From PD’s Desk

With profound joy and satisfaction, I wish to bring out the tenth issue of this institute’s newsletter ‘The Forerunner’ which coincides with the conclusion of the celebration of 150th year of the institution of the Comptroller and Auditor General of India.

The period between April and September 2011 has been very hectic due to ‘preparatory training to DRAAOs and SAS candidates’ for their respective examinations scheduled in August 2011. The results of the SAS examination were encouraging as seen from the reports received from various offices of the DRAAOs and other SAS candidates. But for the selfless support and sincere efforts of all faculty members (both in-house and guest), this achievement would not have been possible. They deserve special kudos!

Latest technological innovation brought in communication media in our department adds flavour and freshness to training methodology also. Dr. Sadu Israel, AG(C&RA), AP, Hyderabad pioneered in handling his sessions successfully through video conferencing in all India workshop on ‘Anti-Fraud Framework and Digital Forensics’ for Group ‘A’ & ‘B’ officers conducted at this institute in August 2011.

Another milestone traversed by the institute that merits mentioning here is the training imparted on ‘Saransh and Akshar Naveen’ software. Their compatibility with MS-Office (Word, Excel, PowerPoint etc.) make these software more user friendly and due to multilingual facility they can also work in regional languages besides Hindi.

Striving to continue as a repository of quality material and centre for productive training in the newly added area of excellence, ie. ‘Revenue Audit’, also ...

Bhawani Shankar
Principal Director

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The Mandate

Headquarters declared this Institute as a Centre of Excellence in ‘Audit of Fraud, Fraud Detection Techniques & Forensic Audit’ in October 2003 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?

- Preparatory training programmes for DRAAOs Railway (Audit) and Commercial Audit, and SAS candidates were conducted.
- All India workshop on “Anti-Fraud Framework & Digital Forensics” for Gr. ‘A’ & Gr. ‘B’ officers across the country was conducted through video conferencing in this workshop.
- Training programme on newly introduced software “Akshar Naveen and Saransh Multilingual” was conducted.
- Theory Exam of IS Based Course conducted through software developed inhouse by Shri G.K. Omec, AAO/CF(IS)
MEMORABLE MOMENTS UNFOLDED

DRAAOs of Rly Audit with Ms. P.Madhavi, Sr. DAG and Core Faculty on valedictory day (13-07-2011)

DRAAOs of Commn. Audit with Shri J.S.Karaee, Pr. Director and Core Faculty on valedictory day (19-7-11)

Shri Yashwant Kumar, AG(Audit) II, Mah., Nagpur inaugurates course on Gender Sensitization (1-8-2011)

Participants of All India workshop on Anti-Fraud Framework and Digital Forensics with Chief Guest Shri Sanjay Saxena Jt.C.P., Nagpur and Pr. Director (17-08-11)

Principal Director unfurls the National Flag on Independence Day 2011

“Shri R.J.Parate, D.A.G.with Staff of Institute on Hindi Diwas Samapan Samaroh”
Treasury Inspection

As per Section 18 of the C&AG’s (DPC) Act, 1971, he has the authority to inspect any offices under the control of Union or of a State including treasuries and such offices are responsible for keeping the initial or subsidiary records/accounts and submit accounts to him. Treasury Inspection Parties are constituted for conducting inspection of these initial accounts, by which the accuracy of the original data on which accounts are based is checked.

Mandate of A&E:-

But after bifurcation of Audit and Accounts offices it was entrusted to AG (Audit) Upto 31.3.1991 as per Section VI (paras 775 to 783) of the C&AG’s MSO (T) Vol.-I and memorandum of Secret instructions regarding Extent of Audit. But latter the work of inspection of treasuries was assigned to AG (A&E) w.e.f. 1.4.1991 as per CAG office circular letter No. 513-O&M/0-91 dated 13.02.1991.

1) Objectives:-
The objective of Treasury Inspection being primarily a verification to ensure whether the various checks and procedures for preparation of initial accounts are duly complied with by the treasuries. The Inspecting Accounts Officer should see that the rules prescribed by the Government are understood and observed and also to assist the departmental authorities in establishing a system of treasuries working strictly in accordance with prescribed rules.

2) The work in Treasury consists of initial Compilation of Accounts, Payment of Salaries, Pension and Final Payments where the work of authorization is with (A&E) offices, maintenance of Deposit accounts and GPF accounts of Gr. D employees of Treasury Office. It needs to be ensured that the initial accounts from which the monthly accounts is compiled are properly maintained in the relevant prescribed forms and that financial rules and orders are duly complied with during all transactions.

3) To prepare the annual report on the working of treasuries.

4) In addition to above the Inspecting Officer has to conduct the Local Audit of Treasury Office being a Drawing and Disbursing Officer.

Functions of Treasury Office
Treasury Rules

The power to regulate the payment of money in to the Consolidated Fund, the Contingency Fund and the Public Account of the State Government is entrusted to the Treasury Officer. The custody of moneys and the withdrawal there from is vested in the legislature of the state. These rules are known as the State Treasury Rules. These rules are framed by the Government under the article of 283 (2) of the constitution of the India.

Location of money.

Money standing in the Government Account is either held in a treasury or in a bank which transact the government business. The state government has entered into an agreement with the Reserve Bank of India for the conduct of its treasury cash business.

The cash business of the treasury is conducted by the bank and the accounting of all receipts and payment occurring at the bank on behalf of government has to be done only at the primary centre of account viz. Treasuries.

According to Para 73 of Introduction to Indian Government Accounts and Audit, the treasuries are the units of the fiscal system and the points at which the Public Account starts. The treasury on the same account is an important link in the financial structure of the state.

(to be contd.)

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**Continuing Professional Education (CPE)**
(Institute's Faculty & Staff trained between April 2011 & September 2011)

<table>
<thead>
<tr>
<th>Name</th>
<th>Topic/Subject</th>
<th>Place of Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>P.P. Ghare, SAO &amp; CF</td>
<td>Akshar Naveen and Saransh</td>
<td>Regional Training Institute, Nagpur.</td>
</tr>
<tr>
<td>D. Varghese, SAO &amp; CF</td>
<td>Multilingual Software.</td>
<td></td>
</tr>
<tr>
<td>Ms. Bharti Varma, AAO &amp; CF</td>
<td></td>
<td></td>
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<tr>
<td>G.K. Omee, AAO &amp; CF</td>
<td></td>
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<tr>
<td>N.H. Ukey, AAO / Admin</td>
<td></td>
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<tr>
<td>M.M. Athavale, P.S.</td>
<td></td>
<td></td>
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<tr>
<td>S.S. Kumbhare, Sr.Auditor</td>
<td></td>
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<tr>
<td>Ms. Madhuri Ishwar, Sr.Auditor</td>
<td></td>
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<tr>
<td>Ms. Anu Bharade, Sr.Auditor</td>
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<tr>
<td>Ms. Shilpa Gawali, Accountant</td>
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</tr>
</tbody>
</table>

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**Congratulations**

Shri D. Varghese, Sr.A.O., CF(IS) of this Institute has been selected as Welfare Officer of O/o the AG (A&E)-II, Mah., Nagpur.

Hearty Congratulations!!
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 tokens, mementoes and merit certificate to sustain their interest and Motivational level. Their offices were also informed about it.

<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>MS EXCEL</td>
<td>Apr. 2011</td>
<td>Prabhat Choure, Sr Acctt. O/o the AG(A&amp;E),Bhopal</td>
<td>Hemant KR. Rai, AAO, O/o the DA(OF), Jabalpur</td>
</tr>
<tr>
<td>PL/SQL PROGRAMMING</td>
<td>Sept. 2011</td>
<td>Himkar Iyalapuka, AAO(P) O/o the PDA, WC RLY., Jabalpur</td>
<td>Atul Pande, AAO O/o the AG(W&amp;RA), Bhopal</td>
</tr>
<tr>
<td>AKSHAR for windows (Including</td>
<td>Sept. 2011</td>
<td>Ameet Kumar Sahani, DEO O/o AG(Audit), CG, Raipur</td>
<td>Padma Lochan Gope, DEO O/o the AG(Audit), Mah, Nagpur</td>
</tr>
<tr>
<td>SARANSH &amp; AKSHAR NAVIEN)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level II-Database Concepts</td>
<td>Sept. 2011</td>
<td>Kunal Bose, AAO O/o the DA P&amp;T, Bhopal</td>
<td>Vikas Sinha, AAO O/o PDA, WC RLY., Jabalpur</td>
</tr>
<tr>
<td>(Concepts and Introduction to</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>MS-Access)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>General</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit of Direct Taxes</td>
<td>Sept. 2011</td>
<td>Shri J.R. Salvi, AO DGA, (Central) Mumbai</td>
<td>Shri Kunj Lal, AAO AG (A) Shimal</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Shri Rajiv Ranjan Singh AAO</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pr. AG (C&amp;RA) Gujrat</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Shri Ranjan Singh AAO</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pr. AG (C&amp;RA) Gujrat</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Shri M.M. Parekh, AAO</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pr. AG (A) Chandigarh</td>
</tr>
</tbody>
</table>

Impact of Training

Entry Behaviour Tests (EBT) are conducted at the beginning of IS based Courses in order to assess the knowledge and skill levels of the participants in the subjects concerned. Participant-wise results of the End Course Tests (ECT) are compared with the results of Entry Behaviour Test (EBT) to quantify the impact of training. A chart depicting the impact of training in respect of all IS based courses conducted between April and September 2011 is given:-

EVALUATION OF TRAINING

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

Overall Rating of the Courses conducted during April '11 to Sept. '11

IS based Courses

B Grade 8%
A Grade 92%

General Courses

'A' Grade 47%
'C' Grade 1%
' B' Grade 52%

IS Courses

"A" Grade (90% & above) "B" Grade (80% - 89%)

General Courses

"A" Grade (75% & above) "B" Grade (60% - 74%) "C" Grade (50% - 59%)

Congratulations!!

Shri Prabhu Dutta Prusty, AAO passed SAS Examination with merit from O/o the Principal Director of Audit, East Coast Railway, Bhubaneswar trained at RTI, Nagpur during 18 April, 2011 and 13 July, 2011.

Impact of Training

EDP Courses conducted from April 2011 to Sept 2011

Before Training

After Training
Audit in depth

Audit in depth and sampling go side by side. Audit in depth implies a detailed step-by-step examination of selected transactions tracing all the links from the very beginning to the end. This enables the auditor to have an overall view and evaluate the procedures through selected transactions. Thus, if a purchase invoice is subjected to audit in depth, the auditor will examine the original requisitions slips, the tenders against which the purchase order was made, the goods receipt note, the stores receipt note, the stores inspection report, the quality control report and entries in the bin card, and the stores ledger.

Test checking or judgmental sampling

Traditionally auditors have carried out over selective checking by what is popularly called as test checking (or Judgmental sampling) approach. Test checking consists of selecting and checking a predetermined proportion of transactions on the basis of auditor's own judgment and without using statistical procedures. Any sampling method that does not measure the sampling risk can be termed as 'judgmental sampling'.

Pitfalls in test checking

The method has at its base the rudiments of statistical sampling theory. However, it is not a scientific approach in as much as the determination of the number of transactions, their selection and evaluation are done intuitively. The auditor in this case does not calculate the amount of risk he is taking. In selecting a percentage check he is not sure how much risk he is taking and by increasing the percentage he is not sure whether the risk is reduced or not.

Using Test checking or Judgmental sampling

It is important that test checking (or Judgmental sampling) is not used mechanically, it should involve a careful consideration of the circumstances of each case, on the basis of which the auditor should select representative items, examine them, evaluate the results in the light of his knowledge of the systems of generating data.

Approach to statistical sampling

In a sampling selected by statistical sampling techniques, there is a measurable relationship between the size of the sample and the degree of risk. The statistical sampling approach provides a known and measurable degree of risk and enable the auditor to recognize it. A typical statistical sampling area can be Sundry debtors.

(to be contd...)

A TO Z OF FRAUD

Tabnapping

Tabnapping is a type of phishing scam that fraudsters use to get people's personal information. Tabnapping targets people who keep multiple tabs open in their browser, often for long periods of time. The fraudsters then use JavaScript to change the contents and label of an open tab, but not active tab to resemble the log-in screen of a bank, email provider or online shopping store.

Vishing

Vishing is when fraudsters obtain personal details of a victim by phone. Fraudsters can go on to use this personal information to commit fraud.

Work from home scams

Business opportunity fraud involves an offer to become financially independent, or to generate extra income, by setting up your own business.

The head is on auditors these days. Business are going belly up at record rates. And frequently the employees and the stockholders of these fragile firms are the last to know.  —Irwin Frank
Anatomy of Fraud

1. Background
Failure of Executive Engineer Rural Works Department Sitamarhi (Bihar) to exercise the genuineness of procurement from the specified quarry led to fraudulent payment on carriage of stone Chips/Metal of Rs. 23.32 lakh.

2. Fraud Environment
As per estimate the Stone metal chips were to be procured from Sheikhpura quarry and accordingly, lead was allowed to contractor. It was observed that against 3086.81 cum stone metal & 1207.30 cum stone Chips utilized in the work, the contractor availed exemption of royalty on the basis of certificate issued (January, 2007) by the Assistant Mining officer, Sheikhpura. On scrutiny of the sanctity of the certificate by the division through same mining officer, the letter of certificate was detected (February, 2007) as fake. Although the division detected this fact (22.02.2007) before payment of bill, it paid (March, 2007) the entire amount of bill was paid without any deduction ignoring false Royalty Exemption Certificate. The reasons for payment to contractor without disallowing the carriage from Sheikhpura quarry to Sitamarhi were not on records. However, after making payment of bill, the division intimated (August, 2007) the Contractor for recovery of the cost of metal/chips by treating it illegal. But, no recovery was effected as of March 2008.

3. Opportunity to prevent fraud
The act of fraud explained separately could have been avoided through the following controls:

a) Verification of the supporting documents vis-à-vis the amount claimed.

b) Dishonoring of claims with reference to quality of road/sub standard material reported by field staff.

c) Non-introduction of quality control measures for the material to be utilized on work.

d) Non-introduction of surprise check systems etc.

4. Act of Fraud
As per estimate, the stone metal chips were to be procured from Sheikhpura quarry and accordingly lead was allowed to contractor. Against 3086.81 cum stone metal and 1207.30 stone chips utilized in the work, the contractor availed exemption of royalty on the basis of certificate issued (January, 2007) by the Assistant mining officer, Sheikhpura, on verification of the sanctity of the certificate by the division through same mining officer, the letter was detected (February, 2007) as fake. Although the division detected this fact (22-02-2007) before payment of bill, it paid the entire amount of bill without any deduction ignoring fake royalty exemption certificate. The reason for payment to contractor without disallowing the carriage from Sheikhpura quarry to Sitamarhi was not on records.

5. Opportunity to detect and proving the fraud
The Audit party of Accountant General Bihar Conducted the audit of the records of the office of the Rural Works Department (RWD) during March, 2008 found that division favored the contractor by making fraudulent payment of Rs. 23.32 lakh for carriage of stone metal/chip utilized in the work from Sheikhpura quarry by ignoring the detection of false royalty exemption certificate.

6. Red flag indicators
a) Traces of frequent damages to road work.

b) Ignoring the report of field officer.

c) Lack of evidence of exercising mandatory pre checks at the controlling level.

d) Non-verification of the quality of material/actual receipt/utilization of the material.

7. Lessons Learnt-Preventive Controls/ Detective Controls.

a) Failure of the controlling officer to ensure actual receipt of material with reference to utilization renders all the preventive control in the systems ineffective.

Issuing order for payment of contractor’s bill without verifying all the documents which constituted the list of work create scope for fraudulent payments.

[OUR PRODUCTS]

This case study deals with failure of DDO to exercise the codal provisions which led to misappropriation of ₹ 1.15 crore paid to Assistant Engineers/Junior Engineers of Water Resource Department and Rural Work Department in Bihar.

Contact us for material

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Ph. (0712)-2545420, 2545816, 2545829
Fax : 0712 - 2562577
What is SAP? (Cont. from previous issue)

Sales and Distribution Module

Sales & Distribution (SD) is one of the core and most-used modules of SAP R/3 products beside Financial & Controlling (FICO), Material Management (MM), and Production Planning (PP) modules.

The main areas covered by SD module are:
- Pre-sales activities, including Inquiry and Quotation creation.
- Sales Order processing, including Sales Order (SO) creation.
- Shipping, including Outbound Delivery document creation.
- Billing, including Billing document and invoice creation.

The relationship between SD and MM, FI, PP, and WM modules: SD module is closely related and has integration with other modules, such as FI, MM, PP, and Warehouse Management (WM).

SD module is highly inked with MM and FI modules. For example when we create a sales order in SD the details of items are getting from material master data (MM master). The account posting in FI module is linked with the billing documents in SD module.

A Sales Order (SO) from SD module can trigger an availability check and demand in materials planning of products that will be sold to the customer. If the products are not available, it may trigger the PP module to create a Production Order; or it may trigger the MM module to purchase the products from vendor so the product will be available at the specified time.

Once the products are available at warehouse, SD module will create an Outbound Delivery document or Delivery Order (DO) that asks warehouse personnel to prepare the products to be delivered to the customer. If the warehouse uses WM module, the DO will trigger a Transfer Order document to pick the products from warehouse storage bin.

Once the products are ready to be delivered to the customer, the warehouse personnel will post the goods issue transaction. The inventory level at MM module will be reduced, the inventory account of FI General Ledger (G/L) account will be credited and inventory consumption/expense account will be debited.

The customer will receive the products. The finance department will generate a billing document (debit the customer's Account Receivable account and credit the Revenue account) and send invoice to the customer with FI module. The Profitability Analysis (COPA) report will also be updated.

The customer pays the bill and FI module will record the payments as debit to the bank (cash) account and credit to the customer's Account Receivable account (so it will be zero).

SD will mainly include following processes:

Inquiry Processing
SAP_LO_SD_INQUIRY_PROCESSING Tasks
This role contains all the functions which you need for processing inquiries.

Quotation Processing
SAP_LO_SD QUOTATION_PROCESSING Tasks
This role contains all the functions which you need for processing quotations.

Contract Processing
SAP_LO_SD_CONTRACT_PROCESSING Tasks
This role contains all the functions which you need for processing contracts (for example, group contracts, value contracts, quantity contracts, service contracts). This also includes the generation of lists with contracts according to various criteria. From the lists, you can then go to processing.

Sales Order Processing
SAP_LO_SD SALES_ORD_PROCESSING Tasks
This role contains all the functions you need for processing sales orders. Alongside sales order processing, it is possible to generate lists with sales orders according to various criteria. From the lists, you can then go to sales order processing.

Scheduling Agreement Processing
SAP_LO_SD_SCHED_AGR_PROCESSING Tasks
This role contains all the functions you need for processing Scheduling Agreements [Ext.] This includes processing scheduling agreements and generating a list for incomplete scheduling agreements. The incomplete scheduling agreements can be processed from the list.

Returns Processing
SAP_LO_SD_RETURN_PROCESSING Tasks
If a customer sends back damaged goods, or goods that were delivered as samples, you can enter a return, and subsequently execute a new delivery.

This role contains all the functions you need for processing returns and delivering goods.

Returns are displayed in the SAP System as a special sales order document type. Working with returns takes place using the general transaction for sales order processing the SAP System as rebate agreements. This role contains functions for (to be contd.)
In continuation of our earlier issues a few more red flags and anti-fraud measures for various activities involved in the 'Pension Payment Process' are presented below:

<table>
<thead>
<tr>
<th>Red Flags (Fraud Indicators)</th>
<th>Anti-fraud measures</th>
<th>Anti-fraud measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.3 Increments not postponed due to EOL taken on private grounds/suspension period treated as such</td>
<td>As per rules of pay fixation, the date of increment is postponed by the number of days of EOL taken on private grounds/suspension period treated as such or regulation of period of overstay leave/joining time.</td>
<td>1. Segregate the service books in which the employees availed EOL on private grounds/overstayed joining time/leave and period of suspension is regularized as EOL.</td>
</tr>
<tr>
<td>3.4 Average emoluments calculated on the basic pay opted in Foreign service</td>
<td>When a govt. servant proceeds on Foreign service opting pay and allowances of foreign employer, the pay which he would have drawn in parent post from which he proceeded on foreign service would reckoned for average emoluments.</td>
<td>2. Verify whether the increments have been postponed to the extent period was regulated as EOL.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. If such leave falls during last ten months even if availed on medical grounds the period is excluded and equal period prior to spell with pay is considered for the calculation of average emoluments.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. Comment on the cases of deviation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. Comment on the cases of deviation (to be contd.)</td>
</tr>
</tbody>
</table>

**Top Five Computer Crimes & How to Protect Yourself from Them**

The Internet is a great place for working together and building a better world, but it also has its dark side. Every year billions of dollars are made in a number of different cyber crimes, and the victims are usually common people. It is natural that one would want to avoid being such a victim, and there are a number of things one can do to protect oneself and one's family. Let us take a look at the top five computer crimes out there, and what you can do to help keep yourself safe.

**Malware**

Let us begin with the obvious, shall we? If you use a computer, you are vulnerable to malware. And if you are vulnerable to malware, you are enabling crime on a mass scale.

Malware refers to viruses, Trojans worms and other software that gets onto your computer without you being aware it is there. Back in the early part of the century, most such software's primary aim was thrill. The people writing the software found it amusing to write a program that exploited security flaws just to see how far it could spread.

Today the incentive for making such software is generally more sinister and the reason it makes the list of the top five computer crimes. In some cases a piece of malware will pretend to be a legitimate piece of software, and will ask you for money to remove it. Never, ever give money to programs you don't remember buying. Not all malware tries to extract money from you directly, however. Many simply imbibe themselves into your computer in order to make use of it. Black-hat hackers may intend to launch an attack against a government or institution, and will use a network of compromised machines to do so. This sort of network is referred to as a botnet, and is a key tool of the trade for a number of Internet crimes.

Of course, whatever the motivation, such software is a drain on your computer's resources so it's best to be protected against it. If you're using a Windows computer it's best to ensure you have proper anti-malware protection. Just as important as any software, however, is common sense. Don't download software from sites you are not sure you can trust, regardless of what operating system you run. Avoid pirated software: it may seem like a good way to save money, but frequently you are also getting some malware thrown in.

In general just use common sense before opening any sort of file, because you don't want to compromise your system.