

Education and Public Health

(1947) Department.

Ms. **SERIES.**

G.O. NO. 1476 Edn.,

1476

Dated 9-7-1947.

[Despatch Abstract.]

Audit-Aided Educational Institutions-Elimination of certain statements from the purview of audit-representation from the society of auditors-Recorded.

Back Papers.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

Further Papers.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

THE SOCIETY OF AUDITORS

(REGISTERED UNDER ACT XXI OF 1860)

MADRAS

Y.M.I.A.BUILDINGS,
ARMENIAN STREET,
G.T., MADRAS,
17th August, 1946.

The Hon'ble Minister for Education,
Government of Madras,
Fort St. George,
M a d r a s.

Honoured Sir,

Memorandum regarding Audit of Educational
Institutions receiving aid from the Government.

The Society's attention has been drawn to certain points that arise in connection with the audit of Educational Institutions and the Executive Committee of the Society wishes to make the following representations to you for your consideration.

1. Under Rule 37 of the Grant-in-aid Code, the financial statement to be submitted to the Director of Public Instruction by the managements of aided secondary Schools in connection with the assessments of teaching grants should bear the countersignature of a competent auditor who is not in any way connected with the school concerned.

2. It has been mentioned in Education Department G.O.No.Ms. 760 dated the 1st April, 1939 that the three categories of auditors, viz., (1) Registered Accountants (2) Holders of Restricted Certificates and (3) Other auditors who have, in the opinion of the Director of Public Instruction done satisfactory auditing work in the past and are not connected with any aided educational institution, either as teachers or otherwise--are the persons so to be employed and that they have to be once again approved by the District Educational Officers concerned. The Committee feels that there is no further need for the approval of the auditors every year which results in unnecessary

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THE SOCIETY OF AUDITORS

(REGISTERED UNDER ACT XXI OF 1860)

MADRAS

unnecessary correspondence and delay on the part of the institutions and the Education Department. It should be quite sufficient if a Registered Accountant or a Restricted Certificate Holder is selected from out of the Register of Accountants in India published by the Central Government. The power to approve or disapprove may, if necessary, be confined to the third category of persons who do not hold certificates from the Central Government to practise as auditors and who are consequently also not bound down by the rigorous set of professional misconduct rules governing the work and conduct of Accountants. For the same reasons, the Society desires to hold the exclusive right of audit in the hands of the members of the profession and there is no need to have recourse to the third class of persons when there are huge number of well qualified Accountants available. Under the Circumstances, the Executive Committee wishes to urge the advisability of passing suitable orders amending the G.O. referred to above.

3. Under Rule 37 of the Grant-in-aid Code, "the auditor should certify to the receipts and expenditure being correctly stated and supported by proper vouchers", and the form of certificate found printed below the Form of Financials Statements made available to the Institutions for submission of the Returns goes to satisfy the requirements of this Rule. But in actual practice, by a series of departmental circulars, the Director of Public Instruction and the District Educational Officers have considerably tried to increase the responsibility--

due

THE SOCIETY OF AUDITORS

(REGISTERED UNDER ACT XXI OF 1860)

MADRAS

responsibility of the auditors in that not only the main Financial Statements are expected to be countersigned by the auditors but also the numerous statistical statements are expected to be checked and countersigned by them. Most of these statements are beyond the purview of professional auditors and they should be satisfactorily verified and checked only by the Departmental Inspectors at the time of their inspection or examination of the records and papers of the institutions. Auditors' responsibility should cease when they certify to the correctness of the Receipts and payments in the body of the Financial Statements. With regard to the subsidiary statements, they may be prepared and sent by the correspondents and checked by the Departmental Inspecting officers in the manner most known to them. The Executive Committee of the Society would therefore request the Government to pass orders restricting the auditors' work to the certification of the Annual Receipts and Payments Statements only as actually contemplated by Rule 37 of the Grant-in-aid Code.

You are kindly requested to have suitable orders passed to remedy the defects.

We have the honor to be,
Sir,
Your most obedient servants,

Whimival

JOINT HON. SECRETARIES.

23/11/47

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on p 3 of

Referenced to n/p 1/7

T.M.

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From.

The ~~Assistant~~ Secretary. S+AM Dept

To

The ~~Deputy~~ DP 9.

Ref. Director's no. reply no 4041 D/46 D 13.2.46
re. audit of aided educational institutions -
Representation from the Society of Auditors -
elimination of certain statements from the purview
of audit.

Please say whether the reports called for
from the deputationists as to which items in the several
statements were outside the scope of audit has
been received and orders have been passed thereon
Dfso, please furnish a copy of the proceedings
of the DP 9 in the matter & also of the proceedings
no 538 D/46 D 13.5.46). Information may also
be furnished

at present
whether there is a distinction between Indian & European Anglo-Indian
schools in the financial statements to be signed & certified by
auditors at present & also in respect of which statements

last para
of this minute
on p 2 of

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ASST. SECRETARY TO GOVERNMENT
EDUCATION AND PUBLIC HEALTH DEPT.
4 8 FEB 1947

From
The Director of Public Instruction,
Madras.

To
The Secretary to Government,
Education & Public Health Department, Madras.

Ref: Your Telephonic Message dated 10-2-47 regarding the
audit of educational institutions aided by Govt. -
elimination of certain statements from the purview of
the audit.

The report referred to has been received and it is being
examined. A copy of the orders passed thereon will be furnished
shortly.

2. A copy of the Pres.C.No.538 D/46, dated 15-5-46 is also
being enclosed along with the post copy of the message.

3. As regards the distinction between Indian and European
and Anglo-Indian Schools in the financial statements a report
will be submitted to Government shortly.

TRB.26/2

for Director of public instruction.

The receipt of the reports referred to at A+B above
may be awaited till 20.5.47

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From
1/27/47

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1/31/47

From. T.M. 7/7
The Assistant Secretary E.P.H. Dept 3
To
The Deputy DPI

Ref: your T.M. of 21.2.47 and P.C. of T.M.
of 26/2 regarding the audit of Edl.
Institutions.

Please furnish a
copy of the Pros. C.No. 538/ub of 13.5.46
as it ^{has} ^{been} ^{your} not received with ~~the~~ P.C.
of T.M.

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To / The Deputy Director of Public Instruction

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Received.....Registered.....

To

The Secretary to Government,
Education and Public Health Department,
MADRAS.

Enclosures

PC. No. 280 D-1/45 dated 6th June 1947.

Sir,

Sub: Financial Statements - Secondary Schools - Indian
and European - Audit of -

Ref: Director's U.O. reply No.4041 D/46 dated 13.12.46
and Telephonic Message from Government dated 10.2.47.

In continuation of my Telephonic Message dated 21.2.47, I may state, ^{that} the draft audit report has been shaped in consultation with Mr. Soundarajan on behalf of the Society of Auditors. He agrees to it in the present Form. I think the department will get the particulars it has a right to expect from the auditor in the form, now prescribed.

A copy of the audit report together with a copy of Director's Circular Proceedings C.280 D-1/47 dated 2.4.47 are also enclosed herewith. *for 12-12-47*

2. In European Schools, the Financial Statements only are signed by the auditors. The other statements are signed by the Correspondents of schools. The financial statements of Railway Schools - 13 in number - are signed by the Railway auditors and not by any ~~xx~~ private auditors. A specimen Financial Statement Form in use in European schools is enclosed. The form adopted for Indian Schools will be made applicable to European Schools also, as early as possible, and steps to this end are being taken.

For Director of Public Instruction.

P.R. 7/6.

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9/6

C.B. J.

	Date.	Initials.
When received for fair copying ..		
When copied ..		
When examined..		
When signed ..		
When despatched.		

SUBJECT :—

READ AGAIN _____, dated _____ 19__

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READ ALSO:—

No. _____ From the _____, No. _____, dated _____ 19____

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Order Ms. No. _____, dated _____, 19____
Resolution Rout. _____, 19____

[Signature]

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S U B J E C T.

INSTRUCTIONS for the preparation and submission of Financial Statements
Fee Returns etc. - Secondary Schools and Second Grade Colleges -
Boys and Girls - Issue of:

READ: Again Proceedings C.No. 538-D/46 dated the 13th May 1946.

THE attention of the District Educational Officers and Inspectresses is invited to Rule 37 of the Grant-in-Aid Code and the Proceedings of the Director read above and they are requested to obtain the audited Financial Statement together with the necessary enclosures of all aided secondary schools including Second Grade Colleges for the year 1946--47 by 1st May 1947 and submit them after scrutiny to the Director as and when they are received and in any case before 1st July 1947 at the latest.

2. Each management should be requested to give an exhaustive and clear statement of the endowments held by it indicating if any of these are encumbered or not, the estimated and actual income for the year from each, the use to which the income was put. The form in which the particulars should be supplied in 1948--49 and later will be communicated later.

3. The attention of the managements may be invited to the following defects which are still persisting in the Financial Statements and they may be instructed to avoid them at least from this year.

(L) Compensation towards fee income foregone under Rule 92, M.E.R.

In spite of definite instructions, claims under this head are not supported by the prescribed certificates. Managements may once again be informed that in the absence of such certificates the entire compensation claimed on behalf of such pupils is likely to be disallowed.

(2) Rents and Taxes:- Claims under these heads which are not supported by proper certificates and vouchers are also likely to be disallowed.

(3) Deputation of teachers to undergo Physical Training in Y.M.C.A. College:

Full details should be furnished in respect of the expenditure incurred by the candidate under the following heads:

- i. Tuition fees
- ii. Cost of books purchased
- iii. Uniforms and other equipment
- iv. Travelling expenses etc.
- v. Room rent.
- vi. Boarding charges etc.

4. The sum total of receipts and expenditure under Manual Training should be shown separately in the opening statement under "Miscellaneous Receipts" and "Outlay" respectively.

5. The managements should be informed that from the year 1946--47 the Auditor should be requested to furnish a report in the form appended to these proceedings. He should also certify the opening Financial Statement and statements 5(a) and 5(b) only and not all, as heretofore.

be
They may/further informed that they should give every facility to the Auditors to enable them to check the statements and to furnish the necessary certificates under the several items included in the Audit Report.

S.R.U. SAIVOR,
Director of Public Instruction.

(True Copy)/Forwarded/
-By order-

h. h. h.
SUPERINTENDENT.

To

All District Educational Officers (With spare copies for Manage-
All Inspectresses of Girls Schools) ments.
All Divisional Inspectors of Schools.
Copy to: The Joint Secretary, The Society/Auditors (of)
Madras, Y.M.I.A., Buildings, Armenian Street, G.T., Madras.

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*Copy to D. Subin (10)
Reins (20).*

3/4/12

550 copies

APPENDIX.

Auditor's Report.

1. Name of the Institution and place.
2. Year of Audit.
3. Financial Statement and report:-

Note: - Please refer to the terms of the certificates appended to the opening statement of the Financial statement.

4. Strength of the school:

Certified that the total strength of the school namely..... pupils for the Long Term and..... pupils for the Short Term as stated in the statement of fee Returns calculated at Standard rates, has been checked and found correct with reference to the admission, attendance and Term fee registers maintained by the school.

5. Rate of fees:

statements 5(a) and 5(b) are duly countersigned.

6. Concessions:

Certified that the applications for concessions under Rule 92 Madras Educational Rules, Rule 32 Grant-in-aid Code and other special concessions granted by the school have been checked and found in order in respect of

- (a) caste or community
- (b) income certificate of the parent or guardian
- (c) Sanction

The total amount of each of the concerned statements is as hereunder:--

	Rs.		Rs.		Rs.		Rs.
6(a)	..	9(a)	..	12(a)	..	15(a)	..
6(b)	..	9(b)	..	12(b)	..	15(b)	..
7(a)	..	10(a)	..	13(a)	..	16(a)	..
7(b)	..	10(b)	..	13(b)	..	16(b)	..
8(a)	..	11(a)	..	14(a)	..		
8(b)	..	11(b)	..	14(b)	..		

7. Irrecoverable fees and arrears: --

Certified that the total irrecoverable fees of Rs..... and arrears of Rs..... occurring for various reasons, are correct in accordance with the Term fee register.

8. Income from Endowments:-

Examined the Investments relating to Endowments by actual inspection thereof or with reference to Bank certificates duly obtained and certified that the various items of immovable properties held by the institution at the close of the year have not been encumbered in any manner and that the legitimate yield therefrom has been duly accounted in the Financial Statement; certified further that the following alterations in the items of the immovable property were made during the year by purchase, sale, mortgage etc.

9. Special comments of items of Receipts or payments which the Auditor thinks it necessary (These should include all items under objection such as excess payments unauthorised payments, receipts and expenditure not submitted to audit.)

Place.....

Date.....

Signature of Auditor.

38/9/7

ETM(37)
Audit - Aided Educational Institutions - Elimination
of certain statements from the journals of audit -
Representation from the Society of Auditors - Recorded

Plcf From the Joint Secretary, The Society of Auditors
Madras dated 17.8.46

f 6 of From the DPJ T.M.S 21.2.47 + no 280 2.1/47 &
+ p 99 6.6.47

8/2/47

1476 Edu of 9.7.47
Recorded

18/7/47

7.7.47

To
The DPJ

Depd
11/7/47

Secretary, E. & P.H.

Please see the representation of the Secretary of the Society of Auditors sent herewith in connection with a deputation on behalf of the Society of Auditors consisting of Mr. R.N. Rajam Iyer, President of the Society, Mr. V.Soundararajan, Secretary and Mr. K.B.Srinivasan and Mr. M.S.Krishnaswami Iyer, auditors who met me today and presented the memorandum. They have raised three points:

(1) That the schools need not have to apply for approval of their auditors every year. This is an unnecessary correspondence between the schools and the D.E.Os, for it is more or less formal. And so, they think that auditors once approved may be allowed to continue unless something wrong is detected in their work either in that school or elsewhere.

(2) They have represented that many of the statements that they are asked to sign are beyond the purview of professional auditors and that such statements should be satisfactorily verified and checked by departmental Inspectors. I have asked them to give the particulars of those statements which they represent to be beyond their purview and on receiving that representation, that point can be considered.

(3) They point out to the third sub-para. in para. 2 of the Proceedings of the D.P.I. (See No. 538 D/46 dated 13th May 1946) in which it is stated "He (the auditor) should sign also each statement giving details for every item of the financial statement in token of the correctness of the details and of the arithmetical calculations. It should be clearly understood that and he is responsible for the correctness of the details/of the arithmetical calculations of each of the statements certified to have been checked and found correct by him." They are afraid that this means that not only they hold themselves responsible for the financial part of the statement which they ~~get~~ audit but also for the various particulars mentioned in the statement for which they cannot in any sense be held responsible. For example, as to the number of Harijan boys that might be in a school, they must take the statement of the management for that and work on

that basis; in the same way, the number of war-returned personnel etc., the fact of which cannot be checked by the auditors, and so, they think and rightly, that they should not be made responsible for the facts supplied by the management and they should be made responsible only for the audit portion of the work on the facts supplied by the management. I think this is a legitimate claim and the words "that they must make themselves responsible for the details in those statements" in the above proceedings require amendment, ~~in their opinion~~. In justice, we cannot make them responsible for the details which are supplied to them by the managements.

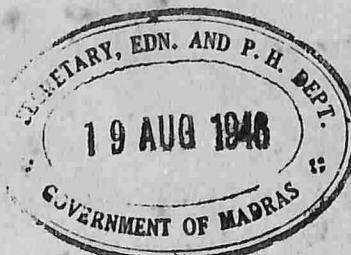
I do not think it is the intention of the proceedings to make the auditors responsible for facts and so, the necessary amendments to the proceedings may be made and the matter made clear.

Mr. Rajam Iyer tells me that the European and Anglo-Indian schools do not get all these statements countersigned by the auditors. I would like to know whether there is any distinction in this matter between the Indian and European Schools.

TSA
17-8-46.
H.M. Education.

They would like to meet the D.P.I. to discuss & explain their matter. The D.P.I. may give them an engagement when they write to him.

TSA
17-8-46



Maybe sent to the D.P.D. for remarks

22/8/46
P.H. Sec

D.P.I. (u. g)

F+PH V.D. No.
47223-B/461 E.M.
22/8/46.



U.O. Reply No. 4041 D/46.

At a meeting I had with the deputation on 16-11-1946 the following points were discussed.

(1) Categories of persons to be permitted to do the auditing work.

It was agreed that ~~the~~ of the three category of persons now eligible for appointment as auditors ((1) Registered Accountants (2) Holders of Registered Certificates and (3) other auditors who have, in the opinion of the Director of Public Instruction done satisfactory auditing work in the past and are not connected with any aided educational institution, either as teachers or otherwise) the last category might be permitted to continue but their numbers should not be increased and no new persons should be recognised for the purpose. The aim should ordinarily be that the work should be carried out by categories (1) and (2) but the Director should have the power to vary the practice if and when he deems it necessary. On this understanding the deputation did not press for any revision. Annual Recognition.

(2) The annual recognition is a matter between the managements and the Department and it was desirable that the Department should continue to exercise it. The amount involved in audit is ~~about~~ ^{more than} a crore of Rupees and the trouble to the department arising from the annual recognition is slight and should not weigh.

I am circularising the Inspecting Officers that they should grant the recognition as expeditiously as possible. Elimination of certain statements from the purview of Audit. (3) The deputationists were invited to state definitely which items in the several statements they thought were outside the scope of audit and I agreed to pass orders on receipt of the Statement. At the same time the nature of the audit expected

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was explained to them and it was impressed on them that the orders on grants were passed on the basis of their audit and as such their certificates were invaluable.

The question of fees was raised but not discussed and no conclusions arrived at.

Apart from the above I am of opinion that the system of grants to European Schools required careful revision and that system should be as far as possible brought in a line with that obtaining in the Indian schools.

SKS Savor
D. P. I. 13/12/46

Please see the Director's reply to the points raised in the minutes of 4M (20) on pp. 1-2 ante. The Director has not stated definitely whether any distinction is now made in the financial statements to be signed & certified by auditors between the Indian & European & Anglo-Indian Schools though it appears from the concluding paragraph of the Director's reply that the procedure now followed in respect of the two types of financial statements is different. This may be ascertained. It may also be ascertained with reference to point 3 whether the report called for has been received & orders have been passed by the Director in the matter.

A draft T.M. is submitted below for approval.

Obviously the Director wants the auditors to verify all the statements relating to European schools as in the case of Indian schools. Pl see 4 above.

This is the 2nd time the D.P.I. can settle. Pl see 4 above.

(Issues T.M. on 10/12/46)

P.C. of T.M. from the D.P.I. dated 21/12/46
Letter from the Director, Re 280 Ar/86/6/46

Please see the Director's letter on page 9 of and the newly stamped audit

report on page 12 of. The Director reports that Mr. Sundararajan on behalf of the Society of Auditors has agreed to the audit report in the present form.

The Director has furnished a specimen financial statement used in European schools and reports that under the existing system only financial statements are signed by the auditors & the other statements are signed by the Correspondents themselves. The Director also reports that steps are being taken to see that the form adopted for Indian schools will be made applicable to European schools also.

In the circumstances no further action is called for.

The file may be circulated to 4-M (20) with reference to his minutes on pages 1-2 ante.

Mr.
17/6/47
18/6/47

Mr.
18.6.47

Mr. 20/6/47
5/7/47
11/7/47
11/7/47

TSA
6.7.47

039
3.7.47



G & B (4)

The papers may now be ~~closed~~

Mr. 7/7/47
18/7/47
21/7/47

recorded.
The draft order below is for approval

Mr.
7.7.47

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