



“YKT Talent Satra”

Efficiency and Propriety Audit



Economical
Financial
Productivity

$$\text{Efficiency} = \frac{\text{Output}}{\text{Input}}$$

Objective of Efficiency Audit

Most optimum
utilization of investment

Investment is canalized
in most profitable lines

Efficiency Audit is the scrutiny of
actual performance versus expected efficient standards.

Parameters to conduct Efficiency Audit

1. Return on Capital
2. Capacity Utilization
3. Optimum Utilization 3M - Men, Machine, Material
4. Export Performance and Import Substitution
5. Liquidity Position
6. Payback Period

PROPRIETY AUDIT

The **Propriety Audit** refers to verification of transactions on the tests of public interest, commonly accepted customs and standards of conduct.

E.L. Kohler Definition - “that which meets the tests of public interest, commonly accepted custom and standards of conduct, and particularly as applied to professional performance, requirements of law, government regulations and professional codes”.

Propriety Audit is concerned with examining that there is no leakage of revenue or wastage of funds by mistake or fraud.

PROPRIETY AUDIT TEST

1. Whether the proposed expenditure is justified.
2. Whether the alternative ways exist in minimization of cost.
3. Impact of the expenditure on the overall business.
4. Whether the expenditure is properly authorized as per the internal procedures laid down.
5. Whether the expenditure is incorporated in the budget approved by Board of Directors.
6. Whether the expenditure to be incurred in exceptional cases, proper authorization and financial concurrence is obtained from the competent authority.



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The government spending in India is subject to the standards of propriety as follows:

- (a) The expenditure should not be prima facie more than what the occasion demands and that every officer exercises the same degree of vigilance as in respect of his own money.
- (b) No authority in the exercise of its powers of sanctioning expenditure should pass an order which will directly or indirectly accrue to its own advantage.
- (c) The funds should not be utilized for the benefit of a particular person or group of persons.
- (d) Apart from the agreed remuneration or reward there should not be left open any other avenue to indirectly benefit the management personnel, employees and others; and
- (e) Allowances and other payments, other than those covered in the agreed remuneration should not be allowed to be a source of profit for the recipient (e.g., daily allowance for outstation work).

**To outsource your
Business Function**



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