REGULATIONS ON
AUDIT AND ACCOUNTS

COMPTROLLER AND AUDITOR GENERAL OF INDIA
2020
Foreword

5 August 2020

It is a matter of immense satisfaction that I am conveying the Regulations on Audit and Accounts (Amendment) 2020, with this note. Over the last several months, and after an extensive process of consultation at various levels, the Regulations have been updated and in some parts amended to resonate with our experiences in discharging our functions in audit and accounts over the last decade.

Auditing in the Information Technology environment has been emphasized in the revision as it provides that larger context for our audits today. However at the same time, access to records, data and information systems continues to affect Audit. The issue has been given due prominence in the revision and it is hoped that by acknowledging the issue upfront and asserting Audit’s right to access of data and information, it will garner due attention of Government and other auditable entities and lead to adequate response. In the last few years, the Courts have also examined the provisions of the DPC Act and consequently interpreted our mandate. Accordingly, a few regulations reflect this interpretation by the Courts. In all, with other small but significant changes to facilitate audit, I hope the Regulations, as now revised, hold us in as good a stead as they did all these years when they proved to be very significant to interpreting our mandate and supporting our functioning.

(Rajiv Mehrishi)
Comptroller and Auditor General of India
## CONTENTS

REGULATIONS ON AUDIT AND ACCOUNTS (AMENDMENTS) 2020

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Preliminary</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Mandate and Scope</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>Audit in Information Technology Environment</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>Right of access to Audit and responsibilities of auditable entity</td>
<td>13</td>
</tr>
<tr>
<td>5</td>
<td>Audit of Expenditure and Receipts</td>
<td>16</td>
</tr>
<tr>
<td>6</td>
<td>Broad Framework for Financial, Compliance and Performance Audit</td>
<td>25</td>
</tr>
<tr>
<td>7</td>
<td>Audit of Government Companies</td>
<td>29</td>
</tr>
<tr>
<td>8</td>
<td>Audit of Bodies and Authorities</td>
<td>36</td>
</tr>
<tr>
<td>9</td>
<td>Role of the C&amp;AG in audit of Panchayati Raj institutions and Urban Local Bodies</td>
<td>46</td>
</tr>
<tr>
<td>10</td>
<td>Guiding Principles of Auditing Standards</td>
<td>49</td>
</tr>
<tr>
<td>11</td>
<td>Audit Planning, Conduct of Audit and Reporting</td>
<td>51</td>
</tr>
<tr>
<td>12</td>
<td>Follow up of results of Audit</td>
<td>56</td>
</tr>
<tr>
<td>13</td>
<td>Audit Evidence</td>
<td>61</td>
</tr>
<tr>
<td>14</td>
<td>General Principles of Government Accounting</td>
<td>63</td>
</tr>
<tr>
<td>15</td>
<td>Special Provisions</td>
<td>66</td>
</tr>
</tbody>
</table>
In pursuance of Section 23 of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971, (Act No 56 of 1971), the Comptroller and Auditor General of India hereby makes the following Regulations, namely:-

Chapter 1

Preliminary

1. Short title, application and commencement
(1) These Regulations may be called the ‘Regulations on Audit and Accounts (Amendments) 2020’
(2) These Regulations shall apply to the officers and staff of the Indian Audit and Accounts Department and all ministries and departments of the Union Government, State Governments and Union Territory Governments as well as bodies, authorities and enterprises, to which the audit or accounts jurisdictions of the Comptroller and Auditor General of India extend.
(3) These Regulations shall come into force with effect from the date of issue.

2. Definitions
In these Regulations, unless the context otherwise requires,
(1) Accountant General (Accounts and Entitlement) means the head of the department of an accounts office of the Comptroller and Auditor General of India by whatever designation called;
(2) Accountant General (Audit) means the head of the department of an audit office of the Comptroller and Auditor General of India by whatever designation called;
(3) Accounts Office means an office of the Comptroller and Auditor General of India responsible for compilation of accounts from the initial and subsidiary accounts rendered by the treasuries, offices or departments responsible for keeping of such accounts and for entitlement work in relation to Government employees and other categories of employees;
(4) Accounts Officer means an officer, irrespective of designation, authorised by the Comptroller and Auditor General of India by a general or special order for accounts or entitlement or related work;
(5) Access with its grammatical variations and cognate expressions includes gaining entry into, instructing or communicating with the logical, arithmetical, or memory function resources of a computer, computer system or computer network; and including physical access;
(6) Act means the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971 (Act No. 56 of 1971);
(7) **Any other company** for the purpose of these Regulations means a company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments mentioned in Section 139 of the Companies Act, 2013. Any other company, as appearing in Section 139 of the Companies Act, 2013 has to be read with definition of ‘control’ in Section 2 (27) of the Companies Act, 2013;

(8) **Audit** means examination of accounts, transactions, records, data, information and documents, in performance of duties and exercise of powers of the Comptroller and Auditor General as prescribed in the Constitution of India and the Act and includes performance audit or any other type of audit determined by the Comptroller and Auditor General of India. When used as a noun, it refers to Audit Department as a whole or any part thereof as per context;

(9) **Audit Board** means the Audit Board constituted by the Comptroller and Auditor General of India for performance audits of Central Public Sector Undertakings;

(10) **Audit department or Audit institution** means the offices of the Indian Audit and Accounts Department under the Comptroller and Auditor General of India responsible for audit under the Constitution of India and the Act;

(11) **Audit engagement** means individual audit assignments of the nature of either attestation engagements or direct reporting engagements covering financial audits, compliance audits or performance audits, or a combination of these.

(12) **Auditable entity** means Union or State Government including its offices, authority, body, company, corporation, fund or any other entity subject to audit by the Comptroller and Auditor General of India; where characterized into Apex Auditable entity, Audit Units and Implementing units,

(i) **Apex Auditable entity** means, but is not restricted to, the highest authority in the Government in respect of each Government Department or function, under the audit jurisdiction of the Accountant General, for example Ministry or Head of a Department. Such apex entities are distinguished from audit units and implementing units with regard to their responsibilities relating to policy formulation and oversight. In certain cases, however, certain entities (e.g. Boards, Bodies or Authorities, Government companies, corporations etc) where though classified as audit units, may possess the necessary characteristics of an apex auditable entity in respect of a particular function.

(ii) **Audit Unit** means entities categorized and identified by audit offices as possessing the following attributes-substantial devolution of administrative and financial powers, functional autonomy and operational significance with reference to the objectives of the apex auditable entity;

(iii) **Implementing Unit** means the last mile service providers, entities, offices and implementation arms of the Government/Apex auditable entity.
(13) **Audit mandate** means the authority of the Comptroller and Auditor General of India for audit under the Constitution of India and the Act and includes audit entrusted by the Government under the Act;

(14) **Audit observation** means a communication issued by an audit office containing the preliminary results of audit during conduct of audit, including comments on accounts issued as a result of financial or supplementary audit. It shall incorporate reference to criteria, sufficient details of the evidence relied upon in audit, audit conclusions and where applicable, recommendations;

(15) **Audit office** means an office of the Comptroller and Auditor General of India responsible for audit;

(16) **Audit officer or auditor** means an officer, by whatever designation called, authorised by the Comptroller and Auditor General of India by a general or a special order to conduct audit;

(17) **Audit Query** means a communication issued during the course of audit for confirmation of facts or inference arrived at by audit or any clarifications required by Audit;

(18) **Audit Report of the Comptroller and Auditor General** means a report of the Comptroller and Auditor General of India under Article 151 of the Constitution of India or under Section 19A of the Act or under Section 49 of the Union Territories Act, 1963.

(19) **Audit Requisition** means a communication issued for requesting data, documents and information considered necessary by Audit;

(20) **Auditing Standards** means the auditing standards issued by the Comptroller and Auditor General of India unless the context otherwise requires;

(21) **Audit team leader/supervisory officer** means an officer in charge of an audit team deputed for conduct of audit.

(22) **Comptroller and Auditor General or the C&AG** means the Comptroller and Auditor General of India appointed under Article 148 of the Constitution of India;

(23) **Data** means a representation of information, knowledge, facts, concepts or instructions which are being prepared or have been prepared in a formalised manner, and is intended to be processed, is being processed or has been processed in a computer system or computer network, and may be in any form (including computer printouts, magnetic or optical storage media, punched cards, punched tapes) or stored internally in the memory of the computer; for the purposes of these Regulations, data, information and documents will include transactions, records, books, accounts, papers etc to comprehensively address whichever form data, information and documents are maintained by the auditable entity.

(24) **Draft Audit report** means a communication containing the results of audit and would mean a draft compliance audit report or draft performance audit report or a draft audit report conveying the results of financial or supplementary audit or any other audit, as per context;
(25) **Electronic form** with reference to information, means any information generated, sent, received or stored in media, magnetic, optical, computer memory, micro film, computer generated micro fiche or similar device;

(26) **Electronic record** means data, record or data generated, image or sound stored, received or sent in an electronic form or micro film or computer generated micro fiche;

(27) **Entitlement** for the purpose of these Regulations means functions relating to pay, provident fund or pension and related work which the Comptroller and Auditor General is to perform under Article 149 of the Constitution of India and the Act;

(28) **Government** means the Union Government, the Government of a State and/or Government of the Union Territory as the context may require;

(29) **Government company** means a Government company as defined under Section 2 (45) of the Companies Act, 2013

(30) **Guidance Notes** are issued to support guidelines to help enhance audit performance, understand a specific subject matter or audit technique or methodology etc. These are generally recommendatory in nature unless specified otherwise.

(31) **Guidelines** are the guidelines issued by the Comptroller and Auditor General for carrying out the mandate. These are generally on professional matters. The guidelines are to be consistent with these Regulations, Standing orders and Auditing Standards, and are to be followed by the audit officers and the accounts officers;

(32) **Information** means any material in any form, including records, transactions, documents, memos, e-mails, opinions, advices, press releases, circulars, orders, logbooks, contracts, reports, papers, samples, models, data or other material held in any electronic form and information relating to any private body which can be accessed by a public authority under any law for the time being in force;

(33) **Inspection report** means a report issued by an audit office containing the results of an audit;

(34) **Local fund auditor** means an auditor, by whatever designation called, generally appointed by a State Government for audit of accounts of panchayati raj institutions and/or urban local bodies;

(35) **Major irregularity** means (a) an instance of suspected material fraud or collusion or corruption coming to notice in audit, or (b) an irregularity of serious nature involving public funds, particularly that relating to mismanagement, loss, waste, nugatory expenditure or loss of revenue, serious breakdown/violation of internal controls etc.

(36) **Mandate** of the Comptroller and Auditor General means the authority vested in him in regard to accounts and audit under the Constitution of India and the Act;
(37) **Practice notes** are the detailed instructions on audit or on accounting matters. These need to be consistent with the Regulations, Standing orders, Auditing Standards and Guidelines issued by the Comptroller and Auditor General;

(38) **Record** means (a) any document, manuscript and file; (b) any microfilm, microfiche and facsimile copy of a document; (c) any reproduction of image or images embodied in such microfilm (whether enlarged or not); and (d) any other material produced by a computer or any other device;

(39) **Separate audit report** means an audit report containing audit observations on the accounts of an authority, body or corporation whether or not required to be laid before the legislature;

(40) **Standing orders** of the Comptroller and Auditor General are the orders, including orders on administrative matters, of permanent nature issued in fulfillment of the mandate. These are to be consistent with these Regulations and are to be followed by the accounts officers and the audit officers;

(41) **Statutory auditor** means an auditor or an auditing firm appointed under the Companies Act, 2013 for the audit of accounts of a Government company or any other company;

All other expressions used in these Regulations but not defined herein shall have the meaning respectively assigned to them in the Constitution or in the Act. Definitions of Access, Data, Information, Electronic Records, Records, Electronic form are as per Information Technology Act 2000, Right to Information Act 2005 and Public Records Act 1993.
Chapter 2
Mandate and Scope

3. Mandate of the Comptroller and Auditor General with regard to audit
The mandate of the Comptroller and Auditor General with regard to audit of Union and States, Government companies and corporations, bodies and authorities is derived from the Constitution and the Comptroller and Auditor General’s (DPC) Act, 1971.

The Comptroller and Auditor General is the sole authority prescribed in the Constitution entrusted with the responsibility of audit of accounts of the Union and of the States. Under Section 13, (read with Section 17) and Section 16 of the Act, it is the duty of the Comptroller and Auditor General to audit all expenditure, all receipts, and other transactions of the Governments of the Union, of each State and each Union Territory.

Comptroller and Auditor General’s mandate, under the Constitution and under Section 14, 15, 19 and 20 of the Act, also covers audit of bodies, authorities, Government companies and corporations.

The Audit Reports of the Comptroller and Auditor General are placed before Parliament or the Legislature of the State or the Union Territory, as the case may be.

4. Broad objectives of audit
The broad objectives of audit are to examine the legality, validity, regularity, propriety, economy, efficiency and effectiveness of financial management and public administration.

5. Types of Audit
In fulfillment of audit mandate, the following are the main types of audit that are conducted by Comptroller and Auditor General to meet the audit objectives:

(1) Financial Audit deals with determining whether an entity’s financial statements and information is properly prepared, complete in all respects and is presented with adequate disclosures in accordance with the prescribed 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 statements and information represents a true and fair view of the entity’s financial situation and is free from material misstatement due to fraud or error.

(2) Compliance audit is an independent assessment of whether a given subject matter (an activity, financial or non-financial transaction, information in respect of an entity or a group of entities) complies in all material respects with the applicable laws, rules, regulations, established codes etc and the general principles governing sound public financial management and the conduct of public officials.
(3) Performance Audit is an independent, objective and reliable examination of whether Government entities, institutions, operations, programmes, funds, activities (with their inputs, processes, outputs, outcomes and impacts) are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.

(4) Audits which combine either all or some aspects of financial, compliance and performance audits are also conducted.

6. Audit Framework

(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 within the framework of these Regulations, Auditing Standards, Standing orders, Audit Quality Management Framework, Code of Ethics, Guidelines, Manuals, Guidance Notes, Practice Notes and other instructions issued by the Comptroller and Auditor General.

(2) Documents listed above will be made available on the Comptroller and Auditor General’s website and be regularly updated to give the latest position.

7. Scope and Extent of audit

(1) Section 23 of the Act provides that 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 are achieved.

(2) The scope of audit will be defined, consistent with the type of audit and the audit objectives, and may include 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 transactions, activity, programme, scheme, organization or entity, both integral and incidental to fulfillment of audit mandate, and to the achievement of the objectives of audit.

(4) The Comptroller and Auditor General 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 sampling, if sampling is resorted to, 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 checks in relation to such accounts or transactions as he may determine.

8. Authority of the Comptroller and Auditor General in regard to conduct of audit

The Comptroller and Auditor General has authority, under Section 18 of the Act, to

(1) inspect any office of accounts under the control of the Union or of a State or of a Union Territory having a legislative assembly;
(2) 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;
(3) 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;
(4) 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 comply with all requests for information, in as complete a form as possible and with all reasonable expedition.

9. Role and powers of the Executive in relation to audit
In keeping with the independence of the Comptroller and Auditor General, enshrined in the Constitution, the Executive does not have powers of direction in relation to Comptroller and Auditor General’s audit mandate and its execution.

The Comptroller and Auditor General is not obliged to carry out, modify or refrain from carrying out an audit, suppress or modify audit findings, conclusions and recommendations, in the light of any direction 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.

10. Participation in Management Committees
Auditors should not ordinarily 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. In case of any exceptions to the above, the approval of Deputy Comptroller and Auditor General, incharge of Personnel, shall be mandatory prior to acceptance of Memberships of any such Committee or participating in its discussions.

If advice is to be given, it should be conveyed as audit advice or recommendation based on available information and acknowledged clearly as such. Such audit advice or recommendation would not take away the right of the auditors to audit and make observations related to the issues on which advice was rendered.

11. Advice by the Comptroller and Auditor General on certain issues
The Comptroller and Auditor General would advise the executive in matters such as accounting standards and policies and the form of accounts/financial statements (especially but not restricted to advice as provided under Article 150 of the Constitution of India).
12. **Engagement of external agency or expert**
The Comptroller and Auditor General may, where considered relevant and necessary, use the work of internal auditors, other auditors and experts. The Comptroller and Auditor General may also utilize specialised skills from external sources in carrying out an audit or accounts task or learning from best practices. In all such cases experts may be associated to provide knowledge or carry out specific tasks.

(b) However, Audit 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.

13. **Requests for special audit**
(1) The Comptroller and Auditor General or any officer so authorised shall give due consideration to a request for special audit of a programme, project or organisation within the audit jurisdiction provided that every such request:
(a) is made with the approval of the Secretary to Government of the concerned department;
(b) shall state the justification and reasons that necessitate a special audit, including the results of any preliminary inquiry, investigation or study that may have already been conducted; and
(c) specify the period to be covered in the special audit.
(2) The decision of the Comptroller and Auditor General or any officer so authorised in regard to the special audit shall be final.

14. **Reporting the results of special audit**
(1) The Accountant General (Audit) shall report the results of the special audit to the Secretary to Government of the concerned department and in case of a State or a Union Territory with legislative assembly, also report these results to Secretary to Government, Finance Department.
(2) The Comptroller and Auditor General reserves the right to communicate the results of any special audit to the Ministry of Finance, Government of India and to include them in the audit report.

15. **General or common Regulations to apply in all cases**
General or common Regulations shall apply in all cases subject to specific provisions made in particular chapters in these Regulations.
Chapter 3
Auditing in Information Technology Environment

16. Auditing in an Information Technology (IT) environment
(1) Audits, whether financial, compliance or performance audits, are conducted increasingly in an IT environment today. Governments and other public sector entities have continuously adopted IT, in order to enhance efficiency and effectiveness in their functioning and delivery of various public services. IT has made it possible to capture, store, process, retrieve and deliver information electronically, and the delivery mode of public services is, in many cases, rapidly transitioning from physical to electronic.
(2) Audits in IT environment cover either or both of the following:
   (i) Audit of IT systems or IT Audits
   (ii) Financial, compliance or performance audits (or combined audits) using various IT tools for supporting the achievement of the audit objectives – also referred to as “IT assisted audits”.
(3) 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.
(4) Where the IT system with or used by the auditable entity is an end-to-end automated solution without significant offline/ manual documentation/ approvals, and controls for ensuring the integrity and non-repudiability of IT data is assessed by Audit to be adequate and effective, a significant proportion of audit may be conducted off-site; except with regard to outputs and outcomes, or as may be determined by Audit to be necessary for certain substantive checks in audit.

17. Audit of IT Systems
(1) Audit of IT systems is the process of deriving assurance on whether the development, implementation and maintenance of IT systems meets organizational goals, safeguards information assets and maintains data integrity. In other words, it is an examination of the implementation of IT systems and IT controls to ensure that the systems meet the organisation’s business needs without compromising security, privacy, cost, and other critical business elements. It crucially also determines areas such as whether, and to what extent, the data can be relied upon as a single source of truth, for purposes of audit.
   (2) Key aspects of IT systems that are important from an audit perspective include:
      (i) IT governance and management, which is the overall framework that guides IT operations in an organization to ensure that it meets the needs of the entity today and that it incorporates plans for future needs and growth.
(ii) Control criteria or attributes applicable to information, namely, effectiveness, efficiency, confidentiality, integrity, non-repudiability, availability, compliance and reliability.

(iii) IT resources or assets, which can be categorized into IT applications, information, infrastructure and people

(iv) Controls, which are the policies, procedures, practices and organisational structures designed to provide reasonable assurance that organisational/ business objectives will be achieved and undesired events will be prevented or detected and corrected. Controls may be either manual or programmed/ automated. Controls can be categorized as general controls, which are controls which relate to the environment within which computer-based application systems are developed, maintained and operated, and application controls, which are specific controls unique to each computerised application.

(v) Information security, which is the protection of information and system resources with regard to confidentiality, integrity, non-repudiability and availability. As the potential, complexity and role of information technologies grow, information security becomes an increasingly important topic of audits of IT systems.

(vi) End-to-end processes for managing IT could be categorized into the domains of planning and organization; acquisition and implementation; delivery and support; and monitoring and evaluation of information systems and services.

(3) Aspects that may be covered as part of the audit scope could illustratively include:

(i) IT governance and management and planning for IT systems;

(ii) Acquisition, development and implementation of an IT system;

(iii) Application controls for an IT system;

(iv) Operations and maintenance (including change management) of an existing IT system;

(v) IT outsourcing (including addressing vendor lock-in and exit management);

(vi) Information security and risk management for IT systems;

(vii) Disaster recovery and business continuity planning for IT systems;

(4) Audit may examine IT systems at various stages of the IT systems lifecycle for various validations, such as planning and feasibility study; requirements specification; procurement and contracting; design and development; testing and implementation; operations & maintenance etc. This may also include audit of an IT system which is under development or implementation.

(5) Substantive testing of controls in an IT system (to derive assurance about their adequacy and effectiveness) may be undertaken using a combination of IT tools for inquiry, extraction and data
analysis/ analytics, and detailed scrutiny of supporting documentation and records (electronic and manual).

(6) An auditable entity is required to maintain complete documentation related to all stages (planning, acquisition, design, development and implementation, delivery and support, monitoring and evaluation) of an IT system. It is also required to document all changes made in its IT systems. Their absence in part or full, is to be reported by audit, along with the implications.

(7) The auditable entity is required to ensure that all requirements for the purpose of facilitation of audit are incorporated in the IT system, and audit of IT systems should comment on the absence/shortcomings in this regard, if any.

(8) Audit may, at periodic intervals, call for information from the auditable entity about various IT systems or platforms (including mobile apps etc.) in use or being developed and the auditable entity shall provide the requisite details.

(9) Depending on Audit’s risk assessment and prioritization, Audit of IT system(s) would be necessary, when it is a newly implemented system or it has been subject to significant changes since the last audit so as to establish the integrity, non-repudiability and reliability of data.

18. IT assisted audits
(1) IT assisted audits involve the use of various IT tools including, but not limited to, traditional data analysis tools [also referred to as Computer Assisted Audit Techniques (CAATs)] and data analytics/ big data analytics for supporting the achievement of the audit objectives.
(2) Such analysis or analytics is applied on data provided by the auditable entity, which may be available in a variety of structures and formats, as well as external or third party data.
(3) Adequacy and effectiveness of IT and non IT controls for ensuring data integrity and non-repudiability of such data may be duly considered by the audit office, while examining the reliability of such data.
(4) The insights which may be drawn from data analysis/ analytics include, but are not limited to, exceptions, trends, patterns, deviations, inconsistencies, and relationships among data elements identified through analysis, modelling or visualization, can be used while planning, conducting and reporting audits.
(5) Depending on the gaps in automation, the level of offline documentation, and the adequacy and effectiveness of controls, the reliability of findings through data analysis/ analytics may need to be validated through field examination and verification of a sample of cases.
Chapter 4
Right of access to Audit and Responsibilities of the auditable entity

19. Right of access to Audit and Responsibilities of the auditable entity, (including Union and State Government) (Read with Regulation 8)

(1) Audit is conducted with reference to data, information and documents (includes accounts, vouchers, records etc) of the auditable entity. Audit’s access includes all data, information and documents, including electronic data and access to information systems of the auditable entity, as may be required and asked for by Audit. Audit’s access includes complete and timely access to confidential and sensitive data, information or documents, handling of which will be governed by Regulation 20.

(2) Audit may be conducted with reference to the data, information and documents, (i) as may be available in the audit office and/or in the accounts office, (ii) as may be accessed by or received in the audit office and/or in the accounts office, (iii) in the office of the auditable entity or (iv) at the site where the relevant records or data for audit are available or (v) at such other place as may be decided by Audit.

(3) As given in Regulation 16, audit comprises elements of offsite/remote access/onsite audits combined with visits to auditable entity. In keeping with Comptroller and Auditor General’s authority to conduct audit, audit teams shall be, as determined necessary by Audit, deputed to the offices of the auditable entities from time to time. Audit teams are led by a team leader/supervisory officer.

(4) Audit may requisition basic records, data, information and documents, from the auditable entity, as soon as intimation for audit is given, to enable a systematic review and commence the audit assignment remotely by accessing such information ahead of visits to the auditable entity. In case information and data as requested cannot be made available in advance, the officer in charge at the auditable entity shall ensure that the basic records, data, information and documents as required in the requisition sent to him by the Audit, are kept ready before the arrival of the audit team.

Audit may even requisition basic records, data, information and documents for audit planning purposes, as deemed necessary.

(5) Any requisition, 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. (For the purposes of these Regulations, a communication/request by email shall always constitute a communication request in writing).

(6) It is the statutory obligation, of the officer-in-charge of the auditable entity, as per Section 18 of the Act, to comply with requests by Audit for data, information and documents, whether in
advance or during the course of audit, within the specified time. The time within which data,
information and documents are to be furnished to Audit, will be mentioned in the requisition.
(Reasonable time is determined considering the nature and quantum of the data, information and
documents requested by Audit and the urgency of the matter).
(7) The auditable entity will be responsible for ensuring completeness and reliability of data
provided to Audit.
(8) 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. Such access maybe
through interfacing the IT system of the audit office with the audited entity’s IT systems or
establishing alternative equivalent methods of data access for the audit office.

20. Confidentiality of information and protection of personal identifiable/sensitive
information acquired during audit
(1) The documents classified as ‘confidential’ or ‘secret’ or ‘top secret’ shall be made available
to Audit and 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.
(2) If certain privileged or confidential information or Personally Identifiable Information (PII)
prohibited from general disclosure by law is obtained in course of an audit, Audit 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. However, this does
not preclude Audit from including the names of departments, organisations, parties concerned in
audit reports, as per extant orders of the Comptroller and Auditor General and consistent with
applicable laws.
(3) Information about an auditable entity acquired in the course of audit shall not be used for
purposes other than the discharge of Comptroller and Auditor General’s audit mandate.
However, Audit is not precluded from reporting offences against the law to appropriate
prosecuting authorities wherever necessary. Instances of fraud or corruption, as noticed during
Audit, shall be reported to concerned authorities by Audit, as per instructions issued by the
Comptroller and Auditor General.

21. Failure to provide data, information and documents
(1) 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/ Ministry,
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.

(2) 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 Comptroller and Auditor General’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 Comptroller and Auditor General’s opinion, amounts to audit being thwarted from carrying out its constitutional and statutory obligations, a stand alone or a single paragraph report should be submitted to the Parliament/State Legislature bringing out clearly the facts of the issue and the implications;

(iii) Contingencies as at (ii) above may lead to non-certification or qualification (including disclaimers) as part of Comptroller and Auditor General’s audit opinion/conclusions.
Chapter 5
Audit of Expenditure and Receipts

22. Authority of the Comptroller and Auditor General in regard to audit of expenditure and receipts
(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) The basic principles of audit of expenditure incurred from the Consolidated Fund apply mutatis mutandis to transactions relating to the Public Account and Contingency Fund.
(3) Section 16 of the Act authorises the Comptroller and Auditor General to audit all receipts of the Government of India payable into the Consolidated Fund of India and 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.
(4) Audit of receipts and expenditure is comprehensive and is carried out in the nature of financial audit, compliance audits, performance audits and any combinations thereof. Audit checks include whether financial statements/accounts of the Government are in compliance with the prescribed financial accounting framework, applicable laws, rules and regulations and accounting principles, policies and applicable 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, such as completeness, occurrence, measurement, disclosure, regularity, existence, valuation and ownership.

23. Scope of Audit of Expenditure and Receipts to extend to any Body or Authority, prescribed by or under any law made by Parliament/ Legislature.
(1) In accordance with Section 13 read with Section 16, the expression ‘to audit all transactions’ so also ‘audit of all receipts’, payable into Consolidated Fund of India and of the States, takes into account the audit by Comptroller and Auditor General of accounts of the Union and of the State and of any other authority or body, as may be prescribed by or under any law made by the Parliament or State Legislature. Powers of the Comptroller and Auditor General, under Article 149 of the Constitution read with the Act, include but are not restricted only to that body or authority which satisfies the test of Article 12 of the Constitution of India.
The scope outlined in (1) above extends to audit of all transactions which Union and State have entered into which has a nexus with Consolidated Fund, for example when receipts have direct connection with Revenue Sharing.

Audit of receipts under Section 16 of the Act, read with Article 266 of the Constitution of India covers both revenue and capital receipts (including disinvestment receipts, borrowings etc) and within revenue receipts, both tax and non-tax receipts.

Non-tax receipts would include charge payable by entities to the Government for obtaining the right to use natural resources, and for the right to set up and/or operate and maintain public assets and utilities and generate revenues from the same. Such charges could be in the forms such as license fees, usage charges (periodic, upfront or one time), royalty, premium, revenue share, production share, profit share of a combination of these.

To that extent, Comptroller and Auditor General shall have the right of access to the books of accounts of the service providers for the purpose of examining all the receipts to ascertain whether the Government is getting its due share by way of fees or charges due to it legitimately, by way of Revenue Sharing.

All orders relating to grant of land, assignment of revenue or concession, grant, lease or license of mineral or forest rights or a right of water power, or any easement or privilege in respect of any such concession or which in any way involve relinquishment of revenue shall come within the purview of Audit as they have important financial implications. The audit of such sanctions by the Government shall be conducted from the point of view of both, regularity and propriety.

24. **Integrity of data, information and documents forming basis of policy**

The scope of audit of receipts and expenditure includes examination of integrity of data, information and documents which form the basis of a policy.

**Broad framework of Audit of Expenditure**

25. **Examination of systems and procedures and certain checks to be applied in audit of expenditure**

Audit of expenditure 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, i.e., 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;
   (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.

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

(2) 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.

(3) Audit is required to report not only significant cases of irregularity and breach of rules, regulations and orders but also every matter which, in the judgment of the Audit, appears to involve significant unnecessary, excessive, extravagant or wasteful expenditure of public money and resources despite compliance with the rules, regulations and orders or expenditure that has not yielded the intended outputs and/or outcomes.

26. Requirement for sending copies of orders of re-appropriation and surrender of funds

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.
27. **Orders of re-appropriation and surrender of funds to state reasons explicitly**

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.

28. **Reasons for excesses and shortfalls to be furnished**

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 limits prescribed for the purpose under any unit of appropriation vis-à-vis the amount provided for it.

29. **Endorsement of copies of rules, regulations and orders by Government Departments**

Government departments shall invariably endorse, otherwise send or make available to Audit Office and the Accounts Office, 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.

30. **Reference of revision of rules or codes to Audit and Accounts Offices for scrutiny before issue**

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.

31. **Supply of specific documents and information to Audit**

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 Audit:

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;
2. the statement of periodic book adjustments together with the copies of the general or special orders authorising such adjustments;
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;
4. the explanation for any items that are prima facie unusual including adverse and insufficient balances;
(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;
(6) the confirmation of the outstanding amounts of loan and interest on loans;
(7) the details of overdue loans and interest on loans;
(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;
(9) the statement of outstanding guarantees including the amounts (original amounts as well as the amounts outstanding at the end of the year);
(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;
(11) the details of guarantees invoked during the year;
(12) the amount of guarantee fee received and the amount in arrears;
(13) the details of incomplete works costing more than the limit prescribed by the audit office from time to time; and
(14) year-wise analysis of the amounts outstanding under ‘Remittance’ and ‘Suspense’ heads of accounts.
(15) other relevant information as may be called for by the audit office.

**Broad framework of Audit of Receipts**

32. **Audit of receipts includes an examination of the systems, rules and procedures and their efficacy in respect of:**
(1) Assessment, collection and allocation of revenue by the tax department
(2) Identification of potential tax assesses, ensuring compliance with laws as well as detection and prevention of tax evasion;
(3) Pursuit of claims with due diligence and that these are not abandoned or reduced except with adequate justification and proper authority;
(4) Prompt investigation of losses of revenue through fraud, default or mistake including, if required, through the review of other similar cases;
(5) Exercise of discretionary powers in an appropriate manner including levy of penalties and initiation of prosecution;
(6) Appropriate action to safeguard the interests of the Government on the orders passed by departmental appellate authorities;
(7) Any scheme as may be introduced by the Government from time to time;
(8) Any measures introduced to strengthen or improve revenue administration;
(9) Amounts that may have fallen into arrears, maintenance of records of arrears and action taken for the recovery of the amounts in arrears;
(10) Other ancillary and non-assessment functions including expenditure incurred by the departments;
(11) Achievement of targets, accounting and reporting of receipts and their cross verification and reconciliation with the accounts records;
(12) Amounts of refunds, rebates, drawbacks, remissions and abatements to see that these are correctly assessed and accounted for; and
(13) Use of information driven approach for improving tax compliance and effective utilisation of information in tax administration.
(14) The grievance redressal machinery/mechanism in place within the department for resolution of taxpayer grievances and complaints.
(15) Requisite checks on assessment, realization, collection, recovery etc in respect of non-tax revenue.
(16) Any other matter, as may be determined by the Comptroller and Auditor General.

Access to IT systems and specific documents and records in relation to audit of expenditure and receipts

33. Access to specific documents, records and IT systems related to budgeting, accounting, procurement and financial management

(1) Auditable entity shall provide complete access to all IT systems or platforms used for budgeting, accounting, procurement, and other aspects of financial management for complete access to financial transactions of the Government, including, but not limited to, all sanction orders, re-appropriations, surrenders, book adjustments, receipts, transfers, bills, vouchers, sub-vouchers, grants, grants-in-aid, contracts, vendor payments, beneficiary payments etc. Complete traceability of each transaction up to the ultimate spending unit or ultimate recipient, as available in the IT system/s, shall be made available to Audit, as required.
(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 complete and timely access to the sanctions module in the IT system, to Audit.
(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.

34. **Access to specific documents, records and IT systems related to aspects of revenue administration**
(1) Audit shall have access to comprehensive, consolidated, granular and other related information, whether in manual, computerised or in any other form, in respect of revenue 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.
(2) Audit shall also 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.
3. As regards third party records and additional information thereon, relevant provisions in Chapter 4 and 13 will be applicable.

35. **Authority of the Comptroller and Auditor General for audit of stores and stock**
(1) Section 17 read with Section 2(e) of the Act authorises the Comptroller and Auditor General to audit and report on the accounts of the stores and the stock kept in any office or department of the Union or of a State or of a Union Territory having a Legislative assembly.
(2) Audit of stores and stock encompasses audit of procurement, inventory management, material management etc.

36. **Audit of stores and stock**
Audit of stores and stock involves verifying that adequate and sound systems and procedures are in place and complied with for:
(1) establishment of the need for procurement of stores;
(2) proper assessment of requirement of stores, including, where applicable, determination of reserve stock limits;
(3) authorisation of procurement of stores;
(4) procurement of stores in a cost-effective manner in accordance with the prescribed systems and procedures;
(5) receipt, inspection, custody, issue and accounting of stores including appropriate segregation of duties of personnel and reconciliation of store accounts with books of accounts;
(6) verification of physical balances at prescribed intervals, and reconciliation and resolution of discrepancies between physical balances and balances as per the records without delay; and
(7) identification of obsolete and surplus stores, their disposal by way of sale and/or transfer to other units, divisions, etc. and accounting of corresponding receipts, or write off after proper investigation.

37. Right of Audit to investigate stores balances
Audit may carry out physical inspection of stores and investigate store balances as part of checks performed in audit and report discrepancies.

38. Authority of the Comptroller and Auditor General in regard to audit of other assets and liabilities
(1) Section 13 read with Section 2(e) of the Act authorises the Comptroller and Auditor General to audit trading, manufacturing and profit and loss accounts and balance sheets and other subsidiary accounts kept in any department of the Union or of a State or of a Union Territory having a legislative assembly and to report on accounts so audited by him.
(2) Accordingly, besides store and stock, audit by the Comptroller and Auditor General shall extend to all other assets and liabilities of the Union and of States and of Union Territories having a legislative assembly including ongoing and completed works, investments, loans and advances, deposits, cash balances, internal and external borrowings, guarantees given by the Governments, reserves and sinking funds.

39. Broad principles of audit to apply
Broad principles of audit shall apply to audit of assets and liabilities.

40. Audit to be governed by orders of the Comptroller and Auditor General
Audit of assets and liabilities shall further be governed by any general or special orders issued by the Comptroller and Auditor General.

41. Audit of grants-in-aid and loans
Audit of grants-in-aid and loans is primarily an extension of audit of expenditure and the broad principles of audit of expenditure shall apply. Additionally, it examines whether the amount of Government assistance is utilised for the intended purpose.

42. Verifications to be done during audit of grants-in-aid and loans
Audit of Government assistance in form of grants-in-aid or loans shall be conducted to verify whether systems and procedures are in place and are being complied with for:
(1) clear enunciation of purpose for the sanction of the Government assistance;
(2) proper and transparent identification and selection of persons, bodies and authorities for Government assistance with reference to their antecedents, absorptive capacity, financial position, systems and management practices;
(3) determination of amount of assistance and its timely release;
(4) proper accounting of assistance by the grantee or the loanee, including maintenance of accounts in such form as may be prescribed
(5) ensuring the fulfillment of conditions of Government assistance
(6) monitoring and ensuring the economical, efficient and effective end use of assistance including achieving the objectives of assistance
(7) refund to the Government of any unutilized source; and
(8) in the case of loans, their repayment as prescribed and recovery of interest including penal interest according to applicable conditions.
Chapter 6
Broad Framework for Financial, Compliance and Performance Audit

43. **Broad framework of financial audit of Government**
(1) 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.
(2) 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.
(3) 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 way of saving or excess beyond the prescribed limits of such variations.
(4) Financial audit is carried out as per Auditing Standards, manuals, guidelines and other relevant orders issued by the Comptroller and Auditor General.
(5) (also refer Chapter 5 of these Regulations which covers some checks performed as part of financial audit of Government)

44. **Broad framework of Compliance Audit**
(1) Compliance audit is carried out in accordance with the Auditing Standards, Compliance auditing guidelines and other relevant orders issued by the Comptroller and Auditor General.
(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).
(3) Compliance audit also involves examination of the rules, regulations, orders, transactions 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) consistent, clear and free from ambiguity and promote observance of probity in decision making (transparency);
(d) judicious and wise (propriety and prudence); and
(e) implemented in a manner that meets the intended objective

(4) When compliance auditing is part of a performance audit, compliance is seen as one of the aspects of economy, efficiency and effectiveness. Noncompliance may be the cause of, an explanation for, or a consequence of the state of the activities that are the subject matter of the performance audit.

45. **Broad framework of Performance Audit**

(1) Performance audit is carried out in accordance with the Auditing Standards, Performance auditing guidelines and other relevant orders issued by the Comptroller and Auditor General.

(2) Performance audit assesses:

(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.

(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.

(c) Effectiveness – The principle of effectiveness concerns meeting the objectives set and achieving the intended results, especially in terms of outputs and outcomes. For example, expenditure on health schemes/programmes such as NHM should lead to the intended outputs of having hospitals/CHC etc, having the desired number of hospital beds etc; it should also have the outcomes as intended and/or stated such as delivery of effective health schemes.

(3) Performance Audit, therefore, is concerned with the audit of economy, efficiency and effectiveness in receipt and application of public funds. Comptroller and Auditor General’s function to carry out examinations into the efficiency and effectiveness with which the Government uses its resources is inbuilt in the Comptroller and Auditor General’s DPC Act.

(4) In keeping with Regulation 5(3), Performance Audit focuses on inputs, processes, including planning and preparedness, (for example disaster preparedness etc), outputs, outcomes (for example learning outcomes in school education) and results. The analyses in Performance Audit is distinct from, and goes beyond, compliance issues, and seeks to provide new information, analysis or insights on the actual benefit of the activity undertaken by the entity. Where appropriate, the impact of the regulatory, institutional or operational framework on the performance of the audited entity or subject matter of Performance Audit should also be taken into account as part of Performance Audit.
46. Responsibility for development of measurable objectives, performance indicators, and systems of measurement
The responsibility for the development of measurable objectives and performance indicators as also the systems 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 cost of delivery and benchmark quality of outputs and outcomes.

47. Review of the measurable objectives and performance indicators in Audit
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.

48. Interaction with auditable entity during performance audit
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.

49. Holding of Entry Conference
Before commencing detailed work of performance audit, the Accountant General (Audit) shall hold an entry conference with the Secretary to Government of the concerned 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 shall be kept on record.
In case the entry conference cannot be held, the fact shall be recorded in the Audit Report.

50. Nomination of an officer for coordination and cooperation with Audit
The Secretary to Government of the concerned Ministry/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.
51. **Holding of Exit Conference**

(1) After completion of a performance audit, an exit conference shall be held between the Accountant General (Audit) and the Secretary to Government of the concerned Department. A written record of the proceedings of the exit conference 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.

(2) The minutes of exit conference should be recorded and endorsed to the entity with a request to acknowledge the minutes within stipulated period, after which the minutes may be treated as confirmed.

(3) In case the exit conference cannot be held, this fact shall be recorded in the audit report.

52. **Furnishing of reply by department and processing of material for audit report**

The Secretary to Government of the concerned Ministry/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 material for audit report of the Comptroller and Auditor General.
Chapter 7
Audit of Government Companies

53. Mandate of the Comptroller and Auditor General in regard to the audit of Government companies
As per section 19 of the Act, the duties and powers of the Comptroller and Auditor General in relation to the audit of accounts of Government companies shall be performed and exercised by him in accordance with the provisions of the Companies Act, 2013.

54. Application of prescribed accounting standards
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.

55. 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 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 becoming a Government company or any other company within one month of such an occurrence.

56. Intimation by Government company or any other company of its formation
A Government company or any other 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.
57. **Appointement of statutory auditor**
As per Section 139 (5) and 139 (7) of the Companies Act, 2013 the Statutory Auditors of a Government company or any other company, is to be appointed by the Comptroller and Auditor General.
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 Regulations; 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 Comptroller and Auditor General’s website.

58. **Termination of appointment before expiry of normal tenure**
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 139 (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 against the premature termination of appointment.

59. **Debar from further appointment in case of serious irregularities**
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) and 139 (7) of the Companies Act, 2013 for such period as may be considered fit. Comptroller and Auditor General may also, if deemed fit, refer the case, to the ICAI for taking further disciplinary action against the statutory auditor”.

60. **Responsibility with reference to annual accounts**
While the statutory auditor is responsible for forming an expressing an opinion on the annual accounts of the Government Company or any other company, the responsibility for their proper
preparation is that of the management of the company. The audit if the annual accounts does not relieve the management of its responsibilities relating to the maintenance of adequate accounting records, internal controls and safeguarding the assets of the company.

61. **Role of the Comptroller and Auditor General with regard to audit by statutory auditor**

   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, the action taken thereon and its impact on the accounts and financial statements of the company. The Comptroller and Auditor General shall within sixty days from the date of receipt of the above audit report have a right to:

   (1) conduct a supplementary audit of the financial statement of the company; and

   (2) comment upon or supplement such audit report.

62. **Documentation by statutory auditor**

   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.

63. **Preparation of audit report by the statutory auditor**

   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).

64. **Communication of matters of Governance to Audit**

   The statutory auditor, at the time of submission of his report under the Companies Act, 2013, shall also forward to 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.

65. **Responsibilities of Statutory auditor vis-à-vis Accountant General (Audit)**

   The statutory auditor shall also:

   (1) make himself available for discussions with the office of the Comptroller and Auditor General and the Accountant General (Audit) as and when required;
(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;

(3) attend the meetings of the audit committee, if formed, held in pursuance of the Companies Act, 2013;

(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;

(5) make portions of or extracts from his working papers available to the 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

(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.

66. **Duly adopted and audited accounts to be made available to Audit**

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.

67. **Records of the company to be made available to audit**

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.

68. **Scope of Supplementary Audit**

It is the statutory auditor who is primarily responsible for expressing an opinion on the accounts of the company. Supplementary audit of the accounts by the Comptroller and Auditor General is, by its very definition, mainly an instrument of quality control of financial audit of accounts that begins with careful selection of the statutory auditor and continues with the ongoing oversight of his work including review of the conclusions drawn in his audit report. The scope of supplementary audit of annual accounts of a Government company and any other company by
the Comptroller and Auditor General shall include an examination of selected accounting records and a review of the audit report of the statutory auditor including the opinion expressed by him on the annual accounts of the company.

69. **Comments of the Comptroller and Auditor General under Companies Act, 2013**
The significant and material observations made in supplementary audit shall be issued as comments of the Comptroller and Auditor General under the Companies Act, 2013 after due consideration of the views, if any, of the statutory auditor and the management of the company.

70. **Scope of test audit by the Comptroller and Auditor General**
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 (DPC) Act, 1971, shall apply to the report of such test audit.
Thus, 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. These audits may be compliance audits (covering transactions entered into by the company with a view to examining their regularity, propriety, probity) or performance audits (covering economy, efficiency and effectiveness). 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.

71. **Establishment of Audit Board for central public sector undertakings**
With a view to ascertaining the extent to which an activity, programme or organisation operates economically, efficiently and effectively for the achievement of the designated objectives, the Comptroller and Auditor General has, in consultation with the Government of India, established an Audit Board for central public sector undertakings. The Audit Board is a permanent body for performance audits of the central public sector undertakings conducted at periodic intervals focusing on critical areas of their performance. The Audit Board is responsible for reviewing the performance of the central public sector undertakings on thematic issues. The issues may relate to a particular entity or cut horizontally across several entities. The scope of performance audit may extend to more than one financial year.

72. **Constitution of Audit Board**
The Deputy Comptroller and Auditor General (Commercial) shall be the Chairperson of the Audit Board, which shall include, as members, senior officers of the Indian Audit and Accounts
Department as notified from time to time. One or two technical experts in the related field appointed by the administrative ministry in consultation with the Comptroller and Auditor General may be co-opted as special invitees. An officer shall be appointed to act as Secretary to the Audit Board.

73. **Role of Audit Board**
The Audit Board shall function in an advisory and recommendatory capacity.

74. **Meetings of Audit Board**
The meetings of the Audit Board shall be held with the available members and there shall be no requirement of a quorum. The Secretary to the Audit Board shall keep the minutes of the meetings of the Audit Board.

75. **Discretion of Audit Board to confine itself to selection of topics**
The Audit Board may at its discretion confine itself to making recommendations for the selection of topics for performance audit and the audit may, thereafter, be conducted by the Accountant General (Audit) without any further reference to the Audit Board.

76. **Subsequent meetings of Audit Board**
Where the Audit Board decides to guide a performance audit, it shall meet:
(1) to consider and make recommendations on the audit objectives, criteria, guidelines, and methodology; and
(2) to consider the draft audit report and make recommendations for its finalisation.

77. **Requirement of the representatives of the Company and the Department to attend the meeting of the Audit Board**
The Audit Board shall invite the representatives of the Company and the Government Department to attend the meeting referred to at clause (2) of the preceding Regulation. The Chief Executive Officer of the Company and the Secretary to Government of the concerned department shall attend such meeting and there shall be no separate exit conference.

78. **Application of Regulations for Performance Audit of State Public Sector Undertakings/Enterprises**
The Regulations prescribed for Performance Audit shall apply mutatis mutandis to audit of State Public Sector Undertakings/Enterprises.

79. **Inclusion of results of audit in the Audit Report**
The results of audit of Government companies or any other Company 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.

80. **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 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.

81. **Responsibility for settlement of audit observations and constitution of Audit Arrears Committee**

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.
Chapter 8
Audit of Bodies and Authorities

(a) Broad Principles

82. Authority of the Comptroller and Auditor General for audit of bodies and authorities

The audit of bodies and authorities, other than Government establishments and companies, by the Comptroller and Auditor General is governed by the provisions contained in Sections 14, 15, 19(2), 19(3), 19A and 20 of the Act.

83. Meaning of the expression ‘body’ and ‘authority’

The expression ‘authority’ means a person or body exercising power or command vested in it by virtue of the Constitution or any law made by the legislature. The expression ‘body’ means an aggregate of persons, whether incorporated or unincorporated, and includes an institution or organisation set up as an autonomous organisation under a specific statute or as a society registered under the Societies Registration Act, 1860 or Indian Trusts Act, 1882 or any other statute, voluntary organisation or non-Government organisation, urban or rural local self-Government institution, co-operative society, society or club, etc.

84. Provisions of Section 18 of the Act to apply to bodies and authorities

The provisions of Section 18 of the Act shall apply to bodies and authorities that are under the audit jurisdiction of the Comptroller and Auditor General.

85. Accounts of bodies and authorities to be made available to Audit

The body or authority under the audit jurisdiction of the Comptroller and Auditor General shall make its duly approved accounts available for audit as per time schedule that may be prescribed by the laws governing such body or authority or else by the Comptroller and Auditor General.

(b) Audit of Bodies and Authorities substantially financed from Union or State Revenues

86. Audit of bodies and authorities under Section 14 of the Act

(1) Section 14(1) of the Act authorises the Comptroller and Auditor General to audit the receipts and expenditure of a body or authority if

(a) the amount of Government grant or loan paid to it in a financial year is not less than rupees twenty five lakh and also (b) the amount of such grant or loan is not less than seventy-five per cent of its total expenditure during the year. Audit under this Section is subject to the provisions of any law applicable to the body or authority.
(2) Section 14(2) of the Act provides that the Comptroller and Auditor General may, with the previous approval of the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly, as the case may be, audit all receipts and expenditure of a body or authority where the amount of Government grants or loans to the body or authority in a financial year is not less than rupees one crore.

(3) Where the receipts and expenditure of a body or authority are audited by the Comptroller and Auditor General under sub-section (1) or (2) of Section 14 for a particular year, the Comptroller and Auditor General is authorised under Section 14(3) of the Act to continue to audit its receipts and expenditure for a further period of two years even if the conditions stated in sub-section (1) or (2) are not satisfied during any of the two subsequent years.

87. **Sanctions of grants and loans and forwarding of copies**

Government departments and other officers empowered to sanction grants and/or loans to any body or authority shall:

1. endorse a copy of each letter of sanction of grant or loan to the audit office;
2. mention in the sanction, the amount of the budgeted expenditure of the body or authority; and
3. ensure that the assisted body or authority makes available all the relevant records to the audit officer for audit, wherever and whenever necessary, and that a requirement to this effect is incorporated in the letter of sanction to the grant and/or loan.

88. **Forwarding of statement of bodies and authorities receiving assistance**

Governments and Heads of Departments which sanction grants and/or loans to bodies or authorities shall furnish to the audit office by end of July every year a statement of such bodies and authorities to which grants and/or loans aggregating rupees ten lakh or more were paid during the preceding year indicating:

(a) the amount of assistance;
(b) the purpose for which the assistance was sanctioned; and
(c) the total expenditure of the body or authority.

89. **Computation of quantum of Government assistance**

For arriving at the quantum of Government assistance for the purpose of ascertaining auditability under Section 14 of the Act:

1. the aggregate of the amounts of grant(s) and loan(s) paid to a body or authority shall be reckoned together; the amounts of grant(s) and loan(s) paid to a body or authority by the Union Government, the State Government(s) and the Union Territory Government(s) shall be aggregated; and
(2) the amounts of grant(s) and loan(s) paid during a year shall include any amounts remaining unspent out of grant(s) and loan(s) paid to the body or authority during preceding year(s) but not refunded to the Government.

90. Audit of receipts and expenditure and review of internal controls and financial records
Audit of the receipts and expenditure of a substantially financed body or authority shall be conducted in accordance with the Regulations prescribed in respect of audit of expenditure and receipts. The Comptroller and Auditor General may also conduct a critical review of its system of internal controls and financial records as well as the tests performed by its auditor for expression of an opinion on its accounts.

91. Communication of results of audit and their inclusion in audit report
The audit office shall communicate the results of audit to the chief executive officer of the body or authority and shall also forward a copy of the inspection report to the department(s) of the Government(s) that paid the grant(s) or loan(s) to the body or authority. Important points noticed in audit that need to be brought to the notice of the legislature may also be included in the audit report of the Comptroller and Auditor General 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 laid before the appropriate legislature.

(c) Scrutiny in case of grants and loans given to bodies and authorities for specific purpose

92. Audit of bodies and authorities under Section 15 of the Act
(1) Under Section 15 of the Act, where any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State or of any Union Territory having a legislative assembly to any authority or body, not being a foreign state or international organisation, the Comptroller and Auditor General is authorized to scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which such grants or loans were given.
(2) The President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly, as the case may be, if he is of the opinion that it is necessary to do so in public interest and after consultation with the Comptroller and Auditor General, may relieve the Comptroller and Auditor General from making any such scrutiny in respect of any body or authority receiving such grant or loan.
93. Access to books and accounts of grantee body or authority

(1) Under sub-section (1) of Section 15, the Comptroller and Auditor General is authorised to have access, with reasonable previous notice, to the books and accounts of the grantee body or authority for the purpose of scrutinising the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the conditions attached to the Government assistance.

(2) Under sub-section (2) of Section 15, except where he is authorised so to do by the President, the Governor of a State or the Administrator of a Union Territory, as the case may be, the Comptroller and Auditor General shall not have, while exercising the powers conferred on him by Section 15(1), right of access to the books and accounts of any corporation to which any such grant or loan as is referred to in Section 15(1) is given if the law by or under which such corporation has been established provides for the audit of the accounts of such corporation by an agency other than the Comptroller and Auditor General. No such authorisation shall be made except after consultation with the Comptroller and Auditor General and after giving the concerned corporation a reasonable opportunity of making a representation in this regard.

94. Communication of results of audit and their inclusion in audit reports

The audit office shall communicate the results of scrutiny of the procedures conducted in terms of Section 15 of the Act to the department(s) of the Government(s) that paid the grant(s) and/or loan(s) to the body or authority. Important points that need to be brought to the notice of the legislature may also be included in the audit report of the Comptroller and Auditor General 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 laid before the appropriate legislature.

(d) Audit of corporations set up by or under law made by Parliament

95. Audit of corporations under Section 19(2) of the Act

As per Section 19(2) of the Act, the duties and powers of the Comptroller and Auditor General in relation to audit of accounts of corporations established by or under law made by Parliament are performed and exercised in accordance with the provisions of the respective legislations.

96. Conduct of audit of corporations

Subject to the provisions of the respective legislations, the conduct of audit of corporations established by or under any law made by Parliament shall be governed by the provisions of these Regulations.
97. **Copies of agenda notes and minutes of meetings of board of directors and audit committees to be furnished to Audit**

Every corporation that is subject to audit by the Comptroller and Auditor General shall send copies of the agenda notes and minutes of the meetings of its governing body, by whatever name called, and the Audit Committee, if formed, to the Accountant General (Audit).

98. **Applicable standards and verifications required in audit of accounts**

Where the Comptroller and Auditor General is the sole auditor of a corporation, the financial audit is conducted in accordance with the auditing standards issued by the Comptroller and Auditor General. Audit shall verify whether systems and procedures are in place and implemented to ensure that the accounts:

1. comply with the requirements of the applicable law(s), rules and administrative instructions;
2. comply with the accounting standards prescribed by the ICAI;
3. contain adequate disclosures in respect of financial transactions; and
4. present a true and fair view of the corporation’s financial position.

99. **Audits other than financial audit of accounts by the Comptroller and Auditor General**

(1) In addition to the financial audit of accounts of a corporation, the Comptroller and Auditor General may conduct any other type of audit including the following:

(a) test check of transactions entered into by the corporation with a view to examining their legality, competence and propriety and report on cases of infraction, waste, mismanagement, frauds and other irregularities; and

(b) performance audit with a view to ascertaining the extent to which the corporation operates economically, efficiently and effectively for the achievement of the stated objectives.

(2) The scope of above audits may extend to more than one financial year.

(3) The Regulations contained in Chapters 6 and 7 shall apply to the compliance and performance audits conducted under sub-Regulations (1) and (2) to the extent relevant.

100. **Audit certificate as warranted by circumstances**

The audit certificate may be subject to such observations and qualifications as the circumstances may warrant. An adverse certificate may be given if the observations and qualifications are of such nature as may not warrant certification of accounts as presenting a true and fair view of the financial position of the corporation.
101. **Forwarding of draft separate audit report**
On the completion of financial audit, the audit office shall send to the Chief Executive Officer a draft separate audit report that will form part of the audit certificate on the accounts. A copy of the same shall also be sent to the Government in case it contains any observation on which reply of the Government is necessary.

102. **Reply to draft separate audit report**
The Chief Executive Officer of the corporation (and the Government, where a copy of the draft separate audit report is sent to it) shall communicate reply to the draft separate audit report within two weeks from the date of its issue or such other period as prescribed.

103. **Finalisation of audit certificate and separate audit report**
The audit office shall consider the reply received from the corporation (and the Government if a copy is sent to it) before finalising the audit certificate and the separate audit report. In case a reply is not received within the specified period or any extended period agreed to, the audit officer may proceed on the assumption that the corporation (and the Government where a copy of the draft separate audit report is sent to it) has no comments, observation and explanation in the matter.

104. **Forwarding of audit certificate and separate audit report to Government**
The Accountant General (Audit) shall send the audit certificate and the separate audit report which will form part of the audit certificate on the accounts of the corporation to the Secretary to Government of the concerned department with a copy to the Chief Executive Officer of the corporation.

105. **Placement of audit certificate and separate audit report before governing body and concerned legislature**
The Chief Executive Officer shall place the audit certificate and the separate audit report before the governing body and intimate to the Accountant General (Audit) the date on which these are presented to the governing body. The Government shall cause every audit certificate and separate audit report to be laid before appropriate legislature(s) in accordance with Section 19A of the Act. The Secretary shall intimate to the Accountant General (Audit) the date of presentation of the audit certificate and the separate audit report to the legislature.

106. **Reporting of results of audits other than financial audit of accounts**
The results of other audits including compliance and performance audits of a Government corporation shall be reported in accordance with Regulation 136. Audit reports of the
Comptroller and Auditor General are laid before the respective legislature. No comments shall, however, be included in the inspection reports and audit reports except after giving due opportunity to the corporation and the Government to offer their explanation on the matters proposed to be commented upon.

107. Responsibility for settlement of audit observations and constitution of Audit Arrears Committee
The responsibility for settlement of audit observations is that of the management of the corporation. In case a large number of audit observations included in the inspection reports remain outstanding for more than two years, each such corporation shall constitute an Audit Arrears Committee consisting of sufficiently senior officers of the corporation 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.

108. Corporations where Audit Board or Audit Review Committee is constituted or where primary auditor is appointed
In case of central corporations where Audit Board is constituted by the Comptroller and Auditor General, Regulations in Chapter 7 shall apply to the extent relevant. Further, in case of corporations where primary auditor is appointed under the relevant Act, relevant Regulations in Chapter 7 shall apply.

(e) Audit of State Corporations and other bodies and authorities entrusted to the Comptroller and Auditor General

109. Audit under Section 19(3) of the Act
As per Section 19(3) of the Act, the Governor of a State or the Administrator of a Union Territory having a legislative assembly may, where he is of the opinion that it is necessary in the public interest so to do, request the Comptroller and Auditor General to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the Comptroller and Auditor General shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation.
No such request shall be made except after consultation with the Comptroller and Auditor General and after giving reasonable opportunity to the corporation to make representation with regard to the proposal for such audit.
110. Audit under Section 20 of the Act
(1) Under sub-section (1) of Section 20 of the Act, the audit of accounts of any body or authority, the audit of which has not been entrusted to the Comptroller and Auditor General by or under any law made by Parliament may, subject to the proviso contained in Section 20(3), also be entrusted by the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly, as the case may be, to the Comptroller and Auditor General after consultation with him and on such terms and conditions as may be agreed to between him and the concerned Government.

(2) As per sub-section (2) of Section 20 of the Act, the Comptroller and Auditor General may propose 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, that he may be authorised to undertake the audit of accounts of a body or authority, the audit of which has not been entrusted to him by law, if he is of the opinion that such audit is necessary because a substantial amount has been invested in or advanced to that body or authority by Government, and the President or the Governor or the Administrator, as the case may be, may, subject to proviso contained in sub-section (3), empower the Comptroller and Auditor General to undertake the audit of accounts of that body or authority.

(3) Under Section 20(3) of the Act, audit under Section 20(1) or 20(2) shall be entrusted to the Comptroller and Auditor General only if the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly is satisfied that it is expedient to do so in the public interest and after giving reasonable opportunity to the concerned body or authority to make representation with regard to the proposal for such audit.

111. Conditions for undertaking audit under Section 20(1)
The conditions for undertaking audit of a body or authority at the request of the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly under Section 20(1) are the following:

(1) Audit shall be entrusted to the Comptroller and Auditor General if and as agreed to, by the Comptroller and Auditor General.

(2) The arrangement may be reviewed if requested by the Government or Comptroller and Auditor General.

(3) The scope, extent and manner of audit shall be decided by the Comptroller and Auditor General.

(4) The Comptroller and Auditor General may appoint a primary auditor to conduct audit on his behalf and in accordance with the directions or guidelines issued by him.

(5) The Comptroller and Auditor General or any other person so authorised in connection with the audit of accounts of the body or authority shall have the same rights, privileges and authority
as the Comptroller and Auditor General has in connection with the audit of accounts of Government.

(6) The Comptroller and Auditor General, or an officer so authorised in this regard, will communicate the results of audit to the governing body of the body or the authority. The governing body shall submit a copy of the report to the concerned Government along with its observations. The Comptroller and Auditor General or an officer so authorised in this regard, will also forward a copy of the report to the concerned Government. The Comptroller and Auditor General shall have the right to report the results of audit to Parliament or the State legislature or Union Territory legislature.

(7) Any expenditure incurred by the Comptroller and Auditor General in connection with the audit of the body or authority, including the expenditure incurred for the services of the primary auditor, if any, shall be paid by the body or the authority to the Comptroller and Auditor General.

112. Proposal for entrustment of audit from Union Government
The proposal from Union Government including Union Territory without legislative assembly to entrust audit of a body or authority to the Comptroller and Auditor General shall be sent to the office of the Comptroller and Auditor General.

113. Proposal for entrustment of audit from State or Union Territory Government
The proposal from State Government or Union Territory Government having a legislative assembly to entrust audit of a body or authority to the Comptroller and Auditor General shall be sent to the concerned Accountant General (Audit).

114. Letter of entrustment of audit
The letter of entrustment of audit of a body or authority to the Comptroller and Auditor General shall be issued in the name of the President or the Governor of a State or the Administrator of a Union Territory having a legislative assembly. The letter shall inter alia indicate that the prescribed requirements, including the requirement relating to giving reasonable opportunity to the body or authority, where applicable, have been satisfied.

115. Audit as per provisions of laws and agreed terms and conditions
The audit under Section 19(3) or under Section 20 of the Act shall be conducted in accordance with the provisions of relevant laws and terms and conditions agreed upon between the Comptroller and Auditor General and the concerned Government, wherever applicable. Subject to the above, the audit of such corporations and the bodies or authorities shall be conducted in accordance with these Regulations.
116. **Audit of corporations set up by State and UT legislatures and other entrustment audits**

The provisions contained in Section (d) of this Chapter shall apply mutatis mutandis to the extent relevant to corporations set up by law made by State legislature and Union Territory legislature and other bodies and authorities, audit of which has been entrusted to the Comptroller and Auditor General under Section 19(3) and Section 20 of the Act.
Chapter 9
Role of the Comptroller and Auditor General in audit of
Panchayati Raj Institutions and Urban Local Bodies

117. Arrangements for maintenance of accounts and audit
Under Articles 243 J and 243 Z of the Constitution, the legislature of a State may, by law, make provisions with respect to the maintenance of accounts and the auditing of such accounts of Panchayati Raj institutions and urban local bodies. The local fund auditor, who is generally an officer of the State Government, is responsible for audit of Panchayati Raj institutions and urban local bodies. In certain states, the Examiner of Local Fund Accounts, who is an officer of the Comptroller and Auditor General, is responsible for the audit of accounts of Panchayati Raj institutions and urban local bodies.

118. Audit under Section 14, 19, 20 of the Act where applicable
The Comptroller and Auditor General may undertake the audit of Panchayati Raj institutions and urban local bodies under Section 14 of the Act where such bodies are financed by grants or loans from the Consolidated Fund of India or of any State or Union Territory having a legislative assembly and are auditable under the provisions of this Section of the Act. In such cases, the relevant Regulations for such audits shall apply. These Regulations, to the extent relevant, shall also apply in cases where audit of Panchayati Raj institutions and urban local bodies is entrusted to the Comptroller and Auditor General under Section 19 or Section 20 of the Act.

119. Model forms of accounts and budget
The model forms in which the accounts of Panchayati Raj institutions and urban local bodies may be kept and the forms in which their budgets may be prepared and presented, have been prescribed by the Comptroller and Auditor General.

120. Arrangements regarding Technical Guidance and Support (TGS)
The functions of technical guidance and support to audit of Panchayati Raj institutions and urban local bodies have been entrusted to the Comptroller and Auditor General under Section 20(1) of the Act in many States.
The salient features of the collaborative arrangement between the Comptroller and Auditor General and the local fund auditor under technical guidance and support as incorporated in various Government orders of State Governments are as follows:
(1) The local fund auditor will prepare by the end of March every year, an annual audit plan for audit of Panchayati Raj institutions and urban local bodies in the next financial year and forward it to the Accountant General (Audit) of the State;
(2) The audit methodology and procedures for audit of Panchayati Raj institutions and urban local bodies by the local fund auditor will be as per various Acts and statutes enacted by the State Government and guidelines prescribed by the Comptroller and Auditor General.

(3) Copies of inspection reports in respect of selected local bodies shall be forwarded by the local fund auditor to the Accountant General (Audit) for advice on system improvements and the Accountant General (Audit) shall review the same with a view to make suggestions for improvement of existing systems being followed by the local fund audit department. The Accountant General (Audit) will also monitor the quality of the inspection reports issued by the local fund auditor by scrutinising such inspection reports.

(4) The local fund auditor will furnish returns in such format as may be prescribed by the Comptroller and Auditor General for advice and monitoring.

(5) The Accountant General (Audit) would conduct test check of some of Panchayati Raj institutions and urban local bodies in order to provide technical guidance. The report of the test check would be sent to the local fund auditor for pursuance of action to be taken by Panchayati Raj institutions and urban local bodies. The local fund auditor will pursue the compliance of such paragraphs in the inspection reports of the Accountant General (Audit) in the same manner as if these are his own reports.

(6) Irrespective of the money value of the objections, any serious irregularities such as system deficiencies, serious violation of rules and fraud noticed by local fund auditor will be intimated to the Accountant General (Audit).

(7) The local fund auditor shall develop, in consultation with Accountant General (Audit), a system of internal control in his organisation.

(8) The Accountant General (Audit) shall also undertake training and capacity building of the local fund audit staff.

121. **Audit not to include certification of accounts**

Unless specifically provided, audit by the Accountant General (Audit) in terms of paragraph (5) of the preceding Regulation does not include the certification of accounts of Panchayati Raj institutions or urban local bodies.

122. **Role of Accountant General (Audit) in pursuance of inspection reports**

Notwithstanding anything contained in the Regulations of this chapter regarding pursuance of paragraphs in the inspection reports of the Accountant General (Audit) by the local fund auditor, the Accountant General (Audit) will also ensure their regular pursuance.
123. **Forwarding of results of audit to the Government**
The Accountant General (Audit) will send to the concerned Secretary or Secretaries to the Government by the end of June every year an annual technical inspection report, including the results of audit of Panchayati Raj institutions and urban local bodies conducted by his office during the preceding year under the ambit of regulation 120 (5) and other activities under TGS. The Secretary or Secretaries may ensure that appropriate remedial action is taken expeditiously and the Accountant General (Audit) is informed of the action taken. In the States where the Examiner of Local Fund Accounts audits the Local Bodies, the technical inspection report shall be prepared by the Examiner of Local Fund Accounts and countersigned by Accountant General (Audit).

124. **Inclusion of results of audit in audit report**
Where the results of audit of Panchayati Raj institutions and urban local bodies are included in the audit report of the Comptroller and Auditor General and placed before the legislature, the relevant Regulations pertaining to reporting the results of audit and audit reports shall apply.
Chapter 10
Guiding Principles of Auditing Standards

125. Authority and Purpose
(1) Auditing Standards issued by the Comptroller and Auditor General set out the professional standards of auditing for the Comptroller and Auditor General’s organisation as well as for its personnel.
(2) Auditing standards establish the norms applicable to all audit engagements undertaken by the Comptroller and Auditor General.
(3) All audit engagements as per the audit mandate of the Comptroller and Auditor General shall be conducted in accordance with Auditing Standards issued by the Comptroller and Auditor General.
(4) Auditing standards determine the audit procedures that shall be applied in audit and constitute the criteria or benchmark(s) 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 any combination of such audits.
(6) Auditing standards shall be periodically updated, revised or modified by the Comptroller and Auditor General in keeping with the applicable international auditing standards, while keeping in view the provisions in the Constitution of India, the Act and other relevant statutes, extant rules and these regulations.

126. Elements of public sector auditing
The elements of public sector auditing are as follows and as detailed in the Comptroller and Auditor General’s Auditing Standards and specifically provided for, as applicable, in the Guidelines for Compliance Audits, Performance Audits and Financial Audits issued by the Comptroller and Auditor General.

(a) The three parties (auditor, responsible party and intended users)
(b) Subject matter, criteria and subject matter information
(c) Types of engagement (attestation and direct reporting)
(d) Confidence and assurance in public-sector auditing and levels of assurance.

127. Principles of Public-sector auditing and principles related to audit process
(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.
(2) Principles related to the audit process are explained in the Auditing Standards and comprise
(a) Planning
   (i) Establish the terms of the audit engagement
   (ii) Obtain understanding of the entity
   (iii) Conduct risk assessment
   (iv) Determine Materiality
   (v) Identify risks of fraud, as applicable
   (vi) Develop an audit plan – audit objectives, scope, approach and methodology, resource allocation, timelines across stages of audit
(b) Conducting the Audit
   (i) Perform the planned audit procedures to obtain audit evidence
   (ii) Evaluate audit evidence and draw conclusions
(c) Reporting and follow-up
   (i) Prepare a report based on the conclusions reached
   (ii) Follow up on reported matters as relevant
Chapter 11
Audit Planning, Conduct of Audit and Reporting

128. Maintaining an updated list of auditable entities
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 change or when information is requested by audit offices and at least twice a year on their own, in June and December. Audit offices will also inform Government of any change in their audit jurisdiction promptly.

129. Audit Planning
(1) Audit Planning involves
   (a) the identification of audit assignments, relating to one or more auditable entities, as part of the annual and/or longer-term audit plan; such assignments may be financial, compliance or performance audits, or combine all or some aspects thereof.
   (b) Planning individual audit assignments
(2) The development of the annual or longer-term audit plan is based on the assessment of risk and other factors, as may be determined by Comptroller and Auditor General.
(3) The planning of individual audit assignments broadly involves:
   (a) Obtaining an understating of the nature of the entity/ programme/ activity etc being audited;
   (b) Defining the audit scope, objectives and approach;
   (c) Defining the nature, timing and extent of the audit procedures, and timelines
(4) The detailed procedures for the preparation of the annual or longer-term plan, and planning of individual audit assignments shall be specified by the Comptroller and Auditor General.

130. Advance intimation for audit
The audit office shall give sufficient advance intimation to the Officer in charge of the Office to be audited. Audit offices may even give advance intimation to the auditable entities as soon as their audit plan is approved. The intimation for audit shall state the likely duration of audit including duration of visit to auditable entity, 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.
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. 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.

131. **Provision of facilities for conduct of audit**
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 and staff of similar seniority/ rank/ pay scale.

132. **Meeting with Officer in charge of the auditable entity at the commencement of audit**
The audit team leader/supervisory officer shall 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. A written record of the proceedings of the meeting duly signed by both the parties may be kept. In case a meeting cannot be held, the same shall be recorded.

133. **Issue of audit requisitions, queries and audit observations**
(1) During the audit process, while audit requisitions and queries (where necessary), can be issued by members of the audit team, audit observations will be issued by the audit team with the approval of the audit team leader/supervisory officer. All communications will be duly numbered.
(2) Preferably, all such communication will be issued electronically. Any communication issued offline/manually will be uploaded into the workflow/sent electronically at the earliest opportunity.

134. **Replies to audit queries and audit observations**
The officer in charge 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.
135. **Meeting with officer in charge of auditable entity at the close of audit**

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 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. The same shall be recorded and included as response of the auditable entity to the audit observations. 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. In case a meeting cannot be held, the same shall be recorded.

136. **Forms of communication at the close of audit**

1) Depending on nature and type of audit, audit observations/results of audit, at the conclusion of an audit assignment, are issued in the form of, but not limited to;

   a) In case of financial audit, draft audit opinion, draft separate audit report (SAR), draft comments supplementary to the opinion of the statutory auditor or a draft audit report

   b) In case of compliance audits, inspection reports addressed to the Heads of the individual audit units or implementing units, draft paragraphs or draft audit report addressed to the Head of the Department

   c) In case of Performance Audits, draft audit report addressed to head of the Apex entity or Head of the Department or to Government

2) The above would be issued as per the timelines prescribed in this regard.

3) Based on the responses received from the auditable entity and/or Department/Government and further assessment by audit, audit observations and draft audit reports are further developed into audit findings, conclusions and recommendations to be incorporated in or as Comptroller and Auditor General’s audit report.

137. **Communication of draft audit report/draft paragraph to Government and discussion thereon**

1) The Accountant General (Audit) shall send a copy of draft audit report/draft paragraph to the concerned Secretary to Government by name for communicating the comments, observations and explanation of the Government within such period of time as may be specified. The Accountant General (Audit) shall also offer to discuss the draft audit report/draft paragraph with the Secretary at mutual convenience within the aforesaid period. A discussion may not 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.
(2) The Accountant General (Audit) shall simultaneously send one copy of the draft audit report/draft paragraph to the Secretary to the Government, Ministry of Finance or Finance Department, by name.

(3) The draft audit report/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.

138. **Reply to draft audit report/draft paragraph by Government**

(1) The Secretary to Government of the concerned department shall

   (a) confirm or cause to be confirmed, the receipt of the draft audit report/draft paragraph to the Accountant General (Audit) as soon as it is received, and

   (b) communicate the comments, observations and explanation of the Government on the draft audit report/draft paragraph in writing to the Accountant General (Audit) by name within the specified period. The reply shall be signed by the Secretary or carry an indication of approval by the Secretary.

(2) The reply of the Secretary to Government shall state:

   (a) whether the department accepts the facts and figures mentioned in the draft audit report/draft paragraph; if not, the reasons supported by the relevant documents and evidence duly authenticated;

   (b) comments, observations and explanation of the Government on matters included in the draft audit report/draft paragraph;

   (c) Government’s response to suggestions and recommendations made in the draft audit report/draft paragraph;

   (d) remedial action taken or proposed to be taken; and

   (e) any other observations or remarks of the department.

(3) Consistent with the schedule of preparation, finalisation and presentation of the audit report in the legislature, the Accountant General (Audit) may consider a request made by the concerned Secretary to Government for extension of time for sending the reply to the draft audit report/draft paragraph. Every such request shall

   (a) specify the reasons for seeking extension beyond the time stipulated, and

   (b) state the date by which the final reply to the draft audit report/draft paragraph shall be sent to the Accountant General (Audit).

(4) The Accountant General (Audit) will proceed on the assumption that the Government has no comments, observation and explanation in the matter in case a final reply is not received within the specified period or the extended period agreed to. The Government shall bear responsibility for the accuracy of the facts, figures and the related audit evidence mentioned in the draft audit report/draft paragraph in such cases.
(5) The Accountant General (Audit) shall give full consideration to the reply of the Government. The draft audit report/draft paragraph may be modified or may not be included in the audit report in the light of the reply.

139. Communication of finalised paragraphs for inclusion in audit report
In case of a State Government or a Union Territory Government, after the draft audit report/draft paragraph has been finalised for inclusion as or in the audit report, the Accountant General (Audit) shall send copies of the finalised paragraph/audit report by name to the Secretary to Government of the concerned department and the Secretary, Finance Department. In case of the Union Government, a copy of the finalised paragraph/audit report will be sent to the Secretary to the Ministry concerned.

140. Form, content and time of submission of audit reports to be decided by the Comptroller and Auditor General
The form, content and time of submission of audit reports shall be decided by the Comptroller and Auditor General.
Chapter 12
Follow up of results of Audit

141. Maintenance of record of audit observations and recommendations by audit and auditable entity and adequate oversight by the Government
Each audit office and auditable entity shall maintain proper record relating to audit observations and recommendations with a view to monitor action taken and maintain follow-up.
The Government shall also establish and implement systems and procedures that ensure adequate, constructive and timely action on audit observations and recommendations communicated by audit.

142. Intimation of major irregularities to the Government and the head of department and furnishing of reports therefrom
(1) The Accountant General (Audit) shall intimate every instance of major irregularity detected in Audit through a Special Management Letter to the Secretary to Government of the concerned department with a copy to the Head of the Department at the earliest possible from the time the instance comes to notice in audit. The Accountant General (Audit) shall also intimate every such instance to the Comptroller and Auditor General in the manner prescribed.
(2) On intimation of the major irregularity by Accountant General (Audit), the Government shall undertake prima facie verification of facts and send to Accountant General (Audit) a preliminary report confirming or denying the facts within three weeks of receipt of intimation from him.
(3) Where the fact of major irregularity is not denied by the Government in the preliminary report, the Government shall further send a detailed report to the Accountant General (Audit) within two months of preliminary report inter alia indicating the remedial action taken to prevent recurrence and action taken against those responsible for the lapse.
(4) Reporting of major irregularities to Government should be done only after due verification with reference to supporting evidence and as far as possible after considering the views of the auditable entity. Care needs to be taken to ensure that only major irregularities are reported in this manner.

143. Follow up action on systemic faults or high risks pointed out by Audit
Where Audit points out systemic faults or identifies high risks, the department should take appropriate action to address these faults and mitigate the risks so identified.

144. Intimation of follow up action taken by the department
The department shall furnish to Audit, within six months of the close of each 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.

145. Establishment of audit committees and their constitution
(1) Government shall establish audit committees for the purpose of monitoring and ensuring compliance and settlement of pending audit observations. Each committee so established shall comprise of a representative each from the administrative department, Audit and a nominee from the Finance Department besides the head of the department of the auditable entity. Minutes of the meetings of the audit committee shall be recorded.
(2) In the case of Central Government establishments located in the States, the Ministry may nominate a State level audit committee in consultation with Accountant General (Audit) for settlement of audit observations.

146. Annual public statement regarding pending audit observations
Each Head of Department shall make the following information available on the Department/Ministry website, regularly updated in the first quarter of each year.
   (a) Number and gist of audit observations/paragraphs included in the Audit Report(s) of the Comptroller and Auditor General for the previous year;
   (b) Number and gist of major irregularities intimated by Accountant General (Audit) during the previous year;
   (c) Action taken by the Department on (a) and (b) above; and
   (d) Number of audit observation set communicated in draft audit reports/inspection reports (refer regulation 136) issued during the previous year and gist of observations with substantial money value and those with serious internal control lapses.

147. Forwarding copies of audit report for laying before legislature
(1) An officer authorised by the Comptroller and Auditor General shall send copies of the audit report duly signed by the Comptroller and Auditor General to the Secretary to the Government, Ministry of Finance or Finance Department as the case may be, who shall take prompt action for the submission of the audit report to the President or the Governor or the Administrator for further action and for the presentation of the report in Parliament or the State or Union Territory Legislature. Copies of the audit reports under Section 19A of the Act shall be sent to the Secretary of the Ministry or department concerned or the Administrator of a Union Territory having Legislative Assembly, who shall take prompt action for laying the same in the Parliament or the legislature of the State or Union Territory.
(2) An signed copy of the audit report shall simultaneously be sent to the Secretary to the President of India or the Governor of the State or Union Territory having Legislative Assembly
or the Administrator of the Union Territory, as the case may be, informing him of requisite copies having been sent to the Ministry/Department of Finance.

148. **Forwarding copies of audit report to Secretary to Government after presentation**

The Accountant General (Audit) shall send copies of the audit report to the Secretary to Government of the concerned department after the presentation of the report in Parliament or the legislature, as the case may be.

149. **Preparation of action taken note for submission to PAC or COPU**

The Secretary to Government of the concerned department shall cause preparation of self-explanatory action taken note(s) on the audit paragraph(s) relating to his department, that are included in the audit report, for submission to the Public Accounts Committee/Committee on Public Undertakings. In each case, the self explanatory action taken note shall carry the approval of the Secretary and state:

1. whether a written reply on the draft audit paragraph was sent to the Accountant General (Audit) and if not, the reasons for not doing so;
2. whether the facts and figures stated in the audit paragraph are acceptable and if not, the reasons for not pointing this out when the draft paragraph was received by the Secretary;
3. the circumstances in which the loss, failure, infructuous expenditure, etc. as pointed out in the audit paragraph occurred; whether due to (a) deficiency in the existing system including the system of internal control, (b) failure to follow the systems and procedures, or (c) failure of individuals including individuals at supervisory levels;
4. the action taken to fix responsibility on the individual(s) responsible for the loss, failure, infructuous expenditure, etc; and the likely time frame within which such action is expected to be completed;
5. the current status of recovery of any amount due to Government as pointed out in the audit paragraph;
6. the action taken or proposed to be taken on the suggestions and recommendations made in the audit paragraph;
7. the result of review of similar other cases, and the action taken;
8. the remedial action taken or proposed to be taken to avoid occurrence of similar cases in future, to streamline the systems and to remove system deficiencies, if any; and
9. such other information as may have been prescribed by the Public Accounts Committee/Committee on Public Undertakings.
150. **Vetting of action taken notes and responses on the recommendations of PAC/COPU by Accountant General (Audit)**

In the Union, the States and the Union Territories having legislative assembly where legislative committees or the Government desire the Comptroller and Auditor General to vet the action taken notes and the responses of the Government on their commendations of the Public Accounts Committee/Committee on Public Undertakings, the following procedure shall apply:

(1) The Secretary to Government of the concerned department shall send two copies of the draft self-explanatory action taken note to the Accountant General (Audit) for vetting along with the relevant files and documents based upon which the explanatory note has been formulated, properly referenced and linked. This shall be done within such period of time as may be decided consistent with the requirements of the time-schedule for the submission of the self-explanatory action taken notes prescribed by the Public Accounts Committee/ Committee on Public Undertakings.

(2) The Accountant General (Audit) shall return the self-explanatory action taken note to the Secretary duly vetted as soon as possible but not later than one month. Subject to any requirements that may have been prescribed by the Public Accounts Committee/ Committee on Public Undertakings, the vetting comments of the Accountant General (Audit) may include suggestions for further course of action.

(3) The Secretary shall send the requisite number of copies of the vetted note, as prescribed by the Public Accounts Committee/Committee on Public Undertakings, to the secretariat of the Public Accounts Committee/Committee on Public Undertakings in accordance with the time schedule prescribed by the latter and also forward a copy each to Ministry of Finance or Finance Department as the case may be, and the Accountant General (Audit).

(4) On receipt of the recommendations of the Public Accounts Committee/ Committee on Public Undertakings, the Secretary shall initiate action to prepare the Government’s response by way of action taken note for submission to the respective Committee within such period and in such form as the Public Accounts Committee/ Committee on Public Undertakings may prescribe.

(5) The Government’s response on the recommendations of the Public Accounts Committee/ Committee on Public Undertakings shall be sent to the Accountant General (Audit) for vetting before its submission to the respective Committee with the relevant files and documents properly referenced and linked. The vetting comments of the Accountant General (Audit) shall be duly reflected in the response that may be sent to the Public Accounts Committee/Committee on Public Undertakings.

151. **Duty of Government for systems and procedures to ensure timely response**

It shall be the duty of the Government to establish and enforce adequate and reliable systems and procedures, clearly defining inter alia the roles and responsibilities at all levels that ensure that (i)
the replies to the draft paragraphs, (ii) the self-explanatory action taken notes on matters included in the audit reports and (iii) the action taken notes on the recommendations of the Public Accounts Committee/Committee on Public Undertakings are sent to the appropriate authorities within the time limit prescribed in each case.

152. **Reporting of cases of delay to Government**
The Accountant General (Audit) will report cases of delay to Secretary (Expenditure), Ministry of Finance in the case of the Union Government and to the Chief Secretary in the case of a State Government and to the Administrator in case of a Union Territory having a legislative assembly. Cases of delay may also be appropriately commented upon in the audit report.
Chapter 13
Audit Evidence

153. Meaning of audit evidence and sharing the same with auditable entity
Audit evidence refers to the data, information and documents relied upon to arrive at the audit findings and conclusions. Audit evidence is any information used by the auditor to determine whether the subject matter complies with the applicable criteria. 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 included explicitly in the final audit report, may be shared with the auditable entity at various stages of audit.

154. Evidence to support audit conclusions required to be obtained
Audit shall obtain sufficient and appropriate audit evidence to support the audit opinion or conclusion.

155. Requirement of and access to data, information and documents
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 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. In certain cases, with approval of the Accountant General (Audit), information from third parties, for example bank confirmations etc may be obtained directly by Audit.

156. Types of evidence to be used by Audit
Evidence may take many forms, such as electronic and paper records of transactions, written and electronic communication with outsiders, photographs, videos, results of survey or study, observations by the auditor and oral or written testimony by the audited entity. The auditor may rely upon evidence from internal sources of the auditable entity as well as from external sources.
157. Methods and techniques for evidence including technology and data analytics
Methods of obtaining audit evidence include physical inspection/joint physical inspection, observation, inquiry, confirmation, recalculation, re-performance, analytical procedures and/or other research techniques. Audit may use IT assisted data analytics and techniques and other IT tools as appropriate for collection and evaluation of evidence. Audit may also use remote sensing, Geographic Information System (GIS), aerial surveys and other technology enabled techniques, as appropriate.

158. Attestation of data, information and documents forming evidence
Where required by Audit, the auditable entity shall attest the data, information and documents kept in physical form/manually, forming the evidence.

159. Conduct of physical verification on request of Audit
Where necessary, 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).
Chapter 14
General Principles of Government Accounting

160. Duties and powers of the Comptroller and Auditor General in regard to accounts
The duties and powers of the Comptroller and Auditor General in regard to the accounts of the Union and State Governments are laid down under Articles 149 and 150 of the Constitution of India and Sections 10 to 12 and 23 of the Act.

161. Provisions of the Constitution regarding accounts
(1) Under Article 149 of the Constitution, the Comptroller and Auditor General shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament.
(2) By virtue of the provisions of Article 150 of the Constitution, the accounts of the Union and the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor General, prescribe. The word “form” used in Article 150 has a comprehensive meaning so as to include the prescription not merely of the broad form in which the accounts are to be kept, but also the basis for selecting the appropriate heads under which the transactions are to be classified.

162. Provisions of the Act regarding accounts
(1) Under Section 10 read with Section 2(e) of the Act, the Comptroller and Auditor General shall be responsible for compiling the accounts and for keeping related accounts of the Union and of each State and Union Territory having a legislative assembly from the initial and subsidiary accounts rendered to offices under his control by treasuries, offices or departments responsible for keeping of such accounts. The President in the case of the Union including Union Territories and the Governor with the previous approval of the President in the case of a State, may after consultation with the Comptroller and Auditor General, by order, relieve him from the responsibility of compiling or keeping the accounts of the Union including Union Territory or of the State or of any particular services or departments of the Union including Union Territory or the State.
(2) Under Section 11 of the Act, the Comptroller and Auditor General shall submit these accounts, wherever these responsibilities continue with him, to the President or the Governor of a State or Administrator of the Union Territory having a legislative assembly, as the case may be.
(3) Under Section 12 of the Act, the Comptroller and Auditor General shall in so far as the accounts, for the compilation or keeping of which he is responsible, enable him so to do, give information and render assistance to the Union Government or the State Government or the
Government of Union Territory having a legislative assembly, as they may from time to time require.

(4) Section 23 of the Act authorises the Comptroller and Auditor General to lay down general principles of Government accounting.

163. General principles of Government accounting

(1) For the purpose of Section 23 of the Act, the Government Accounting Rules, 1990 shall be deemed to be the general principles of Government accounting.

(2) All Government departments are required to comply with the general principles of Government accounting. It is the duty of auditors to examine during audit whether these principles are being complied with by all Government Departments.

164. Form of accounts

(1) Detailed rules relating to maintenance and rendition of accounts by treasuries and public works divisions are contained in Accounting Rules for Treasuries and the Account Code, Volume III issued by or with the approval of the Comptroller and Auditor General. Detailed rules and instructions relating to the forms in which the initial and subsidiary accounts shall be kept and rendered by the Department of Posts and other technical departments are laid down in the respective accounts manuals or departmental regulations relating to the department concerned.

(2) The format of accounts in respect of autonomous bodies and authorities other than Government establishments and companies is prescribed by the concerned Government in consultation with the Comptroller and Auditor General. In case of autonomous bodies and authorities of Union Government, a common format has been prescribed by the Government with the concurrence of the Comptroller and Auditor General. This common format is applicable to all autonomous bodies and authorities except a few such as Port Trusts for which separate formats are applicable. The State Governments may also adopt the common format applicable to the autonomous bodies of the Union Government, for the autonomous bodies of the States.

(3) The format of accounts of Panchayati Raj institutions and urban local bodies recommended by the Comptroller and Auditor General has been accepted by the Union Government and has been adopted by many State Governments.

165. Role of the Comptroller and Auditor General in accounting standards for Government

(1) Government Accounting Standards Advisory Board set up in the office of the Comptroller and Auditor General with the support of the Government of India. The Board is entrusted with
the responsibility of formulating and proposing accounting and financial reporting standards in Government departments and organisations.
(2) The Board is chaired by the Deputy Comptroller and Auditor General and comprises of accounting heads of the Government of India, Ministry of Finance, RBI, State Finance Secretaries, ICAI, ICWAI, as members.
(3) The Government Accounting Standards Advisory Board is also entrusted with the responsibility of preparing a framework and a roadmap for shift to accrual accounting.
(4) The standards proposed by the Board and notified by the Government are under the authority of Article 150 of the Constitution of India.
(5) The response to accounting standards approved by GASAB shall be received from the Ministry of Finance within three months of its approval by full board.

166. **Timeliness, correctness and completeness of accounting information to be ensured**

(1) In order to enable the Comptroller and Auditor General to discharge accounting functions effectively, the Government needs to establish and enforce systems including internal controls to ensure that all primary accounting units render necessary information in the time schedule prescribed by the accounts office and that the information rendered is correct and complete.
(2) In particular, in the case of IT systems used to generate accounting information, the Government needs to ensure that the integrity, non-repudiability and reliability of such information is maintained through adequate and effective controls.
(3) In keeping with Section 18(1)(a) of the Act Comptroller and Auditor General is authorised to inspect any Office of accounts of the Union and the State, including Treasuries, to obtain an assurance on the internal controls in place. The objective of such an inspection would be to assess the state of general financial control to see that subsidiary records on which such accounts are based are properly maintained in prescribed forms, are complete in all respects and financial rules and orders are observed in their preparation and maintenance.
Chapter 15
Special Provisions

167. Exercise of authority of Accountant General (Audit) or Accountant General (Accounts and Entitlement) by other officers
Any authority exercised by the Accountant General (Audit) or Accountant General (Accounts and Entitlement) under these Regulations shall be exercisable by any of his superior officers or any other officer so authorised by the Comptroller and Auditor General.

168. Regulations not to apply to international assignments
These Regulations shall not apply to any international assignment relating to audit or accounts taken up or being taken up by the Comptroller and Auditor General.

169. Powers to issue general or special orders and guidelines
The Comptroller and Auditor General may issue any general or special orders and guidelines to carry into effect the provisions of these Regulations.

170. Inter-relationship of various orders
In fulfillment of the mandate, the Comptroller and Auditor General issues various types of orders and guidelines. These are classified as standing orders, guidelines and practice notes as defined in Regulation 2. The hierarchy of instructions of the Comptroller and Auditor General shall be Regulations, standing orders/guidelines and practice notes in this order. Standing orders, guidelines and practice notes need to be consistent with these Regulations.

171. Removal of doubt
Where a doubt arises as to the interpretation of any of these Regulations, the decision of the Comptroller and Auditor General shall be final.

172. Powers to modify or relax
The whole or part of these Regulations may be modified under the orders of the Comptroller and Auditor General. Any provisions of these Regulations may also be relaxed by a general or special order of the Comptroller and Auditor General.

173. Continuance of existing orders
The standing orders, guidelines and practice notes shall in future be issued under these Regulations and be consistent with these Regulations. However, the standing orders, the
guidelines and the practice notes already issued by the Comptroller and Auditor General or on his behalf shall continue to apply as immediately before the date of issue of these Regulations till the same are revised, revoked or modified.