

Comments are invited on the proposed amendments to 'Regulations on Audit and Accounts' issued by the CAG of India. The comments may be sent to soodv@cag.gov.in. The whole text of the Regulations is available for reference at CAG's website under the 'Mandate' tab under "Resources".

Chapter 2 Mandate and Scope

Blue- Add, Red- Omit, Black- Retain

Existing Regulations	Proposed Regulations
Chapter 2 General	Chapter 2: Mandate and Scope (Explanation: This chapter combines existing chapter 2 and 3.)
<p>3. Role of the C&AG in regard to audit</p> <p>The C&AG is the sole authority prescribed in the Constitution entrusted with the responsibility of audit of accounts of the Union and of the States. It is the duty of C&AG to audit receipts, expenditure and other transactions of the Governments of the Union and each State and each Union Territory Governments. The Audit Reports of the C&AG are placed before Parliament or the Legislature of the State or the Union Territory, as the case may be. The duties of the C&AG also extend to audit of Government companies and corporations and bodies and authorities in accordance with the laws made by the legislature and rules made thereunder.</p>	<p>3. Mandate of the C&AG with regard to audit</p> <p>The mandate of the C&AG with regard to audit of accounts is prescribed in the Constitution and the CAG's DPC Act. It is the duty of C&AG to audit receipts, expenditure and other transactions of the Governments of the Union and each State and each Union Territory Governments.</p> <p>CAG's mandate also covers audit of bodies, authorities, companies and corporations as prescribed by or under the laws enacted by the Parliament or respective Legislatures.</p> <p>The Audit Reports of the C&AG are placed before Parliament or the Legislature of the State or the Union Territory, as the case may be.</p>

	(Sections of the DPC Act will be described here)
<p>4. Broad objectives of audit</p> <p>The broad objectives of audit are to ensure the legality, regularity, propriety, economy, efficiency and effectiveness of financial management and public administration. This is done through three main types of audit:</p>	<p>4. Broad objectives of audit</p> <p>The broad objectives of audit are to verify the legality, regularity, propriety, economy, efficiency and effectiveness of financial management and public administration. This is done through;</p>
<p>(1) whether the financial statements are properly prepared, are complete in all respects and are presented with adequate disclosures (financial audit)</p>	<p>(1) Financial Audit which deals with determining whether an entity's financial information is presented in accordance with the applicable financial reporting and regulatory framework and is accomplished by obtaining sufficient and appropriate evidence to enable the auditor to express an opinion as to whether the financial information is free from material misstatement.</p>
<p>(2) whether the provisions of the Constitution, the applicable laws, rules and regulations made thereunder and various orders and instructions issued by the competent authority are being complied with (compliance audit)</p>	<p>(2) Compliance audit, which is an independent assessment of whether a given subject matter (an activity, financial or non-financial transaction, information in respect of an entity), in all material respects, in compliance with identified criteria like applicable laws, rules, regulations, established codes etc and meets the requirement of regularity, propriety, legality, etc.</p>
<p>(3) the extent to which an activity, programme or organisation operates economically, efficiently and effectively (performance audit)</p>	<p>(3) Performance Audit which is an independent, objective and reliable examination of whether interventions, Government</p>

	<p>entities, institutions, operations, programmes, activities (financial or non-financial) are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.</p> <p>Performance audits focus on activities and results, that is on output and outcomes. The analyses in Performance audit is distinct and goes beyond compliance issues, and seeks to provide insights on the actual benefit of the activity undertaken by the Government. (An example may be provided here to bring out the distinction).</p>
(NEW)	(4) Integrated audits which combine either all or some aspects of financial, compliance and performance audits may also be conducted. In respect of Government finances/accounts, financial audit is often conducted in combination with compliance audit.
<p>5. All audits as to be as per Mandate, Regulations etc.</p> <p>All Audits undertaken by the Comptroller and Auditor General, or on his behalf, shall be as per the Constitution of India and the Act. These Regulations, standing orders, guidelines and practice notes issues by the CAG shall guide the conduct of such audits.</p>	<p>5. All audits as to be as per Mandate, Regulations etc</p> <p>(1) All audits undertaken by the Comptroller and Auditor General, or on his behalf, shall be as per the Constitution of India and the Act. The conduct of such audits shall be guided by:</p> <p>(a) These Regulations issued by the CAG of India</p>

	<p>(b) Auditing Standards and standing orders issued by the CAG of India;</p> <p>(c) Guidelines issued by the CAG</p> <p>(d) Manuals, Practice Notes and other supplementary guidance/ instructions issued by the CAG of India or on his behalf.</p> <p>(2) Documents listed at (a) to (d) above shall be regularly updated to give the latest position and made available on the CAG's website. No separate orders/circulars will be held valid until they link to the higher level document they relate to, as per the hierarchy in Regulation 5 and are updated/available on the website.</p>
<p>6. Authority of the C&AG in regard to audit</p> <p>Under Section 18 read with Section 2(e)of the C&AG's DPC Act, the C&AG has the authority:</p> <p>(a)to inspect any office of accounts under the control of the Union or of a State or of a Union Territory having a legislative assembly;</p> <p>(b)to require that any, accounts, books, papers and other documents which deal with or form the basis of or are otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may appoint for his inspection; and</p> <p>(c) to put such questions or make such observations as he may consider necessary, to the person in charge of the office and to call for such information as he may require for the preparation of any account or report which it is his duty to prepare.</p>	<p>6. Authority of the C&AG in regard to conduct of audit</p> <p>In regard to performance of his duties, section 18 of the Act empowers C&AG to</p> <p>(a) inspect any office of accounts under the control of the Union or of a State or of a Union Territory having a legislative assembly;</p> <p>(b) require that any data, information, and other documents, whether maintained in electronic or physical form, which deal with or form the basis of or are otherwise relevant to the transactions to which his duties in respect of audit extend,</p>

(d)The person in charge of any office or department, the accounts of which have to be **inspected and** audited by the Comptroller and Auditor General, shall afford all facilities for such inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

shall be sent to such place as he may appoint for his inspection;

(c) put such questions or make such observations as he may consider necessary, to the person in charge of the office and to call for such information¹ as he may require for the preparation of any account or report which it is his duty to prepare

(d) The person in charge of any office or department, the accounts of which have to audited by the Comptroller and Auditor General, shall comply with requests for information, in as complete a form as possible and with all reasonable expedition **and shall be responsible for ensuring the completeness and reliability of such information, including electronic data, provided to audit.** The person in charge shall also afford all facilities **for field visits by audit.**

Merging Regulations 2, 13, 14 and 15

12. Authority for determination of scope and extent of audit
Under Section 23 of the Act, the scope and extent of audit shall be determined by the Comptroller and Auditor General .

13. Scope of audit

1. **Within the audit mandate, the Comptroller and Auditor General is the sole authority to decide the scope and extent of audit to be conducted by him or on his behalf.** Such authority is not limited by any considerations other than ensuring that the objectives of audit are achieved.

2. In the exercise of the mandate, the Comptroller and Auditor General undertakes audits which are broadly categorised as financial audit, compliance audit and performance audit as elucidated in Chapter 5, 6 and 7 respectively.

3. The scope of audit includes the assessment of internal controls in the auditable entities. Such an assessment may be undertaken either as an integral component of an audit or as a distinct audit assignment.

4. The Comptroller and Auditor General may, in addition, decide to undertake any other audit of a transaction, programme or organisation in order to fulfill the mandate and to achieve the objectives of audit

14. Extent of audit:

Extent of audit means the quantum of audit including the period of coverage, the units of the auditable entity, the extent of test check and the boundaries of audit enquiry

15. Power to dispense with detailed audit

Under Section 24 of the Act, the Comptroller and Auditor General may, when circumstances so warrant, dispense with any part of detailed audit of any accounts or class of transactions and apply such limited check in relation to such accounts or transactions as he may determine.

7. Scope and Extent of audit

1. Under Section 23 of the Act, the scope and extent of audit shall be determined by the Comptroller and Auditor General. Such authority is not limited by any considerations other than ensuring that the objectives of audit, whether it is a financial, compliance, performance or integrated audit, are achieved.

2. The scope of audit includes the assessment of internal controls in the auditable entities. Such an assessment may be undertaken either as an integral component of an audit or as a distinct audit assignment.

3. The Comptroller and Auditor General may, in addition, decide to undertake any other audit of a transaction, **activity (including preparedness)**, programme, **scheme**, organization **or entity** in order to fulfill the mandate and to achieve the objectives of audit.

4. **CAG may prescribe** the extent of audit, which comprises the quantum of audit including the period of coverage, the units of the auditable entity, the extent of test check and the boundaries of audit enquiry.

5. Under Section 24 of the Act, the Comptroller and Auditor General may, when circumstances so warrant, dispense with any part of detailed

audit of any accounts or class of transactions and apply such limited check in relation to such accounts or transactions as he may determine.

<p>7. Participation in Management Committees</p> <p>Auditors should ordinarily not become members of management committees and if advice is to be given, it should be conveyed as audit advice or recommendation and acknowledged clearly as such.</p>	<p>8. Participation in Management Committees</p> <p>Auditors may not become members of management committees, the deliberations of which result in executive decisions in matters of establishment, administration, budget allocation, project selection, project execution etc. If advice is to be given, it should be conveyed as audit advice or recommendation and acknowledged clearly as such.</p>
<p>8. Advice by Audit on certain issues</p> <p>Audit should be ready to advise the executive in such matters as accounting standards and policies, the form of financial statements.</p>	<p>9. Advice by Audit on certain issues</p> <p>Audit should be ready to advise the executive in such matters as accounting standards and policies and the form of financial statements.</p>
<p>9. No power of direction with the Executive in relation to audit</p> <p>It is important for the independence of the Comptroller and Auditor General that there is no power of direction by the Executive in relation to the Performance of the audit mandate. The Comptroller and Auditor General is not obliged to carry out, modify or refrain from carrying out an audit or suppress or modify audit findings, conclusions and recommendations in the light of any directions by the executive. This, however, does not preclude requests to the Comptroller and Auditor General by the executive proposing matters for audit. Decision in this regard shall rest finally with the Comptroller and Auditor General.</p>	<p>10. Role and powers of the Executive in relation to audit</p> <p>The Comptroller and Auditor General is not obliged to carry out, modify or refrain from carrying out an audit or suppress or modify audit findings, conclusions and recommendations, or limit audit to any sample or smaller size of sample than decided, in the light of any direction by the executive.</p> <p>In keeping with the independence of the C&AG, ensured by the</p>

	<p>Constitution, the Executive does not have powers of direction in relation to the C&AG's performance of the audit mandate.</p> <p>This, however, does not preclude requests to the Comptroller and Auditor General by the executive proposing matters for audit. Decision in this regard shall rest finally with the Comptroller and Auditor General.</p>
<p>Combining 10 and 173</p> <p>10.Utilising specialized skills from external sources</p> <p>The Comptroller and Auditor General may, in special circumstances and if so required, utilize specialised skills from external sources in carrying out an audit or accounts task</p> <p>173. Engagement of external agency or expert</p> <p>Where external agency or expert is engaged, the following will apply: (a) The engagement letter appointing an agency or expert shall clearly specify the terms of reference including the duties, obligations and powers of the agency or expert so associated. (b) The audit office shall inform the concerned Government department and the auditable entity regarding the association of the external agency or expert as soon as the engagement letter is issued and before the external agency or expert commences work, including the terms of reference containing the duties, obligations and powers of the agency or expert so associated. (c) The audit office shall be responsible for the opinions formed, or the conclusions reached, or the recommendations made in its report on the basis of the work of the external agency or expert.</p>	<p>11. Engagement of external agency or expert</p> <p>(a) Audits may require specialised techniques, methods or skills from disciplines not available within the SAI. In such cases experts may be used to provide knowledge or carry out specific tasks or for other purposes. The Comptroller and Auditor General may, therefore, where considered relevant and necessary, utilize specialised skills from external sources (internal auditors, other auditors, subject matter experts) in carrying out an audit or accounts task.</p> <p>(b) However, the audit office shall be responsible for the opinions formed, or the conclusions reached, or the recommendations made in its report on the basis of the work of the external agency or expert.</p>

<p>11.General or common Regulations to apply in all cases</p> <p>General or common Regulations shall apply in all cases subject to specific provisions made in particular chapters in these Regulations</p>	<p>12.General or common Regulations to apply in all cases</p> <p>General or common Regulations shall apply in all cases subject to specific provisions made in particular chapters in these Regulations.</p>
--	---

Chapter 3

Part 1

Conduct of Audit-Auditing in an IT environment

(This chapter combines existing regulations from chapters 3, 11 and 13.)

<p>Modifying 157 and including 158 here</p> <p>157. Auditing in IT environment Auditing in IT environment is a methodology of audit and can be applied to all types of audit, namely, financial audit, compliance audit and performance audit. The term ‘auditing in IT environment’ encompasses auditing IT systems including those under development, and IT-assisted audits.</p>	<p>13. Auditing in an Information Technology (IT) environment</p> <p>(a) Audits, whether financial, compliance or performance audits, are conducted increasingly in an IT environment.</p> <p>(b) The broad principles of audit and requirement of access to data, information and documents as contained in these Regulations shall apply to auditing in an IT environment.</p>
--	---

<p>158. Applicability of broad principles of audit</p> <p>The broad principles of audit as contained in these Regulations shall apply to auditing in an IT environment.</p>	<p>(c) The term ‘Auditing in the IT environment’ encompasses both:</p> <p>(i) Audit of IT systems or “IT/IS (Information Systems) audits” which are necessary to establish integrity, reliability and non-repudiability of data being generated across IT systems used for decision making.</p> <p>(ii) Use of computer assisted auditing techniques or ‘IT assisted audits’ as part of Financial, Compliance, Performance or Integrated Audits</p>
<p>Reference to IT assisted audits is in EXISTING Regulation 157</p> <p>157. Auditing in IT environment</p> <p>Auditing in IT environment is a methodology of audit and can be applied to all types of audit, namely, financial audit, compliance audit and performance audit. The term ‘auditing in IT environment’ encompasses auditing IT systems including those under development, and IT-assisted audits.</p>	<p>NEW</p> <p>14. IT assisted audits</p> <p>(a) IT assisted audits include running of exception-based queries and/or data analytics on the data provided by the auditable entity using various IT tools, to gain insights useful for both stages, audit planning/design and execution in respect of financial, compliance or performance audits conducted by the C&AG</p> <p>(b) IT assisted audits could include exception-based querying of auditee data to assess whether the stipulated business requirements have actually been built into the auditee IT systems and such requirements are actually being complied with. Such findings may form part of the audit examination of the adequacy and effectiveness of IT and non-IT controls.</p> <p>(c) IT assisted audits could also include use of one or more IT tools for data analytics to identify trends, anomalies and outliers, correlations and other insights. These insights could be used for audit planning/ design and execution and may also</p>

	<p>form part of the audit examination of adequacy and effectiveness of controls.</p> <p>(d) Depending on whether the IT system is an end-to-end automated solution or involves significant offline/ manual documentation/ approvals and depending on the quality/ integrity and non-repudiability of IT data, the reliability of findings through data analysis may be validated through detailed examination/ field verification.</p>
<p>160. Audit examination of IT systems at various stages Audit may examine the IT systems at various stages such as feasibility study, system development, implementation and maintenance. This is to ensure that IT assets are safeguarded and that appropriate controls are in place to ensure (a) integrity of the system, (b) reliability, availability and confidentiality of the data and information and (c) compliance of the system with rules and procedures.</p> <p>EXISTING Regulation</p> <p>161. Documentation of all the stages of IT system by the auditable entity An auditable entity is required to maintain complete documentation related to all the stages of development of an IT system. The documentation shall also include user requirement specifications, system requirement specifications and system design and development details.</p>	<p>15. IT Audits or Information Systems (IS) Audit</p> <p>(a) The objectives of IT audits implies audit of IT Systems or IS audits. These include assessing whether the audited organization (i) properly protects its IT assets; (ii) ensures compliance with requirements specified by laws, rules, regulations, policies and procedures; (iii) maintains confidentiality, (iv) maintains integrity (including non-repudiability) and availability of information systems and data; (iv) has instituted adequate and effective controls to achieve the organizational objectives and minimize organizational risk.</p> <p>(2) Audit of IT systems or IS/IT audits may involve one or more of the following aspects as part of audit scope,</p> <p>(a) Audit of the development and acquisition process for an IT system through its phases; this may also include audit of IT systems under development; (b) Audit of general controls (including governance of IT towards ensuring delivery of IT value to the organization and minimization of IT risk) applicable for one or more IT systems or for all IT systems of the audited entity/ entities; and audit of application controls for specific IT systems; (c) Audit of IT security and disaster recovery/ business continuity planning; (d) Audit of IT operations and IT outsourcing and (e) examination of the economy, efficiency and effectiveness of the IT systems in the utilization of resources to achieve the organizational goals.</p>

<p><u>EXISTING Regulation</u></p> <p>159. Audit of economy, efficiency and effectiveness of IT systems</p> <p>Audit examines the economy, efficiency and effectiveness of the IT systems in the utilisation of resources to achieve the organisational goals.</p> <p>162. Documentation of changes made</p> <p>The auditable entity is required to document all changes made in its IT systems</p>	<p>(3) Audit may examine the IT systems at various stages such as feasibility study; system procurement, design and development, testing and implementation; and system operations and maintenance.</p> <p>(4) An auditable entity is required to maintain complete documentation related to all the stages of design, development, implementation and operations and maintenance (including change management) of an IT system. It is also required to document all changes made in its IT systems.</p> <p>(5) Security and risk management of information systems and data required to be examined in audit comprises</p> <p>(a) Confidentiality of information ensure that it is not made available or disclosed to unauthorized entities</p> <p>(b) Integrity - to protect the accuracy and completeness of information</p> <p>(c) Non repudiability – to ensure that a subject cannot deny performing an action or an event</p> <p>(d) Availability – information being accessible and usable upon demand by an authorised entity</p>
<p>163. Requirements of Audit to be incorporated in the IT system</p> <p>The auditable entity is required to ensure that all requirements for the purpose of facilitation of audit are incorporated in the IT system</p>	<p>16. Requirements of Audit to be incorporated in the IT system</p> <p>The auditable entity is required to ensure that all requirements for the purpose of facilitation of audit are incorporated in the IT system. Audit is required to check this aspect as part of audit of IT systems and report on it.</p>
<p>165. Information on IT systems</p> <p>Audit may, at periodic intervals, call for information from the auditable entity</p>	<p>17. Information on IT systems</p> <p>Audit may, at periodic intervals, call for information from the auditable entity</p>

<p>about various IT systems in use or being developed.</p>	<p>about various IT systems in use or being developed and the auditable entity shall provide the requisite details.</p>
--	---

Chapter 3

Part 2

<p>Combine 16 and 192</p> <p>16. Conduct of Audit</p> <p>Audit will be conducted (a) with reference to such accounts, vouchers and records, as may be received in the audit office and/or in the accounts office and may include online data, information and documents of the auditable entity; and (b) in the office of the auditable entity or at the site where the relevant records or data for audit are available or at such other place as may be decided by Audit</p> <p>Regulation 192 (context - CASS/CAP)</p> <p>192. Conduct of audit using information available in audit office or accounts office</p> <p>The audit may also be conducted with reference to data, information and documents of any auditable entity that are available in an audit office or an accounts office. Results of such audit will be communicated to the auditable entity in the form of audit notes</p>	<p>18. MODES OF CONDUCT OF AUDIT</p> <p>The modes of conduct of audit include the following:</p> <p>(i) audit with reference to such accounts, vouchers, records, data, information and documents of the auditable entity, as may be available in the audit office and/or in the accounts office, (ii) with reference to such accounts, vouchers, records, data, information and documents of the auditable entity, as may be accessed by, requisitioned by and/or received in the audit office and/or in the accounts office, (iii) in the office of the auditable entity or at the site where the relevant records or data for audit are available or at such other place as may be decided by Audit</p> <p>For this purpose, Audit's access covers electronic data, information and documents of the auditable entity. Such access may be through interfacing with audited entity's IT systems or establishing alternative equivalent methods of data access for the audit office.</p>
---	--

Subsuming existing regulation 179, 164 and parts of 177

(From REGULATION 177)

The intimation for audit shall also provide a list of the basic records that should be kept ready before the arrival of the audit team.

179. Requisition for data, information and documents

The requisition for data, information or documents shall be made in writing or during the course of recorded meetings and may be addressed to the persons in charge of various functions in the auditable entity or to the officer in charge of the auditable entity

EXISTING REGULATION 164

Right of Access to audit

The auditable entity shall ensure that Audit has the right of access to the IT systems, irrespective of the fact whether the systems are owned, maintained and operated by the auditable entity or by any other agency on behalf of the auditable entity

19. Request for data, information and documents and access to information systems

(a) In keeping with the modes of conduct of audit, audit **shall** requisition basic records, data, information and documents, from the auditable entity or interface with audited entity IT systems, preferably through APIs, as soon as the advance intimation for audit is given to enable a systematic review and commence the audit assignment by accessing such information ahead of field visits/remotely.

(b) In respect of above mentioned information not available electronically or not amenable to be shared electronically and for further substantive audit checks, field audit visits would be required and carried out. The auditable entity shall ensure that data and information requests pertaining to field audit visits are attended to and the documents kept ready before the arrival of the audit team.

(c) The auditable entity shall provide access to its information systems and data as requested by Audit, irrespective of the fact whether the systems are owned, maintained and operated by the auditable entity or by any other agency on behalf of the auditable entity. Audit will ensure confidentiality

and privacy of data for audit purposes, as specified in Regulation 23.

(c) The requisition for data, information or documents, whether in advance or during the course of audit shall be made in writing or in recorded meetings and may be addressed to the persons in charge of various functions in the auditable entity or to the officer in charge of the auditable entity.

174. Authority of the C&AG to inspect offices and to conduct audit

The Comptroller and Auditor General is authorised under the Act to inspect offices and to conduct audit in the offices that attract his audit jurisdiction in connection with the performance of duties under the Act. For this purpose, audit teams shall be deputed to the offices of the auditable entities from time to time. An inspecting officer shall lead each such team. The team can also visit places where relevant records of the auditable entity are kept.

20. Authority of the C&AG to inspect offices and to conduct audit

The Comptroller and Auditor General is authorised under the Act to inspect offices and to conduct audit in the offices that attract his audit jurisdiction in connection with the performance of duties under the Act. For this purpose, audit teams shall be, to the extent necessary, deputed to the offices of the auditable entities from time to time. The audit team will be led by a team leader/supervisory officer. The team can also visit places where relevant records of the auditable entity are kept.

Merging 185, part of 178, 180, 181 and 184

185. Compliance with requests of Audit for records and information

The officer in charge shall comply with requests for information and records in as complete a form as possible and within the specified time.

(From REGULATION 178)

The officer in charge shall also ensure that the basic records as stated in the list sent to him by the audit office are kept ready before the arrival of the audit team.

184. Nomination of an officer for liaison with Audit

The officer in charge may nominate a sufficiently senior officer of his office for liaison with Audit. The officer in charge will, however, continue to be responsible for ensuring adherence to these Regulations in so far as they relate to facilitation of audit.

181. Mechanism for timely supply of data, information and documents to Audit

Every department or entity shall establish and implement a mechanism to ensure that data, information and

21. Compliance with requests of Audit for records and information

(a) Every department or entity shall establish and implement a mechanism to ensure that data, information and documents that are required by Audit are made available to it in time.

(b) The officer in charge may nominate a sufficiently senior officer of his office as a nodal officer, for liaison with Audit. The officer in charge will, however, continue to be responsible for ensuring adherence to these Regulations in so far as they relate to facilitation of audit

(c) It is the statutory obligation, of the officer-in-charge of the auditable entity, as per section 23 of the Act, to comply with requests for information and records in as complete a form as possible and within the specified time.

(d) The nodal officer in the auditable entity or the persons in charge of various functions in the auditable entity shall ensure that the basic records, documents, data and information as requisitioned by the audit office are made available to the audit office in advance, electronically, where available, and/or kept ready before the arrival of the audit team, as required.

documents that are required by Audit are made available to it in time

180. Reasonable time for supply of data, information and documents

The time within which data, information and documents are to be furnished to Audit will be indicated in the requisition. The time allowed will be determined considering the nature and quantum of the data, information and documents requisitioned and the urgency of the matter

(e) The time within which data, information and documents are to be furnished to Audit will be indicated in the requisition. The time allowed will be determined considering the nature and quantum of the data, information and documents requisitioned and the urgency of the matter.

No existing corresponding regulation

NEW

22. Responsibility regarding Completeness and reliability of data provided to audit

(a) The auditable entity will be responsible for ensuring completeness and reliability of data provided to audit.

(b) Adequacy and effectiveness of IT and non-IT controls for ensuring integrity and non-repudiability of such data may be duly considered by the audit office, while determining the extent of reliability of such data. An audit of the IT system may be conducted (either as part of the IT-assisted audit or separately) in order to derive assurance about the quality of data used for audit analysis.

Findings related to deficiencies in completeness and reliability of data may, depending on materiality and significance, be reported by Audit.

182. Confidentiality of information acquired during audit

(1) Information about an auditable entity acquired in the course of the auditor's work shall not be used for purposes outside the scope of audit. However, this does not preclude Audit from reporting offences against the law to appropriate prosecuting authorities wherever necessary.

(2) The documents classified as 'confidential' or 'secret' or 'top secret' made available to Audit shall be dealt with by Audit in accordance with the standing instructions of the Government for handling and custody of such documents.

(3) If certain privileged or confidential information prohibited from general disclosure by law is obtained in course of an audit, the auditor should maintain confidentiality of that information and ensure that the audit notes, the inspection reports or the audit reports do not become a means of compromising such privilege or confidentiality of the information.

23. Confidentiality of information and protection of personal identifiable/sensitive information acquired during audit

(1) Information about an auditable entity acquired in the course of the auditor's work shall not be used for purposes other than audit.

(2) However, this does not preclude Audit from reporting offences against the law to appropriate prosecuting authorities wherever necessary. It also does not preclude audit from including the names of departments, organisations, parties concerned in audit reports, as per extant orders of the CAG.

(3) The documents classified as 'confidential' or 'secret' or 'top secret' made available to Audit shall be dealt with by Audit in accordance with the standing laws and instructions of the Government for handling and custody of such documents and information.

(4) If certain privileged or confidential information or Personally Identifiable Information (PII) prohibited from general disclosure by law is obtained in course of an audit, the auditor should maintain confidentiality of that information and ensure that any audit products do not become a means of compromising such privilege or confidentiality of the information

186. Failure to provide data, information and documents

Cases of failure to provide data, information and documents shall be reported by the audit office to the controlling officer and, if considered necessary, the concerned Government for appropriate action and these authorities shall inform the audit office about the action taken **within three months of such report(s).**

24. Failure to provide data, information and documents

(a) Cases of failure to provide data, information and documents shall be immediately reported by the audit office to the controlling officer and suitably to the concerned Government, including Secretary of the Department in case of Government of India or Chief Secretary of the State for appropriate action. These authorities shall ensure that requisite access to data, information and documents is provided to Audit within the prescribed time frame and inform the concerned Audit office accordingly.

(b) Cases of failure to provide data, information and documents to audit is a violation of the statutory obligation of the officer-in-charge at the auditable entity. The implications of such a situation would be as follows:

(i) The audit product/report shall report withholding/non-production of data, thus informing Parliament/State Legislature of the lack of transparency in public expenditure/revenue, and CAG's inability to assure the Parliament/State Legislature of the correctness, or even appropriateness of the expenditure or revenue related action/decision.

(ii) If data is withheld or not made available in a manner that, in CAG's opinion, audit is thwarted from carrying out its constitutional and statutory obligations, a single paragraph report should be submitted to the Parliament/State Legislature bringing out

	<p>clearly the facts of the issue and the implications.</p> <p>(iii) Point (ii) above may lead to non-certification or qualification of accounts</p>
--	--

<p>177. Advance intimation for audit</p> <p>The audit office shall as far as possible give advance intimation of a minimum period of three weeks to the officer in charge of the office to be audited. <i>The intimation for audit shall state the likely duration of audit and also provide a list of the basic records that should be kept ready before the arrival of the audit team. (subsumed in another regulation).</i> In cases where the audit involves an element of surprise check, no advance intimation need be given.</p>	<p>25. Advance intimation for audit</p> <p>Audit offices may give advance intimation to the auditable entities as soon as their audit plan is approved but not later than three weeks in advance to the officer in charge of the office to be audited. The intimation for audit shall state the likely duration of audit including duration of field visit, audit scope and objectives, and composition of the audit team. In cases where the audit involves an element of surprise check, no advance intimation need be given.</p>
<p>178. Acknowledgement of intimation by the auditable entity</p> <p>The officer in charge of the office shall acknowledge the receipt of such intimation and shall make best efforts to be available in headquarters during the period of audit. <i>The officer in charge shall also ensure that the basic records as stated in the list sent to him by the audit office are kept ready before the arrival of the audit team. (subsumed in new regulation 21)</i></p>	<p>26. Acknowledgement of intimation by the auditable entity</p> <p>The officer in charge of the office shall acknowledge the receipt of such intimation and shall make best efforts to be available in headquarters during the period of visit of the audit team.</p>
<p>175. Provision of facilities for conduct of audit</p> <p>It shall be the duty of the head of the office of the auditable entity to provide appropriate and reasonable office accommodation and other office amenities to the audit team for official</p>	<p>27. Provision of facilities for conduct of audit</p> <p>It shall be the duty of the head of the office of the auditable entity to provide appropriate and reasonable office accommodation and other office amenities to the audit team for official use and at par with facilities available in the auditable entity for its own officers</p>

<p>use and at par with facilities available in the auditable entity.</p>	<p>and staff of similar seniority/ rank/pay scale.</p>
<p>183.Meeting with officer in charge of the auditable entity at the commencement of audit</p> <p>The inspecting officer may hold a meeting with the officer in charge as soon as the work of audit commences. In the meeting, the audit objectives and criteria, general state of internal controls and areas of focus, concern or high risk identified by Audit may be discussed.</p>	<p>28. Meeting with officer in charge of the auditable entity at the commencement of audit</p> <p>The audit team leader/supervisory officer may hold a meeting with the officer in charge as soon as the work of audit commences. In the meeting, the audit objectives and criteria, general state of internal controls and areas of focus, concern or high risk identified by Audit may be discussed</p>
<p>176 Supply of list of offices under each Head of department to Audit</p> <p>Heads of departments shall supply to the audit office a list of the offices under them as at the end of December so as to reach the audit office before the end of January of the following year.</p>	<p>29. Maintaining an updated list of auditable entities</p> <p>All audit offices will be responsible for maintaining an updated list of auditable entities, subject to their respective audit jurisdictions, including Acts and subordinate legislations being enforced by all Government Departments. Heads of departments shall supply to the audit office any changes to the list of such auditable entities under the jurisdiction of their Department, including in Acts and subordinate legislations administered by them, immediately upon the change occurring or information is requested by audit offices and atleast twice a year on their own, in June and December</p>

<p>NEW</p>	<p>30. Audit Objectives and Scope</p> <p>Every audit shall require communication of overall audit objectives and scope to the auditable entity.</p>
<p>NEW</p>	<p>31. Audit Observations</p> <p>During the course of audit, audit observations (including comments on accounts), incorporating reference to criteria, sufficient details of the evidence relied upon in audit, audit conclusions and where applicable, recommendations, will be communicated to the audited entity.</p>
<p>187. Issue of audit memos</p> <p>All audit memos, other than those requiring supply of documents and records, shall be issued over the signature of the inspecting officer or carry an indication of his approval. The audit memos shall be serially numbered.</p>	<p>32. Issue of audit requisitions, queries and audit observations</p> <p>(a) During the course of audit, while audit requisitions and queries (where necessary), can be issued by members of the audit team, audit observations shall be issued by the audit team with the approval of the audit team leader/supervisory officer, as practicable. Within each category, all communications will be serially numbered.</p> <p>(b) All such communication shall be issued electronically. If required exceptionally, and where reasons are explained for doing so, they may be issued offline/manually. However any offline/manually issued communication</p>

	<p>will be uploaded into the workflow/sent electronically at the earliest opportunity.</p>
<p>No corresponding Regulation exists</p>	<p>33. Oversight on work of audit teams</p> <p>Audit Managers shall maintain close/near real time oversight on the working of the audit teams under their respective jurisdictions, leveraging IT enabled/automated workflow.</p> <p>(Audit Managers- Group officers)</p>
<p>188. Replies to audit memos</p> <p>The officer in charge shall ensure that to-the-point replies are rendered to the audit observations communicated through the audit memos. It will be the duty of the officer in charge to ensure that the particulars given in the replies to the audit memos are correct with reference to the records so that the accuracy of the facts and figures of such cases as are included in the inspection report is not disputed. All such replies shall be signed by the officer in charge or carry an indication of his approval.</p> <p>197. Reply to audit observations</p> <p>The officer in charge of the auditable entity shall send the reply to an audit note or inspection report within four weeks of its receipt. Even if it is not feasible to furnish the final replies to some of the observations in the audit</p>	<p>34. Replies to audit queries and audit observations</p> <p>The officer in charge of audit at the auditable entity, shall ensure that to-the-point replies are rendered to the audit queries and audit observations within the stipulated time and that the particulars given in the replies are correct with reference to the records so that the accuracy of the facts and figures conveyed by audit are confirmed in such replies and are not disputed when processed further by Audit. All such replies shall be signed by the officer in charge or carry an indication of his approval.</p>

<p>note or inspection report within the aforesaid time limit, the first reply shall not be delayed on that account and an interim reply may be given indicating the likely date by which the final reply shall be furnished</p>	
<p>189. Immediate steps for remedial action on audit observations</p> <p>The officer in charge shall take immediate steps for appropriate remedial action, wherever possible, on the observations made by the audit team so that as many audit points as possible are settled during the course of audit.</p> <p>196. Initiation of action for settlement of audit observations not to wait for receipt of inspection report</p> <p>The auditable entity may initiate action for the settlement of audit observations with reference to the audit memos and draft inspection report received during audit without waiting for the formal receipt of the inspection report from the audit office</p>	<p>35. Immediate steps for remedial action on audit observations</p> <p>The officer in charge shall take immediate steps for appropriate remedial action, wherever possible, on the audit observations made by the audit team so that issues raised by audit, as far as practicable, are addressed during the course of audit.</p>
<p>190. Preparation of draft inspection report</p> <p>On the completion of audit, the inspecting officer shall prepare a draft inspection report.</p> <p>193. Communication of results of audit</p>	<p>36. Forms of communication at the close of audit</p> <p>At the close of audit, depending on the type and nature of audit, audit observations and replies will be processed by audit offices and developed into audit findings, conclusions and recommendations,</p>

<p>The audit office shall communicate the results of audit to the auditable entities through audit notes or inspection reports.</p> <p>194. Issue of inspection reports and audit notes</p> <p>The audit office shall as far as possible issue the inspection report or audit notes within six weeks from the date of completion of audit or such other period as prescribed in this regard.</p>	<p>(latter, where applicable). The draft audit report could be in the form of, but not limited to,</p> <ul style="list-style-type: none"> (a) In case of financial audit, an audit opinion, separate audit report (SAR), comments supplementary to the opinion of the statutory auditor, management letter addressed to the Head of the auditable entity (b) In case of compliance audits, management letter addressed to head of the auditable entity or Head of the Department or inspection reports addressed to the heads of the individual audit units or implementing units (c) In case of Performance Audits, Management Letter addressed to head of the Apex entity or Head of the Department or Government <p>The above would be issued as per the timelines prescribed in this regard.</p>
<p>191. Meeting with officer in charge of auditable entity at the close of audit</p> <p>The inspecting officer and the officer in charge shall discuss the draft inspection report at the close of audit. The officer in charge shall confirm the facts and figures included in the draft inspection report. Any point of disagreement may be brought out and</p>	<p>37. Meeting with officer in charge of auditable entity at the close of audit</p> <p>The audit team leader/supervisory officer and the officer in charge shall discuss the audit observations at the close of audit. The officer in charge shall confirm the facts and figures included in the audit observations. Any point of disagreement may be brought</p>

<p>discussed with the inspecting officer during the meeting with a view to resolve the same. The officer in charge shall also offer his observations on the audit conclusions and recommendations, if not already done in response to the audit memos, and the inspecting officer shall reflect such observations in the inspection report. Where necessary and appropriate, the inspection report may make recommendations for remedying systemic deficiencies and improving control. A written record of the proceedings of the meeting duly signed by both the parties shall be kept.</p>	<p>out and discussed during the meeting with a view to resolve the same. The officer in charge shall also offer his observations on the audit conclusions and recommendations, if not already done in response to the audit observations, and the same shall be recorded and included as response of the auditable entity in the draft audit report. Where necessary and appropriate, the audit team may make recommendations for remedying systemic deficiencies and improving control. A written record of the proceedings of the meeting duly signed by both the parties shall be kept.</p>
<p>192, 193 and 194 subsumed</p>	
<p>195. Maintenance of record of audit observations by auditable entity</p> <p>Each auditable entity shall maintain proper record relating to the receipt of audit notes and inspection reports and the progress of their settlement.</p>	<p>38. Maintenance of record of audit observations by auditable entity</p> <p>Each auditable entity shall maintain proper record relating to the receipt and follow-up of audit observations.</p>
<p>196. Subsumed</p>	

Chapter 4: Guiding principles of Auditing Standards

Replace all existing regulations

Rationale

Auditing Standards (AS) need to be anchored in the Regulations broadly. AS are required to be followed in by the personnel. It is better to refer to the AS and avoid any paraphrasing in regulations to preserve the import of the Auditing Standards.

It is also efficient to broadly mention AS in the regulations so as to avoid amending regulations again and again when AS are revised.

46. Authority and Purpose

1. All audit engagements as per the audit mandate of SAI India shall be conducted in accordance with Auditing Standards issued by the CAG.

2. Auditing Standards issued by the CAG set out the professional standards of auditing for the CAG's organisation as well as for its personnel.

3. Auditing standards establish the norms applicable to all audit engagements undertaken by CAG.

4. Auditing standards determine the audit procedures that shall be applied in audit and constitute the criteria or benchmark against which the quality of audit results is evaluated.

5. Auditing standards apply to all types of audit including financial audit, compliance audit, performance audit and combination of such audits.

6. Auditing standards shall be periodically updated, revised or modified by CAG in keeping with the applicable international auditing standards, while keeping in view provisions in the Constitution of India, the Act and other relevant statues, extant rules and these regulations.

	<p>47. Elements of public sector auditing</p> <p>The elements of public sector auditing are as follows and as detailed in CAG’s Auditing Standards and specifically provided for, as applicable, in the Guidelines for Compliance Audits, Performance Audits and Financial Audits.</p> <ul style="list-style-type: none">• The three parties (auditor, responsible party and intended users)• Subject matter, criteria and subject matter information• Types of engagement (attestation and direct reporting)• Confidence and assurance in public-sector auditing and levels of assurance.
	<p>48. Principles of Public-sector auditing and principles related to audit process</p> <p>1. The general principles of public sector auditing that the auditor should consider prior to commencement and at more than one point during audit comprise ethics and independence, professional judgement, due care and skepticism, quality control, audit team management and skills, audit risk, materiality, documentation and communication as given in the Auditing Standards.</p> <p>2. Principles related to the audit process, which are required to be followed, are explained in the Auditing Standards and comprise</p>

	<p>a. Planning</p> <ul style="list-style-type: none">• Establish the terms of the audit• Obtain understanding• Conduct risk assessment of problem analysis• Determine Materiality• Identify risks of fraud• Develop an audit plan – Audit objectives, scope, approach and methodology, resource allocation, timelines across stages of audit <p>b. Conducting the Audit</p> <ul style="list-style-type: none">• Perform the planned audit procedures to obtain audit evidence• Evaluate audit evidence and draw conclusions <p>c. Reporting and follow-up</p> <ul style="list-style-type: none">• Prepare a report based on the conclusions reached• Follow up on reported matters as relevant
--	---

Chapter 5

Audit of Expenditure and Framework for Types of Audit	
<p>48. Authority of the C&AG in regard to audit of expenditure Section 13 of the Act authorises the Comptroller and Auditor General to audit all expenditure from the Consolidated Fund of India and of each State and of each Union Territory having a legislative assembly. Section 13 read with Section 2(e) of the Act also authorises the Comptroller and Auditor General to audit all transactions of the Union and of the States and Union Territories relating to Contingency Funds and Public Accounts.</p>	<p>49. Authority of the C&AG in regard to audit of expenditure</p> <ol style="list-style-type: none"> 1. Section 13 of the Act authorises the Comptroller and Auditor General to audit all expenditure from the Consolidated Fund of India and of each State and of each Union Territory having a legislative assembly. Section 13 read with Section 2(e) of the Act also authorises the Comptroller and Auditor General to audit all transactions of the Union and of the States and Union Territories relating to Contingency Funds and Public Accounts. 2. Audit of expenditure is comprehensive and is carried out in the nature of financial audit, compliance audits, performance audits or any combinations thereof. Audit examination covers transactions for their regularity, legality, competence, validity and propriety. 3. The basic principles of audit of expenditure incurred from the Consolidated Fund apply mutatis mutandis to any expenditure that may be incurred from the Public Account or from the Contingency Fund.
<p>50. Endorsement of copies of sanction orders and contract agreements to Audit Copies of all orders sanctioning expenditure issued by Government departments shall be endorsed or otherwise sent to the audit office as soon as these are issued. The orders shall cite reference to the authority by way of rules,</p>	<p>50. Access to IT systems related to Financial Management</p> <ol style="list-style-type: none"> 1. Auditable entity shall provide access to IT systems (Integrated and/or Public Financial Management Systems, e-procurement systems or other payment platforms etc) for complete access to financial transactions of the Government, including all sanction orders, re-

regulations, etc. in terms of which the expenditure is sanctioned.

Heads of departments shall also send to the audit office quarterly statements on the 15th day of each of the months of July, October, January and April, of all sanctions issued in respect of their department during the preceding quarter. A nil statement shall be sent in case no such order was issued during the preceding quarter.

The Comptroller and Auditor General may, by a general or special order, exempt any department or a particular class or classes of orders from the requirement of sending copies to audit office.

Copies of contract agreements need not be sent to the audit office. Only quarterly statements (including nil statements) of all contracts entered into in the preceding quarter need to be sent to audit office as per time schedule given above.

52. Endorsement of copies of sanctions of advance from Contingency Fund

The Ministry of Finance or Finance Department shall endorse or otherwise send to the audit office and the accounts office, copies of all sanctions of advance from the Contingency Fund as well as resumption of the advance to the Contingency Fund as soon as these are issued.

appropriations, surrenders, book adjustments, receipts, transfers, bills, vouchers, sub-vouchers, grants, contracts, vendor payments, beneficiary payments etc.

2. Copies of all orders sanctioning expenditure issued by Government departments shall be endorsed or otherwise sent or made available to the audit office as soon as these are issued, including copies of all sanctions of advance from the Contingency Fund as well as resumption of the advance to the Contingency Fund as soon as these are issued. The orders shall cite reference to the authority by way of rules, regulations, etc. in terms of which the expenditure is sanctioned

3. Where sanctions are issued through an IT system, concerned Department, Ministry or Auditable entity, shall provide real time access to Audit to the sanctions module in the IT system.

4. Quarterly statements (including nil statements) of all contracts entered into in the preceding quarter need to be sent or made available to audit by the auditable entity within the first fortnight of the next quarter.

49. Examination of systems and procedures and checks to be applied in audit of expenditure

Audit of expenditure incurred from the Consolidated Fund examines and verifies

whether adequate, proper and sound systems and procedures are in place and are

being complied with, both in letter and spirit, for spending public money. Audit *inter*

alia checks the expenditure for:

(1) Appropriation, that is, the availability of funds in the budget, including supplementary grant(s) and re-appropriation; this also includes (a) examination of the orders of re-appropriation for their legality, competence and propriety; and (b) confirmation that the expenditure is within the scope and intent of the grant and does not attract the limitation of new service or new

instrument of service;

(2) Authorisation by the authority that is competent to do so;

(3) Compliance with the requirement of the applicable laws, rules, regulations, orders and instructions in actual disbursement;

(4) Evidence by way of vouchers, payees' acknowledgements, etc;

(5) Record in the books of the spending officer, including cross-verification with the records of the treasury, pay and accounts office, bank, etc;

51. Broad framework of financial audit of Government

In continuation of Regulation 4(4), broad principles and features of financial audit of Government finances are as under:

33. Under the Constitution of India and the Act, it is the duty of the Comptroller and Auditor General to audit and report on the accounts of the Union Government and of the Governments of each State and Union Territory having a legislative assembly. These reports are submitted to the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly, as the case may be, for being placed before the appropriate legislature.

34. The Comptroller and Auditor General examines and certifies the Finance Accounts and the Appropriation Accounts of the Union and of each State and the Union Territory having a legislative assembly, irrespective of the agency that is responsible for their compilation.

35. The Finance Accounts of the Government show the receipts and disbursements of the Government for the financial year, together with the financial results disclosed by the revenue and capital accounts, the accounts relating to public debt and assets and other liabilities as prescribed.

36. The Appropriation Accounts of the Government show the expenditure of the Government compared with the amounts authorised by the legislature with explanations for significant variations between the two by

- (6) Accounting in the books of the Government; and
(7) Monitoring, control and reporting as prescribed in the Government rules.

The above carries an embedded, but essential, requirement of the examination of expenditure for compliance with the broad and general principles of financial propriety.

Audit shall bring to light not only significant cases of irregularity and breach of rules, regulations and orders but also every matter which, in the judgment of the audit officer, appears to involve significant unnecessary, excessive, extravagant or wasteful expenditure of public money and resources despite compliance with the rules, regulations and orders.

way of saving or excess beyond the prescribed limits of such variations.

37. Financial audit shall be carried out as per Auditing Standards, elements, principles and process prescribed in the financial attest audit manual and financial attest guidelines and other relevant orders, issued by the CAG. As part of the process, some audit checks comprise;

(1) Appropriation, that is, the availability of funds in the budget, including supplementary grant(s) and re-appropriation; this also includes

- (a) examination of the orders of re-appropriation and surrender for their legality, competence and propriety; and
- (b) confirmation that the expenditure is within the scope and intent of the grant and does not attract the limitation of new service or new instrument of service;
- (c) the amount of actual expenditure for its legal availability for and application to the service or purpose in accordance with the scope and intent of the grant;
- (d) the explanations for the significant variations between the amounts of actual expenditure and the amounts authorised by the legislature, beyond the prescribed limits of such variations, for their veracity.
- (e) Compliance with the requirement of the applicable laws, rules, regulations, orders and instructions in actual disbursement;
- (f) Evidence by way of vouchers, payees' acknowledgements, etc;

- (g) Record in the books of the spending officer, including cross-verification with the records of the treasury, pay and accounts office, bank, etc;
- (h) Monitoring, control and reporting as prescribed in the Government rules.

2. Whether financial statements are in compliance with the applicable laws, rules and regulations and accounting principles, policies and acceptable standards including conformity with the form of accounts prescribed by the President on the advice of the Comptroller and Auditor General; Audit also checks for relevant assertions, including

- (a) Completeness of the books of accounts and the financial statements; this also includes a critical review of the amounts that are not adjusted to their final classification;
- (b) Accuracy of the books of accounts and the financial statements including consistency between the related statements;
- (c) Timeliness of the books of accounts and the financial statements;
- (d) Adequacy of disclosures including appropriate and necessary explanations for any entry or amount that is prima facie unusual;

(3) In the case of Appropriation Accounts, in addition to the above, audit verifies whether adequate, proper and sound systems and procedures are in place and are being complied with, both in letter and spirit, for spending public money.

(4) Audit is required to report not only significant cases of irregularity and breach of

	<p>rules, regulations and orders but also every matter which, in the judgment of the audit officer, appears to involve significant unnecessary, excessive, extravagant or wasteful expenditure of public money and resources despite compliance with the rules, regulations and orders.</p>
<p>38. Requirement for sending copies of orders of re-appropriation and surrender of funds</p> <p>Government departments shall send copies or make available all orders of re-appropriation and surrender of funds to the audit office and the accounts office as soon as these are issued. A consolidated statement of all such orders issued during a financial year shall also be sent to the audit office and the accounts office so as to reach within one month after the close of the financial year. A nil statement shall be sent if no such order was issued.</p>	<p>52. Requirement for sending copies of orders of re-appropriation and surrender of funds</p> <p>Government departments shall send copies or make available all orders of re-appropriation and surrender of funds to the audit office and the accounts office as soon as these are issued. A consolidated statement of all such orders issued during a financial year shall also be sent to the audit office and the accounts office so as to reach within one month after the close of the financial year. A nil statement shall be sent if no such order was issued.</p>
<p>39. Orders of re-appropriation and surrender of funds to state reasons explicitly</p> <p>The orders of re-appropriation shall comprehensively and explicitly state the reasons for the transfer of funds between different units of appropriation. The reasons for surrender of funds should also be similarly stated.</p>	<p>53. Orders of re-appropriation and surrender of funds to state reasons explicitly</p> <p>The orders of re-appropriation shall comprehensively and explicitly state the reasons for the transfer of funds between different units of appropriation. The reasons for surrender of funds should also be similarly stated.</p>
<p>40. Reasons for excesses and shortfalls to be furnished</p> <p>Government departments shall furnish to the audit office and the accounts office, within such time as may be specified, reasons for any excess or shortfall in</p>	<p>54. Reasons for excesses and shortfalls to be furnished</p> <p>Government departments shall furnish to the audit office and the accounts office, within such time as may be specified, reasons for any excess or shortfall in expenditure beyond the</p>

<p>expenditure beyond the limits prescribed for the purpose under any unit of appropriation vis-à-vis the amount provided for it.</p>	<p>limits prescribed for the purpose under any unit of appropriation vis-à-vis the amount provided for it.</p>
<p>41. Supply of specific documents and information to the audit officer</p> <p>Without prejudice to the generality of other provisions in this regard in these Regulations, Government departments and the agency responsible for the compilation of accounts and financial statements shall inter alia supply the following to the audit officer:</p> <p>(1) the reasons for any significant variations between the amounts of expenditure and the amounts of receipts of the year of accounts and the corresponding amounts for the preceding year;</p> <p>(2) the statement of periodic book adjustments together with the copies of the general or special orders authorising such adjustments;</p> <p>(3) the explanation for differences, if any, in the cash balance as per the books of accounts and the balance as per the books of the Reserve Bank of India;</p> <p>(4) the explanation for any items that are prima facie unusual including adverse and insufficient balances ;</p> <p>(5) the reasons for variations, if any, between the closing balances of the preceding year and the opening balances of the year of accounts in respect of heads of accounts that do not close to Government account;</p> <p>(6) the confirmation of the outstanding amounts of loan and interest on loans;</p>	<p>55. Supply of specific documents and information to the audit officer</p> <p>Without prejudice to the generality of other provisions in this regard in these Regulations, Government departments and the agency responsible for the compilation of accounts and financial statements shall inter alia supply the following to the audit officer:</p> <p>(1) the reasons for any significant variations between the amounts of expenditure and the amounts of receipts of the year of accounts and the corresponding amounts for the preceding year;</p> <p>(2) the statement of periodic book adjustments together with the copies of the general or special orders authorising such adjustments;</p> <p>(3) the explanation for differences, if any, in the cash balance as per the books of accounts and the balance as per the books of the Reserve Bank of India;</p> <p>(4) the explanation for any items that are prima facie unusual including adverse and insufficient balances ;</p> <p>(5) the reasons for variations, if any, between the closing balances of the preceding year and the opening balances of the year of accounts in respect of heads of accounts that do not close to Government account;</p> <p>(6) the confirmation of the outstanding amounts of loan and interest on loans;</p> <p>(7) the details of overdue loans and interest on loans;</p> <p>(8) the explanation for and analysis of variations, if any, between the amounts as</p>

<p>(7) the details of overdue loans and interest on loans;</p> <p>(8) the explanation for and analysis of variations, if any, between the amounts as per the detailed accounts kept in the form of ledgers and the corresponding aggregate amounts as per the books of accounts and financial statements;</p> <p>(9) the statement of outstanding guarantees including the amounts (original amounts as well as the amounts outstanding at the end of the year);</p> <p>(10) the confirmation of the amounts of guarantees (original amounts as well as the amounts outstanding at the end of the year) from the parties on whose behalf the guarantees were issued;</p> <p>(11) the details of guarantees invoked during the year;</p> <p>(12) the amount of guarantee fee received and the amount in arrears;</p> <p>(13) the details of incomplete works costing more than the limit prescribed by the audit office from time to time; and</p> <p>(14) year-wise analysis of the amounts outstanding under 'Remittance' and 'Suspense' heads of accounts.</p> <p>(15) other relevant information as may be called for by the audit office.</p>	<p>per the detailed accounts kept in the form of ledgers and the corresponding aggregate amounts as per the books of accounts and financial statements;</p> <p>(9) the statement of outstanding guarantees including the amounts (original amounts as well as the amounts outstanding at the end of the year);</p> <p>(10) the confirmation of the amounts of guarantees (original amounts as well as the amounts outstanding at the end of the year) from the parties on whose behalf the guarantees were issued;</p> <p>(11) the details of guarantees invoked during the year;</p> <p>(12) the amount of guarantee fee received and the amount in arrears;</p> <p>(13) year-wise analysis of the amounts outstanding under 'Remittance' and 'Suspense' heads of accounts.</p> <p>(14) other relevant information as may be called for by the audit office.</p>
<p>42. Action plan for certification of financial statements</p> <p>The audit office and the agencies responsible for preparation and compilation of accounts shall prepare an annual action plan for the timely completion of</p>	<p>56. Action plan for certification of financial statements</p> <p>The audit office and the agencies responsible for preparation and compilation of accounts shall prepare an annual action plan for the timely completion of certification of</p>

certification of financial statements and monitor its implementation.

financial statements and monitor its implementation.

6 B Broad framework of Compliance Audit

Compliance Audit

(a) Broad Principles

43. Examination of transactions in compliance audit

Compliance audit examines the transactions relating to expenditure, receipts, assets and liabilities of Government for compliance with:

- (1) the provisions of the Constitution of India and the applicable laws; and
- (2) the rules, regulations, orders and instructions issued by the competent authority either in pursuance of the provisions of the Constitution of India and the laws or by virtue of the powers formally delegated to it by a superior authority.

(covered under Regularity)

44. Examination of rules, regulations, orders, etc. in compliance audit

Compliance audit also includes an examination of the rules, regulations, orders and instructions for their legality, adequacy, transparency, propriety and prudence and effectiveness, that is whether these are:

- (1) *intra vires* the provisions of the Constitution of India and the laws (legality);
- (2) sufficiently comprehensive and ensure effective control over Government receipts, expenditure, assets and liabilities with sufficient safeguards against loss due to waste, misuse, mismanagement, errors, frauds and other irregularities (adequacy);
- (3) clear and free from ambiguity and promote observance of probity in decision making (transparency);
- (4) judicious and wise (propriety and prudence); and
- (5) effective and achieve the intended objectives and aims (effectiveness).

45. Examination of rules, regulations, orders, etc. for consistency

Compliance audit also examines whether the rules, regulations, orders and instructions are consistent.

57. Broad framework of Compliance Audit

1. Compliance audit shall be carried out in accordance with the Auditing Standards, elements, principles and process prescribed in the Compliance auditing guidelines and other relevant orders issued by the CAG.

2. Compliance auditing is concerned with

(a) regularity (adherence to formal criteria such as provisions of the Constitution of India, relevant laws, rules, regulations, orders, instructions and agreements etc)

(b) propriety (observance of the general principles, governing sound financial management and the conduct of public officials).

2. Compliance audit also involves examination of the rules, regulations, orders and instructions themselves for their legality, adequacy, transparency, propriety and prudence and effectiveness, that is whether these are:

- (a) *intra vires* the provisions of the Constitution of India and the laws (legality);
- (b) sufficiently comprehensive and ensure effective control over Government receipts, expenditure, assets and liabilities with sufficient safeguards against loss due to waste, misuse, mismanagement, errors, frauds and other irregularities (adequacy);
- (c) clear and free from ambiguity and promote observance of probity in decision making (transparency);
- (d) judicious and wise (propriety and prudence); and

<p>(included as (f) opposite)</p>	<p><i>(e) effective and achieve the intended objectives and aims (effectiveness).(?)</i> (f) consistent</p>
<p>46. Endorsement of copies of rules, regulations and orders by Government Departments</p> <p>Government departments shall invariably endorse, otherwise send or make available to audit office(s) and the accounts office(s) copies of all rules, regulations and general orders regulating the raising of revenues, incurring of expenditure and liabilities and management of assets and liabilities, as soon as these are issued.</p>	<p>58. Endorsement of copies of rules, regulations and orders by Government Departments</p> <p>Government departments shall invariably endorse, otherwise send or make available to audit office(s) and the accounts office(s) copies of all rules, regulations and general orders regulating the raising of revenues, incurring of expenditure and liabilities and management of assets and liabilities, as soon as these are issued.</p>
<p>47. Reference of revision of rules or codes to Audit for scrutiny before issue</p> <p>Wherever possible, any revision of rules or substantive codes undertaken by the Government departments and having financial, accounting or auditing implications may be referred to the concerned Accountant General (Accounts and Entitlement) or Accountant General (Audit), as the case may be, for scrutiny before issue.</p>	<p>59. Reference of revision of rules or codes to Audit for scrutiny before issue</p> <p>Wherever possible, any revision of rules or substantive codes undertaken by the Government departments and having financial, accounting or auditing implications may be referred to the concerned Accountant General (Accounts and Entitlement) or Accountant General (Audit), as the case may be, for scrutiny before issue.</p>

<p>Performance Audit</p> <p>69. Three Es of performance audit Performance audit assesses:</p> <p>(a) Economy – Economy is minimising the cost of resources used for an activity, having regard to appropriate quality. Economy issues focus on the cost of the inputs and processes. Economy occurs where equal-quality resources are acquired at least cost.</p> <p>(b) Efficiency – Efficiency is the relationship between the output, in terms of goods, services or other results and the resources used to produce them. Efficiency exists where the use of financial, human, physical and information resources is such that output is maximised for any given set of resource inputs, or input is minimised for any given quantity and quality of output.</p> <p>(c) Effectiveness – Effectiveness is the extent to which objectives are achieved and the relationship between the intended impact and the actual impact of an activity. Effectiveness addresses the issue of whether the scheme, programme or organisation has achieved its objectives.</p>	<p>60. Broad framework of Performance Audit</p> <p>1. Performance audit is carried out in accordance with the Auditing Standards, elements, principles and process given in the Performance auditing guidelines and other relevant orders issued by the CAG.</p> <p>2. Performance audit assesses:</p> <p>(a) Economy – The principle of economy means minimising the costs of resources. The resources used should be available in due time, in and of appropriate quantity and quality and at the best price.</p> <p>(b) Efficiency – The principle of efficiency means getting the most from the available resources. It is concerned with the relationship between resources employed and outputs delivered in terms of quantity, quality and timing.</p> <p>(c) Effectiveness – The principle of effectiveness concerns meeting the objectives set and achieving the intended results</p> <p>(ISSAI 300 definitions)</p>
<p>70. Responsibility for development of measurable objectives, performance indicators, etc.</p> <p>The responsibility for the development of measurable objectives and performance indicators as also the system of measurement rests with the Government departments or heads of entities. They are also required to define intermediate and final outputs and outcomes in measurable and</p>	<p>61. Responsibility for development of measurable objectives, performance indicators, etc.</p> <p>The responsibility for the development of measurable objectives and performance indicators as also the system of measurement rests with the Government departments or heads of entities. They are also required to define intermediate and final outputs and outcomes in measurable and monitorable terms, standardise the unit</p>

<p>monitorable terms, standardise the unit cost of delivery and benchmark quality of outputs and outcomes.</p>	<p>cost of delivery and benchmark quality of outputs and outcomes.</p>
<p>71. Review of the measurable objectives and performance indicators in Audit</p> <p>In reviewing performance against the outputs and outcomes, Audit may critically review the measurable objectives and performance indicators for their reasonableness and soundness. Audit may also set criteria for reviewing programme performance based on best practices.</p>	<p>62. Review of the measurable objectives and performance indicators in Audit</p> <p>In reviewing performance against the outputs and outcomes, Audit may critically review the measurable objectives and performance indicators for their reasonableness and soundness. Audit may also set criteria for reviewing programme performance based on best practices.</p>
<p>72. Interaction with auditable entity during performance audit</p> <p>Performance audit envisages a high degree of interaction with the auditable entities, right from the selection of subject(s) for review to all subsequent stages like definition of audit objectives and criteria, preparation of detailed audit programme, development of audit findings, formulation of recommendations and other related matters. Government departments shall ensure adequate and timely response to the audit officer at all stages.</p>	<p>63. Interaction with auditable entity during performance audit</p> <p>Performance audit envisages a high degree of interaction with the auditable entities, right from the selection of subject(s) for review to all subsequent stages like definition of audit objectives and criteria, preparation of detailed audit programme, development of audit findings, formulation of recommendations and other related matters. Government departments shall ensure adequate and timely response to Audit at all stages.</p>
<p>73. Holding of entry conference</p> <p>Before commencing detailed work of performance audit, the Accountant General (Audit) shall hold an entry conference with the Secretary to</p>	<p>64. Holding of entry conference</p> <p>Before commencing detailed work of performance audit, the Accountant General (Audit) is required to hold an entry conference with the Secretary to Government of the concerned</p>

<p>Government of the concerned department.</p> <p>74. Topics for discussion in entry conference</p> <p>The discussions at the entry conference shall inter alia include the scope and coverage of audit, audit objectives and criteria, proposed techniques of evidence collection, overall timeframe and tentative time schedule. The Accountant General (Audit) shall give full consideration to any suggestion that may be made by the Secretary to Government of the concerned department. A written record of the proceedings of the entry conference, duly signed by both parties, shall be kept on record.</p>	<p>department. The discussions at the entry conference shall inter alia include the scope and coverage of audit, audit objectives and criteria, proposed techniques of evidence collection, overall timeframe and tentative time schedule. The Accountant General (Audit) shall give full consideration to any suggestion that may be made by the Secretary to Government of the concerned department. A written record of the proceedings of the entry conference, duly signed by both parties, shall be kept on record.</p>
<p>75. Nomination of an officer for coordination and cooperation with Audit</p> <p>The Secretary to Government of the concerned department shall nominate a sufficiently senior officer of the department who shall be responsible for coordinating with the concerned officers and the field offices of the department and ensuring their cooperation with the audit officer.</p>	<p>65. Nomination of an officer for coordination and cooperation with Audit</p> <p>The Secretary to Government of the concerned department shall nominate a sufficiently senior officer of the department who shall be responsible for coordinating with the concerned officers and the field offices of the department and ensuring their cooperation with Audit.</p>
<p>76. Holding of exit conference</p> <p>The Accountant General (Audit) shall, after the draft performance audit</p>	<p>66. Holding of exit conference</p> <p>1. A performance audit has to be concluded by an exit conference between</p>

<p>report is ready, hold an exit conference with the Secretary to Government of the concerned department. A written record of the proceedings of the exit conference, duly signed by both parties, shall be kept on record. The Accountant General (Audit) shall give full consideration to the observations and comments of the Secretary while finalising the draft performance audit report for inclusion in the audit report of the Comptroller and Auditor General.</p>	<p>the Accountant General (Audit) and the Secretary to Government of the concerned department, after the draft performance audit report is ready. A written record of the proceedings of the exit conference, duly signed by both parties, shall be kept on record. The Accountant General (Audit) shall give full consideration to the observations and comments of the Secretary while finalising the draft performance audit report for inclusion in the audit report of the Comptroller and Auditor General.</p> <p>2. The minutes of exit conference should be recorded and endorsed to the entity with a request to acknowledge the minutes within stipulated period. In case of non-receipt of acknowledgement within the stipulated period or any extended period as may have been mutually agreed, Audit may presume that the audited entity concurs with the minutes.</p> <p>3. In case, the exit conference cannot be held despite best efforts of both parties, this fact should be recorded in the audit report.</p>
<p>77. Furnishing of reply by department and processing of material for audit report</p> <p>The Secretary to Government of the concerned department shall furnish reply to the draft performance audit report within the specified time and the Accountant General (Audit) shall</p>	<p>67. Furnishing of reply by department and processing of material for audit report</p> <p>The Secretary to Government of the concerned department shall furnish reply to the draft performance audit report within the specified time and the Accountant General (Audit) shall take into account such reply before finalising the</p>

<p>take into account such reply before finalising the material for audit report of the Comptroller and Auditor General. The provisions of Chapter 15 relating to processing of material for the audit reports of the Comptroller and Auditor General and the follow up action thereon shall apply.</p> <p>(Chapter 15 is more about individual draft paras and not relevant to PAs. By omitting this, we also omit any specific reference here to 'six weeks' etc.)</p>	<p>material for audit report of the Comptroller and Auditor General.</p>
--	--

Audit of Receipts

<p>53. Authority of the C&AG for audit of receipts</p> <p>1. Section 16 of the Act authorises the Comptroller and Auditor General to audit all receipts (both revenue and capital) of the Government of India and of Governments of each State and of each Union Territory having a legislative assembly and to satisfy himself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed.</p>	<p>68. Authority of the C&AG for audit of receipts</p> <p>1. Section 16 of the Act authorises the Comptroller and Auditor General to audit all receipts (both revenue and capital) of the Government of India and of Governments of each State and of each Union Territory having a legislative assembly and to satisfy himself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed.</p>
<p>54. Examination of systems and procedures and their efficacy</p> <p>Audit of receipts includes an examination of the systems and procedures and their efficacy in respect of:</p>	<p>69. Examination of systems and procedures and their efficacy</p> <p>Audit of receipts includes an examination of the systems and procedures and their efficacy in respect of:</p>

<ol style="list-style-type: none">1. identification of potential tax assesseees, ensuring compliance with laws as well as detection and prevention of tax evasion;2. pursuit of claims with due diligence and that these are not abandoned or reduced except with adequate justification and proper authority;3. prompt investigation of losses of revenue through fraud, default or mistake including, if required, through the review of other similar cases;4. exercise of discretionary powers in an appropriate manner including levy of penalties and initiation of prosecution;5. appropriate action to safeguard the interests of the Government on the orders passed by departmental appellate authorities;6. any scheme as may be introduced by the Government from time to time;7. any measures introduced to strengthen or improve revenue administration;8. amounts that may have fallen into arrears, maintenance of records of arrears and action taken for the recovery of the amounts in arrears;9. other ancillary and non-assessment functions including expenditure incurred by the departments;	<ol style="list-style-type: none">1. identification of potential tax assesseees, ensuring compliance with laws as well as detection and prevention of tax evasion;2. pursuit of claims with due diligence and that these are not abandoned or reduced except with adequate justification and proper authority;3. prompt investigation of losses of revenue through fraud, default or mistake including, if required, through the review of other similar cases;4. exercise of discretionary powers in an appropriate manner including levy of penalties and initiation of prosecution;5. appropriate action to safeguard the interests of the Government on the orders passed by departmental appellate authorities;6. any scheme as may be introduced by the Government from time to time;7. any measures introduced to strengthen or improve revenue administration;8. amounts that may have fallen into arrears, maintenance of records of arrears and action taken for the recovery of the amounts in arrears;9. other ancillary and non-assessment functions including expenditure incurred by the departments;
--	--

<p>10. achievement of targets, accounting and reporting of receipts and their cross verification and reconciliation with the accounts records;</p> <p>11. amounts of refunds, rebates, drawbacks, remissions and abatements to see that these are correctly assessed and accounted for; and</p> <p>12. any other matter, as may be determined by the Comptroller and Auditor General.</p>	<p>10. achievement of targets, accounting and reporting of receipts and their cross verification and reconciliation with the accounts records;</p> <p>11. amounts of refunds, rebates, drawbacks, remissions and abatements to see that these are correctly assessed and accounted for; and</p> <p>12. Use of information driven approach for improving tax compliance and effective utilisation of information in tax administration.</p> <p>13. The grievance redressal machinery/ mechanism in place within the department for resolution of taxpayer grievances and complaints.</p> <p>14. Any other matter, as may be determined by the Comptroller and Auditor General.</p>
<p>55. Integrity of data, information and documents forming basis of policy</p> <p>The scope of audit of receipts includes examination of integrity of data, information and documents which form the basis of a policy.</p>	<p>70. Integrity of data, information and documents forming basis of policy</p> <p>The scope of audit includes examination of integrity of data, information and documents which form the basis of a policy.</p>
<p>56. Access to assessment files and records and computerised database</p> <p>1. The audit officer shall have access to individual assessment files as may be necessary subject to provisions of applicable laws and rules. The department concerned shall provide access to the assessment records and</p>	<p>71. Access to information, assessment files, records and computerised database</p> <p>1. Audit shall have access to comprehensive consolidated, granular and other related information, whether in manual, computerized or in any other form, in respect of revenue</p>

<p>also any computerised systems including the databases maintained by it in hard copy or/and electronic form.</p> <p>2. As regards third party records and additional information thereon, provisions in this regard in Chapter 12 refer.</p>	<p>administration, viz, assessment, collection, allocation, registration, refunds and management thereof, as may be necessary. The department concerned shall comply with requests for information with all reasonable expedition.</p> <p>2. The audit officer shall have access to individual assessment files/e-assessment records as may be necessary subject to provisions of applicable laws and rules. The department concerned shall provide access to the assessment records/ e-assessment records; and also any computerised systems including the databases maintained by it in hard copy or/and electronic form.</p> <p>3. As regards third party records and additional information thereon, provisions in this regard in Chapter 12 refer.</p>
<p>57. Follow up action on systemic faults or high risks pointed out by Audit</p> <p>Where the audit officer points out systemic faults or identifies high risks, the department should take appropriate action to address these faults and mitigate the risks so identified.</p>	<p>72. Follow up action on systemic faults or high risks pointed out by Audit</p> <p>Where the audit officer points out systemic faults or identifies high risks, the department should take appropriate action to address these faults and mitigate the risks so identified.</p>
<p>58. Intimation of follow up action taken by the department</p> <p>The department shall furnish within six months of the close of each financial</p>	<p>73. Intimation of follow up action taken by the department</p> <p>The department shall furnish to Audit, within six months of the close of each</p>

<p>year, an annual statement to the Accountant General (Audit) containing the details of follow up action taken on audit observations, including recoveries, in respect of accepted paragraphs included in the audit reports laid before Parliament or legislature till the end of that financial year.</p>	<p>financial year, an annual statement containing the details of follow up action taken on audit observations, including recoveries, in respect of accepted paragraphs included in the audit reports laid before Parliament or legislature till the end of that financial year.</p>
---	---

Audit of Government Companies

Chapter 9

114 – Application of ICAI standards for public sector enterprises

The accounting standards and standard audit practices issued by the Institute of Chartered Accountants of India (ICAI) should be kept in view while carrying out the audit of Government companies or deemed Government companies.

114 Application of standards issued by Central Government/ICAI

The Accounting Standards (AS)/Indian Accounting Standards (Ind AS), auditing standards, guidance notes etc. issued by the Central Government/Institute of Chartered Accountants of India (ICAI) should be kept in view while carrying out the audit of Government companies or any other company.

The statutory auditor shall comply with all the regulatory and statutory requirements while reporting audit results.

116 – Intimation of formation and closure of a Government company or a deemed Government company by the Government

The administrative ministry/department concerned shall intimate the Comptroller and Auditor General in writing about the formation of a new Government company or a deemed Government company and forward a copy of its certificate of incorporation within one month of its incorporation. The administrative ministry/department concerned shall also intimate to the Comptroller and Auditor General if a Government company or a deemed Government company ceases to be so, within one month of such an occurrence. The administrative ministry/department shall also intimate to the Comptroller and Auditor General

116 – Intimation of formation and closure of a Government company or any other company by the Government

The administrative ministry/department concerned shall intimate the Comptroller and Auditor General in writing about the formation of a new Government company or any other company and forward a copy of its certificate of incorporation within one month of its incorporation. The administrative ministry/department concerned shall also intimate to the Comptroller and Auditor General if a Government company or a any other company ceases to be so, within one month of such an occurrence. The administrative ministry/department shall also intimate to the Comptroller and Auditor General about a company

<p>about a company becoming a Government company or a deemed Government company within one month of such an occurrence.</p>	<p>becoming a Government company any other company within one month of such an occurrence.</p>
<p>117 – Intimation by Government company or deemed Government company of its formation</p> <p>A Government company or a deemed Government company shall also intimate to the Comptroller and Auditor General about its formation along with the shareholding pattern, details of the management and a copy of the memorandum of association and articles of association within one month of its incorporation. Similarly, in the case of an existing company, the intimation about becoming a Government company or a deemed Government company under the Companies Act, 1956 and other details and documents shall be sent by the company within one month of such an occurrence.</p>	<p>117 Intimation by Government company or any other company of its formation</p> <p>A Government company or a deemed Government company shall also intimate to the Comptroller and Auditor General about its formation along with the shareholding pattern, details of the management and a copy of the memorandum of association and articles of association within one month of its incorporation. Similarly, in the case of an existing company, the intimation about becoming a Government company or any other company under the Companies Act, 2013 and other details and documents shall be sent by the company within one month of such an occurrence.</p>
<p>118. Appointment of statutory auditor</p> <p>The statutory auditor of a Government company or a deemed Government company shall be appointed by the Comptroller and Auditor General from amongst persons qualified to act as auditors under the Companies Act, 1956. The Comptroller and Auditor General shall appoint the statutory auditor for a financial year through a process of selection as may be prescribed and thereafter, subject to the following</p>	<p>118. Appointment of statutory auditor</p> <p>As per Section 139 (5) and 139 (7) of Companies Act, 2013 the Statutory Auditors of a Government company or any other company, is to be appointed by the Comptroller and Auditor-General of India.</p> <p>Information about the company required to be furnished by Government company or any other company is indicated in Annexure.</p>

<p>Regulation, re-appoint him on year to year basis unless special circumstances warrant appointment for a longer period. The total period of appointment including the initial appointment should not ordinarily exceed four financial years. The appointment shall be subject to such terms and conditions as may be prescribed from time to time by the Comptroller and Auditor General.</p>	<p>The Comptroller and Auditor General shall appoint the statutory auditor for a financial year through a process of selection as may be prescribed and thereafter, subject to the following Regulation, re-appoint him on year to year basis unless special circumstances warrant appointment for a longer period. The total period of appointment including the initial appointment should not ordinarily exceed four financial years. The appointment shall be subject to such terms and conditions as may be prescribed from time to time and available on CAG's website.</p>
<p>121 – Termination of appointment before expiry of normal tenure</p> <p>The Comptroller and Auditor General may terminate the appointment of a statutory auditor before the expiry of the normal tenure of appointment for reasonable and sufficient grounds after following the due administrative process, including giving an opportunity to the statutory auditor to make representation against the premature termination of appointment.</p>	<p>121 – Termination of appointment before expiry of normal tenure</p> <p>The General Clauses Act, 1897 provides that the authority having power to make the appointment shall also have power to suspend or dismiss any person appointed. Accordingly, where the statutory auditor is appointed by the Comptroller and Auditor General under Section 139 (5) and (7) of the Companies Act, 2013 or any other Act, the power to remove such auditor, after due administrative process, would also be with the Comptroller and Auditor General. Thus, the Comptroller and Auditor General may terminate the appointment of a statutory auditor before the expiry of the normal tenure of appointment for reasonable and sufficient grounds after following the due administrative process, including giving an opportunity to the statutory auditor to make representation</p>

	against the premature termination of appointment.
<p>122 – Debar from further appointment in case of serious irregularities</p> <p>In case serious irregularities are noticed in the discharge of professional duties by the statutory auditor, the Comptroller and Auditor General may, if considered necessary, on the recommendation of a committee appointed by him and after giving due opportunity to the statutory auditor to represent, debar him from further appointment as auditor of a Government company or a deemed Government company for such period as may be considered fit and also refer the case to the Institute of Chartered Accountants of India for taking disciplinary action against the statutory auditor”.</p>	<p>122 – Debar from further appointment in case of serious irregularities</p> <p>In case serious irregularities are noticed in the discharge of professional duties by the statutory auditor, the Comptroller and Auditor General may, if considered necessary, on the recommendation of a committee appointed by him and after giving due opportunity to the statutory auditor to represent, debar him from further appointment as auditor of a Government company or any other company as covered in Section 139 (5) of the Companies Act, 2013 for such period as may be considered fit. CAG may also, if deemed fit, refer the case, to the ICAI for taking further disciplinary action against the statutory auditor”.</p>
<p>124 – Role of the C&AG with regard to audit by statutory auditor</p> <p>The Comptroller and Auditor General is authorised to:</p> <p>(1) direct the manner in which the statutory auditor shall audit the accounts of the company and to give to such auditor instructions in regard to any matter relating to the performance of his functions as such; and</p> <p>(2) conduct a supplementary or test audit of the accounts of the company</p>	<p>124 – Role of the C&AG with regard to audit by statutory auditor</p> <p>The Comptroller and Auditor General is authorised to direct the manner in which the statutory auditor shall audit the accounts of Government company or any other company and to give to such auditor directions. The statutory auditor shall submit a copy of his report to the Comptroller and Auditor General and which shall, among other things, include the directions, if any, issued by the Comptroller and Auditor-General of India, the action taken thereon and its impact on</p>

	<p>the accounts and financial statements of the company.</p> <p>The Comptroller and Auditor-General shall within sixty days from the date of receipt of the above audit report have a right to:</p> <p>(1) conduct a supplementary audit of the financial statement of the company; and</p> <p>(2) comment upon or supplement such audit report.</p>
<p>126 Documentation by statutory auditor</p> <p>The statutory auditor shall document, in the form of working papers, matters which are important in providing evidence that the audit has been carried out in accordance with the auditing and assurance standards prescribed by the Institute of Chartered Accountants of India and the directions of the Comptroller and Auditor General.</p>	<p>126 Documentation by statutory auditor</p> <p>The statutory auditor shall document, in the form of working papers, matters which are important in providing evidence that the audit has been carried out in accordance with the accounting, auditing and assurance standards prescribed by the Central Government/ICAI and the directions of the Comptroller and Auditor General”.</p>
<p>127. Preparation of audit report by the statutory auditor</p> <p>On completion of audit, the statutory auditor shall prepare his audit report under the Companies Act, 1956 and submit a copy to the Accountant General (Audit).</p>	<p>127. Preparation of audit report by the statutory auditor</p> <p>On completion of audit, the statutory auditor shall prepare his audit report under the Companies Act, 2013 and submit a copy to the Accountant General (Audit).</p>
<p>128 Communication of matters of Governance to Audit</p> <p>The statutory auditor, at the time of submission of his report under the Companies Act, 1956, shall also forward to</p>	<p>128 Communication of matters of Governance to Audit</p> <p>The statutory auditor, at the time of submission of his report under the Companies Act, 2013, shall also forward to</p>

<p>the Accountant General (Audit) a copy of any communication containing matters of governance issued by him to the management of the company in compliance with the relevant auditing and assurance standards of the Institute of Chartered Accountants of India”.</p>	<p>the Accountant General (Audit) a copy of any communication containing matters of governance issued by him to the management of the company in compliance with the relevant accounting, auditing and assurance standards prescribed by Central Government/ICAI.</p>
<p>129. Responsibilities of Statutory auditor vis-à-vis Accountant General (Audit)</p> <p>The statutory auditor shall also:</p> <p>(1) make himself available for discussions with the office of the Comptroller and Auditor General and the Accountant General (Audit) as and when required;</p> <p>(2) furnish reply to the provisional comments of the Accountant General (Audit) within three days of issue and, if required, attend the meeting called by the Accountant General (Audit) with the management of the company to discuss the provisional comments;</p> <p>(3) attend the meetings of the audit committee, if formed, held in pursuance of the Companies Act, 1956;</p> <p>(4) retain the record of work done by him in the form of working papers with sufficient details so as to support his observations and conclusions for a period of five years unless required for a longer period;</p> <p>(5) make portions of or extracts from his working papers available to the</p>	<p>129. Responsibilities of Statutory auditor vis-à-vis Accountant General (Audit)</p> <p>The statutory auditor shall also:</p> <p>(1) make himself available for discussions with the office of the Comptroller and Auditor General and the Accountant General (Audit) as and when required;</p> <p>(2) furnish reply to the provisional comments of the Accountant General (Audit) within three days of issue and, if required, attend the meeting called by the Accountant General (Audit) with the management of the company to discuss the provisional comments;</p> <p>(3) attend the meetings of the audit committee, if formed, held in pursuance of the Companies Act, 2013;</p> <p>(4) retain the record of work done by him in the form of working papers with sufficient details so as to support his observations and conclusions for a period of five years unless required for a longer period;</p> <p>(5) make portions of or extracts from his working papers available to the</p>

<p>Accountant General (Audit) in cases where it is considered necessary by Audit to verify the authenticity and correctness of the conclusions drawn in his audit report; and</p> <p>(6) submit to the Comptroller and Auditor General through the Accountant General (Audit), a report under the Companies Act, 1956 in compliance with the directions issued to him.</p>	<p>Accountant General (Audit) in cases where it is considered necessary by Audit to verify the authenticity and correctness of the conclusions drawn in his audit report; and</p> <p>(6) submit to the Comptroller and Auditor General through the Accountant General (Audit), a report under the Companies Act, 2013 in compliance with the directions issued to him.</p>
<p>130 Duly adopted and audited accounts to be made available to Audit</p> <p>The company shall make available the balance sheet and the profit and loss account and any other statements or documents declared under the Companies Act, 1956 to be part of or annexed to the balance sheet and the profit and loss account (called annual accounts) duly adopted by the board of directors and audited by the statutory auditor to the Accountant General (Audit) within three months after the close of the year of accounts for timely finalisation and issue of comments of the Comptroller and Auditor General, and for consequently holding the annual general meeting of the company within the time stipulated in the Companies Act, 1956. In the case of companies not listed on the stock exchange, the Accountant General (Audit) may extend the said date by one month”.</p>	<p>130 Duly adopted and audited accounts to be made available to Audit</p> <p>The company shall make available the Balance Sheet and the Statement of Profit and Loss and any other statements or documents declared under the Companies Act, 2013 to be part of annual accounts duly adopted by the board of directors and audited by the statutory auditor to the Accountant General (Audit) by giving sixty days time for conducting supplementary audit and issue of comments of the Comptroller and Auditor General”. Any comments given by the Comptroller and Auditor-General upon, or supplement to, the audit report shall be sent by the company to every person entitled to copies of audited financial statements and also be placed before the annual general meeting of the company at the same time and in the same manner as the audit report.</p>
<p>131. Records of the company to be made available to audit</p>	<p>131. Records of the company to be made available to audit</p>

<p>The company shall expeditiously provide the required books of accounts, vouchers, data, information and other documents to the officers of the Accountant General (Audit) to discharge their duties and functions under the Companies Act, 1956.</p>	<p>The company shall expeditiously provide the required books of accounts, vouchers, data, information and other documents to the officers of the Accountant General (Audit) to discharge their duties and functions under the Companies Act, 2013</p>
<p>133. Comments of the C&AG under Companies Act, 1956</p> <p>No change</p>	<p>133. Comments of the C&AG under Companies Act, 2013</p> <p>No change</p>
<p>136. Scope of test audit by the C&AG</p> <p>In addition to the supplementary audit of annual accounts of a Government company or a deemed Government company, the Comptroller and Auditor General may conduct test audits during the year. This audit shall cover transactions entered into by the company with a view to examining their regularity, propriety, probity, economy, efficiency and effectiveness and report on cases of failure of compliance with laws, rules and regulations, waste, mismanagement, other irregularities and frauds and corruption. The scope of test audit may extend to more than one financial year.</p> <p>The audit shall be conducted in accordance with the Regulations in the relevant chapters.</p>	<p>136. Scope of test audit by the C&AG</p> <p>As per Section 143 (7) of the Companies Act, 2013, the Comptroller and Auditor-General may, in case of any company covered under sub-section (5) or sub-section (7) of Section 139 of the Companies Act, 2013, if he considers necessary, by an order, cause test audit to be conducted of the accounts of such company and the provisions of section 19A of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971, shall apply to the report of such test audit.</p> <p>In addition to the supplementary audit of annual accounts of a Government company or any other company, the Comptroller and Auditor General may conduct test audits during the year. This audit shall cover transactions entered into by the company with a view to examining their regularity, propriety, probity, economy, efficiency and effectiveness and report on cases of failure of compliance with laws, rules and regulations, waste, mismanagement, other irregularities and</p>

	frauds and corruption. The scope of test audit may extend to more than one financial year. The audit shall be conducted in accordance with the Regulations in the relevant chapters.
137-143 Audit Board	137-143 Audit Board
144 was amended in 2010	144. Application of Regulations for Performance Audit of State PSEs The Regulations prescribed for Performance Audit shall apply mutatis mutandis to audit of State PSEs
145 Has been Deleted in 2010	
146. Inclusion of results of audit in the audit report The results of audit of Government companies or deemed Government companies may also be included in the audit report of the Comptroller and Auditor General. No comments shall, however, be included in the audit report except after giving due opportunity to the Government company or the deemed Government company and the Government to offer their explanation on the matters proposed to be included in the audit report.	146. Inclusion of results of audit in the audit report The results of audit of Government companies or deemed Government companies may also be included in the audit report of the Comptroller and Auditor General. No comments shall, however, be included in the audit report except after giving due opportunity to the Government company or any other company and the Government to offer their explanation on the matters proposed to be included in the audit report.
147. Submission of audit reports to the Government and legislature The reports of the Comptroller and Auditor General in relation to the accounts of a Government company or a deemed Government company shall be submitted to the Government concerned under	147. Submission of audit reports to the Government and legislature The reports of the Comptroller and Auditor General in relation to the accounts of a Government company or any other company shall be submitted to the Government concerned under Section

<p>Section 19A of the Act. The Government shall cause every report so received to be laid before each House of Parliament/State legislature, as the case may be. Subject to this, the provisions of Chapter 15 shall apply.</p>	<p>19A of the Act. The Government shall cause every report so received to be laid before each House of Parliament/State legislature, as the case may be. Subject to this, the provisions of Chapter 15 shall apply.</p>
<p>148. Responsibility for settlement of audit observations and constitution of ‘audit arrears committee’</p> <p>In case of both Central and State public sector enterprises, the responsibility for settlement of audit observations lies with the management of the company. In case a large number of audit observations included in inspection reports remain outstanding for more than two years, each such company shall constitute an ‘audit arrears committee’ consisting of sufficiently senior officers of the company for speedy settlement and clearance of outstanding audit observations. The concerned Government may take steps to ensure constitution of these committees and their effective functioning.</p>	<p>148. Responsibility for settlement of audit observations and constitution of ‘audit arrears committee’</p> <p>In case of both Central and State public sector enterprises, the responsibility for settlement of audit observations lies with the management of the company. In case a large number of audit observations included in inspection reports remain outstanding for more than two years, each such company shall constitute an ‘audit arrears committee’ consisting of sufficiently senior officers of the company for speedy settlement and clearance of outstanding audit observations. The concerned Government may take steps to ensure constitution of these committees and their effective functioning.</p>

Chapter 12 Evidence

<p>167. Meaning of audit evidence and sharing the same with auditable entity</p> <p>Audit evidence refers to the data, information and documents relied upon to arrive at the audit findings and conclusions. While reporting the results of audit, the Comptroller and Auditor General may include such audit evidence in support of audit findings and conclusions as considered necessary. However, the audit evidence retained as</p>	<p>1. Meaning of audit evidence and sharing the same with auditable entity</p> <p>Audit evidence refers to the data, information and documents relied upon to arrive at the audit findings and conclusions. While reporting the results of audit, the Comptroller and Auditor General may include such audit evidence in support of audit findings and conclusions as considered necessary. Audit evidence retained as working papers and not</p>
--	--

<p>working papers and not included explicitly in the final report of audit, viz. audit notes, inspection reports, audit reports, etc. may be shared with the auditable entity at various stages of audit.</p>	<p>included explicitly in the final audit report, may be shared with the auditable entity at various stages of audit.</p>
<p>168. Evidence to support audit conclusions required to be obtained</p> <p>The audit officer shall obtain competent, relevant and reliable evidence to support his conclusions.</p>	<p>2. Evidence to support audit conclusions required to be obtained</p> <p>Auditor shall obtain sufficient and appropriate audit evidence to support the audit opinion or conclusion. (As per AS 2017)</p>
<p>169. Requirement of and access to data, information and documents</p> <p>The form, type and extent of data, information and documents required for audit tests and evidence shall be determined by the audit officer. Audit shall have access to such data, information and documents subject to any law in force at the time. Data, information and documents would also include those obtained by the auditable entity from a third party and relied upon by it in performance of its functions. If such third party evidence as relied upon by auditable entity is found to be insufficient in Audit, additional information may be requisitioned by Audit from the auditable entity with prior approval of the Accountant General (Audit). On receipt of such requisition, the same shall be obtained by the auditable entity from the third party and provided to Audit</p>	<p>3. Requirement of and access to data, information and documents</p> <p>The form, type and extent of data, information and documents required for audit tests and evidence shall be determined by Audit. Access to data, information, documents and information systems will be as provided in chapter 3 of these Regulations. Data, information and documents would also include those obtained by the auditable entity from a third party and relied upon by it in performance of its functions. If such third party evidence as relied upon by auditable entity is found to be insufficient in Audit, additional information may be requisitioned by Audit from the auditable entity with prior approval of the Accountant General (Audit). On receipt of such requisition, the same shall be obtained by the auditable entity from the third party and provided to Audit.</p> <p>In certain cases, with prior approval of the Accountant General (Audit), information from third parties, for example bank confirmations etc may be obtained directly by Audit.</p>
<p>170. Types of evidence to be used by the audit officer</p> <p>The evidence used by the audit officer shall normally and as far as possible be documentary including electronic records,</p>	<p>4. Types of evidence to be used by the audit officer</p> <p>Evidence may take many forms, such as electronic and paper records of transactions, written and electronic communication with</p>

<p>photographs, results of any study or survey, etc.</p> <p>The audit officers may rely upon evidence from internal sources of the auditable entity as well as from external sources.</p>	<p>outsiders, photographs, results of survey or study, observations by the auditor and oral or written testimony by the audited entity. (AS 2017)</p> <p>The auditor may rely upon evidence from internal sources of the auditable entity as well as from external sources.</p>
<p>166. Methods and techniques for evidence</p> <p>Depending upon the audit risk, the audit officer may use IT tools as appropriate for collection and evaluation of evidence.</p>	<p>5. Methods and techniques for evidence including technology and data analytics</p> <p>Methods of obtaining audit evidence include inspection, observation, inquiry, confirmation, recalculation, re-performance, analytical procedures and/or other research techniques (AS 2017).</p> <p>Audit should use other IT assisted data and techniques and IT tools as appropriate for collection and evaluation of evidence. Audit may also use remote sensing, GIS, aerial surveys etc, and other technology enabled techniques, as appropriate.</p>
<p>171. Attestation of data, information and documents forming evidence</p> <p>Where required by the audit officer, the auditable entity shall attest the data, information and documents forming the evidence.</p>	<p>6. Attestation of data, information and documents forming evidence</p> <p>Where required by Audit, the auditable entity shall attest the data, information and documents kept in physical form/manually, forming the evidence.</p>
<p>172. Conduct of physical verification on request of Audit</p> <p>Where required by Audit in special circumstances, the auditable entity shall conduct physical verification of stores, stocks, assets, services and deliverables in any form in the presence of the audit officer. Any such request shall be made with the approval of the Accountant General (Audit).</p>	<p>7. Conduct of physical verification on request of Audit</p> <p>Where required, Audit may require the auditable entity to conduct physical verification of stores/inventory/stocks, assets, capital works including capital works in progress, services and deliverables in any form in the presence of the audit officer. Any such request shall be made with the approval of the Accountant General (Audit).</p>
<p>173. Engagement of external agency or expert</p>	<p>8. Engagement of external agency or expert</p>

Where external agency or expert is engaged, the following will apply: (a) The engagement letter appointing an agency or expert shall clearly specify the terms of reference including the duties, obligations and powers of the agency or expert so associated. (b) The audit office shall inform the concerned Government department and the auditable entity regarding the association of the external agency or expert as soon as the engagement letter is issued and before the external agency or expert commences work, including the terms of reference containing the duties, obligations and powers of the agency or expert so associated. (c) The audit office shall be responsible for the opinions formed, or the conclusions reached, or the recommendations made in its report on the basis of the work of the external agency or expert.

Where external agency or expert is engaged, the following will apply: (a) The engagement letter appointing an agency or expert shall clearly specify the terms of reference including the duties, obligations and powers of the agency or expert so associated. (b) The audit office shall inform the concerned Government department and the auditable entity regarding the association of the external agency or expert as soon as the engagement letter is issued and before the external agency or expert commences work, including the terms of reference containing the duties, obligations and powers of the agency or expert so associated. (c) The audit office shall be responsible for the opinions formed, or the conclusions reached, or the recommendations made in its report on the basis of the work of the external agency or expert.

207. Communication of draft paragraph to Government and discussion thereon

(1) The Accountant General (Audit) shall send a copy of the proposed audit observations in the form of a draft paragraph to the concerned Secretary to Government by name for communicating the comments, observations and explanation of the Government **within a period of six weeks from the date of the letter or within such** other period of time as may be specified. The Accountant General (Audit) shall also offer to discuss the draft paragraph with the Secretary at mutual convenience within the aforesaid period. A discussion may not

207. Communication of draft paragraph to Government and discussion thereon

(1) The Accountant General (Audit) shall send a copy of the proposed audit observations in the form of a draft paragraph to the concerned Secretary to Government by name for communicating the comments, observations and explanation of the Government within the period of time as may be specified. The Accountant General (Audit) shall also offer to discuss the draft paragraph with the Secretary at mutual convenience within the aforesaid period. A discussion may not be necessary in the case of a draft

<p>be necessary in the case of a draft performance audit report that has been separately discussed with the Secretary at an exit conference in terms of these Regulations.</p> <p>(2) The Accountant General (Audit) shall simultaneously send one copy of the draft paragraph to the Secretary to the Government, Ministry of Finance or Finance Department, by name.</p> <p>(3) The draft paragraph shall be annotated with reference to the supporting audit evidence. The Accountant General (Audit) shall provide copies of any relevant documents and evidence in his possession that may be required by the Government department.</p>	<p>performance audit report that has been separately discussed with the Secretary at an exit conference in terms of these Regulations.</p> <p>(2) The Accountant General (Audit) shall simultaneously send one copy of the draft paragraph to the Secretary to the Government, Ministry of Finance or Finance Department, by name.</p> <p>(3) The draft paragraph shall be annotated with reference to the supporting audit evidence. The Accountant General (Audit) shall provide copies of any relevant documents and evidence in his possession that may be required by the Government department.</p>
---	---