

AUDIT OF PUBLIC SECTOR UNDERTAKINGS

Question 1

Write short notes on the General principles relating to propriety aspect.

(4 Marks) (November 2008)(May 2011)

Answer

General principles to be confirmed by Propriety

Propriety audit stands for verification of transactions on the tests of public interest, commonly accepted customs and standards of conduct. On an analysis, the tests boil down to tests on economy, efficiency and faithfulness. Instead of too much dependence on documents, vouchers and evidence, it shifts the emphasis to the substance of transactions and looks into the appropriateness thereof on a consideration of financial prudence, public interest and prevention of wasteful expenditure. Thus, propriety audit is concerned with scrutiny of executive actions and decisions bearing on financial and profit and loss situation of the company, with special regard to public interest and commonly accepted customs and standards of conduct. It is also seen whether every officer has exercised the same vigilance in respect of expenditure incurred from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money under similar circumstances.

Propriety requires the transactions, and more particularly expenditure, to conform to certain general principles. These principles are:

- (i) The expenditure is not prima facie more than the occasion demands and that every official exercises the same degree of vigilance in respect of expenditure as a person of ordinary prudence.
- (ii) That the authority exercises its powers of sanctioning expenditure which will not result in any benefit directly or indirectly to such authority.
- (iii) That the funds are not utilised for the benefit of a particular person or group of persons and
- (iv) That, apart from the agreed remuneration or reward, no other revenue is kept open to indirectly benefit the management personnel, employees or others.