From PD's Desk

Confucius has very pertinently said, “The will to win, the desire to succeed, the urge to reach your full potential... these are the keys that will unlock the door to personal excellence”. If every one of us strives, the team as a whole will excel. With this aim in mind the institute is making headway in both the subjects of knowledge centre.

Efforts were taken in developing and disseminating quality reading material and case studies in the area of the institute's specialization by preparing 3 case studies on Revenue audit and 1 Structured Training Module on “RTI Act, 2005”.

As a part of our Continuing Professional Education Programme (CPE), four Core Faculty successfully achieved “Diploma in Cyber Law” according to the perceived training needs. I earnestly feel that this would help them in maintaining high professional standards.

This institute conducted a Pilot Training Programme on “Reporting” between 1st April 2013 and 3rd April 2013, based on the STM prepared by the team specially nominated for this purpose. The course was well appreciated as the team who prepared the STM also acted as the facilitators in the said course.

Our efforts to march ahead and strive for excellence for reaching higher echelons continues...

Bhawani Shankar
Principal Director

In this Issue

- Memorable Moments Unfolded
- Faculty Column
  - Treasury Inspection (contd.)
- Impact of Training
- Our Toppers
- Evaluation of Training
- Focus Column
  - A case study on ‘Unauthorized Utilization of Government Receipts’
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  - Sampling
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- Cyber Law Of India

The Mandate

Headquarters declared this Institute as a Knowledge Resource Centre in 'Audit of Fraud, Fraud Detection Techniques & Forensic Audit' in October 2003 and "Revenue Audit" in September 2011 with a mandate to act as a repository of information on the subject through developing quality reading material, case studies (national and international), research papers and database of expert faculty and media reports. Significant developments in the matter are also to be reported through a newsletter for information to the user offices and sister institutes.

What is new?

i) Courses on ISSAI Awareness from 05-03-2013 to 07-03-2013

ii) Pilot Training Programme on “Reporting” from 01-04-2013 to 03-04-2013.
Continuing Professional Education (CPE)
(Institute's Faculty trained between October 2012 & March 2013)

<table>
<thead>
<tr>
<th>Name</th>
<th>Topic/ Subject</th>
<th>Place of Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. P.P. Ghare, Sr. AO&amp;CF(Gen)</td>
<td>Workshop on ISSAI</td>
<td>Regional Training Institute</td>
</tr>
<tr>
<td>Ms. R.R. Shahare, S AO&amp;CF(IS)</td>
<td>Awareness</td>
<td>Mumbai</td>
</tr>
<tr>
<td>Ms. Bharti Varma, AAO&amp;CF(IS)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ms. Bharti Varma, AAO&amp;CF(IS)</td>
<td>TOT(CDDW)</td>
<td>Regional Training Institute,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chennai.</td>
</tr>
</tbody>
</table>
Party composition
The composition of the treasury inspection party is as under:
1) Senior Accounts Officer/Accounts Officer,
2) Assistant Accounts Officer,
3) Section Officer And
4) Sr. Accountant/Accountant.
Keeping in view the relative importance and intricacies involved in the various items of treasury inspection the distribution of work will be as under:

A. AT DISTRICT TREASURY OFFICE

Sr. Accounts Officer / Accounts Officer
I. physical verification of strong room
II. reediting of monthly account
III. cases of diversion of fund
IV. preparation of inspection report/disposal of paras fro oak inspection reports
V. cash account & list of payment and day book
VI. review of one revenue receipt major head with reference to original challans

Assistant Accounts Officer
I. Cash Book
II. Gant Watch Register,
III. Token Census,
IV. Nil Payment Register
V. Government Promissory Notes /Bonds
VI. Sub-Treasury Accounts.

Section officer
I. Civil pension (pension, DCRG)
II. Stamps records
III. MH 8670"treasury cheques payment schedule with cheque counter-foil
IV. Grant watch register with letter of credit
V. Treasury lapsed cheques,
VI. Solvency register

Sr. Accountant /Accountant
I. Personal deposit/personal ledger accounts
II. Deposit records
III. Register of valuables
IV. Guard files/DDO register
V. Correction memo register
VI. GPF (broad sheet /ledger cards ) in respect of Gr. D employees

VII. GPF authorities (issued by AG) with GPF register
VIII. Monthly receipt verification statement submitted by departmental officers
IX. TA/LTC Adv. register and final claims register
X. Library Register / Dead Stock Register / Stationery Register
XI. Register Of Registers
XII. Pay Bill Registers
XIII. Service Books With Leave Accounts

B. AT SUB TREASURY OFFICE LEVEL (Banking & non Banking treasury)

Sr. Accounts Officer /Accounts Officer
I. Physical verification of strong room
II. Rendition of daily accounts to district treasury
III. Currency chest balance (non banking treasury)
IV. Cases of diversion of funds
V. DCRG Authorities with DCRG register

Assistant accounts officers

Banking sub –Treasury
I. Day book
II. Token census,
III. Nil payment register,
IV. Government promissory notes /Bonds
V. sub treasury accounts
VI. review of day book with RBD statement & register
VII. verification of challans and vouchers available on the date of inspection
VIII. grant watch register with letter of credit

(Non-banking treasury)
I. Day Book—Bill Register
II. Day Book—Normal Balance Register
III. Day Book—Currency Chest Register
IV. Day Book—Encashment Schedule (Payment Side)
V. Day Book—Drawing Schedule (Receipt Side)
VI. Day book telex copy of intimation regarding withdrawal / deposit of amounts from the strong room, sent to the RBI
VII. Encashment schedule—intimation to A.G
VIII. Encashment schedule register – draft advice issued by concerned bank
IX. Treasure’s balance sheet

(to be contd.)

Impact of Training

Entry Behavior Test (EBT) are conducted at the beginning of IS-Based courses in order to assess the knowledge & skill level of the participants in the subject concerned. Participant wise result of the End Course Test (ECT) are compared with the result of EBT to quantify the impact of training. A chart depicting the impact of training in respect of all IS-based courses conducted between October 2012 and March 2013 is given.
OUR TOPPERS

Our Institute, at the end of every training programme conducts an evaluation test. The following table indicates the details of the participants who secured the first and the second positions in the test. They were awarded with token mementoes and merit certificates to sustain their interest and motivational levels. Their offices were also informed about it through a D.O. letter by PD, RTI.

<table>
<thead>
<tr>
<th>IS Courses</th>
<th>Month &amp; Year</th>
<th>First Rank</th>
<th>Second Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level -II-A (Database Concepts, System Concepts &amp; Introduction to MS-ACCESS)</td>
<td>Oct- 2012</td>
<td>Shri Abhishek Kumar Shonit, Auditor O/o the AG (Audit), CG, Raipur</td>
<td>Shri Yougendra Singh Gautam, DEO O/o the AG(E&amp;RSA), MP, Bhopal</td>
</tr>
<tr>
<td>Akshar Naveen and Saransh Multilingual Software- (Batch-2)</td>
<td>Oct- 2012</td>
<td>Shri Gaurav Harith, Jr. Translator O/o the AG(A&amp;E)-II, Mah., Nagpur</td>
<td>Shri Kaushal Kumar, Auditor O/o the PDA, WC Rly., Jabalpur</td>
</tr>
<tr>
<td>Maintenance of Hardware/Software</td>
<td>Nov - 2012</td>
<td>Shri V.V. Mallikarjuna Rao, AAO O/o the PDA, SC Rly., Secunderabad</td>
<td>Shri Dipesh Raj, DEO O/o the PDA, SEC Rly., Bilaspur</td>
</tr>
<tr>
<td>Oracle 9i with Developer 2000*</td>
<td>Nov - 2012</td>
<td>Shri V. Sri Nagesh Kumar, AAO O/o the PDA, SC Rly., Secunderabad</td>
<td>i) Shri T. Srinivas, AAO O/o the PAG(A&amp;E), AP, Hyderabad ii) Shri Arvind Kumar Muarya, Accountant, O/o the AG(A&amp;E), CG, Raipur</td>
</tr>
<tr>
<td>MS ACCESS- (Batch-2)</td>
<td>Jan - 2013</td>
<td>Smt. Hema Gaurh, Auditor O/o the PDA, SEC Rly. Bilaspur</td>
<td>i) Shri Kamal Deo, AAO, ii) Shri Mithilesh Kumar, AAO &amp; iii) Shri K. Sivamaryana, AAO, O/o the PAG(E&amp;RSA), AP, Hyderabad</td>
</tr>
<tr>
<td>PL-SQL Programming</td>
<td>Jan - 2013</td>
<td>Shri Sandeep Kumar Srivastava, AAO O/o the PDA WC Rly., Jabalpur</td>
<td>i) Shri Arun V. Kamalapurkar, AAO O/o the AG(Audit)-II, Mah., Nagpur ii) Smt. Mrudula Kumari, AAO O/o the PDCA, MAB, Hyderabad</td>
</tr>
<tr>
<td>Level - II - B (IT Audit Advance)</td>
<td>Feb - 2013</td>
<td>i) Shri P.D. Sreenivasu, AAO &amp; ii) Shri Deepak Singh Khatri, AAO O/o the AG(E&amp;RSA), AP, Hyderabad</td>
<td>i) Shri Sudhir Kumar Sahu, AAO O/o the AG(E&amp;RSA), AP, Hyderabad ii) Shri Yougendra Singh Gautam, DEO O/o the AG(E&amp;RSA), MP, Bhopal</td>
</tr>
<tr>
<td>IDEA-(Batch-2)</td>
<td>Mar - 2013</td>
<td>i) Shri Amod Balmear Minz, AAO O/o the AG(Audit)-II, Mah., Nagpur ii) Shri Amir Sohail, AAO O/o the AG(E&amp;RSA), AP, Hyderabad</td>
<td>i) Smt. Kavitha S. Gaurav, AAO O/o the AG(Audit)-II, Mah., Nagpur ii) Shri N.K. Chandel, AAO O/o the DA(Of), Jabalpur</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General Courses</th>
<th>Month &amp; Year</th>
<th>First Rank</th>
<th>Second Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Audit &amp; Thematic Audits *</td>
<td>Feb- 2013</td>
<td>Shri A. Satyanarayana, AAO O/o the PDCA, MAB, Hyderabad</td>
<td>Shri P.A. Meshram, Sr.AO O/o the AG (Audit)-II, Nagpur</td>
</tr>
</tbody>
</table>

EVALUATION OF TRAINING

Based on participants' feedback, every training programme is evaluated and grades are awarded.

<table>
<thead>
<tr>
<th>Overall Rating of the Courses conducted during Oct '12 to Mar '13</th>
</tr>
</thead>
<tbody>
<tr>
<td>B Grade (Good) 27%</td>
</tr>
<tr>
<td>A Grade (V.Good) 73%</td>
</tr>
<tr>
<td>IS Based Courses</td>
</tr>
<tr>
<td>A Grade (V.Good) 41%</td>
</tr>
<tr>
<td>A Grade (Very Good) 59%</td>
</tr>
<tr>
<td>B Grade (Good)</td>
</tr>
</tbody>
</table>

GENERAL COURSES

<table>
<thead>
<tr>
<th>A Grade (Very Good)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B Grade (Good)</td>
</tr>
</tbody>
</table>
FOCUS COLUMN


1. Background -
As per Rule 7(i) of Andhra Pradesh Treasury Code (vol. I), all moneys received by or tendered to Government servant in their official capacity to receive should be paid in full into the treasury without delay. Further such moneys should not be appropriated to meet departmental expenditure or otherwise kept outside the government account.

The Andhra Pradesh Land Acquisition rules also stipulated in Financial Code state that the amounts tendered by the requisitioning departments should be deposited in treasury under MH 8443-Civil Deposit. The claim of the awardees toward compensation of Land needs to be settled by way of presenting bills to treasury.

Despite above provisions the District Collector Vishakhapatnam invested the amount received from the land indenting agencies in the fixed deposit receipt in various nationalized banks and expenditure of Rs. 1.76 crore was made for departmental expenditure out of interest accrued on deposit without obtaining the sanction of competent authority. The transactions were not routed through the accounts.

2. Environment -
The Distinct Collector stated that Vishakhapatnam being main tourism center a large number of VVIPs/VIPs visited Vishakhapatnam on various occasions. It was also informed that no funds were released to meet the emergency protocol duty and no matching budget provision was allotted by the govt. to meet the expenditure. Hence the accrued interest on FDR was utilized to meet the urgent protocol contingencies.

3. Opportunities to prevent irregularity -
3.1 The Collector Vishakhapatnam could have avoided this irregularity of unauthorized utilisation of receipts keeping amount received from land requisitioning agencies under 8443-civil/deposit instead of in FDR in bank, as per financial provisions.
3.2 Further this irregularity had already been pointed out in previous Audit. In the circumstances the District collector could have initiated the steps to refer the matter to higher authorities / govt. to obtain regular budget provision in the light of maintaining the protocol of VIPs/VIPs.

4. Act of irregularity -
4.1 The collector Vishakhapatnam invested the amount received from intending land acquisition agencies in fixed deposit receipts without obtaining sanction from competent authority instead of keeping the amount under MH 8443-Civil Deposit in treasury.
4.2 The interest accrued on FDR was credited in the Saving Bank account, but as per Rule the amount of interest should have been credited to revenue. The collector Vishakhapatnam also incurred expenditure out of this revenue without routing the transactions through monthly accounts.

Congratulations
Hearty congratulations to core faculty P.P. Ghare, R.R. Shohare, Bharti Varma & G.K. Omeo for passing “Diploma in Cyber Law” examination with flying colors conducted by Asian School of Cyber Law, Mumbai

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Fax : 0712 - 2562577, Web : http://rtinagpur.cag.gov.in

OUR PRODUCTS

- A Case Study in Revenue Audit
  Unauthorized Utilization of Government Receipts

- A Case Study in Revenue Audit
  Loss of Revenue due to Non-recovery of Water Charges

- A Case Study in Revenue Audit
  Evasion of Stamp Duty and Registration Fees

Unauthorised Utilisation of Government Receipts
Loss of Revenue due to Non recovery of water charges
Evasion of Stamp Duty and Registration Fees

"Whoever is detected in a shameful fraud is ever after not believed, even if they speak the truth."
-Phaedrus, Roman poet.
AUDIT OF FRAUD MATTERS

Glossary - Revenue Audit Manual

(Comptroller and Auditor-General (Additional Functions) Act (No. XXIV of 1974) as amended upto 1983.)

Contd. from previous issue

Countervailing Duty - Countervailing duty is the duty imposed by the government to offset the effect of subsidy granted by an exporting country for its exports. It is a compensating duty against another country's export subsidy (See Section 18A of the Customs Act, 1969).

Duty Drawback - Duty drawback is the duty repaid on the export of goods which were imported into Bangladesh on payment of duty.

EDP Audit - Electronic Data Processing audit is an examination conducted to give an opinion on the development and applications of computer-based systems in an audited entity and the adequacy of administrative and organisational controls as to their accuracy and reliability in processing and analysing information.

Finance Accounts - A comprehensive accounts of all receipts and expenditure of the Government during a financial year.

Fraud - Intentional distortions of financial statements and accounting records and /or misappropriation of assets.

Government - "Government" means the Government of the People's Republic of India.

Materiality - An expression of the relative importance of a particular matter in the context of the statements of accounts as a whole. A matter is material if its omission or misstatement would reasonably influence the decision of an addressee of the audit opinion. Materiality may also be considered in the context of any individual primary statement within the statements of accounts or of individual items included within them. Materiality is not capable of general mathematical definition as it has both qualitative and quantitative aspects. A significant matter need not necessarily be material. For example, an item which is contrary to law can be significant without being material.

Opinion - The opinion which auditors must give on the statements of accounts (or other accounts if a statement is not required) of the audited body.

Propriety Audit - Audit work to consider matters that appear to involve improper expenditure.

Public Enterprise - A company or firm, whether incorporated, registered or not, in which the Government has at least fifty percent share or interest.

Regulatory Duty - Regulatory duty is a duty that the government may, by notification in the Official Gazette, levy, subject to such conditions, limitations or restrictions as it may deem fit to impose, on all or any of the goods specified in the first schedule to the Customs Act, 1969 at a rate not exceeding 50% of the rate, if any, specified therein or at a rate not exceeding hundred percent of the value of such goods as determined under Section 25 of the Customs Act, 1969. The regulatory duty is in addition to the normal custom duty. It is computed on duty paid value.

(to be continued)

Sampling  Cont. from previous issue

Acceptable risk of over reliance (ARO)
Whenever sample size is selected the auditor can never be confident that the sample result reflect the characteristics of the population with 100% accuracy. As checking 100% is not feasible, the auditor has to take a risk n relying on the sample. This is defined as Acceptable risk of over reliance (ARO).

Tolerable deviation rate (TDR)
Another quantity which the auditor has the tolerable rate (TDR). This is the maximum rate of deviation that the auditor is willing to accept without altering his planned reliance on a control. In other words up to what percentage of error/omission/mistake the auditor is prepared to accept as normal and tolerable to conclude that the system can be assumed to be working satisfactorily.

Estimated population deviation rate (EPDR)
Before he can determine the appropriate sample size from statistical tables, the auditor has to determine Estimated population deviation rate (EPDR), that is expected error rate in the population. The estimated population deviation rate is known to the auditor by previous experience of auditing the entity. If not Known, he can estimate it by analyzing a preliminary sample (say 50 items)

Estimating quantities through sampling
Apart from testing the qualitative characteristics (which may be done through attributes Sampling) an auditor also carries out substantive test to satisfy himself about the reasonableness of monetary amounts. E.g. balances in various accounts. Where he wants to examine the amount of sundry debtors in the balance sheet, he may select a representative sample out of the total population of debtors and on the basis of his examination of the sample make an estimation of the total amount of debtors.

Two statistical techniques which are particularly useful for this purpose are monetary unit sampling and variable sampling.

Monetary unit sampling
The monetary unit sampling technique treat each monetary unit in the balances under examination as a separate part of the population. For example 10 accounts are taken and the aggregate total comes to 15,178 the population here is not taken as 10 but as 15,178. In view of the fact that monetary unit sampling requires calculation involving accumulation of rupee units involved in each item, computer programs are commonly used to select the sample. Under this sampling, items with larger rupee units are having much greater chance selection because they are automatically given larger weightage in proportion to the size of the rupees contained therein.

(to be contd.)
What is SAP? (Cont. from previous issue)

Sales and Distribution Module

Backorder Processing

**SAP_LO_SD_BACKORDERS**

**Tasks**
This role groups together activities for processing backlogged sales orders, and their rescheduling. This includes listing sales documents relevant for requirements for specific materials, and processing the confirmation manually. This means that missing parts can be cleared, if ATP quantities are assigned, or quantities already confirmed are cancelled, or assigned as new. As an alternative to backorder processing with a selection list according to sales documents, it is also possible to select and process backlogged sales orders for an individual material.

**Activities in Sales and Distribution Processing (SD)**
- Display backlogged sales orders
- Process backorder processing using selection list according to sales documents
- Backorder processing: access using the material
- Execute rescheduling of sales documents
- Evaluate rescheduling of sales documents

Sales Support

**SAP_LO_SD_SALES_SUPPORT**

**Tasks**
This role groups together functions which are needed for processing pre-sales activities. This includes functions for supporting Sales and Distribution using pre-sales data, processing and maintaining data about contact persons and interested parties, functions for executing mailing promotions, evaluating data on competitors and their products, and different functions for displaying information about the customer.

**Activities in Sales and Distribution Processing (SD)**
- Create/change/display sales activities
- Executing mailing promotions
- Display and create interested parties and contact persons
- Display sales summary
- Sales support monitor
- Display competitive products

Output Processing

**SAP_LO_SD_OUTPUT_PROCESS**

**Tasks**
This role contains activities which you need for sending information (for example, sales order confirmation) in the Sales area.

**Activities in Sales and Distribution Processing (SD)**
- Display/change/create output-condition records in Sales

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**SAP Material Management Module**

SAP MM is the materials management module of the SAP ERP software package from SAP AG that is used for Procurement Handling and Inventory Management. Materials management is integrated with other modules such as SD, PP and QM. Materials management is used for procurement and inventory management.

The module has two important master data - material and vendor. Broadly, the various levels that can be defined for a SAP MM implementation are: Client, Company Code, Plant, Storage Location and Purchase Organization.

SAP MM is all about managing the materials i.e the resources of an organization. These resources include man, manpower and materials. The main functionality within MM includes purchasing, Inventory management, valuation and assignment, batch management and classification.

The MM module is designed to procure and manage the material resource of a company. This module mainly deals with the material and vendor master data and handles inventory functions such as Purchasing, Inventory management, and re-order processing.

Material Management module works in close collaboration with Financial Accounting (FI) module as the price quoted in an invoice in MM module is used by FI module to process various other task such as receiving payment against the Invoice.

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Rangoli by RTI Staff on 25th RAC Meeting held on 6.2.13

"If you are going to achieve excellence in big things, you develop the habit in little matters. Excellence is not an exception, it is a prevailing attitude."

_Colin Powell_
Introduction

Cyber crime is unlawful acts wherein the computer is either a tool or a target or both. Cyber crimes can involve criminal activities that are traditional in nature, such as theft, fraud, forgery, defamation and mischief, all of which are subject to the Indian Penal Code. The abuse of computers has also given birth to a gamut of new age crimes that are addressed by the Information Technology Act, 2000. We can categorize Cyber crimes in two ways;

One computer as a Target i.e. using a computer to attack other computers. e.g. Hacking, Virus/Worm attacks, DOS attack etc.

Another the computer as a weapon i.e. using a computer to commit real world crimes. e.g. Cyber Terrorism, IPR violations, Credit card frauds, EFT frauds, etc.

Cyber Crime is regulated by Cyber Laws or Internet Laws. Technological advancements have created new possibilities for criminal activity, in particular the criminal misuse of information technologies such as:

a. Unauthorized access & Hacking:-

Access means gaining entry into, instructing or communicating with the logical, arithmetical, or memory function resources of a computer, computer system or computer network. Unauthorized access would therefore mean any kind of access without the permission of either the rightful owner or the person in charge of a computer, computer system or computer network.

b. Trojan Attack:-

The program that act like something useful but do the things that are quiet soggy. The programs of this kind are called as Trojans. The name Trojan Horse is popular. Trojans come in two parts, a Client part and a Server part. When the victim (unknowingly) runs the server on its machine, the attacker will then use the Client to connect to the Server and start using the trojan.

c. Virus and Worm attack:-

A program that has capability to infect other programs and make copies of itself and spread into other programs is called virus. Programs that multiply like viruses but spread from computer to computer are called as worms.