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## **MODEL ANSWER**

### **SAS PART-II EXAMINATION**

**NOVEMBER, 2008**

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**Defence Accounts Department**  
**FIRST SPECIAL CHANCE - S.A.S. EXAMINATION – PART II (NEW SYLLABUS)**  
**NOVEMBER, 2008**

**PAPER VIII – (QUALIFYING PAPER)**  
**SUBJECT: OFFICE COMMUNICATION**

Time Allowed: 3 Hours

Total Marks : 150

**Note:-**

(1) This is a qualifying paper only in which a candidate has to compulsorily secure 60 marks. Marks secured in this paper will neither be counted in the aggregate marks nor will be added in total marks secured in other papers.

(2) Four (4) questions are to be answered by the candidates out of 6 questions.

(3) **Question No.1 is compulsory** carrying 40 marks. 5 and 10 marks are reserved for title and summary of points respectively and 25 marks for précis proper.

(4) Question No.2 is also compulsory carrying 40 marks.

(5) Candidates are to attempt 2 questions out of questions set at Serial No.3 to 6. Each question carries 35 marks, the total being 70 marks (35 x 2).

**Q.1.** A write up on audit is given in ANNEXURE-1. Make a summary of points. Write a précis of the extract and suggest a suitable title. **(40 Marks)**

**ANNEXURE-1**

With the vast-growth in the volume and variety of public expenditure, there has taken place an enlargement in the scope and content of the audit thereof. Audit of public expenditure is no longer restricted to what is known as 'regularity audit' with its attention directed towards the detection of over payments, payments made in excess of authority, failure to recover dues, infringement of rules etc. These elements of regularity audit, important as they are, are taken for granted and there is a demand for something more. The public is keenly interested in the results achieved from the expenditure of public funds - whether there has been extravagance and waste, and whether worthwhile results have been achieved and at what cost. This information can be given only by those who have access to the details of the expenditure and who are independent enough to make an objective appraisal of the results disclosed by a scrutiny of those details. The role of the independent auditor has, therefore, grown beyond that of mere regularity audit; it has extended to appraisal and to the forming of value judgements. In this new role, the independent auditor of public expenditure conducts what may be termed as "Efficiency-cum-Propriety" audit, or more briefly, "Efficiency Audit".

We will now review the existing arrangements for the audit of Government companies and statutory corporations and make recommendations for changes therein, keeping in view the growing need for conducting efficiency audit. Under Section 619(2) of the Companies Act, 1956, professional auditors are appointed by the Central Government on the advice of the Comptroller and Auditor-General (C&AG) for the purpose of auditing Government companies. In conducting the audit they are required to follow the directions issued by the C&AG. The C&AG has issued directions indicating certain aspects of the accounts which are to be

scrutinized by them and they are required to be furnished under Companies Act. The C&AG has also the right to comment upon or supplement their reports. Further, he has also the right to conduct at his discretion, a test audit of the accounts of an undertaking either himself or by his nominee. The purpose of the audit conducted by the professional auditors is to enable them to certify under the Companies Act that the accounts represent a true and fair picture of the affairs of the company. Efficiency audit is not required to be done under the provision of the Companies Act. Such audit is, however, the prime concern of the C&AG. He gets this audit done through the Director of Commercial Audit, an officer of his organization.

The main objectives of efficiency audit as at present conducted are to ascertain:-

- (a) whether the various programmes taken up by the undertakings are being executed and their operations conducted economically; and
- (b) whether the programmes are producing the results expected of them.

With regard to (a), examination is directed towards finding among other things:

(i) Whether technical estimates, detailed programmes, cost schedules are being framed and the same are adhered to, if not, whether there are adequate reasons for excess, delays etc;

(ii) Whether there have been serious delays due to inefficient handling, planning and co-ordination, resulting in increases in total costs or loss of revenue due to delays execution or the holding up of other connected schemes;

(iii) Whether there has been any wasteful expenditure; and

(iv) Whether the performance/cost compares well with the results obtained in respect of similar schemes in other fields in the public sectors?

As regards the objective(b), it is examined how far physical targets have been achieved within the estimated time and how far the returns anticipated have actually been realized. An attempt is also made at the end of each years to make an overall appraisal of the progress and efficiency of plan expenditure with reference to the total plan targets and anticipations. The following are the main elements of the criticism against the existing audit arrangements:

(i) The existing multiplicity of external audit leads to considerable waste of time and effort for the management since it has to reply to the detailed questions and objections raised in successive examination by the professional auditors and the Government auditors.

(ii) Government auditors, particularly in the lower staff, do not have sufficient appreciation of the commercial nature of the public enterprises and often raise questions and objections of a nature that may have some value in the case of the administrative Ministries but appear inconsequential in the case of commercial undertakings.

(iii) In fact, undue importance is attached to the audit function as a whole and to

the observations made by the auditors after the event with the advantage of hindsight.

(iv) Too detailed and continuous an audit dampens the initiative of enterprising managers, forcing them to adopt a more cautious approach and restricting the scope of delegation of powers.

(v) At present the auditors do not have the necessary expertise or experience to undertake an adequate and systematic appraisal of managerial efficiency.

Some of the critics have gone to the extent of suggesting that audit by the C&AG may be discontinued. However, the assertion that there is a lack of sufficient expertise or experience to undertake an appraisal of managerial efficiency is hardly a justification for not even attempting such an appraisal. The only way to build up such an expertise is to start with the available manpower and let it gain experience. Further, the position is not, in fact, as unsatisfactory as is made out. The study Team while reviewing the audit report on the Hindustan Steel Limited observed that the audit by the C&AG is fairly comprehensive and covers most of the important aspects of operations in each of the six units of the company and ended up with the statement that "much useful information about the working of public undertakings can be given to Parliament by the C&AG provided he is able to undertake a comprehensive review for the purpose". So the need is for strengthening the staff in quality. Such audit as described above, covers even now quite a wide area and with experience the audit techniques are also being refined. The difficulties alleged to have been created by the multiplicity of external audits appears to be exaggerated. The Director of Commercial Audit endeavours to avoid redoing the work done by the professional auditors. In any case, the inconvenience alleged to be felt because of different auditors going through the same transactions can be minimized by evolving suitable procedures. It is neither necessary nor correct on the grounds of alleged inconvenience, that the C&AG audit should be given up. Its objective is different from that of the audit conducted by professional auditors. The other criticisms only indicate the need to take into consideration the special features relating the decisions taken by the persons running industrial and commercial concerns. It should be appreciated that as on-the-spot decisions will have to be taken by them, the possibility of some of them going wrong is unavoidable. Further, while a criticism of a decision if taken in a Government Department would be justified, it may not be so if taken by an industrial or commercial undertaking. All that is necessary for audit is to take these factors into consideration before commenting on the transactions of such undertaking. It would, however, not be in the public interest to confer on public undertaking complete immunity from enquiries for the purpose of an efficient audit. We would, however, like to emphasize that the audit should take an overall rather than a narrow detailed view of the performance. It should not miss the wood for the trees. Its aim should not be to hunt out for faults for the sake of fault-finding, but look upon the undertakings's performance for the year against the targets to be reviewed. It could, of course say, if the circumstances so warrant that more could have been achieved at the same or less expense. We are convinced that audit by adopting this role can render valuable assistance to the management and to be welcomed and respected instead of being feared and avoided. The study team has examined the audit systems of other countries with a view to suggest changes in the existing system

of audit of public enterprises in India and the steps to be taken for bringing about a re-orientation in the attitude of auditors necessary for undertaking efficiency audit. In particular, the Team has drawn attention to the system adopted in France where a separate commission, namely, COMMISSIONED DE VERIFICATION DES COMPTES (Commission of Verification of Accounts), has been set up under statute. The Commission has a number of sections (boards) each of them doing not only regulatory audit but also efficiency audit in respect of undertakings falling under specified areas of public enterprise. These boards include three magistrates of the COUR DES COMPTES (Audit Court) and two other members appointed by the government. The Study Team is in favour of adopting this system. We have carefully considered the proposal of the Study Team and are in agreement with them. Four or five Audit Boards can be established and entrusted with the audit of specified groups of public undertaking in the corporate sector. Each of these Audit Boards will have five member: three of them drawn from the organization of the C&AG, will be common to all of them. Two of the common members can be of the rank of Accountant General and one of the ranks of Additional Deputy Comptroller and Auditor General, who can also act as the chairman of all the audit Boards. The other two members, who will be part time, will be different for different Boards and Government can appoint them in consultation with the C&AG.

**Ans.**

### **NEED TO CHANGE NATURE OF AUDIT IN PSUs**

#### **Summary of Points**

1. Growth of public expenditure changed the nature of audit and the role of auditor from regularity to efficiency audit. Efficiency audit emerged as new concept due to inadequacy of regularity audit.
2. Study teams are constituted to review the existing arrangements for audit of Govt. companies and to recommend changes.
3. Under Companies Act, Professional auditors have to follow the directions issued by C&AG and they have to submit special report in addition to audit certificate.
4. Apart from commenting of such reports, C&AG may conduct efficiency audit through Director of Commercial Audit.
5. The main objectives of efficiency audit are to make value judgments whether the various programmes are executed and conducted economically and they were producing the desired results.
6. While examining the methods of Efficiency Audit, certain main elements in the existing audit system were criticized and suggestions made for dispensing with C&AG audit. While appreciating the necessity of professional auditors, C&AG's role need not be down played.
7. The Study team, who reviewed the report of Hindustan Steel Ltd., observed

that C&AG audit is fairly comprehensive.

8. French system of audit was suggested for adoption and appointment of various Boards to do efficiency audit and also to evolve suitable procedures to avoid re-doing the work done by Professional Auditors. The alternative system should be constituted through an Act of Parliament defining its role, powers and functions vis-à-vis C&AG.

### **PRECIS**

With the growth in volume and variety of public expenditure, there is a need to enlarge the scope and content of audit of Govt. Companies and Statutory Corporations. The public are interested in the efficiency of organizations in terms of producing intended results economically. For this efficiency audit may be found to be a better tool than regularity audit.

Keeping the above requirement in view, Study teams were constituted to look into the existing arrangements for audit of Govt. Corporations and to suggest suitable changes.

Under the Companies Act, 1956, Professional Auditors are appointed by Central Government on the advice of C&AG. Besides undertaking the statutory audit, C&AG will issue directions indicating special aspects to be looked into by them. The Statutory auditors have to submit special report apart from submitting audit certificates. Efficiency audit is not required to be done under Companies Act but it will be the prime concern of the C&AG, who gets it done through Director of Commercial Audit.

Main Objective of Efficiency Audit is to find out whether technical estimates, detailed programmes are being framed and strictly adhered to, to the time schedules and whether there have been serious delays due to inefficient planning and co-ordination resulting in cost and time overruns in execution of Programmes resulting holding up of connected schemes. It is also to see whether the Programmes are producing the desired results.

The Study team made an attempt at the end of each year to assess the efficiency of audit systems. In the endeavour, the existing audit arrangements were criticized on many counts.

- a) Multiplicity of external audit leads to considerable waste of time and effort for the management in replying to the various queries raised.
- b) Lower staff raises inconsequential objections.
- c) It dampens the initiative of managers who adopt cautious approach by restricting delegation of powers.
- d) Regularity Auditors do not have necessary expertise to undertake systematic appraisal of management efficiency.

During the course of study, certain critics suggested for discontinuance of C&AG audit. While appreciating the necessity of Professional auditors, the C&AG's role need not be down played. The study team, while reviewing audit report on Hindustan Steel Limited, observed that the audit by C&AG is fairly comprehensive and covers most of the important aspects of operations. It felt suitable procedures are to be evolved to avoid duplication of work by different auditors.

The study team examined audit systems of other countries and suggested means for change of existing system. In France, a separate Commission with semi-judicial powers for Verification of Accounts has been set up under a Statute. The Commission will have different boards, each of them doing not only regularity audit but also efficiency audit in respect of public enterprises. It suggested for establishment of four or five audit boards, to be entrusted with the audit. The boards, besides having members from C&AG and Organization, will also have part-time drawn from experts. The Boards will function under the chairmanship of Additional Deputy Comptroller and Auditor General. The Directorate of Commercial Audit may continue to do regularity audit. The alternative system should be constituted through an Act of Parliament defining its role, powers and functions vis-à-vis C&AG.

**Q.2.** Mr. X, an Auditor, was placed under suspension after initiating disciplinary proceedings under Rule 14 of CCS(CCA) Rules, 1965. The Auditor has approached Hon'ble CAT vide OA No.102/2008 and the CAT bench has issued an interim order to set aside the order of suspension and to file counter affidavit within 15 days. As dealing SO(A), draft a counter affidavit.

**(40 Marks)**

**Ans**

**CENTRAL ADMINISTRATIVE TRIBUNAL,  
XXX BENCH**

OA No.102 of 2008

Mr. X, Auditor Applicant/s

Vs

CDA, XXXX Respondent/s

**AFFIDAVIT**

I, Shri Y, aged 46 years, son/daughter/wife of Shri Z, (employed as CDA) residing at XXXX, New Delhi do hereby swear in the name of God/solemnly affirm and state as follows:

1. That Shri X, Auditor serving in this office has been placed under suspension w.e.f. 10.11.08, following prima-facie evidence that Shri X abused superior officers and that his presence will disturb peace at the place of his employment.
2. The official has been served with a Charge Sheet together with a Statement of imputations of misconduct vide this office letter No. XX/XXXX/XX dated

.10.08, with a direction to submit his reply to the charges leveled against him within 15 days from the date of receipt of Charge Sheet. However, the official has failed to submit his reply. The disciplinary authority has directed to initialize disciplinary proceedings under Rule 14 of CCS(CCA) Rules, 1965, by placing the official under suspension w.e.f. 10.11.2008.

3. It is prayed that this office has followed the requisite procedure as contemplated in CCS(CCA) Rules, 1965 and hence the OA may be dismissed and allow the department to proceed further.

Contents of Paragraphs Nos.1 to 3 are within my personal knowledge and content of Paragraph Nos.....NIL.....are based on information received by me which I believe it to be true (state the source of information received by me which I believe it to be true 9state the source of information wherever possible and the ground for belief, if any)

Place:XXX  
Date: .11.08

Sd/XXXX  
Signature of the Deponent  
Name in Block letters

No. of corrections on Page Nos.

Identified by:

.....sworn/solemnly affirmed before me  
on this the .....Day of .....2008.

Sd/-XXXXX  
Signature  
(Name and designation of the Attesting authority with seal)

**Q.3.** During O&M inspection of the Main Office of a CDA, it was reported that undue delay was taking place in adjustment of MROs and that the acknowledgements for MROs were not being rendered. As a result, a large No. of MROs remained unlinked in Accounts Section, but the Audit objections are pending with LAO. LAO concerned could not ascertain whether the MROs were adjusted or otherwise, in the absence of acknowledgement from Audit Office.

Draft an important circular, to be issued under the signature of the Addl. CDA, in-charge of the Inspection Cell, after showing it to CDA, enjoining upon all concerned for prompt adjustment of MROs and rendition of acknowledgements to MROs.

The relevant rules on the subject are reproduced at **ANNEXURE-2**.

**(35 Marks)**

**APPENDIX-2**

Para 511 of OM Part II, Vol-I

Original copies of MROs (sent by the depositors) will be received in Audit

Section and adjusted by the debiting the Suspense Head "Remittances into Banks/Treasuries" and crediting the Service Heads etc. The original copies of MROs will after adjustment be passed on to Accounts Section along with a statement of MROs adjusted separately in respect of each Bank/Treasury. The fact of adjustment of original copies of MROs will thereafter be recorded in the appropriate columns 9 and 10 of the Register of MROs referred to above and their totals agreed with printed compilation. If entries exist in columns 6 to 10 of the Register against each MRO, the items will be treated as "Linked and Paired" and endorsed as such in the Remarks column. Summary of the Register, prepared at the end of each month, will show the amount credited to the Suspense head "Remittances into Banks/Treasuries" (as recorded in column 6 of the Register) and the amount debited to that suspense head (as recorded in column 10 of the Register) as also the balance remaining outstanding under the above Suspense Head.

#### **Para 94 of Defence Account Code**

(v) Original copies of the MROs (sent by the depositors) will be received in Audit Sections/Accounts Section and adjusted by them on a day basis by debiting the suspense head "Remittances into Banks/Treasuries" and crediting the relevant Service Head/AG Suspense Head etc. The original copies of MROs will after adjustment be passed on to Accounts Section each month along with a Statement of MROs adjusted separately in respect of each Bank/Treasury.

(vi) The fact of adjustment of the original copies of MROs will thereafter be recorded in the appropriate columns 9 and 10 of the MROs register and their totals agreed with printed compilation. If the entries exist in columns 6 to 10 of the register against each MRO the items will be treated as "linked and paired" and endorsed as such in the remarks column. Summary of the register prepared at the end of each month will show the amounts credited to the Suspense Head "Remittance into Banks/Treasuries" (as recorded in column 6 of the register) as also the balance remaining outstanding under the above Suspense Head. Total of the unlinked MROs should tally with the net amount remaining under the Suspense Head.

#### **Para 94 of ALAM Part-I**

(iii) In the case of Payment Issues irrespective of the fact as to whether the vouchers have been priced by the executive or the CDA or the LAO, the bank/treasury receipt (original duly receipted by the Bank/Treasury) will be forwarded to CDA direct by the Unit/formation under the standard proforma (introduced by AO 407/70). The CDA will return the duplicate and triplicate copy of the unit's forwarding memo, to the OC Unit and LAO, respectively in acknowledgement of the bank/treasury receipt(s). The audit of the account of the Units/formation will be conducted by the LAOs in due course with reference to the office copy (triplicate copy) of the MROs and the triplicate copy of the Unit's forwarding memo received at his end direct from the CDA duly acknowledged. In case of non-receipt of triplicate copy of the unit's forwarding memo received at his end direct from the CDA duly acknowledged. In case of non-receipt of triplicate copy of the unit's forwarding memo from CDA, the LAO will carry out the audit with reference to the duplicate (unit's) copy of the acknowledgement.

Simultaneously, LAO will obtain CDA's confirmation regarding the receipt of the relevant MROs with reference to the particulars available in the unit's copy of the CDA's acknowledgement. The LAO will watch the receipt of the confirmation from CDA through relevant objection statement file.

**Ans:**

CDA may please see before issue.

Addl. CDA

**IMPORTANT CIRCULAR**

No.FA/10426/Imp.Cir

O/o xxxxxxxx

Xxxxxxxx

Dt: xxxxxxxxxx

To

All Sections in Main Office

All Sub-Offices

Sub:- Adherence to Procedures with reference to Para 182 OM Part II Vol.I, Para 94 of Def. Account Code and Para 91 of ALAM Part-1 - Non-adjustment of MROs - Non-rendition of acknowledgements to MROs.

During O&M inspection of audit section in the Main Office, it is noticed that undue delay is taking place in adjustment of MROs and that the acknowledgements for MROs are not being rendered. As a result, a large no. of MROs remain unlinked in Accounts Section. Audit objections are pending with the LAO and LAO could not ascertain whether the MROs have been adjusted or otherwise, in the absence of an acknowledgement from the audit section of CDA. It has also been ascertained from LAO that large no. of objections are outstanding on account of non-receipt of acknowledgements from CDA's office.

2. You are directed to refer to Para 182 of OM Part-II Vol.I (Flag A), Para 94 of Defence Account Code (Flag B) and (Flag C). As per Para 182 of OM II Vol.1 and 94(v) & (vi) of Defence Account Code, Original copies of MROs sent by depositors will be received in the Audit Sections concerned and adjusted by them on a day basis by debiting the suspense head "Remittances into Banks/Treasuries" and crediting the relevant Service Head/AG Suspense Head etc. The original copies of MROs will after adjustment be passed on to Accounts Section each month along with a Statement of MROs adjusted separately in respect of each Bank/Treasury, to enable the Accounts Section to record the fact of adjustment of original copies of MROs in columns 9 and 10 of the MRO Register.

3. As per Para 91 of ALAM Part-1, the audit of accounts of the Units will be conducted by LAOs with reference to the office copy (triplicate copy) of the MROs and the triplicate copy of the unit's forwarding memo received at his end direct from CDA duly acknowledged. In case of non-receipt of triplicate copy of

the unit's forwarding memo from CDA, LAO will carry out audit with reference to duplicate (unit's) copy of acknowledgement. The LAO will watch the receipt of the confirmation from CDA through relevant objection statement file.

4. It is therefore enjoined upon all the audit sections and sub-offices to promptly adjust the original copies of MROs immediately on their receipt and invariably furnish the acknowledgements to the units for necessary verification by LAO. The units may be advised to forward MROs with forwarding letter in triplicate. The duplicate copy may be returned to the unit and the triplicate to LAO. The above instructions may be strictly adhered to.

Pl. acknowledge receipt.

Addl. CDA

**Q.4.**

Put up a draft UO from Jt. CGDA (Audit) to Department of Personnel and Training, Ministry of Personnel, Public Grievances and Pensions seeking clarification on the following.

The extract of GOI, Ministry of Personnel, Public Grievances and Pensions, Deptt. of Personnel and Training OM No.31011/4/2007-Estt(A) dt. 2.5.08 is given in the ANNEXURE-3

On scrutiny of the OM, certain points of doubt arose in the CGDA's Office as to whether a government servant visiting Sikkim can travel by air upto Bagdogra which is not situated in NER? (Bagdogra is the nearest airport to Sikkim). Whether a Govt. employee who has already availed the all India LTC is entitled for LTC to visit NER again in terms of OM dt. 2.5.08? Whether a Govt. employee whose headquarters and home-town being one and the same (say Bangalore) is entitled for conversion of home-town LTC for NER? Whether Govt. employee who has already availed one home-town LTC in the current bloc can avail LTC to visit NER?

**(35 Marks)**

### **ANNEXURE-3**

F.No.31011/4/2007-Estt(A)

Government of India

Ministry of Personnel, Public Grievances and Pensions

Department of Personnel and Training Division

New Delhi, dated 2 May, 2008

### **OFFICE MEMORANDUM**

Sub: CCS(LTC) Rules, 1988 - Relaxation for travel by air to visit NER.

The undersigned is directed to say that in relaxation of CCS(LTC) Rules, 1988, the Government have decided to permit Government Servants to travel by air to North Eastern Region on LTC as follows:

(i) Group A and Group B Central Government employees will be entitled to

travel by Air from their place of posting or nearest airport to a city in the NER or nearest air port.

(ii) Other categories of employees will be entitled to travel by air to a city in the NER from Guwahati or Kolkata.

(iii) All Central Government employees will be allowed conversion of one block of Home Town LTC into LTC for destinations in NER.

2. These orders will be in operation for a period of two years from the date of issue of this OM.

3. Data regarding number of Government employees availing LTC to NER may be maintained.

4. In their application to the staff serving in the Indian Audit and Accounts Department, these orders issue after consultation with the Comptroller and Auditor General of India.

Sd/-

Under Secretary to Govt. of India

To

All Ministries/Departments of the Govt. of India.

**Ans:**

**Office of the C.G.D.A.**

Sub: Travel by Air to North Eastern Region on LTC - Required clarifications thereof.

Ref: GOI, Ministry of Personnel, Public Grievances & Pensions, Deptt. of Personnel & Training OM No.31011/4/2007-Estt(A) dt. 2.5.08.

\*\*\*\*\*

Please refer to OM No.31011/4/2007-Estt(A) dated 2.5.08 providing relaxation in regard to Travel by Air on LTC to North Eastern Region.

2. The scrutiny of the above OM reveals that some of the points are not clear, causing ambiguity in the minds of audit. This office would like to bring the following points of doubt for examination and issue of necessary clarificatory orders.

a) As per the OM, Group A and Group B Central Govt. employees are entitled to travel by Air from their place of posting or nearest airport to a city in NER or nearest airport; however the above provision is not clear as to whether Group B Non-Gazetted employees are also entitled.

b) 'Bagdogra', which is not situated in NER, is the nearest airport to Sikkim, which is situated in NER. Whether Air travel up to Bagdogra is permissible enroute NER?

c) As per the OM, all Central Government Employees will be allowed conversion of one block of Home Town LTC into LTC for destination in NER. However, it is not clear as to whether a Govt. employee

who has already availed All India LTC or

whose Headquarters and home-town are one and the same or

who has already availed one home town LTC in the current block

is entitled for the above benefit.

3. Ministry of Personnel, Public Grievances & Pensions may kindly examine the issue and cause issue necessary clarificatory order, at the earliest.

Jt. CGDA(Audit)

Ministry of Personnel, Public Grievances & Pensions (Dept of P&T)

CGDA U.O. No...../AT dt.....

**Q.5.**

During the scrutiny of BGBs received along with bills for advance payment from Establishment 'Z', it is observed by Store Selection of Controller's Office that the BGBs are accepted in a routine manner by the Establishments without verifying the genuineness/authenticity of BGBs at the time of submission. BGB No.xx/xxx issued by .....Bank appears to be a fake one, since the bank is not in the approved list of Scheduled Banks of RBI. An extract of CVC guidelines on the subject is appended in ANNEXURE-4.

As dealing SO(A) of Store Section, put up a draft DO letter from your CDA bringing out the deficiencies and remedial measures to be taken by the head of the Establishment.

**(35 Marks)**

#### **APPENDIX-4**

No.02-07-01-CTE-30  
Government of India  
Central Vigilance Commission

Satarkata Bhawan, Block 'A'  
GPO Complex, INA,  
New Delhi - 110 023.  
Dt. 31 Dec. 2007

## OFFICE MEMORANDUM

Sub: Acceptance of Bank Guarantees.

A number of instances have come to the notice of Commission where forged/fake bank guarantees have been submitted by the Contractors/Suppliers. Organizations concerned have also not made any effective attempt to verify the genuineness/authenticity of these bank guarantees at the time of submission.

2. In this background, all organizations are advised to streamline the system of acceptance of bank guarantees from contractors/suppliers to eliminate the possibility of acceptance of any forged/fake bank guarantees.

3. The guidelines on this subject issued by Canara Bank provide for an elaborate procedure, which may be found helpful for the organizations in eliminating the possibility of acceptance of forged/fake bank guarantees. The guidelines issued by Canara Bank provide that:

"The original guarantee should be sent to the beneficiary directly under Registered Post (Acknowledgement Due). However, in exceptional cases, where the guarantee is handed over to the customer for any genuine reasons, the branch should immediately send by Registered Post (AD) an unstamped duplicate copy of the guarantee directly to the beneficiary with a covering letter requesting them to compare with the original received from their customer and confirm that it is in order. The Acknowledgement card should be kept with the loan papers of the relevant guarantee.

At times, branches may receive letters from beneficiaries, viz., Central/State Governments, Public Sector Undertakings, requiring bank's confirmation for having issued the guarantee. Branches must send the confirmation letter to the concerned authorities promptly without fail."

4. Therefore, all organizations are advised to evolve the procedure for acceptance of BGs, which is compatible with the guidelines of Banks/Reserve Bank of India. The steps to be ensured should include:-

(i) Copy of proper prescribed format on which BGs are accepted from the contractors should be verified verbatim on receipt with original document.

(ii) It should be insisted upon the contractors, suppliers etc., that BGs to be submitted by them should be sent to the organization directly by the issuing bank under Registered Post (A.D.).

(iii) In exceptional cases, where the BGs are received through the contractors, suppliers, etc., the issuing branch should be requested to immediately send by Registered Post (A.D.) an unstamped duplicate copy of the guarantee directly to the organization with a covering letter to compare with the original BGs and confirm that it is in order.

(iv) As an additional measure of abundant precaution, all BGs should be independently verified by the organizations.

(v) In the organization/unit, one officer should be specifically designated with responsibility for verification, timely renewal and timely encashment of BGs.

5. Keeping above in view, the organizations may frame their own detailed guidelines to ensure that BGs are genuine and encashable.

Sd/-  
Chief Technical Examiner

To

All Chief Vigilance Officers

**Ans:**

Draft DO letter

XXXXXX  
Controller

D.O.No.CDA/xxx/xxx  
O/o the CDA  
XXXXX  
Dt.

Dear

I am writing this letter in connection with the BGBs received against advance payments to vendors for their supplies. Please refer to the BGB submitted against Bill No.....Dt...(Flag A)

2. The scrutiny of the BGB bearing No.xx/xxx issued by ..... Bank for Rs.xxxxx enclosed to the bill reveals that it is invalid in audit since it is issued by a bank which is not approved by the RBI (Flag B) as seen from the approved list of scheduled banks by RBI. To that extent the BGB is fake and not genuine. This aspect should have been verified at your end. It is not enough to produce a genuine BGB if the issuing bank is not authorized for such transactions with Government.

3. In this connection please find enclosed a copy of the instructions given by the Central Vigilance Commission vide their OM No.02-07-01-CTE-30

dt.31.12.07 (Flag C).

4. It is, therefore, requested to evolve the procedures for acceptance of BGs compatible with the guidelines of Banks/Reserve Bank of India, in line with the above instructions from CVC. It is suggested that all BGs may be independently verified by your establishment before acceptance. For this purpose, you may specifically designate an officer with responsibility for verification and close monitoring of BGs.

5. I look forward for a line of confirmation in this regard.

With

Encl:1

O/c

Yours

Shri xxxx  
Head of Office  
Establishment Z

**Q.6.**

During the Monthly Conference in a CDA's Office, SAO Internal Audit Section brought out that O&M Inspection of one of the Sub-Offices revealed grave irregularities. Even replies to the earlier inspection were not furnished despite several reminders. Follow up action on the earlier inspection reports was also not initiated. 26 objections of 2006 are outstanding and 12 have subsequently been raised in the latest inspection. The CDA had directed to put up a draft letter by name to the ACDA I/c of that Sub-office. As SO(A) of IA Section, put up a draft letter asking him to bring out the age analysis of the pending objections, attributing the reasons for persisting grave irregularities to not paying attention to the earlier objections; and fixing time schedules for their clearance.

**(35 Marks)**

**Ans:**

Draft for approval

No:IA/12456/Inspn  
O/o the CDA

.....  
Dt:.....

To

Shri xyz  
ACDA I/c  
.....  
.....

Sub: P&M Inspection - Rendition of replies to Inspection Report  
for the year 2006.

The O&M Section of Main Office appraised the status of work of your office in the Monthly Conference held on ..... It is reported that many areas of work are in arrears. It has also been reported that even replies to the earlier inspection reports are still awaited despite several reminders (Flag A) by O&M Section. This office letters of even no. dt....., .....,..... refers. This cannot be taken as a healthy state of affairs and is a matter of concern for the Main Office. As you are aware, follow up action on the inspection reports is one of the key areas for Main Office to assess the performance of a sub-office. It reflects poorly on the head of office, if remedial action is not taken in time.

2. As on date there are 26 objections of 2006 (Flag B) and 12 objections (Flag C) of 2007 outstanding against your office. Some grave irregularities are persisting. This is attributed to not taking any corrective action on the earlier audit/inspection reports. This defeats the purpose of O&M Inspections of your office. You are directed to take immediate action to clear the audit objections in a fixed time frame. You may fix the time frame yourself and intimate Main office which will be strictly monitored. Your time frame should not be more than three months. You may consult Main Office for any doubt or clarification.

Please acknowledge receipt.

CDA

**Defence Accounts Department**  
**S.A.S. Examination – Part II (New Syllabus)**  
**NOVEMBER, 2008**

**PAPER IX - THEORY PORTION**

**SUBJECT: FUNDAMENTALS OF ELECTRONIC DATA PROCESSING**

Time Allowed: 1½ Hours

Max. Marks : 60

**Note:-**

- (1) This is a qualifying paper only. Marks secured in this paper will neither be counted in the aggregate marks nor will be added in total marks secured in other papers. The paper has two parts - Theory portion and Practical portion.
- (2) Candidates are to answer 6 questions out of 8 questions from this portion. Each question will carry 10 marks. All answer should be specific and concise.
- (3) Question Paper for Practical portion is separate. However, while computing marks for the paper, the marks obtained in Theory portion shall be combined together.
- (4) Candidates are to secure 30 marks to qualify from this portion.

---

**Q.1.** Distinguish between: **(2 x 5 = 10 Marks)**

- (a) LAN and WAN
- (b) Data and Information

**Ans.** (a) LAN stands for Local Area Network, WAN stands for Wide Area Network

LAN are smaller networks, usually within an office base. Connections between the workstations are mostly physical, with cables, and all the office resources are shared and distributed between the network workstations.

WANs, or Wide Area Networks, are broader geographic networks, like connecting one city to another. They are more of a collection of interconnected LAN networks.

LANs are faster.

- (b) Data is a collection of facts in raw form, which become information after proper organization or processing.

Information is the result of processing, manipulating and organizing data in a way that adds to the knowledge of the person receiving it.

**Q.2.** Give short answers: **(2x5=10 Marks)**

- (a) What do you mean by Operating Systems? Mention any two types of Operating Systems.

(b) What do you mean by Open Source Software? Mention few of its advantages.

**Ans.** (a) An operating system (commonly abbreviated OS and O/S) is the software component of a computer system that is responsible for the management and coordination of activities and the sharing of the resources of the computer. The operating system acts as a host for application programs that are run on the machine. As a host, one of the purposes of an operating system is to handle the details of the operation of the hardware. This relieves application programs from having to manage these details and makes it easier to write applications. Almost all computers, including hand-held computers, desktop computers, and even modern video game consoles, use an operating system of some type. Some of the oldest models may however use an embedded OS, that may be contained on a compact disk or other storage device.

Types of OS-Windows (95,97,NT, 2003, XP, Vista), Linux, Unix

(b) OSS can be defined as computer software for which the human-readable source code is made available under a copyright license. This permits users to use, change, and improve the software and to redistribute it in modified or unmodified form. It is very often developed in a public, collaborative manner.

Advantages of OSS are --

- The availability of the source code and the right to modify it
- The right to redistribute modifications and improvements to the code
- The right to use the software in any way

By and large, the usage of open source are advantageous with benefits ranging from lower costs to simplified management of superior software. These advantages include the following:

- ◆ Lower software costs
- ◆ Simplified license management
- ◆ Lower hardware costs
- ◆ Scaling/consolidation potential
- ◆ Ample support
- ◆ Quality software

**Q.3.** Write a short note on Application Software. **(10 Marks)**

**Ans.** Application software is a program or group of programs designed for end users.

Software can be divided into two general classes: systems software and applications software. Systems software consists of low-level programs that interact with the computer at a very basic level. This includes operating systems, compilers, and utilities for managing computer resources. In contrast, applications software (also called end-user programs) includes database programs, word processors, and spreadsheets. Figuratively speaking, applications software sits on top of systems software because it is unable to run without the operating system and system utilities.

**Q.4.** Fill in the blanks: (5x2=10 Marks)

- (i) 1 kilobyte equals \_\_\_\_\_ bytes.
- (ii) ODBC stands for Open Data Base .....
- (iii) RedHat Linux is a kind of .....system.
- (iv) The three functional elements of a computer are input device ,..... and output device.
- (v) HTML stands for Hyper Text .....Language.

**Ans:** (i) 1024

- (ii) Connectivity
- (iii) Operating
- (iv) Memory
- (v) Mark Up

**Q.5.** (a) What do you mean by root directory? (2x5=10 Marks)

(b) What do you mean by Web server?

**Ans.** (a) In computer file systems, the root directory is the first or top-most directory in a hierarchy.

(b) A server that retrieves and delivers requested web pages to users who enter the URL in a web browser.

**Q.6.** (a) What do you mean by database? (4x2.5=10 Marks)

(b) Name the different types of database systems.

(c) Name any two database system software available in market

(d) Name a database system software which is open source.

**Ans.** (a) A database is a structured collection of records or data. A computer database relies upon software to organize the storage of data.

(b) Hierarchical, relational, network

(c) Oracle, MySql

(d) Postgre SQL

**Q.7** Write a note on advantages of using LINUX OS **(10 Marks)**

**Ans.** Here are some of the advantages of Linux that are often cited when comparing Linux with other operating systems:

- |                                       |                                 |
|---------------------------------------|---------------------------------|
| (1) Low cost                          | (6) Compatibility               |
| (2) Stability                         | (7) Choice                      |
| (3) Performance                       | (8) Fast and easy installations |
| (4) Network friendliness and security | (9) Multitasking                |
| (5) Flexibility                       | (10) Open source                |

**Q.8.** Expand the abbreviations mentioned below. **(4x2.5=10 Marks)**

(a) FTP (b) VPN (c) ROM (d) GUI (e) XML

**Ans.**

- (a) FTP - File Transfer Protocol
- (b) VPN - Virtual Private Network
- (c) ROM - Read only Memory
- (d) GUI - Graphical User Interface
- (e) XML - Extensible Markup Language

**Defence Accounts Department**  
**S.A.S. Examination – Part II (New Syllabus)**  
**NOVEMBER, 2008**

PAPER IX - PRACTICAL PORTION

SUBJECT: FUNDAMENTALS OF ELECTRONIC DATA PROCESSING

Time Allowed: 1½ Hours

Max. Marks : 40

**Note:-**

- (1) This is Practical portion of Paper-IX.
  - (2) Answer any two questions. Each question carries 20 marks. Candidates are to secure 20 marks to qualify from this portion.
  - (3) All files created by you as a part of this examination must be copied on the CD in the following manner:-
    - Created a MAIN FOLDER with your ROLL NUMBER as the folder name.
    - Create three folders within the main folder with the names as Q.1, Q.2, Q.3. All answers must be saved in the respective folders, with the files names as given in the question. One folder would remain blank as candidate has to answer only two of the three questions.
  - (4) On the Answer Books supplied to you, write your ROLL NUMBER, questions answered by you and names of the files copied by you in the floppy mentioned above. The name of the file must be indicated question-wise.
  - (5) Marks secured in Practical Portion shall be added in the Theory Portion of the Paper.
- 

**Q.1.** (a) Type the following text:

**Letter of Credit**

A Letter of Credit is a document issued mostly by a financial institution which usually provides an irrevocable payment undertaking (it can also be revocable, confirmed, unconfirmed, transferable or others e.g. back to back: revolving but is most commonly irrevocable/confirmed) to a beneficiary against complying documents as stated in the Letter of Credit. Letter of Credit is abbreviated as an LC or L/C, and often is referred to as a documentary credit.

Once the beneficiary or a presenting bank acting on its behalf, presents to the issuing bank or confirming bank, if any, on or before the expiry date of the LC, documents complying with the terms and conditions of the LC, the applicable UCP and international standard banking practice, the issuing bank or confirming bank, if any, is obliged to honour irrespective of any instructions from the applicant to the contrary. In other words, the obligation to honour (usually payment) is shifted from the applicant to the issuing bank or confirming bank, if any. Non-banks can also issue letters of credit, however beneficiaries must balance the potential risk of payment default.

The LC can also be the source of payment for a transaction, meaning that an exporter will get paid by redeeming the letter of credit. Letters of credit are used primarily in international trade transactions of significant value, for deals between a supplier in one country and a customer in another.

**(10 Marks)**

- (b) Apply the following formatting to the text typed above:
- (i) The Heading should be Times New Roman 24 Points, bold, italic and centred. The rest of the document should be Arial 12 points.
  - (ii) The paragraphs should be numbered automatically and fully justified.
  - (iii) The document should be in a one and half line spacing.
  - (iv) A header is to be inserted and page nos. right aligned in the header.
  - (v) Change the case of the line 'Non-banks can also issue letters of credit, however beneficiaries must balance the potential risk of payment default' to upper case.
  - (vi) Save the document as Answer "1(a)(b).doc"
- (c) Make a presentation with the text typed in previous part of this question:
- (i) The presentation should have 4 slides.
  - (ii) The first slide should be a title slide with the heading "Letter of Credit".
  - (iii) Remaining slides should carry the title "Slide 1", "Slide 2" and so on.
  - (iv) The titles "Slide 1", "Slide 2" etc. should be right aligned.
  - (v) The font in the slides for the non-title text should be Arial 24.
  - (vi) Give a slide design of your choice from the templates available in the presentation software.
  - (vii) Save the presentation as "Answer 1(C).ppt".

**(10 Marks)**

**Ans.** (a)  
&  
(b)

## ***Letter of Credit***

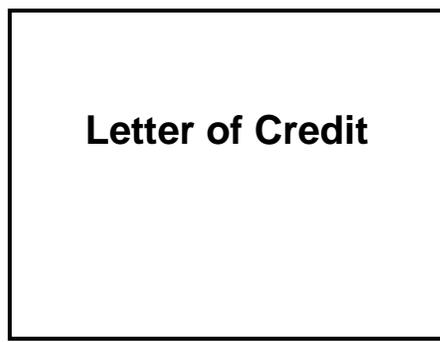
1. A Letter of Credit is a document issued mostly by a financial institution which usually provides an irrevocable payment undertaking (it can also be revocable, confirmed, unconfirmed, transferable or others e.g. back to back:

revolving but is most commonly irrevocable/confirmed) to a beneficiary against complying documents as stated in the Letter of Credit. Letter of Credit is abbreviated as an LC or L/C, and often is referred to as a documentary credit.

2. Once the beneficiary or a presenting bank acting on its behalf, presents to the issuing bank or confirming bank, if any, on or before the expiry date of the LC, documents complying with the terms and conditions of the LC, the applicable UCP and international standard banking practice, the issuing bank or confirming bank, if any, is obliged to honour irrespective of any instructions from the applicant to the contrary. In other words, the obligation to honour (usually payment) is shifted from the applicant to the issuing bank or confirming bank, if any. NON-BANKS CAN ALSO ISSUE LETTERS OF CREDIT, HOWEVER BENEFICIARIES MUST BALANCE THE POTENTIAL RISK OF PAYMENT DEFAULT.

3. The LC can also be the source of payment for a transaction, meaning that an exporter will get paid by redeeming the letter of credit. Letters of credit are used primarily in international trade transactions of significant value, for deals between a supplier in one country and a customer in another.

(c)



### Slide 1

A Letter of Credit is a document issued mostly by a financial institution which usually provides an irrevocable payment undertaking (it can also be revocable, confirmed, unconfirmed, transferable or others e.g. back to back: revolving but is most commonly irrevocable/confirmed) to a beneficiary against complying documents as stated in the Letter of Credit. Letter of Credit is abbreviated as an LC or L/C, and often is referred to as a documentary credit.

### Slide 2

Once the beneficiary or a presenting bank acting on its behalf, presents to the issuing bank or confirming bank, if any, on or before the expiry date of the LC, documents complying with the terms and conditions of the LC, the applicable UCP and international standard banking practice, the issuing bank or confirming bank, if any, is obliged to honour irrespective of any instructions from the applicant to the contrary. In other words, the obligation to honour (usually payment) is shifted from the applicant to the issuing bank or confirming bank, if any. NON-BANKS CAN ALSO ISSUE LETTERS OF CREDIT, HOWEVER BENEFICIARIES MUST BALANCE THE POTENTIAL RISK OF PAYMENT DEFAULT.

### Slide 3

The LC can also be the source of payment for a transaction, meaning that an exporter will get paid by redeeming the letter of credit. Letters of credit are used primarily in international trade transactions of significant value, for deals between a supplier in one country and a customer in another.

- Q.2.** (a) Make the following table using your word processor:

**DEFENCE SERVICES ESTIMATE FOR THE YEAR 2008-09**  
**DEMAND NO.21**  
**DEFENCE SERVICES-ARMY**  
**MINOR HEAD 111-WORKS**

	Actuals	Budget Estimates 2007-08	Revised Estimates 2007-08	Budget Estimates 2008-09
	T.Rs.	T.Rs.	T.Rs.	T.Rs.
<b>E-TOOLS, PLANT AND MACHINERY</b>				
(a) Tools and Plant				
1. New Supplies	203457	223100	219500	224800
2. Vehicles	182664	84500	109700	94500
3. Repairs and renewals of tools	126518	112300	129000	151500
4. Repair of vehicles	219596	203800	217600	237600
5. Payment to other dept.	0	1000	1000	1000
Total	732235	624700	676800	709400

(b) Apply following formatting to the table and text typed above: **(10 Marks)**

(i) The heading should be Arial 12 points, bold. The rest of the document should be in Times New Roman 12 points.

(ii) The first row of the table should be highlighted with yellow colour.

(iii) Apply bold and italics as shown in the table.

(iv) Save the document as "2(a)(b).doc".

Ans. (b)

**DEFENCE SERVICES ESTIMATE FOR THE YEAR 2008-09  
DEMAND NO.21  
DEFENCE SERVICES-ARMY  
MINOR HEAD 111-WORKS**

	Actuals	Budget Estimates 2007-08	Revised Estimates 2007-08	Budget Estimates 2008-09
	T.Rs.	T.Rs.	T.Rs.	T.Rs.
<b>E-TOOLS, PLANT AND MACHINERY</b>				
(a) Tools and Plant				
<b>1. New Supplies</b>	203457	223100	219500	224800
<b>2. Vehicles</b>	182664	84500	109700	94500
3. Repairs and renewals of tools	126518	112300	129000	151500
4. Repair of vehicles	219596	203800	217600	237600
5. <i>Payment to other dept.</i>	0	1000	1000	1000
Total	732235	624700	676800	709400

(c) Make a spreadsheet with the data of the table made in the preceding part of this question: **(10 Marks)**

(i) Using in-built functions, calculate the total under respective column against "Total Sub Head(E)".

(ii) Calculate the difference between Budget Estimates 2007-08 and Budget Estimates 2008-09 in a separate column in the right side of the table.

(iii) Save the spreadsheet as Answer "2(c).xls".

Ans. (c)

<b>DEFENCE SERVICES ESTIMATE FOR THE YEAR 2008-09</b>					
<b>DEMAND NO.21</b>					
<b>DEFENCE SERVICES-ARMY</b>					
<b>MINOR HEAD 111-WORKS</b>					
	Actuals	Budget Estimates 2007-08	Revised Estimates 2007-08	Budget Estimates 2008-09	Difference between BE 2007-08 and BE 2008-09
	T.Rs.	T.Rs.	T.Rs.	T.Rs.	
<b>E-TOOLS, PLANT AND MACHINERY</b>					
(a) Tools and Plant					
1. New Supplies	203457	223100	219500	224800	-1700
2. Vehicles	182664	84500	109700	94500	-10000
3. Repairs and renewals of tools	126518	112300	129000	151500	-39200
4. Repair of vehicles	219596	203800	217600	237600	-33800
5. Payment to other dept.	0	1000	1000	1000	
Total	732235	624700	676800	709400	-84700

**Q.3** (a) Using the spreadsheet application calculate the NPS contribution payable by Shri X under the following circumstances: **(10 Marks)**

<b>NPS Contribution</b>					
Month	Basic	DP	DA	Individual NPS contribution	Govt. NPS contribution
June 08					
July 08					
August 08					
September 08					
October 08					
November 08					
December 08					

(a) Basic pay of Shri X is Rs.8000 as on 30th June 2008.

(b) DP (Dearness Pay) is 50% of the basic pay.

(c) DA (Dearness Allowance) applicable is 43% of (Basic + DP).

(d) Individual Contribution under NPS is 10% of (Basic+DP+DA).

(e) Govt. contribution is equal to Individual Contribution.

(f) Shri X gets an increment of Rs.375 on 1st July and DA increase by 6% w.e.f. 1st July.

(g) Using in-built functions of the spreadsheet application calculate the individual NPS contribution to be made by Shri X for every month.

(h) Save the spreadsheet as Answer "3(a).xls".

Ans. 3.(a)

NPS Contribution					
Month	Basic	DP	DA	Individual NPS contribution	Govt. NPS contribution
June 08	8000.00	4000.00	5160.00	1716.00	1716.00
July 08	8375.00	4187.50	6155.63	1871.81	1871.81
August 08	8375.00	4187.50	6155.63	1871.81	1871.81
September 08	8375.00	4187.50	6155.63	1871.81	1871.81
October 08	8375.00	4187.50	6155.63	1871.81	1871.81
November 08	8375.00	4187.50	6155.63	1871.81	1871.81
December 08	8375.00	4187.50	6155.63	1871.81	1871.81

(b) Make a presentation using the following data:

(10 Marks)

Other Non-Plan Expenditure	12
Subsidies	7
Defence	13
Interest	21
Central Plan	19
State & UT Plan Assistance	6
Non-Plan Assistance to State & UT Govts.	5
States' Share of Taxes & duties	17

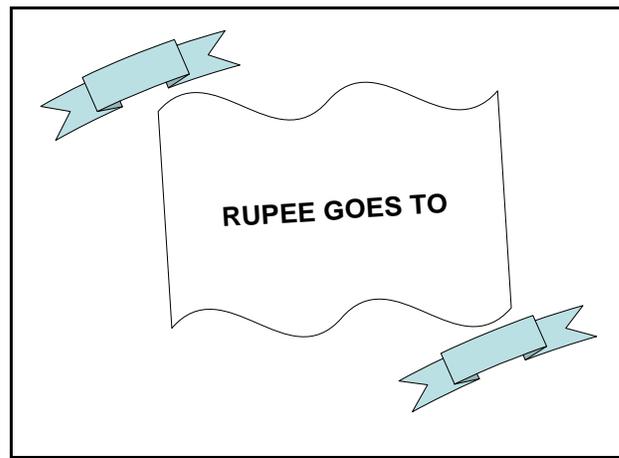
(i) There should be a title slide reading "RUPEE GOES To".

(ii) The second slide should carry the table above.

(iii) The third slide should carry the title "Rupee Goes to" and also have a bar chart in it showing the data in the table.

(iv) Apply slide design of your choice.

(v) Save the presentation as "Answer 3(c).ppt".



## RUPEE GOES TO

	(in paise)
Other Non-Plan Expenditure	12
Subsidies	7
Defence	13
Interest	21
Central Plan	19
State & UT Plan Assistance	6
Non-Plan Assistance to State & UT Govts	5
States' Share of Taxes & Duties	17

Rupees goes to

