

Segment Audit Guide - Administrative Expenses



**Office of the Auditor General of
Nepal**



Auditor General of Nepal



Babar Mahal
PO Box 15828
Kathmandu
NEPAL

Foreword

Government of Nepal (GoN) has been spending huge amount in recurrent expenditure. The GoN has reclassified its accounting code recently. Since, the transactions have been classified systematically according to the nature of the transactions, "Segment Audit Guide - Administrative Expenses" intends to focus on the procedure and process to be followed for the audit of administrative expenses.

This guide provides guidance to the auditor to assess the risk of material misstatement due to administrative expenses, related events and transactions. In addition, this guideline also helps auditor to report on weaknesses in Internal Control Systems.

Utmost care has been done to make this guide error free. However, we will be grateful if the user could inform any suggestion on this guideline to the concerned Directorate of the OAGN.

At last, I would like to appreciate team of OAG Nepal, SOAGP and stakeholders who gave their efforts in the preparation and development of this guide.

A handwritten signature in black ink, appearing to read 'Sukudev Kharty'.

(Sukudev Kharty)

Acting Auditor General



TABLE OF CONTENT

CHAPTER 1

1. Introduction.....	1
1.1 Background.....	1
1.2 Classification of Account Headings	1
1.3 Classification of Account Headings (Covered under this guide)	2
1.4 Purpose of the Administrative Expenses	4
1.5 Audit Objectives.....	4
2. Audit Approach and Methodology-Planing.....	4
2.1 Understanding the Nature of Administrative Expenses	5
2.2 Identifying Risks	6
2.3 Assessment of Control Environments	7
2.3.1 Control Assessments.....	8
2.4 Assessments and Analysing of Risks	8
2.4.1 Risks and Control Measures.....	8
3. Audit Approach and Methodology-Execution.....	8
3.1 Test of Controls	8
3.1.1 Risks and Control Measures.....	9
3.2 Sampling.....	10
3.3 Substantive Procedures.....	10
3.3.1 Checking of Accounting Records	11
3.3.2 Examination of Files and Documents.....	11
3.3.3 Field Observation and Inspections.....	12
3.3.4 Compliance with Laws (Regularity tests).....	12
3.3.5 Assertion Testing for Administrative Expenses.....	13
4. Reporting	13
4.1 Discussion on audit findings or Exit meeting	14
4.2 Preparing draft Management Letter	14
Appendix 1.....	16



1 Introduction

1.1 Background

Government of Nepal (GoN) since 2070 reclassified its accounting codes. These codes have been classified systematically according to the nature of the transactions. Financial and other audits by Office of Auditor General Nepal's require audits of the financial information prepared by the government and government entities.

Considering the fact that the classification of accounting and reporting codes is based on the nature of the events and the transactions each class of accounting classification requires special attention and focus from an audit perspective.

This guide intends to focus on the procedures and process to be followed for the Administrative expenses.

1.2 Classification of account headings

10000 Series	Revenue and Grant accounts
11000 Series	Taxes and Duties
12000 Series	<i>NOT Assigned</i>
13000 Series	Grant Received
14000 Series	Other revenues
15000 Series	Carried forward balance and questioned costs recovered
20000 Series	Expenses
21000 Series	Remuneration and benefits
22000 Series	Consumption of goods and services
23000 Series	<i>NOT Assigned</i>
24000 Series	Interest and bank Commissions
25000 Series	Subsidies
26000 Series	Grants
27000 Series	Social Securities
28000 Series	Other Expenses
29000 Series	Capital Expenses

30000 Series Financial Loan and Investment managements

31000 Series Net Investments (loans & share)

32000 Series Net Internal and External borrowing

1.3 Classification of account headings (covered under this guide)

This guide does not cover all the expenses and limits its scope to Administrative Expenses, namely 1) remuneration and benefits and 2) consumption of goods and services

- 21000 Series Remuneration and benefits

These includes remuneration related expenses paid within the accounting period to the officials and staff for the services rendered by them. These payments could be in cash or in kind. However these headings excludes wages paid capital construction.

- 22000 Series Consumption of goods and services

These includes goods and services for the operation of government offices, including the rents. These excludes sales related to the development of capital asset. These also include goods purchased for resale.

The details accounting codes of the administrative expenses within the scope of this guide is as follows;

21000 Series Remuneration and benefits

21111 Salary

21112 Local Allowance

21113 Allowance for price rise

21114 Field allowance

21119 Other allowances

21121 Uniform

21122 Food

21123 Medical treatment expenses

22000 Series Consumption of goods and services

- 22111 Water and Electricity
- 22112 Communication expenses

- 22121 House rent
- 22122 Other rents

- 22211 Fuel (for operation of capital assets)
- 22212 Operation and repair and maintenance
- 22213 Insurance

- 22311 Office related expenses
- 22312 Animal feed
- 22313 Books and Periodicals
- 22314 Fuel (other purposes) e.g. kerosene, LPG, Coal, battery, firewood

- 22321 Repair of public works

- 22411 Service and consulting expenses
- 22412 Other service fees

- 22511 Employee training
- 22512 Skill development and awareness training and workshops

- 22521 Production goods and services
- 22522 Programme expenses
- 22529 Miscellaneous Programme expenses

- 22611 Monitoring and evaluation
- 22612 Travel expenses
- 22613 VVIP Travel (including the entourage)
- 22614 Other travel expenses

- 22711 Miscellaneous expenses

- 22911 Contingent expenses (recurrent)

Each of the above budget heading has been defined in detail by the directives issued by Ministry of Finance and Financial and Comptroller General's Office for auditors to identify which expenses should fall under which account headings.

1.4 Purpose of the administrative expenses

The main purpose of this Guide is to:

- Make a basis for the audit of administrative expenses
- Assist auditor in conducting audit and evaluating the incurrence of the administrative expenses.
- Assess that appropriated expenses have been incurred for the stated objectives under the set plan of the spending unit.

1.5 Audit Objectives

Objective of Administrative Expense Audit

The main objective of the Administrative Expenses Audit is to ensure that the expenditures have been made in accordance with the budgetary appropriation, under correct heading for the stated purpose to meet the objectives of the spending unit within the entity's work-plan in compliance with the prevalent laws and regulation.

Objective of the financial audit

The objective of the financial audit is to enable auditor to express an opinion on the financial statements that they have been prepared in accordance with the applicable reporting framework and applicable legislative requirements.

In addition to these objectives audit of public sector also requires auditor to report on

- Internal control
- Regularity (compliance of laws and regulations)
- Propriety and probity of transactions

This guide also provides guidance for the financial auditor to assess the risk of material misstatement due to administrative expenses related events and transactions.

2 Audit Approach and Methodology - Planning

Planning forms the cornerstone of any audit activity. Therefore audit of administrative expenses also needs to follow a systematic planning process to meet the audit objectives.

Normally audit of administrative expenses includes examination supporting documents evidencing the expenses and conducting analytical procedures. In case of public sector expenses focus is further placed on the compliance of provisions acts rules, directives and guidelines.

2.1 Understanding the nature of Administrative Expenses

The auditor should obtain an understanding of the audited entity's environment and internal controls. This enables the auditor to assess the risk of material misstatement whether due to fraud or error and to determine the relevant audit approach to be followed.

The auditor should obtain an understanding of the nature of the entity's operations, locations, its management and governance, the types of services it is offering and plans to offer, the way that the entity is structured and the sources of its finances. An understanding of the nature of an entity contributes towards understanding the classes of transactions, account balances and disclosures to be expected in the financial statements. The auditor should develop an understanding of the entity's business sufficient to plan and perform the audit in accordance with applicable auditing standards and requirements

Field inspection helps to understand the actual situation at the field level and useful to modify and validate the audit findings. It is worth to note that field observation should not be confined in visual inspection only it should include activities such as interviews with concerned officials, (irrespective of designation) stake holders, suppliers or contractors, and carry out physical verification, taking photograph, checking of site registers as records etc. and other appropriate techniques of audit as demanded by the situation.

A Remuneration and benefits

Governments usually has a set HR policies and remuneration and benefits that are provided to its officials and staff are defined by the laws and bylaws, appropriated within budgetary approximation. These expenses are of fixed nature not variable with the entities' programmes and activities. Therefore understanding of the GoN's recruitment and benefits policies and practices is vital to understanding of these expenses.

For many entities remuneration and benefit costs comprise of the most significant expenses in their financial statements, for others they make up, usually, well above the materiality level. Though the materiality and risk of material misstatement under remuneration and benefits is up to the judgement of the auditor.

B Consumption of goods and services

Consumption of goods and services forms the regular appropriated expenses for operation of government offices. Some sub-headings may be significant in one entity and other sub-headings may be significant in other entity, depending on the nature of the activity and the appropriation and actual disbursements.

Materiality consideration may be crucial for effective and efficient completion of the audit of consumption of goods and services.

2.2 Identifying risks

Risk assessment procedures assist the auditor in obtaining an understanding of the entity and its environment. The procedures should be sufficient to identify and assess the risks of material misstatement both on the financial statements as a whole and for each relevant assertion relating to account balances. The risk assessment procedures alone do not provide sufficient or appropriate audit evidence to base an audit opinion on. They may however assist auditors to focus their resources on the important or high-risk areas, which should be subject to increased substantive testing.

- Past audit experience may also provide some basis for risk identification.
- Governance and ethical assessment of the entity may have bearing on the risks within these headings

A Remuneration and benefits

- Analytical procedures are one of the most common tool for identification of risks of misstatements under these expenses headings.
- Nature and size of the organisation also provide indications of risks in

the accounting and reporting of remuneration and benefits.

- Except for the fraudulent payment, example for ghost employees, remuneration expenditures are straight forward, however benefits, as compared to remuneration, may be little more prone to misappropriation.

B Consumption of goods and services

- Analytical procedures, such as comparing with the previous period expenses and the budgeted expenses may indicate areas of risks.
- Timing of the expenses and the payee analysis may provide further indication of risks.
- Different sub-headings will be of different nature and the risks in one sub-heading may be different from the risk in another sub-heading.

2.3 Assessment of control environments

Internal controls are the whole system of financial and other controls, including the organisational structure, methods, procedures and internal audit, established by management within its corporate goals, to assist in conducting the business of the audited entity in a regular economic, efficient and effective manner; ensuring adherence to management policies; safeguarding assets and resources; securing the accuracy and completeness of accounting records; and producing timely and reliable financial and management information.

Each and every government entities should have system for strategic planning, financial management, human resource management, performance management, and governance structure. Depending upon the mandate, roles and responsibilities it may have many systems such as work schedule, project management, procurement plan. Such arrangement help entities to provide services to stakeholders get information for decision making in efficient and effective manner.

Considering the above facts audit exercise should also be directed towards the examination of system, procedure and implementation so as to bring awareness among government entities through recommending suggestions in existing system and procedures. To maximise the audit services instead of examining the volume of financial transactions audit should focus on system appraisal of government entities.

The detailed audit of the administrative expenses are also subject to the internal audit system of the GoN, Therefore it can be assumed to be under a internal control mechanism. Considering this background and other risks auditor should consider the level of the sampling to be applied for the audit of administrative expenses.

2.3.1 Control Assessments

- Existence of control (control environment and existence of specific controls)
- Adequacy of controls (commensurate to the nature and size of the entity)
- Operation of control (whether covers the entire reporting period)
- Effectiveness of control (whether the objectives of the controls have been achieved or not?-

2.4 Assessment and analysing of risks

The auditor is to perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement. During the strategic planning stage of the audit, the auditor should concentrate on identifying the risk. This will be the basis for the documentation of the major inherent risks associated with the audited entity.

2.4.1 Risks and Control Measures

Examples are Tabulated in Annexure

3 Audit Approach and Methodology - Execution

3.1 Test of controls

Test of controls are the audit procedures designed to evaluate the operating effectiveness of controls in preventing or detecting and correcting material misstatements at the assertion level. Tests of controls usually consist of some combination of enquiry, observation, and inspection of documents.

Sufficient appropriate audit evidence about the effectiveness of internal control depends on the nature, timing and extent of the tests of controls. In considering what constitutes sufficient appropriate audit evidence about the effectiveness of design and operation of internal control, the auditor may consider audit evidence from tests of controls in prior years.

Extent of test of controls

The extent of tests of controls is a matter of professional judgment. When making this judgment the auditor should consider:

- the importance of the relevant activity to the assessment of the effectiveness of internal control for the audit objective; and
- the importance of the audit objective to the overall audit opinion.

Considering the implications of the findings

For each of the activities that the auditor tests, the auditor should document:

- the nature, timing and extent of the tests of controls; and
- the audit findings.

Walkthrough test would in many cases provide the evidences for the functioning of the controls.

3.1.1 Risks and Control Measures

The guide outlines different types of administrative expenses, points out the risks and circumstances when the objective may not be met or legal requirements not complied with, describes the control techniques that should be in place to prevent these risks from occurring and prescribes the audit procedures to be followed.

Risk implies the possible mistakes or mismanagement in administrative expenses which may not be ordinarily pointed out.

Control Techniques imply means to control possible risks or ways to reduce the adverse effects of risk. Some possible risks and their control techniques

are described in this booklet. These control techniques are developed on the basis of the Acts and Regulations,

Examples: Tabulated in Annexure

3.2 Sampling

Auditors can hardly test 100 percent of the items identified for testing. Audit Sampling involves applying audit procedures to less than 100 percent of items within a population. The key importance in selecting an audit sample is that all items have an equal chance to be selected. Proper audit sampling will enable the auditor to obtain and evaluate audit evidence about characteristic of the items selected in order to form a conclusion on the population as a whole.

Auditor may apply the principles of sampling in performing the Audit of Administrative expenses considering the risks assessments.

3.3 Substantive procedures

Substantive procedures are direct tests of transactions and accounting items including Analytical Procedures. The auditor should carry out substantive procedures while certifying accounts and financial statements. These procedures are intended to verify that the accounting information complies with decisions and intentions, as well as with legislation, regulations and relevant rules. Substantive procedures are particularly necessary in cases where the auditor cannot base their work on the entity's risk management measures (internal control). Substantive procedures are performed in order to detect material misstatements at the assertion level, Substantive procedures comprise of:

- Tests of details of classes of transactions, account balances, and disclosures; and
- Substantive analytical procedures.

The extent of substantive procedures will depend on whether the entity has established internal control measures and on whether such measures function appropriately. The less the entity's control measures appear to function, the higher the assurance that the auditor must achieve through their substantive procedures to come to the same overall level of assurance in their assessments.

3.3.1 Checking of accounting records

Checking of the accounting records is the most common method of audit, which has remained relevant even in modern risk based and technology based audits. Following records may be checked, but not limiting to

A Remuneration and benefits

- Monthly payroll sheets
- Scrutiny of remuneration and benefit ledger accounts
- Scrutiny of advance ledgers

B Consumption of goods and services

- Scrutiny of the expense ledgers
- Scrutiny of advance ledgers
- Vouchers and ledgers reconciliations

3.3.2 Examination of files and documents

Auditors are required to keep the copies of the documents examined for supporting the audit findings as evidence. Documentary audit helps in examining compliance and system aspects of the entity and evidences are collected to support the audit findings. Following records may be the relevant documents to be verified, but not limiting to

A Remuneration and benefits

- Cash payments and bank transfer evidences
- Approved payroll sheet(s)
- Appointment, transfer records
- Pay and level reconciliations
- Benefit distribution / receipt registers or ledgers
- Tax payments receipts

B Consumption of goods and services

- Requisition documents / memos
- Purchase records and files
- Approvals and memos (*tippani*)
- Payment evidences
- Invoices and billing statements
- Payee Receipts
- Related contracts
- Budget

3.3.3 Field Observation and Inspections

Considering the risk of material misstatement auditor should conduct field observations and inspections to gather sufficient and appropriate audit evidences to support the audit observations. Field observations and inspections provide corroborative evidences to the evidences provided by the accounting records and supporting files and documents.

Nature, extent and timing of the tests will be depended on the control assessments and control tests and other indication of material misstatement including risk due to fraud.

3.3.4 Compliance with laws (regularity tests)

A Remuneration and benefits

- Public Service Act and rules
- Finance Act (Budget)
- Income tax act and rules
- Financial procedure act and rules

B Consumption of goods and services

- Procurement Act and rules

- Finance Act (Budget)
- Income Tax Act and rules
- Vat Act and rules
- Financial procedure act and rules

3.3.5 Assertion testing for administrative expenses

- ‘C’ - **Completeness** – Test whether all transactions have been covered or not.
- ‘O’ – **Occurrence** – Test whether the transactions actually have taken place or not.
- ‘M’ – **Measurement** – Test whether value of the transaction is measured at appropriate value or not.
- ‘P’ – **Presentation** – Test whether the transactions have been presented under the correct heading or not.
- ‘A’ – **Accuracy** – Test whether the amount of payment under the transaction has been accurately computed or not.
- ‘R’ – **Regularity** – Test whether the transaction is made under the prevalent laws, regulations and directives or not
- ‘E’ – **Existence** – May not be applicable for administrative expenses except for purchase of the the office supplies (of smaller nature) and recording and existence of those supplies items / assets

4 Reporting

All audit findings should be communicated to the appropriate level of management on a timely basis. As a result of these audit findings, the auditor may need to request management to adjust the financial statements. Even when management does adjust the misstatement identified, the underlying weaknesses of internal control or non-compliances with authorities may still be included in the audit report. Auditors should also communicate non-compliance with legislation and internal control weaknesses to management, those charged with governance and any additional parties as applicable.

4.1 Discussion on audit findings or Exit meeting

The auditor should conduct formal discussions with the senior management preferably with the head of the audited entity and/or concerned officials on the audit findings and considerations noticed in course of the audit.

This meeting is very significant in the manner that additional information, explanations, documentary evidence are expected to be obtained from the management to make appropriate judgment on the audit findings. Such meeting can help the auditor in reconfirming or modifying the audit conclusions and enabling the auditor in making suitable modification in audit conclusions based on the management response.

4.2 Preparing draft Management letter

This process relates to ensure that the information contained in the draft Management Letter is appropriately considered and communicated to the management of audited entity before it is finalised.

The basis for the draft management letter must have been generated through audit queries. Prior to the issuance of the management letter, a draft should be prepared to ensure all findings arising during the course of the audit are included in single draft report logically. This will ensure that the quality and consistency of the information supporting the management letter and ultimately the audit reports is of a high standard.

For each audit finding the following categories of information to incorporate in the draft management letter are required:

- Area of expenditure;
- Criteria;
- Conditions;
- Causes;
- Consequences, where possible;
- Recommendations;
- Management response; and
- Auditor's comments.

Criteria: The laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding the findings.

Condition: Condition is a situation that exists. The condition is determined and documented during the audit.

Cause: The cause identifies the reason or explanation for the condition or the factor or factors responsible for the difference between the situation that exists (condition) and the required or desired state (criteria), which may also serve as a basis for recommendations for corrective actions. Common factors include poorly designed policies, procedures, or criteria; inconsistent, incomplete, or incorrect implementation; or factors beyond the control of program management. Auditors may assess whether the evidence provides a reasonable and convincing argument for why the stated cause is the key factor or factors contributing to the difference between the condition and the criteria.

Consequence (Effect or potential effect): The effect is a clear, logical link to establish the impact of the difference between the situation that exists (condition) and the required or desired state (criteria). The effect or potential effect identifies the outcomes or consequences of the condition. When the audit objectives include identifying the actual or potential consequences of a condition that varies (either positively or negatively) from the criteria identified in the audit, “effect” is a measure of those consequences. Effect or potential effect may be used to demonstrate the need for corrective action in response to identified problems or relevant risks.

Appendix 1

Risks and Control Techniques

(but not limiting to the following)

(a) 21000 Remuneration and benefits

	Major Risks	Control Techniques
	21110 Remuneration and benefits in Cash	
	21111 Salary	
	<ul style="list-style-type: none"> • Payment for un-approved position • More paid than the approved scale and grades • Payroll reports not periodically approved by DTCO • Incentives and prizes paid without fulfilling necessary criteria • Leave pay allowed more than actually accrued or allowable • Tax not deducted, short deducted or not paid /paid with delay into the stipulated revenue account • Paid for acting positions, without proper approval • Reimbursement of loaned staff not being taken. (double payment) • Advances not adjusted with the salary • Payment for unattended days 	<ul style="list-style-type: none"> • Payroll subject to internal audits • Payroll report verified by DTCO • Bank payment preferred than payment by cash • Controls by regulation <ul style="list-style-type: none"> • Requirements of Public service Act and rules stipulates controls over the salary payments • Financial procedure act and rules for salary payments • Directives from Ministry of General Administrations, Ministry of Finance and Public Service commissions
	21112 Local Allowance	
	<ul style="list-style-type: none"> • Risks are similar to that of the salary under 21111, as allowances are linked with the salary 	<ul style="list-style-type: none"> • Controls are similar to that of the salary under 21111, as allowances are linked with the salary
	21113 Allowance for price rise	
	<ul style="list-style-type: none"> • Computation of allowance not being in line with the GoN decisions. Wrong basis of computation being taken. • These allowances being not included in tax computation • Allowances being allowed to those who are not eligible 	<ul style="list-style-type: none"> • Internal audit • DTCO certification • Allowance computation guideline(s) issued by GoN

	Major Risks	Control Techniques
	21114 Field allowance	
	<ul style="list-style-type: none"> • Risks are similar to that of the Allowance for price rise under 21113 	<ul style="list-style-type: none"> • Controls are similar to that of the Allowance for price rise under 21113
	21119 Other allowances	
	<ul style="list-style-type: none"> • Risks are similar to that of the Allowance for price rise under 21113 	<ul style="list-style-type: none"> • Controls are similar to that of the Allowance for price rise under 21113
	21120 Remuneration and benefit given in kind or in lieu of kind	
	21121 Uniform	
	<ul style="list-style-type: none"> • Uniform procured against the norms and requirements of the procurement act and rules • Allowance paid prior to the date when such payments become eligible • Store records of the purchased uniform not properly kept / maintained • Expensing uniforms without proper documentation • Withholding not deducted while making the payment. 	<ul style="list-style-type: none"> • Requisition, purchase order, goods received note • Controls by regulation <ul style="list-style-type: none"> • Procurement act and regulation • Budget available for approved positions only
	21122 Food	
	<ul style="list-style-type: none"> • Procured against the norms and requirements of the procurement act and rules • Advances allowed to the food contractor without guarantee / bonds • Advances more than the authorised limit. Advances given without settlement of the previous advance. Advance not settled with monthly (periodic) billings • Duplication of costs • Financial and physical ration not reconciled • Withholding not deducted while making the payment. 	<ul style="list-style-type: none"> • Unexpired Performance bond / guarantee retained • Limit on maximum amount of advance allowable • Reconciliation of the financial cost of food and the physical head count of the food beneficiaries • Controls by regulation <ul style="list-style-type: none"> • Procurement act and regulation • OAGN Form 65-70 and 77-80 maintained properly

	Major Risks	Control Techniques
	21123 Medical treatment expenses	
	<ul style="list-style-type: none"> • Amount paid in excess of what is eligible. (payment criteria not met) • Paid without the proper medical documentation • Record not properly kept. Details of the payments not intimated to DTCCO. • Required OAGN forms (for existing staff and retired staff) not maintained 	<ul style="list-style-type: none"> • Controls by regulation <ul style="list-style-type: none"> • Public service act and rules • OAGN Form such as 42 maintained properly

(b) 22000 Consumption of goods and services

	Major Risks	Control Techniques
	22110 Service Charges	
	22111 Water and Electricity	
	<ul style="list-style-type: none"> • Deposit records not kept up to date (confirmed with the service provider) • Charges not timely paid (attracting fines and penalties) • Benefit of early payment not availed • Personal expenses paid through public funds 	<ul style="list-style-type: none"> • Internal audit • Officer assigned responsibility for regularity • Reporting requirements of the deposits
	22112 Communication expenses	
	<ul style="list-style-type: none"> • Deposit records not kept up to date (confirmed with the service provider) • Charges not timely paid (attracting fines and penalties) • Benefit of early payment not availed • Personal expenses paid through public funds • Limit of communication expense as benefit paid to officials not adhered to • Retired / transferred officials continuing to avail the benefits as if they were in positions 	<ul style="list-style-type: none"> • Internal audit • Officer assigned responsibility for regularity • Reporting requirements of the deposits

	Major Risks	Control Techniques
	22120 Rent	
	22121 House rent	
	<ul style="list-style-type: none"> • House Rent taken without the decision of the House Rent Determination Committee (rent Committee) • Genuineness of the rental rates (proper basis not taken for determining the rates- chances of unnecessary payments) • Withholding not deducted short deducted or not paid /paid with delay into the stipulated revenue account • Only what is required is taken for rent (unnecessary portion is not rented and paid for) 	<ul style="list-style-type: none"> • Rent committee determines the rental rates • Tax withholding requirements re complied
	22122 Other rents	
	<ul style="list-style-type: none"> • Risks are similar to that of the House rent under 22121, as allowances are linked with the salary • Technical requirement, objectives not matching for assets (vehicles, machinery, equipments) rented 	<ul style="list-style-type: none"> • Controls are similar to that of the House rent under 22121 • Technical expertise from reporting agency sought before determining the rental of other assets including determination of rent payable
	22210 Operation of capital assets and their Repair and Maintenance	
	22211 Fuel	
	<ul style="list-style-type: none"> • Vehicle log book not maintained • The log mileage and the fuel used not reconciled considering the fuel consumption rate of the specific vehicle • Need for periodic lubrications and oils are too frequent that technically required • Non determination of fuel usage benchmarks • Fuel procured from other than designated pumps (except for the field visits) 	<ul style="list-style-type: none"> • Vehicle log book • Regular reconciliation • Fuel usage benchmarks • Proper maintenance of OAGN forms • Periodic technical supervision

	Major Risks	Control Techniques
	22212 Operation and repair and maintenance	
	<ul style="list-style-type: none"> • Maintenance not required to be carried out is charged as cost • Capital expenditure is charged to recurrent costs • Procurement of repair service not in compliance with procurement norms • Frequency of emergency / extraordinary repair and maintenance • OAGN forms not maintained properly • Withholding not deducted short deducted or not paid /paid with delay into the stipulated revenue account • VAT registered supplier of repair service not used • Unrelated expenses may have been included under this heading 	<ul style="list-style-type: none"> • Internal audit • OAGN form no 2 properly maintained • Technical confirmation of major repairs • Repair and maintenance schedule maintained • Emergency / extraordinary repair properly justified
	22213 Insurance	
	<ul style="list-style-type: none"> • Assets may not be adequately insured to cover for the risks of loss • Insurance policy may be expired (assets exposed to risk) • Cost benefit analysis may not have been done to insure the assets. (sometimes the cost of insurance may be higher than the possible benefit to be derived from) • Insurance policy may be taken at the original cost resulting in higher premium 	<ul style="list-style-type: none"> • Insurance is done as per the GoN's policies on insurance of its assets • All insurance policies are up to date • Insurance premium is paid on the depreciated value • GoN's internal control policies on safeguard of assets is complied with
	22310 Office equipment and office services	
	22311 Office related expenses	

	Major Risks	Control Techniques
	<ul style="list-style-type: none"> • Expenses of personal nature, other than that in relation to GoN activities, may be paid out of this account. • Payment more than the supporting documents (bills, invoices) • Notice published for unapproved purposes (publication / advertisement expenses) • Procurements many not be done in accordance with procurement act and rules • Withholding not deducted short deducted or not paid /paid with delay into the stipulated revenue account • Procurement requirements may be circumvented by breaking the purchase into smaller multiple purchases • Year end expenditure just for the purpose of exhausting the budgeted amount, rather than for actual necessity • Unnecessary purchases (of goods and services) may have been made not related to the entity and its objectives 	<ul style="list-style-type: none"> • Periodic Internal Audits • Controls by regulation <ul style="list-style-type: none"> • Public procurement act and rules • Financial procedure act and rules • Requisition, purchase order, goods received note • Asset (Store) records are maintained up to date including the cots being disclosed • All supporting documents needs to be properly maintained <ul style="list-style-type: none"> • Newspaper for advertisement or notice published • Invoices (in original) • Contract documents
	22312 Animal feed	
	<ul style="list-style-type: none"> • Risks are similar to that of the Food Expenses under 21122 	<ul style="list-style-type: none"> • Controls are similar to that of the Food expenses under 21122
	22313 Books and Periodicals	
	<ul style="list-style-type: none"> • Risks are similar to that of the Office related expenses under 22311 • Other risks <ul style="list-style-type: none"> • Possibility of misuse of books and educational materials intended for distribution to public schools free of cost • Non recording of distribution of books and materials • Books dispatched more than the number of students 	<ul style="list-style-type: none"> • Controls are similar to that of the Office related expenses under 22311 • Records to be maintained up to date for books and materials distributed to public schools • Requisition / indent should be reconciled with the dispatch. (included with the number of students) • Distribution to the schools and public libraries needs to be adequately approved.

	Major Risks	Control Techniques
	22314 Fuel (other purposes) e.g. kerosene, LPG, Coal, battery, firewood	
	<ul style="list-style-type: none"> Risks are similar to that of the Office related expenses under 22311 	<ul style="list-style-type: none"> Controls are similar to that of the Office related expenses under 22311
	22320 Repair of public works	
	22321 Repair and maintenance of public works	
	<ul style="list-style-type: none"> Repairs and maintenance of public work may have been undertaken without approved estimates Capital nature work may be undertaken from this budget heading Compliance of procurement act may have been compromised Non recording of the maintenance and repair work 	<ul style="list-style-type: none"> Controls by regulation <ul style="list-style-type: none"> Public procurement act and rules Financial procedure act and rules Maintenance and repair of previously built public works needs to be preceded by a proper estimated which is approved and authorised Maintenance records needs to be maintained in prescribed format
	22410 Consulting and other services costs	
	22411 Service and consulting expenses	
	<ul style="list-style-type: none"> Expenses could be beyond research and investigation not covered under the capital expenditures, i.e. capital expense included under this account Selection of specialist for investigation or other expert's service may not have been taken complying with procurement regulation Software services procured may have been duplicated Payment made for consulting and others services not related to the objectives of the entity, (just for the purpose of exhausting budget) Payment being made without actual delivery of services Withholding not deducted short deducted or not paid /paid with delay into the stipulated revenue account 	<ul style="list-style-type: none"> Internal audit review Controls by regulation <ul style="list-style-type: none"> Public procurement act and rules Financial procedure act and rules Income tax act and rules Maintenance of proper contract documents Delivery reports (or deliverables) and authorisation memo (<i>tippani</i>) for payments
	22412 Other service fees	

	Major Risks	Control Techniques
	<ul style="list-style-type: none"> Risks are similar to that of the Service and consulting expenses under 22411 	<ul style="list-style-type: none"> Controls are similar to that of the Service and consulting expenses under 22411
	22510 Training and workshops	
	22511 Employee training	
	<ul style="list-style-type: none"> Training expenses undertaken without approval of annual training plans. Expenses undertaken for purpose other than training / capacity development activity Amount spent more than estimated and authorised Training remuneration paid more than the standard rate Travel and DSA related with the training not reconciled with the trainee numbers and training period Withholding not deducted short deducted or not paid /paid with delay into the stipulated revenue account Propriety and probity not followed in selection of training venue and accommodation arrangements DSA paid more than entitled Appropriate resource persons may not have been selected 	<ul style="list-style-type: none"> Annual approved training and capacity development plan Workshops and seminars are undertaken in conformity with the standards set by MoF for such purposes Controls by regulation <ul style="list-style-type: none"> Public procurement act and rules Financial procedure act and rules Income tax act and rules Maintenance of proper documentation and training records and reports
	22512 Skill development and awareness training and workshops	
	<ul style="list-style-type: none"> Risks are similar to that of the Employee training expenses under 22511 	<ul style="list-style-type: none"> Controls are similar to that of the Employee training expenses under 22511
	22520 Cost of goods/ services to be distributed/provided, Programme costs,	
	22521 Production goods and services	

	Major Risks	Control Techniques
	<ul style="list-style-type: none"> • Procurement of the goods to be produced / distributed may not be in compliance with the procurement act and rules • Storage of goods may not be proper • Expired or non-consumable goods may be procured or produced • Unnecessary goods and services may have been procured. • Quantity not required procured, quantity required (for essential public consumption) not procured or stored • Risks are similar to that of the Office related expenses under 22311 	<ul style="list-style-type: none"> • Quality ensured on procurement • Controls by regulation <ul style="list-style-type: none"> • Public procurement act and rules • Financial procedure act and rules • Income tax act and rules • Proper storing practices • Reorder level determined, adequate stock of essentials maintained • OAG Form 180 (stock card) properly maintained • Period physical verification of the assets • Controls are similar to that of the Office related expenses under 22311
	22522 Programme expenses	
	<ul style="list-style-type: none"> • Charging expenses without approving of the programmes. • Undertaking programmes that are not approved / authorised • Charging excess than what has been incurred or planned • Records not maintained to reconcile the programme expenses and the objectives achieved or outcome / output achieved • Spending more than authorised and approved • Charging of expenses without actually undertaking of the programmes • Withholding not deducted short deducted or not paid /paid with delay into the stipulated revenue account • Procurement for programmes not in compliance with procurement act requirements • Programmes not within the objectives of the entity are being undertaken 	<ul style="list-style-type: none"> • Ministry level approval of programmes documented • All programme activities are reconciled for financial and physical part • Programme reports and records are adequately and properly maintained • Controls by regulation <ul style="list-style-type: none"> • Public procurement act and rules • Financial procedure act and rules • Income tax act and rules • Workshops and seminars are undertaken in conformity with the standards set by MoF for such purposes
	22529 Miscellaneous Programme expenses	
	<ul style="list-style-type: none"> • Risks are similar to that of the Programme expenses under 22522 	<ul style="list-style-type: none"> • Controls are similar to that of the Programme expenses under 22522

	Major Risks	Control Techniques
	22610 Monitoring, Evaluation and Travel Expenses	
	22611 Monitoring and evaluation	
	<ul style="list-style-type: none"> • Expenses may be claimed without actually undertaking the monitoring and evaluating activities • Adequate monitoring and evaluating may not have been undertaken to charge such expenses. Person undertaking the monitoring activity may not be competent or there may be conflict of interest situation • Actual travel for monitoring may not have occurred • If monitoring and evaluation has been undertaken by outsourced resource then Risks are similar to that of the Service and consulting expenses under 22411 	<ul style="list-style-type: none"> • Monitoring report indicating the monitoring and evaluation activity. • Reconciliation between financial and physical reports • Monitoring and evaluation activity is pre approved and authorised • Quality of monitoring and evaluation is ensured • All travel documents are properly maintained, evidencing actual monitoring travel • Controls are similar to that of the Service and consulting expenses under 22411 • Controls by regulation <ul style="list-style-type: none"> • Public procurement act and rules • Financial procedure act and rules • Income tax act and rules
	22612 Travel expenses	
	<ul style="list-style-type: none"> • More time claimed for travel (e.g. for transfers) than actually required • Disallowable expenses claimed • Double payment claims (e.g. misc claim of specified amount taken in addition to taxi / local travel claims) • Travel time claimed more than in approved travel order • Timely settlement of travel advance not being done • Amounts claimed for travel class (mode) that is not allowed claimed • Uniform allowance claimed before eligibility time • Team leader allowance claimed more than specified • Proper supporting documents not submitted for travel claim • Travel may be for other than official purpose 	<ul style="list-style-type: none"> • OAG forms (e.g 189) related to travels are properly filled and recorded • Controls by regulation <ul style="list-style-type: none"> • Public procurement act and rules • Financial procedure act and rules • Class and travel mode in accordance with the entitlement of the position and set rules • Advance not given before settling the previous one • Travel settlement should be adequately supported with all claim documents (only within the allowable limit) • Travel report to indicate that the travel was not for purpose other than official

	Major Risks	Control Techniques
	22613 VVIP Travel (including the entourage)	
	<ul style="list-style-type: none"> Risks are similar to that of the Travel expenses under 22612 	<ul style="list-style-type: none"> Controls are similar to that of the Travel expenses under 22612 Cabinet's approval wherever required
	22614 Other travel expenses	
	<ul style="list-style-type: none"> Risks are similar to that of the Travel expenses under 22612 	<ul style="list-style-type: none"> Controls are similar to that of the Travel expenses under 22612
	22710 Miscellaneous Expenses	
	22711 Miscellaneous expenses	
	<ul style="list-style-type: none"> Since these include refreshment entertainment, party, publicity, security expenses there is a chance that the expenses may not have been incurred for official purpose (or to meet the objective of the office) – i.e. personal expenses may have been charged Disallowable expenses may have been charged (e.g. liquors, tobacco, gambling and other illegitimate entertainment costs) More expenditure for <i>puja</i> than budgeted or planned Spending for programme than what was approved Misuse of security related expenses under this heading Contingency expenses claimed under foreign travel which may not be legitimate 	<ul style="list-style-type: none"> Proper authorisation of all security related expenses Legitimate, Appropriate and adequate supporting documents maintained for all the expenses under this heading Any payments for which no invoice or receipts can be available, the expenses has to be properly approved by competent authority
	22910 Contingent Expenses (recurrent)	
	22911 Contingent expenses (recurrent)	

	Major Risks	Control Techniques
	<ul style="list-style-type: none"> • These expenditure may not meet the definition provided • Non budgeted expenses may be spent by misuse of this budget account. 	<ul style="list-style-type: none"> • These should only include those expenses that at the time of budget could not have been foreseen and those expenses that cannot be directly identified with the existing budgeted headings. • Since the expenditure has to be made through a specific budget heading and no authorisation and disbursement can be made under this heading no specific controls are required