

ANDHRA PRADESH STATE ROAD TRANSPORT CORPORATION

O/o VC&MD: Accounts Wing.
Mushirabad: Hyderabad,
Dated: 16.04.2005.

No. MAI/4(I)/2003-04 –AD

To
The Dy.CAOs / AOs
Zonal / Regional Offices.
A P S R T Corporation.

Sub: **ANNUAL ACCOUNTS** - Draft Audit Report on Annual Accounts
for 2003-04 - Communication of Replies submitted to A G - Reg.

A copy of the Replies submitted to the Accountant General on the comments in Draft Audit Report on the Annual Accounts for the F.Y 2003-04 is forwarded herewith for your reference and record.

It can be observed from the Draft Audit Report that some Accounting Units are erring in making provision even for usual transactions. In this connection, it is very much regretted to note that these Accounting Units have committed emissions / errors inspite of clear instructions and reiteration of guidelines many a time. You shall, therefore, go through the same with a view to take effective steps for preventing recurrence of irregularities observed by the AG.

Some of the omissions / commissions in making provisions that are observed by the AG repeatedly are furnished hereunder together with guidelines for preventing recurrence of the same.

1. Making Provision for stitching charges without supply of Uniform:

- a) Before making provision for stitching charges, it shall be ascertained from the stores department whether the uniform cloth is supplied or not.
- b) Provision shall be made in case of supply only and no provision shall be made if the uniform cloth is not supplied.
- c) Provision shall not be made on assumption that the uniform cloth will be supplied at a later date.

2. Making Provision for Hired Vehicles expenditure:

- a) Provision towards payment of Hire Charges for the Second fortnight of March together with enhancement of rates, if any, shall be made duly obtaining clear details of operation and penalties levied from the Traffic Department.
- b) Provision shall not be made on assumption basis.

3. Making provision towards payment of Monetary Benefit:

- a) Provision shall be made only for the Monetary Benefit claims received during the financial year 2004-05 and pending for disposal as on 31st March 2005 at the rates prevailing as on 31st March 2005.
- b) The procedure of account of provision made in the last financial year has been reviewed. There is no need of reversing the provision J E made in March Accounts of the last year.
- c) Provision shall not be made in any case on assumption basis without receipt of a claim
- d) While assessing the provision for the current year it shall be ensured that the *cases for* which the provision was already made in previous years are not included in the provision for the current year.
- e) Reversing the provision already made does not, normally, arise excepting in cases where the provision was erroneously made last year without receiving the claim or in cases where the Claimant has subsequently revised his / her decision and withdrawn the claim.
- f) The provision shall be made duly debiting AH 6061 and crediting AH **1132**. Reversal of provision shall be made **by** debiting AH 1132 and crediting AH 6091 - Prior Period Expenditure.
- g) The criterion for making provision is receipt and pendency of claim as on 31st March of the year. Hence such of those claims, which are rejected or withdrawn on or before 31st March, should be deleted from the list for the purpose of making provision for outstanding expenses.

- h) List out names of the employees died in harness during the current FY and preceding two FYs for which Monetary Benefit Claims are not received on or *before* 31st March and work out the amount of expenditure involved at the rates prevailing as on 31st March *and* include the amount in the List of Contingent Liabilities.
- i) Amount relating to *cases for* which provision for Outstanding Expenses has already been created and death cases in which family members have applied for employment should not be included in the List of Contingent Liabilities

Making provision towards payment of MACT Claims:

- a) Provision has to be made (Dr.AH 6901 and Cr AH 1141) for the awarded amount, if (i) *Award or Judgment* is pronounced on or before 31st March (ii) Decision is taken to accept the Award or Judgment, and (iii) Payment could not be made on or before 31st March for want of communication of order *or* sanction etc.
- b) Provision has to be made for all other Pending Accident cases occurred on or before 31st March, at Rs 50000/- for each death case and Rs 25000/- for each permanent disability case irrespective of the Claims received or not.
- c) The Provision JE has to be just *reversed* in March accounts or the ensuing year. Thus in March accounts of all Regional Offices, two JEs have to be passed, one for reversing the Provision JE in March accounts of Previous Year and making fresh Provision for Outstanding Expenses as on 31st March of Current Year.
- d) No provision need be made in respect of the cases where the required amounts *are* deposited in courts. Then so deposited amounts shall not be charged to AH 6901 unless and until the case is decided by the Hon'ble Court. However, if the Court permits for drawal of the amount to some extent, the amount so permitted and drawn shall be charged to AH 6904.
- c) No provision need be made in respect of the injury cases. However, the claims in this regard have to be shown as Contingent Liability.

- f) Provision shall not be made merely taking-the number of accidents occurred but shall be made on the number of persons involved therein.
- g) The details of accidents occurred and number of persons involved as certified by the Depots shall be cross-verified with the Accident Record and the Compensation Claims Record maintained at Regional level and then only provision to be made shall be assessed.
- h) Thus it shall be ensured that there should not be any difference between the details that formed basis for making provision and that of furnished to the inspecting authorities like AG Audit Parties etc.,
- i) Provision shall be made in all the cases of Accidents made by the vehicles of the Region irrespective of the place of accident whether it falls within the Region or out side the Region. No provision need be made in case of Accidents made by vehicles of Other Regions even though the accidents are occurred in the jurisdiction of this Region and payments of compensation are arranged by this Region on behalf of the Other Region.
- j) For the above purpose, the details of accidents made by vehicles of the Region in places out side the Region shall invariably be obtained and taken into account while making provision. Similarly, the details of accidents made by the vehicles of other Regions shall be communicated on priority to the corresponding Regions enabling them to make necessary provision.
- k) No Provision need be made in cases where other vehicles involved which are also covered by Third Party Insurance.
- l) The excess of Claim amount over and above the amount already charged off to expenditure (AH 6901 or 6904) (i) after payment or (ii) making provision has to be shown as Contingent Liability.

5. Incorrect valuation of Closing Stock of Stores and Spares

- a) Before accounting the closing stock of stores **and** spares, **the** correctness of the quantities shall first be verified.
- b) It shall be checked if the valuation of closing stock has been made with the latest weighted average rates

- c) In case the valuation is made with the Issue Note *rates*. valuation with the latest weighted average rates shall be insisted from the *Stores* Department and then only the closing stock is taken into Accounts.
- d) In case the latest weighted average rates *are* not available with the Depot Supervisors, the same may be called for from the Zonal Stores and the valuation of closing stock may be made at Regional Level.

You shall, therefore, note the above and see that the Audit Observations *are* not recurred since any failure in this regard will give scope for avoidable comments from A. G.

If the same paras *are* repeated in the Annual Accounts 2004-05, it will be viewed seriously and the concerned Dy CAO / AO will be held responsible. The Dy CAOs/AOs shall therefore, pay utmost attention and see that they are not repeated again.



CHIEF ACCOUNTS OFFICER

Encl: As above