repeat order.
 - vii) Look at the date of delivery of last S.O. and ensure that present S.O. has been placed within 6 months from the date of supply against previous order and only once.
 - viii) Ensure that the Repeat order quantity has been restricted to a maximum of 50% of last order quantity, both in case of indigenous procurement and import orders.
 - ix) Look for the confirmation that in last S.O., the original order was placed on the basis of lowest (negotiated) price and not on delivery preference.
 - x) This provision is generally supposed to be preferred for PAC, Single Vendor OEM cases. Scrutinize closely if it has been used for situations where multiple vendors are available.

- xi) Find out whether option clause in last S.O. had been availed of, as it may not be desirable to place further repeat orders.
 - xii) Look for quantity discount, wherever applicable.
- (g) Tender Enquiry:
- i) Standard format – A standard format of tender enquiry for indigenous procurement of stores, spares and replacement equipments has already been prescribed vide DRDO.MM.11 (for other than Open Tender cases) and DRDO.MM12 (for Open Tender cases). Ensure that the RFP matches this format in letter and spirit.
 - ii) Tender specifications – See whether tender specs in Part-II of RFP were required to be made on the basis of DGQA, DRDO or any other technical agency of Govt. See that they were made on the basis of generic parameters and were not tailer-made or copied on any brand/mode.
 - iii) Parameters – Ensure that RFP contained full and clear specifications, scope of requirement and the evaluation criteria, both for technical and commercial bids. See that minimum performance level/performance criteria were specified in Tender enquiry.
 - iv) Single bid RFP – Ensure that the single bid was called for commercially off the shelf (COTS) items, where qualitative requirements and technical specifications were clear.
 - v) Two-bid RFP – See that Two-bid system was done in cases of plant and machinery equipments, complex items like IT and communication systems and in turn key projects where QRs/technical specs could not be clearly firmed up *abinitio*. In such cases, see that the RFP laid down user requirements in a comprehensive, broad-based, structured and concrete manner and expressed them in terms of functional characteristics. Confirm that this formulation was not

prejudicing the technical choices by being narrow and tailor-made.

- vi) Amendment to RFP- In case an amendment to RFP was issued by the purchaser, then see that it was notified in writing to all bidders and reasonable extension to last date of submission of bids was given. Ensure that Amendment of Tender enquiry and Extension of opening period was published in Indian Trade Journal/Newspapers/Website.
 - vii) Bid Validity- Ensure that the bid validity is 90 days in case of single bid system and 120 days in case of two-bid system, from the date of opening of tender.
- (h) Tendering Procedures:
- i) TEC Report - In two-bid tendering, see that the TEC report was approved by CFA.
 - ii) Revision of commercial bids - In case a revision of commercial bids was asked then see that equal opportunity was given to all technically acceptable vendors to give their revised commercial bids in a sealed cover.
 - iii) Bids' Opening formalities – See that the vendors were given opportunity to be present during opening of their commercial bids.
 - iv) Tender Opening Committee – See that the Tender opening board had serially numbered each bid and initialed with date on each page of the tender. Also, whether they had circled the prices and important terms and conditions and initialed with red ink. Any alterations in tenders made by the vendors should have been initialed legibly to make it perfectly clear that such alterations were present on the tender at the time of tender opening.
 - v) Late and Delayed tenders – See that Late and delayed tenders were not accepted for opening.

- vi) Modification of bids – See that the modification to bid by any vendor was done only after a written notice was received by the purchaser prior to deadline prescribed for submission of bids.
- vii) Withdrawal of bids- See that the withdrawal of bid was not allowed in the interval between the deadline for submission of bids and expiration of bid validity period.

4.8.5 Checking of CST:

- a) Examination of CST – Examine that the CST was exhaustive and included all details given in the quotations.
- b) Errors by vendors - See whether any computational errors were made by the bidders. If there was a discrepancy between unit price and total price, the unit price should have been taken. If there was discrepancy between words and figures, the amount in words should have been taken. If the supplier did not accept the correction of the errors, confirm that his bid was rejected and bid security forfeited.
- c) Enclosures to bids – See whether required sureties were furnished and whether the documents were properly signed.
- d) Deviations - See that the deviations from tender enquiry were brought out in CST.
 - i) Responsiveness of bids - See that selected bids were substantially responsive. A substantially responsive bid is one, which conforms to all terms and conditions of the bid documents without material deviations. Deviations from or objections or reservations to commercial clauses in RFP should be deemed to be a material deviation.
 - ii) Clarification on bids – If a clarification was required from any bidder, then see that it was done in writing and no change in prices or substance of the bid was sought, offered or permitted. Confirm that no post bid clarification was given at the initiative of the bidder.

- iii) Comparison of bids - Ensure that comparison of responsive bids was done on the prices of the goods offered inclusive of levies & taxes i.e., ST and ED, CDE, Packing & Forwarding, Freight and Insurance etc., as indicated in the price schedule of Bid documents but exclusive of Octroi/Entry Tax which would be paid extra as per actual, wherever applicable. See that the ultimate cost to the state on delivery to the consignee's premise was the deciding factor for ranking of bids.
- iv) LPP in CST - Ensure that LPP was mentioned, wherever available, in CST for enabling fair comparison.
- v) Signing the CST - See that CST has been signed by all the reps of purchase committee and IFA.

4.8.6 TPC report:

- i) Determination of L-1 – See that determination of L-1 has been done by the TPC.
- ii) TPC Composition – See that TPC meeting was conducted by a duly constituted Committee including a finance rep.
- iii) Reasonableness of Price - Analyze the TPC report to find out as to how the reasonableness of price was established and whether some of the following factors were considered or not –
 - a) Estimated Value as given in the indent.
 - b) Response of the trade to tender enquiry.
 - c) Last Purchase Price (LPP).
 - d) Database of past contracts for similar items.
 - e) Movement of price indices of raw materials, electricity, whole sale price index and statutory changes in wage rates.
 - f) Market intelligence regarding cost of the item or similar items.
 - g) Material composition and component-wise costing
 - h) Technological intricacies involved

- i) Whether of current production or otherwise.
 - j) Maintenance requirements, spares and warrantee etc.
- vi. Spare items' cases – For procurement of spare parts, consumables and small value contracts which were supplied in the past , ensure that the price reasonableness was determined after comparing with last purchase price after factoring in changes in price indices published by the Government Sources.
- v. Cost analysis – See that the reasonability of price was examined by resorting to Cost Analysis in situations where there was a wide variance over the LPP not explained by corresponding changes in indices.
- vi. LPP – LPP is one of the relevant factors in deciding the price reasonableness. However, following points be seen in audit wherever TPC compared the quoted rates with the LPP:
 - a) LPP of more than three years vintage was not taken as a real scale for comparison. However, such LPP was used only as an input for assessing the rates.
 - b) LPP pertained to a past successfully executed order of similar magnitude and scope of supply.
 - c) Factors like basket price and bulk discount offered was taken in to account while using LPP as a scales for comparing prices.
 - d) Price variation clause, if any, and the final cost paid by the Govt. in respect of last to which LPP pertains was considered.
 - e) Factors like items supplied against LPP being of current production or ex-stock supply was taken into account.
 - f) Market conditions and extraneous factors like re-starting production lines due to obsolescence were considered.
- vii Analysis of Single tender cases – See that in the case of single tender, analysis of the costs and price structure was done to ensure that the price quoted was reasonable with reasonable profit

margin. See that following steps were considered for the products supplied in the past indigenously or by an Indian vendor –

- a) In case of products, which were supplied in the past, the actual cost of production of the completed contract or supplies was obtained in addition to the price quotation. The current cost of production was assessed keeping in view the actual cost of production duly updated to current rates.
- b) The breakup of the material cost into the imported and indigenous material was done. In case of imported material, break down of Foreign Exchange content, foreign currencies involved, exchange rate adopted and other costs was done. In respect of Direct Material, various types of material used, their spec(s), unit rates and usage factor and credit for scrap arising was assessed by a Technical Team to vet the rates.
- c) Man hour rate (MHR) rate and Total Standard Man Hours (SMH) was assessed.
- d) Balance sheets and profit and loss accounts during the last three years were analyzed, wherever made available.
- e) In case where advance or progressive payments were required to be paid, the advantage of advance in terms of lower cost of production was considered. There was a clear linkage between price negotiated and quantum of advance.
- f) Where the order was for larger quantity, the benefit of economy of scale due to higher capacity utilization and reduction of overheads particularly fixed overheads was calculated.

viii Inputs from Vendors – See that in assessing the reasonableness, general analysis of Financial/Cost ratios from published accounts and evaluation of Commercial/Technical information of the Vendor/Bidder was undertaken. See that the allocation of overheads was done as per established principles of costing. Confirm that assessment was made on the vendor's approach to

controlling cost, adherence to delivery schedule, Cost Accounting System and other factors affecting contractor's ability to meet cost/schedule targets.

- ix Market intelligence from Web-sites – It is also desirable to develop our own data-base in regard to prices and inflation trends. In regard to price indices of indigenous items, website of Ministry of Industry www.eaindustry.nic.in should be accessed for the latest indices/trends. For metals and other minerals access www.mmr.online.com for updates. The other useful sites are www.tradintelligence.com and www.cmie.com. The monthly report of CMIE (Centre for Monitoring Indian Economy). COSMOS Package of CMIE giving updates on performance of listed Indian companies, RBI monthly bulletin, Economic survey and its Appendix containing statistical tables should be used as reference material for market trends. The World Economic Outlook – a monthly report from IMF, gives inputs on price trends of different countries. LME (London Metal Exchange) gives price trends of nonferrous details, which often show volatile trends. Instructions issued by Ministry of Finance on its website www.finmin.nic.in should be assessed as also CVC's site www.cvc.nic.in
- x Market intelligence from Journals – CsDA should also subscribe important publications like RBI Monthly Bulletin, CMIE's monthly report, Economic Times/Financial Express, MMR etc for generating market intelligence.
- a) DCF techniques – If the Discounted Cash Flow (DCF) techniques were used, then see to it that it was done for evaluating long-term project cases. The procedure is explained as under for guidance –
- b) DCF procedure is to reduce both cash inflow and out-flows into net present values (NPV) through the DCF methods, which would be more scientific and reliable. The use of Net Present value(NVP) analysis in cost and price analysis is

based on the concept of time value or money. The money has a time value because of the opportunity to earn interest or the cost of paying interest on borrowed capital. This means that a sum to be paid today is worth more than a sum to be paid in a future time. The cash out flow/inflows and the average cost of capital i.e. cost of borrowing becomes an important constituent in evaluation process. The NPV of a stream of cash flows is described as follows:-

- i. $NPV = C_1 + \frac{C_2}{1+r} + \frac{C_3}{(1+r)^2} + \dots$ Or
- ii. $\frac{C_1}{1+r} + \frac{C_2}{(1+r)^2} + \dots$
- iii. $1+r(1+r)^2(1+r)^3$
- iv. $NPV = \sum_{n=1}^{\infty} \frac{C_n}{(1+r)^n}$
- v. $\frac{C_n}{(1+r)^n}$
- vi. $(1+r)^t$
- vii. In the formula C is the expected payoff at a period mentioned by the subscript n. r is the rate of interest is the period after which the payment is done. n is payment schedule as per the payment terms and conditions.

- c) See that the alternative with the smallest payment of net present value in the procurement has been taken as the obvious choice. Confirm that the DCF was used to facilitate determination of L1 in following procurement situations:
 - i. To compare different payment terms of the vendors to a common denomination for determining L1 status.
 - ii. To deal with the cases where entering in AMC over a period of 10 to 1 years is part of the contract for evaluating for L1 status.
- d) Remember that determination of L1 by merely adding arithmetic values spread over 12 to 13 years (2 years

warranty and 10 to 1 years AMC) would be an incorrect procedure for determining L1 and the correct procedure would be reduced cash out flows into present values through the DCF technique for which the discount rate to be adopted should form part of the RFP.

- e) See that the cost of borrowing to the Government was the relevant discounting rate for the purpose of evaluation. The Ministry of Finance and Company affairs prescribes the lending rates of the loans to be charged by the Central Government from State Governments, Public Sector Undertakings and Financial Institutions etc. At present this rate is 9%.
- f) In case cash flow involved more than one currency, see that the same was brought to a common denomination, say Rupees by adopting exchange rate as on the date of the opening of price bids.
- g) Recording of Efforts:- Wherever price data was not available or in case of overseas purchases, see what efforts were made for arriving at a price and taking procurement decision and whether the same has been properly placed on record.
- h) Detailed Recording of Minutes:- Ensure that detailed record of discussions regarding compliance with tendered QRs, price and contract clauses held during the PNC was prepared, signed and placed on record in the form of minutes of the meeting. See that PNC minutes were signed after a week of its final meeting by all its members. If the minutes are not finalized within 30 days, the demand will have to be revalidated by the next higher authority.

4.8.7 Order for Re-Tendering: Ensure that re-tendering was considered with utmost caution, and only under the following circumstances:-

- a) When the offers did not confirm to essential specification.

- b) When there were major changes in specification and quantity, which had considerable impact on the price.
- c) Prices quoted were unreasonably high with reference to assessed cost or there was evidence of a sudden slump in prices.
- d) In case L-1 tenderer withdrew his offer.
- e) There may be cases when the lack of competition was due to restrictive specification, which did not permit many vendors to participate. See that there were reasons for review of specification of the item to facilitate wider competition. Lack of competition can be said to exist in following conditions –
 - i) The number of acceptable offers is less than three.
 - ii) Ring prices have been quoted by all tenderers(Cartel formation).
 - iii) The product of only one manufacturer has been offered by all the tenderers irrespective of the number of quotations.
 - iv) Store under purchase is chronically in short supply against which a number of acceptable offers never exceed two.

4.8.8 Scenarios in Purchase Decision

- i) Acceptance of Cost over Estimates: When an offer is accepted which is higher than the sanctioned indent price, which in turn was based on last purchase price or assessed price, see that sanction was given provided that the increased amount was within CFA's delegated powers and after recording reasons. Whenever the increased amounts exceed the financial powers of the CFA, see that the approval of next higher CFA, within his delegated powers, was taken.
- ii) Apportionment of Quantity: If L1 did not have the capacity to supply within the delivery period as per RFP, after loading L1 fully as per its capacity and past delivery, see that order was given on L2, L3for the balance quantity at L1's rate.

4.8.9 Checking of Supply Order/Contract:

- i) Drafting of contracts - Ensure that the contract/SO had been prepared as per DRDO.MM.16 & DRDO.MM.23. See that the relevant clauses as mentioned in RFP were included in signed contract.
- ii) Allotment of UO Number- After IFA has concurred the case, communication of concurrence is given through a formal UO number. See that the order mentions UO number in the sanction letter.

4.8.10 Acceptance of Contract:

- i) Signing of Contract – See that all contracts concluded by the executive authorities are in the name and on behalf of the President of India. However, the contract, after due approval of the CFA, may be signed by a staff officer, duly authorized by the CFA in writing. Match the specimen signature of such staff officer with the records. See that the contract/supply order has been duly acknowledged as accepted.
- ii) Contract effective date – Ensure that the contract effective date was indicated in each contract as per agreed terms and conditions.

4.8.11 Sanction for Extension of Delivery Period - The stores are to be delivered within the Delivery period indicated in Supply Order/Contract. However at times need arises for extension of delivery period. In such cases the same can be considered with the consent of both the parties. The following aspects should be seen in the sanctions for extension of DP when it is at the request of the supplier.

- i) Urgency of the requirement has not caused any loss or inconvenience to the Lab/Estt.
- ii) No downward market trend was involved.
- iii) Whether difficulties advanced by the suppliers were genuine and whether they have conducted themselves, since placement of

order, in such a manner, as to indicate that they have genuine intention to execute the order.

- iv) In case of Project requirements, the revised DP falls well within the PDC of the Project.
- v) For Build-up/maintenance requirements see that the budgetary provisions have not lapse.
- vi) See that DP revisions has been approved within the expiry of contracted delivery schedule, to obviate the need for ex-post-facto sanction.

4.8.12 Ex-post-facto sanctions for DP Revision: Directors of Labs are authorized to accord ex-post-facto sanctions under special circumstances, limited to the following contingencies. These aspects should be watched in audit of such type of sanctions:

- i) Where vendor has requested for extension within the DP stipulated in the Supply Order.
- ii) When delays are attributable to Labs/Estts to fulfil their contractual obligations such as supply of drawings, samples, CDEC or carrying out pre-delivery inspection etc.
- iii) The ex-post-facto sanction of revised DP authorised as at (i) & (ii) above, will not exceed one year from the date of original delivery period with imposition of LD. However if it is without imposition of LD, then recommendations of a review TPC to that effect are to be looked into.
- iv) Price increase due to revision of statutory levies, exchange rate variation, upward revision of price of Government controlled stores etc., will not be admissible during the extended delivery period except at (ii) above.
- v) All cases of ex-post-facto sanction, not covered above, will have to be approved by the CFA/GOI duly supported by the recommendations of review TPC in all TPC cases and of Director in non-TPC cases.

- vi) However, extension of DP will be approved without prejudice to the right of the Lab/Estt to recover LD depending upon the merits of the case.

4.8.13 Sanction for Imposition / Waiving off of Liquidated Damages

In compliance with Indian Contract Act, liquidated damage imposed on the contractor, are to be based on the extent of demonstrable loss due to delayed delivery. The LD clauses are included in the supply orders/contracts to ensure prompt delivery and not as a measure of penalty on the contractor. The quantum of LD to be charged shall be ½ per cent per week subject to a maximum of 5 per cent depending on the merit of each case. Constructive assessment of reasons contributing to delayed delivery will be the deciding factor to waive/impose LD. The following are the guiding principles and should be looked into in audit of sanctions.

- i) If the vendor is not agreeing to accept the LD clause in supply order/contract
 - a) Non-TPC Cases – Director of Lab can approve after recording the reasons.
 - b) TPC Cases – By the CFA after recommendation of TPC/NC
- ii) To limit/waive off LD
 - a) Non-TPC Cases – Director of Lab can limit/waive off LD.
 - b) TPC Cases - By the CFA after recommendation of TPC/NC

4.18.4 Sanctions related to Payment issues

- a) Extension of Letter of Credit: Following points should be seen for scrutinizing the case for extension of LC :
 - i) Extension of delivery date in the contract and corresponding amendment in LC for latest date of shipment
 - ii) Performance Bank Guarantee (PBG) extension
 - iii) Onus of charges for LC extension
- b) Price variation adjustment : See that the Price Variation Clause and its implications were specifically vetted by IFA at time of tender

issue. See following points during audit of price variation reimbursement sanctions:

- i) Base date was due date of opening of Tenders.
 - ii) Date of adjustment was midpoint of Manufacture.
 - iii) Price adjustment was applied only if the resulting increase or decrease was more than 2% of contract price.
 - iv) No price increase is allowed beyond original DP unless the delay is attributable to the buyer.
 - v) Total adjustment will be a maximum of 10% of contract price.
 - vi) No price adjustment was paid on the portion of contract price paid to the contractor as an advance payment.
 - vii) Price variation clause and its implication should be got vetted by IF(R&D)/CDA(R&D) (for cases above Rs 5 lakh).
- c) Exchange Rate Variation reimbursement : In case DP is re-fixed / extended, see to it that ERV was not made admissible if this was due to default of supplier. See the Base Exchange rate of each major currency used for calculating FE content of the contract. The base date for ERV would be contract date and variation on the base can be given up to the midpoint manufacture unless firm has already indicated the time schedule within which material will be exported by the firm. Other conditions as above for price variation adjustment would be applicable. Ensure that following documentation was available in file:
- i) A bill of ERV claim enclosing worksheet.
 - ii) Banker's Certificate / debit advice detailing FE paid & Exchange rate.
 - iii) Copies of import orders placed on the suppliers.
 - iv) Invoice of supplier for the relevant import orders.
- d) Sanction for Amendment to contract : Amendment to a contract already concluded may become essential in certain situations when either side requests for such a change or the same is acceptable to

either side. While amending the contract conditions and rates, it is to be ensured that:

- i) Amendments on account of increase in statutory levies will be admissible after approval of CFA.
 - ii) Any amendment to issue CDEC/EDEC will be done with the approval of CFA on the recommendations of TPC/NC (if applicable).
 - iii) Amendments affecting Delivery Period will not be made as a matter of routine.
 - iv) Amendment due to variation in supplies up to 5% necessitated by exact multiples of the standard units of measure etc., or when requirement is of repetitive nature or where it is difficult to mention exact quantity (weight) in the case of Steel Plates etc ., may be allowed.
- e) Sanction for Termination of contract: See that the sanction for termination of contract had complied with one of the conditions mentioned below:
- i) When the supplier failed to honor any part of the contract including failure to deliver the contracted stores in time.
 - ii) When the contractor was found to have made any false or fraudulent declaration or statement to get the contract or he was found to be indulging in unethical or unfair trade practices.
 - iii) When both parties mutually agreed to terminate the contract.
 - iv) When the item offered by the supplier repeatedly failed in the inspection and the supplier was not in a position to either rectify the defects or offer items conforming to the contracted quality standards.
 - v) Any special circumstances, which was recorded to justify the cancellation or termination of a contract.

- f) Sanction for Risk and Expense Purchase: See that Risk and expense purchase has been ordered by the CFA in the event of the supplier failing to honor the contracted obligations within the stipulated period and where extension of delivery period was not approved. While initiating risk purchase at the cost and expense of the supplier, see that the supplier had failed to deliver and he was given adequate and proper notice. Also ensure that the supplier was being asked to pay the additional amount spent by the Govt., if any as compared to the contracted amount. See that the method of recovering such amount has been considered while considering risk purchase.

4.9 Sanctions issued by Govt of India : The following guidelines are to be ensured in case of sanctions issued by Govt of India

- a) In respect of each Jt. Secretary wing of the Ministry of Defence including Deptt. Of Defence productions and supplies and DRDO, a Nodal Officer will be nominated by the concerned Jt. Secretary who will send Specimen Signatures of all Officers of the wing i.e. Desk Officers, Under Secretaries, Dy. Secretaries, Directors and Jt. Secretary of that wing who are authorized to Sign. the Govt. sanctions involving Defence Expenditure, to the PCDA/CDA(R&D) who are required to Audit and pass the claims with reference to the said sanctions. In the case of any subsequent change in any of the incumbents in the wing, immediate amendment to the list of specimen signatures shall also be sent to PCDA/CDA(R&D) concerned by the Officer.
- b) A monthly list of all Govt. sanctions issued by each Jt. Secretary wing under the Ministry of Defence including Department of Defence Production and Supplies & DRDO, authorizing incurring of expenditure, shall be sent by the Nodal Officer of each wing to PCDA/CDA(R&D) so that they are precluded from accepting in Audit and making payments any other sanctions stated to have been issued by Ministry of Defence.

- c) Before acting upon Government sanctions for expenditure issued by Ministry of Defence and passing the claims with reference to said sanctions, an audit Officer must satisfy himself that:
- i) Signatures it bears have been verified with reference to specimen signatures forwarded to him by the Nodal Officer nominated by the Jt. Secretary of the concerned wing of Ministry of Defence and
 - ii) Sanction so acted upon is included in the Monthly list of Govt sanctions received from Nodal Officer.
 - iii) Any claim or bill for which sanction for expenditure is signed by a Person other than so authorized signatory and/or not included in the Monthly list of Govt. sanctions issued received from the nominated Nodal Officer and Vice-Versa, should be precluded from accepting in Audit and immediately be brought in the notice of higher authorities.

CHAPTER-5

STORE SECTION

CONTENTS	Para No.
Store Section	5.1 to 5.7
Cash Assignment	5.8 to 5.20
Foreign Purchases	5.21 to 5.40
Resource Generation	5.41 to 5.51
Contract for Acquisition of Research/Professional Services	5.52

5.1 **Introduction:** DRDO Labs and Estts in pursuance of Research & Development of technologies in the field of Defence Sector procure various stores and scientific equipments etc., and submit local purchase/contractor's bills for audit and payment to PCDA/CsDA (R&D) against these procurements. Such bills are dealt with in the Store Section of the Controllers offices of R&D. The objectives and duties of stores section and the internal audit checks exercised during the payments of these bills are described in detail in Chapters VII and VIII of OM Part II Volume-1. Moreover, Chapter X of F.R. Part I, Chapter 10 of Defence Audit Code, Purchase Management Document-2006 including corrigendum thereof and General Financial Rules should be referred to while authorizing the payment of bills by the store section of Controller's (R&D) office and the sub offices entrusted with the above nature of work.

5.2 **Scope of Work**

- (i) Audit of sanctions pertaining to procurement of stores etc.
- (ii) Ensuring availability of Budgetary allotment made by DRDO
- (iii) Authorization of Cash Assignment & Post audit thereof
- (iv) Audit of Contracts/Supply Orders etc.,
- (v) Pre-Audit of Contracts/Supply Order Bills

- (vi) Authorization of LCs/Sight Drafts and subsequent adjustment of Imported Stores
- (vii) Adjustment of MROs/Inter service adjustment vouchers/CP Vouchers etc.
- (viii) Adjustment of Cash Assignment Accounts and Vouchers
- (ix) Maintenance of Resource Generation A/cs and payments thereof

NOTE : The topics mentioned at (iii), (vi) and (ix) above i,e Cash Assignment, Foreign Payments and Resource Generation have been described in detail separately in sub sections at the end of this Chapter.

5.3 Audit of Sanctions

5.3.1 In addition to the detailed checks prescribed in Para 4.1 to 4.9 to this manual the following procedure is required to be observed by the store section for Audit of Sanctions pertaining to procurement of stores/services:-

1. Immediately on receipt of the sanction letter the same is required to be diarized in the inward dak register and thereafter passed on to the concerned audit section.
2. The audit section concerned will enter the sanction letter in the Register of sanctions giving brief details of the sanction letter No & date, Nature of expenditure, Amount, Effective Period and/or any other relevant details, if any.
3. If the sanction is found to be deficient of any of the audit aspects outlined below, it should be referred back to the sanctioning authority for seeking clarification and till such time the sanction letter should not be acted upon. Care should however be taken not to raise piecemeal observations and all the points noticed should be communicated to the issuing authority in one go.

5.3.2 Points to be seen during the Audit of sanctions:-

- (a) An ink signed copy of the sanction letter is received bearing the number and date of issuing office.
- (b) Signature(s) of issuing authority tally with those recorded in the Specimen Signature Register maintained in the office for this purpose.

- (c) Whether the sanctioned amount under the relevant Schedule of Delegated power is within the powers of sanctioning authority
- (d) If the letter is signed by an authority other than the sanctioning authority, necessary delegation from the sanctioning authority exists for signing of such communications.
- (e) Concurrence of IFA, wherever required, is obtained and the details of IFA's UO No. is endorsed on sanction letter.
- (f) The Budget head details (Major, Minor & detailed head) indicated in the sanction letter are correct and are relevant for the type of expenditure sanctioned.
- (g) Allotment of funds under the relevant head of account exists
- (h) In case of sanctions on account of procurement of items against sanctioned projects, Buildup or Maintenance, SPC recommendations duly approved by the CFA are to be looked into as per the provisions of PM-2006.
- (i) Sanctions of cash purchase of materials are to be scrutinized to see that the items are of urgent nature like parts/components for trials of major equipment and systems at outstation or to meet requirement of an unanticipated, emergent and shut-down purchases required to be made at a short notice in the event of breakdown or crisis.
- (j) To see that the provisions contained in Paras 7.6 to 7.9 of Purchase Management 2006 are complied with while deciding the mode of tendering.
- (k) The sanction is supported by Minutes of the TPC/NC in all TPC cases and the guidelines prescribed in Paras 7.15 to 7.22 of PM-2006 are complied with.
- (l) In case of sanctions involving authorization of advance payment to PSUs/Government Departments it should be seen that the concerned Dept/PSU has insisted for the same and the recommendations of the TPC/NC on this aspect have been approved by the competent authority.

- (m) In the case of sanctions involving renewal of maintenance contracts under the provisions of Para 7.34 of PM-2006, whether the sanctioning authority has analyzed the price trend and the escalation in cost of the renewed contract is not more than 10% of the existing contract rates.
- (n) In case of sanctions involving purchase of computer systems, it should be seen that the guidelines stipulated in Paras 7.35.1 to 7.35.6 of PM-2006 are adhered to.
- (o) In case of sanctions for replacement of existing old item(s) with a new and better version item of same use it should be seen whether the Buy Back clause has been incorporated in such sanction letters.
- (p) In the case of sanctions involving payment of escalation/enhancement in cost it should be seen that the conditions as stipulated in Paras 7.43 of PM 2006 are fulfilled and the revised value including the escalation and/or enhancement in cost is within the financial powers of the sanctioning authority.
- (q) For price escalation/enhancement on account of increase in statutory levies, sanctioned during extended delivery period, it is to be ensured that the delay is not attributable to the vendor.
- (r) In the case of sanctions involving Revision of Delivery Period (DP) it should be seen that the guidelines prescribed in Paras 7.44.1 to 7.44.2 of PM-2006 are complied with and necessary approvals for waiver of LD have been obtained.

5.4 Scrutiny of Contracts / Supply Orders

5.4.1 Following procedure is to be observed:-

- (i) After receipt in 'R' Section the Contracts/Supply Orders are forwarded to Store Section duly entered in the system/register.
- (ii) The Contracts/Supply Orders are duly checked and if found correct the same are filed in respective Project/Lab files. If the Contracts/Supply Orders are found deficient of audit requirements, the same are placed under objection and pursued to finality.

5.4.2 Audit Checks: It will be seen during the audit of Contracts/Supply orders that:

- (i) The Contracts/Supply Orders have been received duly supported with the Approved Demand, Tender Enquiry, Price bids in original, Sanction Letter, Copy of SPC/TEC Minutes, Copy of CST/PAC concurrence by CDA/IFA, and copy of TPC Minutes, EPC (Equipment Procurement Committee) concurrence in case the procurement is beyond the delegated power of the Lab Director.
- (ii) All the terms and conditions prescribed in the CST/PAC or TPC Minutes are incorporated in Contracts/Supply Orders.
- (iii) General Principles of the Contract/Supply Orders are in line with those detailed in Rule 204 of GFR, 2005:
 - (a) The terms of Contract/SO are precise and definite and contain no uncertain liability
 - (b) Standard form of Contract/SO has been used.
 - (c) Contract Agreement / SO has not been made with minor, if made it should fulfill all legal formalities.
- (iv) There is provision of Budget allotment under the relevant head of Account.
- (v) Lowest Tender has been accepted. Otherwise the reasons for acceptance of other than lowest tender are spelt out in the minutes of TPC and the same have been accepted by the competent authority.
- (vi) The Company/Agency offering tender is a registered firm.
- (vii) The payment terms are clearly defined in the Contract/SO including IT/ST recovery condition.
- (viii) In addition the following clauses should also be incorporated in the Contract/SO:
 - (a) Delivery Date
 - (b) L.D. Clause
 - (c) Security Deposits
 - (d) Warranty period

- (e) CDEC/ EDEC
- (f) Force Majeure clause
- (g) Arbitration clause
- (h) Deduction of Income Tax at source, wherever applicable.
- (i) Terms of Payment.
- (j) Performance Bank Guarantee
- (k) Details of taxes
- (l) Option clause
- (ix) That supply order is placed after obtaining the sanction of appropriate CFA, based on recommendation of TPC.
- (x) Supply order contains standards terms and conditions of contract particularly delivery period, standard L.D. clause etc.
- (xi) That all the bids in Open/Global Tender Enquiry have been correctly shown in CST even if the bids are non responsive.
- (xii) In case of LTE, STE and PAC, appropriate reasons have been recorded by SPC and the same have been accepted by CFA with the concurrence of IFA.
- (xiii) In case of PAC, appropriate CFA has issued PAC in approved form duly recording adequate reasons with concurrence of IFA.
- (xiv) That rates in Supply Order, prima facie, are reasonable, duly justified by TPC with reference to estimated cost which is also realistically worked out with due justification.
- (xv) In case of imported items, the vendor is duly authorized Indian agent, having agency agreement. In such cases, proforma invoice of foreign OEM may be insisted to ensure the reasonability of rates.
- (xvi) That item in supply order is duly authorized, under maintenance or build-up or project.
- (xvii) The code head given in Supply Order is correctly indicated as per Classification Handbook.
- (xviii) That availability of funds under appropriate head is ensured including Foreign Exchange where applicable.

- (xix) That basic taxes and duties have been correctly and separately indicated in Supply Order. In case of all inclusive rates, due justification has been provided in its support.
- (xx) Security deposit, where provided, has been obtained in favour of PCDA/CDA (R&D), in approved forms as provided in FR/GFR/PM and having proper validity.
- (xxi) Payment terms in supply order are standard ones, safeguarding interest of state.
- (xxii) No late/delayed tender has been accepted.
- (xxiii) In case of waiver of LD, it is to be ensured that same has been waived by appropriate CFA in consultation with IFA, duly recording adequate reasons.
- (xxiv) That CST has been prepared properly from quotations, interalia taking into account basic price, taxes, duties and discounts if any, on all inclusive basis. This will include incidental charges ie. packing and forwarding and transportation charges.
- (xxv) That TPC has been duly constituted and amongst others, an appropriate representative of finance is associated. Due justification with reference to vendors, competitiveness of offers, quantity proposed for procurement, reasonability of rates, payment terms etc. have been recorded in TPC after due deliberations.

5.5 Audit of LP Bills

5.5.1 Following procedure to be observed:

- (i) The bills are first of all received in `R' Section and entered in the register maintained for this purpose.
- (ii) The bills are handed over to Store Section through the above register.
- (iii) The bills are distributed amongst the Auditors as per the work distribution made in the section and all the bills are entered in their respective workbook.
- (iv) All the Audit Checks as per Para 5.5.3 are applied for detailed audit of bills.

- (v) The availability of funds is checked. Thereafter bills are submitted to AAO along with Income Tax Register for passing of bills.
- (vi) Pages in the Income Tax Register are allotted Firm-wise to avoid double payments.
- (vii) The bills are thereafter submitted to officer I/C store section for his scrutiny and signature on payment order and return of the documents to the section.
- (viii) Thereafter the CRVs enclosed with the bills are sorted out unit-wise and the sorted CRVs are sent to LAO for linking and credit verification in Ledgers. The acknowledgements of vouchers scheduled to LAO are watched through scheduling Register.
- (ix) After that Bills are processed through Automation for generation of Cheque slip, PM and DP Sheet and forwarded along with the bills, duly signed, to `D` Section for release of payments through E-payment.
- (x) For manual payments, cheques are despatched by Speed Post/Registered Post under the supervision of an AAO.
- (xi) The paid vouchers returned by `D` Section at the end of each month are serially batched and filed month-wise.

5.5.2 Supporting documents for LP Bills: The following documents should accompany local purchase bills.

- i) Contractor's bill in the prescribed format (IAFZ-68)
- ii) Financial Sanction
- iii) SO supported with CST/PAC (Concurred by CDA/IFA). TPC Minutes (wherever applicable)
- iv) Amendment(s) to Supply Order (if any, like extension of delivery period, amendment in terms of payment, amount etc.)
- v) Original copy of Invoice
- vi) Certified Receipt Voucher
- vii) Buyer's copy of the Invoice/Challan (as proof of payment of excise duty – Gate Pass)

- viii) Supporting documents for payment of Packing / Forwarding and Insurance or Freight.
- ix) Warranty Certificate or Copy of Performance Bank Guarantee (as decided in the payment terms)
- x) Bank Guarantee/Indemnity Bond for advance payment
- xi) In case of AMC/Job Order, a job completion certificate is required in lieu of CRV.
- xii) Any other documents required as per the SO conditions.

5.5.3 Audit Checks: It will be seen during the audit of LP Bills:

- (i) That the bill is in original and is on the prescribed format.
- (ii) The bill is preferred by the firm to whom SO has been issued or the person who is authorised to do so by the firm.
- (iii) The bill is received duly supported with all the enclosures required.
- (iv) The bill is charged to correct head of Account and funds are available to meet the expenditure. If funds are not available, the bill is returned to Lab immediately. The bill should also clearly indicate the project/lab code.
- (v) While scrutinising the bill in detail, it should be ensured that:
 - (a) Sanction to incur expenditure exists.
 - (b) The bill is supported with SPC/TPC Minutes, CST/PAC (concurring by CDA/IFA).
 - (c) The bill is supported with the documents of packing/forwarding and insurance or Freight.
 - (d) The bill is supported with original copy of Vendor's Supply Order
 - (e) The stores are supplied within the due date as mentioned in the Contract/Supply order and if not, suitable amendment (s) to supply order giving extension of time with/without LD duly complying with the conditions attached to it as stipulated in PM-2006 is enclosed.
 - (f) CRV properly priced taking into account the taxes paid, FIM utilized etc., is enclosed.

- (g) Signature of officer countersigning the bill has been verified with the Specimen Signature Register.
- (h) The rates charged, quantity supplied is as per Supply Order.
- (i) Income Tax/Sales Tax wherever applicable, has been charged and has been correctly noted in Income Tax Register.
- (j) Where advance payment is to be made, necessary bank guarantee to be enclosed and necessary entries are to be made in the Advance Payment Register. At the time of final payment, the same should be linked with the corresponding entries in the advance payment register.
- (k) The buyer's copy of the invoice (as proof of payment of excise duty) should also be enclosed.
- (l) Warranty Certificate or copy of PBG (as decided in the payment terms) should be enclosed. It should be ensured that the validity of the PBG/Indemnity bond covers the warranty period.
- (m) In case of any deviation from the purchase procedure laid down in the PM 2006, the concurrence of the IFA (R&D) in terms of Para 1.5 PM 2006 has been provided.
- (n) The SPC/EPC approval has been revalidated in cases Supply order has been awarded after a lapse of one year of SPC/EPC approval as detailed in Para 4.4.2 (j) of PM-2006.
- (o) All the conditions laid down in the Contract/Supply order has been fulfilled and the requirements/requisite certificate as per the Contract/Supply order has been completed/provided.
- (vi) After completing the above formalities the bill is passed showing the details of Supplier's/firm's name, Treasury on which the cheque is to be drawn and amount in figures as well as in words.

5.6 Specific checks with reference to different claims dealt with in Store section

5.6.1 Advance Claims:

- (i) The Contractor's bill/Contingent Bill is prepared in the prescribed format and is complete in all respect.

- (ii) Authority for advance is quoted in the bill supported with documents.
 - (iii) Financial sanction letter is enclosed.
 - (iv) Previous payment details are mentioned in case of subsequent advances.
 - (v) Proper Bank Guarantee/Indemnity Bond is enclosed.
- 5.6.2 Maintenance Contract Claims:
- (i) Contractor's Bill has been prepared in the prescribed format and is complete in all respects.
 - (ii) The authority for payment is mentioned in the bill.
 - (iii) CRV / Job Completion certificate is enclosed.
 - (iv) Previous payment detail is mentioned in the bill.
- 5.6.3 Cash Purchase Claims:
- (i) DRDO MM-10 is complete in all respects.
 - (ii) Authority for cash purchase is quoted.
 - (iii) The cash purchase is within the ceiling limit.
 - (iv) Invoice in original is enclosed.
 - (vi) CRV / completion certificate is enclosed.
 - (vii) Advance if drawn has been adjusted.
- 5.6.4 Telephone Bills / BSNL / ISDN / Leased Line Bills:
- (i) Contingent bill is prepared and is complete in all respects.
 - (ii) Telephone bill received from BSNL is enclosed.
 - (iii) Terms and conditions of the agreement at the time of releasing advance payments in case of leased line should be verified.
- 5.6.5 Balmer & Lawrie Co. Freight Carriage Charges:
- (i) Contingent bill is prepared and is complete in all respects.
 - (ii) Authority for the claim is enclosed.
 - (iii) Freight carriage / Air ways bill is enclosed.
 - (iv) Invoice in original is enclosed with claim.
 - (v) In case of non preparation of CRVs, a certificate to the effect that the items mentioned in the Airway bill have been handed over to the Lab is enclosed.

- (vi) Demurrage charges are verified with reference to terms and conditions of Contracts/ Supply Orders.

5.6.6 Consultancy Payment Claims:

- (i) Contingent bill is prepared and is complete in all respects.
- (ii) The terms and conditions for payment are complied with.
- (iii) The agreement has been received and audited.
- (iv) The period of consultancy is indicated with rate.
- (v) Previous payment details are enclosed in case of running payments.
- (vi) Income tax is deducted at appropriate rate.
- (vii) Invoice in original and completion certificate, wherever applicable is enclosed.

5.7 **Adjustment of MROs and Inter Service Adjustment (ISA) vouchers:**

5.7.1 The MROs received in the section are adjusted as follows:

- (i) Original copies of MROs received from Labs with bank's endorsement are verified and adjusted duly linking earlier payment details (if any) by making transfer entries and submitted for approval.
- (ii) The MROs are to be acknowledged to the Office from where it is received.
- (iii) The adjusted MROs are to be forwarded to Accounts Section duly indicating TE number.
- (iv) While adjusting the MROs on account of RG receipts/Deposit works necessary entries are to be made in the respective registers.

5.7.2 ISA Vouchers: Inter Service Adjustment Vouchers are received from various LAO Offices when items like medicines, petrol, diesel etc are received by DRDO Estt from AF, Army, Factories etc. The ISA vouchers are adjusted as under:

- (i) These vouchers are to be adjusted through Class II PM by debiting to the respective service heads and forwarded to the LAO's office for credit verification together with a copy of the punching media.
- (ii) The arithmetical accuracy of each voucher is to be verified and the vouchers are to be segregated Estt/Lab wise.

- (iii) It is to be seen that the code head, to which the expenditure is to be compiled, is mentioned in the Vouchers/forwarding memo and is correct.
- iv) Receipt and adjustment of ISA Vouchers is to be acknowledged.

CASH ASSIGNMENT

5.8 **Introduction** : Labs/Estts under DRDO are authorised to have Cash Assignment vide Govt of India Ministry of Defence New Delhi letter No. 87567/RD-26/3849/D(R&D) dated 26.04.1972 reiterated/scope extended under letter dated 16.02.1974 & 01.03.1979 so as to enable them to make payments of urgent nature. The above authorisation was made knowing the fact that most of the labs/Estts were then not co-located with their pay offices and difficulty was being experienced by them in getting such payments released within reasonable time through pay offices located at far off places.

5.9 **Definition:** Cash Assignment is a Letter of credit issued by a Controller of Defence Accounts in favour of the Disbursing Officer, authorizing a particular Treasury or Bank to make payments demanded, up to the limits specified therein.

5.10 After obtaining Govt. of India sanction for placement of Cash Assignment, the Directors are required to intimate their cash requirements, showing the amount required for each month during a financial year to the PCDA/CsDA (R&D) concerned, along with the details of Budgetary Allocations made by the Directorate of Budget Finance & Accounts (DBF&A). Necessary scrutiny will be carried out by Audit section and 'D' section to ensure that the proposed amounts are compatible with the anticipated cash expenditure of the Labs/Estts and are within the Budgetary Allocations. Thereafter the requisition is transmitted to Disbursement section to release the authorized Cash Assignment. The authorization letter is forwarded to the specified bank indicating the amounts allotted to the Directors for each month under advice to the concerned audit section and Accounts Section of the Main Office of PCDA/CsDA (R&D). Supplementary Assignments, if any, is also required to be dealt with by adopting the same procedure. Drawings out of Cash Assignments will be exclusively through defence cheques supplied by the concerned PCDA/CsDA (R&D) on which the Lab/Estt is dependent.

5.11 General conditions governing operation of Cash Assignment

- a) Cash Assignment should not be transferred mutually by any DDO's without formal surrender of funds to the Controller of Defence Accounts, by the officer desiring such a transfer.
- b) The disbursing officer shall not commence to operate CA A/c without forwarding his specimen signature duly attested by cash assignment holder to the treasury/bank and receiving intimation from the treasury/bank that his specimen signature has been recorded.
- c) No excess payment shall be drawn from treasury officer/banks than the authorized through the assignment during the period specified.
- d) The disbursing officers are responsible to watch their own demands and the demands of their sub-ordinate Estts for the purpose of Cash Assignment.
- e) A DDO may arrange, in communication with the CDA for the transfer of full or part of his assignment from one treasury or bank to another.
- f) As far as possible, annual estimate with monthly requirement should be given to CsDA by first of January every year, indicating the treasury on which assignment is required.
- g) All drawings from assignment are to be made through the treasury or bank by way of using exclusively the cheque books supplied by CDA.
- h) Any unspent balance on the last day of the financial year will lapse. But the amounts of the cheques drawn before but paid after the end of the financial year, will be taken against the balance of the assignment of the year, in which the cheques were drawn. Cash balance held, if any, on the last working day of the financial year is required to be remitted into treasury through MRO.
- i) CA can be arranged on the treasuries or the banks nearest to the station, at which periodically recurring payments are to be made by

the disbursing officer even if he is located far off from that nearest station.

Note: In the context of R&D, all the Directors of Labs/Estts and Director of Special Projects/programmes with separate Unit Code are DDOs.

5.12 Requisitions for the Cash Assignment received from Labs/Estt will be authorized in the following manner:

- (i) On receipt of the requisition for Cash Assignment the same will be scrutinised in Audit Section to ensure that the requirement is realistic. From the 2nd quarter of every financial year a review of balance of cash assignment available with the unit should be carried out before authorising further Cash Assignment. It is also essential to take into account the cash balance in hand, out of the cash assignment authorised during previous quarter/month, while scrutinizing the requisition for cash assignment.
- (ii) The cash requisition is thereafter sent to budget monitoring section to verify that funds to that extent are available. The amount of the requisition will be noted in the Cash Assignment Register of Audit Section.
- (iii) Thereafter Audit Section will authorize 'D' Sec to place the Cash Assignment in favour of the Labs/Estt on the specified Treasury/Bank.
- (iv) 'D' Section will authorise the concerned Bank to honour the cheques issued by Labs/Estts to the extent of amount of the requisition passed by Audit section. The period up to which the authorisation is valid should also be indicated in the authorisation letter. The copies of the authorisation letter will also be endorsed to Labs/Estt and Audit Section from which requisition is received.
- (v) Drawings against the Cash Assignment authorised to Labs/Estt will be watched by 'D' Section through a register in IAFA 277 in which separate pages will be opened bank wise for each Lab/Estt in which Cash Assignments are placed. The assignment granted and monthly drawings against Cash Assignment will be entered in this

register and balance worked out at the end of each month. In cases of over draws of cash assignment the concerned Labs/Estts will be called upon to explain the reasons for such over drawl and matter will be reported to the next higher authority for taking necessary administrative measures.

5.13 Transfer of Assignment : The Director, in consultation with the PCDA/CDA(R&D), may arrange for transfer of the cash assignments from one Treasury or Bank to another. In such cases the cash balance lying in the assignment required to be transferred, is to be first surrendered in favour of PCDA/CsDA (R&D) through MRO. The MRO should be sent to the PCDA/CDA(R&D) for adjustment and thereafter he will arrange for cash assignment for the requisite amount, in favour of the Director on another Bank/Treasury.

5.14 Utilisation of Cash Assignment:

5.14.1 Payment out of Cash Assignment is required to be made in the following cases only:

- (i) Advance payment to Govt Department/Public Sector Undertaking up to full contractual value, wherever insisted upon by the Seller and if such a provision exists in the agreement.
- (ii) Advance payment up to the extent of 90% / 95% to private firms out of Cash Assignment if so provided for in the Contract Agreement/Supply Order. However, such advance payments shall be restricted to amounts not exceeding Rs 1 lakh.
- (iii) Full payment up to the extent of Rs 20,000/- for purchases made from the firms against supply orders/agreements by cheque, after obtaining the delivery of stores/services in satisfactory conditions on the spot in exceptional circumstances, such as :
 - (a) Where some benefit to Govt. by way of cost discount is offered by the suppliers.
 - (b) Where the firm insists for such conditions and no other condition is acceptable to the firm.

(c) On grounds of urgency at the discretion of Head of Establishment.

- (iv) Cash purchase of store across the counter up to Rs 15000/- per transaction can be made out of Cash Assignment. In this connection procedure outlined in PM-2006 will strictly be followed.
- (v) Advance of TA/DA in exceptional circumstances when time does not permit drawl of cash advances from pay offices. It is, however, to be ensured that this practice is not made a routine.
- (vi) Freight charges for conveyance of stores by road where liability is that of Defence services and where sanction of the competent authority for conveyance of store by road is obtained.
- (vii) Payment of custom duty.
- (viii) Payment of telephone bills.
- (ix) The following miscellaneous contingent items can be paid out of CA without pre audit by the Accounts office:
 - (a) Postage labels
 - (b) Upkeep of office bicycle
 - (c) Binding charges
 - (d) Passport fee
 - (e) Medical advances as per prescribed procedure paid directly to hospitals in emergent cases
 - (f) Cartage charges of stationery.
 - (g) Payment of water/electricity bills for office premises, made directly to the concerned state authorities.

5.14.2 However, after review of Policy on holding Cash Assignment in a meeting held on 25.6.96, the following payments are only authorized to be met out of Cash Assignment Account by the Labs/Estts.

- i) Pay & Allowances of Industrial Employees.
- ii) Advance Payment LP up to 90/95%, when insisted by vendors (in exceptional cases only).
- iii) 100% spot payment by cheque up to Rs.20,000/-

- iv) Advance of TA/DA only in exceptional cases, when time does not permit to draw advance from CsDA.
- v) Telephone bill payments
- vi) Customs duty & Freight charges
- vii) Miscellaneous expenditure

5.15 Operation of Cash Assignment and submission of Cash Account:

5.15.1 Directors of Labs/Estts. authorised to operate Cash Assignment will, before commencing to operate the account, forward the specimen signature of the officer authorised to sign cheques on their behalf (duly attested by them) to bank on which the Cash Assignment is placed. Before sending the specimen signature to the Bank, signature code of the officer authorised to sign the cheques will have to be got allotted from the office of the concerned PCDA/CsDA(R&D) under intimation to bank. The Cash Assignment will be operated only on receipt of intimation from the bank regarding receipt of specimen signature and signature code.

5.15.2 Drawings against Cash Assignment will be made exclusively through Defence cheques supplied by the pay offices (R&D).

5.15.3 Unspent balance on the last day of the financial year will lapse to Govt.

5.15.4 Transactions made out of Cash Assignment will not pass through the Public Fund Accounts Cash Book. Separate Cash Book will be maintained to account for the drawl/expenditure against the assignment. Two cash Books for accounting Cash Assignment transaction for alternative months are permissible. Under no circumstances cheques exceeding the amount of cash assignment will be issued. To ensure this in addition to the cash book a subsidiary record should be maintained showing the daily expenditure and the amount of unspent cash assignment left with the unit. This document is susceptible to local audit, when the balance of cash and reconciliation statements are verified by LAO during Cash Inspection.

5.15.5 Entries in the cash book will be made simultaneously as and when a transaction takes place under the dated initial of the cash officer. In no circumstances work relating to writing of cash transactions in the cash book may be allowed to fall in arrears.

- 5.15.6 The counter folios of the cheque book will be completed simultaneously with the issue of cheque under the dated initial of the cash officer.
- 5.15.7 Cutting, overwriting in the cash book is strictly prohibited. In the event of cutting, overwriting occurring in the cash book the entries are required to be scored off and fresh entries made in red ink under the dated initial of the cash officer.
- 5.15.8 The Schedule III shall be prepared strictly as per the following prescribed norms :
- (a) The schedule III should be prepared daily and concurrently with cash book entries made in the cash book.
 - (b) The schedule III should be a replica of the cheque issued.
 - (c) The schedule III should give the complete information viz date of payment, cheque no., Cheque amount and name of the payee.
 - (d) Schedule III should be sent every week to the PCDA/CDA (R&D)
- 5.15.9 Cash out of Cash Assignment may be drawn to the extent of immediate requirement only. In no case heavy cash balance in hand is allowed.
- 5.15.10 Every payment made out of Cash Assignment should be supported by Bills/ Quotations/CST/Supply Order /CRVs etc., duly approved/passed by the officer authorised for the purpose. The officer authorised to approve/pass the bills should be other than the cash officer preferably a Senior Officer of the establishment.
- 5.15.11 Advance payment to the firms may be made against pre receipted bills, documents relating to proof of inspection/despatch.
- 5.15.12 All the payments to suppliers will be made by crossed/account payee cheques. Cheques are to be despatched through Speed/ Registered post at the payee's cost. For this purpose a condition to this effect may be made in the supply order. However as per the latest CVC guidelines, all payments are to be made by DDOs through e-payment.
- 5.15.13 In case of payments made on a/c of TA/DA advance, intimation regarding the same may be sent to pay offices concurrently. A reference of No. and Date of letter under which advance intimation is sent, should also be quoted in the requisitions, which will accompany the cash account.

5.15.14 All bills and vouchers paid out of Cash Assignment will be enfaced with Unit Code No/Project Code No/Resource Generation Project No as the case may be.

5.15.15 Cash Assignment cash book will be closed on 25th of the month and submitted within two working days thereafter to the PCDA/CDA(R&D). Cash book for the month of March each year may, however, be closed on 31st of March and submitted to Pay Office by 5th of April each year.

5.15.16 Claims other than those referred to above will be sent to PCDA/CDA(R&D) for pre-audit and payments duly supported with the relevant vouchers.

5.15.17 A certificate to the effect that cash in hand as on the date of closing of cash book was counted and found to agree with the balance as shown in cash book should be endorsed in the cash book under the dated signature of the cash officer and the same should be countersigned by the officer authorised for the purpose.

5.15.18 Advance payment made to the Govt Deptt / Public Sector Undertaking/Private firms will be entered in a register and their adjustment watched. The details of all advance payments made should be listed and enclosed to the Cash Assignment Account every month.

5.15.19 No cheque will be issued in anticipation of the receipt of store/despach of inspection documents. Cheques will be prepared only on receipt of store/documents. Care in this regard may be taken particularly in the month of March every year.

5.15.20 Account (duly supported with cash memos/CRVs) for the cash given to LPO for cash purchase may be watched through a register. In no case cash given to LPO for cash purchase during a month should remain with him after 25th of that month. This register would be susceptible to Local Audit.

- a) Surprise check of the cash balances will be conducted by the officer deputed for the purpose by the Head of the Estt on monthly basis. A certificate to this effect will be endorsed in cash book by the surprise check conducting authorities.

- b) The monthly Cash Assignment account will be submitted to the PCDA/CDA(R&D) duly supported with all the relevant vouchers/CRVs/Schedule III etc. No voucher should be left behind for submission at later dates. Schedule III should be submitted to concerned CDA (R&D) on weekly basis. The number and date of letter under which these schedules are forwarded should be shown in the last schedule III of the month.
- c) Details of vouchers relating to Resource Generation activities will be distinctly shown while forwarding the Cash Assignment Account.
- d) At the close of the month Labs/Estt will obtain Bank Statement from the banks and Number, Date and the Amount of the cheques reflected therein will be reconciled with reference to those reflected in cash book and schedule III. The result of reconciliation should be recorded in the cash book before the same is submitted to PCDA/CDA(R&D) along with the Bank statements pasted thereon for verification by LAO's.
- e) The Cash Book is subject to inspection by LAO.
- f) Resource generation Job No. and category code to be used, may be shown in red ink besides the Unit code.

5.16 List of schedules and statements to be submitted with Monthly Cash-Assignment Account:

5.16.1 Schedules:-

- (a) Schedule III List of cheques drawn from Treasuries/Banks on IAFA129
- (b) Schedule IV Disbursement statement on IAFA-130.
- (c) Schedule V List of Remittance into Treasuries/Banks on IAFA131 (supported by original copies of TRs)
- (d) Schedule VI List of cheques cancelled during the month on IAFA-133. (Formats of these Schedules are at Annexure 'A')

5.16.2 Statements :

Statement I	Showing expenditure debitable to Industrial Wages grant
Statement II	Showing expenditure debitable to I&M Grant
Statement III	Showing expenditure debitable to TA/DA
Statement IV	Showing expenditure on account of movement of stores
Statement V (a)	Showing expenditure on a/c of LP Stores/Advance Payment to Firms.
Statement V (b)	Showing expenditure on a/c of LP of Stores (Cash Purchases)
Statement VI	Showing expenditure on a/c of Custom Duty.
Statement VII	Income Tax recovery.

(Formats of these Statements are at Annexure 'B')

Notes:

- 1 Every voucher should contain the Unit Code of the Labs./Estts./Project to which the expenditure pertains.
- 2 A summary of Statement I to VI will be prepared as per formats at Annexure 'B'. The total expenditure shown in summary of statement should tally with the total given in Schedule –IV. Disbursement Statement on IAFA-130.
- 3 A summary of Cash Assignment will be prepared as per format given in Annexure 'C'.
- 4 Annexure 'A', 'B' and 'C' will be submitted with Cash Assignment Account by Labs./Estts. (Also see examples given at Annexure 'D').

5.17 Adjustment and Audit of Monthly Cash Assignment Account

5.17.1 Preparation of PM by the PCDA/CDA(R&D)

- (i) On receipt of the monthly Cash Assignment Accounts from Lab./Estts together with all the documents as shown in Annexure "C" (summary of Cash Assignment Account), the PCDA/CsDA(R&D) will prepare and send the Punching Mediums to the concerned EDP Centre for adjustment of transactions made during the month as under:-
 - (a) The expenditure will be booked initially to Code Head 018/60 (Advances-Imprest Holder Account) through a Class V Punching Medium using the Unit Code of the concerned Lab/Estt. {Annexure 'D'(Example 'A')}
 - (b) Simultaneously Class II Punching Medium using the concerned project/unit code head will be prepared on the basis of Summary Statement I to VI submitted by Labs/Estt. (See example 'F' in Annexure 'D') to clear the Suspense head (i.e. 018/60) and debiting the Service Heads of the concerned Unit/Lab/Project in the same month. (See example B to D to Annexure 'D') It is to be ensured that no balance is left outstanding under Suspense Head 018/60 at the end of month.

5.18 Audit and Scrutiny of Cash Assignment Account

- (i) Monthly Cash Assignment account along with all relevant bills/vouchers etc and cash book will be received from the Accounts Office of the concerned Labs/Estts. in the audit section of Controller's office (R&D). The audit Section will carry out the audit of the account intelligently to see that the account has been prepared correctly and all Bills, Receipt vouchers, statements/schedules etc are enclosed properly with the account and thereafter carry out the audit of the same in accordance with the following guidelines:

- a) That the opening balance brought forward from the previous month's cash book is correct.
- b) The totals of both the receipt and charge sides of the cash book are correct.
- c) The balance in hand has been certified by the officer holding the Cash Assignment as correct and actually in hand. A certificate to this effect has been endorsed in the cash book.
- d) The amounts received and disbursed have been correctly accounted for and are supported by relevant vouchers. No voucher/document has been left behind by Labs/Estts.
- e) The result of monthly reconciliation of cheques issued (in the month) and reflected in cash book and schedule III with the bank debit scroll/withdrawal statement should be endorsed in the cash book. In case where Bank Withdrawal Statements are not being received by the Labs/Estt., they should be highlighted through MFAI.
- f) No payment has been made from the cash assignment which under rules is required to be pre-audited.
- g) Unit Code/Project Code/Resource Generation Project Code number should be quoted in each voucher.
- h) The expenditure incurred is correctly classified.
- i) Closing balance is correctly worked out.
- j) All the entries in the cash book bear the dated initials of cash officer
- k) All cuttings /overwriting are attested by cash officer.
- l) Specimen signature of the officer signing the Assignment Account is verified and tallied with those held on the records of section.
- m) To ensure that two cash books are maintained and are used for alternative months.

- n) Heavy amounts drawn for cash purchase does not remain unaccounted for months together and the same are shown as cash in hand.
- (ii) After exercising the above general scrutiny, class V vouchers for the transactions that have taken place in the month will be prepared. A copy of the P.M. will be sent to budget monitoring section.
 - (iii) A summary of the Cash Assignment account showing cheques drawn and expenditure incurred will be sent to 'D' Sec also to enable them to complete their register. The cash books along with the observations if any will be returned to Labs/Estts with endorsement "Arithmetically checked."
 - (iv) Advance payment made out of Cash Assignment will be recorded in a separate Demand Register and their clearance watched.
 - (v) The cash vouchers received from Labs/Estts along with the monthly account will be post audited with reference to the detailed checks covered under the pre-audit of bills, supply orders, sanctions in the relevant chapters of this manual. Thereafter the CRVs should be scheduled to concerned LAOs for credit verification after properly entering the details of vouchers scheduled in the scheduling out Register.
 - (vi) The objections/observations, if any, coming to the notice during post audit will be entered in the Audit Progress Register (APR) and objection statements issued to Labs/Estt.
 - (vii) The settlement of these objections will be watched vigorously and unsettled objections at the close of the financial year should be reported through Annual Audit Certificate (AAC).
 - (viii) It should be seen that the Bank statements have been obtained from the bank and pasted in the cash book where the reconciliation statement is recorded. This reconciliation statement is to be checked with reference to the Bank Withdrawal Statement. In case of non-preparation of Reconciliation statement the same should be brought to the notice of the Director Lab/Estt.

- (ix) Advance payments made out of cash assignment recorded in as separate demand register and their clearance watched.
- (x) 90% and 95% bills / Vouchers entered in a register to watch the 10% or 5% bills for necessary linking and are to be audited just like pre-audited bills –CRVs detached and scheduled to LAO.
- (xi) TA/DA vouchers segregated and sent to T –Section (to watch for acknowledgment) for necessary noting of demands and eventual clearance of the demands as when adjustment bills are received.
- (xii) I&M vouchers segregated and sent (to watch for acknowledgment) to M-Section to watch subsequent receipt of bills for pre-audit for same expenditure / payments paid out of cash assignment is not sent.
- (xiii) Immediate Relief Voucher bifurcated and sent to Pay Section concerned under advice to Accounts section.
- (xiv) Segregate vouchers on account of IE wages and endorse to LAO for necessary audit /information.

5.19 Review of Cash-Assignment

5.19.1 It would be ensured that heavy Cash balance is not kept unnecessarily with the cash assignment holder. Cash would be drawn from bank/treasury only to meet authorised commitments during the month. The monthly closing cash balance should be kept as low as possible.

5.19.2 Balances remaining unutilized at the end of the financial year lapse to the Govt. and cash available, if any, is required to be deposited into treasury for credit to Govt. through MRO.

5.20 Common Irregularities observed during Audit of Cash Assignment for guidance:

5.20.1 The common irregularities are summarized as under:-

- (i) Non reconciliation of Cash Book with Bank Statements by the Labs/Estts. Bank Statements are not being obtained from the Banks.

- (ii) Entries in the cash book, schedule III are not initialled by the cash officers simultaneously with the issue of cheques. Maintenance of cash book is allowed to fall in arrears.
- (iii) The Cash Assignment accounts are not submitted to the PCDA/CsDA (R&D) in time.
- (iv) All the vouchers are not submitted in support of the Cash Assignment Accounts rendered to the PCDA/CsDA (R&D).
- (v) Cash purchases of stores which are required in small quantity and are of non-recurring in nature are only to be made. Thus amount spent on such purchases should be minimal. But normally this aspect is not found adhered to by the Units/Labs.
- (vi) Heavy amounts drawn for cash purchase remain unaccounted for months together and the same are shown as cash in hand though the actual cash remains with the LPO and not with the cash officer.
- (vii) Cheques are prepared in anticipation of receipt of stores especially during the month of March. Thus facility of Cash Assignment is being utilised merely to avoid lapse of funds.
- (viii) Bills submitted to PCDA/CsDA (R&D) for pre-audit and returned by them with some objections/observations are some times paid out of Cash Assignment, ignoring the audit requirements.
- (ix) Advance payments of 90% / 95% are being made as a matter of routine from Cash Assignment.
- (x) Adjustment bills of 10% / 5% are not being submitted in time.
- (xi) Advance for TA/DA is made out of Cash Assignment in a routine fashion and not in exceptional cases only.
- (xii) Expenditure incurred on Resource Generation Projects is also paid out of Cash Assignment and allowed to be booked to LP Heads instead of RG Heads. Thus Budgetary Allocation made for the Labs/Estts are not utilised for the purpose for which sanctioned.
- (xiii) The amount of Cash Assignment demanded/requisitioned is not justified.
- (xiv) Holding of heavy cash in hand.

- (xv) Non-submission of adjustment claim against amount advanced to firms immediately on receipt of stores.
- (xvi) Cash purchases for routine office contingent purchases are continued to be made from Cash Assignment and not from Imprest.

Name of the Lab./Estt _____

Month _____

LIST OF REMITTANCE INTO TREASURY/BANK

Serial No.	Name of Treasury/ Bank	TR No. & Date	Particulars	Amount	Forwarding letter No. & Date through which original TR forwarded
1	2	3	4	5	6

Date _____

For Director

Lab/Estt.

STATEMENT – I

Expenditure debitible to IE wages

Grant Code Head 1/854/03

Lab/Estt. _____

Month _____

Serial No.	Vr. No.	Date	Cheque No	Particulars	Amount	Project/ Unit Code	Remarks
1	2	3	4	5	6	7	8
Total Rs.							

Dated : _____

For Director

Lab/Estt.

SUMMARY OF STATEMENT

Project/Unit Code	Amount
Total	

STATEMENT – II

Expenditure debitable to I&M Grant(Code Head 1/858/01)

Lab/Estt... _____

Month _____

Srli No.	Vr. No.	Date	Cheque No	Particulars	Amount	Project/ Unit Code	Remarks
1	2	3	4	5	6	7	8
Total Rs.							

Dated : _____

For Director

Lab/Estt.

SUMMARY STATEMENT OF

Project/Unit Code	Amount
Total	

STATEMENT – III

Expenditure Debitable to TA/DA Grant(Code Head 1/855/01)

Lab/Estt. _____

Month _____

Srl No.	Vr. No.	Date	Cheque No	Particulars	Amount	Project/ Unit Code	Remarks
1	2	3	4	5	6	7	8
Total Rs.							

Dated : _____

For Director

Lab/Estt.

SUMMARY OF STATEMENT

Project/Unit Code	Amount
Total	

STATEMENT – V (a)Expenditure on account ofL.P Stores (Advance Payment to firms)(Code Head 1/856/01 (Revenue) & 01/929/21(Capital))

Lab/Estt. _____

Month _____

Srl No.	Vr. No.	Date	Cheque No	Particulars	Amount	Project/ Unit Code	Remarks
1	2	3	4	5	6	7	8
Total Rs.							

Dated : _____

For Director
Lab/Estt.

SUMMARY OF STATEMENT

Project/Unit Code	Amount
Total	

STATEMENT – V (b)Expenditure on account of(Cash Purchase)(Code Head 01/856/01 & 01/858/01)

Lab/Estt... _____

Month _____

Srl No.	Vr. No.	Date	Cheque No	Particulars	Amount	Project/ Unit Code	Remarks
1	2	3	4	5	6	7	8
Total Rs.							

Dated : _____

For Director

Lab/Estt.

SUMMARY OF STATEMENT

Project/Unit Code	Amount
Total	

STATEMENT – VIExpenditure on account ofCustom Duty(Code Head 1/856/05)

Lab/Estt. _____

Month _____

Srl No.	Vr. No.	Date	Cheque No	Particulars	Amount	Project/ Unit Code	Remarks
1	2	3	4	5	6	7	8
Total Rs.							

Dated : _____

For Director

Lab/Estt.

SUMMARY OF STATEMENT

Project/Unit Code	Amount
Total	

SUMMARY OF CASH-ASSIGNMENT ACCOUNT

Lab/Estt. _____

Month _____

RECEIPTS			CHARGES		
Sl.No.	Particulars	Amount	Sl.No.	Particulars	Amount

1.	Opening Balance				
2.	Cheque drawn during the month				
					Closing Balance
Total Rs.					

Dated : _____

For Director

Lab/Estt.

EXAMPLE 'A'

UNIT Code

PUNCHING MEDIUM

Month..... CDA..... Section Class of VR : V VR No.....

Receipts			Charges		
Classification	Rs. (+)	Rs. (-)	Classification	Rs. (+)	Rs. (-)
00/001/00	10,000		00/018/60	1,30,000	
00/020/81	1,50,000		00/090/00	30,000	
TOTAL:-	1,60,000		TOTAL:-	1,60,000	
In adjustment of Cash Assignment for the month of in respect of					

SAO/AO

EXAMPLE 'B'

UNIT Code

PUNCHING MEDIUM

Month..... CDA..... Section Class of VR : II VR No.....

Receipts			Charges		
Classification	Rs. (+)	Rs. (-)	Classification	Rs. (+)	Rs. (-)
			00/018/60		14,000
			01/854/03	5,000	
			01/858/01	2,000	
			01/856/01	5,000	
			01/855/01	2,000	
				14,000	
			14,000		
In adjustment of Amount booked to Defence Suspense vide class of Vr.V bearing No. 0001 of					

SAO/AO

PUNCHING MEDIUMEXAMPLE 'C'

UNIT Code

Month..... CDA..... Section Class of VR : II VR No.....

Receipts			Charges		
Classification	Rs. (+)	Rs. (-)	Classification	Rs. (+)	Rs. (-)
			00/018/60		
			01/854/03	2,000	55,000
			01/858/01	9,000	
			01/855/01	13,000	
			01/856/01	21,000	
			01/856/02	10,000	
					55,000
			55,000		
In adjustment of Amount booked to Defence Suspense vide class of Vr.V bearing No. 0001 of					

SAO/AO

PUNCHING MEDIUMExample 'D'

UNIT Code

Month..... CDA..... Section Class of VR : II VR No.....

Receipts			Charges		
Classification	Rs. (+)	Rs. (-)	Classification	Rs. (+)	Rs. (-)
			00/018/60		61,000
			01/854/03	5,000	
			01/858/01	18,000	
			01/856/01	2,000	
			01/856/02	26,000	
			01/856/05	10,000	
			TOTAL:-	61,000	
			61,000		
In adjustment of Amount booked to Defence Suspense vide class of Vr.V bearing No. 0001 of					

SAO/AO

EXAMPLE 'E'SUMMARY OF CASH-ASSIGNMENT ACCOUNT

Monthin r/o DEAL DEHRADUN

LAB/ESTT... (DEAL – 070017)

(FALCON – 030717)

(IGMDP – 051317)

RECEIPT			PAYMENT		
Srl. No.	Particulars	Amount	Srl. No.	Particulars	Amount
1.	Opening Balance	10,000	1	01/854/03	12,000
			2	01/858/01	20,000
2.	Cheque drawn during the month	1,50,000	3	01/855/01	9,000
			4	01/855/02	15,000
			5		
			a	01/856/01	28,000
			b	01/856/02	36,000
			c	01/856/05	10,000
				CB	30,000
Total :-		1,60,000	Total :-		1,60,000

Dated

Director Lab/Estt.

ANNEXURE 'D'

EXAMPLE – 'F'SUMMARY OF STATEMENTS I TO VI

Srl. No.	Particulars	Expenditure	Total Expenditure	PROJECT/UNIT CODE WISE DETAIL		
				PROJECT/PROJECT/UNIT		
				(030717)	(051317)	(070017)
1	2	3	4	5(a)	5(b)	5(c)
1	Statt I	01/854/03	12,000	2,000	5,000	5,000
2	Statt II	01/858/01	20,000	-	18,000	2,000
3	Statt III	01/855/01	9,000	18,000	-	-
4	Statt IV	01/855/02	15,000	13,000	-	2,000
5	Statt V(a)	01/856/01	28,000	21,000	2,000	5,000
	Statt V(b)	01/856/02	23,000	10,000	26,000	-
6	Statt VI	01/856/05	10,000	-	10,000	-
Total			1,30,000	55,000	61,000	14,000 +Previous month & CB viz. 10,000/-

Date

Director

TYPED VERSION

No. 87567/RD-26/3849/D(R&D)

Government of India,

Ministry of Defence,

New Delhi, the 26 April, 1972

To,

The Scientific Adviser to the Raksha Mantri and
Director General, Defence Research & Development
New Delhi

Subject:- AUTHORISATION OF CASH ASSIGNMENT TO THE HEADS OF
DEFENCE R&D ESTTS/LABS

Sir,

I am directed to convey the sanction of the President to authorize the Heads of Defence R&D Estts/Labs to have cash assignments under Rule 315 F.R. I. Pt.I provided an Accounts Officer is borne on the strength of the Estt/Lab.

2. The relevant rules in F.R. I. Pt. I & II regarding procedure for operating the cash assignment will be strictly followed.

3. This sanction will be valid upto 31st March, 1973 in the first instance.

4. This issues with the concurrence of Ministry of Finance(Defence) vide their U.O. No. 1142/Proj-III, dated 25th April, 1972.

Yours faithfully,

Sd/-

(N.R. Banerji)

Under Secretary to the Government of
India

Copy to:-

The CGDA New Delhi; the Director of Audit, Defence Services, New Delhi; the Senior Dy. Director of Audit, Defence Services, New Delhi; the Dy. Director of Audit, Defence Services, Meerut, Poona and Calcutta; the Assistant Audit Officer, Defence Services Kirkee and Bangalore; the Controller of Defence Accounts, Western Command Meerut; the Controller of Defence Accounts Southern Command, Poona; the Controller of Defence Accounts (Fys), Calcutta; the Controller of Defence Accounts, Central Command, Meerut.

ARDE,ERDL & R&DE(E), Poona SSPL, Delhi IRDE, Dehradun DMRL, DRDL & DLRL, Hyderabad VRDE, Avadi DRL(M), Kanpur LRDE & GTRE, Bangalore.
DFA(Proj-III) RD-26 (10 copies) - RD-29(A) - Dte of Armament Dte of Electronics Dte of Aeronautics - Dte of Vehicles Dte of Engineering.
Copy signed in ink forwarded to:-
CDA,WC, Meerut;CDA, SC, Poona; CDA(Fys), Cacutta; CDA, CC, Meerut;

No. 87567/RD-26/1782/D(R&D)
BHARAT SARKAR, RAKSHA MANTRALAYA,
New Delhi, the 27th February 1973.

To

The Scientific Adviser to the Raksha Mantri and
Director General, Defence Research & Development
NEW DELHI

Subject:- AUTHORISATION OF CASH ASSIGNMENT TO THE HEADS OF
DEFENCE R&D ESTTS/LABS

Sir,

I am directed to convey the sanction of the President to the extension of the provisions of Govt. of India, Ministry of Defence letter No. . 87567/RD-26/3849/D(R&D), dated 26th April, 1972 upto 31st March, 1974.

2. This issues with the concurrence of Ministry of Finance(Defence) vide their U.O. No. 538/Proj-III/234 dated 27.2.1973.

Yours faithfully,

Sd/-

(N.R. Banerji)

Under Secretary to the Government of
India

Copy to:-

The CGDA New Delhi; the Director of Audit, Defence Services, New Delhi; the Senior Dy. Director of Audit, Defence Services, New Delhi; the Dy. Director of Audit, Defence Services, Meerut, Poona and Calcutta; the Assistant Audit Officer, Defence Services Kirkee and Bangalore; the Controller of Defence Accounts, Western Command Meerut; the Controller of Defence Accounts Southern Command, Poona; the Controller of Defence Accounts (Fys), Calcutta; the Controller of Defence Accounts, Central Command, Meerut.

ARDE, ERDL & R&DE(E), Poona SSPL, Delhi IRDE, Dehradun DMRL, DRDL & DLRL, Hyderabad VRDE, Avadi DRL(M), Kanpur LRDE & GTRE, Bangalore.

DFA(Proj-III) RD-26 (10 copies) - RD-29(A) - Dte of Armament Dte of Electronics Dte of Aeronautics - Dte of Vehicles Dte of Engineering.

Copy signed in ink forwarded to:-

CDA, WC, Meerut; CDA, SC, Poona; CDA(Fys), Ccutta; CDA, CC, Meerut;

No. 87567/RD-26/1496/D(R&D)
BHARAT SARKAR, RAKSHA MANTRALAYA,
New Delhi, the 16th February 1974.

To

The Scientific Adviser to the Raksha Mantri and
Director General, Defence Research & Development
NEW DELHI

Subject:- AUTHORISATION OF CASH ASSIGNMENT TO THE HEADS OF
DEFENCE R&D ESTTS/LABS

Sir,

I am directed to refer to Govt. of India, Ministry of Defence letter No. 87567/RD26/3849/D(R&D) dated 26th April, 1972 and No. 87567/RD-26/1782/D(R&D) dated 27th February 1973 and to convey the sanction of President to the continuance of the provisions thereof with regard to the Authorising the Heads of Defence R&D Estts/Labs to have Cash Assignments under Rule 315 F.R. I. Pt.I provided an Accounts Officer is borne on the strength of the Estt/Lab.

2. The relevant rules in F.R.I. Pt.I and II regarding procedure for operating the Cash Assignment will be strictly followed.
3. This issues with the concurrence of Ministry of Finance(Defence) vide their U.O. No. 345/Proj-III dated 11.2.1974

Yours faithfully,

Sd/-

(L. N. BHALLA)

Under Secretary to the Government of
India

Copy to:-

The CGDA New Delhi; the Director of Audit, Defence Services, New Delhi; the Senior Dy. Director of Audit, Defence Services, New Delhi; the Dy. Director of Audit, Defence Services, Meerut, Poona and Calcutta; the Assistant Audit Officer, Defence Services Kirkee and Bangalore; the Controller of Defence Accounts, Western Command Meerut; the Controller of Defence Accounts Southern Command, Poona; the Controller of Defence Accounts (Fys), Calcutta; the Controller of Defence Accounts, Central Command, Meerut.

ARDE, ERDL & R&DE(E), Poona SSPL, Delhi IRDE, Dehradun DMRL, DRDL & DLRL, Hyderabad VRDE, Avadi DRL(M), Kanpur LRDE & GTRE, Bangalore.

DFA(Proj-III) RD-26 (10 copies) - RD-29(A) - Dte of Armament Dte of Electronics Dte of Aeronautics - Dte of Vehicles Dte of Engineering.
Copy signed in ink forwarded to:-
CDA,WC, Meerut;CDA, SC, Poona; CDA(Fys), Cacutta; CDA, CC, Meerut.

To

The Scientific Adviser to Raksha Mantri
And Director General, Defence Research and Development,
NEW DELHI

SUB: DELEGATION OF FINANCIAL POWERS TO HEADS OF R&D
ESTTS/LABS AUTHORITY TO MAKE SPOTADVANCE PAYMENT ON
ORDERS FOR SUPPLIES AND SERVICES.

Sir,

I am directed to convey the sanction of the President to authorize the Heads of Defence R&D Estts/Labs to make advance payments to firm against supplies of stores and services ordered under their direct purchase powers according to procedure laid down below:-

- (a) Payment to Government Deptts and Public Sector undertakings may be made in advance upto full value of the contractual amount wherever insisted upon as per the normal terms of payment of the suppliers.
- (b) Advance payment of other firms, wherever necessary will be restricted to 95% of the contractual amount on the strength of documents relating to proof of inspection and despatch.
- (c) Full payment of the contractual amount may be paid to the Firm upto Rs. 10,000/- in each case on the spot after obtaining delivery of stores/services in satisfactory condition, in exceptional circumstances such as (i) where some benefit to the Government by way of cash discount is offered by the supplier (ii) where the firm insists on such payment and no other condition is acceptable to the firm or (iii) on grounds of urgency at the discretion of the Head of Estt.
- (d) Final payment in respect of plant & machinery which can only be finally inspected after installation will be made after installation only.

2. The payments referred to in paragraph 1 above will only be made valid supply orders entered into by the Defence R&D Establishments/Labs after following normal purchase procedure. The payments will be made by the Estt out of their cash assignment wherever such a facility exists. Defence R&D Estts/Labs, which have no cash assignment, may draw the amount from CDA's

office by preferring a bill on the authority of the supply order placed, taking into account the assured date of delivery of supplies.

3. The amount of advance drawn from the CDSA's office will be placed in public Fund A/C so that it may be available for payment of the firm against pre-receipted bills and documents of proof of inspection and dispatch of the consignment. Inspection of supplies will be carried out by the competent inspection authority as prescribed in the supply order. In case of local delivery or deliveries by road, the advance, final payment may be allowed on the strength of the documents in proof of inspection and delivery to the consignee-the proof of delivery being a provisional receipt certificate on the delivery challan of the supplier.

4. All payments to suppliers as per this order will be made on crossed Account Payee cheques. Suppliers, who insist on 95% advance payments on presentation of documents of inspection and despatch through bank, should give an undertaking that commission, if any, payable to bank will be on supplier's account and any extra expenditure incurred, such as demurrage charges etc. on account of any delay on the part of supplier or its banker to release the documents to consignee, will be borne by the supplier. It will be the responsibility of the Labs/Ests to verify the documents before payment is released through the bank.

5. Payment of advance referred to in para 1 (a) & (b) above will be made only on the strength of pre-receipted bill. Documents in support of such payment will be forwarded to CDA's office along with cash assignment account for the month in which such payment is made out of cash assignment. In other cases such documents should be forwarded within one month of payment.

6. Estts/Labs having cash assignment A/C will forward the following documents to the CDA's office for audit along with the cash A/C for the month during which spot payments referred to in para 1 (c) above has been made to the firm. In other cases the documents will be forwarded within one month of the date of receipt of stores.

- (a) A stamped receipt from the firm for the cheque issued.
- (b) Firm's bill for the supplies and services rendered.
- (c) A certificate under the signature of an officer of the Estt/Lab certifying that the amount of Excise duty/Sales Tax charged in the relevant Act and the rules made under the Central Excise Act/Central Sales Tax Act and State Sales Tax Act.
- (d) A certificate from the competent inspection authority for the receipt of stores in satisfactory condition.
- (e) Two copies of CRV taking the stores on charge.

7. Heads of the Estts/Labs will ensure that final bill for the money advanced to the firm is submitted to the CDA promptly. If the firm fails to submit final bill, the under-mentioned documents will be submitted to the CDA without fail within

30 days from the date of receipt of stores to enable CDA to clear the outstanding demand from his books.

Two copies of CRV taking the stores on charge duly certified by the competent inspection authority for receipt of stores in satisfactory condition.

8. Defence R&D Estts/Labs will maintain a Progress Register in the form given in Annexure to this letter, to record the amount of advance drawn from the CDA paid out of cash assignment for payment to the firms against orders for supplies and service and to watch the adjustment of these amount till final bill is dispatched to CDA. The register will be included in the list of auditable documents and produced for audit whenever required.

9. The expenditure will be debitable to major head 269 minor head 7 Defence Research & Development Organization.

10. This supersedes Ministry of Defence letter No.89500/12/RD-29(a)/4317/D(R&D) dated 27.10.1978.

11. This issues with the concurrence of the Finance Branch vide their u.o. No.271/D(Fin/R&D) dated 20.2.1979.

Yours faithfully,
Sd/-
(N N VENKATESWARAN)
Under Secretary to the Government of
India

Copy to:

Controller General of Defence Accounts, New Delhi.
Director of Audit Defence Services, New Delhi
Controller of Defence Accounts, Western Command Meerut.
Controller of Defence Accounts, Central Command, Meerut.
Controller of Defence Accounts, Southern Command, Poona
Controller of Defence Accounts, Northern Command, Jammu.
Controller of Defence Accounts, Patna.
Controller of Defence Accounts, Factories, Calcuttas.
Controller of Defence Accounts (Navy) Bombay.
Controller of Defence Accounts (Air Force) Dehradun.
All Senior Deputy Director of Audit Defence Services.
Chief Auditor (Fys) Calcutta.
All R&D Estts/Labs
All technical Dtes (R&D), RD-26, RD-29 (a), RD-29(b), D(Finance R&D)
D (Hindi Cell) – For Hindi Version.

No.DBF&A/MISC/MFAI/BUD/1551/D(R&D)
Government of India
Ministry of Defence
Deptt. Of Defence Res. & Development
New Delhi – 110011
02 May 1997

CORRIGENDUM

The following amendment may be made to Government of India, Ministry of Defence letter No.89500/12/RD-29(a)/1494/D(R&D) dated 1.3.79 :-

Against Para 1 (c)
FOR Rs.10,000/-

READ Rs.20,000/-

Existing Para 2 Line 5 may be substituted as under :-

Defence R&D Estts/Labs which have no cash assignment may draw the amount from the CDA's office through cheque in favour of the firm by preferring a bill on the authority of the supply order placed, taking into account the assured date of delivery of supplies.

Existing Para 3 may be substituted as under :-

The cheque drawn from the CDA's office may be kept by the R&D Estts/Labs with them for not more than a month from the date of issue. Any cheque not utilized within one month may be returned to the CDA for cancellation and a fresh cheque drawn as and when required. The cheque so drawn may be available for payment to the firm against pre-receipted bills and documents of proof of Inspection and despatch of the consignment. Inspection of supplies will be carried out by the competent Inspection authority as prescribed in the supply order. In case of local delivery or deliveries by road, the advance, final payment may be allowed on the strength of documents in proof of Inspection and delivery to the consignee – the proof of delivery being a provisional receipt certificate on the delivery challan of the supplier.

In Para 5 Line 5

After the word cash assignment add "or within 90 days whichever is later".

In Para 5 Lines 6 & 7

FOR one month, READ 90 days and after the word "Payment" add "or earlier as the case may be".

In Para 6 Lines 4 & 5
After the word "firm" add "or within 90 days whichever is later".
FOR one month READ 90 days

In Para 7 Line 4
FOR existing "30 days" READ "90 days"

Existing Para 9 may be substituted as under :-
The expenditure will be debitible to Major Head 2076, Minor Head 108 of
the Defence Services Estimates.

All other entries will remain the same.

This issues with the concurrence of Integrated Finance (R&D) of this
Ministry vide their ID No.859/IF/(R&D) dated 01 May 97.

Sd/-
(S.L.Tripathi)
Under Secretary to the Government of
India

The Director General, Research & Development
Deptt of Defence Research & Development
Ministry of Defence
New Delhi – 110011

Copy to :-

Controller General of Defence Accounts, New Delhi
Director General of Audit, Defence Services, New Delhi
All DRDO Estts/Labs
Dte of Budget, Finance & Accounts/DRDO HQrs
Dte of Material Management
Dte of Management Studies
Director (Finance)
D(Hindi Cell) – for Hindi version

Copy signed in ink to :-

CDA (R&D), New Delhi
CDA (R&D), Bangalore.

FOREIGN PURCHASE

5.21 **Introduction** : Procurement of materials from countries outside India forms an integral part of Material Management activities of Research and Development. The main reasons behind imports, when there is so much thrust on indigenization in the country's economic policy, besides being contributed to classified nature of work related to security of the country are attributed to the following factors:-

- (a) Advancement of Science and Technology in Western countries is much faster as compared to India.
- (b) Development of infrastructure for the R&D works in the indigenous Civil Sector is almost negligible as the requirement in the Defence (R&D) Sector is very meager (requirement being for R&D only and not for trade) and as such the investment of indigenous players in this area is negligible.

5.22 Due to above factors a need to look up to the developed countries, whose prime activities are the Defence oriented production and export to the third world countries where the Defence sector is almost in its infancy, is inevitable. In other words some of the Materials required for Research and Development are almost non-existent indigenously and there is no option but to import. It is because of this reason that "Foreign Purchases" are in existence in DRDO. However, it will be necessary to scrutinize each requirement of import by the Director/Project Director to keep the self-reliance goal in mind, inspite of countrywide liberalization.

5.23 **The foreign purchase cycle is processed as under:**

- (a) Initiation/approval of demands
- (b) Purchase functions leading to placement of orders.
- (c) Mode of payment, Receipt, Inspection and Acceptance.
- (d) Settlement of transactions and scheduling of vouchers

5.24 **Initiation of Demands/Arising of Demands:**

5.24.1 Procedure and levels of initiation/approval of demands for the imported items will be the same as applicable to other purchases as defined in Chapter 4

of PM 2006. Such demands however, will have to be restricted to the list already projected to HQrs with exception of emergency and unforeseen requirements.

5.24.2 Sources of information regarding availability of materials could be the following:

- (a) Through Advertisement
- (b) Through Technical Literature/Pamphlets
- (c) Information through visitors/marketing seminar/symposium by various vendors
- (d) Visit to Foreign countries

5.25 Steps for Processing Proposals of Foreign Purchases and Placement of Orders:

5.25.1 *Requests for Quotation (RFQ)*: Once the demands are vetted and the necessity accepted by the CFA, Quotations are called for from the vendors through Telex/Fax or Air Mail as per specimen proforma for "Invitation of Tender for Import" (DRDO MM-31). The following features may, however, be noted for guidance.

- a) Adequate copies of Tender documents under Global Tendering are forwarded to respective Indian Embassies/High Commissions.
- b) Stipulation regarding EMD may not be insisted in respect of foreign vendors.
- c) Security Deposit, however, will have to be insisted upon for the performance by way of a Bank Guarantee, wherever considered appropriate.
- d) The Tender Inquiry should call for both FOB/FCA basis cost and total cost up to a specified place of delivery for all vendors and bid evaluation should be done accordingly.

5.25.2 *Acceptance of Quotes*: The Quotations are evaluated for its technical acceptance by the TEC. TPC/NC is initially conducted in absentia of vendors to arrive at a bench mark and then negotiated for their commercial terms to obtain the best price. The proposals are thereafter thoroughly vetted for acceptance. The proceedings of the TPC are then submitted to the CFA for his approval.

5.26 Release of Foreign Exchange and other issues related to foreign purchases: The TPC while recommending the proposal for foreign purchase for acceptance also looks into the aspect of payment terms of the vendor and accordingly makes its recommendations regarding mode of payment of supplies/services made by the foreign vendor and release of foreign exchange required for such purchases/services as well as other issues like transit insurance, Bank charges, agency commission, custom formalities, import/export certificate etc.

5.27 The orders in vogue on these subjects are briefly brought out as under:

- A. Revised Procedure/delegations for release of foreign exchange
- (a) Allocation of bulk FE will be made by DRDO HQrs (DMM) to the DRDO Labs/Estts/Major CCPA Programmes/LCA in consultation with the Integrated Finance and MOD (D Budget). This allocation will be made at the beginning of financial year and on as-required basis depending upon the exigencies.
- (b) The Directors of Labs/Estts are delegated with full powers to release FE for each proposal/contract only on cash outgo basis in the same financial year up to allocated ceiling. The amount of all such FE releases will be noted by the local office of the PCDA/CsDA (R&D) on case to case basis.
- (c) The essential conditions governing release of FE, required to be observed and all cases of FE release, complete in all respects, will be submitted to the appropriate sanctioning authority along with the following documents:
 - (i) Valid quotation(s)
 - (ii) PAC and CST as applicable
 - (iii) SPC/TEC/TPC/NC minutes with specific recommendations/ approval
 - (iv) Anticipated amount of cash outgo within the current financial year and commitment in the ensuing year(s)

- (v) Request for financial sanction in cases beyond Director's delegated powers
 - (vi) Proforma as per DRDO MM-19/DRDO MM-20.
 - (vii) Checklist for scrutiny of FE proposal vide DRDO MM-21/DRDO MM-22
- (d) The proposals shall not be split merely to bring them within the delegated powers.
 - (e) The import in question is covered by an appropriate rupee budgetary support during the financial year.
 - (f) The approved FE ceiling for a financial year is intended to cover the outgo in respect of all previous commitments as well as fresh commitments made during the year. No further commitment will be made unless it is ensured that adequate provision exists for the same.
 - (g) The FE is released and noted on CIF/CIP basis. It may, therefore, be ensured that even if the freight and insurance are paid in Indian rupees, the same will be noted against the foreign exchange allocation, as these are treated as charge against foreign exchange.
 - (h) The noting will be made on cash outgo basis against the financial year in which the payment is to be made. If the foreign exchange released is not utilized during the year in which it was noted, the same will be got denoted for the current year and re-noted for the next financial year after the fresh allocation is made.
 - (j) Allocations made to Labs/Estts shall not be exceeded in anticipation of additional funds. Additional allocations will be sought from DRDO HQrs well in advance to ensure timely allotments.
 - (j) For procurement of 'Build-up items', a certificate to the effect that procurement of similar item/additional features to the items/equipment is not likely to be made in the near future may be asked for in audit.
 - (k) The delegated powers cannot be re-delegated to the lower authorities. In case the Director of Lab/Estt goes on leave or on

temporary duty for a period exceeding one week, the Directors may authorise the officiating Directors to exercise FE release powers in his absence.

B. Placement of Purchase Order/Contract: After release of FE, the Purchase order/Contract will have to be placed on the foreign supplier for the required items as per the quotation and approval accorded by the CFA. Specimen proforma of a foreign purchase order is as per DRDO MM-23.

5.28 Mode of Payment and Settlement of Transaction

5.28.1 Foreign vendors normally request for payment in one of the following modes:

- (a) Revocable Letter of Credit
- (b) Irrevocable Letter of Credit
- (c) Confirmed Letter of Credit
- (d) Revolving Letter of Credit
- (e) Sight Draft.

5.28.2 Letter of Credit (LC) : The normal terms of payment to Foreign vendors are 100% payment through Letter of Credit/Sight Drafts with 10% Performance Bank Guarantee, wherever required. The LCs covering 100% FOB (gateway Airport) value of Supply Order will be opened by Labs/Estts through PCDA/CsDA(R&D) after receipt of Order acknowledgement from the Foreign Vendor. In the event of cancellation of supply order/contract, due to reasons beyond control of Lab/Estts, Directors are authorized to regularize the bank charges already incurred in respect of LCs opened/cancelled under LP Head.

5.28.3 The request for opening an LC with the SBI is to be accompanied by the following documents:

- (a) Application addressed to bank for opening LC (DRDO MM-25)
- (b) Application to open irrevocable/confirmed documentary credit (DRDO MM-26)
- (c) 'Form A1' (DRDO MM-27)
- (d) Supply Order and amendments, if any
- (e) FE release letter indicating noting of commitment by PCDA/CsDA (R&D)

- (f) Order acknowledgement (DRDO MM-24) received from the vendor.
- (g) A copy of the Sanction letter of the Project/facility.
- (h) Confirmation of Availability of Funds within the Budget Allocation of the lab.
- (i) Specimen signature of the officer of the Lab/Estt authorised to sign the request to SBI and Accounts office for opening of LC.

5.28.4 Based on the request made by the Lab/Estt. duly supported by all the requisite documents/information, PCDA/CsDA (R&D) will issue a Letter of Authorisation to the SBI for opening of LC or for effecting direct remittance to the foreign party, under intimation to the Lab/Estt with copies to RBI & Accounts Section.

5.29 Some other aspects which are to be looked into before issuing the Letter of Authorisation are as under:

- (a) Check the TPC minutes to ensure the FE release is as per recommendations of the TPC
- (b) Quotations are valid for at least 15 days from the date of noting.
- (c) In case of advance payment/stage payment, Bank Guarantee Bond is enclosed as per the payment terms agreed to in the TPC/PNC.
- (d) Latest official exchange rate may be applied for arriving at Rupee equivalent.
- (e) No undesirable terms and conditions are contained in the Quotations. No additional charges to be paid over and above the FCA/FOB cost, except 10% extra to arrive at the notional CIF cost.
- (f) Rupee back up in LP allocation should be available for CIF value.
- (g) The delivery schedule indicated in the quotations may be checked to ensure that:
 - (i) The delivery is to take place within the existing PDC of the project
 - (ii) The delivery is to take place within current financial year, else the case is to be processed on "Commitment Basis".

- (h) All the audit checks as detailed in Para No. 5.5.3 for pre-audit of LP bills should also be applied before authorization of FE payment.

5.30 Modes of Payment

- (i) Revocable Letter of Credit : May be amended or cancelled by the issuing bank at any moment without prior notice to the beneficiary. If the LC is silent as to whether it is revocable or irrevocable, the credit is deemed as 'irrevocable.'
- (ii) Irrevocable Letter of Credit : LC cannot be amended, cancelled or revoked without the consent of the parties to the LC.
- (iii) Revolving Letter of Credit : It can be cumulative or non-cumulative in nature. It avoids opening Letter of Credit for each and every consignment. The LC can be divisible or non-divisible. Divisible LCs are opened when more than one beneficiary is allowed and payment has to be made as per consignment.
- (iv) Confirmed Letter of Credit : A confirmed Letter of Credit is one when another Bank in the beneficiary's country adds its confirmation at the request of the issuing bank.
- (v) Sight Draft : This is another mode of payment for remittance of money to foreign vendors who do not accept payment through LC, for small value orders. In such cases, payment is released after receipt of the consignment based on complete set of dispatch documents negotiated through bankers. Full payment to the extent of 100 per cent FOB (gateway airport) value can be released through Sight Drafts.

5.31 Inspection and Acceptance : Once the consignments are delivered at the stores department of the laboratory, the packages are opened, inspected for their Quality and Quantity by qualified personnel and are brought on charge by means of Certified Receipt Vouchers (CRVs) and issued to the users in the normal fashion.

5.32 Insurance during Transit : As per the existing rules, stores costing above Rs 2.5 crore may be insured. For stores costing less than Rs 2.5 crore, Directors of Labs/Estts may, however, use their discretion to insure. Directors of

Labs/Estts will use their discretion to insure through a nationalised insurance agency, against loss or damages in transit, the sensitive/delicate/fragile/ costly stores/ equipment/machinery and scientific instruments where probability of loss or damage is very high.

5.33 Bank Charges while Opening Letter of Credit

5.33.1 Tender inquiry for all imported stores should invariably include the clause on bank charges outside India, i.e. "All Bank charges payable in India are to buyers account and bank charges in seller's country to seller's account".

5.33.2 In case of items where the foreign vendor refuses to bear the bank charges arising in the foreign country, and the item is critically required, Lab Director can sanction payment of such charges on the basis of TPC/NC recommendations for items costing up to Rs 5 Lakhs. All cases for sanctioning of Foreign Bank charges for items costing greater than Rs 5 lakhs need to be referred to DMM for approval by competent authority. Payment of Foreign Bank charges of the vendors by the buyer in the Foreign country is however against international norms and all efforts must be made by all concerned to ensure that Bank charges in seller's country are borne by the seller.

5.34 Agency Commission : As per present instructions of the Ministry of Defence, no Indian or Foreign Agents are to be entertained in the process of procurement of foreign items and equipment.

5.34.1 The following clause is to be included in all Contracts with Foreign suppliers. "The seller confirms to the buyer that the seller is original manufacturer of the stores referred to in this contract and has not engaged any individual or firm whether Indian or Foreign whatsoever, to intercede, facilitate or in any way to recommend to the GOI, or any of its functionaries, whether officially or unofficially the award of the contract to the seller. Nor has any amount been paid or intended to be paid to any such individual or firm in respect of any such intercession, facilitation or recommendation. The seller accepts that if it is established that the present declaration is in any way incorrect and if at any later stage it is discovered that seller has engaged any such individual /firm and paid or intended to pay any amount/commission to such individual/firm and making the payment as commission. In addition, the seller will, also be debarred

from entering into any supply contract with the Min. of Defence, GOI for a minimum period of 5 years. The buyer shall also consider cancellation of the contract without any entitlement or compensation to the seller who shall be liable to refund all payments made by the buyer in term of the contract along with the interest at the London Inter Bank Offer Rate (LIBOR)“.

5.34.2 Where Regional offices of Foreign Firms have been authorised and set up within the country, they will not be treated as agents and the financial dealings with such regional offices will be restricted to the norms stipulated by the RBI for each specific case.

5.34.3 Where Indian /Regional offices of Foreign Firms are to provide post-sale services, such as installation, setting to work, execution of warranty etc., such stipulation will explicitly be made in the Terms and Conditions of the supply order/contract. Payment on this account will be made in Indian rupees, except for the cost of spares/services required from abroad for post-warranty maintenance.

5.35 ***Custom Formalities***

5.35.1 *Custom Duty Exemption Certificate:* GOI has exempted all imports made by DRDO from payment of Customs Duty vide various Notifications issued from time to time. These benefits will have to be availed on all imports. For this purpose an appropriate Customs Duty Exemption Certificate (CDEC) is to be issued in the following cases:

- a) Direct Imports : Whenever Labs/Estts are importing directly from a foreign supplier by paying in FE, it is considered a Direct Import. For this, DRDO HQrs issues a certificate signed by CC R&D(R). This certificate enables Director of Lab/Estt to issue CDEC for all direct imports. These are covered by Customs Notification No. 51/96 as amended from time to time.
- b) Third Party Imports : These imports are those when the purchase order is placed on a third party who will import on behalf of lab/estt, get customs cleared and then deliver the stores. Such imports are covered under Customs Notification No. 39/96 as amended from time to time. The CDEC under this notification will be issued by the

Directors of Labs/Estts and countersigned by the CC R&D(R) through DMM.

Note : Ministry of Finance, Dept of Revenue (Tariff Unit) has classified that levy of 5% basic duty under Notification No. 51/96-Customs dt.23.7.96 and as amended by Notification No.24/2002-Customs will be applicable for imports covered by CDECs issued under Direct Import. No such duty (5% basic duty) will be applicable for imports covered under Notification No.39/96-Customs dated 23.7.96.

5.35.2 *Import Certificate – Export License* : For certain category of stores, import certificates are required for facilitating export by the vendors from their country of origin due to restrictions imposed by some foreign governments. Such certificates will be issued by C-Tec, DRDO HQrs when required by Labs/Estts.

5.35.3 *End Use Certificate* : Wherever required, Labs/Estts will render end use certificate to appropriate authorities to enable the consignors to seek clearance for export of items from the country of origin, keeping in view the guidelines provided by C-Tech at DRDO HQrs.

5.36 **Accounting and Audit of Foreign Payments**

5.36.1 *Steps involved in Foreign Payments* : The Directors of Labs/Estts are delegated with full powers to release FE for each proposal/contract only on cash outgo basis in the same financial year up to allocated ceiling. The amount of all such FE releases will be noted by the local office of the PCDA/CsDA (R&D) on case to case basis.

- (i) On receipt of sanction for release of FE, the same is noted by the PCDA/CsDA (R&D) by giving UO No.
- (ii) On receipt of FE noting, the Labs/Estts places the Supply order on the firms based on the recommendations of the TPC.
- (iii) After obtaining the order acknowledgement from the foreign firm, the Labs/Estts forward the LC documents to the PCDA/CsDA(R&D) for authorization of LC.

- (iv) Prescribed Audit Checks enumerated in Audit of Sanctions, Store payments of this manual are to be exercised to ensure that the transaction is in order.
- (v) After making necessary entries in the LC Register, PCDA/CsDA(R&D) authorizes the banks for opening of Letter of Credit.
- (vi) After materialisation of transaction the bank serves the debit Memo/Advice to the PCDA/CsDA(R&D), with a copy to the R&D Labs/Estts.
- (vii) The store section of the PCDA/CsDA(R&D) compiles the amount to the relevant code heads and intimate the Labs/Estts accordingly through Monthly Expenditure Statements after conducting necessary checks to ensure that the expenditure is within the LC amount authorized.

Note: In case of issue of Sight Draft, the PM is prepared simultaneously while sending authorisation to the bank.

5.37 Documents to accompany post audit/adjustment claim

- (a) Copy of Supply Order
- (b) Certified Receipt Voucher (CRV)
- (c) Copy of Airway Bill
- (d) The receipt of adjustment claims along with CRV No., Debit Memo No. and TE No. should be noted in the LC Register and CRV is to be scheduled to LAO for credit verification duly paired.

5.38 Compilation of Expenditure against Authorisation for Payment in respect of Foreign Contract.

5.38.1 In the case of expenditure incurred for Foreign payments through any of the payment modes indicated above, the financial adjustment carried out by Stores & Accounts Sections will be as follows:

5.38.2 On receipt of Debit Advice from Banks, the Accounts section will pass on the credit to RBI Deposit Head 00/021/00 as + Receipt and operate RBI Suspense Un-classified 76/020/83 as – Receipt. On receipt of cost memo in

Stores Section, a PM will be operated by crediting the RBI Suspense Unclassified as + Receipt and the amount compiled to the service head as + Charge. In the case of payment against Sight draft, the PM will be prepared at the time of authorization to bank and on receipt of Cost Memo the difference if any will be compiled as above.

Example

Amount paid under LC : - Rs 46, 10,000.00

Bank charges by RBI/SBI : - Rs 27,145.50

Total amount for which debit advice is received :- Rs 46, 37,145.50

a) PM Prepared at time of Authorisation of Sight Draft by Stores Section

Code Head	(+) Receipt	Code Head	(+) Charge
76/020/83	46,10,000	Service Head	46,10,000
Total	46,10,000		46,10,000

b) PM prepared on receipt of Cost Memo (Debit Advice) by Stores Section

Code Head	(+) Receipt	Code Head	(+) Charge
76/020/83	27,145.50	Service Head	27,145.50
Total	27,145.50		27,145.50

c) PM prepared by Accounts Section on receipt of Debit advice

Code Head	(+) Receipt	(-)Receipt
00/021/00	46,37,145.50	
76/020/83		46,37,145.50

5.39 Maintenance of Register of Letters of Credit

5.39.1 The objectives of opening of a LC Register are as under:

- (i) To have the expenditure against each LC at one place.
- (ii) To monitor the status of LC and its corresponding expenditure and settlement.
- (iii) To avoid double payment on account of freight charges.

5.39.2 On receipt of application for authorization of LC duly completed in all respects, the details of the LC are entered in the above register duly indicating all the relevant details of the transaction like SO No, Sanction, Name of Vendor, Currency in which payment to be made, SO value, Amount of FE released, Stage payments if any, FOB/FCA terms. As and when the cost memos are adjusted the relevant TE Nos., are indicated in the respective columns of the Register. It is to be ensured that the total payment adjusted is not more than the amount authorized in the LC. Thereafter the settlement account from the Lab/Estt is to be expedited and the CRVs are scheduled to LAO for credit verification after making necessary entries in the LC Register. The cases where payments adjusted on receipt of cost memos and the settlement accounts are awaited from the Labs/Estts, they are to be constantly monitored at higher level to finality.

5.40 Reports and Returns : A monthly progress report showing the total amount of FE released, and noted is to be furnished to DBF&A, DRDO HQrs.

ANNEXURE `A'

FE NOTING REGISTER

Sl No	Sanction No & Date	UO No & Date	Amount Released (in Rs)	Progressive Total	Signature of AAO	Signature of AO	Signature of DCDA/JC DA	LC/S D No & Date	Orders for denoting

ANNEXURE `B'

LETTER OF CREDIT/SIGHT DRAFT REGISTER

Sl No	Contract/ SO No & Date	Brief Particulars	Name of Firm & address	Total Value of Contract/ SO (FE/Rs)	DRDO HQrs letters No & Date under which Bulk FE release	No & Date of LC	LC amount	Initials of SA/ AAO/AO	Bank Advice memo No and adjt. memo No	CRV/ Invoice No	Initials of SA/ AAO/AO
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.

RESOURCE GENERATION

5.41 **Introduction** : Considering the present constraints in availability of resources, DRDO has deemed it necessary and possible to generate additional resources which can be utilised to finance its important activities. Ministry of Finance has already conveyed their approval to the utilisation of additional / enhanced receipt/accrual (over and above the level assumed in the budget estimate for the financial year) from disposal of surplus/ obsolete assets (stores, land etc.) to finance higher Defence expenditure vide Additional Secretary (Bud), ID No. S--54 /AS (B) /91 dated '31. 10. 1991. Accordingly DRDO mobilises additional resources not only from disposal of surplus assets but also by offering services in the form of consultancy, utilisation of its existing facilities including testing facilities, conducting user specific training courses and offering for hiring of its specialised facilities of ranges etc. It also supplies products specific to the requirement of users, develop and modify such products and also develop and sell software specific to user requirements. Sales are made to both national and international agencies. The conditions for sales of products and, services including offering of facilities on hire are governed by the procedure, regulations and protocols prescribed by the competent Agencies of the Govt.

5.41.1 The nature of activities the laboratories undertake for Resource Generation are one or a mix of the following:-

- (a) Services such as Testing of materials, equipment and machinery.
- (b) Consultancy on systems, technologies, services, software facilities.
- (c) Fabrication of products, Installation of specialised facilities, Processing of materials and chemicals etc.
- (d) Hiring out of major Test Facilities, Ranges etc.
- (e) Disposal of obsolete, surplus and unserviceable equipment, material, vehicles etc.
- (f) Transfer of technology.
- (g) External or sponsored projects.
- (h) Processing/fabrication/supply of products.

- (i) Software and computing technologies.
- (j) Export of technologies, products, software etc.

5.42 The above activities can be broadly categorized as:-

- (a) Activities which involve no fresh expenditure i.e. consultancy services, including testing, evaluation, hiring out of test facilities, technology transfer etc.
- (b) Activities which involve fresh expenditure i.e. development of product/process, setting up of facilities, development of software etc.

5.43 General Guidelines:

5.43.1 Processing and Execution of Contracts up to Rs. 50 Lakhs.

- (a) Directors of Labs/ Estts are authorized to quote, negotiate and conclude individual contracts upto Rs 50 Lakhs. A copy of the contracts is marked to C-TEC.
- (b) The negotiating team is limited to a maximum of 3 members including Director/ Project director and rep CDA (R&D) for bids upto Rs. 25 lakhs and a rep from Integrated finance for bids between Rs. 25 lakhs and Rs. 50 lakhs.
- (c) Cost estimates are prepared by the cost Estimates committee constituted by the Director of the Lab/ Estt with technical experts and representatives of CDA (R&D)/ Associate Finance as members. Pricing is based on guidelines issued periodically by Chief Advisor (Technologies) in consultation with Integrated Finance.
- (d) In contract execution, the Director of the Lab/ Estt constitutes a TPC with a CDA(R&D) rep for purchase of materials/ components etc and for fabrication/ development contracts.

5.43.2 Processing and Execution of Contracts above Rs. 50 lakhs.

- (a) C-TEC is authorized to quote, negotiate and conclude individual contracts above Rs. 50 Lakhs.
- (b) Cost Estimates are prepared by the Cost Estimates Committee constituted by the Director of the Lab/ Estt with technical experts and representatives of CDA (R&D)/ Integrated Finance as members.

- (c) A Negotiating Committee, limited to a maximum of 3 members, is constituted by Chief Adviser (Technology) which includes Director of the concerned lab and Addl. FA/Director (Fin/R&D) as members.
- (d) Pricing is finalized by Chief Adviser (Technology) / OIC, C-TEC in consultation with Integrated Finance.
- (e) In contract execution, C-TEC constitutes a TPC with a rep each from the Integrated Finance and C-TEC for purchase of materials/ development contracts.

5.44 *Instructions on Payments and Receipts*

- (a) Payments are received through crossed cheques/ drafts in favour of CDA(R&D) and deposited in the Govt. Treasury through MROs.
- (b) Each Project, assigned a job/ contract No. by the Lab/ Estt and the same is intimated to PCDA/CsDA(R&D) while forwarding the MRO. While doing so, the Lab/ Estt also indicates the specific category code listed vide CGDA letter No. A/I9084/XVI dated 18.03.93 to be operated for the transaction. Based on these particulars, receipts/ payments are booked to the appropriate RDR code head by the PCDA/CsDA(R&D).
- (c) All receipts for Deposits Works, including resource generation activities, are deposited in the identified RDR account and not in Public Fund account of the Lab/ Estt . Practice followed in some Lab(s)/ Estt(s) to credit such receipts in the Public Fund Account is to be stopped forthwith and procedure in this sub-para followed. Credits remaining in Public Fund Account in such Lab(s)/ Estt(s) transferred to relevant RDR heads after debiting all expenditures towards the activity.
- (d) Expenditure associated with the Resource Generation is met from credits available in the RDR account. Efforts should be made during negotiation to ensure suitable down payment followed by stage payments depending on the merits of the case. Only in rare cases where jobs have to be taken up prior to receiving of money or in cases where credit is not available in RDR, should be referred to C-TEC for assistance and resolution.

- (e) Stores from inventory holdings of Lab/ Estt used in Resource Generation are accounted by issue of priced vouchers based on the last purchase price duly vetted by the PCDA/CsDA (R&D).
- (f) Labs/ Estts having Cash Assignment are authorized to use this facility for making advance payments for Fabrication/ Development contracts and also for cash purchase. Any payment made by the lab/ Estt authorities out of cash assignment for resource generation activities should be distinctly shown in the monthly assignment account while submitting such accounts to PCDA/CsDA (R&D) for proper and correct accounting of transaction.
- (g) Labs/ Estts not having Cash Assignment should approach CDA (R&D)/sub-offices of CDA (R&D) who will ensure immediate payments and debit the expenditure to the appropriate RDR account for subsequent adjustment/ settlement.
- (h) The labs/ Estts furnish Receipt and expenditure statement of job/contract completed during the financial year to their PCDA/CsDA (R&D) who after vetting the same will submit it to the concerned CDA (R&D). CDA (R&D) will intimate to the C-TEC & Chief of Resources the balance amount pertaining to completed projects/ contracts available in RDR heads by end of May of the subsequent financial year.
- (i) Payments arising from export activities are obtained in advance or on the basis of mutually agreed down payment followed by stage payments depending on the merits of the case. Payments are accepted in the form of Banker's cheques drawn in favour of State Bank of India. It should be ensured that adequate balance of funds remain with DRDO to carry out the export obligations.
- (j) The RDR account is subject to post audit. Labs/ Estts shall maintain necessary documentation in this regard.

5.45 **Exports:** Resource generation through export of products and services is undertaken by C-TEC in accordance with orders issued by the Government. These transactions are carried out with the approval of Chief Adviser (Technologies).

5.46 Financial Powers of Directors of Labs/ Estts in respect of Resource Generation: Financial powers listed in Appendix 'A' to this letter are delegated to Directors of Labs/ Estts for sanctioning expenditure from the RDR account. Any relaxation of the specified ceiling can be authorized by C-TEC in consultation with Integrated Finance.

5.47 General Instructions:

- (a) For products or services with multiple customer potential needing coordination at a national level, Chief adviser (Technologies) is authorized to nominate the PNC/ TPC contract execution.
- (b) Coordination and supply of cold weather clothing and related activities with the RDR Head 22/017/05 and COMPROC with RDR Head 23/017/05 forms part of Resource Generation activities.
- (c) Technology Transfer schemes to public and private sector entities for spin-off benefits to the non-defence sector are also covered under Resource Generation. Guidelines for ToT fee/ royalty are issued separately by C-TEC in consultation with Integrated Finance (R&D).

Delegation of financial Powers to sanction expenditure for Resource Generation:

Sl. No.	Item	Power of Lab Director
1.	Purchase of Materials/ Equipment (On recommendation of TPC) Open/ Limited tender Single Tender/ Proprietary	Rs. 40 Lakhs but not exceeding 80% of the order value Rs. 10 Lakhs
2.	Fabrication/ Development Contracts (on recommendation of TPC)	Rs. 40 Lakhs but not exceeding 80 % of the order value
3.	Consultancy Contracts (With concurrence of Integrated Finance) through C-TEC	Rs. 5 Lakhs
4.	Payment of Advance To Govt. Agencies To Private Agencies (with Bank Guarantee)	90 % 50%
5.	Cash Purchase	Rs. 10,000/- per transaction
6.	Honorarium to Employees	Rs. 1,000/- in each case
7.	Office Equipment & Stationary	Full Powers
8.	Audiovisual items, printing brochures, entertainment, presents, mementos, etc. Required for market promotion (in consultation with C-TEC)	Full Powers
9.	Items of furniture, crockery & cutlery etc.	Full Powers
10.	Taxes and Duties, Insurance stamps, Legal charges	Full Powers
11.	Hiring of Civil Transport	Full Powers
12.	Travel of Personnel	Full Powers

13.	Transports of Goods	Full Powers
14.	Overtime Payment	Full Powers
15.	Medical Charges	Full Powers
16.	Hiring of Contract Manpower	Full Powers
17.	Minor Civil Works	Full Powers

Note : Wherever full powers has been indicated, expenditure shall be restricted to the amount catered for in the contracted value of the job order provided that funds are available.

5.48 As augmentation of resources or making profits is not the prime objective of the programme, hence all activities of the resource generation are called as 'Activities under RDR'. These include all transfers of technologies to the trade and supply of products and consultancy to the non-MOD sector and also providing testing facilities to entities other than DRDO laboratories. Centre for Technology Extension and Cooperation (C-TEC) remains as the nodal agency for facilitating the DRDO laboratories in this regard and also for providing HQ cover and compiling financial data from the labs/CDAs.

5.49 A number of laboratories are taking up work relating with Limited Series Production (LSP) and development-cum-production orders under the RDR both from the 'Services' as well as from Defence PSUs with direct payment coming from these entities. However, this does not get reflected adequately at appropriate levels as an output from DRDO. Neither the financial controls are being exercised adequately. Therefore it has been decided that all the work packages, for which finances are not made available from the DRDO Budget through DBF&A, will be informed to C-TEC, DRDO HQ on receipt of the enquiry. The laboratory will move the cases through their Technical Directorates to C-TEC for enabling order execution from the commercial angle. Each case will state clearly the following:

- i) Costing details as cleared by the Lab in association with their CDA office
- ii) Time-schedule commitment sought by the client and as recommended by the Lab.

- iii) Utilisation of resources including manpower from within the Laboratory. The costing of these resources should find reflection in the costing detail at sub para (a) above.
- iv) Mode of execution i.e. through industry partners to whom transfer of technology has been effected or through trade.
- v) Requirement of FE component within the overall cost is to be reflected separately and whether this will be met by the client or internally by DRDO.

5.49.1 C-TEC vets the costing and arrive at the pricing in consultation with IFA (R&D), CCR&D[R] and the concerned CCR&D is consulted on file before the Lab is cleared to communicate the prices to the client and accept the job. This is done within a week of the receipt of the case from the Lab.

5.49.2 Once the money is received through a draft/transfer from the Service Head to the RDR Head of DRDO, by CDA(R&D), a job number under 'Activities under RDR' is assigned by the Lab. Intimation of receipt of money by CDA's office and consequent statement of activities is sent to C-TEC and the respective Technical Directorates.

5.49.3 For negotiation with the client for jobs over Rs. 50 lakhs and for execution of the jobs thereafter the PNC/TPC is constituted as per the Govt. letter No.DBFA/FA/10/6108/D(R&D) dated 23 Nov 1995.

5.49.4 The progress of each 'Job' is communicated by the Lab to its Technical Director and Director, C-TEC on half yearly/quarterly basis dependent upon the job delivery schedule.

5.49.5 On completion of the job, C-TEC compiles the financial statement including the unspent balance from data received from the Lab duly vetted by the associated CDA. This is put up to SA to RM/CCR&D and Addl FA for top-level management information and decisions required, if any, before accepting the final closure of the Job.

5.50 Accounting

5.50.1 Accounting of RG Projects : Accounting of expenditure in these ventures is done separately to ensure that these are charged off from receipt, ensuring a net return to derive the financial benefit of mobilising additional funds.

5.50.2 A Register of Orders is opened in the Lab wherein all orders are recorded agency-wise. A job number is allocated for each item of work and all the job numbers allotted for a month are sent to the associate PCDA/CsDA(R&D). An MRO register is also opened wherein all receipts of advances are indicated against the orders placed.

5.50.3 The amounts received against contract/supply order/MOU are entered in the MRO register and forwarded to the associate PCDA/CsDA(R&D) for crediting the amount to Misc. Receipt Head. On receipt of quarterly expenditure statement, the expenditure against the job concerned is charged off against the Misc. Receipt already compiled.

5.50.4 On completion of the job, the net amount against each job will be the net amount of Resource Generated against the particular order/job order.

5.50.5 On receipt of MROs, the PCDA/CsDA(R&D) will take the same as +Receipt to the RDR Head 0/017/05 Deposit Work with appropriate prefix and as +Charge to 00/020/80. On receipt of Quarterly Statement of Expenditure from the Director of the unit, a punching medium will be prepared by the PCDA/CsDA(R&D) giving relief to the Deposit head and debiting 0/017/05 with appropriate prefix in the month's compilation. A reconciliation would be carried out to the amount booked to + Charge for Code Head 0/017/05 with appropriate prefix, with the total +Receipt, under the same Head.

5.51 Audit

5.51.1 *Action by Labs/Estts.*

- (a) As soon as a Contract, Supply Order, MOU etc. is entered into by Labs/Estts, an ink-signed copy of the same will have to be sent to the concerned PCDA/CsDA (R&D).
- (b) Each Resource Generation assignment/project should be allotted a unique job number in serial order and the same has to be intimated to the PCDA/CsDA (R&D).
- (c) Payment from the user agencies will be received by Labs/Estts through crossed cheques/bank drafts in favour of CDA(R&D) and the same will be remitted through MROs.
- (d) Labs/Estt authorities will open a register as per format enclosed wherein particulars of MROs (both prepared by them or MROs in respect of which intimation received from C-TEC/CDA(R&D) and expenditure incurred against such receipts job-wise will be entered. Other items of expenditure, such as cost of stores issued from main store wing, manpower cost, machine cost, overhead charges, cost of infrastructure including land and building and expenditure on transportation will also be debited to concerned project through this register. The amount of these elements will be taken from estimates prepared for execution of the job/contract.
- (e) The Lab authorities will forward original copy of the MRO to their PCDA/CsDA (R&D) along with Job/Contract No. allotted to Resource Generation Project. While forwarding the MRO, Labs will also indicate the specific category code listed vide CGDA, New Delhi letter No. A/I/9084/XVI dated 18.3.93 to be operated for the transaction to facilitate proper credit of the amount.
- (f) All the documents of financial nature i.e. contingent bills etc. submitted by Lab authorities to PCDA/CsDA (R&D) should bear the job number in bold letters besides Lab Code. A certificate to the effect preferably in

red ink should also be endorsed in the documents that the same relates to Resource Generation jobs/contracts.

- (g) The Lab authorities will reconcile the receipt and expenditure account maintained by them on quarterly basis with similar accounts maintained by their PCDA/CsDA (R&D).
- (h) Payments against the Resource Generation activities made out of Cash Assignment will be distinctly shown in the monthly Cash Assignment accounts to be submitted to their PCDA/CsDA(R&D). The job number and the category code to be operated will also be shown on the related vouchers. No payments will be made from the LP Head of the Lab.
- (i) Lab authorities will furnish receipt and expenditure statement of the job/contract completed during the financial year for vetting by their PCDA/CsDA(R&D) latest by the seventh of April of the following financial year.
- (j) No liabilities will be incurred by the Labs/Estts unless the amount for the job contract is available in RDR head against that particular job. In rare cases where jobs have to be taken up prior to receiving of money or if credit is not available in the RDR head against that particular job, the matter should be referred to C-TEC for assistance & resolution.
- (k) Separate store ledgers should be maintained for accounting for the stores purchased for RG activities. In this connection the store accounting procedures prescribed for DRDO Labs /Estts should be strictly followed.
- (l) Stores procured for RG activities and remaining un-utilised at the end of the project should be transferred to the main store and taken on charge in the main store ledgers.
- (m) Store ledgers and relevant vouchers pertaining to RG activities shall be subject to local audit.

5.51.2 Action by PCDA/CsDA (R&D) : PCDA/CsDA(R&D) will:-

- (a) Audit the ink-signed copies of contracts pertaining to Resource Generation Project and keep them in a separate file in safe custody.

- (b) The PCDA/CsDA (R&D) will open a register job-wise (as per format enclosed) wherein particular of receipt adjusted and expenditure, including payment made out of Cash Assignment, will be entered. TE No. or DV No. as the case may be, will be noted against each transaction.
- (c) On receipt of the MRO, the same will be compiled to code 0/017/05 with contra debit to code 0/020/80. Appropriate category code is to be prefixed to the code head.
- (d) All the payments against a particular job/contract will be charged to the same RDR Head with same category code to which MRO pertaining to that job was credited. The same will be applicable to the payments made out of cash assignment also.
- (e) Contingent bills and other financial documents received from the Lab/Estt. invariably bear the job/contract number and also the Lab Code. A certificate that the transaction relates to Resource Generation jobs/contract may also please be looked into in audit.
- (f) On receipt of the priced copy of the issue voucher for the store issued from main store wing of the Labs, a class-II voucher will be prepared debiting the amount to RDR head and crediting the same to Govt.
- (g) The teams visiting from the Lab for reconciliation of the account maintained by them with that maintained by PCDA/CsDA(R&D) will be promptly attended to and corrections if any made in the accounts maintained by sub-offices.
- (h) The Lab/Estt. will submit to PCDA/CsDA(R&D) receipt and expenditure account for the completed jobs/contracts. The same will be reconciled with the receipt and expenditure account maintained by the PCDA/CsDA(R&D). TE Number or DV Number as the case may be noted by PCDA/CsDA(R&D) against each transaction shown in the statement. Besides cost of stores, manpower cost, machine cost overhead charges, cost of infrastructure including land and building and expenditure on transportation will be charged to concerned RDR head and credited to Govt. through a class-II voucher prepared for the

purpose. The amount of these elements may be taken from the estimate prepared for execution of the job/contract. The idea is that no expenditure is incurred on Resource Generation activities out of voted grant. The statement duly reconciled as above will be sent to Accounts Section of the Main Office latest by the twenty-fifth of April.

TYPED VERSION

NO. DP&RM/RG/6100/RD/BUDGET)/92/21/D(R&D)

Government of India

Ministry of Defence

Deptt. of Defence Research & Development

New Delhi: 110011, the 1st Jan, 1993

The Scientific Adviser to RM &
Director General Defence Research & Development
New Delhi -

Subject- RESOURCE GENERATION BY DRDO LABS/ESTTs THROUGH OFFERING OF DRDO
SERVICES, EXPERTISE AND FACILITIES.

Sir,

I am directed to convey the sanction of the President to the Directors of Labs /Estts to generate resources by offering laboratory services and facilities to national /international agencies without in any way compromising national security needs.

2. All payments received as compensation for offering of such services and facilities will be made through crossed cheques drawn in favour of Director General Defence Research & Development. Proceeds so received will be credited to RDR head 23/017/05 through MRO. Details of receipts will be communicated to the respective accounting authorities under intimation to CDA(R&D). Vouchers for such receipts should clearly identify the lab and the task for which the receipt had been credited. The accounting authorities will permit drawal of funds from this Head by the Directors of the laboratories concerned based on the cumulative balance in hand under the RDR Head for the particular task.

3. The Laboratory Directors will have full power to utilize the funds available in the RDR Head for executing the specific task for which the amount was originally credited. The expenditure so incurred will be post-audited on quarterly basis by the accounting authorities.

4. Detailed instructions with regard to offering of products and services for resource generation, the pricing, accounting, auditing and utilization of the resources so generated is placed at Annexure 'A' of this litter.

5. The issue regarding royalty in respect of DRDO developed technologies is under formulation and separate guidelines covering quantum, collection, accounting and utilization will be separately issues by the Department.

6. This issues with the concurrency of Finance Branch vide their Dy. No. 2949/D/IF/R&D) dated 1-1-93.

Yours Faithfully

Encl: Annexure 'A'

Sd/-
Under Secretary to the Govt. of India

Copy to:

1. CGDA
West Block, R. K. Puram
New Delhi.
2. DGADS
15/L-II Block
New Delhi
3. CDA(R&D)
L Block
New Delhi
4. CDA(R&D)
C.V Raman Nagar,
Opposite LRDE
Bangalore
5. Addl FA(A)
"B' Wing, Sena Bhavan
New Delhi
6. Addl. FA(A)
South Block
New Delhi
7. Dirs, Labs/Estt.

ANNEXURE 'A'

Reference: Government of India Letter No. DP &RM/RG/6100/RD (Budget/92/21D(R&D))
dated 1st Jan 93

GUIDELINES FOR GENERATION AND UTILISATION OF RESOURCES

Considering the present constraints in availability of resources, DRDO deems it necessary and possible to generate additional resources which can be utilised to finance its important activities. Ministry of Finance has already conveyed their approval to the utilisation of additional/enhanced receipt/ accrual (over and above the level assumed in the budget estimate for the financial year) from disposal of surplus/obsolete assets (stores, land etc.) to finance higher Defence expenditure vide Additional Secretary (Bud), ID No. S--54 AS(B)/91 dated 31.10.1991. DRDO intends to mobilise additional resources not only from disposal of surplus assets but also by offering services in the form of consultancy, utilisation of its existing facilities including testing facilities, conducting user specific training courses and offering for hire its specialized facilities of ranges etc. It also intends to supply products specific to the requirement of users, develop and modify such products and also develop and sell software specific to user requirements. Sales can be made to both national and international agencies. The conditions for sales of products and, services including offering of facilities on hire will be governed by the procedure, regulations and protocols prescribed by the competent Agencies of the Govt.

2. General Guidelines.

2.1 The inquiries regarding sales of products and services can be received directly by the Directors of the Lab./Estts., as also Technical Directors in the DRDO HQrs. DRDO HQrs. will issue necessary guidelines regarding entertainment of inquiries by Directors of Lab/Estts. with reference to the nature of products and services, monetary ceiling etc. DRDO HQrs will also maintain details of such inquiries received and accepted in the Directorate of Planning and Resource Management.

2.2 The financial ceiling for acceptance of inquiries by the Directors of Lab./Estts will be Rs. 50 Lakhs, above that it will be scrutinised at DRDO HQrs.

2.3 Directors of Lab./Estts. shall exercise the powers delegated to them vide Ministry of Defence, Department of Research and Development No. 93916/RD-26 (ii)/5242-D(R&D) dated 15.10.1985 as amended from time to time.

3. Receipts Arising out of Disposal of Surplus /obsolete Stores.

3.1 Receipts arising on account of surplus /obsolete stores due to one time efforts and special measures will be accounted for under Major head 0076, Minor Head 107, R&D organisation, detailed Code No. 405/30, Misc. receipts. For the purpose of distinguishing such receipts/ accruals from the normal budgeted Misc. Receipts. CGDA may be requested

to allow using the unit code allotted to the Lab/ Estts. as a prefix for identifying such one time receipts.

3.2. DRDO HQrs will direct all the labs/ Estts to render a Monthly Account of such receipts quoting the cheque/ draft No. and MRO No. to the Associate Accounts office for reconciliation of the receipts and compilation of such receipts. A copy of the same will be rendered to DP & RM also by the Director of Lab/ Estts.

3.3 The receipts/ accruals on account of such special efforts/ one time measures shall be consolidated till the month of November each year and an estimate obtained for the likely receipt to be received between the period December to March each year. On the basis of the consolidated receipts till the month of November, necessary supplementary demands will be raised at the Revised Estimate stage in the Appropriate Revenue/ Capital heads by the DRDO HQrs in consultation with Associate Finance.

Similarly another supplementary demand will be raised at the Modified Appropriation stage in the Appropriate Revenue/ Capital heads with reference to the estimates and actuals during the period December to March on each financial year. It has to be ensured that no expenditure is incurred in anticipation of likely availability of additional receipts/ accruals. Receipts must precede expenditure and no expenditure can be incurred in anticipation.

4. Receipts Arising on Account of Supply of Services, Products, Renting of Test Facilities etc.

4.1. Since such receipts/ accruals would involve contractual liabilities which may continue from one financial year to another, their accounting would have to be in a different manner. Such receipts/ accruals --- ----- ----- of resource including financial commitment and accordingly, may necessitate calling for advance payment from the user agencies. These would also involve fixation of standard rates, reparation of estimates. estimation and inclusion of profit element and maintenance of Proforma Account.

4.2. Receipts/ Accruals of the nature stated at 4.1 can be accounted under the RDR head, Misc. Deposits 017/05. However as this particular head is an omnibus Head and may category Code heads are already being used there, action is on hand to request CGDA to create another Misc. Receipt Head, exclusively for the use of DRDO, where by using the unit (Lab/Estt.) Code and Category (with reference to nature of works Code, to account for such Receipts/ Accruals.

1. While rendering supply of products and services, it would have to be ensured that DRDO is fully compensated for its efforts. Additional revenue, therefore, can be generated only through unspent balances and by levying a profit element. Accordingly, a system of preparation, examination and financial vetting of estimates / budget for the supply of products and services and maintenance of Proforma Account with reference to estimate and budgetted cost for their final

comparison and transfer balances to the Revenue /Capital Heads of DRDO, has to be provided.

A detailed procedure for generating estimates, maintenance of Proforma Account, transfer of balances to DRDO Revenue / capital heads and audit of such transactions is provided in the following paragraphs.

5. Preparation of Estimates Against inquiries for Supply of products and Services, including Renting of Test Facilities, etc.

For preparing such estimates a committee may be formed by the Director of the lab with 3 or 4 members, of which one would have to be Finance Rep- either from Integrated Finance or Associate Finance. The following factors will be taken into consideration by the Committee and Lab Directors.

5.1 Test Facilities and Ranges: In the case of offering of test facilities and ranges on hire, Director of the Lab /Estt. will compute the basic cost of these facilities, taking into account the following elements.

(a) Original cost of machine and equipment: The present depreciated cost will not be taken into account as there is no system of depreciation in vogue in DRDO. Moreover as per the normal trade practices, depreciation is now a days being charged on replacement cost and such details may not be available in the DRDO Labs/ Estt. The original (procurement) cost of equipment along with installation cost, etc. should be taken into account. This cost would also include the cost of spares maintained specifically for the machines, normal a special tools and the cost of maintenance of these machines.

(b) Manpower cost: It would include the direct manpower cost in terms of the cost of machine operators, directly employed on the machine, and would consist of wages, overtime and other allowances, as applicable.

(c) Overheads: It would include the cost of supervision overheads, material overheads and other allowances, as applicable.

Overheads can be charged as a percentage of the direct manpower cost, In terms of Ministry of Defence letter No. 53940/DGI/Adm/16/8796/D-Prod dt. 31/8/76, there a provision for charging 150% of the direct labour cost as overheads, but this needs to be reviewed as this percentage was worked out long back and the basis of working out such percentages is not available. In the case of ordnance Factories, the average distribution of element of cost is in the proportion, 7% labour, 66% material and 27% Overheads. Thus, overheads bear a proportion of 27:7 to labour cost which is around 385.7 per cent.

Overhead percentage, to be charged should be finalised in consultation with Associate Finance.

5.2 The Directors of the Labs/ Establishments should work out an hourly cost of utilisation of the machine/ equipments/ facilities, such a ranges, the cost of infrastructure, including lands and buildings, roads, etc and the cost of their maintenance should also be taken into account based on which the incremental cost of using the facility for the outside agency can be worked out and a certain percentage added to the cost.

5.3 The incremental cost thus calculated, for utilization of machines and minor facilities along with all the supporting details, would be submitted to the Associated Accounts Office under CDA(R&D) for examination and vetting and can be promulgated for application for a period of two years. During this period the rate should be got reviewed in consultation with the Associate Accounts Authorities and suitably adjusted. The hire charges for major facilities like ranges would have to be worked out on case by case basis after taking into account the various elements of cost and profit element.

5.4. The various elements of cost mentioned above will constitute the basic cost of renting out the facilities. While quoting the rental cost to outside agencies, the market cost would, also be taken into account and the profit element would be adjusted in the manner that the basic cost of hiring similar facilities or what market can bear.

6. Profit Element

6.1 It is not possible to indicate any figure for charging profit towards rental of test facilities and ranges. The profit element has to take into account the market rate and what market can bear. Accordingly, it would be advisable to suggest a range for profit and this can be decided in consultation with Associate Finance.

7. Negotiations

7.1 The offer concerning renting out of test facilities can be made directly by the Directors of the Labs/ Establishments. In case negotiations are required to be carried out with the Purchasers of Products/ services, such negotiations will be carried out by suitable committees as prescribed in content of procurement of stores and services by DRDO and laid down in the procurement procedure of DRDO.

8. Development of Products

8.1 Firm estimates will be prepared and rates quoted only in the case of product already developed by the Labs/ Estt. or where only marginal changes in the product are required, calling for minimal developmental efforts.

8.2. Wherever development of new products is required to be undertaken, an initial estimate would be prepared for the preparation of Feasibility Study and /or Detailed project Report. Such estimates would include details in regard to cost of manpower cost of stores and miscellaneous and incidental expenditure, including transportation etc. Overheads will be charged with reference to the cost of manpower. profit element would be separately

included. The estimates will be prepared by the Director of the Lab/ Establishment and got scrutinised and vetted from the JCSDA/ Account Office concerned. Negotiations, if required will be carried out in the manner stated earlier.

9. Supply of Software

9.1 Estimates would be generated taking into accounting the likely man-hours required for development of software. The estimate would also include details of the nature of manpower and the man-hours required for different categories to enable the Associated Accounts Office to cost the manpower efforts correctly, Additionally, overheads will be charged to compensate for utilisation of other resources along with profit element.

10. Augmentation of Existing Facilities.

10.1 Whenever DRDO is asked to upgrade/augment its existing test/ manufacturing facilities for use by other Departments/ Agencies. it will enter into suitable agreement in the form of contract /MOU, as required.

10.2 The Directors of the labs/ Establishments will prepare a detailed feasibility report/project report, giving the requirement of funds duly vetted by the Associate Accounts Office, to the DRDO Headquarters. It would be ensured that adequate funding is made available by the outside agency, either in the form of outright advance of stage payments. While proposing stage payments, it would be ensured that no financial liability is incurred by DRDO from its own budget.

10.3 Wherever the requirements of foreign exchange arise, the estimates would include a provision that foreign exchange would be provided by the outside agency, or equivalent rupees at market rate of exchange would be made available.

10.4 Quarterly Expenditure and Receipt Account would be prepared by the Director of Lab/Estt and submitted to the Associate Accounts office for scrutiny and audit.

11. Documentation

11.1 As soon as a Contract, Supply order, MOU, etc is entered into by the Director of the Lab/Estt., or the Technical Directorate/ DRDO Headquarters, a copy of the same will be made available to the JCDA(R&D) concerned, to DP&RM and FA Section of CDA(R&D).

11.2. A Register of Order will be got opened by the Director Labs/Estts wherein all the orders will be recorded agency-wise and Job Number allocated for each item of work.

11.3. The Job Number shall constitute the authority for incurring expenditure and shall be invariably quoted on all documents having financial implications like Issue Vouchers. Receipt Vouchers. LP Bills. etc. The Job Nos. allotted during the course of a month will be intimated

to the Associate Accounts Office by the tenth of the following month and their acknowledgement obtained.

11.4. An MRO Register will be opened by the Director of the Lab/Estt and receipt of advance will be indicated with reference to each order placed, along with the Job Number, Complete details of Cheques/ Drafts received will be entered therein.

11.5. A Quarterly Statement of Expenditure will be submitted to the Associate Accounts Office with reference to the budgetary heads of DRDO.

11.6. Formats for Register of orders and MRO Register a Quarterly Statement, Expenditure are provided at Appendix 'A' to 'C'.

12. Accounting

12.1. Detailed accounting of expenditure incurred on the supply of products and services is essential to ensure that resources do get generated and not wasted on such efforts. For this purpose, a proforma Account will be maintained for all liabilities/ jobs undertaken for the supply of products and services.

12.2. The Proforma Account will be maintained with reference to the budgetary head of expenditure.

12.3. Once a Contract/Supply Order/ MOU is accepted for supply of products and services the Director of the Lab /Estt. will allocate a Job Order Number to each of these items of work. Accounts will be maintained with reference to Job Order Numbers. The Cheques and Drafts received will be credited to the Government or MROs which will be submitted to the Associate Accounts Office (R&D).

12.4. On receipt of the MROs, the Accounts Office will take the same as + Receipt of **/017/05 Deposit Work and as + Charge to 00/020/80. The prefix, ie. ** will have be obtained, as stated earlier, from the CGDA, during the interim period till a new Deposit Code for DRDO is opened, the amounts will be deposited into the RDR head 23/017/05 for the year 92-93.

12.5. On receipt of Quarterly Expenditure Statement from the Directors of the Labs/Estts. in the appropriate format, a Punching Medium will be immediately prepared by the Accounts Office concerned, giving relief to the appropriate Service Head (both, Revenue and Capital)and Charging ** /017/05 in the Month's Compilation in which the Quarterly Expenditure Statement is received.

12.6. A reconciliation would be carried out to the amount booked to + Charge for Code Head **/017/05, with the total of + Receipt, under the same Head.

12.7 It is reiterated that the above arrangement would function as an interim arrangement till such time a new Deposit head for DRDO Misc. Deposit is got opened in consultation with CGDA. CDA(R&D) would be requested to issue fresh accounting instructions thereafter.

12.8 An Annual summary of expenditure will be prepared by the Director of the Lab /Estt and rendered to the Accounts Office concerned for the complete financial year. A copy of the statement will also be rendered to the DP&RM.

12.9 Once the job is completed, the final cost of the job will be worked out by the Director of the Lab /Establishment and compared with the Receipts/ Accruals for the job and the balance worked out.

12.10 The balance thus worked out along with the supporting details will be forwarded through the Associate Accounts Office (R&D) to DP&RM, duly vetted and certified for enhancing the provision under RE/MA as the case may be in consultation with Budget Division.

13. Exports

13.1 Exports of products and services will be regulated by the order issued by the various Government agencies responsible for regulating exports.

13.2. All the cases of supply of products and services to foreign government/ agencies will be dealt with centrally in the DRDO HQ in association with the Technical Director/ Director of the concerned lab /Estt.

13.3 As far as possible, all the payments on account of export will be obtained in advance or on the basis of mutually agreed stages, but care would exercised to ensure that adequate balance of funds remains with DRDO to carry out the export obligations

13.4 Payment will be accepted in the form of Bankers cheques drawn on State Bank of India.

13.5 The payment on account of export earnings when received, will be credited to the Government Account on an MRO and the procedure as detailed under Accounting Procedure will be followed for carrying out necessary accounting adjustments.

13.6 DP&RM will maintain centrally an account of such payment received DP&RM will consolidate the details of the export earnings with reference to the Cheques/Drafts received, MRO No. under which the same has been deposited, and forward the same to the EAD through Associate Finance and Budget Division of Defence (Finance).

13.7. A case would be taken up with the EAD through Budget Division of Defence (Finance) for augmenting the FEE allocation of DRDO.

13.8. Simultaneously, action will be taken to get the budget allocation in rupees enhanced by an equivalent amount of receipt accruing on account of export earnings at the RE and MA stage, as per the procedure already stated earlier.

13.9. The foreign exchange received will not be available for expenditure until and unless EAD formally enhances the FEE allocation.

14. Audit.

14.1 It would be ensured in audit that financial expenditure is not incurred beyond the stated receipts and also in anticipation of receipts.

14.2 The documents maintained for the purpose of resource generation will be subject to audit which will be carried out on a quarterly basis.

14.3. The procurement of stores, etc., will take place with reference to the Procurement Procedure Prescribed for DRDO, as amended from time to time.

14.4. It will be the duty of all the Directors of the Labs/Establishments to ensure that all the documents are maintained correctly and necessary assistance is provided to audit is carrying out its functions.

The above instructions will remain in operation till further orders. This also has the approval of the Finance Division.

TYPED VERSION

DBFA/FA/10/6108/D(R&D)
Government of India
Ministry of Defence
Deptt. Of Defence Research & Development

23rd Nov. 1995

To

Director General
Defence Research & Development Organisation
New Delhi

Subject: Resource Generation by DRDO.

Sir,

Resource generation to supplement budgetary support as well as to foster application of DRDO developed technologies in the non-defence sector has been receiving attention by the Government since 1991. Guidelines in this regard have been issued vide letter No.DP&RM/RG/610/RD(BUDGET)/92/21/D(R&D) dated 01.01.1993.

2. I am directed to convey the sanction of the President of India for revision of the above Guidelines with a view to increasing DRDO's efficiency and effectiveness in these activities through simplification of procedures.

3. This is proposed to be done in the following manner:

- (a) All transactions (Receipts and Payments) will now pass through RDR Heads.
- (b) Financial powers of Directors of Labs/Estts to quote for equipment/Services have been defined.
- (c) The financial powers of these Directors in pursuance of execution of contracts for resources generation have been liberalized and set out in Appendix A to this letter.

4. The details of these above modifications are given in the following paragraphs.

5. Processing and Execution of Contracts up to Rs.50 Lakhs.

- (a) Directors of Labs/Estts are hereby authorized to quote, negotiate and conclude individual contracts up to Rs.50 Lakhs. A copy of the contracts will be marked to CTEC.
- (b) The negotiating team shall be limited to a maximum of 3 members including Director/Project directors and rep CDA (R&D) for bids up to Rs.25 lakhs and rep integrated finance for bids between Rs.25 lakhs and Rs.50 lakhs.

- (c) Cost estimates will be prepared by the cost Estimates Committee to be constituted by the Director of the lab/Estt. With technical experts and representatives of CDA (R&D)/Associate Finance as members. Pricing will be based on guidelines issued periodically by Chief Advisor (Technologies) in consultation with Integrated Finance.
 - (d) In contract execution, the Director of the Lab/Estt will constitute a TPC with a CDA (R&D) rep for purchase of materials/components etc and for fabrication/development contracts.
6. Processing and Execution of Contracts above Rs.50 Lakhs.
- (a) C-TEC is hereby authorized to quote, negotiate and conclude individual contracts above Rs.50 Lakhs.
 - (b) Cost Estimates will be prepared by the Cost Estimates Committee to be constituted by the Director of Lab/Estt. with technical experts and representatives of CDA (R&D)/Integrated Finance as members.
 - (c) A Negotiating Committee, limited to a maximum of 3 members, will be constituted by Chief Adviser (Technology) which will include Director of the concerned lab and Addl. FA/Director (Fin/R&D) as members.
 - (d) Pricing will be finalized by Chief Adviser (Technology)/OIC, C-TEC in consultation with Integrated Finance.
 - (e) In contract execution, C-TEC will constitute a TPC with a rep each from the Integrated Finance and C-TEC for purchase of materials/development contracts.
7. Instructions on Payments and Receipts
- (a) Payments will be received through crossed cheques/drafts in favour of CDA (R&D) and deposited in the Govt. Treasury through MROs.
 - (b) Each Project will be assigned a job/contract No. by the lab/Estt and the same will be intimated to Pay Office while forwarding the MRO. While doing so, the lab/Estt will also indicate the specific category code listed vide CGDA Letter No.A/19084/XVI dated 18.03.1993 to be operated for the transaction. Based on these particulars, receipts/payments will be booked to the appropriate RDR code head by the pay office.
 - (c) All receipts for Deposit Works, including resource generation activities, shall be deposited in the identified RDR account and not in Public Fund account of the lab/Estt. Practice followed in some Lab(s)/Estt (s) shall be transferred to relevant RDR heads after debiting all expenditures towards the activity.
 - (d) Expenditure associated with the Resource Generation will be met from credits available in the RDR account. Efforts should be made during negotiation to ensure suitable down payment followed by stage payments depending on the merits of the case. Only in rare cases where jobs have to be taken up prior to receiving of money or credit is not available RDR, cases should be referred to C-TEC for assistance and resolution.

- (e) Stores from inventory holdings of Lab/Estt used in Resource Generation will be accounted by issue of priced vouchers based on the last purchase price duly vetted by the Accounts Office.
- (f) Labs/Estts having Cash Assignment are authorized to use this facility for making advance payments for Fabrication/Development contracts and also for cash purchase. Any payment made by the Lab/Estt authorities out of cash assignment for resource generation activities should be distinctly shown in the monthly assignment account which submitting such accounts to pay Office for proper and correct accounting of transaction.
- (g) Labs/Estts not having Cash Assignment will approach CDA (R&D)/sub-offices of CDA (R&D) who will ensure immediate payments and debit the expenditure to the appropriate RDR account for subsequent adjustment/settlement.
- (h) The Labs/Estts will furnish Receipt and expenditure statement of job/contract completed during the financial year to their pay office who after vetting the same will submit it to the concerned CDA (R&D). CDA (R&D) will intimate to the C-TEC & Chief of Resources the balance amount pertaining to completed projects/contracts available in RDR heads by end of May of the subsequent financial year.
- (i) Payments arising from export activities will be obtained in advance or on the basis of mutually agreed down payment followed by stage payments depending on the merits of the case. Payments shall be accepted in the form of Banker's cheques drawn in favour of State Bank of India. It should be ensured that adequate balance of funds remain with DRDO to carry out the export obligations.
- (j) The RDR account will be subject to post audit. Labs/Estts shall maintain necessary documentation in this regard.

8. Exports

Resource generation through export of products and services will continue to be undertaken by C-TEC in accordance with orders issued by the Government. These transactions will be carried out with the approval of Chief Adviser (Technologies).

9. Financial Powers of Directors of Labs/Estts in respect of Resource Generation.

Financial powers listed in Appendix 'A' to this letter are hereby delegated to Directors of Labs/Estts for sanctioning expenditure from the RDR account. Any relaxation of the specified ceiling would be authorized by C-TEC in consultation with Integrated Finance.

10. General Instructions:

- (a) For products or services with multiple customer potential needing coordination at a national level, Chief Adviser (Technologies) is authorized to nominate the PNC/TPC contract execution.

- (b) Coordination and supply of cold weather clothing and related activities with the RDR head 22/017/05 and COMPROC with RDR head 23/017/05 will form part of Resource Generation activities.
- (c) Technology transfer schemes to public and private sector entities for spin-off benefits to the non-defence sector will also be covered under Resource Generation. Guidelines for TOT fee/royalty will be issued separately C-TEC in consultation with Integrated Finance (R&D).

11. This issues with the concurrence of Finance Branch vide their UO No.2869/D(IF/R&D) dated 17.11.95.

Yours faithfully

Sd/-

(S. L. Tripathi)

Under Secretary to Govt. of India

Ink signed copies to:

CDA (R&D)
"L" Block
New Delhi

CDA (R&D)
C.V. Raman Nagar
Opp. LRDE, Bangalore

Copy To:

DGADS
15/L-II
New Delhi

Chief Adviser (Tech)

Chief Controllers (R&D)

CGDA
West Block
R.K. Puram
New Delhi

Chief of Resources

Jt. Director (Fin. & Accts), DBFA

Addl. FA (R)
'B' Wing, Sena Bhavan
New Delhi

Officer-in-Charge, C-TEC

Directors at R&D HQrs

Director Finance (R&D)

Directors Labs/Estts

All sub-offices of CDA (R&D)

To the letter No. DBFA/FA/10/6108/D (R&D)
Dated 23rd Nov. 1995

Delegation of financial powers to sanction expenditure:

Sl.No.	Item	Power of the Lab Director
1.	Purchase of Materials/Equipment (On recommendation of TPC)	
	Open/Limited Tender	Rs.40 Lakhs but not exceeding 80% of the order value
	Single Tender/Proprietary	Rs.10 Lakhs
2.	Fabrication/Development Contracts (On recommendation of TPC)	Rs.40 Lakhs but not exceeding 80% of the order value
3.	Consultancy Contracts	Rs.5 Lakhs
4.	Payment of Advance To Govt. Agencies	90%
	To Private Agencies (with Bank Guarantee)	50%
5.	Cash Purchase	Rs.10,000/- per transaction
6.	Honorarium to Employees	Rs.1,000/- in each case
7.	Office Equipment & Stationery	Full Powers
8.	Audiovisual items, printing brochures, entertainment, presents, mementos, etc. required for market promotion (in consultation with C-TEC)	Full Powers
9.	Items of furniture, crockery & cutlery etc.	Full Powers
10.	Taxes and Duties, Insurance Stamps, Legal Charges	Full Powers
11.	Hiring of Civil Transport	Full Powers
12.	Travel of Personnel	Full Powers
13.	Transports of Goods	Full Powers
14.	Overtime payment	Full Powers

15.	Medical Charges	Full Powers
16.	Hiring of Contract Manpower	Full Powers
17.	Minor Civil Works	Full Powers

Note: Wherever full powers has been indicated, expenditure shall be restricted to the amount catered for in the contracted value of the job order and provided that funds are available.

REGISTER OF ORDERS

Sl. No.	Name of Agency	Contract No. and Date	Job No.	Details of Work	Estimated Cost	Advance received	PDC	Actual date of completion	Final cost of completion	Balance of funds	Remarks
1	2	3	4	5	6	7	8	9	10	11	12

MRO REGISTER

Sl. No.	Cheque/ Draft No. and Date	Bank on which drawn	Party from which received	Job/Contract No. against which amount received	TR No. and Date	Letter No. and Date under which forwarded to JCDA (R&D)/AO	Letter No. and Date of JCDA (R&D)/AO under which TR acknowledged	Remarks
1	2	3	4	5	6	7	8	9

QUARTERLY STATEMENT OF EXPENDITURE

CONTRACT No. _____

JOB No. _____

TOTAL FUNDS AVAILABLE _____

DRDO (Budget Heads)	Previous Qtrs. expenditure	Current Qtrs. Expenditure	Total Expenditure	Balance (Sanction – Total expenditure)
<p>PAY OF SERVICE PERSONNEL</p> <ol style="list-style-type: none"> 1. Officers 2. Other Ranks 3. Non-Combatants (Enrolled) <p>PAY OF CIVILIANS</p> <ol style="list-style-type: none"> 1. Officers 2. Others 3. Industrial Estt. <p>MISCELLANEOUS EXPENSES</p> <p>TRANSPORTATION</p> <ol style="list-style-type: none"> 1. Move of personnel other than International travels. 2. Movement of Stores 3. Move of personnel International travels <p>PURCHASE OF MATERIAL EXPENDITURE ON WORKS CAPITAL WORKS</p>				
TOTAL				

TYPED VERSION

Ministry of Defence
Department of Defence R & D
Office of Chief Controller Res. & Dev.
Sena Bhawan, 'B' Wing,
New Delhi - 110011

No.C-TEC/02/2003/M/03

29 May 2003

To

All Lab Directors

Operation of Activities under the RDR

For the last 9 years DRDO laboratories have been actively experimenting with several Resources Generation Programmes with a view to deriving enhanced utilization of facilities and equipment, gainful utilization of skilled manpower and taking available the technical expertise resident in most of our laboratories to the civil sector operated under letters NO.DP&RM/RG/6100/RD(Budget)92/21/D(R&D) dated 1st Jan 1993 and No.DBFA/FA/10/6108/R&D dated 23 Nov 1995.

2. As augmentation of resources or making profits is not the prime objective of the programme, henceforth all activities of the resources generation would be called as '**Activities under RDR**'. These will include all transfers of technologies to the trade and supply of products and consultancy to the non MOD sector and also providing testing facilities of entities other than DRDO laboratories. Centre for Technology Extension and Cooperation(C-TEC) remains as the nodal agency for facilitating the DRDO laboratories in this regard and also for providing HQ cover and compiling financial data from the labs/CDAs.
3. For a couple of years now a number of laboratories have been taking up work relating with limited series Production(LSP) and development-cim-production orders under the RDR both from the services as well as from Defence PSUs with direct payment coming from these entities. However this does not get reflected adequately at appropriate levels as an output from DRDO. Neither are the financial controls being exercised adequately. It has therefore been decided by SA TO RM that henceforth all the work package, for which finances are not made available from the DRDO. Budget through DBFA&A will be informed to C-TEC,DRDO HQ on receipt of the enquiry. The laboratory will move the cases through their Technical Directorates to C-TEC for enabling order execution from the commercial angle. Each case will state clearly the following.
 - (a) Costing details as cleared by the Lab in association with their CDA office.
 - (b) Time schedule commitment sought by the client and as recommended by the LAB.

- (c) Utilisation of resources including manpower from within the laboratories. The costing of these resources should find reflection in the costing detail at sub para (a) above.
 - (d) Mode of execution i.e through industry partners to whom transfer of technology been effected or through trade.
 - (e) Requirement of FE component within the overall cost is to be reflected separately and whether this will be met by the client or internally by DRDO.
4. C-TEC will vet the costing and arrive at the pricing in consultation with IF(R&D). CCR&D(R) and the concerned CCR&D will be consulted on file before the Lab is cleared to communicate the prices to the client and accept the job. This will be done within a week of the receipt of the case from the Lab.
 5. Once the money is received through a draft /transfer from the Service Head to the RDR Head of DRDO by CDA(R&D), a job number under 'Activities under RDR' will be assigned by the Lab. Intimation of receipt of money by CDA's office and consequent start of activities will be sent to C-TEC and the respective Technical Directorates.
 6. For negotiation with the client for job over Rs.50 lakhs and for execution of the jobs thereafter the PNC/TPC will be constituted as per the Govt letter No.DBFA/FA/10/6108/D(R&D) dated 23 Nov 1995.
 7. The progress of each 'Job' will be communicated by the Lab to its Technical Director and Dir, C-TEC on half yearly /quarterly basis dependent upon the job delivery schedule.
 8. On completion of the job, C-TEC will compile the financial statement including the unspent balance from data received from the Lab duly vetted by the associated CDA. This will be put up to SA to RM/CCR&D and Addl FA for top-level management information and decisions required, if any, before accepting the final closure of Job.

Sd/-
(Tej Paul)
Lt Gen
CCR&D(R)

Copy to:

- Addl FA(S)
- All Technical Directors.(HQ)
- Director (Finance)/R&D
- DBF&A
- DS(R&D)
- C-TEC
- CDA (R&D), New Delhi
- CDA (R&D), Bangalore
- CDA (R&D), Hyderabad

} With a request to accept bills relating to execution of work packages in consonance with the procedure clarified in this letter.

TYPED VERSION

No.9(9)/2005/D(R&D)
Government of India
Ministry of Defence
Department of Defence (R&D)
New Delhi, the 28th July 2005

To
(As per list enclosed)

Sub: - Procedure to be followed in the Ministry of Defence for funding of Limited Series Production Order(LSPs)/Projects ordered by Services upon Defence Research & Development Organisation (DRDO) Laboratories.

Sir ,

With a view to monitoring expenditure and ensuring that the linkages between financial outlays and physical outcomes is well formulated for efficient implementation of projects, it has been decided to streamline the procedure for funding of order /projects entrusted to DRDO Laboratories by Service HQrs.(both research and development projects as well as for LPSs/ supply of goods and services by DRDO). This procedure shall be applicable for payments from Revenue as well as Capital heads by the Service HQrs. It is expected that the procedure will ensure that the resource are made available in time by service HQrs to enable DRDO Laboratories to smoothly implement such projects.

2. Any project to be undertaken by the DRDO laboratory for supply of goods and services as detailed at para 1 above, Service HQrs will issue appropriate sanction after approval of their Competent Financial Authority(CFA). The sanction will be based on 'Detailed Project Report (DPR)' prepared by DRDO at the initiation stage and shall inter-alia contain cost estimates and other necessary details such as schedules of release of payments linked clearly to achievement of well defined milestones in consultation with their integrated finance. This DPR shall also specify the mutually agreed milestone about the scope of work to be completed. The project sanction order will clearly indicate total cost of the project, time frame of the project and other necessary details like head of account to which expenditure is to be booked etc. the sanction will authorise respective Principle Controller of Defence Accounts (R&D) (PCDA)/ Controller of Defence Accounts (R&D) (CDA) to book expenditure directly to the relevant heads of accounts of the concerned services. This booking of expenditure shall be restricted to budget allocations made by the Services HQ for the project during respective financial year.

3. While DRDO Labs will have authority to commit expenditure within the approved sanctioned cost as amended from time to time, the expenditure to be booked will be restricted to budget allocations made by the Services HQrs for the project in each of the respective financial year. While issuing the sanction, fund availability for the first financial year will be simultaneously indicate in the sanction order.

4. The DRDO laboratories will commence orders/projects entrusted to tem by DRDO HQr only after appropriate sanction for project has been issued by Service HQrs. The responsible DRDO Laboratories will send quarterly report on the progress of each project, to DRDO HQrs and to the respective Service HQrs especially with reference to financial allotments made by them. Actual progress against each agreed physical milestones linked to time frame will also be reflected in these quarterly reports. A copy of the report shall also

be forwarded to the concerned Directorate/Budget Centres or any other agency nominated by the Service HQrs to monitor the project.

5. The actual cost of the project is likely to exceed the amount approved by the DRDO to Service HQrs, the revised cost estimates will be projected by the DRDO to Service HQrs along with detailed justification after due vetting by their Integrated Finance. Service HQrs will then issue suitable amendment to the original sanction letter after seeking approval from their CFA based on clarification/justification given by DRDO and allocate the additional amount for the project.

6. In case the project cost is likely to be less than the initial estimated cost, the expenditure booked will be restricted to the actual cost.

7. At the time of preparation of RE/BE each year, DRDO HQr will project the total fund requirements for the projects being executed by the DRDO Laboratories, for which funds are provided by Service HQrs. These projections along with details of the projects will be made available by DRDO to service HQrs, so that for all the ongoing projects funds requirements are included in the committed liabilities. Service HQrs will ensure that adequate funds are allocated for each of these projects and allocation letters sent to DRDO Labs and PCDA/CDA(R&D) in the beginning of the financial year.

9. As soon as the project is completed by DRDO labs, they should intimate the total expenditure on project after due reconciliation duly vetted by respective PCDA/CDA(R&D). They shall also intimate achievements against agreed milestones to the respective Service HQrs.

10. The procedure as prescribed above will be followed for all the projects entrusted to DRDO HQrs, which are sanctioned henceforth for execution by DRDO establishments. There will be no change in procedure at present for existing ongoing projects, where substantial funds have already been transferred by Service HQrs to DRDo. These will continue to follow the existing practices till further instructions are issued for reviewing specific projects on case to case basis.

11. This Memorandum is issued with the concurrence of MOD-Finance(R&D) vide their ID No. 1207/Dir.Fin(R&D) dated 28th July 2005

Yours faithfully

Sd/-
(S K Deb)

Under Secretary to the Government of India

5.52 Contracts for Acquisition of Research/Professional Services (CARS/CAPS) : When Labs/Estts/Programmes (hereafter referred to as L/E/P) seek the expertise, and access the facilities, of academic institutions, they are subject to follow same 'Purchase Procedures' as set-down for the purchase of tangible goods in the document 'Purchase Management 2006' issued by the Directorate of Materials Management. Sometimes, at the instance of L/E/Ps or on their behalf, other pre-identified requirements of L/E/Ps for research services from academic institutions are met also through 'Grants-in-aid' disbursed from DRDO Headquarters. Experience with existing procedure has established the imperative need to draw a clear distinction between 'Grants-in-Aid' to academic institutions, and the provision of research services by them to L/E/Ps to cater to the latter's direct requirements. Thus, the mere fact that the research work is being performed by an academic institution is not reason enough for that work to be funded through 'Grants-in-Aid'. What is of relevance is the purpose and 'customer' of the research being performed. To make operational the necessity distinctions, a new instrument to be known as 'Contracts for Acquisition of Research Services (CARS)' and 'Contracts for Acquisition of Professional Services (CAPS)' for the procurement of research/professional services from academic institutions has been created.

5.52.1 Points to be seen while auditing the expenditure relating to them:

- i) That the sanction of the appropriate CFA is enclosed.
- ii) That the sanction has not been split up to merely bring it under the financial powers of lower CFA.
- iii) That the estimated expenditure at item 9.1 of 'Summary Offer of Provision of Research Services' is accurate and supported by detailed break up furnished by the Research Service Provider.
- iv) That the Agreements are entered into only with Research/Academic institutions as defined in the instrument.
- v) That the contracts are not concluded for hiring of manpower under the pretext of consultancy.
- vi) That the equipment which is in the inventory of L/E/Ps whenever placed at the disposal of RSP for execution of the contract is returned on completion of the execution of the contract.

- vii) That all equipment of a capital nature purchased under the above contract is the property of L/E/Ps and hence should be returned within 3 months from the date of completion of the Contract. Necessary CRV is to be looked into and scheduled to LAO for credit verification.
- viii) That the advances paid against the contracts are subject to utilization of the monies already released. Necessary Utilization Certificates are to be looked into in audit.
- ix) That the un-utilized monies already released are returned in case of short closure of CARS/CAPS.
- x) That the Service Tax claimed by the Academic/Research Institutes is duly supported by proof of payment.

TYPED VERSION

No.DMM/PP/0002001/M/2348/D(R&D)
Government of India
Ministry of Defence
Deptt of Defence Research & Development
New Delhi – 110011

Dated 13 July, 2001

To

The Director General Research & Development
Defence Research & Development Organisation
Ministry of Defence
New Delhi

Subject: Procedure for placement of Contracts for Acquisition of Research Services (CARS) from Academic Institutions.

Sir,

I am directed to convey the sanction of the President to the promulgation of the Procedure for Placement of Contracts for Acquisition of Research Service (CARS) from Academic Institutions (attached herewith).

2. Until revised, the financial powers to be exercised by the Competent Authorities identified in para 3.8 of the attachment shall be as follows:

- | | |
|---|---|
| (a) Upto Rs.5.0 lakhs | CA-I: Director, Laboratory (L)/Establishment(E)/Programme (P) |
| (b) Above Rs.5.0 lakhs and upto (and including) Rs.25.0 lakhs | CA-II : Concerned CC(R&D)/ Adviser at DRDO HQ. |
| (c) Beyond Rs.25.0 lakhs and upto (and including) Rs.2.0 crores | CA-III: Director General, DRDO |

3. Cases covered by para 2(c) above will be routed through concerned CC(R&D)/Adviser and Integrated Finance at DRDO HQ.

4. A copy of the CARS shall be endorsed to Directorate of Material Management and to the concerned Technical Directorate at HQ separately, and to pertinent CDAs and DCDAs.

5. A copy of the CARS, without attachments, shall be endorsed to the Joint Director of ER&IPR, DRDO Headquarters, for information.
6. Any queries regarding CARS shall be addressed to Directorate of Materials Management (DMM) at DRDO HQ.
7. The expenditure on CARS shall be debited to Major Head 2076, Minor Head 108(h) of DRDO.
8. This issues with the concurrence of Ministry of Defence (Finance/R&D) vide their ID No.1626/Addl.FA(S) dated 10.7.2001.

Yours faithfully,

Sd/-
(ROSY SHARMA)

Deputy Secretary of the Government of
India

Copy to:-

1. Controller General of Defence Accounts (5 copies)
2. Addl. FA(S) & Jt. Secy
3. Chief Advisor (Tech)
4. All CCR&Ds
5. The Chief Executive (CW&E)
6. CDA (R&D) New Delhi (10 copies)
7. CDA (R&D) Bangalore (10 copies)
8. CDA (R&D) Hyderabad (10 copies)
9. Director of Audit, Defence Services, New Delhi (5 copies)
10. DFA (Fin/R&D)
11. All Labs/Programmes
12. All Technical & Corporate Directorates
13. Dte of Materials Management (200 copies)

CONTRACT FOR THE ACQUISITION OF RESEARCH SERVICES (CARS) FROM
ACADEMIC INSTITUTIONS – PROCEDURE FOR PLACEMENT OF

0 Purpose:

0.1. Currently, when Laboratories/Establishments/Programmes (hereafter referred to as L/E/Ps) seek the expertise, and access the facilities, of academic institutions, they are subject to the same "purchase procedure" as set-down for the purchase of tangible goods in the document "Purchase Management 2000" issued by the Directorate of Materials Management. Sometimes, at the instance of L/E/Ps, or on their behalf, other pre-identified requirements of L/E/Ps for research Services from academic institutions are met also through "Grants-in-Aid" disbursed from DRDO headquarters.

0.2 Experience with existing procedures has established the imperative need to draw clear distinction between "Grants-in-Aid" to academic institutions, and the provision of research services by them to L/E/Ps to cater to the latter's direct requirements. Thus, the mere fact that the research work is being performed by an academic institutions is not reason enough for that work to be funded through "Grants-in-Aid" what is of the relevance is the purpose and 'customer' of the research being performed. To make operational the necessary distinctions, it has been decided to create a new instrument to be known as "Contract for Acquisition of Research Services (CARS)" for the procurement of research services from academic institutions.

0.3 However, proposals for the creation of new of upgraded research infrastructure in Academic institutions, or proposals for explanatory basic research submitted by them in response to a call for proposals from Research Boards or from the Extramural Research Scheme of DRDO, will continue to be received, considered and funded under the provisions of the respective "Grants-in-Aid" schemes administered by the pertinent DRDO Headquarters (e.g. ER&IPR, DNRD, DALs , etc.)

1. Scope of the regulations:

1.1 These regulations apply only to the acquisition of research services. They do not apply to the placement of sub-projects for deliverables of hardware, software or designs against QRs from a main project being executed by an L/E/P.

1.2 Notwithstanding anything contained in "Purchase Management 2000" these self-contained and complete regulations set down in full the practices and procedures governing the exercise by L/E/Ps of DRDO HQ of executive and financial powers for acquiring research services academic institutions by procurement using CARS in consequence.

1.3 THE EXISTING PURCHASE PROCEDURE OF OBTAINING TENDERS/QUOTATIONS FOR SUPPLY OF RESEARCH SERVICES FROM ACADEMIC INSTITUTIONS/ACADEMICS AND CONSTITUTING TEC/TPCs THEREON IS HEREBY ABOLISHED.

2. Applicability

2.1. These regulations shall apply to all Laboratories/Establishments/Programmes (L/E/Ps) of DRDO.

2.2 CARS Shall be used by L/E/Ps whenever the QR of the research service needed by an L/E/P is specified by, and emanates from the L/E/P.

2.3 Except as may be otherwise stated herein, this document is complete and set contained. In case of any perceived incompatibility between the contents of this document and any other previous purchase procedures, this document shall prevail.

3. Definitions: For the purposes of these regulations

3.1 Academic Institution means Indian Institute of Science, Indian Institute of Technology; Universities; Deemed Universities; Educational Institutions in Engineering, Agricultural, Architectural, and Medical Sciences: Institutions approved by the University Grants Commission, All India Council of Technical Education/State bodies as Institutions where research towards as post-graduate qualification may be pursued, Independent Colleges, or other recipient of monies for research from DRDO Grants-in-Aid schemes/Research Boards.

3.2 Academic means any member of the research or teaching faculty of an academic Institution (define above).

3.3 Research service means a service which, upon provision results in the delivery to the contracting L/E/P of a technical report detailing the results of the research, study of consultancy assignment, including supporting of collateral information such as raw data bench-mark tests, models, process specifications, material specifications, designs, codes, explanations, methods of use, methods of validation, test and evaluation, simulations and their interpretations, libraries of software, and examples of applications, operations, engineering, manufacturing methods, etc. In addition to a technical report as primary deliverable, secondary or supplementary deliverables of a research service could include such specimens, samples and/or software as are necessary to demonstrate the scientific findings, or to establish the proof-of-principle, elucidated in the report.

Note: See also paragraph 1.1 above.

3.4 Research Service Provider (RSP) is an academic Institution or an academic providing a research service.

3.5 Offer is the offer of provision of research services as made by an RSP.

3.6 Contract for Acquisition of Research Services (CARS) is the instrument of transactions between Laboratories/Establishments/Projects (L/E/Ps) and academic Institutions of academics whose purpose is to acquire by procurement research -- consultancy services to meet the requirements of L/E/Ps.

3.7 Estimated Expenditure is the figure entered in the bottom right hand corner box of item 9.1 in the 'Summary Offer of Provision of Research Services (Annex 1). This estimated expenditure shall not include the value of DRDIO owned equipment made available to the RSP as identifies at Entry 7 of Annex 1.

3.8 Competent Authority (CA) is the authority competent to accept an Offer. The authority shall be at three levels as follows.

CA-I : the Director of L/E/P where the estimated expenditure in the Offer received from RSP is up to (and including) the 'CA-I limit' stated in the Government sanction covering CARS;

CA-II : the controlling CC(R&D)/Adviser at DRDO HQ where the estimated expenditure in the Offer received from RSP is more than the 'CA-I limit' above but not more than the 'CA-II limit' stated in the Government sanction covering CARS;

CA-III : Director-General, DRDO where the estimated expenditure of the offer received from RSP in more than the 'CA-II limit' above but not more than the 'CA-III limit' stated in the Government sanction covering CARS.

4. Procedure for placement of CARS:

4.1 Generation and Approval of Research Service Qualitative Requirement (RSQR):The requirement for acquisition of research services will be raised through a statement of case, internal to L/E/P, by those who need that service. The requirement shall be in the form of a Research service Qualitative Requirement (RSQR). The Director of the L/E/P of person (not below Scientist "F") designated by him will approve the RSQR.

4.2 Solicitation of offers for provision of research services.

(a) The approved RSQR will be sent to potential providers of research services, as identified by the approver of the RSQR (per Para 4.1 above), and formal offers solicited from them. To ensure continuity of work expected to last more than eighteen (18) months, RSPs should be asked to identify at least two key personnel who will engage in the work.

Note: The task of identifying the potential providers of research services is exclusively a matter of technical judgement alone based on the knowledge and experience of the approver of the RSQR. This judgement will be exercised by the approver in the light, inter alia, of previous experience (including that of other DRDO L/E/Ps) with, pedigree of intellectual resources of, uniqueness of facilities and quality and technical merit of research personnel available at the institution(s) solicited to provide the research service.

(b) The offers of provision of research services and their revisions, from such solicited RSPs shall be made by them in the format at Annex 1.

(c) The validity of an Offer from an academic institution for the provision of research services shall not be merely on account of the date of its receipt by L/E/P.

4.3 Selection and nomination of RSP

(a) Except as stipulated in (b) below, CA-I, as defined in Para 3.8 above, shall select and nominate the RSP. Reasons for nomination will be recorded on file.

(b) In case where the estimated expenditure in the offer for the provision of research service is above the CA-I limit, as defined in Para 3.8 above, the offer(s) shall be judged by an Offer Evaluation Committee (OEC) chaired by the approver of the RSQR (per Para 4.1 above), which will make its recommendation based on the previous experience, if any (including that of other DRDO L/E/Ps) with pedigree of intellectual resources of uniqueness of facilities and quality and technical merit of research personnel available at the institution(s) solicited to offer the research services under para 4.2 (a) above. The Director will select and nominate the recipient of the CARS considering, inter alia, the recorded judgement of the Offer Evaluation Committee.

4.4 Acceptance of Offer of nominated RSP. Following selection and nomination of the RSP as at 4.3 above, its Offer shall be accepted as follows:

(a) By CA-I, as defined in Para 3.8 above, when the estimated expenditure in the Offer is upto the CA-I limit;

(b) By CA-II, as defined in Para 3.8 above, when the estimated expenditure in the Offer is above the CA-I limit and upto the CA-II limit;

(c) By CA-III, as defined in Para 3.8 above, when the estimated expenditure in the Offer is above the CA-II limit and upto the CA-III limit.

4.5 Placement of CARS:

(a) The CARS shall be placed by the L/E/P on the nominated RSP, following acceptance of its Offer as at 4.4 above.

(b) All CARS shall be placed in the form in Annex-2.

(c) Special short-form procedure for placement of CARS on Top Professionals: For CARS or consultancies (regardless of value) to be placed on academic institutions with 'top professionals', a short-form procedure as follows shall be adopted. The file will record that this short-form procedure has been adopted because the research investigator/consultant is a distinguished scientist/technologist e.g. FRS, FASc, FNA, FIAcadE, FAcSI, Bhatnager awardee, Swarnajayanti fellow, DRDO chair holder, CSIR distinguished scientist, Raman fellow, National Professor, AICTE-INAE Distinguished visiting professor. In such cases, the Proposed RSQR shall be discussed by the Director (or Sc-G) for L/E/Ps with the investigator(s)/consultant at the convenience of investigator(s)/consultant. The offer of research service or consultancy, based upon the mutually agreed RSQR, will be submitted to the L/E/P to the academic institution (and not by the investigator/consultant). This offer shall thereafter be approved by the pertinent CA as defined in Para 3.8 above and placed to L/E/P on the selected and nominated RSP. @

Note : @ The name of the *Institution* will appear in item 3 of the CARS (Annex-2; while the names of the Top Professionals will be filled-in at item 5 (a) as 'key professionals' of the CARS.

4.6 Acceptance of CARS by Academic Institution: The CARS, as placed by the L/E/P on the Institution, shall be deemed accepted by the Institution when a copy of CARS is returned to L/E/P by the RSP, signed by the latter's competent authority.

4.7 Amendments to CARS

(a) Normally, a need for financial amendments to CARS should not arise. However, such amendments can be made in cases in which unforeseen circumstances/events predicate additional expenditure.

(b) All amendments to CARS shall be in the form at Annex-3.

(c) All amendments to CARS shall be authorized by CA-I, except that amendments resulting in an increase in the Total shown at item 9.1 in Annex-2 shall require the approval of the CA authorized, per Para 4.4 above, to accept an Offer at that Total.

5. Equipment :

Definition Note: Equipment includes non-shrink-wrapped software. Shrink-wrapped software shall be accounted for as 'expendables'

5.1 Equipment, the cost of which shall be included in the Summary Offer of Provision of Research Services [at Entry 9.1 (b) in Annex-1], shall be procured by the RSP.

5.2 Equipment in the inventory of L/E/P may be placed by DRDO at the disposal of the RSP for the execution of the contract (see also paragraph 3.7 above).

5.3 All equipment of a capital nature purchased under Para 5.1 above is the property of DRDO (L/E/P). These shall be returned to L/E/P within 03 months of the date entered at Entry 8 in Annex 2, unless L/E/P specifies otherwise.

Note: Should there be a difference of opinion between the RSP and L/E/P on whether equipment is of 'capital nature', the decision of L/E/P shall be final and binding on the RSP.

5.4 The research provider institution shall be responsible for the proper maintenance of the equipment and shall not alienate them, or use them without the prior permission of L/E/P for purposes other than those specified in the CARS.

6. Financial provisions in CARS:

6.1 Advances, work-in progress and schedule of payments;

(a) The L/E/P may make payments of advances and/or make progress payments for executing the contract. Such payments shall be made on demands made through 'Contingent Bills' for sum not exceeding the pertinent amounts entered at item '9' in the CARS (Annex-2), and after certification by the cognizant financial authority of the RSP that the monies already released against previous demands have been utilized for the purposes for which they were provided.

Note: Payment shall be made only in accordance with Para 2.1 (b) of General Conditions of CARS (see reverse of Annex-2).

(b) Advances or progress payments are interim payments, which shall be deducted from the total sums due to the research provider institution.

(c) Except with the specific written pre-agreement of the L/E/P, the research provider institution shall not use for any purpose other than those specified in the CARS, any material or services for which advances or progress payments have been made.

6.2 Financial documentation and records:

(a) No bank or other financial guarantees are required for CARS

(b) For work whose estimated time for completion is six months or less, the RSP shall submit only those reports as relate to the purchase of equipment by the RSP within thirty (30) days of such purchase.

(c) For CARS in which the estimates time for submission of the final report more than six months, the research provider institution shall provide the L/E/P, not later than thirty (30) days after the end of each half-year, a half-yearly financial

statement showing the actual expenditure incurred, against each of the entries at 'Item 9.1' in the CARS, for the execution of the contract up to the end of the preceding half-year.

(d) Books of accounts pertinent to each CARS shall be maintained separately by the RSP and these shall open to the L/E/P. The L/E/P, or other authority specified by DRDO, may inspect all such books, bills, vouchers and other financial records at any time until the accounts relating to the CARS are settled. The research service provider shall supply the L/E/P with such financial documents as are necessary for final settlement of claims, without explicit request by the L/E/P, within three (3) months after submission of the final report.

7. Delivery schedule:

7.1 The outcome of the contract (invariably a set of reports/documents/records in hard-copy or machine-readable form) shall be delivered at the time or times and in the manner specified in the contract.

7.2 The research provider institution shall inform the L/E/P promptly of any occurrence that is likely to cause delay in delivery of contracted outcomes. The L/E/P shall determine, in the light of circumstances reported, the extent of change(s) required in the delivery schedule of the contract.

Note : The above covers only unexpected technical difficulties, gross delays in deliveries by suppliers of purchased equipment or consumables, illness or other justifiable cause of unavailability of research personnel and similar unforeseen circumstances.

7.3 An extension of the time limit for execution of the contract, or a postponement of delivery shall require the explicit approval of the L/E/P, which approval shall be contractually valid only when the CARS is formally amended by the L/E/P.

8. Short-closure of CARS:

The CARS may be short-closed at any time during the currency of its execution if the L/E/P feels that no useful purpose will be served by continuing the implementation of CARS. The short-closure of CARS will be approved by the Director and justification for the same recorded in the file and reported to the relevant CA (see para 4.4 above). The short closure will be deemed to be effective from the day the short closure order is received by the institution. Subsequent to this short-closure the RSP will submit a technical report on the work done till short-closure. The monies left unspent on the date of receipt of short-closure order by the RSP shall be returned to L/E/P. All equipment and unused consumables acquired out of contract monies shall also be returned to L/E/P.

Note: The L/EP will ensure delivery of any short-closure order to the institutions (with a copy to the investigator (s)) within ten (10) working days of the decision to short-close.

9. Reports:

9.1 Reports giving details of the progress of the work shall be sent to the L/E/P at intervals as specified in the conditions of the contract.

9.2 On completion of the contract, the RSP will submit a final report (Contractor Report).

9.3 All reports shall be in a format conforming to Indian Standards IS:1064-1980, bound with Bibliographic Description sheet conforming to IS:9400-1980.

10. Ownership of Intellectual Property:

10.1 The ownership of intellectual property, whether or not legally protected (e.g. by patent), generated by research performed under a contract shall vest in DRDO. However, the research provider institution shall receive upon demand by it, a royalty-free license from DRDO to use these intellectual properties for its own purposes, which purposes specifically exclude sale or licensing to third parties.

10.2 Notwithstanding the above, all documents and information detailing the technical performance of CARS (including pertinent laboratory notebooks, sketches, photographs, video tapes of experiments, electronic data acquisition records and other similar) shall be the property of DRDO, whether or not in the physical possession of DRDO.

11. Disclosure and use of information by the research provider institution:

The research provider institution will ensure that the documents supplied by the L/E/P are not disclosed to any person other than a person authorized by the L/E/P. Any pattern, sample or information supplied by L/E/P to the RSP in documentary or other physical form is the property of the L/E/P and shall be returned to the L/E/P after execution of the contract, unless their disposal is otherwise provided for in the Specific Conditions of Contract.

12. Policy on publication of technical results:

Interim technical results and other outcome of the contract, intellectual or physical, are the property of DRDO. If the investigator intends publishing the technical outcome, he shall send a written request to L/E/P for permission to publish along with a copy of the manuscript. Within 60 (sixty) days of the receipt of such request, the L/E/P will inform the investigator (s) about its decision. If no communication is received from the L/E/P by the RSP within this period of 60 (sixty) days, the RSP shall be free to publish the material as proposed by it.

13. Publicity relating to contracts:

The existence of the contracts or the status of their execution shall not be publicized by the RSP in the media or in its Periodic/Annual Report except with the written consent of L/E/p. The OL/E/p shall specify the text relating to CARS that may be made public.

14. Communications:

All communications affecting the performance of the contract, or its terms and conditions, shall be contractually valid only when confirmed by formal amendments to CARS (Annex3) made by the original signatories to the contract.

15. Compliance with law:

Notwithstanding anything contained in CARS, the RSP shall be solely responsible for complying with all laws in force in India.

16. Settlement of Disputes:

All disputes relating to a CAR shall be settled mutually between the Vice-Chancellor/Director of the academic institution and Director of L/E/P placing the CARS. Any remaining unresolved disputes shall be referred to final binding settlement by authorities mutually decided by the Secretary, Defence Research & Development, Ministry of Defence and Secretary, HRD, Government of India, unless otherwise provided for in the contract.

DMM/PP/0002003/M/1962/D(R&D)
Govt. of India
Ministry of Defence
Deptt. Of Defence Research & Development
New Delhi – 110011
28 May 2003

CORRIGENDUM

The Procedure of placement of Contracts for Acquisition of Research Services (CARS) from Academic Institutions issued vide DMM/PP/0002001/M/2348/D(R&D) dated 13 Jul 2001 is amended as under:

(a) For: Existing entries at Sl. No. 2

Read: The following:

“The revised financial powers to be exercised by the Competent Authorities indentified in para 3.8 of the attachment shall be as follows:

- | | |
|---|---|
| (i) Upto Rs.10 lakhs | CA-I: Director, Laboratory (L)/Establishment(E)/Programme (P) |
| (ii) Above Rs.10 lakhs and upto (and including) Rs.50 lakhs | CA-II : Concerned CC(R&D)/ Adviser at DRDO HQ. |
| (iii) Beyond Rs.50 lakhs and upto (and including) Rs.2.00 crores” | CA-III: Director General, DRDO |

(b) For: Existing entries at Sr. No. 7

Read: The following:

“The expenditure on CARS shall be debited to Major Head 2080, Minor Head 110 of DRDO”.

2. This issues with the concurrence of Ministry of Defence (Finance/R&D) vide their ID No. 946/IF(R&D) dated 28 May 03.

Sd/-
(Rosy Sharma)
Deputy Secretary to the Government of India

To
The Director General Research & Development
Defence Research & Development Organisation
Ministry of Defence, New Delhi

Copy to :-

1. Controller General of Defence Accounts
2. Addl.FA(S) & Jt.Secy
3. All CCR&Ds
4. Chief Executive (CW&E)
5. CDA (R&D) New Delhi and sub offices
6. CDA (R&D) Bangalore and sub offices
7. CDA (R&D) Hyderabad and sub offices
8. Director of Audit, Defence Services, New Delhi
9. Director (Finance/R&D)
10. Directorate of Materials Management.

No. DMM/PP/0002003/M/1806/D(R&D)
Government of India
Ministry of Defence
Dept of Defence Research & Development
New Delhi – 110011

22 May 03

To

The Director General Research & Development
Defence Research & Development Organisation
Ministry of Defence
New Delhi – 110011

Subject : Contracts for Acquisition of Professional Services (CAPS) to placed on
Institutions of Defence Institute of Defence Scientists and Technologists.

Sir,

I am directed to say that institute of Defence Scientists and Technologist (IDST) have been registered as a Society under the Societies Registration Act of 1860 with the following objectives:

- (i) To contribute as a second line "solution provider" to DRDO and its Laboratories/Establishment/Projects (hereinafter referred as L/E/P).
- (ii) Consultancy and Technical advice related to specific projects.
- (iii) To assist DRDO in providing in-depth training to personnel on specialized topics on "as required" basis.

2. This is to state that the institute of Defence Scientists and Technologists (IDST) shall be deemed "academic institution" as defined in paragraph 3.1 of attachment to Government letter No.DMM/PP/00002001/M/2348/D(R&D) dated 13 Jul 01.

3. While filling up the proformae accompanying the CARS notification the clause of these that are not applicable for contracts to be placed on IDST shall filled as "Not Applicable".

4. The expenditure on acquisition of such research services shall be debited to Major Head 2080, Minor Head 110 of DRDO.

5. This issues with the concurrence of Ministry of Defence (Finance/R&D) vide their ID No.886/IF(R&DF) dated 12 May 03.

Yours faithfully

Sd/-
(Rosy Sharma)
Deputy Secretary to the Govt. of India

Copy to:-

1. Controller General of Defence Accounts (5 copies)
2. Addl. FA(S) & Jt. Secy
3. Chief Advisor (Tech)
4. All CCR&Ds
5. The Chief Executive (CW&E)
6. CDA (R&D) New Delhi (2 copies)
7. CDA (R&D) Bangalore (2 copies)
8. CDA (R&D) Hyderabad (2 copies)
9. Director of Audit, Defence Services, New Delhi (2 copies)
10. DFA (Fin/R&D)
11. All Labs/Programmes
12. All Technical & Corporate Directorates
13. Directorate of Materials Management (20 copies)

CHAPTER-6

MISCELLANEOUS SECTION

Contents	Para No.
Objectives	6
Checks on Claims of Contingent and Miscellaneous Nature	6.2
Checks on Claims for Telephone Charges	6.3
Checks on Claims of Service Labels	6.4
Checks on Claims of Local Purchase of Stationary	6.5
Checks on Claims for Liveries	6.6
Checks on Claims of Printing & Binding Charges	6.7
Checks on Claims of Books and Periodicals	6.8
Checks on Claims of Advertisement Charges	6.9
Permanent Advance Claims	6.10
Payment of Honorarium and TA/DA to Guest Lecturers	6.11
Payment of Registration / Delegation Fee	6.12
Hiring of Civil Transport	6.13
Conservancy Charges and Garden Maintenance	6.14
Payment of Legal Charges to Advocates	6.15
Entertainment	6.16
Grants-in-Aid	6.17
Reimbursement of Exp – Post Graduate courses	6.18
Payment of Uniform & Washing Allowance to Nursing staff	6.19
Payment of Ration Allowance claims	6.20
Payment of TA to spouse/one guest of DRDO awardees	6.21
Payment of ACG, ATG, ETG etc.,	6.22
Payments on account of DRDO Awards Scheme	6.23
Payment on account of DRDO Cash Awards	6.24
Reimbursement of News paper charges	6.25
Pay & Allowances of JRF/SRF	6.26

6. **Objectives: Miscellaneous Section primarily deals with**

- i) Audit and payment of all bills of contingent and miscellaneous nature.
- ii) Payment of Imprest Advances and its subsequent recoupment.

6.1 The audit of claims will be carried out in accordance with the Rules prescribed in Defence Audit Code and orders governing the claims as laid down in FR Pt II.

6.2 Checks on claims of Contingent and Miscellaneous nature: On receipt of bills in the Miscellaneous Section, duly diarized, it will be checked to see that:

- i) The claim is preferred in original on the contingent bill form (IAFA-115) & the charges claimed pertain to office or other contingencies.
- ii) Standards of financial propriety as laid down in Para 39, Defence Audit Code Vol I (Edition 1992) are observed while making the purchase. (also refer Rule 47(i) FR Pt-II & instructions contained in Def. Audit Code for incurring contingent expenditure)
- iii) Authority for incurring expenditure is given in the appropriate column of the contingent bill.
- iv) Description/particulars & nature of stores/items purchased and the amount shown in dealer's bill are same as shown in the contingent bill.
- v) Contingent bill has been countersigned by the officer competent to do so. (refer Rule 41 FR Part-II)
- vi) The signatures of the countersigning officer are verified with reference to the specimen signature register maintained for the purpose. (CGDA's Cir No.9019/AT/S/ PC 2 date 17.2.72 refers)
- vii) The total amount of the bill worked out has been shown in words as well as in figures.

- viii) There are no erasures and that all alternation(s) made in the claim are attested by the officer concerned as many times as they are made. (Rule 46 FR Part-II and Para 62(d) Defence Audit Code)
- ix) The amount claimed agrees with the dealer's bills, by checking total of supporting bills individually & then their total in the main claim.
- x) The contingent bill is supported with the dealer's original bill duly receipted (& stamped wherever necessary).
- xi) Bills are duly pre-receipted.
- xii) No vouchers or order has been signed by the subordinate or an officer not authorized for signing of bills of contingent nature (Para 62(e) Defence Audit Code Vol I (1992 edition) refers)
- xiii) Item purchased are covered under the authority quoted on the Contingent Bill.
- xiv) That the charges drawn through the Contingent Bill are of obvious necessity and the purchases have been made at fair and reasonable rates.
- xv) The progressive expenditure including the present bill has not exceeded the allotment of funds for the purpose.
- xvi) The expenditure on any item or similar item does not exceed the financial powers of the sanctioning authority and where the expenditure exceeds the financial powers, it is ensured that the sanction of appropriate CFA exists. (refer Rule 58(c) FR Pt-I)
- xvii) The sanction is not time barred. (refer Rule 70 FR Pt-I)
- xviii) It is to be ensured that no expenditure which requires the sanction of higher authority is sanctioned by a lower authority in installments. (refer Rule 64 FR PT I)
- xix) Where the charges claimed are of recurring nature it is ensured that the last charge is properly linked to avoid double payment.

- xx) In case of repairs of typewriters, it is seen that the repair has been got carried out by the local authorized dealers only & proper control is exercised on total/annual cost of repairs for each type writer.
- xxi) Claims may be examined from higher audit angle so as to see that there is no case of infringement of rules/orders and that the cannons of financial propriety as envisaged in Rule 6 of FR Pt-I (1983) are observed. {refer Para 39 Def. Audit Code Vol-I (1992 edition)}
- xxii) Provision of funds for incurring the expenditure has been duly authorised by the competent authority.
- xxiii) The items/articles purchased have been taken on charge and the CRVs are enclosed. In case of job work etc. certificate of satisfactory completion of work has been enclosed.
- xxiv) After the bill is finally admitted in audit and passed for payment punching medium for compilation of the amount of the transaction should is prepared and the amount compiled to the correct/relevant code head of account.
- xxv) It should be ensured that the CRV's prepared by the unit and enclosed with bills of contingent nature are invariably scheduled to the concerned LAO office for verification of credit of stores in the books of the unit/lab concerned and a proper record of scheduling of Vouchers is maintained in the section.

6.3 Checks to be exercised on claims for Office Telephone: The following checks should be exercised on the contingent bills pertaining to telephone charges:

- i) Whether a certificate to the effect that the telephone for which rental is paid is within the authorized scale has been invariably endorsed on the bill.
- ii) That in case of telephones installed with special sanction for specified period, the rent has not been claimed beyond the sanctioned period/date.

- iii) The telephone bills in original are enclosed with the contingent bill.
- iv) The bills are submitted in time to enable audit to authorize payment by due date and avoid payment of surcharge for late payments.
- v) The bills have been verified and countersigned by the authorised countersigning authority.
- vi) Certificate to the effect that the calls were made for bonafide official business only is enclosed with the contingent bill and in case of private calls amount has been recovered and deposited into treasury through MRO and the MRO is attached with the bill.
- vii) It should be seen from the telephone bills that rebates are availed of, wherever admissible under P&T Rules.
- viii) It should be ensured that the last charge is linked invariably and a proper endorsement made on the bill before authorizing payment.
- ix) Proper punching medium is prepared for the compilation of amount to the correct head of account. (see note below)
- x) Cheque slip is prepared correctly for issue of cheque to telephone Deptt.

NOTE:- As per DRDO letter No. DRDO/MS/RD-Fin/4001/ 6489/D (R&D) dt 2.1.98 Expenditure on Telephone/Stationary etc. in r/o Tech Directors at R&D HQrs and Tech Groups/Wings of the Labs/Estts is to be booked to LP head and Admin side only is to be booked to Misc. head.

6.3.1 Checks to be exercised on reimbursement of Expenditure on Residential Telephone: Keeping in view the major technological advancement taken place in the field of Telecommunications by way of introducing Internet, Mobile facilities and the economy measures, rationalization of expenditure and measures for augmentation being the directives of Ministry of Finance from time to time, the existing entitlement regarding recoument of telephone charges of residential telephones provided to the officers as also on the mobile phones to the entitled officers to GOI and Broad Band

facility at house has been converged into a single package and the maximum amount reimbursable to a category of officers will be regulated as per the rates given below:

Secretary to GOI & equivalent rank / SA to RM	Rs. 2800 per month
Addl./Jt. Secy to GOI	Rs. 2000 per month
Equivalent to Addl./Jt. Secy/DS/Sc 'H'/Sc 'G'	Rs. 1800 per month
Director & Dy. Secy to GOI/Sc 'F' 'E'	Rs. 1500 per month
Below the rank of Dy.Secy to GOI/Sc 'D', 'C', 'B'	Rs. 800 per month

(Restricted to 25% of Group 'A' officers below the rank of Dy. Secretary)

6.3.2 During the audit of such claims, the following points to be seen in audit:

- i) The claim is supported by valid bill/receipt from the concerned officer.
- ii) The amount reimbursable will have to be reduced by Rs.400/-, if the officer of the rank of Dy. Secretary and above does not have Broad Band facility at residence.
- iii) The total expenditure on one or all of the stated facilities should not exceed the ceiling indicated above.
- iv) In case of prepaid mobile connection, reimbursement is not admissible on submission of recharge coupons.
- v) The mobile/telephone connection should be in the name of the officer claiming reimbursement.
- vi) Incase Husband and wife are entitled for residential telephone and sharing the same residential phone, reimbursement up to the ceiling specified is admissible to one only on production of a certificate stating that the other officer (husband/wife) shall not claim the reimbursement in respect of the same bill.
- vii) The applicable taxes on the expenditure incurred up to the ceiling amount are reimbursable.
- viii) Reimbursement shall be restricted to one landline and/or one mobile connection only.

6.4 Checks on Claims for Service Labels: The following checks should be exercised on the contingent bills pertaining to service labels:

- i) Claim is prepared on contingent bill as per Rule 282(c) FR Pt-I.
- ii) The certificate to the effect that service labels will be used solely on public service exists.
- iii) The particulars regarding monthly average expenditure and balance in hand are given in the bill.
- iv) The Name of Treasury on which the cheque is required to be drawn is shown on the Bill.
- v) To avoid unduly large stock of service label it should be seen that the stock position of service labels in hand is indicated in the contingent bill for service labels and before authorizing payment it may be seen that the stock is in consonance with the average consumption pattern.

6.5 Checks on claim of Local Purchase of Stationery: The following checks should be exercised on the contingent bills pertaining to local purchase of stationery items:

- i) The claim is prepared on the contingent bill (IAFA-115).
- ii) Sanction of CFA exists for the purchase of stationery items indicated in the bill.
- iii) Certificate to the effect that the items purchased do not exceed three months requirement, is given.
- iv) Whether the purchase of stationery articles has been made from Kendriya Bhandar only where ever the same exists otherwise on competitive basis at the lowest rates prevalent in the local market and proper CST with quotations have been enclosed with the claim.
- v) The claim is supported by pre-receipted bills of the dealer and stamped wherever necessary.
- vi) Proper CRV has been prepared and items have been brought on charge in the Stationery ledger duly marked with page numbers etc.

- vii) Thereafter cheque slip and punching medium for payment is prepared and for compilation of the amount to the correct head of account.
- viii) It should be ensured that the CRV's prepared by the unit and enclosed with bills are invariably scheduled to the concerned LAO office for verification of credit of stationery items in the books of the unit/lab concerned and proper record of scheduling of vouchers is maintained by the section.

6.6 Checks on Claims for Liveries: The following checks are required to be exercised on the contingent bills on account of claims for Liveries:

- i) The claim is supported with the supplier's bill duly pre-receipted and stamped where necessary.
- ii) The purchases have been made from the authorised dealers only.
- iii) Rates paid for each item do not exceed the rates prescribed by the Govt. from time to time for different item of liveries.
- iv) Nominal Roll of Govt. Servant to whom liveries are being issued interalia stating the date of last issue of uniform is attached with the claim.
- v) Whether the liveries as per the Nominal Roll attached with the bill are due for issue as per the Rules for in vogue for issue of liveries to MTS employees.
- vi) CRVs/IVs on which liveries have been taken on charge/issued are furnished with the bill.
- vii) It is certified that individuals to whom liveries are on the authorised and regular strength of the Lab/Estt/Units.
- viii) For bills pertaining to Stitching of uniforms/manufacture of embroidery Badges: It may be ensured that the stitching of uniform is arranged as per the need of office through private tailor or through a co-operative agency (if in existence) and charges are claimed to the extent as admissible for those employees only to whom cloth for liveries has been issued .

6.7 Checks on Claims of Binding / Printing Charges: The following checks should be exercised on the contingent bills pertaining to claims of Binding Charges:

- i) It must be ensured that the claim is preferred on the contingent bill duly supported with the following documents:
 - a. Copy of contract agreement in the case of first claim and reference to contract agreement in subsequent claims.
 - b. Dealers' receipt duly pre-receipted and affixed with revenue stamp wherever necessary.
 - c. Inspection Certificate to the effect that the work has been done satisfactorily duly signed by the officer concerned.
- ii) It is ensured that the expenditure incurred is within the financial limits and where the limit exceeds, Govt. sanction is sought for.
- iii) Certificate to the effect that binder is not available/ posted in the office is enclosed with the claim.
- iv) It should be ensured that all the contracts valued at more than Rs 1 Lakh have been routed through Director DESIDOC (Para 5.1 (a) (ii) of Appendix A to letter No. DRDO/DBFA/FA/83226/M/01/2031/D(R&D) dt 30-07-2010 delegation of financial powers refers)

6.8 Checks on Claims of Books & Periodicals: It should be seen that:

- i) The claim is preferred on contingent bill IAFA-115.
- ii) It is supported with sanction of the CFA.
- iii) Dealer's bill duly pre-receipted and stamped wherever necessary is attached with the claim.
- iv) Certificate to the effect that the books and periodicals purchased are essential for the discharge of functional responsibilities of the Lab/Estts endorsed on the bill.

- v) Books & periodicals purchased have been properly brought on charge in respective ledger(s) maintained for the purpose.
- vi) In cases of payment of advance subscription for the purchase of periodicals/journals on long term basis, a certificate to the effect that the "agreement as prescribed has been obtained" should be forwarded along with the bill.

Note:-Residual Papers and periodicals when the same are out of date are required to be sold to the best advantage of state and sale proceeds credited to the Govt. as miscellaneous receipts. This aspect is required to be watched from time to time while authorizing the payment of above nature.

6.9 Checks on Claims of Advertisement Charges: The following checks are required to be carried out in these claims:

- i) The cutting(s) of the advertised material is enclosed with the claim.
- ii) Ensure that the bill relates to publicity of matter concerning the lab/Estt.
- iii) The bill is signed / countersigned by the competent authority of Lab/Estt.
- iv) Necessary sanction of competent authority for publishing the matter has been accorded and sanction letter is attached with the bill.
- v) The amount/expenditure does not exceed the amount of sanction by the competent authority.
- vi) The bill is supported with DAVP bill duly pre-receipted and stamped where necessary.
- vii) In case of bills of other than DAVP proper justification for publishing the matter through other agencies is furnished with the claim.

6.10 Claim for Permanent Advance (Imprest)

- i) In case of Initial claims for permanent advance (Imprest) it is to be ensured that the sanction of competent financial authority sanctioning the drawl of permanent advance (Imprest) has been attached with the bill.
- ii) In respect of claims for subsequent recoupment of the Imprest Account the claim is required to be checked with reference to the vouchers attached with the account to ensure that the payments made out of Imprest are in public interest for meeting the day to day petty office requirements and stores purchased out of Imprest account are properly accounted for Other checks as prescribed for LP bills are required to be observed while checking of Imprest Account recoupment claims.

6.11 **Payment of Honorarium & TA/DA to Guest Lecturer:** The claims for payment of Honorarium & TA/DA to Guest Lecturers will be admitted on the basis of invitation letters sent by the competent authority to these Lecturers inviting them to deliver Lectures.

6.11.1 Lecturers, both from DRDO and non DRDO, who have been invited to deliver lectures will be paid Honorarium upto Rs 4000/= per session (maximum) per lecture (Para 6.8 of Appendix A to letter No.DRDO/DBFA/FA/83226/M/01/2031/D(R&D) dt 30-07-2010 ,delegation of financial powers refers) and TA/DA as admissible for outstation guest lecturers is also payable.

6.11.2 They will be paid from the Miscellaneous Grant and a proper receipt obtained from the Guest Lecturers and proof of travel will be looked for during the audit of these claims.

6.12 **Payment of Registration/Delegation Fees:** Registration/Delegation fee for courses conducted by outside agencies to an extent as per delegated powers per candidate as sanctioned by the Director Lab/Estt., will be paid from Training Head. The amount will be paid as an advance based on the sanction issued by the

Director for attending the course. The advance will be cleared on receipt of paid receipt from the institution concerned.

6.12.1 Similarly, a lump sum amount as sanctioned by the R&D HQs will be paid to the Lab/Estt for conducting Continued Education Programmes (CEP). For CEP course separate budget provision is made in the budget allocation every year and the amount of the bills for this purpose is required to be booked to this allocation only.

6.13 **Hiring of Civil Transport for administrative reasons:** Hiring of civil transport for administrative purposes to the extent permissible under delegated powers (See Para 5.2 (i), Appendix-A to letter No. DRDO/DBFA/FA/83226/M/01/2031/D (R&D) dt 30-07-2010, delegation of financial powers) will be paid from Revenue head for LP.

6.13.1 Apart from the general audit checks to be exercised as enumerated, such claims are required to be admitted on the basis of

- i) Confirmation regarding "Non-Availability" of service transport from the MT section,
- ii) Sanction of the competent authority as per above delegation of powers for hiring of civil transport, will be the supporting documents for these bills.
- iii) That the duties performed are bonafide and official and reimbursement has not been claimed for personal/non-official duties by the respective officers. A certificate in this regard is to be attached with the bill.
- iv) That the officers for whom regular transport was provided from residence have not been paid Transport Allowance along with Pay & Allowances. A certificate in this regard is to be attached with the bill.
- v) The duty slips enclosed to the bills should clearly indicate departure/arrival time, place of visit and should be signed by the officer using the transport duly indicating name & designation.

- vii) Whenever transport is hired at outstations, a copy of the sanction from the appropriate CFA duly indicating the details of officers, period of hiring, places required to be covered duly supported with a certificate that no separate allowance was paid during the said period at outstation is to be looked into.
- viii) The total expenditure incurred on Hiring of Transport during that financial year up to the last payment is to be indicated on the bill, so as to ensure in audit that expenditure in excess of Rs.40000 per annum has been got concurred by the IFA.

6.14 **Conservancy Charges and Garden Maintenance:** In DRDO these services are known as, 'Environmental Control, Hygiene and Maintenance service charges'. Generally these are classified into technical and non-technical areas. Environmental control hygiene and maintenance service of technical area is the responsibility of the concerned Lab and will be booked to LP head. Contracts will be concluded with the most economical vendors duly observing the laid down procedures. Expenditure for the non-technical area is only booked to Misc. head. This service is also got done through contracts. Garden Maintenance of the non-technical area is the responsibility of the Estate management unit of the locality. Bills on the above account are audited like any other bills based on the contract agreements made with the firms and amount classified as per the area of operation as stated above.

6.15 **Payment of legal charges bills to advocates:** Payment of legal charges including fees to the Govt. Pleader is paid from Misc. Grant. The maximum limit which a Lab Director can sanction is Rs 50,000/- per case per year (see Para 5.5 of Appendix A to Letter No.DRDO/DBFA/FA/83226/M/01/2031/D(R&D) dated 30.07.2010-delegation of financial powers).

6.15.1 The supporting documents for legal charges claims are:

- i) Sanction of the CFA
- ii) Receipt obtained from the Govt. Counsel/Advocate etc.

6.16 **Entertainment Charges:** Official entertainment charges to the extent permissible under Para 5.4 of Appendix A to Letter

No.DRDO/DBFA/FA/83226/M/01/2031/D (R&D) dated 30.07.2010-delegation of financial powers on per annum basis.

6.16.1 It is to be watched that:

- i) The amount is booked to the Misc. Grant. Of the Lab/Estt concerned.
- ii) Sanction of the CFA exists for incurring the expenditure out of Entertainment Grant and concurrence of IFA is obtained wherever necessary.
- iii) Details of expenditure along with all supporting documents are available with the claim.
- iv) Entertainment expenses for a particular project are booked to that project and not to the Misc. Allotment.

6.17 **Audit of Grants-in-Aid released by DRDO:** Defence Research and Development Organisation, sanctions Grants-in-Aid to nurture the available research talent and to develop facilities in IITs, Universities, Higher Technological Institutions, Colleges and other Research Centres in the country for promoting Research, Design and Development programme in Defence related areas. Grants-in-aid are also sanctioned by way of financial assistance to DRDO aided schools as amenities.

6.17.1 Detailed provisions for sanction of Grants-in-Aid and their further accounting are laid down in Rules 206-215 of GFR, 2005 and the same are required to be adhered to by the sanctioning authority and the organization receiving the Grant-in- Aid for a specified purpose from the DRDO. The provisions of the GFR and its implications are reiterated for guidance while authorizing the payments against the sanctions issued by sanctioning authorities in DRDO:

- i) As per Sl. Item 3.1 of Appendix-A to Govt. of India, Ministry of Defence Letter No. DRDO/DBFA/FA/83226/M/01/2031/D(R&D) dated 30.07.2010, concurrence of IFA in respect of all cases of Grant-in-Aid up to Rs.3 crores, concurrence of JS & Addl. FA in respect of all cases upto Rs.5 crores, and concurrence of Secy Def (Fin) in all cases upto Rs.10 crores is required.
- ii) PCDA/CsDA (R&D) are responsible for:
 - a. Releasing of grant-in-aid.

- b. Watching for audited accounts and utilization certificates.
- c. Adjustment of unspent balance, if any.

6.17.2 Release of Grant-In-Aid: Grant-in-aid to grantee institutions is released by PCDA/CsDA (R&D) on the basis of the sanctions issued by the CFA. The following points are required to be seen in audit at the time of release of payments:

- i) That the original ink signed copy of the sanction letter for Grant-in-Aid is enclosed with the claim.
- ii) Contingent Bill duly countersigned by the Competent Authority is enclosed with the claim.
- iii) In case of subsequent release of grants, it should be ensured that a copy of statement of accounts of grantee institutes/organizations duly audited along with the Utilization Certificate has been received in PCDA/CsDA (R&D) for the grants already released.
- iv) The payments claimed should be as per the sanctioned amounts.

Note-1: Utilization certificates need not be furnished in cases where the grants-in-aid are being made as reimbursement of expenditure already incurred on the basis of duly audited accounts. In such cases the sanction letters should specify clearly that the utilization certificates will not be necessary.

Note- 2: In respect of Central Autonomous Organisations, the Utilization Certificate shall disclose separately the actual expenditure incurred and the Loans and Advances given to suppliers of stores and assets, to construction agencies, to staff (for house building and purchase of conveyance etc.), which do not constitute expenditure at that stage. These shall be treated as unutilized grants but allowed to be carried forward. While regulating the grants for the subsequent year, the amount carried forward shall be taken into account.

6.17.3 Adjustment of Unspent Balance of Grant-In-Aid: Unspent balances, if any, are remitted to PCDA/CsDA (R&D) by grantee institutes/organization through MROs and adjusted by crediting the amount to the relevant code head by (-) ch if received in the same financial year, otherwise it is credited to Misc Receipts.

6.18 **Post Graduate Courses – Reimbursement of Semester Fee:** As per the extant orders on the subject, Defence Institute of Advanced Technology (DIAT), Deemed University (DU) Pune will be conducting M.Tech, MS (By research) and Ph. D. Program every year. Accordingly Director Human Resource Development will be sponsoring DRDO personnel to these courses every year. Further, DRDO will also sponsor candidates for ME/M.Tech courses under R&T scheme of DRDO at various IITs.

6.18.1 The sponsored employees are entitled for reimbursement of the following expenditure -At DIAT/DU:

- i) There will be no Tuition Fee charged for DRDO employees.
- ii) To meet the expenditure towards cost of stationery, xerox, books etc., an amount of Rs.2000/- per semester for M.Tech & MS (by research) and Rs.1000/- per semester for Ph.D. Program is reimbursable.
- iii) Duration of the course exceeding 4 Semesters for M.Tech/MS and 8 semesters for Ph.D. Program, no reimbursement is entitled beyond the above limits.
- iv) Before relieving the sponsored employees for the respective courses, the Directors of Labs will ensure submission of necessary bond for appropriate amount and forward the same to DoP and DHRD.

(Authority: GOI, MOD, Dept of Def R&D No. DHRD/70500/DIAT/DU/Ex-REG/C/M/01/3150/D(R&D) dt.10.11.2006)

6.18.2 At Other IITs:

- i) Reimbursement of non-refundable fee (all mandatory fee charged by the Institute except hostel expenses and refundable fee) for the authorized schedule duration of the course only.
- ii) The amount claimed by the employees will have to be certified and countersigned by the Institute/University authorities.
- iii) Reimbursement with maximum of Rs.2000/- per semester to meet the expenses towards cost of stationery, xeroxing, books etc., subject to verification by the Institutions/University

authorities of the expenditure for the schedule duration of the courses only.

- iv) The amount actually incurred will be reimbursed per semester subject to satisfactory completion as certified by the Institute/University.
- v) Ad-hoc advances are permissible subject to the condition that the adjustment bill for the advance drawn earlier is submitted before the drawal of advance for the next semester.
- vi) Before relieving the sponsored employees for the respective courses, the Directors of Labs will ensure execution of necessary bond by them for an appropriate amount and also to serve DRDO at least for four years after completion of the course.
- vii) If a candidate withdraws from the course, he has to refund to Govt all the money spent upon the candidate and also renders liable for appropriate administrative action.

(Authority: GOI, MOD, Dept of Def R&D No. DHRD/70642/PG/Result/11/C/M/09 dt.25.05.2011)

6.19 Payment of Uniform & Washing Allowance to Nursing Staff:

Nursing staff of all categories at all levels employed in DRDO are entitled for the following allowances:

- i) Uniform Allowance Rs. 6000/- per annum.
- ii) Washing Allowance Rs. 300/- per month.

(Authority: GOI, MOD, Dept of Def R&D No. DMS/04/4263/M/01/2598/2011/D(R&D) dt.12.10.2011)

6.20 Payment of Ration Allowance Claims: The Service Officers attached to DRDO labs are entitled for Ration Allowance on leave/Ty. Duty at the rates notified by GOI from time to time. The existing rate of Ration Allowance payable w.e.f. 1.4.2010 is Rs.45.82 per day. While admitting such claims in audit, the following points are to be looked into:

- i) A copy of the Pt II Order notifying the leave casualty/grant of allowance is invariably enclosed

- ii) An undertaking from the Officer to the effect that he has not drawn ration in kind.
- iii) Details of the claim passed are to be scheduled to LAO for verification in IAFZ-3033.

6.21 Payment of TA to Spouse/One Guest of DRDO Awardees: Travelling Allowance of spouse or one guest of each DRDO Awardee (who should be member of the family in extended sense) from any place in India to the place of presentation of the Award at Government expenses is admissible along with each Awardee. In case of posthumous award, the next of kin will be entitled to bring one guest at Government expense. During the audit of such claims, the following points to be seen:

- i) The guest of the Awardee is entitled to a single fare each way of the class to which the Awardee is entitled to.
- ii) The fare will have to be restricted to lower class if he or she actually travels by that class.
- iii) No DA will be admissible to the guest.

(Authority: GOI, MOD, Dept of Def R&D No.DOP/02/25003/M/01/Awards-967/D(R&D) dt.14.3.01)

6.22 Amenity Grant: These grants are intended for the provision of sports gear, indoor games, literature, radios, gramophones, gramophone records, musical instruments and anything that helps in the well being and morale of the soldiers, which is not supplied by Government and which the soldiers cannot themselves provide. The conditions and rates of the grants and specific categories of units and formations to which the grants are admissible are published in Army instruction every year.

6.22.1 In auditing the claims for amenity grants of DSC platoons attached to various Labs/Estts, it will be seen that the following important audit requirements have been complied with:

- i) The charges have been preferred twice a year based on the authorized strength on or after 1st April and 1st October of each year where the authorized strength exceeds 10. Small units

with strength of 100 or less should draw the full per capita grant in one instalment.

- ii) The following certificates are endorsed on the contingent bill and signed by the OC.
 - a. Certified that the authorized strength indicated on the contingent bill is correct.
 - b. Certified that no notification of the disbandment of the unit has been received up to the date of claiming.
 - c. The date of rising should be indicated on the contingent bill when a unit is raised during the course of the year.

6.22.2 Annual Training Grant: This Grant is intended to meet the expenditure incurred in connection with weapon training, manoeuvres, training camps, tactical exercises with or without troops, staff exercises, training conferences and any other form or forms of training of the Regular army held under the direction of the Chief of the General Staff or any Army Commander. The Grant is inclusive of the allowances for Field Firing store grants, artillery target grant and TA/DA for local courses.

6.22.3 Provision of Funds: Allotment in respect of Annual Training Grant is made to commands, independent areas or Commandants of School of instructions by the Chief of the General Staff. The Officer to whom the allotment is made may dispose of sum notifying the CDA.

6.22.4 GOC-IN-C, Area Commanders and Commandants of School of instructions etc., to whom the allotments are made by the Chief of the General Staff from the Annual Training Grant, will arrange for the amounts which have been allotted to them and for those that are re-allotted by them to sub-ordinate formations to be drawn from the CDAs and paid into the SBI to be handed as on ordinary current account in cases where this is found convenient. These allotments may be operated upon by means of cheques which, in the case of assignments at Civil treasuries will be provided by the CDA.

Note: Charges debitable to the Annual Training Grant incurred during the Financial year but for unavoidable reasons not paid in the course of that year can be paid

against the ordinary head of account affected without any special sanction if covered by the unspent balance in the grant as a whole under the controller of the C.G.S. and not for the particular allottee.

6.22.5 All allotments made will be entered in the Register of Training Grants Accounts to be maintained on the prescribed form given in OM Volume-II

6.22.6 Educational Training Grant: This Grant is governed by Rules et.seq, Pay and allowance regulations Volume II. The scale of grant and the basis on which it is drawn are published from year to year in Army Instructions.

Note: The unspent balance at the end of each financial year will lapse to Government.

6.23 **DRDO Awards Scheme:** In order to accelerate the pace of critical technology development, technology transfer & production and induction of state-of-the-art indigenous Defence Systems into the Armed Forces, DRDO Awards Scheme has been re-instituted to motivate the DRDO community and partners in other R&D Organizations, Academic Institutions, Public & Private Sector Industries and Armed Forces vide GOI, MOD, Dept of Def R&D Lr. No. DOP/02/25003/DRDO Awards/2545/D(R&D) dt.10.10.2011.

6.23.1 As and when payment of awards under the above scheme is being claimed from CDA, the following points are to be seen in audit.

- i) The selection of the awardees in the categories of 'Young Scientist Award' & 'Best Performance Award' under HQrs level Awards shall be approved by the Secretary, Def R&D.
- ii) Nominations for all other HQ level awards shall be approved by the Raksha Mantri.
- iii) Laboratory awards shall be approved by the Director of Lab.
- iv) The no. of awards under each category and the monetary value should be as per the limits indicated in above letter.
- v) In the case of awards given to individuals, the amount of award money will not exceed Rs.2 lakh per individual except for 'Life Time Achievement Award'.

- vi) In the case of institutions or teams or groups, the amount of award will be such that no individual will get more than Rs.2 lakh.

6.24 **DRDO Cash Awards Scheme:** As and when payment of awards under the above scheme is being claimed from CDA, the following points are to be seen in audit.

- i) Directors of Labs are competent to make cash awards up to Rs.1000/- each once in a year restricted to maximum 10% of total strength of the lab, excluding DRDS scientists as on 1st Jan of the year.
- ii) Chief Controllers including Chief of Personnel, DRDO are empowered to make Cash Awards up to Rs.1000/- each once in a year in respect of staff working under their respective administrative control, restricted to 10% of total strength of the Directorate excluding DRDS Scientists as on 1st Jan of the year.
- iii) A person can be given more than one award during his service/career, but only one award in a year.

(Authority: GOI, MOD, Dept of Def (R&D) No. DOP/02/25003/Awards/M/01/2330/D(R&D)/08 dt.02.07.2003.)

6.25 **Reimbursement of Expenditure on News Papers to DRDO Officers:** Reimbursement of Indian News papers at the residence of all Service/Civilian Officers posted in DRDO Hqrs/Labs/Estts has been approved by GOI, MOD, Dept of Def (R&D) vide their No. DMS/FN/5514/M/01/News Paper/671/D (R&D) dt.22.2.2002 at the following rates.

SA to RM/Secretary level	Rs.500 per month
Distinguished Scientist/Sc 'H'/Addl. Secy level	Rs.300 per month
Sc 'G' and equivalent/Jt.Secy level	Rs.250 per month
Sc 'F' & equivalent & below up to Gp 'B' GOs	Rs.130 per month

Submission of News paper bills/receipts has been dispensed with.

6.26 **Pay & Allowances of SRF & JRF:** DRDO shall have a scheme known as "Research Fellowships in DRDO" to offer Research Fellowships in its Labs/Estts to

carry out research work in frontier areas of Science & Technology which shall comprise JRF, SRF, SRF(P), SRF(H) etc. During the audit of Pay & Allowances claims of such nature, the following points are to be seen in audit:

- i) That the initial claim is duly supported by an appointment letter.
- ii) That the claims are submitted duly enclosing financial sanction from the appropriate authority.
- iii) That the contingent bills are countersigned by a designated authority.
- iv) That the persons, against whom the allowances are claimed, are within the permissible period.
- v) That all relevant recovery schedules are enclosed to the claim.
- vi) That the rates of pay claimed are in consonance with the entitlement.

6.26.1 The rates of stipend payable to different categories of fellowship are as follows:

JRF	1 st & 2 nd year	Rs.16000/- p.m.
	3 rd year (if retained as JRF)	Rs.18000/- p.m.
SRF	During the entire tenure	Rs.18000/- p.m.
SRF(P)	1 st & 2 nd year	Rs.18000/- p.m.
	3 rd year (if retained as SRF(P))	Rs.20000/- p.m.
SRF(H)	During the entire tenure	Rs.20000/- p.m.
	Research Associate ship – entire period	Rs.24000/- p.m.

In addition, HRA is admissible at prescribed rates. For the purpose of HRA, Stipend will be treated as Basic Pay.

6.26.2 Contingency grant up to a maximum of Rs.15000 per annum and Rs.20000 per annum may be paid to Research Fellows and Associates respectively on reimbursement basis for the first two years. The contingency grant is increased to Rs.20000 per annum for the subsequent years. Utilization certificate from the concerned individuals may be looked in to in audit.

(Authority: GOI, MOD, Dept of Def R&D No.01/RD/HRD/89-90/133/D(R&D) dt.18.1.2011)

CHAPTER – 7

PAY SECTION

CONTENTS	Para no.
Objective	7.1
Duties	7.2
Audit of Pay bills & Related Items of Work	7.3
Pay & Allowances	7.4
Incentives for Scientific and Technical Personnel	7.5
Advance of Pay on Transfer	7.6
Advance for Purchase of Motor Car/Scooter/Motor Cycle	7.7
Housing Building Advance Claims	7.8
Children Education Allowance	7.9
Festival Advance	7.10
General Provident Fund Ty.Advance/Withdrawal	7.11
Encashment of Leave	7.12
CGEIS	7.13
Audit of Medical Reimbursement claims	7.14

7.1 Objectives:

- (i) To pay on due dates salary and other dues as per entitlement.
- (ii) To maintain necessary records, correct and complete in all respects, so as to ensure that service benefits of employees are correctly paid on due dates.
- (iii) To advise Administrative and Executive authorities on matters relating to service conditions and entitlements of Defence Civilians.

7.2 Duties:

- (i) Payment and audit of all claims to pay and allowances, other than travelling and daily allowances, in respect of DRDO personnel paid from the Defence Services Estimates.

Note: Check rolls on accounts of pay of industrial employees are audited locally by LAO.

- (ii) Payment and recovery of leave salary and pension contributions in respect of civilian personnel lent for service to and from civil departments of the Central Government and the various State and foreign Government, statutory bodies etc.
- (iii) Classification of all receipts and payments on account of pay bills or other claims dealt with in the section.

7.3 Audit of Monthly Pay Bills and Related Items of Work:

7.3.1 The pay bills for pay and allowances in respect of DRDO personnel are prepared by the Labs/Estts and submitted to PCDA/CDA Office. Further pay bills in respect of DRDO personnel joining Govt service on or after 01-01-2004 (i.e. covered under New Pension Scheme) are to be prepared by the Labs/Estt Authorities separately and submitted to PCDA/CDA Office.

7.3.2 These pay Bills are audited and cheques are issued for crediting the amounts in the banks.

7.3.3 The points to be seen in the audit of Pay Bills are indicated in the succeeding paras.

7.4 Pay and allowances:

- (i) The pay bills are prepared in the prescribed format, Serial No. and Date (Control No.) allotted and forwarded to the PCDA/CDA (R&D). Arrears of pay and allowance claimed on account of increment, pay fixation, grant of DA, refund of pay and allowances etc. should be drawn only on supplementary pay bills and not through regular monthly pay bills.
- (ii) Specimen signature of the officer counter signing Pay bills is verified with reference to the Specimen Signature Register and endorsement to that effect is made on the pay bill.

- (iii) Sanctioned strength indicated in the Pay bill tallies with strength check statement and other Orders/Notification/ Sanctions.
- (iv) Check that the total number of each category of Estt. for whom pay has been drawn in the bills agrees with paid strength exhibited in the strength check statement and the paid strength does not exceed authorized strength.
- (v) Ensure that all the entitlements are paid and recoveries made as per prescribed rules issued by Government of India from time to time and with reference to Demand Registers.
- (vi) Names, designation and rates of pay and allowances shown on credit side and deductions on account of funds/PLI, Income Tax on debit side etc. in the current pay bill are to be checked with last charge and endorsed as 'Last Charge Linked' on the payment enforcement.
- (vii) Both horizontal and vertical totals are to be checked and to see that the balances are correctly brought forward.
- (viii) Change of Pay: All the changes in pay column are duly supported by relevant documents.
- (ix) Increments: Increments sanctioned are to be supported by Daily Order Part II and the rate of increment is correct.
- (x) Re-employed Pensioners : Verify that the pay of Re-employed pensioners included in the pay bill agrees with the pay already fixed or validated by orders of Competent Authority and that any constant deductions ordered in the pay fixation are made.
- (xi) Rate of HRA claimed is appropriate according to the classification of duty station as indicated in Government letters amended from time to time. Relevant certificate for drawl of House Rent Allowance has been given in the bills.
- (xii) Special Pay: Wherever special pay is sanctioned for carrying out additional duties DO Pt II Order is to be looked into. The correctness of such special pay needs to be checked with reference to the sanction and its validity.

- (xiii) Fresh Appointments: All fresh appointments are supported with DO Pt. II, duly indicating the Date of Birth.
- (xiv) L.P.C. (Last Pay Certificate) :
 - a) In case of transfer out cases within the same audit area, Rates of pay and allowances and dates up to which last pay drawn etc., indicated in the LPC should as far as possible be verified with reference to the last pay bill.
 - b) All the Outstanding demands should be noted in personal certificate/LPC.
 - c) Check the rates in cases of those transferred from other audit area with the LPC received from the audit office or certificate furnished by the individuals duly countersigned by DDO. In the latter cases, the payments will be entered in provisional payment register to watch receipt of LPC from other CDA. A memo calling for LPC will also be sent to the concerned CDA. On receipt of LPC, the rates paid, demands recovered based on personal certificates will be verified with LPC so as to ensure that payment is made only beyond the date up to which the individual was last paid as shown in the LPC.
- (xv) Disciplinary Case : Ensure that pay of an individual was not paid in excess of entitlement or dues as determined/ordered by competent authority, penalty if any has been taken into account in this regard.
- (xvi) Suspension :
 - a) If the individual is under suspension, the subsistence allowance and other allowances due to him only are required to be paid. Watch for extension of sanction for payment of subsistence allowance, if period of suspension exceeds 6 months. Ensure that the competent authority passes orders regarding rate of subsistence allowance on expiry of 3 months period of suspension. Ensure that this rate is further reviewed by him periodically.

- b) DA during suspension period will be calculated on subsistence allowance i.e. on half pay or the actual pay in receipt of.
- c) HRA may however, be paid at the rates, which he was in receipt of at the time of suspension.
- d) Ensure that the claim is supported by a declaration of the Govt. servant that he is not engaging himself in any other employment/business profession on vacation during such period.
- e) After reinstatement of an individual under suspension, only such portion of pay as ordered by Competent Authority is to be paid after deducting subsistence allowance already paid for the period of suspension. If the individual is honorably acquitted, he will be eligible for full pay and allowances after deducting subsistence allowance already paid.

(xvii) Recoveries :

- a) The correctness of recoveries on account of funds, PLI premium, conveyance, HBA and computer advance, flood advance, Festival and Fan advance made in the bill are to be checked. Reconcile these recoveries with details/amounts shown in respective schedules attached with the pay bill and tally the total of recoveries under each category in the bill with the totals in schedules and enter them in demand register.
- b) Income Tax : Necessary checks are required to be carried out to ensure that income tax due from the Government Servant for the financial year is deducted proportionately every month.
- c) Fund Account No. : The correctness of Fund Account Nos. shown in fund schedules and PLI Policy No. shown in schedules are to be checked.
- d) Subscription of PF/NPS : It may be ensured that recoveries of subscriptions to GPF is not less than the minimum 6% of pay and not more than basic pay (plus GP). In case of bills pertaining to NPS employees, the employee's contribution

@10% of the Basic pay(Pay + GP) plus DA is recovered.

Further an equal matching Govt contribution is to be admitted.

(xviii) Bonus : Adhoc bonus is sanctioned to all central Government employees up to Group 'B' (Non Gazetted without pay limit) who are not governed under any other scheme of Bonus. It is to be Verified that Adhoc Bonus claimed is correct and within permissible limits as notified by Govt. of India for each year. EOL period should be taken into account to arrive at the entitlement. In case the individual is promoted to Gazetted cadre, proportionate Bonus is admissible.

(xix) Leave Salary :

- a) All Govt. servants shall be entitled to leave salary equal to the pay drawn immediately before proceeding on earned leave.
- b) During HPL, leave salary will be ½ of the amount mentioned above.
- c) During Leave not due, leave salary will also be ½ of the amount mentioned above.
- d) During EOL – No leave salary.

(xx) Demand Register : Recovery of demands are to be entered in the Demand Registers (DR) at the time of passing bills and review of Demand Registers is required to be carried out to ensure that all items in Demand Registers due for recovery have been recovered. To facilitate easy postings while comparing, note down in pay bill DR item No. and Page No. against each demand recovered in the pay bill.

(xxi) License Fee Bill :

- a) Ensure that all rent bill recoveries have been effected in the bill from the LF bills already filed in guard file. Link the recovery in the Rent Bill.
- b) On receipt of LF bills the same may be examined to see that all LF bills shown in the top list have been received. The LF bills will be posted in the Guard file maintained Lab/Estt wise. These guard files will form the demand register. A control No. should be allotted to each Guard file.

- c) As soon as monthly pay bills are received, ensure recovery of L.F. and allied charges in the pay bill as per LF bill and an endorsement to the effect that the "Recovered in the Pay Bill for the month of" is made in the LF Bill.
- d) Ensure that recoveries are compiled to respective code heads.
- e) If it is a Refund LF Bill, verify that the original LF bill quoted therein has been received and recovery made and then only refund may be admitted. After linking the original LF Bill with the refund LF Bill, refund LF bill attached to the claim may be cancelled and also the bill filed in the guard file with endorsement "Refunded through pay bill no. and date". Refunds made are to be compiled properly as minus receipts to appropriate code heads.

(xxii) CGEIS :

- a) It is to be ensured that recoveries on account C.G.E.G.I.S. are effected from all individuals at the appropriate rates as mentioned in Govt. order as amended from time to time.
- b) In the case of fresh appointment in a month, it may be ensured that insurance Fund only is admitted till the next anniversary of fund i.e. till December of the year and that regular subscriptions at prescribed rates are recovered accordingly i.e. from January of next year.
- c) In the case of promotion of an individual effecting change of group, it is to be ensured that enhanced subscriptions at prescribed rates are recovered accordingly w.e.f January next year

(xxiii) Date of Superannuation : Date of Birth shown against each name is to be verified in the pay bill to ensure that the pay & allowances in respect of individuals superannuating within next three months has been claimed separately through supplementary pay bill.

(xxiv) LPC Register

- a) The cases where LPC to be issued in respect of transfer outside the audit jurisdiction, are to be noted in the LPC outward register. It is to be ensured that necessary DIDS is raised in respect of the outstanding demands shown in the LPC only in respect of interest bearing advances.
- b) The LPC in respect of transfer in cases are to be called for from Labs/Estts concerned. Receipt of DIDS in respect of interest bearing advances will be watched and responded.

(xxv) Linking of bills : Link relevant previous bills in respect of arrears claimed and admitted or recoveries made.

(xxvi) Provisional Payment :

- a) The orders for provisional payment where necessary may be obtained from the CDA on request. These payments should be noted in Provisional Payment register. The Lab/Estts may be informed of the fact that payment is provisional and advice them to obtain requisite LPC from the concerned transferee audit officer.
- b) Last charge is to be linked while admitting pay and allowances and an endorsement to be made duly indicating DV No and Month of last charge.
- c) Remarks column of the bill is to be scrutinized for any special remarks and ensure that necessary adjustments arising from the entries are made.

7.5 Incentives for Scientific and Technical Personnel

(under the provision of Min. of Defence, Deptt. Of Defence Research and Development letter No. DHRD/85101/INCENTIVE/6th CPC/C/P/02/467/D(R&D) dated 6th March 2009)

7.5.1 Grant of variable increments on promotion based meritorious performance:
Scheme is applicable to DRDO personnel

Salient features of the scheme are as under :-

in respect of Defence Research Technical Cadre (DRTC) in DRDO		in respect of Defence Research and Development Service (DRDS) in DRDO	
(i) Scheme is effective from 1 st January,2009		Scheme is effective from 1 st January,2009	
(ii) Variable increments upto a maximum of three to be granted at the time of promotion to DRTC personnel.		Variable increments upto a maximum of six to be granted to deserving Scientist at the time of promotion.	
(iii) Variable increments are to be granted at the time of promotion only. Therefore, at entry level ie.Tech-'A' and STA-'B', variable increments are not to be granted.			
(iv) Value of one increment as prescribed is to be granted as follows:		Value of one increment is prescribed as per promotion grade subject to monetary ceiling of Rs.10,000/-.	
Promotion from lower grade pay to next higher grade pay	Value of one increment	Promotion from lower grade pay to next higher grade pay	Value of one increment
Rs. 1900 – 2400	Rs.300	Rs.5400 – 6600	Rs.760
Rs. 2400 – 2800	Rs.340	Rs. 6600 – 7600	Rs.900
Rs. 2800 – 4200	Rs.490	Rs. 7600 – 8700	Rs.1390
Rs. 4200 – 4600	Rs.560	Rs. 8700 – 8900	Rs.1460
Rs. 4600 - 4800	Rs.570	Rs. 8900 – 10000	Rs.1650
Rs. 4800 – 5400	Rs.630	Rs. 10000 – 12000	Rs.1920

Rs.5400 – 6600 Rs. 6600 – 7600	Rs.760 Rs.900	Rs. 12000 to HAG+	Rs.2270
(v) These increments will not count for any other purpose such as DA, HRA, transport allowance, pay fixation on promotion, pension, etc.	These increments will not count for any other purpose such as DA, HRA, transport allowance, pay fixation on promotion, pension, etc.		
(vi) These increments are specific to the grade of promotion and will be determined again by an assessment board at the next promotion, while earlier increment granted shall stand withdrawn.	These increments are specific to the grade of promotion and will be determined again by an assessment board at the next promotion, while earlier increment granted shall stand withdrawn. These increments are in addition to existing incentive of two increments in the grade of Sc-‘C’ to Sc-‘F’ and special pay of Rs.4000/- to Sc-‘G’.		
	Promotion from Sc-‘G’ to Sc-‘H’/Outstanding Scientist, a fixed amount of Rs.10,000/- per month to be awarded irrespective of the number of years of residency period.		
	Promotion from Sc-‘G’/ Sc-‘H’ to Distinguished Scientist, a fixed amount of Rs.10,000/- per month to be awarded to Distinguished Scientist.		
	Assessment Board/Peer Committee will decide the number of variable increments to be granted at the time of promotion. The number of increments so granted will not exceed six.		
Tapering off of the increments in case of non-promotion :	Tapering off of the increments in case of non-promotion :		
(i) for the first unsuccessful attempt, no	In case, a Scientist fails to qualify for		

increment will be withdrawn	promotion to the next higher grade, the variable increments granted based on past performance in the previous position will be withdrawn in a tapered manner for every unsuccessful assessment and the incentive increment will be brought down by one increment from the current level in accordance with residency period. The starting date/year for tapering of advance increments granted to a Scientist will be the completion of the residency period taken into account by the DRDS Assessment Board for promotion to the present grade.
(ii) for second unsuccessful attempt, one increment will be withdrawn.	
(iii) for third unsuccessful attempt, one increment will continue to remain withdrawn.	
(iv) for fourth and fifth unsuccessful attempts, the second (if awarded) increment will be withdrawn	
(v) for sixth unsuccessful attempt, all variable increments awarded will be withdrawn.	
Authority : DHRD/16342/6th CPC/DRTC/C/M/01 dated 31.08.2009	Authority : DHRD/16342/VI CPC/I/C/M/01 dated 20.04.2009

7.5.2 Variable Increment:

- (i) The necessary DO part II for the grant of variable increment upto a maximum of six increment, in terms of Min of Defence, letter No.DHRD/85101/incentive/6th CPC/C/P/02/4671/ D(R&D) dated 06th March 2009 is to be invariably enclosed to the pay bill.

- (ii) The value of variable increment will be subject to monetary ceiling of Rs 10000/- pm.
- (iii) The variable increments so granted is an incentive and hence not counted as pay for any purpose like DA, HRA, Tpt. Allowance, Pay Fixation, pension etc.

7.5.3 Special increments/pay to DRDO Scientist:

- (i) In terms of Min of Defence, letter no. DHRD/85101/incentive/VI CPC/C/P/01/3578/2008/D(R&D) dated 10th Oct 2008 two additional increments (@3% of total pay in the pay band plus corresponding grade pay) are to be granted in case of recruitees/promotes for Scientist in Pay Band 3 and Pay Band 4 upto grade pay of Rs 8900/-. The two additional increment shall not be treated as part of pay for any purpose and shall be computed at the time of entry in the grade; will remain constant during the entire period of residency in the grade and will be recomputed on promotion to the next grade.
- (ii) In case of Scientist in Pay Band 4 with grade pay of Rs. 10000/- special pay @ Rs 4000/- per month is to be given in terms of above mentioned letter. Further as per Min of Defence letter no. DHRD/85101/Incentives/VI-CPC/C/P/01/1376/2009/D (R &D) dated 13th May 2009 the special pay of Rs. 4000/- thus granted shall be counted for pension and pensionary benefits.

7.5.4 Professional Update Allowance:

- (i) In terms of Min of Defence, letter no. DHRD/85101/incentive/VI CPC/C/P/01/3578/2008/D(R&D) dated 10th Oct 2008 professional update allowance to Scientist in DRDO is to be admitted w.e.f. 01-09-2008 as under:
 - a) Scientist in PB-3 Upto grade pay 7600/- : Rs 10000/- per year
 - b) Scientist in PB-4 with grade pay 8700 : Rs 20000/- per year and Rs.8900/-
 - c) Scientist in PB-4 with grade pay 10000/- : Rs 30000/- per year HAG, HAG+ and Apex Scale

- (ii) The allowance will be paid in arrears along with the pay and allowances for the month of April of the subsequent financial year. The allowance is not subject to furnishing of any receipt of certificate.
- (iii) There will not be any proportionate reduction of this allowance for Scientist leaving or joining in between the financial year. The allowance is not admissible if the scientist is on EOL or under suspension throughout the financial year.
- (iv) The expenditure on this account will be booked under P&A head.

7.5.5 Flexible complementing Scheme:

- (i) In DRDO, there exists a system of promotion known as "Flexible Complementing Scheme" as the morale of the scientist has to be kept high in order to keep them motivated and to obviate drain of talent from Govt organizations involved in research and scientific activities.
- (ii) Under the Flexible Complementing Scheme promotion of an individual (Scientist or otherwise) from one grade to the next higher grade, post held by him shall stand upgraded automatically and is personal to him.
- (iii) Promotions under FCS shall be limited to posts carrying a grade pay of Rs.12,000/- or lower.

7.6 **Advance of Pay**

7.6.1 Head of office may sanction advance of pay to a permanent or temporary Govt. servant who is proceeding on transfer or on leave for more than a month.

7.6.2 Amount of Advance: The amount of advance that may be sanctioned to a Govt. servant shall not exceed:-

- (i) One month's pay which he is in receipt immediately before transfer, or one month's pay to which he will be entitled after transfer whichever is less: or
- (ii) Two months pay in the case of a Govt. servant in an office the headquarters of which is shifted as a result of Govt. Policy.
- (iii) The amount of an advance of pay granted to a Govt. servant shall be recovered in not more than three equal monthly installments in the case of an advance granted under clause (i) and not more than twenty four in the case of an advance granted under clause (ii) above.

- (iv) The recovery of the amount of advance under clause (i) or (ii) above shall commence from the month in which the govt. servant draws a full months pay or/and leave salary or/and subsistence allowance as the case may be, after joining his new appointment.

7.6.3 Advance not admissible in mutual transfer cases : No advance of pay shall be granted in respect of transfer mutually arranged by Govt. servants among themselves and approved by the appropriate authority.

7.6.4 Advance of pay may be taken at the new station : The advance pay as indicated above may be allowed to be drawn at the new station soon after the arrival of the Govt. servant there, on production of the Last Pay Certificate showing that no advance was drawn at the old station.

7.6.5 No advance of pay in case of temporary transfer : No advance of pay shall be granted in respect of temporary transfer for a period not exceeding 90 days.

7.6.6 The recovery of the advance of pay from the subsistence allowances drawn by a Govt. servant while under suspension will be made at such rates as deemed fit by the HOD.

7.7 Advance for the purchases of Motor Car/Motor Cycle/Scooter : The following audit checks are required to be exercised:

- (i) It is prepared on the Contingent bill (IAFA-115)
- (ii) The bill is pre-receipted and stamped.
- (iii) The competent authority countersigned it whose signatures are genuine as recorded in the register of specimen signature.
- (iv) Sanction for the drawl of advance (ink signed copy) accorded by the competent authority or by an officer to whom the powers have been delegated, has either been attached with the bill or the same has been forwarded under a separate memo.
- (v) A certificate to the effect that all the prescribed formalities, such as execution of the agreement/deed etc in the prescribed forms have been completed and these documents have been kept in the safe custody

7.8 Payment of Bills on account of House Building Advances : The following audit checks are required to be exercised:

- (i) It is preferred on IAFA – 115.
- (ii) It is countersigned by the competent authority whose signature is recorded in the Register of specimen signature.
- (iii) The bill is supported with:-
 - a) A copy of sanction (ink signed) accorded by the Head of the Deptt. for drawl of advance.
 - b) A certificate from the Head of the Dept., that all the prescribed formalities, such as execution of the agreement, mortgage deed, surety bond etc. in the prescribed forms have been completed and these documents have been in the safe custody.
 - c) Schedules in support of advance drawn showing the particulars of the individuals (i.e. name, designation, personal No. etc.) amount of advance being paid and No. of installment etc.
 - d) In addition to execution of mortgage/agreement, the surety of permanent official is necessary before releasing the sanctioned advance or any part thereof to officials who are not permanent or the officials due to retire from service within 18 months following the date of application for advance.

7.9 Claim for Children Education Allowance (CEA) : The claim is required to be examined to see that:

- (i) The original receipts, duly self certified by the Govt. employee have been enclosed.
- (ii) The total amount claimed under CEA does not exceed Rs 15000/- per child per year (the limit would automatically raised by 25% every time the DA goes up by 50%). For children with disabilities the annual ceiling will be double the rate i.e. Rs 30000/-
- (iii) The claim may be allowed up to 50% of the total amount in the first quarter and remaining amount in third and/or fourth quarter.
- (iv) Other details viz. period for which reimbursement is being claimed and name of the child etc. are required to be checked with the records maintained in the CEA register and it is admitted as per the rules.

7.10 Claim For Festival Advance : The claim is required to be scrutinized to see that :

- (i) It has been signed by the competent authority.
- (ii) The signature it bears is genuine and agrees with that recorded in the register of Specimen Signature.
- (iii) It is supported by the following Certificate:
 - a) That the person to whom the advance has been sanctioned was not granted such advance during the financial year previously.
 - b) That the advance has not been sanctioned to temporary staff who are not likely to continue in service for a period of at least 6 months beyond the month in which the advance has been drawn.
 - c) That the advance has been sanctioned in respect of the personnel who are on duty or on leave.
 - d) Personnel on leave preparatory to retirement are not eligible for festival advance.
 - e) That no advance is to be sanctioned to the personnel against whom some earlier advance outstanding.
- (iv) The personnel for whom the advance has been drawn are non-gazetted drawing grade pay not exceeding Rs 4800/-.
- (v) The amount of advance does not exceed Rs 3750/-(this limit will increase by 25% whenever DA rates exceeds more than 50%)
- (vi) Surety bond from permanent Govt. servant has been furnished in respect of Ty employee or a certificate to the effect that the requirement of surety bonds in respect of temporary individuals who have completed 3 years of continuous service and are likely to continue in service till the adjustment of the advance has been waived is furnished.
- (vii) The amount of advance is noted in the Demand Register while admitting the bill for payment.

7.11 General Provident fund Ty Adv./Withdrawal : Claim for Final Withdrawals/Ty advances from Provident Fund to be scrutinize :

- (i) See that the Bill is prepared on IAFA 115. It is pre-receipted and stamped where ever necessary. It is countersigned and supported by the original sanction, application for grant of withdrawal/advance, the latest CCO-9 and debit schedule.
- (ii) In case the individual is superannuating within 02 years the bill may be sent to the Fund Section of PCDA (R&D) duly verifying the subscriptions/recoveries made.
- (iii) Check the admissibility of claim as per GP Fund Rules, if necessary, to ensure that the purpose for which the advance has been sanctioned is covered under the GPF Rules.
- (iv) The amount of the advance sanctioned does not exceed the permissible limited under the rules.
- (v) Verify correctness of credit balances as shown in the claim with reference to latest statement of credit balanced attached to the claim and subsequent subscriptions/recoveries made in the pay bills. See that any withdrawals temporary or otherwise made subsequent to the period covered by the statement of credit balances have been deducted.

7.11.1 Temporary advances :

- (i) See that outstanding balances in old advances have been merged with the present advance (in the case of GPF only). The consolidated amount has been mentioned together with No. of installment not exceeding 36 for recovery in the sanction and the same is noted down in Demand Register.
- (ii) The debit schedules for the advance amount are scheduled invariably to the Fund Section of PCDA/CDA(R&D).

7.11.2 Final Withdrawal :

- (i) Availability of credit balance in P.F is required to be verified as mentioned above. Details of withdrawals are to be noted in Register of Final withdrawals. Debit Schedule will be forwarded to Fund Section of PCDA/CDA(R&D).

7.12 Encashment Of Leave

7.12.1 A central Government servant may be paid cash, equivalent of leave salary in respect of the earned leave period at his credit on the last day of service or in the event of death or resignation. The claim is to be scrutinize to see:

- (i) Sanction of the competent authority for encashment of leave is enclosed.
- (ii) The correctness of the earned leave at the credit of the individual is certified by LAO.
- (iii) To make an endorsement in the S.B. regarding the payment of cash equivalent, so as to guard against double payment.
- (iv) In case earned leave at credit of the individual falls short of 300 days, then encashment of HPL to the extent of shortage is admissible if it is held at his credit.
- (v) In case of resignation the encashment is restricted to only half of the earned leave at the credit of the individual subject maximum of 150. Encashment of HPL is not admissible in such cases.

7.12.2 Encashment of Leave: (during LTC) : Encashment of Earned Leave is also admissible to the extent of 10 days at the time of availing of LTC subject to the following conditions:

- (i) The total leaves so encashed during the entire career does not exceed 60 days to the aggregate.
- (ii) Balance of EL of at least 30 days is still available at the credit.
- (iii) The leave so encashed during LTC will not be deducted while computing the maximum admissible for encashment at the time of superannuation/leaving service.

7.13 Central Govt. Employees Group Insurance Scheme 1980.

7.13.1 The accumulated amount in the Saving Fund will be paid to the official on his/her cessation from Govt. Service. On the unfortunate event of death of any employee during service, the members of the family will be paid the insured sum and also the accumulations in savings fund. The claim is to be scrutinize to see:

- (i) Sanction of the competent authority is enclosed.

- (ii) The correctness of the CGEIS amount as per the table to be ensured.
- (iii) To make an endorsement in the S.B. regarding the payment of cash equivalent, so as to guard against double payment.

7.14 Reimbursement of Medical Claims :

7.14.1 Central Government Health Scheme (CGHS) Beneficiaries : Documents to be enclosed with the claim :

- (i) Checklist form medical 2004
- (ii) All original Cash Memos, Receipts
- (iii) Discharge Summary
- (iv) Prescription/referral Slips
- (v) Photocopy of CGHS Card
- (vi) Detailed list of all medicines, laboratory tests, investigations, number of doctor visits etc. with dates.
- (vii) Photocopies of claim papers and affidavit on stamp paper, in case original papers have been lost.
- (viii) Emergency certificate of the hospital (in case of treatment taken under emergent circumstances duly supported with sanction of the competent authority.
- (ix) Joint declaration is verified in case both husband and wife are Govt servants.
- (x) Time barred Sanction in case claim not submitted within stipulated time period.
- (xi) In case of in-patient / outpatient, copy of permission letter issued by the office based on the copy of reference of additional director/CMO i/c CGHS dispensary referring the beneficiary to CGHS recognized hospital.

7.14.2 During the audit of bills, the following points to be looked into in audit:

- (i) The bill/claim is prepared in the prescribed form.
- (ii) All the documents are enclosed with the claim.
- (iii) Prior permission for taking treatment/tests in CGHS recognized hospitals/labs to undergo treatment/tests has been obtained and attached.

- (iv) The claim is preferred within 03 months period from the date of discharge wherever advance is not drawn. In case advance is drawn, the claim is to be preferred within 01 month from the date of discharge.
- (v) Medicine prescribed for OPD treatment is not reimbursable under CGHS.
- (vi) Diet charges, inadmissible medicines are not to be admitted.
- (vii) Admissible amount is worked out with reference to the CGHS approved rates.

7.14.3 CS(MA) Beneficiary : Documents to be attached with the claim are :

- (i) Checklist form medical 97
- (ii) All original Cash Memo, Receipts
- (iii) Discharge Summary
- (iv) Prescription/referral Slips of AMA
- (v) Essentiality certificate A/B
- (vi) Permission from the office
- (vii) Detailed list of all medicines, laboratory tests, investigations, number of doctor visits etc. with dates.
- (viii) Photocopies of claim papers and affidavit on stamp paper, in case original papers have been lost.
- (ix) Emergency certificate of the hospital (in case of treatment taken under emergent circumstances together with the sanction of the competent authority.
- (x) Time bar Sanction if any
- (xi) Dependency certificate in respect of CS (MA) beneficiary.

7.14.3 The bill/claim is to be audited to see:

- (i) The bill/claim is prepared on the prescribed form and is countersigned.
- (ii) All the documents are enclosed with the claim.
- (iii) Prior permission for taking treatment/tests has been obtained and attached.

- (iv) The claim is preferred within 03 months period from the date of discharge.
- (v) The admissible amount should be worked out as per prescribed rate list.
- (vi) All original bills are certified with the treating physician with stamp.
- (vii) Essentiality Certificate is signed by the treating Doctor.
- (viii) Indoor treatment has not been obtained at AMA clinic / nursing home, and referred to Govt / Pvt. Recognized / referral hospital for further treatment.
- (ix) Treatment from AMA is not more than 10 days at a time. In case the treatment is expected to be prolonged beyond 10 days necessary reference to OPD of Govt / Recognized hospital by AMA is enclosed.
- (x) Whenever AMA beneficiaries undertake treatment from any hospital recognized under CGHS / State government, the reimbursement is to be restricted as per the rates fixed by the government under the CGHS Rules / CS(MA) Rules or actual expenditure incurred whichever is less.
- (xi) Inadmissible medicines are not admitted.
- (xii) Wherever tests / investigations are carried out privately on the advice of a government specialist, non availability certificate from the government hospital concerned should be attached.

7.14.4 In case of treatment under taken in emergency, the claims will be preferred to PCDA/CDA(R&D) along with statement of case and other enclosures duly recommended by the director of Lab/Estt. Such claims will be scrutinized as per the norms mentioned above and audit report rendered to DGR&D duly indicating the admissible amount. After receipt of ex-post facto sanction only, such claims are to be admitted in audit.

Note: Apart from the checks enumerated above, all other conditions governing the admissibility of medical expenses under CGHS/CS(MA) rules prescribed by GOI from time to time are invariably consulted before admitting the bills for payment.

7.15 Transportation section :

7.15.1 The transportation section is to make prompt payment of entitled travelling allowances to DRDO officers and staff and the service officers attached to various Labs/Estt.. The duties of the transportation section are:

- (i) To pay advances of travelling allowance admissible under rules and to watch their adjustment or to communicate them to the audit officer concerned for adjustment.
- (ii) To deal with the claims of travelling allowance in respect of service officers attached with DRDO labs/ Estt in case of temp duty.
- (iii) To audit Leave travel concession claims of DRDO officers and staff.
- (iv) To audit TA claims of DRDO personnel on retirement.

7.15.2 Traveling Allowance Rules – Impact of 6th Pay Commission : Consequent upon implementation of Sixth Pay Commission Recommendations vide Ministry of Finance O.M. No. 19030/3/2008-E.IV dated 23.09.2008 and subsequent letters issued by the Ministry, the entitlements of Government servants like Travel entitlements, Daily Allowance & Mileage Allowance, etc while on Tour have undergone change. The present entitlements are briefly as under:-

- (i) Travel Entitlements within the country

Grade Pay	Travel Entitlement
Rs. 10,000/- and those in the pay scale of HAG+	Business class/Club class by air/AC first class by train
Rs. 7600, Rs. 8700 and Rs. 8900	Economy class by Air/AC first class by train
Rs. 5400 and Rs. 6600	Economy class by Air/AC II tier by train
Rs. 4200, 4600 and 4800	AC II tier by train
Below Rs. 4,200	First class/AC III tier/AC chair car by train

- (ii) Daily Allowance

Grade Pay	Hotel Accommodation per day	Charges for travel with in the city	Food bill per day not exceeding
Rs. 10,000	Rs. 5,000	AC taxi charges upto	Rs. 500

and HAG +		50 Kms per diem	
Rs. 7,600, 8700 Rs. 8,900	Rs. 3,000	Non-AC taxi charges upto 50 Km per diem	Rs. 300
Rs. 5,400 to Rs. 6,600	Rs. 1,500	Taxi charges upto Rs.150 per day	Rs.200
Rs. 4,200, 4600 Rs. 4,800	Rs. 500	Up to Rs.100 per day	Rs. 150
Below Rs. 4200	Rs. 300	Up to Rs. 50 per day	Rs. 100

Note: All components of Daily Allowance on tour including transportation of personal effects have automatically increased by 25%, after the Dearness Allowance payable on the revised pay structure has gone up by 50%.

(iii) On Permanent Transfer/Retirement

Grade Pay	Composite Transfer Grant	By train/steamer	Rate per KM for transport by road (Rs. Per KM)	
			X & Y cities	Z Class cities
Rs. 7,600 & above and HAG +	Equal to 1 month Pay + Grade Pay + NPA	6,000 kg by train Or four wheel wagon Or 1 double container	Rs. 30/- (0.005 per kg per km)	Rs. 18/- (0.003 per kg per km)
Rs. 4200, 4600, 4800, 5400 and 6600	-- DO --	6,000 kg by train Or four wheel wagon Or 1 single container	-- DO --	-- DO --

Rs. 2,800/-	-- DO --	3,000 Kg	Rs. 15/- (0.005 per kg per km)	Rs. 9/- (0.003 per kg per km)
Below Rs. 2,800/-	-- DO --	1,500 Kg	Rs. 7.50 (0.005 per kg per km)	Rs. 4.60 (0.0031 per kg per km)

Note: The road mileage prescribed for 'X' and 'Y' class cities are admissible for transfer within 'X' and 'Y' class cities. The rates prescribed for 'Z' class cities are admissible for transfer within 'Z' class cities.

(iv) An employee has the option to claim the allowances under Sixth CPC rates or as per the old rates prevalent earlier as a complete package for a particular tour, which ever is claimed by the employee.

(v) Rates of Daily Allowance as per OM dated 17.04.1998

Pay range	Remote localities	B-1 class cities	A class cities	A-1 class cities
30,500 and above	135	170	210	260
15,000 and above but less than 30,500	120	150	185	230
12,500 and above but less than 15,000	105	130	160	200
8,000 and above but less than 12,500	90	110	135	170
Below Rs. 8,000	55	70	85	105

Note: The Government servants may choose to be governed either by orders, dated 23.09.2008 or 17.04.1998 in regard to Daily Allowance on tour.

7.15.3 Audit TA/DA/LTC Claims : Admissible on account of Temporary Duty, Permanent Transfer, Deputation for Training, Deputation Abroad.

7.15.4 Documents to be attached to TA/DA Claims

- (i) Pre-receipted TA/DA Claim on the Prescribed Form: IAFA-194
- (ii) Original Boarding Pass in case of Air Journey is required to be attached with the final claim.
- (iii) If any document/ticket is lost, lost certificate under Rule-43 of FR may be attached with the bills.
- (iv) Time bar sanction is to be looked into in case the bill is not submitted within the stipulated time.
- (v) Approval of the competent authority for Tatkal Sewa Journey, should be enclosed for the purpose of reimbursement of the Tatkal Charges.
- (vi) In case of journey performed through private Airlines sanction from Ministry of civil Aviation needs to be provided.
- (vii) In case of deputation-abroad, Detention Certificate of the Embassy, sanction for deputation abroad, Enforced halt certificates from Airlines (In case of enforced halt), document in support of incidental expenditure i.e. Taxi, Bus fare should be enclosed.
- (viii) Movement order authorizing the move on TA/DA.
- (ix) Copy of the tickets, food bills, hotel bills, Receipts for local journey performed to be attached.
- (x) Ink signed copy of the sanction from GOI in case of deputation abroad.

7.15.5 The bill/claim would be audited to see that:

- (i) Details viz. Name of the Claimant, Designation, GPF/NPS A/c No, Grade Pay, Laboratory/ Unit are mentioned.
- (ii) Ink signed Copy of Movement order is enclosed in case of TA/DA claims.
- (iii) DO Part II OO is enclosed in case of Permanent Transfer claims.
- (iv) Date of submission of bill is mentioned by the individual.
- (v) The bill is counter signed by the competent authority.
- (vi) Amount claimed is shown in Rupees in Figures as well as in words.
- (vii) Amalgamation of two or more tours should not be done.
- (viii) Hotel bills enclosed to the claim must bear Registration/License No.
- (ix) Reasons in support of cancelled tickets, are mentioned in the remarks column of TA/DA bills and a certificate duly mentioning the reasons

that led to cancellation of tour is enclosed and DO Part II cancelling the move is also to be looked into.

- (x) Air Tickets are purchased either direct from the Airlines or from the authorized travel agents viz. Ashoka tours & travels and Balmer Lawrie & company limited.
- (xi) Amount of Advance, wherever claimed for the purpose, is mentioned in the final claim.
- (xii) In case of deputation abroad, Advance taken from the embassy and from Controller's office is separately mentioned.
- (xiii) In case of frequent air travel in business class, ticket under Super Saver Scheme needs to be purchased well in advance.
- (xiv) Unspent balances are remitted through MRO immediately after completion of return journey. Otherwise levy of penal interest from the date of drawal of advance is to be ensured.
- (xv) TA/DA claims in respect of service officers employed in DRDO Projects are to be submitted to the concerned PCDA/CDA (R&D) for finalization.
- (xvi) In case of service officers, ration allowance as per existing rates is to be deducted wherever DA is claimed.
- (xvii) Non entitled employees may also perform journey on tour by Pvt airlines. However the claims will be restricted as per the entitlement of rail fare.
- (xviii) Wherever the amount admitted is less than the advance drawn, MRO is to be looked into. Otherwise debit memo is to be issued on the lab/Estt concerned for effecting recovery in the ensuing pay bill along with a copy endorsed to Pay section.

Note: Reimbursement of tatkal charges is admissible where the controlling authorities exercised the option of permitting the employee to go by "tatkal service" under unavoidable and extreme emergent circumstances in the interest of the state. (CGDA letter No:AT/IV/4026/AD-7 dated 5/9/2007)

7.15.6 Audit of Foreign Move claims : The following additional points will be seen:

- (i) Duration of deputation is as per the dates mentioned in the sanction and DA is admitted as per the rates indicated therein for the above

period as per prevailing official exchange rates notified from time to time.

- (ii) The journey is performed by shortest possible route.
- (iii) Wherever hotel bills paid by attaché includes breakfast, 10% have to be reduced from the DA entitlement.
- (iv) The final bill is submitted within the mandatory period of 30 days from the date of completion of return journey.

7.15.7 Demand Register : All advances of travelling allowances paid by PCDA/CsDA(R&D) or through cash assignment will have to be entered in the Demand register maintained in the T-section. On receipt and payment of adjustment claims, the relevant entries are to be linked and the demands are to be cleared under the dated initials of AAO. In case of non receipt of adjustment claims, concerned lab.estt have to be reminded and the entire advance to be recovered with penal interest. Advances of TA to individuals transferred to the payment of other audit controller will have to be communicated for adjustment through LPC. In such cases the entry in the demand register will be deleted by noting the no and date of LPC under which the demand was intimated under the dated initials of the AAO and its acknowledgement watched from the concerned pay office.

7.15.8 Leave Travel Concession (L.T.C.): Documents to be attached to LTC Claims:

- (i) Pre-receipted claim in the prescribed form: IAFA-194
- (ii) Original Boarding Pass in case of Air Journey.
- (iii) Original Rail/Sea/Bus journey tickets.
- (iv) If any document/ticket is lost, lost certificate under Rule-43 of FR may be attached with the bills.
- (v) Time bar sanction in case the bill is not submitted within the stipulated time period
- (vi) Daily order Part II for availing the LTC.

7.15.9 LTC claim will be audited to see that:

- (i) The Government servant has completed one year of continuous service on the date of the journey.
- (ii) The Block Year, Home town or Choice station is mentioned.

- (iii) Family particulars and Dependency certificate as per service record duly countersigned wherever applicable are attached with the Requisition/ Adjustment bill.
- (iv) Relationship of the members of the family and age is indicated.
- (v) Journey is completed by shortest route.
- (vi) The LTC is not admissible while availing Child Care Leave.
- (vii) The total amount is shown in words as well as in figures.
- (viii) The requisition is signed with date by the claimant and countersigned by the competent authority.
- (ix) The claim is submitted within one month from the date of completion of return journey. Otherwise entire advance is to be recovered with penal interest. If advance is not drawn, the claim is submitted within 3 months from the date of completion of journey.

TYPED VERSION

No.DHRD/85101/INCENTIVES/VI-CPC/C/P/01/3578/2008/D(R&D)

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE RESEARCH & DEVELOPMENT
NEW DELHI
10th Oct,2008

To,

The Director General Research & Development
Defence Research & Development Organization,
Ministry of Defence,
New Delhi.

Sub:- INCENTIVES FOR SCIENTISTS

Sir,

I am directed to refer to Ministry of Defence / Department of D(R&D) letter No. DRDO/85101-A/V-CPC/MPD/D(R&D) dated 03 Feb 1999 and amendment thereof and to state that the Government has accepted the recommendation of 6th CPC for continuation of the existing incentives to Scientists and passes Resolution vide Ministry of Finance gazette Notification No.1/1/2008-IC dated 29 Aug, 2008 (para 11 of page 32).

2. Accordingly, the following amendments are made to the letter under reference :-

- a) With effect from 1st Jan 2006
- i) Special pay of Rs. 4000/- per month to scientists in Pay Band 4 (Rs 37400-67000) with Grade Pay of Rs.10000/- per month after peer review.
- ii) Two additional increment to Scientists (Recruitees/ Promotees) in the Pay Band – 3 (Rs.15600-39100) with Grade Pay of Rs. 6600 per month and Rs. 7600 per month and Pay Band 4 (Rs.37400-67000) with Grade Pay of Rs.8700/- per month and Rs.8900/- per month after their normal pay fixation. Each increment will be calculated @ 3% of the total of pay in the Pay Band and corresponding Grade Pay from the dated of entry into the relevant Grade for those recruited/ promoted after 01.01.2006 and from the date of opting for the revised pay scale in respect of those recruited/ promoted before 01.01.2006. The two additional increment shall not be treated as part of pay for any purpose and shall be computed on the pay

+ grade pay at the time of entry in the grade will remain constant during the entire period of residency in the grade and will be re-computed on promotion to the next grade.

b) With effect from 1st Sept ,2008 Professional Updated Allowance has been enhanced at the following rates : -

- | | |
|--|------------------|
| (i) Scientists in PB-3 (15600-39100) with Grade Pay of Rs.5400, Rs.6600 and Rs.7600 | Rs.10,000/- p.a. |
| (ii) Scientists in PB-4 (37400-67000) with Grade Pay of Rs.8700 and Rs.8900 | Rs.20,000/- p.a. |
| (iii) Scientists in PB-4 (37400-67000) with Grade Pay of Rs.10000 and Rs.12000 HAG + Scale (Rs.75500 – 80000) and Apex Scale (Rs.80000-Fixed) | Rs.30,000/- p.a. |

3. The expenditure involved will be debited to Major Head 2080 Minor Head 102 of Defence Services Estimates.

4. This issues with concurrence of Ministry of Defence (Fin/R&D) vide their ID No. 3580/ Addl FA(R&D) & Joint Secretary dated 8th Oct, 2008.

Yours faithfully,

Sd/-
(SK Deb)

Under Secretary to the Government of India

Copy to :-

The Secretary
Deptt of Expenditure
Ministry of Finance

The Secretary
Ministry of Personnel
Public Grievance & Pension

The CGDA, New Delhi, The DADS, New Delhi, The CDA(R&D), New Delhi;
JCDA(R&D) Banglore, JCDA(R&D) Pune, JCDA(R&D) Hyderabad;
JCDA(R&D) Dehradun

The Account Officer(R&D) Chandigarh, The Account
Officer(R&D),Vishakapatman
DFA(R&D), Min of Def/D(R&D), Min Of Def FA (R&D) New Delhi

No.DHRD/85101/INCENTIVE/6th CPC/C/P/02/467/D(R&D)
Government of India, Ministry of Defence
Deptt of Defence Research & Development
New Delhi, the 6th Mar 2009

To,

The Director General Research & Development
Defence Research & Development Organization,
Ministry of Defence, New Delhi

Sub:- IMPLEMENTANTION OF RECOMMENDATION OF 6TH CENTRAL PAY COMMISSION – INCENTIVES FOR SCIENTIFIC AND TECHNICAL PERSONNEL – GRANT OF VARIABLE INCREMENTS ON PROMOTION BASED ON MERITORIOUS PERFORMANCE IN RESPECT OF SCIENTISTS OF DEFENCE RESEARCH AND DEVELOPMENT SERVICE (DRDS) IN DRDO

Sir,

In pursuance of Ministry of Finance Ministry of Finance (implementation Cell's) OM No.7.50/1/2009-IC dated 19.01.09, I am directed to convey the approval of the President to introduce a scheme for grant of incentives in the form of variable increments to deserving Scientists at the time of promotion under the Merit Promotion Scheme in recognition of merit.

- (a) Variable increments up to a maximum of six increments will be granted to deserving Scientists at the time of promotion under the Merit Promotion Scheme in recognition of their merit.
- (b) The value of one increment at the time of promotion from a lower grade pay to the next higher grade pay is indicated at Annex – 1 to this letter.
- (c) The incentive in the form of Variable Increments will be granted to deserving Scientists at the time of promotion. The value of incentive will be derived in each case by multiplying the number of variable Increments decided to be granted to the Scientist by the value of the increment as indicated in Annex – 1.
- (d) Value of variable Increments so granted to Scientists will be subject to a monetary ceiling of Rs. 10,000/-.
- (e) After taking into account the performance/merit of the candidate, the concerned Assessment Board/Peer Committee will decide the number of increments so granted will not exceed six.
- (f) The value of variable Increments so granted to Scientists is an incentive in recognition of merit and hence will not be counted as pay for

any purpose like DA, HRA, Transport Allowance, Pay fixation on promotion, Pension etc.

(g) The variable Increments so awarded to Scientists will be specific to the grade of promotion and when the Scientists are considered for next promotion, the concerned Assessment Board/Peer Committee for that grade would once again determine the quantum of variable increments based on meritorious performance, while the earlier increments granted will stand withdrawn.

(h) In case, a Scientist fails to qualify for promotion to the next higher grade the variable increments granted to him/her will be withdrawn in a tapered manner. For received the call letter for assessment or not, the incentive will be brought down by one increment from the current level.

2. The above scheme of variable increments to Scientists will be effective from 01 Jan 2009.

3. Scientists who were promoted prior to 01 Jan 2009 will be granted variable increments in the same manner as stipulated above based on the results of their last review.

4. The norms for award of variable increments will be decided by the Department and necessary administrative orders regarding implementation of the scheme will be issued separately.

5. This issues with the concurrence of Ministry of Fin/ Deptt of Expenditure vide their note No.7.05/1/2009-IC dated 19 Jan 2009 and Ministry of Defence (Fin/R&D) vide their ID No. 553/ Addl FA (R&D) & JS/2009 dated 6th Mar, 2009.

Yours faithfully,

Sd/-
(SK Deb)

Under Secretary to the Government of India

Copy to :-

The Secretary
Deptt of Expenditure
Ministry of Finance

The Secretary
Ministry of Personnel
Public Grievances & Pension

The CGDA, New Delhi, The DADS, New Delhi,
The CDA(R&D), New Delhi; JCDA(R&D) Bangalore
JCDA(R&D) Pune, JCDA(R&D) Hyderabad;
JCDA(R&D) Dehradun, The Account Officer(R&D) Balasore
The Account Officer(R&D) Chandigarh, The Account Officer(R&D),Vishakapatman
DFA(R&D), Min of Def/D(R&D), Min Of Def FA (R&D) New Delhi,R&D HQrs- DHRD,
DOP,DFA(R&D),SO to SA to RM, CCs R&D

Copy Signed in link to :

CGDA, New Delhi, PCDA(R&D), New Delhi

No.DHRD/16342/VI CPC/1/C/M/01
Ministry of Defence
Defence Res & Dev Organization
Dte of Human Resource
Development
'B' Wing , DRDO Bhawan
Rajaji Marg, New Delhi 110105
20 Apr 2009

To

The Director

(All Labs/ Estts)

Sub : IMPLEMENTATION OF RECOMMENDATION OF 6TH CENTRAL PAY COMMISSION – INCENTIVES FOR SCIENTIFIC AND TECHNICAL PERSONNEL – GRANT OF VARIABLE INCREMENTS ON PROMOTION BASED ON MERITORIOUS PERFORMANCE IN RESPECT OF SCIENTISTS OF DEFENCE RESEARCH AND DEVELOPMENT SERVICE (DRDS) IN DRDO

Sir,

Govt. of India has accepted the suggestion from Departments of Space, Atomic Energy and Defence Research & Development Organization (DRDO) for granting Variable Increments to really deserving Scientists at the time of promotion, Accordingly details regarding implementation of the scheme for grant of variable increments was issued vide Ministry of Finance, Deptt of Expenditure letter No. 7.05/1/2009-IC dated 19 Jan 2009 (copy enclosed Appendix 'A'). In pursuance of this letter Govt. of India letter for implementing the incentive scheme in the form of variable increments to deserving Scientists has been issued vide DHRD letter No.DHRD/85101/Incentive/6th CPC/C/P/02/467/D(R&D) dated 6th Mar 2009 (copy enclosed Appendix 'B'). Govt. letter for DRDC is under issue in consultation with Ministry of Finance /Deptt of Expenditure.

2. The salient features of the scheme are as under :-

- (a) Variable increments up to a maximum of six increments will be granted to deserving Scientists at the time of promotion.
- (b) Variable increments up to a maximum of three to be granted to supporting and technical staff.
- (c) The value of one increment is prescribed as per the promotion grade.
- (d) Monetary ceiling is Rs.10,000/-

- (e) These increments are in addition to existing incentive of two increments in the grade of Sc 'C' to Sc 'F' and special pay of Rs.4000 to Sc 'G'
- (f) These increments will not count for any other purpose.
- (g) These increments are specific to the grade of promotion and will be determined again at the next promotion.
- (h) Failure to qualify for promotion for next higher grade will result in withdrawal of increments in a tapered manner.
- (i) The scheme is effective from 1st Jan 2009.
- (k) DRDS and DRTC personnel promoted prior to 1st Jan 2009 to be awarded the variable increments based on their last review.

3. As per the above letters, the norms for award of variable increments is to be decided by the Deptts. A committee was constituted by SA to RM, Secretary, Deptt. of Defence R&D & DG R&D under the Chairmanship of Dr. KV Raghavan, FNAE to evolve the norms. The constitution of the Committee is given in Appendix 'C'. The Committee has submitted the report.

4. After careful consideration of the recommendation of the Committee in consultation with the Distinguished Scientists & Chief Controllers R&D, SA to RM Secretary , Deptt. Of Defence R&D & DG R&D has decided the norms to be followed fro award of variable Increments as explained in the succeeding paragraph.

5. Norms for award of variable Increments w.e.f. Assessment Year 2009.

The following are the norms for award of variable increments to Scientist at the time of promotion. These norms shall be effective from Assessments Year 2009:-

Table-I

For Promotions from Scientist 'B' to Scientist 'C' GP Rs.5400/- to GP Rs.6600/- Value of one Increment-Rs. 760/-		
Sl. No.	Residency	No. of Increments
1	3	6
2	4	4 or 5
3	5	3 or 4
4	6	2 or 3
5	7	1
6	≥8	Nil

Table-II

Promotions from Scientist 'C' to Scientist 'D' GP Rs. 6600/- to GP Rs. 7600/- Value of one Increment-Rs. 900/-		
Scientist 'D' to Scientist 'E' GP Rs. 7600/- to GP Rs. 8700/- Value of one Increment-Rs. 1390/-		
Scientist 'E' to Scientist 'F' GP Rs. 8700/- to GP Rs. 8900/- Value of one Increment-Rs. 1460/-		
Sl. No.	Residency	No. of Increments
1	3	6
2	4	5 or 6
3	5	4 or 5
4	6	3 or 4
5	7	2 or 3
6	8	1
7	>8	Nil

Table-III

Promotions from Scientist 'F' to Scientist 'G' GP Rs. 8900/- to GP Rs. 10000/- Value of one Increment-Rs. 1650/-		
Sl. No.	Residency	No. of Increments
1	4 or 5	5 or 6
2	6	4 or 5
3	7	3 or 4
4	8	2 or 3
5	9	1
6	≥10	Nil

Table-IV Promotion from Sc. 'G' to 'H'
For Assessment Years 2009 and 2010 – In view of transition from vacancy based promotion till Assessment Year 2008 to FCS promotion w.e.f. Assessment Year 2009.

Promotions from Scientist 'G' to Scientist 'H' GP Rs. 10000/- to GP Rs. 12000/- Value of one Increment-Rs. 1920/-		
Sl. No.	Residency	No. of Increments
1	3-4	5 or 6
2	6-7	4 or 5
3	≥8	3 or 4

Table-V Promotion from Sc 'G' to Sc 'H'
For Assessment Years 2011 Onwards.

Promotions from Scientist 'G' to Scientist 'H' GP Rs. 10000/- to GP Rs. 12000/- Value of one Increment-Rs. 1920/-		
Sl. No.	Residency	No. of Increments
1	3-4	6
2	5	4 or 5
3	6	3 or 4
4	7	2 or 3
5	8	1 or 2
6	9	1
7	≥10	Nil

6. Promotion to Distinguished Scientists - Distinguished Scientists are appointed by way of personal upgradation from Sc 'H'. The total posts of Sc 'H' & DS were limited to 29 posts till 2008. The limitation of vacancies has resulted in a few upgradation to DS. It is therefore, decided that a fixed amount of Rs.10000/- per month will be awarded to DS irrespective of when they have been given the personal upgradation.

7. Norms for award of Variable Increments to Existing Scientists.

The scheme of variable increments to Scientist will be effective from 1/1/2009. Those who were promoted prior to 1/1/2009 will be granted variable increments based on the results of their last review. The following are the norms for grant of variable increments recommended by the Committee and approved by DG R&D for those who were promoted prior to 1/1/2009:-

Table-VI

Promotions from Scientist 'B' to Scientist 'C' GP Rs. 5400/- to GP Rs. 6600/- Value of one Increment-Rs. 760/-		
Sl. No.	Residency	No. of Increments
1	3	6
2	4	5
3	5	4
4	6	3
5	7	1
6	≥8	Nil

Table-VII

Promotions from Scientist 'C' to Scientist 'D' GP Rs. 6600/- to GP Rs. 7600/- Value of one Increment-Rs. 900/- Scientist 'D' to Scientist 'E' GP Rs. 7600/- to GP Rs. 8700/- Value of one Increment-Rs. 1390/- Scientist 'E' to Scientist 'F' GP Rs. 8700/- to GP Rs. 8900/- Value of one Increment-Rs. 1460/-		
Sl. No.	Residency	No. of Increments
1	3 or 4	6
2	5	5
3	6	4
4	7	3
5	8	1
6	>8	Nil

Table-VIII

Promotions from Scientist 'F' to Scientist 'G' GP Rs. 8900/- to GP Rs. 10000/- Value of one Increment-Rs. 1650/-		
Sl. No.	Residency	No. of Increments
1	4 or 5	6
2	6	5
3	7	4
4	8	3
5	9	1
6	≥10	Nil

8. Scientist 'G' to Scientist 'H' GP Rs.10000/- to GP Rs.12000/- Value of one Increment –Rs. 1920/-. Till the Assessment Year 2008, promotion from Sc 'G' to Sc 'H' has been vacancy based. Because of this limitation, many Scientist 'G' could not be promoted for want of vacancies. It is , therefore, decided that from promotion from Sc 'G' to Sc 'H' / Outstanding Scientist, a fixed amount of Rs.10000/- per month to be awarded irrespective of the number of years of residency period.

9. Promotion from Sc 'G' /Sc 'H' to Distinguished Scientist-Distinguished Scientist are appointed by way of personal upgradation from Sc 'H'. The total posts of Sc 'H' & DS were limited to 29 posts till 2008. The limitation of vacancies has resulted in a few upgradation to DS. It is, therefore, decided that a fixed amount of Rs.10000/- per month will be awarded to DS.

10. Notwithstanding the above guidance, the Assessment Board/ Peer Committee may have been prerogative to grant additional Increment upto a maximum of six increments in case of very exceptional and highly meritorious performance of candidates irrespective of the number of years of residency undergone by him/her.

11. Tapering Off of the increments in case of non- promotion – In case, a Scientist fails to qualify for promotion to the next higher grade, the variable increments granted to him/her based on past performance in the previous position will be withdrawn in a tapered manner for every unsuccessful assessment and the incentive increment will be brought down by one increments from the current level in accordance with residency period. The starting date/ year for tapering of advance increments granted to a scientist will be the completion of the residency period taken into account by the DRDS Assessment Board for his /her promotion to the present grade. For e.g. a Scientist 'C' who was granted 4 advanced increments for promotion to the present grade based on completion of 5 years residency period, the increment tapering process will automatically commence from the beginning of 6th year of residency in the present grade if he/ she is not yet promoted to the next grade. The promotion order should clearly indicate the above provision.

12. Chairman, RAC has been requested to implement the above norms with reference to the current Assessment Year 2009 as well as assess the existing Scientist and make recommendations regarding the number of increments to be awarded to the Scientists at the time of promotion.

13. It is requested that the above information may be disseminated to all DRDS Scientists.

14. This has the approval of SA to RM, Secretary, Deptt. of Def R&D &DGR&D.

Sd/-
(Dr W Selvamurthy)
CC R&D (LS &HR) &DS

Encl: As stated.

TYPED VERSION

No.DHRD/16432/6th CPC/DRTC/C/M/01
Government of India
Ministry of Defence
Defence Res & Dev Organization
Dte of Human Resource Development
'B' Wing, DRDO Bhawan
Rajaji Marg, New Delhi-11105
31 August 2009

To

The Director
(All Labs/Estts)

SUB: IMPLEMENTATION OF RECOMMENDATIONS OF 6TH CENTRAL PAY COMMISSION – INCENTIVES FOR SCIENTIFIC AND TECHNICAL PERSONNEL – GRANT OF VARIABLE INCREMENTS ON PROMOTION BASED ON MERITORIOUS PERFORMANCE IN RESPECT OF DEFENCE RESEARCH TECHNICAL CADRE (DRTC) in DRDO.

Govt. of India has accepted the suggestion from Departments of Space, Atomic Energy and Defence Research & Development Organization (DRDO) for granting variable increments to Scientific & Technical personnel at the time of promotion. Accordingly, details regarding implementation of the scheme for grant of variable increments was issued vide Ministry of Finance, Deptt of Expenditure letter No.7.50/1/2009-IC dated 19th Jan, 2009 (copy enclosed Appendix 'A').

2. The value of one increment given in Annexure-1 of the letter begins with promotion from grade pay of Rs.5400 to Rs.6600. Since DRTC personnel are in Pay Band-1 and Pay Band-2, case was taken up with Finance Ministry for variable increment to all levels of DRTC. Government of India letter for implementing the incentive scheme in the form of variable increments to DRTC personnel in DRDO at the time of promotion under the merit promotion scheme has now been issued vide Govt. of India letter No.DHRD/16432/6th CPC/DRTC/incentives/C/P/04/2652/D(R&D) dated 25 August, 2009. The value of variable increments to be granted to DRTC personnel in PB-1 and PB-2 is provisional and subject to review by the Government (copy enclosed Appendix 'B').

3. The salient features of the scheme are as under:-
- (a) Variable increments up to a maximum of three to be granted at the time of promotion to DRTC personnel.
 - (b) The variable increments are to be granted at the time of promotion only. Therefore, at entry level i.e. Technician 'A' and STA 'B' variable increments are not granted.
 - (c) The value of one increment is prescribed as per the promotion grade.
 - (d) These increments will not count for any other purpose such DA, HRA, Transport Allowance, Pay fixation on Promotion, pension etc.
 - (e) These increments are specific to the grade of promotion and will be determined again at the next promotion while the earlier increment granted shall stand withdrawn.
 - (f) The scheme is effective from 1st Jan 2009.
 - (g) DRTC personnel promoted prior to 1st Jan 2009 are to be awarded the variable increments based on their previous assessment.

4. As per the Government letter quoted in para 1 and para 2, the norms for award of variable increments are to be decided by the Deptts. A Committee was constituted by SA to RM, Secretary, Deptt of Defence R&D & DG R&D under the Chairmanship of Dr. K V Raghavan, FNAE to evolve the norms. The constitution of the Committee is given in Appendix 'C'.

5. After careful consideration of the recommendations of the Committee in consultation with the Distinguished Scientists & Chief controllers R&D, SA to RM, Secretary, Deptt of Defence R&D & DG R&D has decided the norms to be followed for award of variable increments as explained in the succeeding paragraph.

6. Norms for Award of Variable Increment

- (a) Technician 'B' in PB-1 (5200-20200), GP of Rs. 2400 (On promotion from Technician 'A' PB-1, GP of Rs.1900).
- (b) Technician 'C' in PB-1 (5200-20200), GP of Rs.2800 (On promotion from Technician 'B' PB-1, GP of Rs.2400).
- (c) Technical Assistant 'B' in PB-2 (9300-34800), GP of Rs.4200 (On promotion from Technician 'C' PB-1, GP of Rs.2800).
- (d) Technical Assistant 'C' in PB-2 (9300-34800), GP of Rs.4600 (On promotion from Technical Assistant 'B' PB-2, GP of Rs.4200).

- (e) Technical Officer in PB-2 (9300-34800), GP of Rs.4800 (On promotion from Technical Assistant 'C' PB-2, GP of Rs.4600).

Sl.No.	Residency Period	No. of Variable Increments
1.	5 or 6 Years	3
2.	7 or 8 Years	2
3.	9 or 10 Years	1
4.	≥ 11 Years	Nil

7. (a) Sr. Technical Assistant 'C' in PB-2 (9300-34800), GP of Rs.4600 (On promotion from Sr. Technical Assistant 'B' PB-2 GP of Rs.4200).
- (b) Technical Officer 'A' in PB-2 (9300-34800), GP of Rs.4800 (On promotion from Sr. Technical Assistant 'C' PB-2 GP of Rs.4600).
- (c) Technical Officer 'B' in PB-3 (15600-39100), GP Rs.5400 (On promotion from Technical Officer 'A' in PB-2, GP of Rs.4800 and from Technical Officer in PB-2, GP of Rs.4800)
- (d) Technical Officer 'C' in PB-3 (15600-39100), GP Rs.6600 (On promotion from Technical Officer 'B' in PB-2, GP of Rs.5400).

Sl.No.	Residency Period	No. of Variable Increments
1.	5 or 6 Years	3
2.	7 or 8 Years	2
3.	9 or 10 Years	1
4.	≥ 11 Years	Nil

8. Technical Officer 'D' in PB-3 (15600-39100), GP Rs.7600 (On promotion from Technical Officer 'C' in PB-3 (15600-39100), GP of Rs.6600).

Sl.No.	Residency Period	No. of Variable Increments
1.	5 or 6 Years	3
2.	7 or 8 Years	2
3.	9 or 10 Years	1
4.	≥ 11 Years	Nil

9. Norms for tapering off of the variable increments in case of Non-promotion

In case, a DRTC staff fails to qualify for promotion to the next higher grade, the variable increments granted to him/her will be withdrawn in a tapered manner as under:-

- (a) For the first unsuccessful attempt no increment will be withdrawn.
- (b) For second unsuccessful attempt one increment will be withdrawn.
- (c) For third unsuccessful attempt one increment will continue to remain withdrawn.
- (d) For fourth and fifth unsuccessful attempts, the second, (if awarded increment will be withdrawn.
- (e) For the sixth unsuccessful attempt all variable increments awarded will be withdrawn.

10 All Directors of Laboratories/Establishments are requested to accordingly grant the variable increments to all DRTC personnel except Technician 'A' and STA 'B' being entry level as per the above norms and make the payment with effect from 01st January 2009.

11. This has the approval of SA to RM, Secretary, Deptt of Def R&D & DG R&D.

Sd/-
(D W Selvamurthy)
CC R&D (LS & HR) & DS

Encl: As stated.

Copy to:-

The Chairman,
CEPTAM

No.7.50/1/2009-IC
Government of India

Ministry of Finance
Department of Expenditure
(Implementation Cell)

New Delhi, dated the January 19, 2009

OFFICE MEMORANDUM

Subject: Implementation of recommendations of 6th Central Pay Commission – Incentives for Scientific and Technical personnel – Grant of Variable Increments on promotion based on meritorious performance – regarding.

Para 11 of this Department's Resolution No.1/1/2008-IC dated 29.08.2008 indicated that the Government has accepted the suggestion from Departments of Space, Atomic Energy and Defence Research & Development Organization (DRDO) for granting Variable Increments to really deserving Scientists at the time of promotion and that the detail will be worked out in consultation with Ministry of Finance. Accordingly, the details regarding the implementation of the scheme for grant of Variable Increments to deserving Scientific and Technical personnel working in the three Departments for their meritorious performance have been worked out in consultation with these Departments. The President is now pleased introduce the scheme for grant of incentives in the form of variable increments to deserving Scientific and Technical personnel working in the Department of Space, Department of Atomic Energy and DRDO at the time of promotion under the Merit Promotion Scheme, as detailed below:-

- i. Variable increments up to a maximum of six increments will be granted to deserving Scientists/Engineers at the time of promotion under the Merit Promotion Scheme in recognition of their merit;
- ii. Variable increments up to a maximum of three increments will be granted to supporting Scientific and Technical staff;
- iii. The amount of one increment at the time of promotion from a grade pay to the next higher grade pay is indicated at Annex-I to this Office Memorandum;
- iv. The incentive in the form of Variable Increments will be granted to deserving Scientific and Technical personnel at the time of promotion. The value of the incentive will be derived in each case by multiplying the number of Variable Increments decided to be granted to the employee by the amount of the increment as indicated in Annex-I;
- v. Value of variable increments so granted to Scientific and Technical personnel will be subject to a monetary ceiling of Rs.10,000/- (Rupees ten thousand only);
- vi. After taking into account the performance/merit of the candidate, the concerned Review Committees will decide the number of variable increments to be granted at the time of promotion. The number of

- increments so granted will not exceeding six in the case of Scientists and or three in the case of Technical Staff;
- vii. The value of Variable Increments so granted to Scientific and Technical personnel is an incentive in recognition of merit and hence will not be counted as pay for any purpose like DA, HRA, Transport Allowance, Pay fixation on promotion, Pension etc.;
 - viii. The variable increments so awarded to Scientific and Technical personnel will be specific to the grade of promotion and when the personnel are considered for next promotion, the concerned Review Committee for that and would once again determine the quantum of variable increments based on meritorious performance, while the earlier increments granted will stand withdrawn; and
 - ix. In case an employee fails to qualify for promotion to the next higher grade, the variable increments granted to him will be withdrawn in a tapered manner.

2. The above scheme of variable increments to Scientific and Technical personnel will be effective from 1st January 2009.

3. Scientific and Technical personnel who were promoted prior to 1st January 2009 will be granted variable increments in the same manner as stipulated above based on the results of their last review.

4. The three Departments will work out detailed procedure for grant of Variable Increments for implementation.

Sd/-
(MADHULIKA P. SUKUL)
JOINT SECRETARY TO THE GOVERNMENT OF INDIA

To

The Secretary, Department of Space, Bangalore
The Secretary, Department of Atomic Energy, Mumbai
SA to RM & Secretary, Department of Defence Research Development,
New Delhi

No.DHRD/16342/6th CPC/DRTC/Incentives/C/P/04/2652/D(R&D)
Government of India, Ministry of Defence
Deptt. Of Defence Research and
Development
New Delhi, the 31 Aug 2009

To

The Director General Research and Development
Defence Research and Development Organisation

Ministry of Defence, New Delhi.

Subject : Implementation of Recommendations of 6th Central Pay Commission – Incentives for Scientific and Technical Personnel – Grant of Variable Increments on promotion based on meritorious performance in respect of Defence Research Technical Cadre (DRTC) in DRDO.

Sir,

In pursuance of Ministry of Finance, Department of Expenditure, (Implementation Cell's) OM No.7.50/1/2009-IC dated 19.01.09, I am directed to convey the approval of the President to introduce a scheme for grant of incentives in the form of variable increments to deserving technical personnel of Defence Research Technical Cadre (DRTC) in DRDO at the time of promotion under the Merit Promotion Scheme, as detailed below :-

- (a) Variable increments upto a maximum of three increments will be granted to deserving technical staff at the time of promotion under the Merit Promotion Scheme in recognition of their merit.
- (b) The value of one increment at the time of promotion from a lower grade pay to the next higher grade pay is indicated at Annexure-1 to this letter.
- (c) The incentive in the form of variable increments will be granted to deserving technical staff at the time of promotion. The value of incentive will be derived in each case by multiplying the number of variable increments decided to be granted to the technical staff by the value of the increment as indicated in Annexure-1.
- (d) After taking into account the performance/merit of the candidate, the concerned Assessment Board will decide the number of variable increments to be granted at the time of promotion as per the norms to be decided by the Department. The number of increments so granted will not exceed three.
- (e) The value of variable increments so granted to technical staff are an incentive in recognition of merit and hence will not be counted as pay for any purpose like DA, HRA, Transport Allowance, Pay fixation on promotion, Pension etc.
- (f) The variable increments so awarded to technical staff will be specific to the grade of promotion and when the technical staff are considered for next promotion, the concerned Assessment Board for that grade would once again determine the quantum of variable increments based on meritorious performance, while the earlier increments granted will stand withdrawn.

- (g) In case, a technical staff fails to qualify for promotion to the next higher grade, the variable increments granted to him/her will be brought down by one increment from the current level at the second unsuccessful review.
2. The above scheme of variable increments to technical staff will be effective from 01 Jan 2009.
3. Technical staff who were promoted prior to 01 Jan 2009 will be granted variable increments in the same manner as stipulated above based on the results of their last review.
4. The norms for award of variable increments will be decided by the Department and necessary administrative orders regarding implementation of the scheme will be issued separately.
5. The value of variable increments to be granted to DRTC personnel in PB-1 and PB-2 is provisional and subject to review by the Government.
6. This issues with the concurrence of IF(R&D) vide their ID No.2854/Addl.FA(R&D) & JS/2009 dated 20.08.2009.

Yours faithfully,

Sd/-
(SK Deb)

Under Secretary to the Government of India

Copy to :-

The Secretary
Deptt of Expenditure
Ministry of Finance

The Secretary
Ministry of Personnel
Public Grievance & Pension

The CGDA, New Delhi, The DADS, New Delhi,
The CDA(R&D), New Delhi; JCDA(R&D) Bangalore
JCDA(R&D) Pune, JCDA(R&D) Hyderabad;
JCDA(R&D) Dehradun, The Account Officer(R&D) Balasore
The Account Officer(R&D) Chandigarh, The Account Officer(R&D),Vishakapatman
DFA(R&D), Min of Def/D(R&D), Min Of Def FA (R&D) New Delhi,R&D HQrs- DHRD,
DOP,DFA(R&D),SO to SA to RM, CCs R&D

Copy Signed in link to :
CGDA, New Delhi, PCDA(R&D), New Delhi

Annexure-1

(Reference Para 1(b) of Govt. of India letter No.DHRD/16342/6th
CPC/DRTC/Incentives/C/P/04/2652/D(R&D) dated 31 Aug 2009

VALUE OF ONE INCREMENT UNDER THE INCENTIVE
SCHEME OF VARIABLE INCREMENTS

Promotion from lower grade pay to the next higher grade pay	Value of one increment (Rs)
From Rs.1900 to Rs.2400	300
From Rs.2400 to Rs.2800	340
From Rs.2800 to Rs.4200	490
From Rs.4200 to Rs.4600	560
From Rs.4600 to Rs.4800	570
From Rs.4800 to Rs.5400	630
From Rs.5400 to Rs.6600	760
From Rs.6600 to Rs.7600	900

Sd/-

(SK Deb)

Under Secretary to the Government of India

CHAPTER 8

FUND CELL

CONTENT	Para No.
General	8.1
Objectives	8.2
Accounting Procedure	8.3
Fund Processing	8.4
Withdrawal / Advance from GP Fund	8.5
Final Payment of GPF	8.6

8.1 **General** : Under the provisions of Rule 4 of the General Provident Fund (Central Services) Rules, all temporary Government servants after continuous service of one year, all re-employed pensioners (other than those eligible for admission to the contributory Provident Fund) and all permanent Govt. servants shall subscribe to the General Provident Fund. These Rules came into force w.e.f. 1.4.1960 and consequently almost all the Defence Services civilian personnel became subscribers to this fund w.e.f. that date. Under the provisions of Rule 8 of the said rules, the amount of amount of the subscription shall be fixed by the subscriber himself. It shall be expressed in whole rupees and the amount shall not be less than 6% of the subscriber's basic pay.

8.2 **Objectives** : Fund cell of PCDA (R&D) is responsible for maintenance/audit of Provident Fund Accounts and connected items of work in respect of Defence civilians of DRDO.

8.2.1 The objectives of Fund Cell are:

- (i) Maintenance of Provident Fund Accounts & timely issue of Annual GPF Account statements (CCO-9) to the subscribers.
- (ii) Expeditious Payment of claims on account of advances/withdrawals out of GPF.
- (iii) Timely settlement of Final settlement claims of GP Fund Accounts in respect of retiring employees of DRDO.

8.3 Accounting Procedure of GPF Subscriptions

8.3.1 The procedure for admission and accounting of the subscriptions from the day an individual becomes an eligible subscriber is as follows:

- (i) Admissions to Provident Fund are made on the basis of application in the prescribed form from the concerned subscribers received in the office of PCDA (R&D) through concerned Pay Audit office having verified the details of the intended subscriber.
- (ii) The individual simultaneously makes a nomination on the prescribed format.
- (iii) The applicants are then allotted 'Account Number' by PCDA (R&D), New Delhi.
- (iv) Monthly recoveries of subscriptions are affected from the monthly Pay Bills. Schedules of recoveries, known as Credit Schedules, received along with the pay bills are checked by the Accounts Office/Audit section with reference to the total amount compiled to GPFund and scheduled to the PCDA(R&D), New Delhi.
- (v) Fund subscribers may withdraw either temporarily or permanently, money from their accumulation as per GPF Rules. Schedules of payments, known as Debit Schedules, are scheduled to the Fund Section of PCDA(R&D). In the case of temporary withdrawals, the withdrawal is treated as loan and the amount is to be recovered through Pay Bill and reflected under the column 'Refunds' of the Credit Schedules.
- (vi) The manual group of the Fund section verifies that the total amount of the schedules agrees with the compilation and takes up discrepancies with the Accounts Office before accepting them for posting in the individual's account.
- (vii) Interest as admissible in the accumulations at the end of the financial year is calculated at the time of preparation of accounts and incorporated in the statement of accounts.

8.4 **Fund Processing** : Processing of Fund Schedules is a very important item of work and proper maintenance of Fund Accounts largely depends upon maintaining a

high level of efficiency and exercising utmost vigilance in the Receipt, Control and Batch Making of Fund Schedules. The manual group of Fund Cell is responsible for

- (a) Reconciliation of GPF Schedules amount with/and Compiled Actuals (monthly) and calling for wanting schedules.
- (b) Schedules are batched, page numbered, duly mentioning the unit code on schedule for data entry and the data entered in the Schedule Control Register (SCR).
- (c) Checking of Edit list and sending amendments on correction formats to the EDP.
- (d) Checking of Updation and
- (e) Checking of Reviews/Super Reviews conducted by EDP (Quarterly /half yearly basis).

8.5 Claim for withdrawal/advance GP Fund

8.5.1 Documents to be attached with the bill:

- (i) Bill/claim prepared on IAFA-115.
- (ii) Sanction of the Competent Authority.
- (iii) Application of the individual on the prescribed format, duly credit verified by the concerned audit section.
- (iv) Statement of withdrawal/advances taken during the last 24 months.
- (v) Latest GPF statement in original.

8.5.2 Audit of Bill/Claim: The following checks with reference to the personal file of the subscriber are required to be exercised to ensure that:

- (i) The bill/claim is prepared on IAFA –115, duly pre-receipted & stamped.
- (ii) The bill/claim is complete i.e. all particular viz. name, A/c no. etc. has been mentioned.
- (iii) Check that the individual is due to retire from service within a period of next 24 months with reference to Date of Birth.
- (iv) The bill is countersigned by the competent authority.
- (v) The amount claimed is correct with reference to the sanction.
- (vi) The purpose for which advance from the GP Fund has been applied for and sanctioned is covered under the existing rules of GPF (DS) Rules – 1960.

- (vii) The amount of advance sanctioned is within the limits prescribed in GPF (DS) Rules – 1960.
- (viii) Credit balance has been worked out correctly and is sufficient to meet the amount of advance applied for by the subscriber.
- (ix) In case of Ty. Advance claim check that the Number & rate of installment has been correctly worked out as permissible under GPF (DS) Rules –1960.
- (x) Sanction has been accorded by the competent authority.
- (xi) Make an endorsement on the ledger card of the subscriber regarding the amount of withdrawal / advance paid and the month of payment as well as in the Withdrawal /Advance register.

8.6 Final Payment/Settlement of GPFund Account

8.6.1 The documents to be attached with the final settlement:

- (i) Bill/claim is prepared on IAFA-115.
- (ii) Statement of withdrawal/advances taken during the last 24 months.
- (iii) Latest GPF statement in original.
- (iv) Statement of last 12 months recoveries, duly quoting the DV Nos by the Account Office/Audit section concerned.
- (v) The application for final settlement of fund on the prescribed Performa.

8.6.2 Audit /Checks on Final Settlement papers: The following checks with reference to the personal file of the subscriber are required to be exercised to ensure that:

- (i) The Final Settlement Papers has been received through concerned Account Office/Audit section.
- (ii) The name and Fund Account number of the subscriber agrees with that mentioned in Final Settlement Papers/Ledger Cards.
- (iii) The application for final settlement of fund is on the prescribed Performa and it is complete in all respect and duly verified by concerned Account Office/Audit section.
- (iv) The claim is pre-receipted and countersigned by the competent authority.

- (v) Scrutinize the ledger cards to ensure that there is no superfluous credit/debit and all subscription/recoveries are posted in the ledger. Adjustment, if any, as a result of review of ledger account is to be accounted for.
- (vi) The interest at the prescribed rates from time to time will be calculated. Interest on F/S account will be allowed up to the end of the month preceding that in which payment is made or up to the 6th of the month in which such payment, become payable whichever is earlier.
- (vii) An endorsement regarding finalization of the account will be made on the latest Broad Sheet/Ledger Card duly authenticated by AAO/AO.
- (viii) In death cases the following points are also to be checked:
 - (a) The name of the claimant tallies with the nominee /alternate nominee as per nomination.
 - (b) The amount of D.L.I.S. is correctly calculated and booked to the D.L.I.S. Head separately.

Chapter 9

Local Audit Office (R&D)

CONTENT	Para No.
General Duties & Responsibility	9.1
Agencies to conduct Local Audit	9.2
Duties and responsibilities of LAO (R&D)	9.3
Review of orders and sanctions by LAO	9.4
Duties of Assistant Local Audit Officers and Local Audit Staff	9.5
Discretions Vested in LAO in Carrying Out Local Audit Duties and Programme of Work	9.6
Frequency of local audit	9.7
Programme of local audit	9.8
List of Auditable documents/Accounts and registers to be audited	9.9
Financial advice	9.10
Local audit completion report	9.11
Important Financial Irregularities	9.12
Higher Audit & Performance Audit	9.13
General principles	9.14
Scope Of Local Audit	9.15
Central Purchase Vouchers	9.16
Types of vouchers	9.17
Audit of Service Books	9.18
Technical Information Centre	9.19
MI Room	9.20
Creche	9.21
Wet Canteen	9.22
Mechanical Transport	9.23
Telephones	9.24
Check Rolls	9.25

Material Gate Pass Register	9.26
Audit Of Railway Warrants	9.27
Audit Of Form D (IAFT 1709A)	9.28
Audit Of Concession Vouchers (IAFT-1729A)	9.29
Audit Of MC Notes	9.30
Clothing Cards	9.31
Ration Returns & Ration Accounts	9.32
Postage Account	9.33
Security	9.34
Estate Management Unit	9.35
Subsidiary Land Register	9.36
Disposal Of Condemned Items	9.37
Audit Of Financial Accounts Maintained By R & D Labs/Estt in respect of Projects	9.38
Cash Inspection By LAO	9.39

9.1 General Duties and Responsibilities of Local Audit Offices (R&D)

9.1.1 Internal check to be carried out by PCDA/CDA (R&D) on the Books of Accounts maintained by R&D Labs/Establishments/Units (L/E/U).

9.1.2 It is the duty of the PCDA/CDA (R&D) to conduct locally the internal check of the books of accounts, i.e., ledgers, returns, stock and due sheets, and/or such other records connected with the receipt and issue of stores, required to be prepared and maintained by the various R&D L/E/U as may be prescribed for the purpose in the various books of Regulations and other Government orders issued from time to time. In addition to the above checks the responsibility for the internal audit of financial accounts of the R&D projects undertaken by these Labs/Estts/Units which are maintained as per instructions contained in Appendix 'A' to Government of India, Ministry of Defence letter No. 87146/ RD-26/79/1/(R & D) dated 1st February, 1977 is also entrusted to the R&D Controllers. To achieve these objectives, Local Audit Offices (R&D) under the command and control of PCDA (R&D) New Delhi, CDA(R&D) Bangalore and CDA(R&D) Hyderabad have been placed at various

locations. This internal check is distinct from the statutory audit of these accounts and records conducted by the representatives of the Director of Audit, Defence Services (DADS).

9.2 Agencies by which local audit is conducted

9.2.1 The audit of store accounts is conducted locally by LAOs acting under the orders of the Pr.CDA/CDA (R&D) and the same is organised under two categories, viz.:

- a) Audit by the local audit staff: Local audit is normally carried out by a staff of Assistant Accounts Officer/Section Officer (Accounts) and Sr.Auditors/ Auditors/ clerks placed under a local audit officer. For this purpose LAOs (R&D) have been placed under the command and control of the PCDA/CDA (R&D) for the L/E/U under their audit jurisdiction.
- b) Review of local audit by an Indian Defence Accounts Service Officer:-In order to ensure that the local audit and inspection work done by the LAOs (R&D) and their staff has been carried out correctly, efficiently and intelligently super review by an IDAS officer is arranged by the concerned Principal Controller/Controller periodically as per the instructions & guidelines laid down in Appendix - II to Office Manual Part-I. Apart from checking the quality of internal audit work done by local audit offices, higher audit of the selected Labs/Establishments/Units will also be carried out with an intension to establish that the functional capabilities of these L/E/U are being utilized to the best interests of the Govt. and suggest scope for further improvements in the functional capabilities of these L/E/U.

9.3 Duties and responsibilities of LAO (R&D)

- a) The responsibility for the efficient conduct of internal audit of L/E/U of R&D organisation rests always with LAO (R&D). In addition to the specific duties the LAO is also expected to conduct an intelligent review of the audit work conducted by his staff and to apply surprise test checks periodically. The LAO will in all cases investigate the reasons for the non-linking of vouchers selected for test linking by the Local Audit staff. He must ensure that the non-linking of vouchers is not due to a

defect in the accounting system of the Lab/Establishment/Unit of whose audit has been conducted.

- b) During his periodical visits, LAO (R&D) will by personal inspection and supervision, satisfy himself that the ALAOs are carrying out their duties efficiently. He will examine the draft objection statements and see that they are correct and properly worded and will verify by test check that the corrections made in the accounts as a result of the objections raised have been properly carried out. He will take up all outstanding objections and points of a controversial nature which have been held over for his scrutiny and orders, and proceed with their settlement in personal consultation with the officer Incharge of the Lab/Establishment/Unit. He will also see that the settlement of objections more than three months old is not delayed by units and will, where necessary, report to higher authorities with a view to obtaining their assistance in settlement of objections for which action on the part of the concerned Lab/Estt/Unit is abnormally delayed. Where he finds that there are no prospects of objections being settled, he will report the matter to the concerned PCDA/CDA (R&D).

9.4 Review of orders and sanctions by LAO

- a) In order to keep himself updated with latest orders /sanctions issued by the Government of India and authorities subordinate to them, CGDA's letters and Principal Controller's/ Controller's office orders, etc., Local audit officers will examine all orders and sanctions affecting their work. For this purpose, they will hold monthly conferences (or at longer intervals where so authorized by Principal Controllers/Controllers) with their SO(A)/AAO, senior auditors and clerks. All important and doubtful points arising in the course of local audit will be discussed at these conferences. The results of the conferences will be recorded in a review register. All doubtful points connected with the interpretation or applicability of rules, instructions, etc., will be referred to the Principal Controller/Controller for orders.

- b) In order to ensure that the instructions issued by the L.A.Os have been correctly followed and carried out by their staff, a certain number of first issues, etc., covered by such orders will be reviewed by them at the time of inspection of these L/E/U.

9.5 Duties of Assistant Local Audit Officers and Local Audit Staff

9.5.1 The A.L.A.O and staff will perform, in the first instance; all the duties prescribed for the internal audit of the unit/labs as per laid down procedures/instructions issued from time to time. Original objection statements, re-audit remarks and correspondence of an important nature will be dealt with finally by the L.A.O. The A.L.A.O. will discuss all outstanding objections personally with the In-charge of Lab/Estt or with the officer if deputed by the latter. In order to facilitate the work of L.A.O. he will also discuss and settle normal objections where possible. He will bring to the notice of L.A.O. during his periodical visits all objections of importance noticed during the course of his duties.

9.5.2 The L.A.O. however, remains personally responsible for seeing that the accounts which are audited have been audited in strict compliance with the prescribed rule and orders.

9.6 Discretions Vested in LAO in Carrying Out Local Audit Duties and Programme of Work

9.6.1 In exercising certain test checks on the work of the local audit staff e.g., a test check of the verification of credits in store accounts, etc., the LAO is given discretion in the matter of the extent to which his check is to be applied, but the check exercised should be substantial.

9.6.2 He is expected to carry out such discretionary test checks intelligently and in accordance with the spirit of the orders.

9.6.3 The LAO is ordinarily expected to visit each unit/formation once every half yearly for the review of local audit work. To enable the LAO to devote more time to financial advice and to settling on the spot important local audit objections and points of controversial nature, he is allowed a certain amount of discretion in working out the half yearly programme. The exercise of this discretion is subject to the following conditions: -

- a) If, in order to settle important objections on the spot, it is necessary to extend the time originally allowed for the review the fact is required to be brought to the notice of the PCDA/CDA for confirmation of his action in extending the time.
- b) The LAO should always bear in mind the fact that the detailed instructions given in this manual represent the general principles on which audit is to be conducted. The LAO /ALAO (in the absence of LAO)) is expected to interpret the instructions intelligently.

9.7 Frequency of local audit

9.7.1 Accounts of the L/E/U in R&D organisation will be audited once in a half year. At each visit to a L/E/U, the L.A.O. or his staff will complete the audit up to and including the accounts for the month preceding the visit or to the end of the penultimate month, if the visit takes place early in the month.

9.8 Programme of local audit

9.8.1 A half yearly programme of local audit, etc., for each station in his area will be drawn up by the L.A.O. The programme will provide for the completion within that half year the audit due to be carried out in during this period. It will be submitted to the concerned PC.D.A.(R&D) /C.D.A.(R&D) for approval by the 20th of the fourth month of the preceding half year . The standard time in man-days as approved and notified by the C.G.D.A from time to time for each class of L/E/U represents the average period required for the local audit of the accounts of that unit, and should be adhered to by the L.A.O. in making out the programme. A separate programme for review of store accounts and inspection of cash accounts of units by the L.A.Os will be prepared and submitted to the PC.D.A./C.D.A. The review of the accounts of units and formations audited by local audit staff during the absence of L.A.O. from a station will also be included in this programme.

9.8.2 The L.A.Os will inform L/E/U concerned of their intending programmes of audit, review and inspection sufficiently in advance under intimation to the concerned Directorate of R&D Hqrs.

9.9 List of Auditable documents/Accounts and registers to be audited

9.9.1 To ensure that no accounts are omitted in audit a list of all auditable documents/ accounts and registers required to be maintained by each L/E/U in his

area which he has to audit will be made out by the L.A.O. and sent to the concerned PCDA/CDA(R&D) for approval. Any additions or alterations to this list at any stage after its approval will be carried out under the orders of the P CDA/CDA.

9.9.2 The list will be kept upto-date by the L.A.O. and will be handed over by him to his successor. At the time of his visit to a L/E/U, the L.A.O. will himself examine the list of ledgers, returns or other accounts, to be audited and see that each has been audited.

Note :To help the L.A.O. in preparing these lists, a standard list of auditable documents accounts, subsidiary documents and ancillary records generally maintained by the L/E/U in R&D organisation, which are required to be subjected to audit or examination is given in Annexure to this Chapter.

9.10 **Financial advice**

9.10.1 To enable the PCDA/CsDA(R&D) to bring to the notice of the higher authorities in R&D Hqrs unnecessary or avoidable expenditure of public money or holding of surplus stores and to indicate to those authorities the directions in which economies can be effected (vide Para 71 et seq., Defence Audit Code), the LAOs (R&D), during his review of audit, required to carry out an intelligent review of the pattern of consumption of stores and if they find that issues have been abnormal or that maximum quantities allowed have been drawn as a matter of course, they should enquire personally into the reasons for such issues and take up the matter with the concerned labs/units seeking full justification in this regard.

9.10.2 The LAOs will ascertain reasons for the transfer of large quantities of stores between one project to another. He should satisfy himself that the transfers were really necessary. He will bring to notice cases if he considers to be unnecessary expenditure of public money or stores, and he will point out ways and means of effecting economy. To assist him in this, he should study carefully the items of financial advice circulated by the C.G.D.A. from time to time, the reports of the Director of Audit, Defence Services on the Appropriation Accounts of the Defence Services.

9.10.3 Items of financial advice will not be included in objections statements. The L.A.O. will discuss these items with the in-charge of the L/E/U as considered necessary, and report them, together with the result of discussion to the PCDA/CDA

for such further action on them as he may consider necessary. The reference made to the PCDA/CDA on this account should be self-explanatory and contain all the relevant particulars so as to obviate the necessity for further correspondence with the LAO. Financial effect, where possible, should also be given.

9.10.4 A record of items of financial advice and higher audit points tendered to L/E/U and administrative authorities, and the result thereof will be kept by the LAO in a register to be maintained for the purpose. A report in respect of the items so included will be sent to the PCDA/CDA (Internal Audit Section) quarterly in Quarterly Activities Report, who will compile and submit the same to the CGDA.

9.11 Local audit completion report

9.11.1 The L.A.O. will submit to the PCDA/CDA a monthly completion report showing:

- a) The name(s) of the L/E/U (s) the accounts of which have been locally audited during the period under report.
- b) The dates of commencement and conclusion of local audit;
- c) The month's account locally audited;
- d) The dates of the dispatch of the objection statements; and
- e) The major financial and accounting irregularities;

In the case of units in which local audit is in progress and has not been concluded during the period under report, the words "in progress" will be entered against items (iii) to (v) above.

Note: The periodicity of the above report is left to the discretion of the Principal Controllers/ Controllers.

9.11.2 The L.A.O. will bring to the personal notice of the Principal Controller/Controller immediately by a special report, all cases in which:

- a) The prescribed accounts are non-existent or missing or have not been produced;
- b) The accounts maintained by a unit are in an unsatisfactory state; and
- c) The procedure adopted in maintaining the accounts is not in conformity with that authorized in rules or standing orders.

9.12 Important Financial Irregularities

9.12.1 Individual cases of serious irregularities detected in audit will be reported immediately to the PCDA/CDA in the manner laid down in Para 515 Defence Audit Code Volume II (Edition-1992).

9.12.2 Quarterly reports on Major Financial and Accounting Irregularities: The LAO will prepare and submit to the PCDA/CDA a quarterly report on the Major Financial and accounting irregularities (Report form: MFAI report) dealing with matters relating to L/E/U and formations located in his audit area, in the manner laid down in Para 523 et seq. Defence Audit Code Volume 11 (1992 Edition), and other instructions issued by the CGDA and/or the Controller from time to time:

9.12.3 Annual Audit Certificate: Every LAO will submit annually to the PCDA/CDA so as to reach his office by the dates specified each year, the AAC (Annual Audit Certificate) as laid down in paras 535 and 541 Defence Audit Code and any other orders that may be issued by the PCDA/CDA.

9.12.4 Appropriation Accounts: Each LAO (R&D) will maintain statistics in respect of losses of stores in a register of losses, [IAF (CDA) 341]. All losses which have actually been written off/regularized by the competent financial authority as prescribed in Department of Defence Research & Development letter No.DRDO/DBFA/FA/ 83226/M/01/2031/D (R&D) dated 30.07.2010 appearing in the accounts covered by audit will be noted by the local audit staff in this register. For this purpose, the register of losses maintained by L/E/U will also be consulted during local audit.

9.12.5 Similar statistics will also be maintained by each LAO for losses of cash in respect of cases coming within the purview of his audit in a register in [IAF (CDA) 182]. All losses of cash which have actually been written off/regularized by the competent financial authority as prescribed in Department of Defence Research & Development letter No.DRDO/DBFA/FA/83226/M/01/2031/D (R&D) dated 30.07.2010 will be noted in this register by the Local Audit Staff.

Note 1: Losses relating to surplus and obsolete stores will not find a place in this register.

Note 2: Where penal deductions have been ordered for recovery, the net amount of loss will be noted for exhibition in appropriation accounts.

9.12.6 In the case of store losses due to theft, fraud or neglect, and due to other causes, and in the case of cash losses due to theft, fraud or neglect and due to other causes, the following information will be collected from the parties concerned and recorded in the register:

- a) Name of L/E/U
- b) Particulars of the loss
- c) Exact period to which the loss pertains
- d) Amount
- e) Action, if any, taken towards its investigation
- f) Exact and detailed circumstances of the loss
- g) Recommendations of the court of inquiry
- h) Particulars of disciplinary action taken
- i) Remedial measures instituted
- j) Number and date of the loss statement or Government letter under which regularized
- k) Other remarks, if any.

9.12.7 The Competent Financial Authorities to regularize the losses in R&D have been prescribed in Department of Defence Research & Development letter No.DRDO/DBFAFA/83226/M /01/2031/D (R&D) dated 30.07.2010.

9.12.8 The LAO and the ALAO will test check a number of entries in the register of losses from the original sanctioned loss statements in possession of the L/E/U.

9.12.9 From the register of losses both Store and Cash, the LAO will compile a statement quarterly in respect of important losses actually written off/regularized during the quarter and submit it to PCDA/CDA sufficiently early so as to enable him to consolidate and submit the statements together with 3 copies of the statements of cases received from the CFA to the CGDA by 15th August, 15th November, 15th February, and 31st May in respect of the quarter ending 30th June, 30th September, 31st December and 31st March respectively. The statement will be accompanied by an annexure containing the details of important losses as mentioned in Chapter 18, Defence Audit Code Vol-II (Edition 1992). In addition he will also furnish a consolidated statement of total losses written off/regularized during a year to the

PCDA/CDA, to enable him to furnish the same duly test audited to the CGDA by 31st May each year.

Note 1: Losses not included in the statement relating to a particular quarter should be incorporated separately in supplementary statement for the next quarter.

Note 2: Losses of cash due to enemy action are to be regularized under normal rules in Financial Regulations Part I and such losses when regularized will be included in the main body of statement of cash losses.

9.12.10 Pricing of Loss statements: Pricing of loss statements has to be done carefully so as to include total cost of the loss i.e., in case of total loss of a particular item, the cost of the item including procurement cost viz., freight charges, bank charges, if any etc. are to be included. Pricing of a loss in case of imported equipment shall be supported with cost memo from the bank and the freight bill of the Air consolidator.

9.12.11 In case there is damage to equipment to the extent that it can be repaired and put into use, cost of repair should be assessed through the repair agency/manufacturer and loss statement should be raised only for the estimated cost of repair.

9.12.12 In case of total loss, financial additional guidelines are to be adhered to depending on the category of equipment prior to loss.

- a) Cat A (new and unused) – full cost of procurement.
- b) Cat B (used but fully serviceable) - 80% of the cost of procurement.
- c) Cat C (serviceability status not known) – 70% of the cost of procurement.
- d) Cat D (repairable) – 50% of the cost of procurement.
- e) Cat E (condemned) – 10 % of the cost of procurement.

9.12.13 Cash losses due to enemy action awaiting regularization by Government of India will be included in the proforma at (Annexure 'I' to Chapter 18 Defence Audit Code (1992 Edition)] for incorporation in the reservations of the CGDA's certificate.

9.13 Higher Audit & Performance Audit

9.13.1 During the course of internal audit, it is necessary that LAO devote special attention to higher audit and performance audit in addition to the normal audit

which can be called "Regulatory Audit". Regulatory Audit ensures that for every expenditure there is a voucher and that the expenditure is according to certain laws and rules and other instructions that have been laid down. 'Higher Audit' or 'Propriety Audit' relates either to individual or class or transactions and is concerned with an intelligent examination whether lesser expenditure would have served the purpose. Standards of financial propriety are the guiding principles in higher audit. Performance audit has the following broad objects:

- a) Whether planning has been according to the basic objectives.
- b) Whether the operations are efficient and economical.
- c) Whether the results expected are being achieved and in commensurate with expenditure.

9.13.2 The examination in performance audit may be outlined as follows:

- a) Whether the decision was based on consideration of alternatives against the objective as well as the cost-utility aspect of such alternatives.
- b) Whether detailed programmes for implementation of the decision and the cost schedules are framed in advance.
- c) Whether data showing the progress of implementation and the cost involved are compared with targets.
- d) Whether reasons for variations between the targets and the actual are investigated according to responsibility areas and necessary corrective action taken on time.
- e) Whether there has been wastage of men, materials and money.
- f) Whether the cost of operations compares favourable with either standards or the operating cost in similar organisations.
- g) Whether the physical returns match with the anticipation.
- h) Whether the physical purpose of the expenditure has been achieved.

9.13.3 The examination as per item (a) above would reveal the effectiveness of the decision to undertake a programme etc. The examination as per item (b) to (e) will determine the efficiency of implementing the programme while the examination as per item (f) to (h) would bring out the efficacy of the programme.

9.13.4 Performance audit being knowledge-based exercise, in which conclusions emerge from interpretations, call for special skills, knowledge and competence of the audit personnel

9.14 **General Principles**

9.14.1 The general principles for the local audit of all store accounts are: -

- a) that the accounting procedure followed by L/E/U does not differ from that prescribed by the rules or other Government orders issued from time to time ;
- b) that all receipts and issues of stores by L/E/U and transfers of stores between depots and /or consuming units have been duly accounted for in the store ledgers and returns, etc., of the parties concerned ;
- c) that stores issued for consumption or use do not exceed the scales authorized in Regulations and Equipment Tables;
- d) that all losses and damages/deficiencies are dealt with under the orders of the competent financial authority in accordance with the rules laid down in Financial Regulations and other Government orders issued from time to time;
- e) that the balance of stores shown in stores ledgers etc., does not exceed the authorised limit and that suitable action is taken for the disposal of surplus or unauthorised stores in accordance with instructions laid down in Chapter 20 DRDO's Store Management Guidelines 2004;
- f) that stock verification has been carried out at intervals and certified as such on the relevant ledgers by the executive authorities, as laid down in rules. The results of stock verification have been recorded properly and action taken to adjust the deficiencies and surpluses;
- g) that no article has been supplied after the necessity for the-supply has lapsed.

9.15 **Scope Of Local Audit**

9.15.1 The various audit processes carried out during the audit of store accounts of L/E/U fall generally under the following three main categories: -

- (a) Verification of "castings", "closing book balances" and "opening book balances".

Note: The term "castings" means vertical or horizontal totaling.

- (b) "Linking", on the receipt side, of "transfers-inward" and of purchases and on the issue side, of "transfers-outward."

Note: "Linking" means bringing together an entry in a ledger, etc., and supporting voucher, to ensure that the entry in the ledger, etc., is strictly in accordance with the voucher, or vice versa.

- (c) Audit of "final receipts" (surplus found on stock-taking, etc.) and of "final issues" i.e., issues for final consumption (as distinct from a transfer to some other store account also auditable by the Defence Accounts Department) or issue on payment or quantities charged off on loss statements etc.

9.15.2 Verification:

- a) The opening certificate will be verified to see that the ledger contains the same number of pages as mentioned in the certificate.
- b) Pages added/deleted have been duly certified in the certificate.
- c) Do casting of the pages upto the end of audit period horizontally and vertically.
- d) A line will be drawn neatly under the dated initial of auditor against the closing balance of each article in the ledger
- e) All the entries of the ledger page such as the nomenclature of the item, quantity and authorized unit, rate and initials of the officer will be verified.
- f) Carry out audit of detailed month transactions from ledger to issue voucher and not vice versa
- g) During audit for the half year ending March it is to be seen whether stock verification endorsement has been made in each and every page of the ledger duly attested by the stock verification officer.
- h) It is to be ensured that no item lost has been charged off without regularization of the loss by CFA after following the procedure prescribed in Store Management Guidelines 2004.

- i) An intelligent scrutiny should be carried out in case of expendable items charged off abnormally. The same needs to be linked with authorized scales etc.
- j) In case the items are held on charge without issues for a long period (Stock piling) the same requires thorough verification and has to be objected to, if otherwise not in order.
- k) The number of IV/RV's prepared are required to be linked with the respective control registers and endorsements that "LAST VOUCHER FOR HALF YEAR ENDING....." is required to be made on the last IV concerned
- l) In case of issues to other units, One copy of the issue voucher duly indicating the RV number of the receiving unit is required to be collected and scheduled to the scheduling task holder. In case the RV number is not indicated in the issue voucher, the same is to be objected under "RECEIPTED COPY AWAITED" While taking the IV of this nature, endorsement to the effect that "PAIRED/RCA/COPY TAKEN" is required to be made by the auditor on the IV concerned.
- m) It is to ensure that all IV's /RV's are authenticated by authorized office nominated by the Director of the lab.
- n) Intelligent scrutiny of the remaining all vouchers other than those of detailed month is required to be carried out.
- o) It is to be verified that consumable stores are not stockpiled without utilization.
- p) In case of machinery/equipment above Rs 5 Lakhs, maintenance of utilization card/log book is a must. In case of less utilization of any machinery, reasons thereof should be called for.
- q) An intelligent scrutiny of condemnation board proceedings is required to be carried out to ensure that they are complete in all respects and the classification viz., a, b, c is done correctly.
- r) Rates of all disposed items to MSTC etc are not less than RGP: The amount realized shall be remitted through MRO as miscellaneous receipt.

9.15.3 Linking :

9.15.4 Linking means bringing together an entry in a ledger etc and supporting voucher to ensure that the entry in the ledger should be in accordance with the voucher or vice versa.

9.15.5 The scale of audit for linking is as follows:

- a) 16.66% of E-copies of CRVs.
- b) Local/Cash purchase vouchers above Rs.20,000 to be linked 100%.
- c) Central Purchase Vouchers above Rs.50,000/- to be linked 100%.

9.15.6 In the case of stores purchased locally, credits in the ledgers, returns etc., of the L/E/U will be verified by means of CRVs. The CRVs will be sent by the store section to the LAO on monthly basis, duly accompanied by a sub-list for each L/E/U showing therein the serial number and date of the vouchers and a top list.

9.15.7 At the time of local audit of store accounts, the local audit staff will take with them CRVs relating to the L/E/U and will link the purchase vouchers with the store ledgers. The items linked will be ringed round, initialed and dated in red ink or red colored pencil by the auditor in the ledgers, etc., and the relevant CRVs enfaced "test linked" and initialed.

9.15.8 The ALAO will also check 25 per cent of the vouchers actually linked by his staff and will affix his dated initials against such items in ledgers, etc. The enfacement of test linking on the vouchers so checked will also be initialed by him. The fact that all vouchers selected for test linking have actually been linked will also be enfaced on the sub-lists, under the dated initials of the auditor and the ALAO.

9.15.9 The LAO will check personally a number of the CRVs test linked by his staff and also some of those not linked by them. The vouchers selected should invariably be those in respect of costly or portable and marketable articles and those which are frequently received and issued. If the LAO is not satisfied with the linking done by his staff, he should, at his discretion, increase it suitably. The vouchers selected by the LAO for verification will be initialed as having been checked with the ledgers, returns, etc., by the LAO himself. The relevant entries in the ration returns, ledgers, etc., will also be initialed by him.

9.15.10 CRVs selected for test check in respect of which credits have not been afforded in ledgers, etc., the LAO will place that voucher under objection and will

detach it from the relevant sub-lists and file it with the office copy of the objection statement. Necessary remarks to this effect will be given on the sub-lists concerned. Such vouchers will be allowed to remain with the objection statement even after final settlement. At the same time, the LAO will investigate reasons for the non-linking of vouchers selected for linking and ensure that the non-linking of vouchers is not due to a defect in the accounting system of the unit. If credit for a large number of stores is not traceable in the L/E/U records, the desirability of including the case in the "Quarterly Report on Major Financial & Accounting Irregularities" will also be considered by the LAO.

9.15.11 In the case of those test linked vouchers on which no objection has been raised, necessary enforcement to show that such vouchers have been test linked will be made on the sub-lists concerned under the dated initials of the auditor and the superintendent.

9.16 Central Purchase Vouchers

9.16.1 Central purchase vouchers relate to stores purchased through the agency of Director General of Supplies and Disposals. The payments are made by PAO Dept of supplies as under:

- a) Final 100% payments.
- b) Advance 98% payments and connected balance 2% payments.

9.16.2 The vouchers relating to the above payments received from PAO are scheduled by the PCDA/CDA(R&D) to the LAO. These vouchers are supported by inspection notes duly receipted by the consignees, except in the case of advance 98% payments. In the latter case, the receipted copy of the inspection note for the balance 2% payments will be scheduled to the LAO after quoting the number and date of memo, under which the vouchers for the original 98% payments were scheduled to him. The procedure to be followed for linking test check, etc., of these vouchers will be the same as laid down above in respect of local purchase vouchers.

Note: Credits for Stores in the ledgers etc., will be verified by the L.A.O. with the help of the No. & date of receipt vouchers of the Consignee quoted on the receipted copy of the inspection note. If for any reason (i.e.) for want of CRV number of the consignee a voucher relating to 98% advance payment cannot be linked, it will be kept separately pending receipt of the voucher for balance 2% payment. All the

CRVs in respect of 2% payment bills will be scheduled by the Store section of the PCDA/CDA(R&D) to the LAO. Thereafter it is seen that the 98% vouchers not already linked with the credit in the ledger, the same will be linked with the help of the receipt details contained in the inspection note. In these case where 98% payment vouches credit had already been verified no separate credit verification of balance 2% payment bills will be necessary. A register will be maintained to watch for the wanting 2% vouchers and matching the same with 98% advance payment bills.

9.17 Various types of vouchers dealt with in local audit

9.17.1 The various types of vouchers dealt with are

- (i) Receipt
- (ii) Issue
- (iii) Adjustment
- (iv) Nominal
- (v) Expense and
- (vi) Loss statements

9.18 Audit of Service Books

9.18.1 25% of the total service books are required to be audited in one year depending upon the periodicity of local audit. Accordingly proportionate number of service books will be selected so as to complete the required percentage in a cycle of one year.

9.18.2 Checks to be exercised on service books

- a) Non-qualifying service has been correctly taken into account with reference to EOL etc for postponement of increments.
- b) Leave credited to leave account during the preceding four years or since the last verification of leave in local audit has been correctly worked under the existing orders and the leave taken was correctly debited.
- c) Entries in the pay columns in service books to be verified with reference to the office copies of the relevant pay bills.
- d) Service book of individuals transferred will be audited up to the date of transfer.

- e) In respect of individuals transferred from other units, ensure that the service book was audited by the LAO concerned up to the date of transfer before taking up audit.
- f) Verify the availability of all nomination forms in the service books viz., insurance G.P.Fund ,pension/Gratuity .
- g) Service books of individuals due to retire within 3 years will be included in the audit selection.
- h) Annual service verification is required to be carried out by the executive authorities and endorsement to this effect is to be made on the service book.
- i) During any one audit visit in each year the posting of effected part-II orders issued during one month should be verified into all service books.
- j) After completion of audit, the endorsement should show the date up to which the entries made in the service book have been checked with dated initials of the concerned Auditor/AAO.

9.19 Technical Information Centre

9.19.1 The following points will be seen during local audit of TICs.

- a) It will be ensured that no service charges are being paid to the news paper vendors.
- b) It will be ensured that the subscription for which annual subscription is paid are received in time and no journals are left unreceived.
- c) It will be seen that the books issued and not returned are regularized through loss statement after collecting 3 times of the cost of the book from the defaulter at the discretion of the Director.
- d) It will be seen that all the journal and other technical information books received are duly taken on charge on ledger are being accounted properly through Annual stock verification.
- e) It will be seen that a hard copy downloaded through internet for reference will be kept on record.

- f) Refund of all the amounts in respect of journals not received are claimed and the amounts are realized from the parties and credited to Govt.

9.20 **MI Room**

9.20.1 The following points will be seen during audit of MI Rooms.

- a) The expenditure incurred is only within the budget allocated and no reappropriation of funds has taken place.
- b) The medicines are procured through AFMSD only. Local/cash purchase (in case of emergency) is resorted to only after obtaining NOC from the AFMSD.
- c) The medicines procured are taken on charge through CRV's and charged off subsequently after issue through CIV's
- d) No medical stocks are piled up and kept unutilized. It should be strictly seen that no medicines are allowed to expire.
- e) Expired Medicines should be charged off by CIVs after proper justification and the time expired medicines are destroyed only after getting approval from the Board.
- f) Medicines are issued to authorized and entitled persons only.
- g) Medicines of emergency nature are only procured and ordinary medicines for regular treatment are not procured.
- h) No costly equipment is procured.
- i) Ambulance is not utilized for duties other than those of patient's.
- j) Sample check of out patient register is required to be conducted where in it is to be examined that the treatment is given to entitled personnel only.
- k) Special scrutiny is to be exercised in case of slow moving items to ensure that no abnormal stock is piled up.

9.21 **Creche**

9.21.1 The following points will be seen in audit of Creche.

- a) The children of authorized women employees of the lab are only admitted in the crèche free of cost or otherwise on payment.
- b) The list of the children, age, date of birth is maintained.

- c) The items such as biscuits ,sugar ,milk etc are drawn as per scales specified and tally with the attendance of the children
- d) All the consumables of the creche are accounted for and charged off through expense voucher once in a month.
- e) Any grants-in-aid received is accounted for properly.
- f) All non-consumables are accounted for separately.

9.22 **Wet Canteen**

9.22.1 The Following points will be seen during the audit of Wet Canteens Registered with Director of Canteens.

- a) The infrastructure of the wet canteen is accounted for properly through non-consumable ledgers and annual stock verification is done.
- b) The consumables are accounted for properly through consumable ledgers.
- c) The canteen run by the unit is registered with Director of canteens.
- d) The canteen is categorized by the Director of canteens as A,B,C or D.
- e) The grants-in-aid are accounted for correctly.
- f) One month detailed transaction of the amounts realized through sales and amount spent on maintenance are audited to watch that wet canteen is run strictly on "No-loss –No-profit" basis.
- g) The auditable documents are maintained properly as per green book.
- h) In case the Canteen is not Registered with Director of Canteens, then the audit should be confined to the utilization of items like gas etc., procured out of lab funds.

9.23 **Mechanical Transport**

- a) Vehicle Register : The Following points will be seen during the audit of MT accounts.
 - (i) All the vehicles procured for the lab are taken on charge in the L/E/U vehicle register.
 - ii) Annual stock verification is carried out.
 - iii) Any vehicles categorized as class-V are auctioned and disposed off by fixing RGP. The amount has been realized correctly and deposited in the treasury through MRO and CDA's

Acknowledgement has been obtained and after completion of all these transactions the vehicle is charged off from the register by means of Issue Voucher.

- b) POL Accounts:
 - i) While auditing the POL stock ledger check that the stocks are procured as per demand and no abnormal stocks are piled up.
 - ii) Ensure casting of all the transactions is done both horizontally and vertically and a line with initials is drawn at last entry.
 - iii) POL charged off is through IV/CIV only and one month's detailed transactions as selected by LAO will be verified. General scrutiny for remaining month transactions will be carried out.
 - iv) In case of issues to other units, collect one copy of the issue voucher duly indicating the RV number of the receiving unit and pass on the same to the scheduling task holder for scheduling to the consignee LAO.
 - v) It will be seen that engine oil is accounted for properly and ensure that the used engine oil is back loaded to supply depot as and when considerable stocks are piled up. Collect I.V of the same and pass on to the scheduling task holder to scheduling to consignee LAO.
 - vi) 100% casting and the supporting details of CIV are required to be verified w.r.t. car diaries, log books, mileage cards etc. to ensure that petrol, diesel, kerosene and lubricants issued to vehicles for the months selected for detailed audit have been accounted for correctly..
- c)
 - i) The POL payment register will be linked with cash memos to ensure proper accounting of payment issues of POL and ensure all the payments collected are remitted into the treasury through MRO and CDA's acknowledgment has been obtained.
 - ii) It should also be seen that the quantities issued on payment are correctly charged off from POL ledger through CIV.

- d)
 - i) Cash memos are correctly priced and POL issued on payment is priced as per existing rates on the date of issue.
 - ii) The arithmetic calculation part of the receipt is correct.
 - iii) The POL issued on payment is strictly as per entitlement.
 - iv) All the cash memos will be verified in full and enfaced as "audited" and initialed by the auditor.
- e) POL entitlement register will be consulted for list of entitled persons, their entitlement/relevant D.O.Part II for entitlement while checking the payment issue of POL.
- f) Free Amenity transport ledger will be consulted for duties performed by the vehicles under the category of amenity service for entitled service personnel to see that:-
 - i) Payment Amenity transport used for the duties under the category of amenity service on payment is as per the orders for such duties.
 - ii) The payment is collected strictly as per rate applicable and has been collected correctly according to the distance travelled.
 - iii) Money collected has been accounted for properly and remitted into treasury.
 - iv) After verification the same will be enfaced as" audited" and initialed by the auditor.
- g) Audit of Mileage Card:
 - i) After arithmetical check complete transactions of the mileage card will be linked with car diary.
 - ii) All the entries such as POL drawn , distance traveled will be linked with respective car diaries.
 - iii) The POL drawn will also be linked with the relevant CIV's to ensure that no POL issues are left unaccounted for.
 - iv) The KPL achieved will be verified with the KPL recorded in the logbooks to verify whether the vehicle has achieved the KPL fixed for the same.

- v) For detailed month the mileage card will be encased as "AUDITED "and for the remaining months it will be encased as "CASTING CHECKED" (CC) and initialed by the auditor.
- h) Car diary will be seen to check that :
 - i) The opening certificate of the car diary is endorsed.
 - ii) Page numbering of the car diary has been done correctly as page is duly initialed by MTO.
 - iii) The capacity of tank is recorded on car diary.
 - iv) Opening kilometer reading shown on the car diary will be linked with the previous car diary/mileage card for its correctness.
 - v) Duties performed will be scrutinized to see that vehicle has been used for Govt bonafide duties only.
 - vi) Distances shown will be scrutinized to see whether they are consistent with the duties performed.
 - vii) Duties performed are authenticated by the user of the vehicles/authorized officer.
 - viii) Whether at the time when POL is drawn the Km reading has been recorded in the car diary. At the end of each month the tank of vehicles has been topped up to assess the correct KPL of the vehicle .
 - ix) At the end of each quarter MTO has certified that the duties performed are bonafide duties only. The indents for performing duties are required to be checked in full for detailed month to verify the authenticity of duties performed.
 - x) It will also be seen that no heavy vehicles with low KPL are deployed for routine duties such as internal security check, dak-duty etc.
 - xi) The correctness of not claiming RMA by the users with respect duties for picking up and dropping back at airport/railways station will be verified.

- xii) The relevant RV number in respect of the vehicles deployed for collection of store will be verified.
 - xiii) In case of the officers entitled for residential pick up i.e, SC G and above , the relevant pay bill will be verified to see that they are not drawing transport allowance.
 - xiv) Duties performed by the vehicles during holidays are approved by the competent authority. For outstation duties relevant road move sanction by the competent authority indicating the route and approximate distance and dates of journey will be verified .
 - xv) After completion of all these checks, auditor will write "the period" of audit and initial on relevant page.
- i) Log book will be seen to check that :
- i) The Kilometer reading and KPL achieved will be linked with the relevant mileage cards to verify the correctness of the KPL shown in mileage cards.
 - ii) Target KPL has been fixed by the station work shop regularly.
 - iii) Annual technical inspection for classification of the vehicle has been carried out.
 - iv) All the repairs conducted have been recorded.
 - vi) Tyres are rotated regularly at fixed intervals and necessary entry is made in Log book.
 - vii) The KMs in and KMs out will be linked with the relevant car diary during the repair period.
 - viii) In the case of log books for PLANT, the hours run should match with the POL consumed .
 - ix) It will also be seen that the POL drawn for the plant is accounted for correctly .
 - x) The calculation of the depreciation is done correctly .
 - xi) After exercising the necessary checks auditor will write the period of audit and initial on relevant page.
- j) Packing Material Register: It will be seen in packing material register that all the packing materials are taken on charge correctly.

- k) The expendable stores ledger. MT spares ledger and Kit and tools ledger will be audited as per guidelines given in the audit of normal stores ledgers.

9.24 **Telephones**

9.24.1 The following points will be seen in audit.

- a) Call registers are maintained for all official Telephones with FAX facility.
- b) It will be verified that entitled persons are only provided with residential/official telephones.
- c) Private call charges are recovered from the users and remitted into treasury.
- d) As per the instruction of R&D head quarters Directors have been instructed to fix monetary limits for official telephones. If the monetary limit is exceeded, ex-post facto sanction is required to be obtained duly justifying the reasons. The same will be watched in audit.
- e) It will be seen that only one residential telephone is provided to an officer unless otherwise authorized.
- f) The entries in call register will be verified with paid BSNL bills to check correctness of the entries.

9.25 **Check Rolls**

9.25.1 The cent percent audit of check rolls will be conducted as under.

- a) Comparison of current month's check roll with that of previous month in regard to the correctness of names and rates of pay (according to categories and grades).
- b) Check to see that the number of men for whom pay is drawn agrees with those present according to the daily strength statement (IAFO 1398) and morning report (IAFO 2388).
- c) Check of the first appointments and discharges.
 - i) leave of absence with or without pay from the daily orders/sanctions.
 - ii) recovery of fines from the fine register.
- d) Adjustment of overtime pay from details found in IAFO 2398.

- e) All credit entries will be checked 100% from check rolls into the daily orders and other documents etc. and all debit entries also 100% from daily orders and other documents into check rolls.
- f) Check the rates of pay and allowances (Including dearness allowance) and overtime pay to see that
 - i) They do not exceed those authorized by regulations or orders laid down by the competent authority.
 - ii) They are not drawn for periods in excess of those sanctioned and
 - iii) Scale of mandays handled by each laborer does not fall below the percentage prescribed in the rules.
- g) Check to see that the grant of leave with pay to the industrial personnel is in accordance with the prescribed rules that proper leave records have been maintained and that entries regarding grant of leave have been made there in. For this purpose test check to the extent of 10% cases of the grant of leave with check rolls will be made.
- h) The signatures of the individuals signed other than in English & Hindi is required to be translated into English. All left thumb/right thumb impressions are required to be attested by disbursement officer.
- i) The periodical increment certificates attached with check rolls are required to be checked 100% to ensure that the rate of increment & pay after drawal of increment are correct.
- j) Check to see that a certificate (duly signed by a commissioned or a gazetted officer) to the effect that the payments have actually been made in his presence is endorsed on the last page of the check roll (pay bill).
- k) The check rolls have been prepared in the prescribed form.
- l) All alterations are duly attested by the executive and that there are no erasures or overwriting.
- m) The payments by money orders are supported by money order receipts and that a check register for money orders is maintained.

9.25.2 Undisbursed pay is correctly credited to government and that the amount claimed from undisbursed pay for subsequent repayment is properly linked and recorded.

9.25.3 There is no accidental or fraudulent inclusion of incorrect or fictitious names in the checks rolls. For this purpose the monthly man hour statistical returns should be test checked to the extent of 10% by verifying the hours booked in selected section daily statements of particulars production group with the hours recorded in the summary of work orders prepared in the compilation group of the workshop and the man hours booked in selected work orders of that production group with the hours posted in the section daily statements pertaining to it. It should also be seen that the total man hours booked against the various work orders in that production group during the month agree with the hours shown in the monthly man hour statistical return and that the total monthly man hours booked under the productive and non-productive group invariably agree with the available man hours shown on the top of the return.

9.25.4 Audited temporary labour bill will be submitted by LAO to the CDA together with the fund recovery schedules and other supporting documents so as to reach him by the 25th of the month following that to which the bills relate (Authority Para 141 ALAM Part-I)

9.26 Material Gate pass Register

9.26.1 These registers are required to be maintained at the Security Gate of each Lab/Estt to record the details of Material Gate Passes Returnable/Non-returnable etc., generated while external issue of material. During the audit of these registers, it is to be checked that gate passes of detailed month are issued with proper authority and the classification viz., returnable/non-returnable is correct. It will also be ensured that no item is transferred permanently to other labs without the approval of R&D HQrs.

9.26.2 A list of outstanding gate passes covering the returnable items not received before due date are to be drawn and placed under objection.

9.27 Audit Of Railway Warrants

9.27.1 The following checks will be carried out during the audit of Railway warrants:

- a) A register of form in IAFZ-2012 is maintained as per column in which proper record and disposal of books is recorded.
- b) Look for monthly certificate by the OC regarding results of personal physical checks.
- c) Verify the correctness of the entries relating to the books in store and in use by sample checks.
- d) Cancelled forms should be attested under the signature of the officer and both foils and counterfoils should be pasted together.
- e) Ensure that number and date of part-II orders authorizing the move are quoted on the counter foils of the warrants.
- f) Issue of blank forms or signature on blank forms should be placed under objection and reported to Brigade Hqrs etc., through CDA.
- g) Particular nature of duty or leave has been noted duty citing reference to the rule TR in the prescribed column.
- h) The word "MAIL/EXPRESS/ORDINARY" whatever inapplicable is scored out.
- i) In the column "VIA" the complete name of the station has been indicated.
- j) Warrant forms are signed by the authorized officer only.
- k) Losses of warrant forms have been reported to AHQ and PCFA(Fys) Kolkatta.
- l) Losses of blank forms have been regularized by Government orders.
- m) Warrants issued for participation in sports should be limited to preliminary and final round only as defined in note below items(q) of para 447 ALAM part-I.
- n) When more than one warrant is issued to officers for break journeys on leave the forms should be linked with endorsement in Red Ink at the top of each warrant linked with warrant No_____ Dated_____
- o) 5% of the forms issued during the period under audit will be selected for detailed check.

- p) Check the correctness of part II order number and date and other particulars of the journey from counter foils into the part II orders and not vice-versa.
- q) Ensure that no form was issued in connection with training camp and maneuvers.
- r) Make endorsement on counterfoils for which detailed checks have been carried out and put initials and date.
- s) Checked endorsement should be made on the reverse side of the counterfoil of the last warrant issued upto the audit period and initialed with date.
- t) Scrutinize all movement orders issued from the last audited quarter to see that the moves were ordered by the competent authority as per Appendix III of Rule "4" Travel regulations (Authority Para 227,448 & 449,450 ALAM PT.I)

9.28 **Audit of Form D (IAFT 1709A)**

9.28.1 The following points will be seen during audit of form "D" :

- a) Not more than 6 forms are used in a calendar year.
- b) Not more than 2 forms are used by parents and minor brothers and sisters.
- c) Form "D" given to parents/minor brother/sister without dependency certificate duty certified by the officer about the income and dependency.
- d) Not issued form "D" to officer while on T/D course, duty , exercise.
- e) All the forms accounted in the previous unit are all counted for the fresh officer reported. In order to regulate correctly the issue of warrants and form "D" in a particular unit it should be insisted that a register of warrants/form "D" issued to officers is maintained in prescribed format.
- f) An additional set of Form 'D' is available to the officer for the purpose of LTC, if no other claim has been preferred (Authority Rule 181 TR)

9.29 **Audit of Concession Vouchers (IAFT-1729A)**

9.29.1 The following points will be seen during audit.

- a) D.O.II and date is quoted on each concession voucher issued to the JCO/OR's for their self travel.
- b) Concession voucher for parents/brother/sisters etc. should be supported by dependency certificate.
- c) Concession voucher should not be used for intermediate or other stations as these are authorized to be used for leave station and duty station only (Authority Para 452 ALAM PART-I)

9.30 **Audit of MC Notes**

9.30.1 All the columns in the form viz., consignee address and location, brief description of the store consumed, quantity, weight, freight charges etc are completed.

- a) The number and date of issue voucher or other communications forwarding stores are quoted on the counter foils.
- b) Credit notes issued for payment of demurrage charges/warfarge are supported by CFA's sanction
- c) Demurrage charges incurred due to negligence on the part of the consignor/consignees have been treated as loss of public money and necessary loss statement has been initiated for regularizing the loss.
- d) 5% of the credit notes issued during the period under audit will be selected with due regard to the amount involved for checking in detail.
- e) The credit note selection will be checked with corresponding issue vouchers to see that
- f) The stores dispatched were government property and were in fact issued.
- g) The quantities and description in the issue vouchers tally with the details recorded in the credit note counter foil.
- h) The designation and the destination tally with issue voucher particulars.
- i) Stores issued on loan to civil department were not conveyed on credit note.

- j) Stores for training camps were not conveyed on credit notes (Authority 455 ALAM PART-I)

9.31 Clothing Cards

9.31.1 During the audit of the clothing cards, the following points will be seen

- a) The total number of cards are required to be counted and verified with the total number entered in individual clothing card control register
- b) Do cent percent casting of quantities mentioned in annexure to CIV and make enfacement as casting checked. (CC) and initial.
- c) Verify the charge-off for the detailed month from I.V to clothing ledger.
- d) For the detailed month, the quantities shown as issued in the nominal roll enclosed to IV will be checked with individual clothing card as well as clothing ledger.
- e) Whenever EI clothing is issued, the old item is withdrawn and taken on charge.
- f) Ensure that the unserviceable items are back loaded to salvage depot and RV obtained. Collect the RV and schedule the same to the scheduling task holder.
- g) In case of any individual posted in, the relevant DO part-II has to be verified and it may also be ensured that the respective clothing cards have been audited by the previous LAO till the date of posting .
- h) In case of fresh recruits, the DO part-II order has to be verified.
- i) In the case of individual proceeding on pension, It is to be ensured that the items for which the life is not yet over are withdrawn and taken on charge. The items so withdrawn are required to be issued to other individuals for balance life time of the item. If the individuals wants to retain the above items, he has to remit the amount for the balance period of life. In such cases, the relevant MRO along with recovery statement will be verified.
- j) All the cases of premature issues are required to be objected.
- k) In case of posting out, entry to this effect should be made on the individual clothing card control register and initialled by the auditor as S.No. rounded off.

- l) After completion of the audit, put encasement and initial.

9.32 Ration Returns & Ration Accounts

9.32.1 Audit of Ration Accounts (IAFS 3033): 33.33% detailed audit i.e., two months in every six months. For the remaining months, checking of Ration Account will be restricted to ensure that the ration drawn is as per the authorized strength of the unit.

9.32.2 Ration Return (IAFS 1519): 100% casting verification and 33.33% detailed audit.

9.32.3 During the audit of the ration returns, the following points will be seen:

- a) The names mentioned in the IAFZ-3033 will be linked with the previous month's audited IAFZ-3033 to ensure the correctness. If any fresh names appear, it should be supported by relevant DO part-II/Last Ration Certificates in. The DO Part-II orders will be checked 100% for casualties like leave, annual, medical leave etc. Do casting of the number of entitled personnel 100%. In case if posted out, the LRC out will be verified to ensure that the rations have been drawn till the date of posting only. After conducting audit, the encasement will be marked as AUDITED and initialed.
- b) It will be seen that the name of the unit, station, month and year are noted in the space provided for the purpose on the title page, that the opening balances have been correctly brought forward from the previous months ration return and that it has been signed by the officer commanding of the unit.
- c) It will be seen that free rations are drawn only for the entitled individuals.
- d) Free rations are not drawn on the following occasion:-
 - i) For individuals provided with train rations.
 - ii) For individuals (troops) on leave or when proceeding or returning there from.

- iii) For a soldier when admitted to hospital during the period of his admission inclusive of the day of admission and the day of discharge.
- iv) For a soldier when detained in hospital for observation
- v) For families of Ors
- e) It will be verified that the total number of rations arrived at in IAFZ-3033 agree with that shown in corresponding month's ration return and an endorsement to this effect be made both on IAFZ 3033 and ration return.
- f) It will be seen that under drawl and over drawl of ration has been dealt with as under-
 - i) Under drawl of rations in a month lapse to government and has not been made good by over drawl in the subsequent month.
- g) Over drawl of rations during a month has been adjusted as under:-
 - i) Those detected by the unit has been adjusted either by under drawl within the month itself where ever possible or in the subsequent month by an equal quantity or by payment into treasury for the quantity/quantities overdrawn at the payment issue rate current in the month of over drawl.
 - ii) Those detected during the month will similarly be adjusted by under drawl in the ration return under preparation during the month of audit or subsequently or by payment.
- h) It will be seen that articles of local supply received daily from contractors are properly accounted for in IAFS 1520 and that this form is signed against each date of supply by the contractor or his duly authorized agent.
- i) The quantities struck off charge against the item "ISSUE ON PAYMENT" agree with those shown in the statement of payment issues in the return.
- j) The rates and calculation in respect of payment issue vouchers are correct.

- k) The auditors will check pricing of only ten percent of articles on each voucher and included in particular ledgers, accounts, decades, etc., selected for audit in detail. In cases where serious or a large number of mistakes are found in the A/Cs selected for audit in detail, a cent percent scrutiny should be exercised.
- l) The amount of cash realization on account of payment issues has been promptly credited into unit cash book and remitted into treasury with the least possible delay
- m) It will be seen that the condiment allowance has been correctly claimed for the total number of rations of a unit in a month admitted in audit as per IAFZ 3033.
- n) The fuel has been drawn as per authorized scale for cooking purposes.
- o) The free issue of fuel for warming and drying purposes are made only to the entitled individuals.
- p) The quantities issued are correct with reference to the number of fire places and sigris sanctioned and actually on charge and to the period for which fires are authorized to be lit in the station order.

9.33 **Postage Account** : The following checks are to be done:-

- a) Checking of casting of postage account 100%
- b) Detailed month's transactions to be scrutinized that only official mail was sent.
- c) 3% Rebate on franking machine claimed correctly and remitted into treasury is to be seen.

9.34 **Security** : The following auditable documents are to be checked:-

- a) Returnable gate pass Register
- b) Non-Returnable Gate pass Register
- c) Security copy of Gate passes (Returnable and Non-Returnable)

9.35 **Estate Management Unit** : The following documents are required to be checked:-

- a) Apart from store ledgers, guest house occupation/vacation register it must be ensured that charges collected from occupants have been correctly remitted into treasury and MRO sent for adjustment.
- b) Register showing the list of fruit bearing and non-fruit bearing trees should be maintained.
- c) Annual revenue generated through the sale /contract proceeds to be credited into treasury as a miscellaneous receipt
- d) Sample check of few cases in the CST Register is to be done for the detailed months.
- e) It is to be verified that shops etc, in the shopping complex are remitting rent and allied charges regularly and there are no arrears on that account.
- f) The rental charges of shops are fixed by board and revised once in three years.

9.36 **Subsidiary Land Register**

9.36.1 Being users of the land, DRDO labs have to maintain subsidiary land registers for free hold and lease hold land, duly incorporating survey No, area etc., and yearly stock verification is to be carried out by a Board to certify that no encroachments have been noticed on physical verification.

9.37 **Disposal of condemned items**

9.37.1 The condemned items should either be back loaded to Ordinance Depot/Centralized Vehicle Depot or disposed off through MSTC/other Govt authorized agency or through public auction at the discretion of Director of Lab/Estt/unit. Before the bids are opened Reserve Guiding Price(RGP) is required to be fixed at least one week before opening of bids in which PCDA/CDA(R&D) representative would be present. The proceedings should be kept confidential and in sealed cover. During local audit, it would be seen that:

- a) The stores were disposed off at the rate higher than the RGP fixed for the items.
- b) The proceeds have been correctly remitted through MRO.

- c) The MRO has been forwarded to the PCDA/CDA(R&D) and acknowledgement received.
- d) The MRO has been linked in concerned ledgers/statements.
- e) In case the bid amount was less than the RGP, then the powers are vested with the authorities to approve such cases as mentioned below:
 - i. Up to 15% less than RGP - Directors of lab with the concurrence of CDA (R&D)
 - ii. Up to 15 - 30% less than RGP- CC R&D(R) in association with integrated finance.
 - iii. Up to 30 - 50% less than RGP- SA to RM in association with integrated finance.
 - iv. Below 50% of RGP - The tender committee will have to review the RGP.

9.38 Audit of Financial Accounts maintained by R & D Labs/Estts in respect of Projects

9.38.1 General

9.38.2 The Accounts maintained by Research and Development Establishments are of two types, viz., Store Accounts and Financial Accounts. Store Accounts follow the general pattern of consuming units and therefore audit is to be conducted with reference to the general and special instructions thereof contained in Store Accounting Instructions for Army (SAI) vis-à-vis Army Local Audit Manual Part, (Part-I, II & III) . In regard to audit of Financial Accounts the procedure outlined in the succeeding paras should be borne in mind.

9.38.3 The following Financial Accounts are maintained by the Defence R & D establishments and Laboratories. The instructions given against each will be looked into while conducting the audit of these documents.

9.38.4 Project Register

- a) Ensure that a Project Register as per Appendix 'A' to Government of India, Ministry of Defence letter No. 87146/ RD-26/79/1) (R & D) dated 1st February, 1977 (Annexure-I of this chapter) is maintained centrally for all the projects sanctioned and assigned to the Establishment/ Laboratory.

- b) Verify with reference to the sanctions on record with the Establishment/Laboratory that all the sanctions are prominently entered in this Register, and all the relevant columns are completed properly and the register is kept up to date.

Note: For purposes of countercheck copies of sanctions will be endorsed by the PCsDA/CsDA to the concerned LAO, who will record such copies Establishment wise/ Project wise and verify that at the time of audit of these establishments/projects that the posting in the Project Registers has been done correctly.

- c) In the cases of completed projects, compare the estimated cost with the completion cost. Where the completion cost exceeds the estimated/sanctioned cost, see whether prior approval of the CFA is available on record for the revised completion cost and is indicated in the register.
- d) If the probable date of completion as shown in column 5 of project Register is subsequently amended, see whether approval of the R & D Panel as required vide Government of India, Ministry of Defence letter No. 88763/RD/ Tech Coord/8139/1) (RD) dated 17th July, 1980 as amended exists.
- e) See whether the total cost exhibited in column 7 of project Register has been correctly brought forward from the project expenditure card.

9.38.5 Sanctions

- a) It will be seen that separate folders are maintained for recording the Appreciation Reports and Sanctions thereof accorded by the Government of India Scientific Advisor to Raksha Mantri DG(R&D), Directors of the Establishment/Laboratory.
- b) Any orders connected with change in the probable date of completion, foreclosure or stage-closure of the project should also be recorded in the relevant folders.

9.38.6 Project Commitment Register

- a) See that a separate register in manuscript form is maintained for each project for noting the commitments against the project as reflected in the Appreciation Report.
- b) See that each item is cleared as and when the expenditure is incurred and debited in the project Expenditure/Card.
- c) Bring out cases where the sum total of the Project Expenditure Card and the commitments yet to be honored is likely to exceed the sanctioned cost of the project.

9.38.7 Project Expenditure Card

9.38.8 A Project Expenditure Card as per specimen at Appendix "B" to Government of India, Ministry of Defence Letter No. 87146/RD-26/79/D (R & D) dated 1st February, 1977 is maintained for each project undertaken by the Establishment/Laboratory. It will be seen that-

- a) Project expenditure Card is maintained centrally by the Administration or Store wing of the Establishment/Laboratory as may be decided by the Local Head of the Establishment/ Laboratory.
- b) All the entries/columns in the Card are promptly completed indicating inter alia the date of completion of the project. These entries should be linked with the Project Register.
- c) In case where the sanctioned cost of the project is revised, the amount of original sanction plus additional amount sanctioned is shown as the revised cost of the project, duly authenticated by the Officer-in-Charge of the project.
- d) only actual expenditure is booked in the project Expenditure Card. Commitments made on account of SWOs, Supply Orders placed on trade, /fabricators/manufacturers and central procuring Agencies are not booked as expenditure unless materialized and taken on charge by the main store wing.

- e) Column 2 is completed with reference to the Vr. No. and dates allotted to the branch, Demand-cum-Issue Vouchers/Nominal Issue Vouchers by the Main Store Wing.
- f) expenditure on account of consumable stores and Non-consumable stores booked in the Card is reviewed every month by the Scientists-in-charge of the project and his initials recorded in the Card at Column 5.
- g) Pay and Allowances of the staff specifically employed for the project are debited in the Card.
- h) Expenditure booked in the card is not written back, i.e., progressive total is not reduced until completion/closure of the project.
- i) Cost of consumable stores returned to the Main Store Wing at the time of completion/ closure of the project will be credited to the project Expenditure card and the progressive total reduced accordingly.

9.38.9 Stores and its Accounting

- A. Consumable Stores: It will be seen that-
 - (i) All consumable stores required for the project are drawn from the main stock on Demand-cum-Issue vouchers as per specimen given Appendix "C" to Government of India, Ministry of Defence Letter No. 87146/RD-26/79/D (R & D) dated 1st February, 1977.
 - (ii) All demands from the indenting branches/groups are controlled by a special series and given consecutive serial numbers on yearly basis from January to December, prefixing the project Number.
 - (iii) Consumable stores which will be consumed within two weeks are only drawn at a time.
 - (iv) Cost of all stores, drawn is immediately booked in the project Expenditure Card with reference to Voucher No. and date allotted to the Demand-cum-Issue Voucher by the Main Store Wing. Simultaneously entry to the effect that the total has been booked in the Expenditure Card is made in the Demand-

curt-Issue Vouchers under the signature of the Officer-in-Charge of the project.

- B. Subsidiary Register: It will be seen that
- (i) Stores drawn in bulk which are not meant for immediate consumption, such as, chemicals in sealed containers or such stores which are to be drawn in bulk quantity and kept at site for gradual consumption in part are accounted by the project Officer in a Subsidiary Register as per specimen given at Appendix "D" to Government of India, Ministry of Defence Letter No. 87146/Rd-26/79/ W (R & D) dated 1st February, 1977 (items which are to be accounted in this register will be decided in consultation with the LAO). Items of comparatively small value are not accounted in the Subsidiary Register even if they are drawn in bulk quantity.
 - (ii) Receipt entries are supported with reference to the Voucher No. and date allotted to the Demand-cum-Issue Vouchers by the Main Store.
 - (iii) Receipt transactions are linked in the Subsidiary Register to the extent of 33 $\frac{1}{3}$ % of the Demand-cum-Issue Vouchers floated by the Main Store Wing. Similarly, 33 $\frac{1}{3}$ % of issue transactions is checked with expense vouchers.
 - (iv) A certificate to the effect that the stores have been consumed against the project indicating the title and No. of the project is invariably recorded by the Project Officer on the expense Vouchers.
 - (v) The Register is closed to NIL Balance by transferring the unutilised stores to Main Stock on regular issue vouchers, on completion of the project.
 - (vi) This being a sub stock register, the items held on charge are subjected to Annual Stock verification.

- C. Non consumable Stores: It will be seen that
- (i) All non-consumable stores, such as Machinery, Equipments, Tools etc., are drawn on nominal series of Demand-cum-Issue Vouchers.
 - (ii) Title and No. of the project are invariably indicated in the Demand-cum-Issue Vouchers.
 - (iii) The value of the machinery, equipment, tools etc. is indicated on the voucher and is debited in the project Expenditure Card for Non-consumable stores.
 - (iv) Non-consumable stores are not struck off ledger charge by the Main Store Wing, but the distribution is shown on the reverse of the Main Ledger Sheets.
 - (v) All non-consumable items of stores are marked as such prominently at the top of the concerned Ledger Sheet by the Main Stock Group/Central Store Section.
- D. Expenditure Card for Non-consumable Stores-It will be seen that
- (i) Expenditure Card as per specimen given at Appendix "E" to Government of India, Ministry of Defence Letter No. 87146/RD-26/79/D (R & D) dated 1st February, 1977, is maintained separately for each project by the Store Wing.
 - (ii) The items which are incorporated in the project as component, if not dismantled and recovered at the close of the project are charged off on regular Demand-cum-Issue Vouchers.
 - (iii) The cost of such items incorporated in the project is adjusted in the project expenditure card and the Expenditure Card for non-consumable stores.

9.38.10 Return of Stores after completion of the Project

- A. Non-consumable Stores-It will be seen that
- (i) At the close of the project, all non-consumable stores, except these incorporated in the prototype are returned to Main Stock Group on nominal voucher;..

- (ii) The cost of stores returned is not reduced from the project Expenditure Card, but is adjusted in the Expenditure Card for non-consumable stores.
- (iii) The distribution shown on the reverse of the Main Ledger Sheets is suitably amended.
- (iv) The items so returned are treated as Laboratory Build-up till declared surplus/unserviceable.
- (vi)The surplus/unserviceable stores are disposed off in the normal manner.

B. Consumable Stores-It will be seen that

- (i) Immediately after completion/closure of the project all unutilised stores are returned to Main Store Wing on regular issue vouchers.
- (ii) The stores so returned are taken on charge in the Main Stock Ledger.
- (iii) The cost of stores returned is reduced from the progressive total of the project Expenditure Card.

9.38.11 Issue of Developed Items/Stores-It will be seen that

- (i) Immediately after completion of the project, the developed materials/stores are taken on charge in the Ledger of Main Store Wing on Certified Receipt Vouchers.
- (ii) All developed materials required to be issued for User's trial are initially issued on Loan Issue Vouchers. Items which are designed to be consumed during trials are finally charged off on regular issue vouchers from the Main Store Ledger.
- (iii) All non-expendable developed materials issued for User's trial are noted in a Loan Register and return thereof watched.
- (iv) Non-expandable materials not returned by the User's after expiry of the loan period are converted into payment issue and charged off from the ledger.

- (v) The payment issue voucher duly priced and got checked by the LAO is floated to cover the transaction and its final adjustment watched.

9.38.12 Miscellaneous

- a) It will be seen that a register for payment of Testing charges is maintained for recording recovery of testing charges on various Components and prototypes developed by indigenous firms. Following check-will be exercised in audit to ensure:
 - (i) That the testing charges are levied as per the schedules of rates in force approved by the Government of India.
 - (ii) That the test charges are deposited in advance by the firm.
 - (iii) That any additional charges towards POL, packing etc. are recovered from the firm.
 - (iv) That total recovery is remitted into Treasury, TR forwarded to the P.C.D.A. /C.D.A. and acknowledgement obtained.

- b) Register for watching refund of Customs Duty-Claims for refund of customs duty as per paras 12 to 19 of "Shipping Procedure 1976" are classified broadly under the following headings-
 - (i) Claims pertaining to short landed cargo.
 - (ii) Claims pertaining to cargo landed but missing from the port premises.
 - (iii) Claims pertaining to packages pilfered/damaged before or during landing.
 - (iv) Claims pertaining to packages landed in sound condition but damaged/pilfered during storage with port authorities.
 - (v) Claims pertaining to excess levy of customs duty due to arbitrary assessment, difference of opinion of ICT items, levy of duty on exempted items and mistake in calculations.

It will be ensured in audit that a register is maintained to record instances of the above nature and the refund claims processed as quickly as possible with the Embarkation Headquarters. A claim preferred after a period of six months from the date the credit on, account of customs duty is afforded to the Customs Authorities will be treated as time barred and rejected. The register will, therefore, be critically examined to see that outstanding cases are progressed expeditiously.

9.38.13 Closure of Projects

9.38.14 Once a sanctioned project is closed in the DRDO the Local Audit Officer or the officer nominated by PCDA/CDA will be responsible for the audit of the accounts of the Lab/Estt who was executing the project is required to carry out the detailed audit of the accounts maintained for the closed project and in addition to the points stipulated for audit of Project Accounts in the preceding Paragraphs the LAO should also look into the following aspects intelligently and bring to the notice of his immediate higher office and the Controllers' office any major irregularities observed in such closed projects.

9.38.15 The following aspects should specifically be looked into for these closed projects:

- a) In cases where a project is completed after the specified objective has been achieved, the authority to order the closure of project is the same who had initially sanctioned the Project and the audited statement of accounts from the Accounts Office(R&D) have been taken into account in the closure report.
- b) In cases where a project has been cancelled, dropped or stage closed the order for closure has been issued by the authority next higher to the authority who had initially sanctioned the project interlia taking into account the audited statement of accounts from the concerned PCDA/CsDA(R&D) (except in the case of projects approved by CCS which are closed with the approval of CCS only.)
- c) The Statement of case for the closure of project has been rendered to the competent authority in DRDO HQrs within three months of PDC and no expenditure has been incurred on the project after the PDC of the project was over.

- d) A comprehensive review by an expert committee which may include prominent scientists/Engineers from outside as user representatives and representative from finance for all least the projects costing over Rs.5 crores and above has been undertaken to assess the achievements and/or failures.

9.39 Cash Inspection by LAOs

9.39.1 The following Cash Accounts are inspected by LAO(R&D):

- i) Public fund
- ii) Imprest
- iii) Cash Assignment

9.39.2 During the audit of Cash Inspection, the following points are to be seen.

- a) Cash inspection is carried out once in year and Cash books are properly maintained.
- b) Casting of the Cashbook will be done 100%.
- c) All entries in the cash books bear the dated initials of the cash officer.
- d) Cutting/overwriting in the cashbook are duly attested under the dated initials of the cash officer.
- e) Necessary entries in the cheque book folio are made under the dated initials of the cash officer.
- f) Vouchers in support of payments for the detailed month selected for inspection will be verified 100% to ensure that payments are made as per the laid down procedure.
- g) It will be ensured that surprise checks are carried out at regular intervals and transactions are attested daily by the cash officer.
- h) Heavy cash balances at the end of the month without meaningful purpose will be objected to.
- i) Physical verification of cash in hand will be carried out by LAO on the date of Inspection and endorsement to this effect will be made in the Cash book.
- j) It will be ensured that acknowledgments are received in r/o MROs forwarded to CDA and the same are recorded in MRO register.

- k) In respect of Cash Assignment, only verification of cash in hand will be carried out, as the post audit of vouchers is dealt with by Post audit group of Stores section of PCDA/CDA (R&D).
- l) It will be seen that the bank statements are obtained from the Bank and reconciliation statements prepared with reference to the entries in the cash book.
- m) The Reconciliation Statements are verified critically to ascertain that variation between the amount of cheques drawn as shown in the bank statement and cash book are reconciled.
- n) Cheques issued during the month and not shown in the Bank Withdrawal Statement are shown as outstanding in the reconciliation statement endorsed in the cash book. The inclusion of these outstanding cheques in withdrawal statements will also be watched.
- o) Cash drawn from the bank is for the immediate requirement of the labs/estt. There should not be a tendency in the Lab/Estt. to hold heavy cash balance.
- p) Assets and liabilities statements are prepared monthly.
- q) 90% / 95% advance payment made out of Cash Assignment is entered in a register and rendition of adjustment claims against such advances to the pay offices is not delayed.
- r) To check that cash purchase advances are settled within the prescribed intervals.

Annexure

List of Auditable Documents

Check Rolls

- (i) Monthly and supplementary check rolls
- (ii) Guinty forms
- (iii) Gate passes
- (iv) Daily orders part II
- (v) Temporary Labour bill
- (vi) Absentee payment register
- (vii) Fine register
- (viii) Register of specific kind of leave granted to civilians (Comp off etc)
- (ix) Register of service books (industrial)
- (x) Leave card.

MT

- (i) Unit vehicle register
- (ii) POL stock register
- (iii) POL Payment register and cash memos
- (iv) POL entitlement register
- (v) Amenity transport ledger (free and payment)
- (vi) Mileage cards for all vehicles
- (vii) Car diaries for all vehicles
- (viii) Vehicle log book
- (ix) Packing material (POL stores)
- (x) Expendable stores ledger (MT stores)
- (xi) MT spare parts ledgers
- (xii) Kit and tools ledgers
- (xiii) Hired transport ledger
- (xiv) Register for used and waste oil
- (xv) POL indents/requisitions

- (xvi) Static plant log books
- (xvii) Duty indents
- (xviii) Job/Work Order Register

Technical Information Centre

- (i) Accession register
- (ii) Journals register
- (iii) Newspaper register
- (iv) Bound volume register
- (v) Register of losses
- (vi) Technical Manual Ledger
- (vii) Register of payments outstanding
- (viii) CRV control register
- (ix) Late fee payment register
- (x) MRO register
- (xi) Register for patent specifications

MI Room

- (i) Expendable medicines register
- (ii) Non-Expendable inventory register
- (iii) Cash purchase register
- (iv) Register of losses(due to expiry)
- (v) Register of daily issues

Stores

- (i) Consumable stores ledger
- (ii) Non-consumables stores ledger
- (iii) Register of liveries
- (iv) Imported stores ledger.
- (v) Nominal issue control register.
- (vi) Expense issue control register
- (vii) Regular issue voucher control register
- (viii) Manufactured issue voucher control register.
- (ix) Loan issue control register
- (x) Loan Receipt Control Register

- (xi) Packing material ledger
- (xii) Salvage register
- (xiii) Register of CST
- (xiv) Loss statement register
- (xv) CRV control register
- (xvi) CRV control register for imported items
- (xvii) CRV control register for indigenous items
- (xviii) Machine utilization cards /log books(whose value is above Rs. 5 lakhs)
- (xix) Register of Books & Forms
- (xx) Supply Order/Work Order Register (LP/FE/DGS&D)
- (xxi) Tender Enquiry Register
- (xxii) Register of Sanctions

Creche

- (i) Register of consumables
- (ii) Nominal roll register of children
- (iii) Payment collection register
- (iv) Register of inventory
- (v) Budget control register

Service Books

- (i) Register of service books
- (ii) Leave register
- (iii) Do part-II 's published

DSC Accounts

- (i) Ammunition ledger
- (ii) Arms ledger
- (iii) Unit equipment ledger
- (iv) ATG/ETG ledger
- (v) Payment issue ration register
- (vi) Clothing cards
- (vii) Receipt and issue voucher
- (viii) Monthly ration returns
- (ix) IAFZ 3033

- (x) Clothing ledger
- (xi) Expendable stores ledger
- (xii) Railway warrants
- (xiii) Railway warrant control register
- (xiv) Individual warrant control register
- (xv) Non –expendable stores ledger
- (xvi) Los statement register
- (xvii)MRO Register
- (xviii) Salvage register
- (xix) Clothing card control register

Project Records

- (i) Project Sanction
- (ii) Project register
- (iii) Project expenditure card
- (iv) Project expenditure card for non-consumables
- (v) Project commitment register
- (vi) Register of issue of developed items
- (vii) Register for payment of testing charges
- (viii) Register for watching fund of customs duty
- (ix) Project inventory register
- (x) Register of trials
- (xi) Project subsidiary register for consumables.

Cash Inspection

- (i) Cash Books of Public Fund & Imprest
- (ii) MRO Register
- (iii) Voucher File
- (iv) Counterfoils of Cheque book
- (v) Cheque slips

- (vi) Bank reconciliation Statement.

Wet Canteen

- (i) Cash book

- (ii) Ledger
- (iii) Stock Register (For expendable items, coupon books, crockery, empty containers etc.,)
- (iv) Dead Stock Register
- (v) Preparation Register (to show details of eatables produced)
- (vi) Sales Register (work sheet)
- (vii) Coupon sales Register
- (viii) Salary Register
- (ix) Attendance Register
- (x) Bill Register (for sale on credit)
- (xi) Kitchen register (If a number of canteens is grouped together for kitchen functions)
- (xii) Journal (if number of daily transactions of credit sales and credit purchase exceed live)
- (xiii) Annual Accounts as explained in para 9.1

Books of Reference:

- (i) ALAM-I & II
- (ii) Store Management Guidelines 2004
- (iii) Purchase Management 2006
- (iv) DRDO Transport Policy and Procedure

TYPED VERSION

NO 87146/RD-26/79/D(R&D)
Government of India
Ministry of Defence
New Delhi, dated 1st February
1977

To,

The Scientific Advisor to the Raksha Mantri and
Director General, Defence Research & Development Organization,
New Delhi-

SUBJECT: Watching of Expenditure-Development projects- carried out by Defence R&D
Laboratories.

Sir,

With a view to laying down one uniform method of project fund accounting in all the Establishments/ Laboratories of Defence Research & Development Organization, the President is pleased to approve the procedure detailed in subsequent paras in super session of the instructions issued by the Research & Development Organization Headquarters under their circular Letter No- 87146/RD-26 dated 11th October 1973.

INITIATION OF A PROJECT

3. For a project to be sanctioned by the CFA an appreciation based on qualitative requirement together with estimated cost of the project is required to be submitted. This appreciation should indicate in adequate details:-
 - (a) Nomenclature of the Store(s) both expendable and non expendable, required in connection with the development project, their cost and source of supply.
 - (b) Supply and services to be obtained ex-ordnance factories.
 - (c) Additional staff required to be recruited specifically for the project and its duration, and
 - (d) Foreign exchange element, if any.

NOTE:- In case of (a), only items costing individually Rs.1000/- and above will be detailed.

COSTING OF PROJECT

- 3 For the purpose of working out the project, the following elements will be taken into consideration:-
- (a) Cost of all stores expendable and non expendable, irrespective of the source of supply.
 - (b) Cost of all supplies and services to be obtained ex-ordnance factories And other Government Agencies.
 - (c) Amount to be paid to local manufacturers etc. in cases when a development project in whole or in part is required to be undertaken by them.
 - (d) The pay and allowance of the staff specially required to be recruited for the duration of project.

SANCTIONING OF DEVELOPMENT PROJECT

- 4 Upon receipt of the appreciation, competent financial Authority will accord approval to the undertaking of the project indicating the estimated cost thereof. A copy of the sanction will be endorsed to the CDA. The 'ceiling' so laid down will in no circumstances be exceeded with-out prior approval of the appropriate C.F.A.

PROJECT REGISTER

- 5 On receipt of the sanction, this will be entered in the project register maintained for the purpose as per Appendix 'A'. This register will be subject to local audit and will be kept up-to-date.

SCOPE OF THE SANCTION

- 6 The sanction will constitute authority for placing of SWODS on the ordnance factories concerned and placement of Supply Order/ Development contract/ Order on trade/ Fabricators Manufacturer's and placement of indents on central procuring agency within the ceiling prescribed for the project.

CONTROL OVER PROJECT EXPENDITURE

- 7 Immediately on receipt of sanction the establishment/ Laboratory will open a project expenditure card, as per specimen at Appendix 'B' attached and this will be subject to local audit. Project expenditure card will only indicate the actual expenditure. For commitments a separate register will be maintained project wise. Moreover FE element should be indicated in brackets or in a separate column in Appendix 'B' relating to project expenditure card.

SANCTIONING EXPENDITURE

- 8 On receipt of sanction, the Establishment/Laboratory will initiate action for procurement of supplies and services from the sources concerned. Normal rules of procurement and purchase will invariably be followed, unless otherwise indicated. A certificate to the effect that the store(s) purchased were required for the project will be rendered to the audit.

FOREIGN EXCHANGE

- 9 No foreign exchange can be committed unless specifically released by HQ. After release of foreign exchange by HQ. Firm order(s) for the items should be placed within the six months of the release thereof by the Ministry of Defence. In cases where this not possible, the foreign exchange sanction should be got revalidated before entering into any commitment.

BUDGETING OF FUNDS

- 10 Provision of funds will be made by the Establishments/ Laboratory by sources of supply in the various periodical estimates covering stores expenditure rendered to HQ (R&D) from time to time to the extent it is likely to be paid during the financial year under report. If the estimates are realistic, then there should be very little variation between the amount budgeted for and actual expenditure incurred till the close of financial year. Any fund surplus will however be surrendered at the time of submission of the modified appropriation report.

The budget estimate for the ensuing year should make adequate provision for carry-over projects, if any, as well as cater for the estimated requirement of funds for new projects likely to be taken in hand, during the financial year under report.

STORES AND DOCUMENTATION

CONSUMABLE STORES

- 10 All consumable stores required for a project will be drawn from the main stock register on Demand-cum-issue-voucher specimen attached as Appendix 'C'. The project no for which the store is drawn will be indicated in the voucher. Normally, consumable stores, which will be consumed within two weeks should only be drawn at a time. Demand will be controlled from a special series and given consecutive serial No. on yearly basis from January to December. The issue from the main stock will be made on the authority of this Demand-cum-issue-voucher. The project expenditure card will also be debited simultaneously.

SUBSIDIARY REGISTER

- 11 In case where stores are drawn in bulk, which are not meant for consumption immediately such as chemicals in sealed container or such stores which have to be drawn in bulk and kept at site pending drawl for consumption in part quantities, a subsidiary register will also be maintained to record the receipt issue transaction as per Appendix 'D'. The subsidiary register will be maintained by the project officers in charge and the items to be accounted for in this register will be decided in consultation with LAO. This will be charged off from the subsidiary register fortnightly through expense voucher. Items of comparatively small value need not be accounted for in the subsidiary register even if they are drawn in bulk.

NOTE:- For this purpose when the average consumption is not more than Rs.50/- per Fortnight, and when the total value of the items drawn is not more than Rs.200/- at a time should be taken as of small value.

NON-CONSUMABLE STORES

- 13 All non-consumable stores such as equipments, tools etc will be drawn on nominal series of vouchers indicating the project number. Nominal-demand-cum-issue-voucher should indicate the value of the equipment, tools etc and the cost debited in the project expenditure card on issue. Non-consumable stores will not be charged off from main ledger but the distribution will be indicated at the back of main ledger sheets. Where A.F. and Naval store accounts procedure is followed by ledger action will be taken according to the AF/Naval procedure, i.e. the entries will be made in the inventory or permanent loan list as the case may be. All non-consumable stores will be reflected in the project sanctions inventories to be maintained by the project sanction. It should be distinctly written on the top of the ledger folios maintained by Central Stores section that the item is Non consumable preferably in an ink other than that used for making other entries.

NOTE: An expenditure card for non-consumable stores will be maintained separately for each project by store as per Appendix 'E' attached. The items, though of non consumable nature which are incorporated in the project as a component, if not dismantled and recovered after the close of project will be charged off through a regular demand-cum-issue-voucher. The cost will be adjusted in Appendix 'D' and 'E' suitably.

- 14 The project expenditure card will be maintained by administration or store wing of the Laboratory as may be decided by the Head of Laboratory. The card will be submitted to the Scientist in charge of the project every month for review and his initials will be obtained.

RETURN OF STORES AFTER COMPLETION OF PROJECT

- 15 At the closing of the project the non-consumable stores except those which are incorporated in the prototype etc. will be returned on nominal voucher to main stores and no credit need be given to project expenditure card. The items so returned will be brought on charge in the main stores in cases where Naval and A.F. stores accounting procedure is followed, and if Army procedure is followed

suitable entry will be made on the reverse of the ledger. The item so returned will form part of the laboratory build up till declared surplus/unserviceable. The surplus and unserviceable stores will be disposed off in the usual manner.

Consumable stores issued to projects but not utilized at the time of completion closure will be taken back to stock on regular issue vouchers after making necessary entries in the project expenditure card and the subsidiary register(Appendix 'B' & 'D' respectively).

ISSUE OF DEVELOPED ITEMS

- 16 As soon as the project is completed, the developed items will be taken on charge by certified Receipt Vouchers. When developed items are issued for user trials, they will be issued on loan voucher. If however, it is to be consumed on trial it will be charged off on regular voucher. Loan voucher will be converted into payment issue if the item is not returned.
- 17 A copy of 'Stores budget' may be made available to the CDA for purpose of audit not Local purchase bills. Any amendment to the budget in respect of stores not included earlier for purchase should be endorsed to the CDA to avoid return of bills in respect of such stores.
- 18 This procedure will be effective from 1st April 1977 and cover also continuing projects as on 01.04.77. This procedure is followed in respect of projects already closed before 01.04.77, otherwise than in accordance with those orders or earlier orders will not be disturbed. Any observations/ Objections raised by the audit authorities on this account may be got settled accordingly in consultation with CDA.
- 19 This issues with the concurrence of Finance Branch vide their U.O.No 3072/D(fin/R&D) dated 30.12.76.

Yours faithfully

Sd/-
(R M GUPTA)

Under Secretary to the Govt. of India

Copy to:-

The controller General of Defence Accounts, New Delhi The Director of Audit, Defence Services, New Delhi. All concerned subordinate offices (20 copies) Controller of Defence Accounts, SC/WC/CC/WC(Navy) Bombay/Patna/Factories Calcutta.

All Controllers of Defence Accounts and all concerned subordinate offices (10copies) Senior Director of Audit Defence Service, SC/WC/CC/WC(Navy) Bombay/Patna/Factories Calcutta.

Office of the Chief Auditor(Ord. Factories) Calcutta/Patna Ministry of Defence (Finance Branch/R&D) (5 copies)

RD 26(150 copies): for distribution to Headquarters Dtes, and R&D Estts/Labs.

PROJECT REGISTER

Sr. No.	Title of Project	Sanctioned case Original Revised	Probable date of completion	Actual date of completion	Total completion cost	Remarks

APPENDIX 'B'

PROJECT EXPENDITURE CARD

Group : ____ Sanction No & Date Year of initiation Sanctioned Cost

Project No : _____ Original Revised

Title of Project : _____

(Foreign Exchange within brackets)

Sr No	Voucher No & Date	Amount		Progressive total	Initial project officers	Remarks
		Rs.	FE.			
1	2	3		4	5	6

APPENDIX 'C'

DEMAND CUM ISSUE VOUCHER

Project No:- _____ Demand/ Indent No & Date:- _____

Brief Title:- _____ Issue Cum Receipt Voucher No
and Date

Sr No	Cat part no of items	Nomenclature demanded	Quantity demanded	Quantity issued	Cost	Remarks

(ITEMS.....ONLY)

Funds are available _____ / Stores mentioned above _____ / stores Received
Have been issued

Signature of indenting officers

Signature of store officer

Signature of receiving

Total cost included in R&D project expenditure card vide entry no _____

(Signature of Project Officer)

NOTE: This form will be prepared in triplicate, one held in main stores, the second to be filed with project expenditure card and the third to be filed in project file.

- * This will be the number allotted from store officers issue VR Series.
- @ This will be the Indenting Officer.

APPENDIX 'D'

SUBSIDIARY REGISTER

Name of Articles:- _____ Page no:- _____

Date & Voucher No	Receipt	Issue	Balance	Remarks
1	2	3	4	5

CHAPTER-10

Risk Based Internal Audit

10. Introduction:

10.1.1 Risk is broadly defined as a set or sets of circumstances, events and process failures which hinders the achievement of the goals and objectives of the organization. Though technically risks can be both opportunities and threats, in this chapter we focus on the circumstances that threaten/hinder the achievement of the goals as risks.

10.1.2 However, risk management as a management tool and discipline is still at its infancy. There are many and varied views and descriptions of what risk management involves, how it should be conducted and what it is for.

10.1.3 In the arena of risk management, internal audit has been playing a pivotal role and have demonstrated major achievements. The primary objective of internal audit is to provide an "independent and objective opinion to an organization's management as to whether its risks are being managed to acceptable levels". There is a growing recognition of the strong link between effective risk assessment and effective audit coverage. The experience/expertise needed to understand, identify, evaluate, catalogue, and monitor risk in many organizations now rests with internal audit. The role of internal audit is prominent in those organizations which desire to plan contingencies, introduce suitable controls for treating the risks and manage the risks at tolerable levels.

10.2 Assessment of Risks:

10.2.1 Risk Assessment: The first and foremost requirement in risk management is to identify the potential risks and assess the risk exposure of the organization. By identifying the risks at every level of the process and linking them to the main objective and process, audit can be reasonably sure of identifying nearly all the significant risks of the organization.

10.2.2 There are different ways the internal auditors can identify and assess the potential risks of the organization. Two of the most commonly used approaches are:

- (i) Commissioning a risk review: A designated team is established to consider all the operations and activities of the organization in relation to its objectives and to identify the associated risks.

- (ii) **Risk self-assessment:** An approach by which each level and part of the organization is invited to review its activities and to contribute its diagnosis of the risks it faces.

10.3 Questionnaires: Collecting relevant information through suitably drafted questionnaires.

10.3.1 However, for conducting such a comprehensive exercise of identifying and assessing the risk exposure of all the activities and processes of the organization and cataloguing them, the internal auditors must have thorough domain knowledge, and must understand the organization's objectives, strategy, business process and all other factors both internal and external that may influence the process or activity and its outcomes. In the process of actual identification of the risk at each level of process, it is suggested that the internal audit should adopt a top down approach and associate all the top management at every level in the process. Once all possible potential threats and risks of each process in the organization have been identified and linked to the sub-objectives, primary objective, the next logical step would be to catalogue these risks and prepare a risk register for the organization.

10.3.2 **Risk Register:** In order to manage risk, an organization needs to know what risks it faces, and to evaluate them. Identifying risks is the first step in building the organization's risk profile. There is no single right way to document an organization's risk profile, but documentation is critical to effective management of risk. Though there is no standard format for the risk register it should contain all the potential risks of an organization with reference to each process, its perceived impact on the achievement of the objectives and its probability of occurrence.

10.3.3 **Risk & Audit Universe (RAU):** Grouping the risks and corresponding process into audit units is called the Risk Audit Universe (RAU). The RAU contains the risks that management, internal audit has identified, their score, the audit entities with reference to the risk and process, the owner of the risk, the audit that is entrusted to provide an opinion on the management of each risk, details of the last and next audits, details of controls managing the risk etc. The RAU provides a macro picture of the issues and activities involved and will help prioritizing the audit plans.

10.3.4 **Audit Plan:** It provides a broad outline of the objectives of audit, its scope, detailed activity plan, its composition, period and time of audit, allocation of resource and also to decide on which risks should be included in the audit.

The above four stages or core components of risk based internal audit are neither mutually exclusive nor exhaustive. Nevertheless, these four stages are interdependent, mutually supportive and facilitate organizing risk based internal audit work more systematically and methodically. The ultimate objective of risk based internal audit is to provide the management of the organization an independent and objective opinion as to whether its risks are being managed to acceptable levels. The end should justify the means.

Based on the above concept of Risk Based Internal Audit the following areas in various chapters of this manual have been identified as risk areas.

10.4 CHAPTER-4 - AUDIT OF SANCTIONS

10.4.1 Risk Areas identified

- a) Not conducting audit of sanctions whose value is more than 75% of the CFA's maximum powers.
- b) Not conducting audit of sanctions involving Single and PAC tender cases.
- c) Not conducting audit of sanctions for cases where powers have been exercised without consultation of IFA
- d) Not conducting 100% preliminary scrutiny of all sanctions received.

10.5 CHAPTER-5 - STORE SECTION

10.5.1 Risk Areas identified

- a) Not conducting pre-audit of Supply Orders.
- b) 90/95% of the Supply Order payments through Cash Assignment by the Labs/Estt subjecting to Post-audit.
- c) Not giving more thrust for effective post audit
- d) Improper/Non-maintenance of Project Accounts
- e) Not conducting Performance Audit to analyze the incidence of time and cost over-runs in respect of major Projects/Programmes and their impact on the project schedules.
- f) Not exercising effective internal audit checks.

10.5.2 Cash Assignment

10.5.2.1 Risk Areas identified

- a) Payment of advances on "Contracts for Acquisition of Research Services" through Cash Assignment without pre-audit.
- b) Advance payment of 90/95% LP Payments through Cash Assignment as a matter of routine.
- c) PDC extensions with/without LD and without Review TPC recommendations.
- d) Repeat orders treated as independent transactions for determination of CFA.
- e) Payment of enhanced statutory levies during extended delivery period even when the delays are attributable to vendors.

10.5.3 Foreign Purchase

10.5.3.1 Risk Areas identified

- a) Non-maintenance of LC Registers.
- b) Opening of LCs without obtaining order acknowledgement from foreign vendor.

10.5.4 Resource Generation

10.5.4.1 Risk Areas identified

- a) The cost estimates are not being vetted from PCDA/ CsDA(R&D).
- b) Compilation of financial statement by C-Tech without vetting by PCDA/CsDA.

10.5.5 CARS/CAPS

10.5.5.1 Risk Areas identified

- a) Payment of advances through Cash Assignment without pre-audit.
- b) Using the above facility for hiring of man power in the name of research activity.
- c) Splitting of agreements to bring it within the financial powers of Director of Labs.

10.6 CHAPTER-6 - MISCELLANEOUS

10.6.1 Risk Areas identified

- a) Not exercising effective internal audit checks.
- b) Grants-in-aid -Non-submission of audited accounts and utilization certificates.

10.7 CHAPTER-7 - PAY SECTION

10.7.1 Risk Areas identified

- a) Non/improper maintenance of Demand Registers.
- b) Non-maintenance of LF/DO II Guard files.
- c) Not looking for concurrence of Ministry of Finance in respect of orders entailing increase in entitlements.
- d) Defective/improper fixation of pay fixations leading to overpayment, stepping up, anomalies etc.

- e) Not effecting recoveries against the debit advices received from TA-DA/Medical groups.
- f) Non-transfer of debt-head balances in case of LPC Out cases.
- g) Not conducting scale audit with reference to the sanctioned and posted strength every month.
- h) Admittance of final Pay & Allowances without ascertaining demand status from different audit sections.

10.8 Medical

10.8.1 Risk Areas identified

- a) Non/improper maintenance of Demand Registers.
- b) Not exercising effective internal audit checks.
- c) Not watching for acknowledgements for the debit advices.

10.9 Transportation Section

10.9.1 Risk Areas identified

- a) Non/improper maintenance of Demand Registers.
- b) Not exercising effective internal audit checks.
- c) Not watching for acknowledgements for the debit advices.

10.10 Local Audit

10.10.1 Risk Areas identified

- a) Not conducting the credit verification of vouchers as per the prescribed ceilings/percentage of audit.
- b) Not auditing the Project accounts.
- c) Performance audit not being conducted at LAO level.