

Chapter 15 - Audit of PSU

Part A - Basics of Audit

- ✓ (a) Organisation of PSU
- ✓ (b) Framework of Govt. Audit
- ✓ (c) Objectives and scope of PSU audit
- ✓ (d) Elements of Audit
- ✓ (e) Principles governing PSU audit

Part-B - Types of Audit

↓ 5 Types

- (a) Financial Audit
- (b) Compliance Audit
- (c) Comprehensive Audit
- (d) Performance Audit (3E) ↳ Economy
↳ Efficiency
↳ Effectiveness
- (e) Propriety Audit

- (A) Organisation of PSU:
- (a) Departmentally Managed Undertakings
 - (b) Govt. Companies
 - (c) Statutory Corporations.

- ✓ (B) Framework for Govt. Audit:
- (A) Legal framework of CAG: Article 148 - Appt. & Removal / Salary
149 - Duties / Powers - Prescribed
150 - Account - description
151 - Report of CAG

(B) Organisation subject to CAG Audit:

- Govt. deptt and offices; Public Commercial Enterprises;
- Non-commercial autonomous; Authorities / bodies - sub-financed.
- (C) Sercurity of Audit Reports: Specialised financial Committee.
- (D) Public Accounts Committee: Money - disbursed; Exp - authorised;
Re-app. - provisions; Atu of autonomous & semi autonomous
- (E) Committee on Public undertakings: Reports and Accounts of P.U.;
Reports of CAG; Efficiency of operations of PU; Other - speaker.
- (F) Estimate Committee: Report Economies, reforms, improvements;
Alternate policies; Form - presentation; Money - limits.

Imp
(G)

CAG Role in functioning of financial Committees:

Recognised as a friend, philosopher and Guide

(i) Reports of C&AG forms basis of Committee working

(ii) C&AG Assist the Committee in scrutinising the notes submitted by ministries to Committees so as to check correctness of submissions, facts and figures.

(iii) Report of Committee are submitted to Parliament along with Recommendations.

C&AG Assist the Committee in suggesting the recommendations.

(iv) CAG reports, not discussed in detail by Committees, are not taken lightly by Govt; written answers obtained from department / Ministry.

(C) Objectives of PSU audit:

(i) Fiscal Accountability: related with funds, provision, compliances and propriety.

(ii) Managerial Accountability: related with economy; efficiency and effectiveness.

Scope of PSU Audit:

(A) Financial Audit → (Attestation Engagement)

(B) Compliance " → (Direct Reporting ")

(C) Performance " → (" " ")

(D) Comprehensive " → (" " ")

(E) Propriety " → Attestation / Direct reporting - depending upon-facts

(D) Elements of Audit:

(i) Parties Involved

- ✓ (1) Auditor - CAG/ISAI
- ✓ (2) Responsible Party
- ✓ (3) Intended Users

(ii) Subject Matter, Criteria and Subject Matter Information

Subject Matter: Information / Activity that is Evaluated or measured against criteria.

Criteria: Benchmarks used to evaluate the Subject Matter.

(Predefined Standards)

Subject Matter Information: Outcome of evaluating or measuring subject matter against criteria.

(iii) Types of Engagement

(A) Direct Reporting Engagements

Auditor Evaluate Subject Matter against Criteria and present Subject Matter Information along with findings.

For Example: Compliance Audit |
Performance Audit |

(B) Attestation Engagements

Responsible Party measures the Subject Matter against Criteria and present Subject Matter Information

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On which auditor collects sufficient appropriate audit evidence to provide a reasonable basis for expressing an opinion

For Example: Financial Audit |

- (E) Principles of PSU Audit:
- (i) Ethics and Independence
 - (ii) Professional judgement, due care and professional skepticism
 - (iii) Quality Control
 - (iv) Audit team management and skill
 - (v) Audit Documentation
 - (vi) Materiality
 - (vii) Audit Risk
 - (viii) Communication

Part B - Types of Audit Conducted by C&AG

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- (i) Types of Audit conducted by C&AG Imp (iv) Parts of Audit report of C&AG ↓

5 types

- | | |
|---------------------|-------|
| ✓ (a) Financial | Audit |
| ✓ (b) Compliance | " |
| ✓ (c) Comprehensive | " |
| ✓ (d) Performance | " |
| ✓ (e) Propriety | " |

Part I : Introduction containing a general review

of results of Govt. Companies, deemed Govt. Companies and Corporations.

Part II : Result of Comprehensive appraisal of selected undertakings conducted by Audit Board.

Part III : Resume of Company Auditor's reports submitted under directions of C&AG and that of Comments on accounts of Govt. Companies.

✓ Part IV : Significant result of audit of undertakings not selected for appraisal by Audit Board.

(A) Financial Audit: - Reading from Book -

(B) Compliance Audit: ✓ Independent assessment of whether a given subject matter is in compliance with applicable authorities identified as Criteria

✓ Compliance audit is carried out by assessing whether activities, financial transactions and information (Subject Matter)

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Comply, in all material respects, with authorities governing the Entity. (Criteria)

✓ Compliance audit is concerned with:

✓ Regularity: Subject matter adheres to formal criteria emanating from applicable laws, regulations applicable over Entity.

✓ Propriety: i.e. to observe compliance of general principles governing sound financial management and ethical conduct of public officials.

✓ Compliance audit is generally conducted either:

(a) In relation to audit of F.S.; or

(b) In combination with performance auditing; or

(c) Separately as Individual Compliance audit.

Compliance Audit Process: ✓ General Principles and (Annual) Compliance Audit (Plan) ✓

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✓ Planning Compliance Audit (Particular Entity)

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Performing Compliance Audit and Collecting Audit Evidences

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Evaluating audit Evidences and Forming a conclusion

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Reporting.