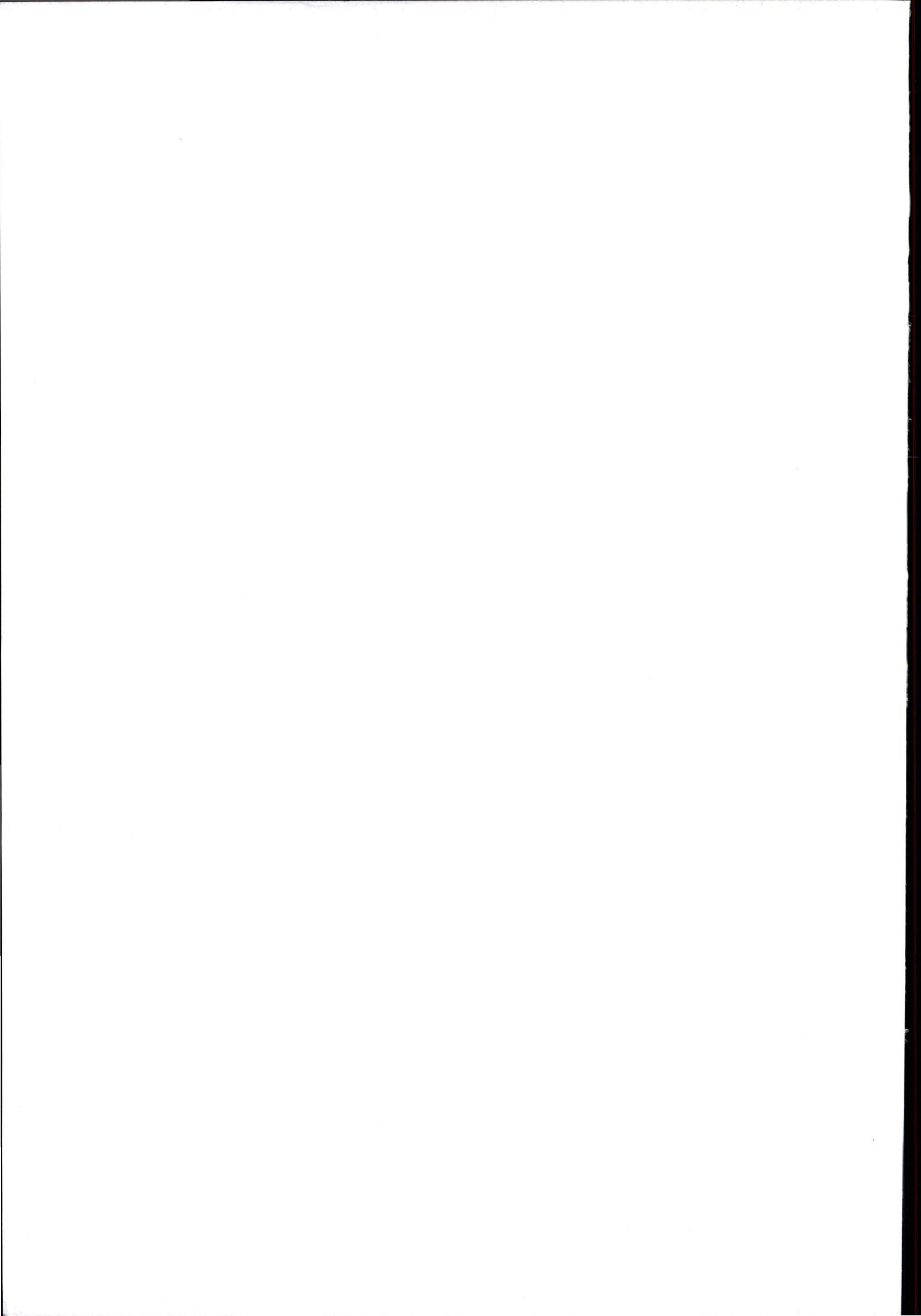




Performance Report
of
Indian Audit and
Accounts Department

- Ensuring accountability through audit -

2005-06



Comptroller and Auditor General of India



It has certainly been an excellent year for the organization and this report contains a gist of organizational performance during the period April 2005 and March 2006. It is a matter of great satisfaction that during this period we were able to improve both the quality and timeliness of the accounts as well as provide good value for the expenditure incurred on audit. As the nation's auditors, we earned Rupees 11 for every rupee spent on audit. Our audits resulted in initiating recoveries aggregating Rs.7,996 crores against a total expenditure on audit of Rs.714 crores.

During the financial year 2005-06, we conducted on-site audit in more than 65,000 auditee offices of the Union and State Governments across the entire country and abroad, and carried out audit tests on 14.9 million vouchers and transactions. The Department issued more than 64,000 Audit Inspection Reports at the conclusion of the on-site cyclic audits of government departments, field units (including our embassies), bodies and authorities under my audit jurisdiction.

We prepared 130 Audit Reports for presentation to Parliament, and State and Union Territories legislatures under Article 151 of the Constitution of India. Of these, 39 Audit Reports pertained to financial year 2003-04, presented in state legislatures in 2005-06. Of the 91 Audit Reports pertaining to financial year 2004-05, 41 were presented in Parliament/State Legislature during April-August 2006.

We continued with the modernization and reform of the two main strands of our work i.e. Regularity Audit and Performance Audit. Regularity Audit, both financial and compliance audit, ensures that public bodies maintain accounts correctly and render complete accounts for the money that the Parliament and the State Legislatures have given them. Regularity audits also verify compliance and provide independent assurance to all stakeholders that authorities audited have complied with the intent of legislature as well as the orders of the executive. On the other hand, Performance Audit allows the examination of the economy, efficiency and effectiveness achieved in the use of Government resources.

91 Audit Reports to Parliament and state legislatures for the financial year 2004-05 contained performance audits on 211 topics and IT audits on 30 topics. Out of 211 performance audit topics, nine were on environmental issues. We found that the response to our Performance Audit Reports, particularly the stand-alone reports, which are issued as a separate series from 1 April 2006, has been very encouraging. I am happy to mention that the Public Accounts Committee of the Parliament has been generous in its praise of the initiatives taken by us to strengthen Performance Audit.

We have also undertaken a project to benchmark the principles and procedures of our financial audit practice to global standards under a capacity building project funded by the World Bank. Selected officers from this organization were provided training in United Kingdom under this project. These officers will form a core group for providing training to other officers of the Department after the new financial audit guidelines are promulgated.

Under the Constitution of India while State Governments are primary auditors of PRIs and ULBs, I have been entrusted the responsibility of providing training, guidance and supervision (TGS) for audit of the third tier of government by 18 States. Besides fulfilling our responsibilities under the TGS scheme, we have brought out four Audit Reports on audit of local bodies for presentation to the State Legislatures of Tamilnadu, Karnataka, Kerala and Rajasthan this year.

Some of the other areas in public audit receiving priority attention in the Department include: (i) a sharper focus in identification, reporting and follow-up on cases relating to the fraud and corruption, (ii) implementation of a Quality Management Framework for public audit, (iii) automation and computerization of operational aspects of auditing and the development of a computerized Audit Management System along with automation of audit work flow in the Department (iv) modernising the management information system in the Department, and (v) up-dating and reviewing manuals and regulations relating to audit to keep them current.

As far as compilation of State accounts is concerned, our main aspiration continues to be improvement in the timeliness and the quality of accounts. The Voucher Level Computerization project is almost complete. The computerization of General Provident Fund, Pension and Gazetted Entitlement functions is proceeding according to the plan. An effort is being made to achieve co-ordination with State Governments so that there is greater synergy between computerization efforts of the State Governments and those of the Comptroller and Auditor General.

We continue to be at the forefront of international audit and we play an important role in the international arena. India is a member of the Governing Board of International Organization of Supreme Audit Institutions (INTOSAI) and Comptroller and Auditor General of India has been elected as the Secretary General of the Asian Organization of Supreme Audit Institutions (ASOSAI) upto 2009. I also chair the IT Audit Committee of INTOSAI, besides functioning as a Member of INTOSAI's Standing Committee on Finance and Administration. We made significant contributions to deliberations of the Global Working Group and to the Commonwealth Auditor General's Conference. Currently, the Comptroller and Auditor General of India is the external auditor of the World Health Organization, the Food and Agriculture Organization, the International Maritime Organization and the World Tourism Organization.

The success we have achieved during the year has been possible because of the unstinted support and cooperation that I have received from the senior management of the Department and the dedication and professionalism of thousands of officers and staff of the Indian Audit and Accounts Department.

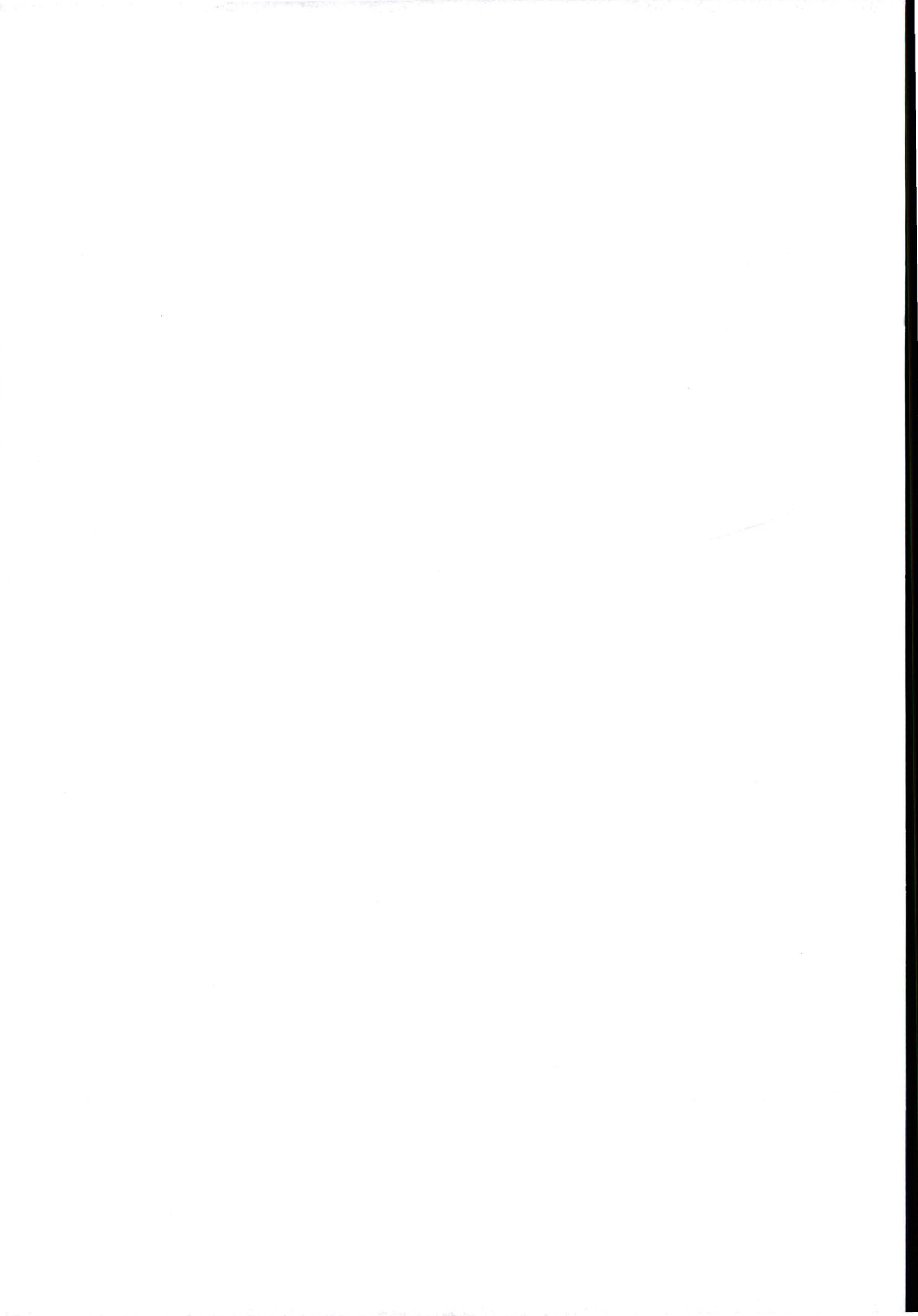


(Vijayendra N. Kaul)

Comptroller and Auditor General of India

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Highlights

- We continued our emphasis on risk-based audit planning guided by maximum value addition to the performance of the entities and on timely and purposeful accounts and entitlement services.
- Comptroller and Auditor General of India prepared 130 Audit Reports for presentation to Parliament, and State and Union Territories legislatures under Article 151 of the Constitution of India. Of these, 39 Audit Reports pertained to financial year 2003-04, presented in state legislatures in 2005-06. Of the 91 Audit Reports pertaining to financial year 2004-05, 41 were presented in Parliament/State Legislature during April-August 2006.
- The Audit Reports of the Comptroller and Auditor General of India to the Parliament and state/union territories for the financial year 2004-05 contained performance audits on 211 topics and 2,908 transaction audit paragraphs, besides opinion/comments on accounts.
- Consistent with the critical importance, we conducted IT audits on 30 topics and environment audits on nine topics.
- The aggregate money value of the audit findings in the Audit Reports, calculated on the basis of norm/criteria determined by CAG was a massive Rs.12,782 crore.
- We realized considerable value for money through our audit work. For every Rupee spent on the audit functions, we realized Rs.11 by way of recoveries made at the instance of audit. The total recoveries at our instance accepted by the Departments of the Central and state governments during the year was Rs.7,996 crore.
- We issued audit certificates/opinion in 16,013 cases during the year.
- Our supplementary audit of government companies and audit of government corporations led to revision of their accounts for an aggregate value of correction to the amount of profit/loss by Rs.2,922 crore. Besides this, we pointed out understatement/overstatement of profit/loss and assets/liabilities amounting to Rs.5,509 crore and Rs.8,876 crore respectively.
- We audited at least 1.49 crore vouchers in Central Audit and issued in all 39,179 Audit Notes.
- XXIII biennial Conference of the Accountants General was held in New Delhi from 20 to 22 September 2005. More than 100 Principal Accountants General/Accountants General participated in the deliberations. The conference was inaugurated by the Hon'ble President of India.
- A seminar on 'Legislature and Audit Interface for Enforcing and Strengthening Accountability Mechanism' was held in iCISA, Noida on 22 July 2005. The Hon'ble Speaker of Lok Sabha, Shri Somnath Chatterjee inaugurated the Seminar. The Chairman, Public Accounts Committee (PAC), Chairman, Committee on Public Undertakings (COPU) and the Chairpersons of the state PACs and COPUs attended the Seminar.
- We continued our active association with international and regional organisations of Supreme Audit Institutions. CAG continue to function as Chairman of the INTOSAI Steering Committee on IT Audit, member of the governing board of INTOSAI and Secretary General of the ASOSAI. He was also the member of the Standing Committee, Finance and Administration of the INTOSAI.

- CAG of India was the external auditor of Food and Agriculture Organisation; World Health Organisation; International Maritime Organisation; and World Tourism Organisation during 2005-06.
- Apart from incessant upgrading of our auditing techniques and procedures, we also put considerable emphasis on further improving our accounting services. Significant progress was achieved in computerisation of General Provident Fund accounts and pension authorization function. Interactive Voice Response System was in operation in several states.
- With a view to processing the cases of pensioners, we held 41 'Pension Adalats' during the year and cleared 2,248 cases on the basis of representations in these 'Adalats'.
- We continued to accord highest priority to timeliness in preparation of state monthly accounts and Annual Finance and Appropriation Accounts and completed them as per the schedule.
- We achieved significant value through our audit work at a very low cost. For every rupees one lakh of transactions audited by us, we spent only Rs.45 down from Rs.51 during the previous year.



Vision

“To promote excellence in the public sector auditing and accounting services towards improving the quality of governance”



Mission

“To enhance accountability of the executive to the Parliament and state legislatures by carrying out audits in the public sector and providing accounting services in the states in accordance with the Constitution of India and laws as well as the best international practices. Where entrusted, to provide technical guidance to local bodies including Panchayati Raj Institutions to enhance their accountability.”



Areas of Focus

It is our endeavour to perform our role with distinction consisting of good audit planning, comprehensive and globally benchmarked audit procedures and good quality reports, including accounting services. A few specific areas of focus are determined every year and special emphasis is put on them.

In order to improve communication, we have embarked upon the development of a comprehensive communication policy for our organisation. The communication policy covers all facets and forms of communication with various entities both external and internal.

In our endeavour to place as many audit reports as possible before the budget session of the legislatures in order to provide them with a report on last year's budgetary performance before approval of the next year's budget, we have made a beginning by presenting a few reports in the winter session of the legislatures.

- **Benchmarking our audit with global standards; and**
- **Development of comprehensive Communication Policy.**

Data and information system security is crucial for any organisation. We have undertaken a comprehensive review of information security management at our International Centre for Information Systems and Audit (iCISA) with a view to obtaining international BS 7799 Certification.

We have undertaken a project for work-flow automation in the headquarters office under which all or most of the documents/files will be processed electronically, including hierarchical submission and approval. The project also enables electronic movement of documents and data between the field offices and the headquarters office. The work-flow automation contains features of creation of a database and referencing of various documents.

We continued to strengthen our capacity for IT audit and audit in IT environment. In this direction, we organised 10 workshops, provided ERP training, conducted vertically integrated IT audit skills and capacity development courses consisting of participants from Group A to Group C level officials.

In our commercial audit, we have revamped the existing Audit Board mechanism for performance audit of important subjects. Unlike other performance audits, those undertaken under Audit Board mechanism benefits from collective wisdom and knowledge of a group of senior officers of the Audit Department, besides securing technical advice of the experts nominated on the Audit Board for each of the subjects of the performance audit. The advice by outside subject experts lends depth and value to the performance audits through a multi-disciplinary pool of knowledge and expertise.

Corporate governance is increasingly assuming critical importance. In our commercial audit of government companies and corporations, we have intensified our focus on audit of corporate governance issues.

With increasing devolution of resources and delegation of authority to local self-government entities, the necessity of strengthening reporting and accountability is evident. We have taken upon

- **Data security system;**
- **Computerisation of entitlement function;**
- **Audit of corporate governance; and**
- **International cooperation and knowledge sharing.**

ourselves this gigantic task of providing technical guidance, training and supervision to the auditors of the local self-government system besides carrying out value for money studies of several rural and urban sector programmes.

In the field of international relations, we continued development of INTOSAI Communication Policy as the goal liaison institution for Goal 3 (knowledge sharing) of the INTOSAI strategic plan. As team leader of the VII ASOSAI research project, we contributed in development of "Audit Quality Management System". This system aims at an integrated approach to the quality management of the entire audit process.

As Chair of the Government Accounting Standards Board (GASAB), CAG has constituted a task force in the headquarters office for addressing the sensitization issues on the transition to accrual system of accounting and to encourage accounting reforms in the state governments. GASAB also undertook an operational framework and detailed roadmap for transition to accrual accounting.

Following up on the recommendations of the 12th Finance Commission, two appendices were developed for addition to the Finance Accounts containing information on expenditure on salaries and subsidies disbursed besides the number of pensioners drawing pension from the respective consolidated funds.

To provide prompt and correct pensionary benefits to the pensioners of the state governments, a fully automated IT program has been developed. The program was successfully introduced in the office of the Accountant General (A&E), Maharashtra.

During 2005-06, several development projects were taken up and completed. It is a matter of satisfaction that such a large number of projects could be successfully taken up by different divisions of the office of the CAG. Each of these projects is aimed at adding significant value to our working procedures and internal accountability within the Department. Some of the development projects undertaken or completed during the year include 'Standing Order on Fraud and Corruption', 'Gap Analysis in Audit and Accounts' providing for an in-depth comparison of the contemporary best practices with those obtaining in our organisation, 'Development of Quality Management Framework', 'Management Information System', 'Audit Management System', 'Preparation of Digital Manuals', and 'Computerization of GPF, Pension and Gazetted Entitlement Functions', etc.

In order to benchmark our financial (attest) audit to the contemporary global standards, we implemented a capacity-building project assisted by the IDF grant from the World Bank. Under this project, a gap analysis in our standards of financial (attest) audit was carried out. 28 officers received training with the National Audit Office, UK. They form the core group of trainers for training of other officers in our national and regional training institutes. We have also undertaken review of our financial (attest) audit guidelines and developed a training module on this subject.

Duties and powers of the Comptroller and Auditor General of India

The CAG derives his duties and powers from Articles 148 to 151 in Chapter V of Part V of the Constitution of India and the CAG's (DPC) Act, 1971, made under the provisions of the Constitution.

The duties of CAG includes audit of

- Receipts and expenditure from the Consolidated Fund of India and of the State and Union Territories;
- Transactions relating to the Contingency Funds and Public Accounts;
- Trading, manufacturing, profit and loss accounts and balance sheets, and other subsidiary accounts kept in any government department;
- Accounts of stores and stock kept in government offices or departments;
- Government companies as per the provisions of the Companies Act, 1956;
- Corporations established by or under laws made by Parliament in accordance with the provisions of the respective legislation;
- Authorities and bodies substantially financed from the Consolidated Funds of the Union and state governments;
- Any body or authority even though not substantially financed from the Consolidated Fund, the audit of which may be entrusted to SAI;
- Grants and loans given by government to bodies and authorities for specific purposes; and
- Entrusted audits e.g. those of Panchayati Raj Institutions and Urban Local Bodies under TGS.

Statutory responsibility

- Audit of Union and state government accounts – expenditure and receipts;
- Audit of bodies and authorities funded and/or established by the Union or state government; and
- Government companies and corporations.

The Accounts offices are responsible for

- Compilation of accounts of the state governments;
- Preparation of the annual accounts of the state governments and union territories having a legislative assembly; and
- Rendering accounting information and assistance to the state governments.

Audit Reports

CAG submits his Audit Reports and Appropriation Accounts and Finance Accounts relating to the accounts of the Union to the President, who is to cause them to be laid before each House of Parliament. His Audit Reports and Appropriation Accounts and Finance Accounts relating to the accounts of a state¹ are submitted to the Governor² of the state for laying before the legislature of the state.

Separate Audit Reports on all statutory corporations and autonomous bodies are also submitted by the CAG, for which he is the sole auditor.

CAG presents one or more volumes of his Audit Reports to Parliament/state legislature and union territories with legislative assemblies under the following sectors:

Union Audit Reports	State Audit Reports
<ul style="list-style-type: none">• Civil;	<ul style="list-style-type: none">• Civil;
<ul style="list-style-type: none">• Autonomous bodies;	<ul style="list-style-type: none">• Revenue;
<ul style="list-style-type: none">• Scientific departments;	<ul style="list-style-type: none">• Commercial; and
<ul style="list-style-type: none">• Defence services;	<ul style="list-style-type: none">• Local bodies.
<ul style="list-style-type: none">• Railways;	
<ul style="list-style-type: none">• Direct taxes;	
<ul style="list-style-type: none">• Indirect taxes; and	
<ul style="list-style-type: none">• Commercial.	

Guiding principles for audit and accounting

Constitutional provisions

CAG derives his position and authority in relation to audit of expenditure and receipts of both the Union Government and the state governments from the Constitution. Article 149 of the Constitution prescribes that the CAG shall perform such duties and exercise such powers in relation to the accounts of the Union and of the states, as prescribed by law made by the Parliament.

The Constitution also prescribes that the accounts of the Union and of the states shall be kept in such form as the President may, on the advice of the CAG, prescribe.

Enactment by Parliament

In pursuance of the Constitution, the Parliament established the law defining duties, powers and conditions of service of the CAG in 1971³. This Act *inter alia* prescribes the duties and responsibilities of the CAG in respect of audit of the expenditure of the Union and state governments, autonomous bodies under them, bodies and authorities in receipt of grants-in-aid from the governments, revenue receipts, stores and stocks and government companies and corporations.

¹ includes union territory with legislature

² includes Lt. Governors of union territories with legislature

³ CAG's (DPC) Act, 1971-< www.cag.gov.in/html/about_legal_dpc.htm >

With a view to ensuring the accountability of the executive of the government companies and corporations to the Parliament and state legislature, the Act envisages that the CAG shall have powers to conduct the audit of the accounts of the government companies and corporations¹. These provisions are consistent with the Companies Act, 1956 and the Acts establishing the corporations. The Companies Act, 1956 empowers the CAG to:

- appoint/ re-appoint the auditors of a government company;
- direct the manner in which accounts shall be audited;
- give such instructions to the auditors in regard to any matter relating to audit;
- to conduct a supplementary or test audit of the accounts; and
- to comment upon or supplement the audit reports of the statutory auditors.

The Act prescribes the authority of the CAG in respect of inspection of offices, production of documents and information by the audited entities. The Act also provides the authority to the CAG to determine the manner and scope of audit.

As per the CAG's (DPC) Act, 1971, the CAG is responsible for compiling and keeping the accounts of the Union and of each state, any particular service or department of the Union. Under the Act, the President/Governor after consultation with the CAG can relieve him from the responsibility for compiling such accounts. Under section 10 of the Act, the President has relieved the CAG from the responsibility of compiling and keeping the accounts of various departments/ ministries of the Union Government and union territories except Chandigarh and Dadar & Nagar Haveli. In so far as the states are concerned, the CAG continues to compile and keep the accounts of all the states except the State of Goa and prepare the Appropriation and Finance Accounts thereof.

Auditing Standards

With a view to maintaining high quality of audit, the CAG has promulgated Auditing Standards that prescribes the standards of professional conduct of the officers and staff of the Indian Audit and Accounts Department (IA&AD), both in terms of professional competence and ethics. It also prescribes the principles and minimum standards of audit. The standards are consistent with the Act prescribing the duties and powers of the CAG. These are also consistent with the contemporary global best practices, including those of INTOSAI. Apart from the standards of professional conduct, the Auditing Standards also lay down the quality assurance system within the institution and overall framework for the steps to be followed by auditors in conducting and managing audit work and framework for reporting the result of audit.

With a view to ensuring that the audit by the IA&AD conforms to the standards set for itself, the CAG has issued standing orders and various guidelines.

Standing orders

To give effect to the Auditing Standards and his accounting responsibilities, CAG has issued three Manuals of Standing Orders (MSOs); namely (i) MSO (Audit), (ii) MSO (Accounts) and (iii) MSO (Admn.).

¹ Corporation enacted by or under the law made by Parliament or State Legislature

Standards based audit

- CAG's Auditing Standards set minimum standards of professional conduct;
- Wide ranging consultative arrangements through CAG's Audit Advisory Board; and
- Standing orders and Guidelines guide the conduct of audit.

MSO (Audit) deals with general principles and procedure for audit, reporting the results of audit and preparation of Audit Reports for the Parliament and state legislatures. The Manual provides detailed instructions/checklists for various types of audits viz. audit of expenditure, receipts, stores and stock, commercial accounts, and non-commercial autonomous bodies etc. It also contains supplementary instructions for certification, compliance and performance audits, with detailed instructions for audit of establishment expenditure, contingent expenditure, grants-in-aid, pension, contracts, deposits, service provident and other funds, World Bank and other externally assisted projects etc., besides audit of computerised system, public works, and forest accounts etc.

MSO (Accounts) deals with general principles and procedure for classification of transactions between capital and revenue, procedure of accounting of loans and advances, deposits, public works, forests, provident fund, pensions etc. besides form and contents of the monthly accounts and Finance and Appropriation Accounts.

MSO (Admn.) consists of organisational set up and service matters, various cadres within the Department, recruitment rules, promotion, departmental examinations, financial and administrative powers of subordinate offices etc.

Guidelines and practice notes

In the light of widely varying, complex and vast auditee environment, CAG has issued detailed subject and technique specific guidelines for each sector of audit viz. Civil, Commercial, Defence, Post & Telecommunications and Railways, etc. These guidelines contain step-by-step procedure/methodology and techniques for conduct of audit in pursuit of the Act and Auditing Standards established for conduct of audit as well as development of the professional competence of the officers and staff.

Consultative procedure

While the audit is conducted in the background of the Constitution of India and the Act made there-under; CAG has established a framework of a consultative arrangement for audit through his high level Audit Advisory Board. The inputs/ suggestions by the Public Accounts Committee and Committee on Public Undertakings of the Parliament are also taken into account for audit planning.

Audit Advisory Board

An Audit Advisory Board has been set up under the Chairmanship of CAG, which consists of eminent persons from diverse fields. Deputy Comptroller and Auditors General are ex-officio members of Audit Advisory Board. Apart from the three Deputy Comptrollers and Auditors General, who are ex-officio members, the other members of Audit Advisory Board enjoy a two year term. The eminent persons on the Audit Advisory Board (2004-2006) are:

S. No.	Name	
	S/Shri	
1.	Alagh, Dr. Yoginder K.	Vice-Chairman and Prof Emeritus Sardar Patel Institute of Economic and Social Research, Ahmedabad
2.	Hussain, Abid	Former Member of Planning Commission
3.	Kalra, Lt. Gen (Retd) D. V.	Retired Lieutenant General
4.	Mathur, J.S.	Former Deputy Comptroller and Auditor General of India
5.	Murthy, N. R. Narayana	Chairman, Infosys Technologies Ltd., Bangalore
6.	Pachauri, R.K.	Director General, The Energy and Resources Institute, New Delhi
7.	Pathan, M.A.	Resident Director, Tata Services Ltd., New Delhi
8.	Rana, I.I.M.S.	Former Chairman, Railway Board, New Delhi
9.	Rangachari, N.	Former Chairman, CBDT & Insurance Regulatory and Development Authority, Hyderabad and Financial Advisor to the Government of Andhra Pradesh
10.	Rao, Prof. U.R.	Chairman, Physical Research Laboratory Council, ISRO-DOS, Bangalore
11.	Shankar, P.	Central Vigilance Commissioner, New Delhi.
12.	Vikamsey, Kamlesh S.	President, Institute of Chartered Accountants of India, New Delhi

Audit Boards for Companies/Corporations

Audit Boards are constituted with Deputy CAG (Commercial) as ex-officio Chairman. The Secretary of the Board and two - three Principal Directors are full time members. In addition, the respective Ministry/Department controlling the PSU appoints two part-time technical members in consultation with CAG.

These Boards are set up to undertake comprehensive appraisal of the performance of the government companies and corporations and to discuss their findings and conclusions with the managements of the enterprises and their controlling ministries and departments of government to ascertain their view points before finalisation of Audit Reports. The results of such comprehensive performance audits are incorporated in the Audit Reports of the CAG.

Government Accounting Standards Advisory Board (GASAB)

In order to standardise the various codal provisions and transition from an era of Rule based system to Standards based accounting common to all departments, the GASAB was set up by the CAG in August 2002. The Board functions under the chairmanship of Deputy CAG. The members of the Board include Controller General of Accounts, Financial Commissioner Railways, Controller

Accounting reforms

- GASAB set up by CAG to develop accounting standards; and
- Also responsible for accounting reforms.

General of Defence Accounts, Additional Secretary (Budget), Government of India, Deputy Governor of RBI and President of ICAI, Director General of NCAER and Principal Finance Secretaries of four states (by rotation). Director General (AEC) in the office of CAG is the Member Secretary of the Board.

The mission of the GASAB is to establish and improve standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports. The Board also seeks to promote the basic characteristics of understandability, reliability, relevance, timeliness, consistency and comparability of Government accounts across departments, authorities and organisations in the Union and state governments.

Audit Committees

Audit committees, comprising of representatives of the Audit Department and the government departments are constituted in the government departments. The committees follow up and monitor compliance to audit observations.

Compliance to Right to Information Act 2005

The information required under the Right to Information Act, 2005, has been made available at our web page < www.cag.gov.in/html/rti.htm >

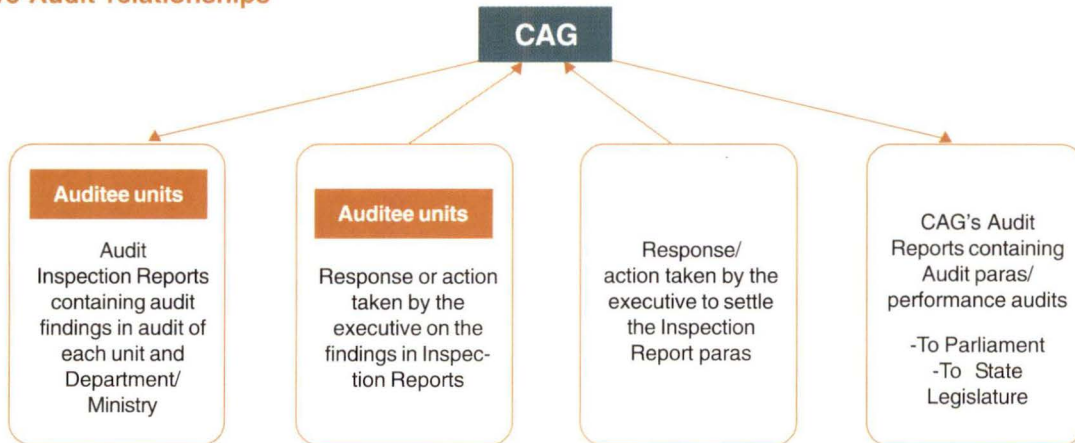
Process of Public Accountability

(Public accountability relationships)

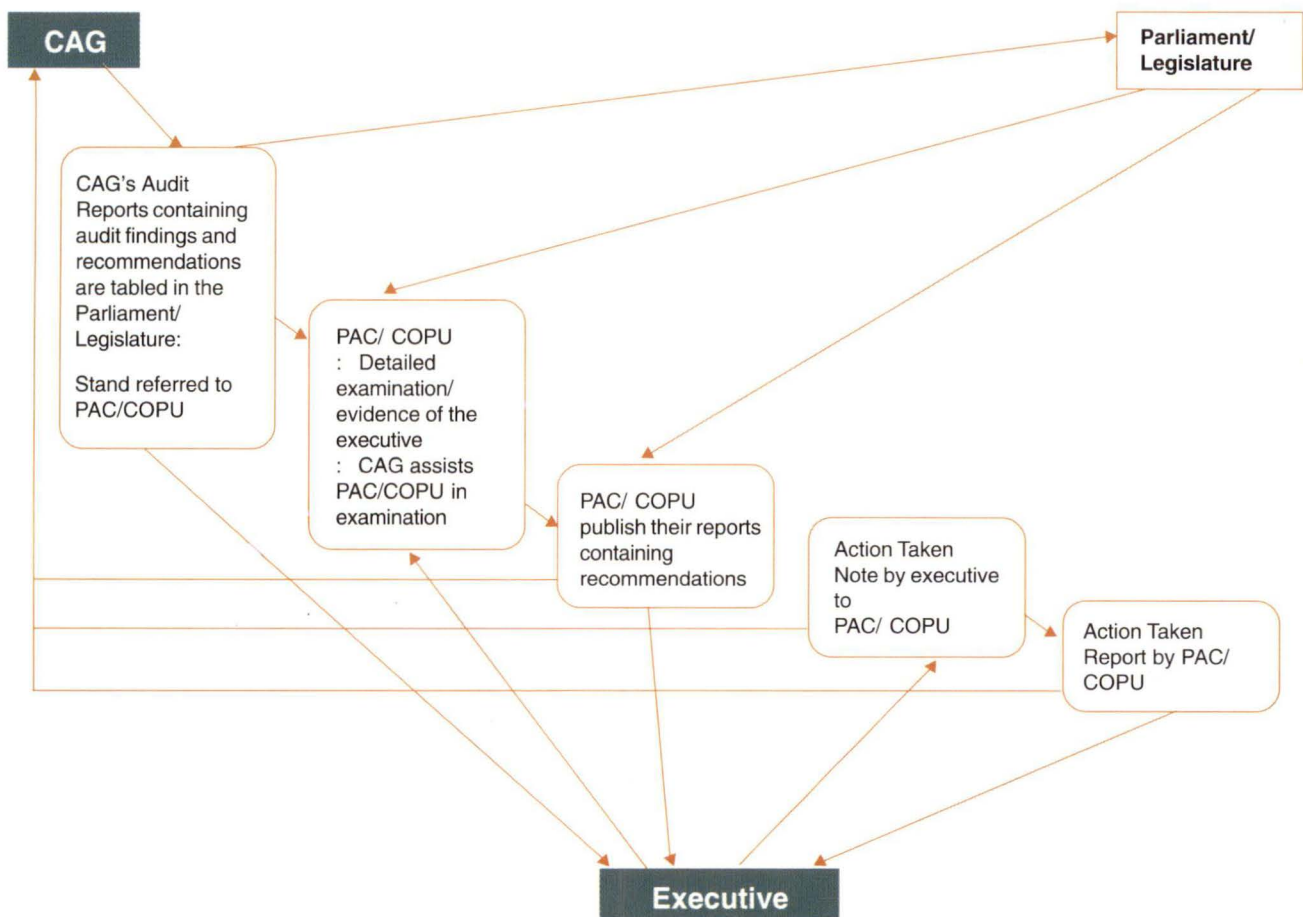
CAG secures the accountability of the executive to the Parliament/state legislature with help of regularity and financial audits. The following diagram depicts the accountability relationships:

Accountability procedure:

Executive-Audit relationships



Accountability relationships through Parliament/State Legislature



In pursuit of maintaining high standards of audit, the Audit Department strives for

- planning audit to ensure high quality audit economically, efficiently and effectively;
- analysing the financial statements to establish whether acceptable accounting standards for financial reporting and disclosure are complied with;
- evaluating the reliability of internal control for compliance and performance;
- obtaining competent, relevant and reasonable evidence in order to support the auditor's judgement and conclusions;
- ensuring effective supervision and control over the audit work; and
- maintaining effective quality management framework.

Types of audit

Striving to effectively discharge the duties for improving quality of governance, efficiency and accountability, following types of audit are undertaken by the CAG:

- Performance audit; and
- Regularity (financial) certification audits and Regularity (compliance) or Transactions audits

Performance Audit

CAG continued to lay significant emphasis of performance audit, with a view to assessing the efficiency and effectiveness with due regard to economy, with which the entities run their programmes and activities. Performance audits were carried out across all sectors of functions of the Union Government and the state governments; which inter alia included Civil, Defence, Post and Telecom, Railways, government companies and corporations, autonomous bodies, Union and state receipts etc. During the year, we conducted performance audits on 211 topics including nine exclusive ones. Findings of these audits were included in 19 Performance Audit Reports and other transaction Audit Reports placed in the Parliament/legislatures. Some of the more important performance audits conducted during the year were:

- Functioning of Employees State Insurance Corporation;
- Revenue generation by Doordarshan and All India Radio;
- Prasar Bharti;
- Pradhan Mantri Gram Sadak Yojana (PMGSY);
- Pradhan Mantri Gramodaya Yojana (PMGY);
- Status of medical equipment, building and vehicles in establishing health care institutes as per population norms;
- Sarva Shiksha Abhiyan;
- Import of Coking Coal- Steel Authority of India Limited;
- Telecom business- GAIL (India) Limited;
- Wireless-in-Local Loop- Telecom service in Bharat Sanchar Nigam Limited;
- Disinvestment of Government share-holding in selected Public Sector Undertaking during 1993-2003;
- Development of land by Delhi Development Authority;
- Fund management of National Capital Region Planning Board;

- Employees Provident Fund Organisation;
- Assessment of Information System (AST) in the Income Tax department;
- Implementation of Acts and Rules relating to consumer protection.
- Integrated Child Development Scheme;
- Flood control measures in Bihar;
- National Slum Development Programme;
- Health System Development Project in Orissa;
- Impact of the reproductive child health programme in Uttar Pradesh; and
- Water management for irrigation in Haryana.

Regularity Audit (Compliance)

Regularity (compliance) or transaction audits are carried out with a view to verifying that expenditure conforms to the relevant provisions of the Constitution, laws, rules, regulations and other instructions pertaining to the entities being audited. Some of the findings highlighted in the Regularity audit by IA&AD are:

- Fraud in sanction and disbursement of loan- PNB Housing Finance Limited;
- Unfruitful investment of Rs.80.24 crore on Captive Power Plant at Kathara- Central Coalfields Limited; and
- Extra expenditure of Rs.35.73 crore in procurement of US Coal – Rashtriya Ispat Nigam Limited.

During 2005-06, CAG approved 12 Transaction Audit Reports on the accounts of the Union Government for placing before the Parliament and 60 Audit Reports on the accounts of state governments/union territories for placing before their legislature. The aggregate money value of the transaction audit findings in the Audit Reports calculated on the basis of the norms/ criteria determined by CAG was Rs.12,782 crore as detailed below:

Wide-ranging audit

- On-site audit carried out in around 65,000 units of Union and state governments; and
- Audited 1.49 crore vouchers.

Results of audit

- Money value of the Transaction Audit Reports amounted to Rs. 12,782 crore.

Union Government

Sr.No.	Category of reports	No. of Reports	No. of paras included in reports	Money value of reports (Rs. In crore)
1.	Civil including Scientific departments	2	38	46.89
2.	Autonomous Bodies	1	49	73.22
3.	Direct Taxes	1	683	950.81
4.	Indirect Taxes			
	Customs	1	256	108.24
	Central Excise		275	1,568.27
5.	Defence Services			
	Army and Ordnance Factories	1	28	40.03
	Air Force and Navy	1	17	701.88
6.	Railways	1	94	195.15
7.	Commercial	4	201	686.72
	Total	12	1,641	4,371.21

State governments and union territories

Sr.No.	Category of reports	No. of Reports	No. of paras included in reports	Money value of reports (Rs. In crore)
1.	Civil audit	26	506	2,250.76
2.	Receipt audit	17	582	3,260.99
3.	Commercial audit	14	275	2,898.96
4.	Local Bodies	3	31	-*
	Total	60	1,394	8,410.71

Volume of work in audit

Volume of work handled by the Audit Department during 2005-06 is indicated below:

A: Central audit

Government	No. of vouchers audited	No. of Audit Notes issued
Union Government, State Governments & Union Territories	1,49,29,746	39,179

B: Local audits in units/offices

Government	No. of units audited	No. of Inspection Reports issued
Union Government, State Governments & Union Territories	64,543	64,460

Number of companies and corporations under audit jurisdiction at the beginning of the year 2005-06

Wings	No. of Govt. Companies	No. of deemed Govt. Companies	Statutory Corporations	General Insurance Companies	Total
Central	288	89	6 **	5	388
State	1062 ***	64	107	-	1233

Regularity Audit (Financial)

Certification of Accounts

One of the most important functions of the CAG is to issue audit certificates and audit opinion on the financial statements of the Union and state governments (Appropriation Accounts and Finance Accounts), autonomous bodies and government corporations. For the government companies, the CAG fulfils this responsibility through supplementary audit over the audits conducted by the statutory auditors under the Companies Act 1956. In case of certification of government companies, the Comptroller and Auditor General of India contributes to the quality of certification by way of appointment of chartered accountants as statutory auditors, directions to them and supplementary audit of the financial statements.

Further, CAG issued 615 'Financial Audit Certificates' in respect of accounts and transactions of Union, 6,265 'Financial Audit Certificates' and 9,133 'Regularity Audit Certificates' in respect of states and union territories.

* Money value criterion for Local Bodies Audit Report is yet to be finalised.

** includes Electricity Regulatory Commission

*** includes 320 non-functional companies

New specializations in Audit

(a) Information Technology Audit

With continued emphasis on information technology and e-governance, CAG of India has developed strategies for audit of IT systems, consistent with the global best practices. Some of the major IT audits out of the total of 30 conducted during the year were:

- Sanchay Post Software in the Department of Posts (DoP);
- General Insurance System Software- National Insurance Co. Limited;
- Chennai Telephone Billing System of Bharat Sanchar Nigam Limited (BSNL);
- Assessment of Information Technology under COBIT framework- NHAI;
- Computerisation of Municipal Corporation of Hyderabad;
- IT Audit of PRIME, to the extent implemented by three Zonal Railways, revealed several significant deficiencies as nine of the 18 sub modules developed were not put to use leading to sub optimal utilisation of the application;
- The TAS introduced on Metro Railway, Kolkata was found to be deficient both in application and general controls. Implementation of non-cluster solution, in contravention to the recommendation of Regional Computer Centre (RCC) Kolkata, adversely affected the on-line processing. In the absence of incorporation of validation checks, the system was accepting any value entered as the amount of bill without cross verifying the availability of funds under the corresponding heads;
- Teachers Provident Fund Accounting System in Orissa;
- Computerisation of Employment Exchange in West Bengal;
- Application and general control in Karnataka Housing Board; and
- Recruitment Application Processing System in Kerala Public Service Commission.

(b) Environment Audit

Environment audit is increasingly becoming the emergent area. Consistent with the critical importance of the environment protection and conservation issues within the country and global trend among Supreme Audit Institutions (SAI) for special focus on the audit of environment related matters, the CAG has set up a nodal office for environment audit. We are imparting special training and skill development sessions through seminars and workshops on environment audit. In our audit planning, environment related subjects are taken up under distinct portfolio. An Environment Audit Manual is under development. During 2005-06, the CAG approved nine Audit Reports relating to environment issues, some of which are as under:

- Conservation and Protection of Tigers in Tiger Reserves;
- Environment management systems including energy conservation at state-owned enterprises in West Bengal;
- Environment management system in thermal power stations of the Gujarat State Electricity Board;
- Environmental safeguards in thermal power stations of Andhra Pradesh Power Generation Corporation Limited;
- Pollution control in Thermal power stations of Bihar State Electricity Board;
- Environment management system in Rajasthan State Ganganagar Sugar Mills Ltd.; and
- Environment management systems in state public sector undertakings in Uttar Pradesh.

Responsiveness of the Government

It is imperative that the executive furnishes replies/response to the various forms of reports generated and issued in the process of audit culminating in CAG's Audit Reports to Parliament and state/UT legislatures with a view to ensuring that the opinion of the executive is taken into account before finalising the audit findings. In respect of the Audit Reports of CAG, the Government of India has prescribed on the recommendation of the Public Accounts Committee that ministries/departments must furnish replies to the draft of the paragraphs, which are forwarded to the secretaries of the ministries/departments demi-officially, within six weeks. Yet, the ministries/departments did not furnish their response to 744 draft paragraphs issued to them out of a total of 1,641 included in the Audit Reports approved by CAG for presentation to Parliament. In respect of the state/UT Audit Reports, the governments did not furnish replies to 107 of the total 1,394 paragraphs approved for inclusion in the Audit Reports of the state/UTs.

The accountability of the executive is established through report of the CAG to the Parliament/ state/UTs legislatures which stand *suo moto* referred to their Public Accounts Committees and Committees on Public Undertakings. The accountability framework also envisages response of the government including remedial measures on the findings and recommendations included in the paragraphs, which are required to be submitted to the respective Public Accounts Committees and Committees on Public Undertakings. On the recommendation of the Public Accounts Committee, the Union Government has prescribed a time limit of four months from the date of presentation of the Audit Reports for submission of action taken notes to them. The ministries/departments did not comply with the orders of the government against 5,381 paragraphs (Annex III refers) contained in the Audit Reports presented before the Parliament until 30 November 2005, which were required to be submitted by not later than 31 March 2006. In case of the state/UT Audit Reports presented in the legislature up to November 2005, the remedial action taken note in respect of 11,771 draft paragraphs (Annex IV refers) were not submitted by the respective state/UTs governments to their Public Accounts Committees and Committees on Public Undertakings until March 2006. This impacted the effectiveness of the public accountability.

Follow-up on audit

- Action Taken Notes on 5,381 paragraphs and 11,771 paragraphs awaited from Union and state governments respectively.

Audit Reports tabled in Parliament/State Legislature

During 2005-06, CAG approved 31 Audit Reports (12 Transaction Audit Reports and 19 Performance Audit Reports) on the accounts of the Union Government for placing before the Parliament and 60 Audit Reports on the accounts of state governments/union territories for placing before their legislature. Of these six Audit Reports were placed before Parliament and 44 Audit Reports before the state/UT legislatures before the end of March 2006. In addition, 41 Audit Reports (Union- 25 & state/UTs- 16) approved by CAG during 2005-06 were presented before Parliament and legislative assemblies after March 2006. Besides, 39 Audit Reports approved during 2003-04 were also presented to the state legislatures during 2005-06.

Output of audit

- 130 Audit Reports of CAG for Parliament and state legislature; and
- 64,000 Audit Inspection Reports.

Examination of Audit Reports by PAC/COPU

The Committees of Parliament conduct detailed examination of the paragraphs/performance audit reports on a selective basis. In the case of the remaining paragraphs, the ministries submit Action Taken Notes (ATNs) vetted by IA&AD to the PAC/COPU. The Committees of state/union territory legislature examine selective paragraphs/ performance audit

reviews in a few states, while in others, the entire reports are examined by them.

During the year 2005-06, PAC/COPU carried out detailed examination of a large number of paragraphs included in the Reports of CAG. Discussions on the paras/performance audit reviews and the meetings held are as under:

Central PAC/COPU - Discussions		
Audit reports	No. of meetings held	No. of paras/ performance audit reviews discussed
Civil	1	1
Defence	2	2
Autonomous Bodies	3	2
Railways	4	1
Revenue Receipts	5	12
Commercial	8	3
Total	23	21

State PAC/COPU - Discussions		
Audit reports	No. of meetings held	No. of paras/ performance audit reviews discussed
Civil	417	873
Revenue Receipts	146	375
Commercial	311	406
Total	874	1,654

Impact of Audit

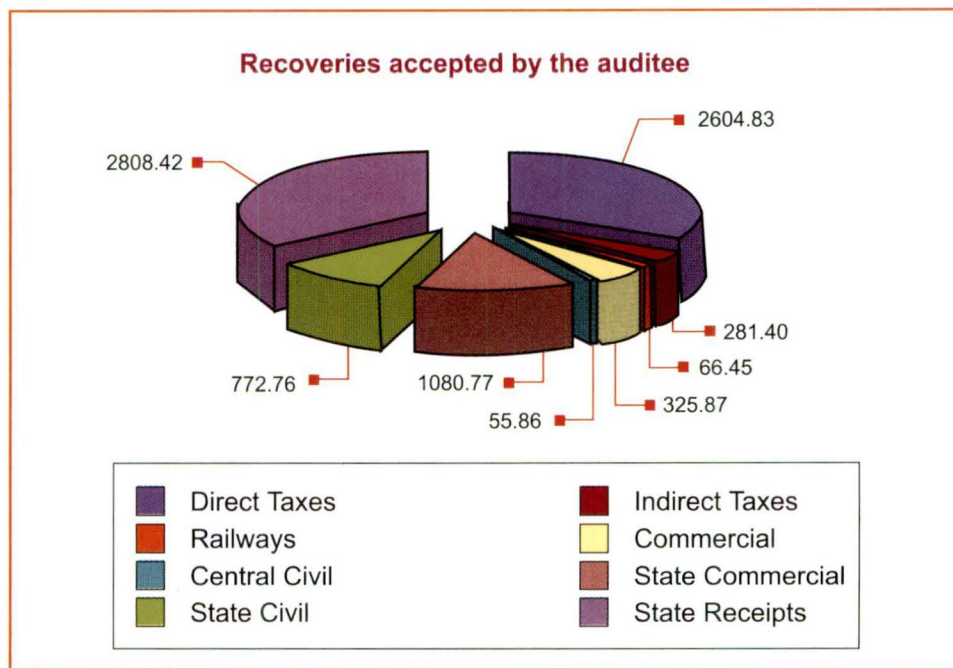
Value addition or the positive difference made in relation to integrity of the financial statements, compliance to the rules, the standards of propriety and performance through audit is the measure of impact of audit. In addition to the visible impact by way of findings of audit, much more significant but indeterminable outcome of audit lies in preventive and assurance values.

The impact of audit is the aggregate value of its finding in all local audit inspection reports issued during the year and the value of the findings included in the Audit Reports of the CAG to the Parliament/state legislatures.

The entities in the Union/state governments accepted non recovery of Rs.7,996 crore, out of Rs.34,003 crore pointed out in the local audit inspection reports. Till the finalisation of the reports, Rs.1,227 crore had since been recovered. A chart showing the audit findings in respect of recoveries accepted by the executives is shown below:

Impact of audit

- Government accepted audit findings for non recovery of Rs.7,996 crore and recovered Rs.1,227 crore so far; and
- This impact on recovery at the instance of audit alone realizes Rs.11 for every rupee spent on Audit



This impact alone realizes Rs.10.93 for every rupee spent on audit, excluding the value of assurance provided, system improvements and deterrent value.

Further, money value of the paras contained in the 12 Audit Reports on the accounts and transactions of the Union Government and 57 (excluding three Audit Reports of Local Bodies) Audit Reports in respect of the states and union territories amounted to Rs.12,782 crore as detailed in the chapter 3.

Certification of accounts of government companies and corporations

As a step towards monitoring and improving reporting of annual financial results by government companies and deemed government companies and corporations, CAG conducts supplementary audit under Section 619 (4) of the Companies Act 1956. As a result of such audits conducted during 2005-06, 12 Central PSUs and a number of state PSUs revised their accounts leading to increase/decrease in the reported profit/loss by Rs.2,922 crore. Where the PSUs did not revise their accounts, comments were issued on their accounts. These comments pointed out understatement/overstatement of reported profit/loss by Rs.5,509 crore (central PSUs: Rs.1,120 crore and state PSUs: Rs.4,389 crore) and understatement/overstatement of assets/liabilities by Rs.8,876 crore (central PSUs: Rs.1,646 crore and State PSUs: Rs.7,230 crore).

Outcome of audit of government companies and corporations

- 12 central PSUs and a number of state PSUs revised their accounts leading to increase/decrease in profit/loss by Rs.2,922 crore; and
- Comments on accounts issued for understatement/ overstatement of profit/loss by Rs.5,509 crore and assets/liabilities by Rs.8,876 crore.

Significant audit findings included in the Audit Reports

CAG presents a number of Audit Reports on the basis of audit of the Union Government and state/UT governments to the Parliament/legislature. This chapter contains gist of some of the more important audit findings included in the Reports of CAG to the Parliament and state/union territory legislatures. Based on the technical nature of audit involved in the various audits, the reports have been divided into seven sectors¹ and two groups namely Regularity Audit Reports and Performance Audit Reports.

[Union Government]

The CAG of India audits Finance accounts and Appropriation accounts of the Union Government as well as various transactions in these accounts.

Civil

The observations from the audit of various financial transactions of the civil ministries and departments are included in the Civil Audit Reports. Highlights of the some of the significant audit findings are discussed below:

Regularity audit

- Improper planning and lack of seriousness of the Income Tax Department in utilising the land and buildings acquired by it for office and residential purposes resulted in idling of Rs.50 crore for periods ranging from two to 12 years and avoidable expenditure of Rs.12 crore on payment of interest, extension charges and rent of the hired buildings. The Department also incurred additional expenditure of Rs.1.23 crore on the maintenance of an unoccupied building between March 2003 and February 2005 and continued to incur expenditure of Rs. six crore per annum on rent and maintenance of other hired and unoccupied buildings beyond February 2005.
- The Chief Postmasters General of 13 Postal circles failed to implement the instructions of the Department of Posts to deduct commission of Rs. 3.85 crore on purchase of revenue stamps from state governments.
- In disregard to the rules and regulations governing the employment of locally recruited staff, the missions and posts abroad continued to employ locally recruited staff and spent unauthorised expenditure of Rs.2.54 crore.
- Persistent non-compliance by the Indian missions abroad with the instructions of the Ministry of External Affairs for not holding cash balance in excess of requirement resulted in loss of interest of Rs.1.79 crore.
- In violation of Ministry's instructions, the Indian missions at Port Moresby, Suva and Helsinki purchased full fare economy class tickets instead of economy class excursion air tickets for 212 trainees during the period April 1996 to August 2004, resulting in an wasteful expenditure of Rs.1.44 crore.
- India Government Mint, Noida, without properly assessing its housing need, constructed 96 staff quarters which resulted in 58 quarters remaining vacant and consequential idling of investment of Rs. 2.29 crore. Besides, the Department had to pay House Rent Allowance of Rs. 44 lakh to the staff for whom the quarters had been constructed.

¹ Civil, Autonomous Bodies, Scientific Departments, Defence Services, Direct Taxes, Indirect Taxes, Railways and Commercial

- Violation of the General Financial Rules and the guidelines issued by the Ministry of Finance resulted in release of Rs. 3.28 crore to four autonomous bodies during 2001-02 to 2003-04 although these bodies were generating sufficient internal resources and were reporting excess of income over expenditure.
- Failure to complete the mandatory procedures and non-observance of contractual terms of the agreement coupled with delay in execution of the work by CPWD led to extra expenditure and loss of Rs.1.65 crore in the case of construction of quarters in Kolkata.
- Postal Life Insurance authorities of the Andhra Pradesh, Gujarat, Madhya Pradesh, Tamil Nadu and West Bengal Postal circles and the Additional Directorate General of Army Postal Service (PLI Cell), Delhi did not implement the instructions of the Department of Posts and paid bonus amounting to Rupee one crore on policies surrendered before maturity.

Information Technology audit

Implementation and functioning of 'Sanchay Post' developed by Datnet Corporation Limited

- Even after seven years of its introduction, operations were computerized in only five per cent of the post offices.
- Sample checks disclosed that insufficient validation controls and inadequate monitoring resulted in minus balances in individual savings bank accounts to the tune of Rs 12 crore.
- The software permitted deposits amounting to Rs seven crore under the Monthly Income Scheme and Rs five crore under the Public Provident Fund scheme in excess of the prescribed maximum limits. Interest amounting to Rs 39.35 lakh was allowed on such irregular deposits under the Public Provident Fund scheme.
- The software did not calculate service charges amounting to Rs 6.51 lakh in respect of silent accounts.
- DoP did not have proper change management procedure in place, resulting in non-incorporation of new schemes and changes in business rules.
- The software lacked customer friendly features like automatic transfer of funds from one savings scheme to another, which were available in the software used in banks.

Computerized Inventory Control Project in Central Ordnance Depot, Delhi

- There were many inadequacies in the completed modules of the software resulting in generation of incorrect output data.
- Even after implementation of phase-I, various functions like provision review, valuation of inventory, work of Statistical and Method Branch in Central Ordnance Depot Delhi continued to be carried out manually.
- Finalisation of the annual maintenance contract for three years effective from December 2004 for Rs.2.68 crore was injudicious as final switching over of one module was yet to take place.

Computerised Inventory management system of Ordnance Factories

- The system was not able to detect excess drawal of material. Consequently, material was drawn in excess of the authorised quantity mentioned in the material warrant in Metal and Steel Factory, Ishapore and Engine Factory, Avadi.
- The value (Rs four crore) and quantity of stock showed negative figures in three factories.
- The system accepted incorrect dates and items with blank descriptions due to inadequate validation technique.

Performance audit

Centrally Sponsored schemes

Union Government sponsors some social welfare schemes for which it releases funds. These schemes are implemented by the states. Audit observations relating to Union and states on such schemes are placed before Parliament and legislature respectively. Some of the more important audit observations of such schemes are given below:

Implementation of Consumer Protection Act and Rules

- There were delays ranging from one month to around five years in setting up the State Commissions and the District Forums. Important and fundamental requirements as the prescription of fee for filing complaints, laying down uniform procedures for the purpose, fixing time limits for disposal of appeals, and stipulating time limit for filing execution petitions were not finalized till 16 to 18 years after the passing of the Act.
- Non availability of the funds, infrastructure, and staff contributed largely to delays in disposal of complaints and appeals.
- Though the Act envisaged inexpensive redressal of grievances, the advocate fee constituted as much as 82 per cent of the average cost incurred by the complainants in the redressal forums. There was an average delay on an All-India basis of 16 months in obtaining compensation from the date of filing of complaint.
- Majority of the consumers at large were not only unaware of their rights but also of the redressal mechanism for grievances. The prospects of achieving the objectives of speedy and inexpensive redressal of consumer grievances remained rather distant though 18 years had passed since the enactment of the Act.

Sarva Shiksha Abhiyan

- A scheme for education for all namely the Sarva Shiksha Abhiyan (SSA) was launched in 2001-02 for providing useful and relevant elementary education to all children.
- Performance audit of the implementation of the SSA disclosed that the funds fell short of the requirements to fulfil the objective of education for all in the age group of 6 to 14 years by 2010 with deficiencies ranging from 43 per cent to 57 per cent during 2001-05.
- Audit findings brought out various financial irregularities amounting to Rs. 473 crore in 14 states/UTs such as non-adjustment of advances, loss of interest on funds kept in current account, excess payment of contingent grant, purchases made beyond delegated powers etc. In addition, Rs. 100 crore from SSA funds was diverted for meeting expenditure not covered under the scheme.
- Though SSA envisaged at least one primary school/Education Guarantee Scheme/Alternative Innovative Education centre within one kilometre of each habitation throughout the country. The facility was not available in 31648 habitations.

Management of Foodgrains

- Performance audit of the Government of India's management of foodgrains for ensuring availability of foodgrains to the public at reasonable prices, revealed significant inefficiencies with quantified financial effect of Rs. 1310 crore and several instances of reimbursement of procurement incidentals comprising of excessive statutory levies/non-statutory charges.
- The off take of foodgrains under the APL scheme was just 10.88 per cent of the total allotment between 2000-01 and 2004-05, reflecting consistently poor assessment of APL requirements.
- As regards the BPL scheme, due to differences in norms, the number of BPL households identified by the state

governments was 32 per cent higher than the estimates of the Union Government, leading to scaling down of rations.

- There were irregularities in identification of BPL and AAY beneficiaries, including delays in the identification process and issue of ration cards, failure to weed out ineligible/ bogus beneficiaries and issue of ration cards to ineligible beneficiaries.
- There were irregularities in the distribution of foodgrains, including diversion of foodgrains and distribution of lower quantities vis-à-vis the prescribed scale. Further, there were deficiencies in the operation of Fair Price Shops, including non-display of statutorily mandated information and non-maintenance/ improper maintenance of records of issues and sales.
- The arrangements for quality control, monitoring and inspection were inadequate. There were shortfalls in quality inspection of foodgrains at the time of procurement as well as storage. The requirement of obtaining Utilisation Certificates from the states for confirming distribution of foodgrains allocated from the Central pool was, in effect, not being acted upon. Further, the Area Officers Scheme introduced by the Ministry was practically non-functional. Similarly, the system of inspection by District Level Officers and Vigilance Committees (VC) over the functioning of Fair Price Shops was deficient, with most VCs being either non-existent or defunct and the actual number of inspections being well below the prescribed frequency.

Audit of disinvestment of Government's shareholding in selected PSUs during 1999-2003

- Audit examination of nine PSUs disinvested between 1999-2000 and 2002-03 revealed that while the broad procedure for disinvestment had been defined, no clear accountability regime was in place for the disinvestment process. Responsibility for various aspects of valuation and post disinvestment issues were sought to be shifted among the PSUs, the administrative ministry and the Department of Disinvestment.
- There was hardly any critical assessment of the work done by the Global Advisors; in fact in most cases the Global Advisors were unable to generate adequate competition in the bidding process. Government also contributed to this scenario by delaying decisions on crucial questions affecting the financial health of the PSUs, including restructuring of capital which, if addressed promptly, were likely to generate more interest and keenness among prospective bidders.
- Government had no system in place to verify and ensure that post disinvestment, the strategic partners had, in fact, brought in the technology and finance for turning around and improving the performance of the disinvested PSUs. In fact three PSUs (Modern Foods Industries Limited, Hindustan Teleprinter Limited (HTL) and Paradeep Phosphates Limited (PPL)) had been referred to Board for Industrial and Financial Reconstruction after disinvestment.
- Government has also been saddled with litigation and uncertainties after disinvestment. In the case of HTL and PPL, the strategic partners have made claims on Government of about its sale values. In the case of Indian Petrochemicals Corporation Limited, there is a substantial claim on Government from the strategic partner on grounds of non-disclosure in financial statements. In the case of Videsh Sanchar Nigam Limited, Government has not been able to derive any benefit from the surplus land in the possession of the company.

Environment audit

Conservation and Protection of Tigers in Tiger Reserves

- The state governments and the Central Government in many cases did not approve the management plans. The annual plans of operation did not always have correlation with the management plans. The state governments did

not, in many cases, release their share of funds. Cases of diversion of Central funds for other purposes were also noticed during audit.

- The Project Tiger Directorate did not have the wherewithal to undertake any monitoring of the implementation of the project. It had only seven personnel including non-ministerial staff and could not even process the periodical reports and returns received from the Tiger Reserves or to critically examine the management plans and issue appropriate directions. Implementation of the project was thus entirely in the hands of the state governments whose priorities did not always coincide with those of the Project Tiger Directorate.
- Efforts for relocation of the people living within the Tiger Reserves as well as removal and prevention of encroachment essential to ease the biotic pressure on the tiger population did not succeed primarily because of lack of resources. Against the requirement of about Rs.11000 crore to relocate 64951 families living within the Tiger Reserves, the allocation in the Five Year Plan was a meagre Rs.11 crore. The state governments did not properly utilize even this money.
- The implementation of the project was severely hampered by understaffing in the Tiger Reserves. Many persons employed were overage, undertrained and underequipped in many cases. The intelligence and communication network at the Reserves level was also weak.
- In the 15 Tiger Reserves created up to 1984, the total number of tigers increased from 1121 in 1984 to 1141 in 2001-02, a rate of increase which highlights the ineffectiveness of the measures taken under the Project Tiger to attain a viable tiger population. During the same period, the overall tiger population in the country declined from 3623 to 2906.

Defence Services

Some of the more important observations noted during the audit of Defence Ministry and Defence Services are given below:

Regularity audit

- The Ministry acquired five Executive Jets at a cost of Rs 713 crore. The poor usage of the aircrafts sought to be replaced did not justify the acquisition which was made through a non-competitive process, entailing acceptance of an exorbitant amount of Rs 126.90 crore for five aircrafts towards modification of interiors and in-flight entertainment.
- Twelve Unmanned Aerial Vehicles (UAVs) imported at a cost of Rs 567 crore in the wake of the Kargil Review Committee recommendation could not be utilized due to injudicious selection of operational sites and inability of Navy to complete infrastructure facilities in time for their operations.
- Three Dornier aircrafts costing Rs 102 crore received in March 2001 by the Coast Guard for marine pollution surveillance were not provided with vital operational role equipment due to improper handling by Government. There was no assurance that the equipment contracted after much delay was appropriate.
- Poor planning resulted in delay in completion of works services for phase-I of Service Support Centre for SU-30 aircraft leading to non-commissioning of equipment worth Rs 54 crore since June/October 2004.
- The Director General Ordnance Services, Army HQ placed three indents between March 1999 and March 2001 on Bharat Electronics Limited for supply of 2500 radio sets without taking into account the post upgradation requirement of spares. After retromodification, the spares valued at Rs three crore procured earlier became surplus.
- Inadequate control over consumption of cartridges during pre-proof test coupled with the failure of the Rifle

Factory, Ishapore to stabilize the production process of 5.56 mm rifle led to excess consumption of cartridges of Rs 3.14 crore.

- Upward revision of the estimate of yarn for the manufacture of vests by the Ordnance Clothing Factory, Shahjahanpur in September 2004 to cover-up their failure to exercise adequate control over the production process led to excess consumption of yarn of Rs 1.91 crore during 2001-04.
- Failure of the Department of Defence Production and Supplies in formulating correct and comprehensive terms in supply orders placed on two firms for supply of assault track way resulted in undue benefit of Rs 1.23 crore to the firms.

Performance audit

Licensed manufacture of an aircraft

- Indian Air Force (IAF) procured 50 aircraft 'A' from a foreign country between 1997 and 2004. The Government approved licensed manufacture of 140 aircraft 'A' by Hindustan Aeronautics Limited (HAL) in 2000. The project was expected to be completed by 2017-2018. The order for the first block of 34 aircraft was placed on HAL in December 2003.
- Specification of vital air borne systems to be integrated on the aircraft 'A' was not frozen before entering into a contract for its licensed manufacture.
- Delivery schedule of the licensed manufacturing programme had to be compressed to meet operational requirements of the IAF indicating inadequate planning for the programme.
- The contract with the Original Equipment Manufacturer (OEM) for licensed manufacture had several infirmities. The entire licence fee for manufacture of 140 aircraft till 2017-2018 was paid upfront, without any provision for reduction in case a lower number were finally manufactured.
- The cost of indigenous manufacture worked out to be more than import cost. Besides, there were cost escalations, and in the absence of binding provisions, the cost continues to rise.
- Establishment of repair and overhaul facilities were lagging behind schedule leading to increased dependence on the OEM for repair.

Autonomous Bodies

During 2004-05, there were 253 central autonomous bodies. Government of India released grant of Rs. 12,291 crore and loan of Rs. 90 crore to these autonomous bodies. Major audit findings are summarised as under:

Regularity audit

- Delhi Development Authority (DDA) spent Rs. 2,061 crore during 2000-01 to 2004-05 on various land developmental schemes. Performance audit of six such schemes involving expenditure of Rs. 605 crore during the five years period revealed lack of financial control over expenditure, non-adherence to codal provisions in award of works and lack of co-ordination with other civic agencies which resulted in undue delays as well as extra expenditure.
- Expenditure of Rs. 34 crore on construction of command tanks and reservoirs by DDA was rendered idle as it was not linked to the actual availability of water. Lack of adequate scrutiny of tender rates and comparison with rates accepted for similar works during the same time resulted in additional expenditure of Rs. seven crore. Further,

non-adherence to codal provisions requiring availability of structural drawings and materials as well as clear site before award of works resulted in delay in completion of works upto over three years as well as cost escalation of Rs. seven crore.

- The activities of the National Capital Region Planning Board included funding of projects in the National Capital Region. The management of funds by the Board was uneconomical and inefficient, which resulted in loss of interest of Rs. 45 crore. Tax planning was deficient. As a result, avoidable expenditure of Rs. eight crore was incurred on payment of penalty and interest. Project financing was extended without proper appraisal which resulted in withdrawal of several projects by the implementing agencies. The terms of the loan agreements did not take into account market practices; further, the lending rates were not structured to promote planned development in the region.
- Prasar Bharati extended undue financial benefit of Rs. 11 crore to the producer of a serial by way of irregular grant of additional Free Commercial Time up to July 2001. During the subsequent period of telecast, the producer enjoyed concessional telecast fee and the same total quantum of free commercial time as before.
- The Employees' Provident Fund Organisation spent Rs. nine crore on distribution of gold medallion to its staff in contravention of Government of India's economy instructions and the Fundamental Rules.

Railways

Separate Audit Reports are presented to the Parliament on Railway Ministry. The gist of more important audit findings are as under:

Regularity audit

- By adopting a less remunerative method for calculation of postal tariff charges, Railways suffered loss of revenue of Rs.81 crore. In addition, non-revision of rates resulted in short recovery of postal haulage charges of Rs.102 crore in respect of non-postal vans.
- Expenditure of Rs.95 crore on a project, which was financially unviable, ab initio, remained unproductive.
- Carrying the goods traffic regularly by the longer route, without rationalising it for charging freight resulted in loss of revenue of Rs.26 crore.
- Failure of Railway Administration to ensure availability of plans, drawings and clear site for works resulted in short-closures/ termination of the contracts leading to abnormal delay in completion of the project and consequent escalation in cost by Rs.18 crore, idling of investment of Rs.55 crore and deprived the Railways of the benefit of annual savings of Rs. nine crore.
- Failure of Railway administration to maintain the staff quarters properly and allot them to eligible employees immediately on falling vacant resulted in loss of Rs.18 crore and in another case, failure to recover damaged rent/ eviction of the premise resulted in loss of Rs.15 crore from 1 April 2000 to 31 March 2005.
- Medical and Health Department of Indian Railways did not adopt a health policy after issue of the National Health Policy in 2002. It also did not devise parameters/ health indicators to evaluate its services.

Information Technology audit

- IT Audit of Pay Roll and Independent Module (PRIME), to the extent implemented by three Zonal Railways, revealed significant deficiencies as nine of the 18 sub modules developed were not put to use, leading to sub-optimal utilisation of the application.

- The Traffic Accounting System (TAS) introduced on Metro Railway, Kolkata was deficient both in application and general controls. Implementation of non-cluster solution, in contravention of the recommendation of Regional Computer Centre, Kolkata, adversely affected the on-line processing. In the absence of incorporation of validation checks, the system accepted any value entered as the amount of bill without cross verifying the availability of funds under the corresponding heads.

Direct taxes

During 2004-05, Union Government collected Rs. 1,32,771 crore as Revenue from direct taxes. Audit of collection of revenues (direct taxes and indirect taxes) was conducted under section 16 of the CAG's DPC Act, 1971. A total of 15,986 observations on underassessment/over assessment involving tax effect of Rs.6, 667 crore were raised in audit during 2004-05. The Report includes 683 cases of major irregularities involving under charge of tax of Rs.3,486 crore. Highlights of the important audit observations are indicated below:

Regularity audit

- Audit of income tax assessments of a non-life insurance companies for the assessment years 1995-2000 and eight other such companies for the assessment years 2001-04 disclosed that the companies earned a profit of Rs. 1,164 crore on realisation of investments/sale of shares of companies and redemption of such investments, which was directly taken to the 'General Reserve Account' in the Balance Sheet, without crediting it to the Profit & Loss Account of the respective assessment years. The profit was possibly escaping assessment as they were not considered to be taxable owing to omission of Rule 5(b) of first schedule to the Income Tax Act with effect from the assessment year 1989-90. This resulted in revenue loss of Rs. 407 crore to the Government. The department accepted audit observation.
- Assessment of ICICI Bank Limited for assessment year 1996-97 was revised in February 2000 at the total income of Rs.224 crore. The assessee was allowed inadmissible deduction of Rs.301 crore on account of bad debts written off which *inter alia* included provision for doubtful debts of Rs. 158 crore (current year-Rs.16 crore, earlier years Rs.142 crore) appropriated through special reserve account. Further, the assessee was also allowed deduction of Rs.12 crore on account of provision for bad & doubtful debts admissible to bank which was also required to be withdrawn as bad debts written off allowed as deduction was in excess of the provisions admissible to the bank under the Act. The omission resulted in incorrect allowance of deduction aggregating Rs.170 crore involving under assessment of income to that extent and thereby short levy of tax of Rs.78 crore.

Performance audit

Efficiency of summary assessment scheme and process of selection of cases for scrutiny

Audit of the rationale, scope and actual implementation of the summary scheme and evaluation of its implication on revenues disclosed followings:

- Audit test checked 64,755 summary assessment cases pertaining to period 2002-05 and noticed mistakes in 1,392 cases as a result of which assessee availed unentitled benefit of Rs.391 crore .
- Audit recommended that the Government may have the summary assessments scheme studied by an expert group with a view to finding ways of reducing the quantum of revenue forgone due to unentitled benefits to assessee in the scheme.
- In case of Tata Iron & Steel Company Limited for the assessment year 2002-03 higher tax liability under special provisions, although offered by the assessee, was not adopted by the assessing officer resulting in non-levy of tax of Rs. 11 crore.

Effectiveness of Search and Seizure operations

Review of effectiveness of search and seizure operations and consequential assessments completed during the period June 2001 to September 2005 disclosed followings:

- There were cases of unsuccessful searches. In the absence of relevant satisfaction notes, the basis on which the searches were carried out could not be ascertained.
- Despite penal provisions of section 158 BFA(2), assessee returned far lower incomes than what was finally assessed to tax. Statements made under section 132(4) by the assessee during search were not correctly considered in the appraisal report/assessment.
- The reasons for variation between appraisal reports and assessment orders were not recorded in writing despite instructions of Central Board of Direct Taxes.
- Audit recommended that the Government may consider amending relevant provisions of the Income Tax Act, 1961, which inter alia included non specification of time limit for issue of notice under section 158 BD and lack of specific provisions for assessment of search cases in the Wealth Tax Act so that unintended benefits do not accrue to the assessee contrary to the spirit of special provisions of taxation.
- Overall picture of expenditure incurred by the investigation wing of 10 states as well as by the wing conducting assessment of search cases is 11 per cent of the total expenditure of the department in those states whereas the revenue gain out of block assessment cases forms only 1.80 per cent of the total revenue collection of the department in these states.

Assessment Information System (AST) of the Income Tax Department

- The AST system, which was one of the biggest initiatives of the IT processes of the Income Tax Department, had several process weaknesses which considerably restricted the usefulness of the system. Although the initiative commenced in 1993, only 58 per cent of the intended users were brought onto the system so far.
- The planning was weak for the system identification and acquisition and feasibility studies, whether technical or economic, were not done before undertaking the project. This lack of planning resulted in unaddressed integration issues with other income tax departments' applications and prior period data of the department. There was low user awareness about the features of the system and consequent non utilization of functionalities other than those for processing and rectification.
- The system required several changes since inception indicating weaknesses in design, and testing. There was no method for assessment of impact for these changes. Some of the controls which were available in the manual environment were not functioning effectively in the computerized system. There was an unacceptable level of manual overrides which affects the output integrity of the system.
- Problems were noticed in inputs, outputs and data processing integrity. The system did not evaluate the integrity of input and output data as well as that of data processing. Lack of adequate technical manpower affected operational efficiency.

Indirect taxes - Customs

During 2004-05, Union Government collected Customs duty of Rs. 57,610 crore. Some of the more important audit findings of the audit of central revenues-customs are as under:

Regularity audit

- Assessable value involved in provisionally assessed cases in 25 commissionerates represented 31 per cent of entire

assessments. Number of provisional assessments as well as their bond value increased year after year and finalisation of provisional assessment cases did not keep pace with fresh receipts leading to more than doubling of cases between 2001 and 2004.

- Age analysis of 44,169 cases with bond value of Rs.83,924 crore as on 31 December 2004 revealed pendency of 77 per cent for more than a year and 23 per cent for more than three years.
- Non compliance to Customs Valuation Rules, 1988 in 525 cases resulted in non/short levy of duty amounting to Rs.395 crore.
- 25 un-finalised cases of project imports on account of non/delayed submission of requisite documents within prescribed period in accordance with Project Import Regulations, 1986 involved non realisation of customs duty of Rs.70 crore.
- Failure to obtain security deposit from importers in violation of Customs (Provisional Assessment) Regulations, 1963 in 569 non valuation cases amounted to Rs.1,521 crore. Non recovery of extra duty deposit of Rs. 28 crore in 754 cases involving valuation dispute was also noticed.
- Despite submission of relevant documents for finalisation of provisional assessment, 79 cases involving bond value of Rs.11 crore remained un-finalised for six months to six and a half years.
- Failure to follow clear instructions to not resort to provisional assessment in cases of non-declaration, short landing etc. or to assess goods on higher assessable value resulted in postponement of duty amount of Rs. six crore in 126 cases.
- Of demand notices for Rs.35 crore issued in 575 cases, department was able to recover only Rs.1.20 crore in four cases.
- Improper maintenance of records and lack of internal control causing incorrect reporting of pendency by commissionerates to Board, as well as inconsistency in data of assessment group and special valuation branch/special intelligence and investigation branch (SVB/SIIB) along with ineffective electronic data interchange (EDI) system was in evidence.

Advance Licensing Scheme/Duty Exemption Entitlement Certificate (DEEC)

- Data furnished by 18 regional licensing authorities (RLAs) revealed that free on board (FOB) value of exports actually realised was only 27 per cent of that prescribed for 90,807 licences. It did not tally with that furnished by Director General of Foreign Trade.
- Lack of coordination between customs and RLA, non-monitoring/ submission of documents in RLAs was in evidence in 194 cases of import/ export involving customs duty of Rs.122 crore along with interest of Rs.49 crore besides penalty of Rs.51 crore.
- In 146 advance licences issued by 16 RLAs duty of Rs.68 crore and interest of Rs.26 crore was recoverable. Of this 57 per cent was recoverable from 13 licencees alone.
- In 76 cases of RLA Chennai and Kolkata, the Customs failed to initiate action against defaulter importers to recover customs duty of Rs. eight crore, interest of Rs. six crore on duty free imports of goods worth Rs.21.34 crore.
- Non-monitoring of 185 cases of non-submission of documents evidencing fulfilment of export obligations (EO) on expiry of EO period by RLAs/customs resulted in duty foregone amounting to Rs.188 crore besides interest of Rs.56 crore.
- Import of material in excess of adhoc norms/ standard input output norms (SION) fixed by special advance licensing committee (SALC) in 33 cases and imports made despite rejected applications in seven cases entailed recovery of duty amounting to Rs.3.52 crore besides interest of Rs.1.67 crore.
- Extension of EO period by seven RLAs in 18 cases without imposition of composition fee and non-recovery of duty

and interest in cases of extension beyond validity period entailed recovery of Rs.4.21crore.

- Non-monitoring of 1739 bonds for Rs.2,537 crore and non-renewal of bank guarantee (BGs) in 566 cases for Rs.34 crore executed in nine custom houses and one RLA led to non discharge/ non enforcement of bonds/ BGs on expiry of their EO/validity period.
- Non realisation of foreign exchange of Rs.19 crore in 12 cases entailed non-recovery of customs duty amounting to Rs. seven crore besides interest of Rs. two crore on unutilised inputs of Rs.14 crore.
- Other irregularities like incorrect fulfilment of EO, availing of double benefit, imports of inputs beyond validity period of licence as well as before issue licence, incorrect clubbing of licences and excess imports due to non observance of licence conditions involved incorrect grant of exemption of duty amounting to Rs.15 crore besides interest of Rs. seven crore.

Indirect taxes : Central Excise and Service Tax

In 2004-05, Union Government collected Central Excise of Rs. 99,125 crore. Highlights of the some of the important audit findings are given below:

Regularity audit

Central excise

- The actual collections of Excise duty fell short of the budget estimates as well as the revised estimates year after year. Despite this, Government continued to make optimistic projections during presentation of the annual budget. The budget estimate 2004-05 was pitched at Rs.1,08,500 crore. The collections fell short of the budget estimates by Rs.9,375 crore or 8.64 per cent in 2004-05.
- Absence of appropriate provisions in the Modvat/ Cenvat credit rules resulted in loss of revenue of Rs 63 crore to the government. This was pointed out to the department in November 2004. While admitting the objection Ministry has reported (December 2005) that recovery mechanism have been introduced under clause 83 (Fourth schedule of Finance Act) 2005 with retrospective effect.
- Instances of undervaluation due to non-inclusion of additional consideration in assessable value, adoption of lower mutually agreed price, incorrect adoption of transaction value, incorrect adoption of assessable value of goods manufactured by job work or incorrect adoption/non-adoption of assessable value on the basis of Maximum Retail Price etc. were noticed. Duty levied short amounted to Rs.316 crore.

Service tax

During 2004-05, Union Government collected service tax of Rs. 14,196 crore. Audit of the collection of service tax disclosed that:

- The actual collections were lower than the budget estimates except in three of the five years 2000-01 to 2004-05, all through the five year period. Shortfall ranged from Rs.110 crore to Rs.1904 crore or 1.38 to 31.60 *per cent* over budget estimates during these years. In one of the five years i.e. 2002-03 receipts did not match even scaled down revised estimates and in 2003-04 did not reach increased budget estimate.

Performance audit

- In spite of incorporation of time limit in the statute with effect from 11 May 2001, 15,251 cases involving central excise duty of Rs.8,626 crore were pending adjudication as on 31 March 2004. Increase was 13 *per cent* in terms of number and 51 *per cent* in terms of amount as compared to position on 31 March 2001.

Commercial - Central Public Sector Undertakings

In 2004-05, there were 288 central government companies, 89 deemed government companies and six statutory corporations. Some of the more important findings included in the Central Commercial Audit Reports are as under:

Regularity audit

- Bharat Sanchar Nigam Limited failed to enforce the provisions of interconnect agreement with M/s Data Access (India) Limited resulting in accumulation and non-realization of dues of Rs. 220 crore.
- Two captive power plants commissioned at Kathara area of Central Coalfields Limited in May, 1995 at Rs. 80 crore remained completely idle since May, 2000.
- Hindustan Petroleum Corporation Limited incurred extra expenditure of Rs.71 crore on transportation of bulk Liquefied Petroleum Gas from Mumbai to bottling plant at Usar and its re-transportation to Mumbai for sale to consumers.
- Bharat Sanchar Nigam Limited did not implement stipulated safeguards resulting in accumulation of outstanding dues of Rs 42 crore in seven telecom circles on post-paid mobile telephones.
- North Eastern Development Finance Corporation Limited financed a project in April 2001 for setting up a call centre at the time of recession in Information Technology industry, without any detailed investigation of the promoters' past record and technical feasibility of the project. As a result, Rs. nine crore in DSS Contract Limited became wasteful. Further, the Corporation could not recover the interest on the above loan and other charges amounting to Rs. five crore for the period up to March 2005.
- New India Assurance Company Limited and National Insurance Company Limited issued group policies on undue and irregular terms and conditions to Golden Trust Financial Services and incurred loss of Rs.22 crore and Rs.5.59 respectively.
- Balmer Lawrie & Company Limited contributed Rs.15 crore in December 2003 to a superannuation fund required to be maintained solely by its officers in which the Company did not have any legal or contractual obligation to contribute. This resulted in extension of undue benefit to a certain section of employees.
- Indian Oil Corporation Limited could not recover Rs.14 crore from Dabhol Power Company due to the absence of a system for timely flow of documents between its various departments and consequent delay in raising final bills against supplies of high speed diesel/naphtha.
- GAIL (India) Limited sold gas valuing Rs.10 crore to various consumers in Agra and Firozabad. Due to tampering of meter skids by consumers, the value of gas could not be billed to the consumers.
- Rashtriya Ispat Nigam Limited procured US coal from July 2004 to August 2004 without a correct assessment of its requirement and incurred an extra expenditure of Rs.36 crore.
- Mumbai unit of Mahanagar Telephone Nigam Limited spent Rs. five crore on establishment of a Fraud Management Control Centre, which was not commissioned even after five years.
- Loans and interest of Rs. four crore including interest of Rs.1.24 crore had become doubtful of recovery due to lack of proper verification of documents and inadequate monitoring by PNB Housing Finance Limited.

Performance audit

Import of Coking Coal by Steel Authority of India Limited

- SAIL failed to take adequate and timely action through properly planned purchase of hard coking coal resulting in avoidable expenditure of Rs. 344 crore.

- It failed to take advantage of existing offers for hard coking coal and acquired 0.46 million tonnes of hard coking coal in 2003-04, resulting in excess expenditure of Rs.232 crore on spot purchases of hard coking coal.
- It incurred avoidable additional expenditure of Rs. 176 crore by signing term agreements for hard and soft coking coal with two foreign suppliers while simultaneously keeping deliveries under the Long Term agreements with them in abeyance.
- It failed to exercise the mutual option quantity of 0.150 million tonnes of soft coking coal in the LT agreement with a supplier for 2003-04 resulting in loss of Rs.32 crore.

Telecom business relating to GAIL (India) Limited

- GAIL (India) Limited started its GAIL-Tel project with an investment of Rs. 263 crore without preparing Detailed Project Report. It also implemented Phase IIB of the project without considering the unsatisfactory performance of the previous phases. The project could not achieve its targets in terms of capacity sales or sales revenue during any of the four years of its operations till March 2005. The project had been incurring losses since 2003-04. The cumulative loss of the project till September 2005 was Rs. nine crore.
- The Company also lost projected revenue of Rs. 442 crore due to delays ranging from 9 to 19 months in the completion of various phases of the project.

Wireless-in-Local Loop (WLL) telephone services in Bharat Sanchar Nigam Limited

- Expansion of the capacity during 2002-05 in seven circles despite underutilisation of the existing capacity, led to injudicious expenditure of Rs 109 crore.
- The Company procured WLL systems based on obsolete technologies valued at Rs 1,480 crore during October 2000 to March 2005 though the latest WLL CDMA 2000-1X technology was available since October 2000.
- Procurement of 40,660 fixed wireless terminals (FWTs), 3,40,380 handheld wireless terminals (HHTs), 8,975 fixed remote stations (FRS) and 8200 wall sets (WS) for 17 circles and two Metro districts without keeping in view the customers' preferences and demand led to idle investment of Rs 229 crore.
- 13 circles and the two metro districts did not prepare separate costing records for the WLL telephone service. The records of seven circles reflected a total loss of Rs 122 crore.
- Ten circles, which prepared revenue projections for the WLL telephone service failed to realise the projected revenue of Rs. 139 crore during the last five years up to 2004-05.
- Failure to obtain the performance bank guarantees and its premature release resulted in undue financial benefits of Rs 26 crore to suppliers.
- Despite the closure of WLL connections, 16,712 FWTs and 20,590 HHTs were not recovered from the concerned customers in 16 circles and one Metro District, which led to a loss of Rs 26 crore.

[State Governments]

CAG conducts audit of all expenditure incurred from the Consolidated Fund of each state/union territory and audit of their Public Accounts and Contingency Funds. The Audit Reports on each state/union territory are presented in the legislature of the respective state/union territory. More important audit findings are given below:

Regularity audit

- In Panchyati Raj and Rural Development Department in Andhra Pradesh, improper selection of water source for a

comprehensive water supply scheme had deprived the targeted habitation in Bibinagar area, District Nalgonda, of fluoride free drinking water. This rendered the entire outlay of Rs 25 crore on the scheme unfruitful.

- In West Bengal, the money collected on toll proceeds by Hoogly River Bridge Commissioners remained idle in the deposit account with Pay and Accounts Office, Kolkata, which led to loss of interest of Rs 22 crore and penal interest of Rs 10 crore.
- In Maharashtra, delay in taking a decision to accept beneficial offer of the Ballarpur Industries Limited (BILT) necessitated the Government to sell bamboo to the BILT at lower price resulting in unintended recurring benefit to a contractor from 2004-05 onward and a loss of Rs 12 crore for 2001-04.
- Excavation of branch canals to irrigate 4,191 acres of new ayacut of Periyar System in Tamil Nadu, even when there was insufficient water to irrigate the existing ayacut resulted in expenditure of Rs 12 crore remaining unfruitful.
- A bridge, constructed by Road Construction Department in Jharkhand over Damodar river between Bokaro and Chandrapura at a cost of Rs. four crore was not put to use in the absence of an approach road rendering the investment idle.
- In Karnataka, delay in disposing of an old helicopter and injudicious action to overhaul and maintain it resulted in a wasteful expenditure of Rs 2.41 crore.
- In Chhattisgarh, the Conservator of Forest issued of irregular orders for physical verifications of saw mills without budget provisions and approval of higher authorities resulted in fraudulent payment of Rs 2.29 crore.
- Disregard to rules and failure to conduct physical verifications by district rural development agencies resulted in misappropriation of 19,908 quintals of wheat valuing Rs 1.19 crore in Haryana.
- In Goa, indecision of the Housing Department to restructure the loans availed from the Life Insurance Corporation resulted in avoidable liability of Rs 1.62 crore to the government.

Performance audit

Integrated Child Development Scheme in Jharkhand, Madhya Pradesh and West Bengal

- Review on implementation of integrated child development scheme disclosed that the implementation of scheme was marginal on health and nutritional status of children as more than 55 per cent of the children were malnourished (Madhya Pradesh).
- The implementation of the scheme was hampered by inadequate infrastructural facilities, shortage of staff in the key areas, delayed procurement of food grains under Supplementary Nutrition Programme, inadequate visits to Anganwadis by supervisory and health staff and failure to create the desired level of awareness among mothers (West Bengal).
- In Jharkhand, supply of poshahar for supplementary nutrition was irregular and poshahar was deficient in stipulated calories. Important records like immunization registers, health cards were either not maintained or maintained improperly. Procurement and distribution of pre-school kits was inadequate.

Animal Husbandry, Tamil Nadu

- The integrated audit of Animal Husbandry Department in Tamil Nadu, disclosed that due to shortage of staff in Artificial Insemination Centres and reduction in the number of bulls for production of Frozen Semen Strews, the number of artificial insemination declined from 32-35 lakh in 2000-01 to 29-23 lakh in 2004-05. The average number of cattle units served per veterinary institution was 9,939 against the norm of 5,000.

Gujarat Maritime Board

- A review of working of the Gujarat Maritime Board (GMB) disclosed that meagre contribution in cargo handling by the GMB jetties and underutilization of wharfs, unfruitful expenditure on repairs to tugs and dredgers, unfruitful expenditure on dredging, incorrect application of rules for recovery of revenue, improper terms and conditions in the agreements leading to non-recovery.
- In addition, following performance audits were also conducted:
 - National Oil Seeds Production Programme (Andhra Pradesh),
 - Flood Control Measures (Bihar),
 - Employment Assurance Scheme (Jharkhand),
 - National Slum Development Programme (Maharashtra),
 - Health Systems Development Project (Orissa),
 - Impact of the Reproductive Child Health Programme (Uttar Pradesh),
 - Integrated audit of Jail Department (Rajasthan), and
 - Water Management for Irrigation (Haryana), etc.

Information Technology audit

- Deficiencies in the application software, security controls, audit trails, system documentation, etc. were noticed in the following IT Audits conducted during the year:
 - Computerization of Municipal Corporation of Hyderabad, Andhra Pradesh;
 - Recruitment application processing system in Kerala Public Service Commission, Kerala;
 - Koshwahini Treasury Information System for collection, accountal and utilisation of charges collected by Nagpur Improvement Trust under Gunthewari Act, 2001, Maharashtra;
 - Application and general controls in Karnataka Housing Board (Karnataka);
 - Teachers Provident Fund Accounting System in Orissa; and
 - Computerisation of employment exchanges in West Bengal.

Special Category States

For special attention to the audit of special category states, a separate wing in the Headquarters is responsible for processing the Audit Reports of those states. Some of the findings included in their Audit Reports are as follows:

Regularity audit

- In Manipur, misusing special provisions applicable to award work in cases of urgency, three Executive Engineers of Minor Irrigation Department awarded 126 contracts of Rs. six crore without calling for tenders. Four divisions of the Public Works Department also awarded 83 contracts valuing Rs. five crore for execution of normal repair and maintenance works without inviting tenders.
- Central allocation of Rs. 2.68 crore provided for health care system was diverted to salary payments of staff while Rs. two crore meant for improvement of water supply projects in Kohima, was diverted to purchase/repair of departmental vehicles.

- In Sikkim, casual approach of the Rural Management and Development Department in framing estimates for 'Creation of Model Village in Sikkim' resulted in excess expenditure of Rs.2.29 crore. Further, Power Department incurred wasteful expenditure of Rs. four crore in providing power lines to a factory at government cost.
- In Uttaranchal, excess procurement of food grains at higher rates by the Food and Civil Supplies Department resulted in avoidable loss of Rs.1.73 crore.
- In Nagaland, the Likimro hydroelectric project completed at a cost of Rs.216 crore (with time and cost overrun of nine years and Rs.169 crore respectively) remained non-operational for two and half years after commissioning though Nagaland is a power deficit state and it imported almost all its energy requirement at a cost of Rs. 67 crore in the previous year.
- In Meghalaya, the Executive Engineer, PWD (Roads), Central Division, Jowai failed to restrict payment to the value of materials actually utilized by the contractor for construction of the sub-base course of the Dawaki-Amlarem Jowai section of national highway-40, resulting in extra expenditure of Rs.54 lakh.

Performance audit

- A review of the nutrition programme under the Pradhan Mantri Gramodaya Yojana (PMGY) in Arunachal Pradesh revealed diversion of central assistance of Rs.56 crore, failure in implementing the schemes in 27 out of 85 blocks, non-maintenance of records of distribution of food by Anganwadi Centres and loss of Rs. six crore due to procurement of food at higher rate and short shelf life.

Status of medical equipment, buildings and vehicles in hospitals/health centres and their utilization in Health Care Services

- The health care institutes were not established as per population norms. In six test checked districts of Aasam, shortfall of 52 Community Health Centres (60 *per cent*), 151 Primary Health Centres (44 *per cent*), and 394 SCs (19 *per cent*) indicated that there was inadequacy of infrastructure for rendering health care services. Due to the shortage of Community Health Centres and Primary Health Centres 45 lakh persons and 62 lakh persons were deprived of health care facilities and referral health care services respectively.

Working of Revenue Department

- The consolidation of holdings in 53 *per cent* of identified area in Himachal Pradesh was lying incomplete even after 50 years of launching of the scheme and incurring expenditure of Rs. 22 crore on running the department during 2000-2005 alone. Deputy Commissioners of Kinnaur, Mandi and Sirmour spent Rs.five crore of calamity relief fund on works not related to natural calamities during 2000-2005 and a sum of Rs. five crore released by them for execution of 806 works during the same period had not been utilized thereby depriving the victims of the natural calamities of immediate relief.
- The Public Health Engineering Department's objective of providing sufficient and safe drinking water to the urban and rural areas of Jammu and Kashmir was not achieved due to faulty planning, delayed/defective execution of works, wasteful and avoidable expenditure and diversion of funds. Despite availability of water in Srinagar, residents were deprived of this facility due to an improper distribution system.
- Material management in Food, Civil Supplies and Consumer Affairs Department in Tripura was unsatisfactory. The objective of ensuring food security to the people of the most remote localities was frustrated due to the absence of the fair price shops in those areas. Existence of 19,897 ration cards in excess of the population during the years 2001-03 resulted in excess lifting of 5,852 tonnes of rice valued at Rs. 3.64 crore. Due to non-completion of identification of beneficiaries under the targeted groups of below poverty line and AAY, subsidized rice worth Rs.19 crore failed to reach the eligible households.

- Under the Pradhan Mantri Gram Sadak Yojana (PMGSY) execution of seven road works in Mizoram, which did not connect any habitation, resulted in irregular expenditure/injudicious utilization of Rs.17 crore.

State Receipts

Audit of state revenue receipts embraces the audit of all tax and non-tax receipts of state government/UTs. Important findings in the Audit Reports are as under:

Regularity audit

Sales tax

- In Rajasthan, Gujarat, Uttar Pradesh and Delhi, contrary to the provision of the schemes, irregular exemption of tax of Rs 446 crore on interstate sales was granted for transfer of goods to places other than that declared in registration certificates without proof of movement of goods.
- Exemption was allowed against evasion-prone commodities on turnover of Rs.3,940 crore involving tax of Rs. 182 crore without sufferance of tax at earlier stages in Tamil Nadu.
- Grant of exemption on invalid/ fake defective/time barred declaration forms resulted in short realisation of tax of Rs. 179 crore in Delhi and Maharashtra.
- Incorrect application of rate of tax and non/short levy of tax resulted in under assessment of tax of Rs. 54 crore in Gujarat, Uttar Pradesh, Himachal Pradesh, Bihar and Karnataka.
- Due to non-existence of provision for levy of interest in Bombay Sales of Motor Spirit Taxation Act as applicable to Gujarat, government had to forego interest of Rs. 44 crore in seven assessments of four dealers.
- Cross verification in audit with other states revealed suppression of sales/purchases, use of unauthorised forms and dealers carrying business without getting themselves registered with the department resulting in short levy/evasion of tax of Rs. 32 crore in Jharkhand and Tamil Nadu.

State excise

- Considerable low yield of rectified spirit in private units as compared to co-operative/ government units resulted in loss of revenue of Rs. 102 crore in Karnataka.
- Non-realisation of arrears in Motor Vehicle Transport (MVT) departments on 31 March 2004 in Uttar Pradesh and Mumbai amounted to Rs. 732 crore. In Mumbai, arrears of land revenue amounting to Rs.55 crore were not processed for recovery. Similarly, Non-checking of vehicles plying without permit and without certificate of fitness in Mumbai and Uttar Pradesh resulted in loss of revenue of Rs. 58 crore.
- In 24 districts transport offices, tax dues of Rs.46 crore pertaining to 3,647 vehicles were neither paid by the vehicle owners nor demanded by the concerned authorities.
- In Bihar and Jharkhand, 406 retail excise shops remained unsettled and the department failed to run them departmentally. This led to loss of excise duty of Rs 34 crore. Similarly non-observance of prescribed procedure in settlement of India Made Foreign Liquor (IMFL) shops resulted in loss of Rs. 10 crore in Orissa.
- Inaction on the part of department against three licensees resulted in non-realisation of duty of Rs.11 crore on short/ non-receipt of rectified spirit/ extra neutral alcohol during the course of import under bond in West Bengal.

Stamp duty & registration fee

- In eight districts registries, adoption of incorrect rate resulted in short levy of stamp duty of Rs. 22 crore in Andhra Pradesh.

Electricity duty

- Failure of the West Bengal State Electricity Board and Calcutta Electricity Supply Corporation to raise demand notices resulted in unauthorised retention of government dues of Rs. 285 crore. Failure of the assessing authority to raise demand for short payment of electricity duty by the licensees resulted in non-realisation of duty of Rs. 40 crore.
- Interest of Rs. 71 crore was not levied and demanded from Maharashtra State Electricity Board for delay in remittance of electricity duty between March 2004 and 2005.

Land revenue

- In six cases, short levy of lease rent resulted in short realisation of revenue of Rs.568 crore of which Rs.478 crore was for the last five years in Tamil Nadu.

Interest receipts

- In Orissa, release of fresh grants/assistance to five organisations without making any recovery towards outstanding principal and interest resulted in non-realisation of interest of Rs. 193 crore (inclusive of penal interest of Rs. 58 crore).

Mining receipts

- Not raising demand for royalty and cost of ore for illegal extraction/removal of chromate ore in Orissa resulted in loss of revenue of Rs.16 crore.

Non tax

- Non compliance to provisions and determination of lower lease rent in respect of three leases relating to Bangalore Gulf club, Karnataka State Cricket Association and a retail petrol pump resulted in foregoing revenue of Rs. 514 crore for the period 1999-2004.

Commercial-State Public Sector Undertakings

During 2004-05, there were 1062 state government companies, 64 deemed government companies and 107 statutory corporations owned or controlled by state governments/union territories. Highlights of the more important audit observations in respect of state public sector companies are given below:

Regularity audit

- Lack of control by Punjab Agro Foodgrains Corporations Limited facilitated misappropriation of 17,554 tonnes of rice.
- In Rajasthan, three Vidyt Vitran Companies (Discoms) suffered revenue loss of Rs.110 crore due to grant of relief to agriculture consumers without a firm commitment from the government for reimbursement.
- Injudicious appointment of liaisoning agents by Maharashtra State Electricity Board to coordinate with coal fields and railways, with a view to minimising idle freight due to under loading of wagons and monitoring quality of coal though such agents had no official role to play in the above tasks, caused wasteful expenditure of Rs.76 crore.
- Madhya Pradesh State Electricity Board incurred avoidable extra expenditure of Rs.70 crore due to delay in evaluation of bids, commissioning of transformers and construction of substations.
- Audit of power sector companies disclosed instances of cost over run of Rs.55 crore, idle investment of Rs.59 crore and extra consumption of fuel to the tune of Rs.347 crore.
- Audit of energy conservation in West Bengal Power Development Corporation Limited and Durgapur Projects Limited revealed consumption of heat and electricity in excess of the respective norms entailing huge extra expenditure of Rs.648 crore.

- Bihar State Electricity Board sustained loss of Rs.59 crore due to time barred dues, failure to claim from the government the concession allowed to high tension consumers and defective tariff notification.
- Bihar Police Buildings Construction Corporation incurred extra expenditure of Rs.15 crore without the approval of the Government and Bihar Rajya Pul Nirman Nigam spent Rs.49 crore in excess of the sanction.
- Uttar Pradesh State Industrial Development Corporation Limited (UPSIDC) failed to develop vast area of land despite investment of Rs.76 crore leading to slow industrial development. It failed to evict encroachment from land valuing Rs.31 crore.
- Inaction on the part of the government in taking decision in respect of energy charges recoverable by Kerala State Electricity Board from a private consumer despite court directions resulted in non realisation of Rs.14 crore and interest loss of Rs. six crore.
- Sardar Sarovar Narmada Nigam Limited paid extra amount of Rs.11 crore to a contractor for machinery and manpower utilised in another work.
- Non-insertion of put/call option clause in the bonds issued by Gujarat Electricity Board would result in avoidable interest of Rs.106 crore when redeemed on maturity.
- Orissa Mining Corporation Limited extended undue benefit of Rs.16 crore to a contractor owing to incorrect assumption for price escalation and not taking corrective action even after knowing that the actual payment of wages by the contractor was substantially lower.
- Punjab State Electricity Board repaired 39,427 transformers and manufactured PCC poles in its workshops at an extra cost of Rs.15 crore as compared with the repair cost by private firms and prevailing market price of PCC poles.
- Sanction and disbursement of loans by Haryana State Industrial Corporation and Haryana Financial Corporation without safeguarding their interest led to non-recovery of Rs.10 crore.
- Failure of the Transmission Corporation of Andhra Pradesh Limited to finalise tenders for the work of erection of substations and connected lines within the validity period of the respective bids and subsequent award of work on rebid resulted in extra expenditure of Rs. eight crore.
- Failure of Tamil Nadu Electricity Board to restrict interest payment to an independent power producer as per terms of the power purchase agreement led to excess payment of Rs. four crore.
- Karnataka Neeravari Nigam Limited failed to utilise the hard rocks obtained from excavation of canal in a dam and allied work resulting in extra expenditure of Rs. two crore.
- In Assam, Audit noted loss of Rs. two crore on account of sale of tea leaves at lower rates, non enforcement of the terms of the agreement, undue benefit to consumers and incorrect categorization of consumers.

Environment audit

- West Bengal Power Development Corporation Limited and Durgapur Projects Limited failed to comply with emission and effluent standards prescribed by the Central West Bengal Pollution Control Boards. Consequently, these companies incurred additional expenditure of Rs. 5.55 crore.
- Even after spending Rs. 70.39 crore over a decade on replacement, renovation and modernisation of electrostatic precipitators, the emission level remained high in 18 out of 19 units.
- Pollutants like suspended particulates matters, respirable particulate matters, sulphur dioxide and nitrous oxides exceeded the standards prescribed for safe emission.
- Durgapur Chemical Limited, classified as the highest level of polluting industry, failed to control excessive effluent level to within norms. It consumed 24 per cent more electricity valuing Rs. eight crore.

- Review of record of three thermal power stations of Gujarat revealed the emission of excessive air pollutants in all the three plants mainly due to high ash content in coal, delay in construction of silos for dry ash handling and of microprocessor based controller in Gandhinagar TPS and delay in augmentation of ash handling system in Wanakbari TPS. Ukai TPS failed to bring the suspended solid effluents within prescribed limits in spite of show cause notices of the Gujarat Pollution Control Board.

Local Bodies

Local bodies mainly comprises of Zilla Parishad, Panchayat Samities, Gram Panchayat and urban local bodies like municipal corporations. Some of the major audit findings in the audit of local bodies are as under:

Regularity audit

Karnataka

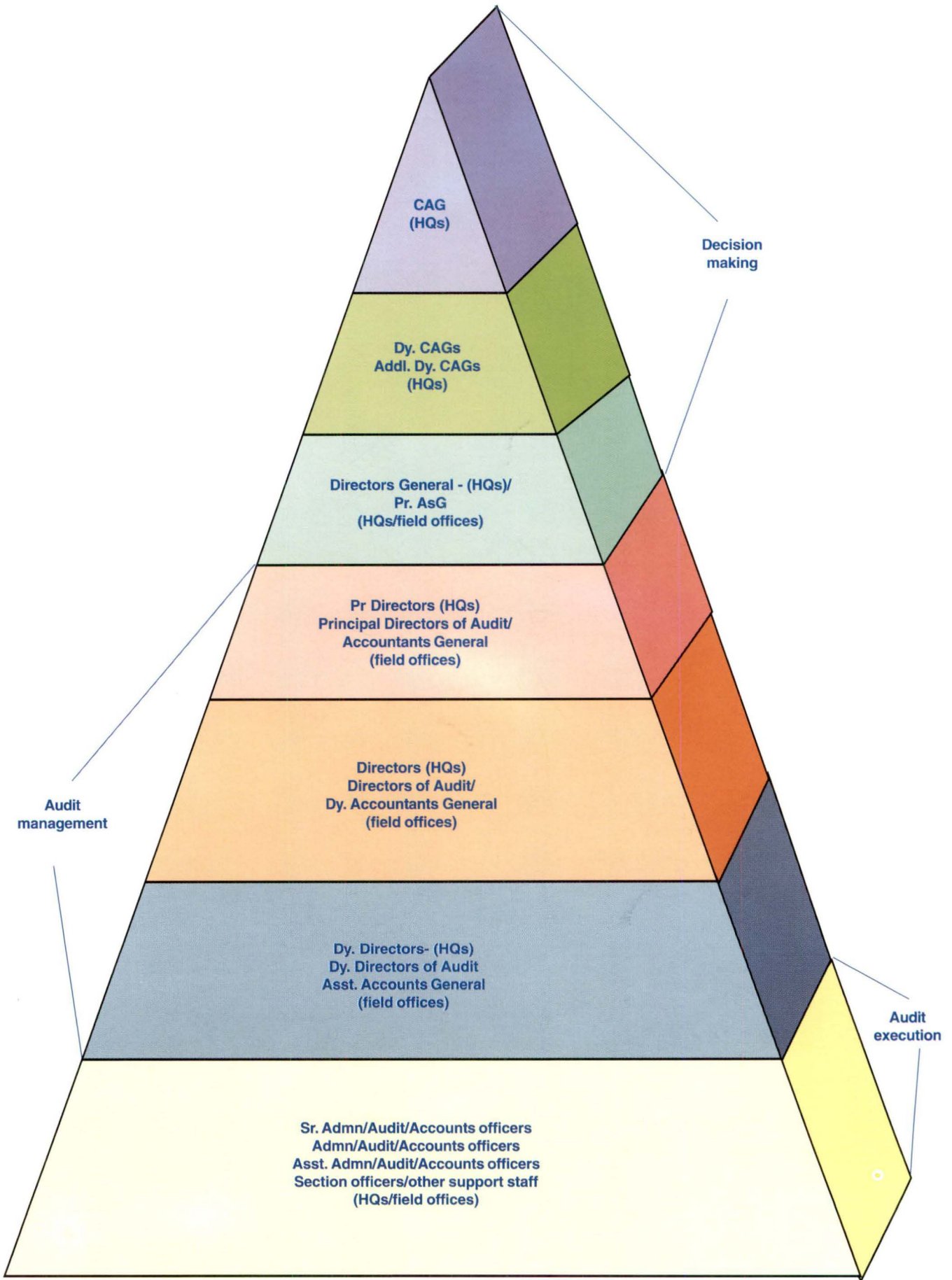
- Prescribed internal controls were rendered ineffective as reconciliation of balances between controlling officers and zilla panchayats was in arrears. Subversion of internal controls by the officials of Zilla Panchayat, Kolar and Taluk Panchayat/ Sub-treasury, Malur facilitated misappropriation of Rs.1.74 crore by the Executive Officer, Taluk Panchayat, Malur.
- Programme implementation was deficient in many ways. The shelf of programmes was not prepared and there was delay in approval of action plan. In the implementation of Pradhan Mantri Gram Sadak Yojana, selection of roads was not realistic, financial impositions deprived the complete connectivity, quality control mechanism was very weak and impact assessment to assess the socio-economic improvement was not undertaken.

Kerala

- Government did not take appropriate measures to amend the provisions of the Acts and Rules for achieving clarity in the institutional and regulatory framework for accounts and audit of Local Self Government Institutions (LSGIs). Maintenance of primary accounting records is in complete disarray thereby seriously affecting the quality of governance within the corporation. There was no evidence of proper oversight by the Director of Urban Affairs to control and facilitate generation of reliable financial information.
- As a consequence of inadequate financial reporting, there was a near complete absence of reliable information about the overall finances of LSGIs. Determined efforts are called for to improve the unsatisfactory position of financial reporting in LSGIs. The state government should take strong initiatives in this area.

Tamil Nadu

- On account of deficiencies in planning, the computerization in the municipalities that started in 1997 is incomplete even after incurring an expenditure of Rs.15 crore and software developed was not fully utilized.
- Proper planning should precede any computerization efforts, focusing on the in-house expertise available and an effective internal control mechanism to monitor the implementation and operation of the computerization process may be put in place.
- Though all municipalities were required to set up complete waste processing and disposal facilities by December 2003, only two out of 151 municipalities did so as of September 2005 and only 45 obtained authorization from Tamil Nadu Pollution Control Board for setting up such facility. It was recommended that concerted action should be taken for acquisition of land and setting up waste disposal facilities with the authorization of Tamil Nadu Pollution Control Board.



Indian Audit & Accounts Department

CAG discharges his duties and responsibilities through Indian Audit and Accounts Department (IA&AD).

The IA&AD consists of cadres of

- Indian Audit and Accounts Service;
- Group B cadre consisting of Sr. Audit/Accounts Officers, Audit/Accounts Officers, Assistant Audit/Accounts Officers and Section Officers; and
- Group C & D support staff.

The Headquarters office of CAG is responsible for:

- setting the vision and mission of the Department;
- approval of goals and objectives;
- approval of strategic and annual plans;
- setting Auditing Standards and Standing Orders; and
- monitoring, review, quality assurance and quality control of the audit and accounts functions.

The CAG approves the Audit Reports for presentation to the Parliament and state legislatures in which he is assisted by the top management, consisting of Deputy CAG and Additional Deputy CAG.

Organisational set up

The institution of CAG consist 136 field offices with 83 branch offices and 461 resident audit offices across the country and about 52 thousand personnel in Groups A, B, C and D cadres work for the organisation.

The distribution of the field offices responsible for audit of various areas is shown as under:

Category	Main	Branch	RAO*
I. Audit Offices – for audit of Union accounts			
Civil	5#	4	21
Defence	3	17	6
P&T	1	16	36
Railways	17	6	169
Commercial	12	15	120
Overseas	4	-	-
II. Audit Offices- for audit of state accounts	57	16	109
III. State accounts and entitlement offices	26	9	-
IV. Training institutes	11	-	-
Total	136	83	461+

* Resident audit offices include divisional audit offices, workshop audit offices, construction audit offices, stores audit offices, traffic audit offices etc. for railway audit offices and sub-branch offices for defence audit offices and resident audit parties for commercial audit offices.

In addition, state PAsG/AsG conduct audit of units of civil departments of Union Government located in the respective states.

+ As on 01 March 2005.

Group A cadre

Group A cadre consist of officers of Indian Audit and Accounts Service (IA&AS). They are selected through national civil services competitive examination conducted by the Union Public Service Commission as also through promotion from Group B cadre, in accordance with the recruitment rules. Upon induction, the officers are provided intensive professional (academic and on the job) training in the National Academy of Audit and Accounts (NAAA), Shimla for two years, to turn them into senior audit professionals. A few Group A posts are also for secretarial and welfare functions.

Group B cadre

- Group B gazetted cadre consist of Assistant Audit/Accounts officers, Audit/Accounts officers and Senior Audit/Accounts officers. These are promotion posts, the initial feeder cadre being Section officers. In addition, there are some Group B gazetted posts in the ranks of stenographers, private secretaries and electronic data processing and management.
- Group B cadre constitutes the cutting edge professional auditors, responsible for field audit. It consists of junior supervisory cadre i.e. Section officers (Group B non-gazetted). They are selected from the Group C professional support cadre through a professional qualifying examination conducted for various specialized branches of audit such as civil audit, commercial audit, defence audit, railway audit, post and telecommunications audit etc. and civil accounts. They are also recruited directly through competitive examination and are confirmed as Section officers upon qualifying the examination.

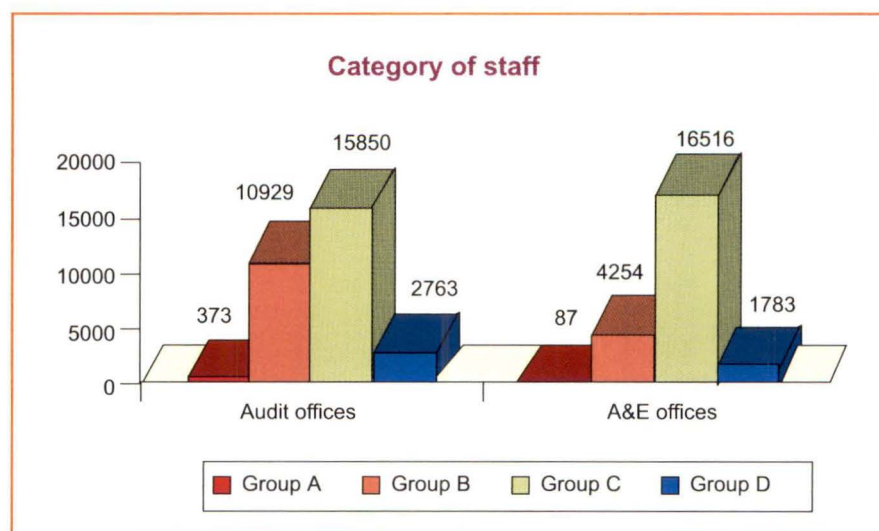
Group C and D cadre

Group C cadre consists of Sr. Auditors/Sr. Accountants, Auditors/Accountants, Stenographers, Clerks etc. Auditors/Accountants, Stenographers, Clerks are either directly recruited through competitive examination conducted by Staff Selected Commission or by promotion from the feeder cadres. Sr. Auditors/Sr. Accountants are promotion posts, the feeder cadre being Auditors/Accountants. Console Operators and Data Entry Operations are responsible for electronic data processing. Group D cadre is primarily constituted by support personnel.

The distribution of personnel in the Department in Group A, B, C and D categories in March 2006 is given below:

Category of staff	Number of personnel as on 1 st March 2006		
Group	Audit offices	A&E offices	Total
A	373	87	460
B	10,929	4,254	15,183
C	15,850	16,516	32,366
D	2,763	1,783	4,546
Total	29,915	22,640	52,555

Pay scales of all officers and employees are available on web page www.cag.gov.in/html/rti/htm



Accounts support staff in public works divisions

The cadre of senior divisional/divisional accounts officers and divisional accountants is administered in 13 states by the AsG (A&E). They work in divisional offices of the public works departments of the state governments. Their role combines the functions of accountants-cum-financial advisors. In March 2006, their total strength in all the 13 states was 3,406.

Reservation of posts

In keeping with the national policy, posts are reserved in various cadres belonging to scheduled castes, scheduled tribes, physically handicapped, ex-servicemen, other backward classes etc.

i. Recruitment during 2005-06 (as on 01.01.2006)

Group	Category				
	SC	ST	PH	ES	OBC
A*	2	-	-	-	2
B	8	5	-	-	-
C	27	10	-	-	39
D	10	6	1	-	3
Total	47	21	1	-	44

ii. Persons-in-position (as on 01.01.2006)

Group	Category				
	SC	ST	PH	ES	OBC
A*	92	35	-	2	39
B	2,148	481	93	-	312
C	6,082	2,749	446	343	1,134
D	1,441	535	93	426	513
Total	9,763	3,800	632	771	1,998

*position as on 01.03.2006

Examinations

IA&AD conducts a number of qualifying examinations for screening the candidates for career advancement within the organisation. IA&AS probationers undertake a rigorous professional examination at the end of their training and probation before their probation is concluded. Junior supervisory posts of section officers are filled up on the basis of section officers grade examination.

Sl. No.	Name of examination	No. of candidates appeared	No. of candidates passed
1.	First departmental examination for IA&AS (probationers)	9	8*
2.	Second departmental examination for IA&AS (probationers)	6	6
3.	Section officers grade examination (Part – I)	2,686	473
4.	Section officers' grade examination (Part – II)	4,663	1,289
5.	Revenue audit examination for SOs/AAOs of Audit offices	571	180
6.	Incentive examination for SOs/AAOs of A&E offices	157	5

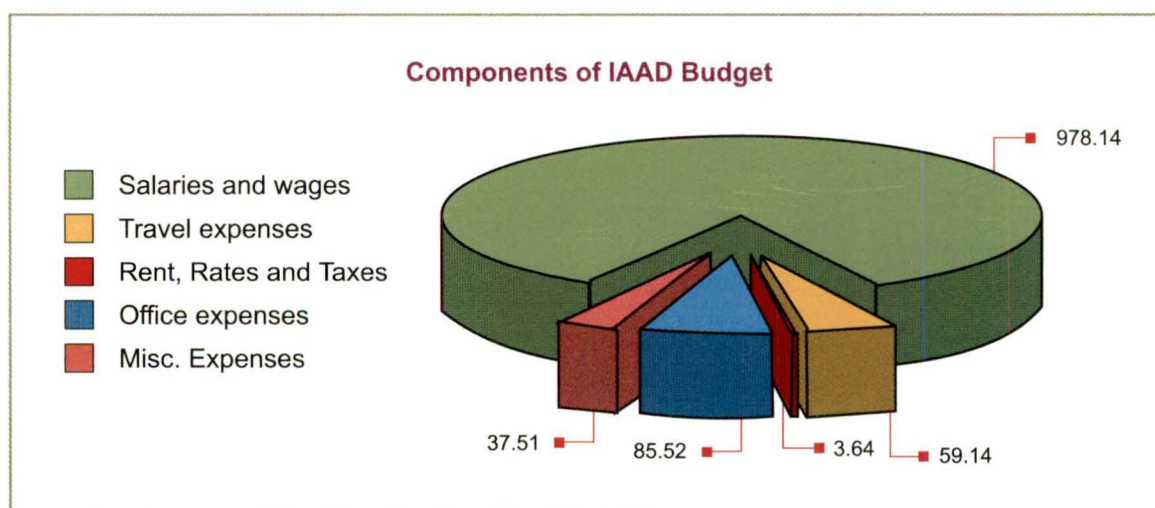
* One candidate was absent

Staff associations

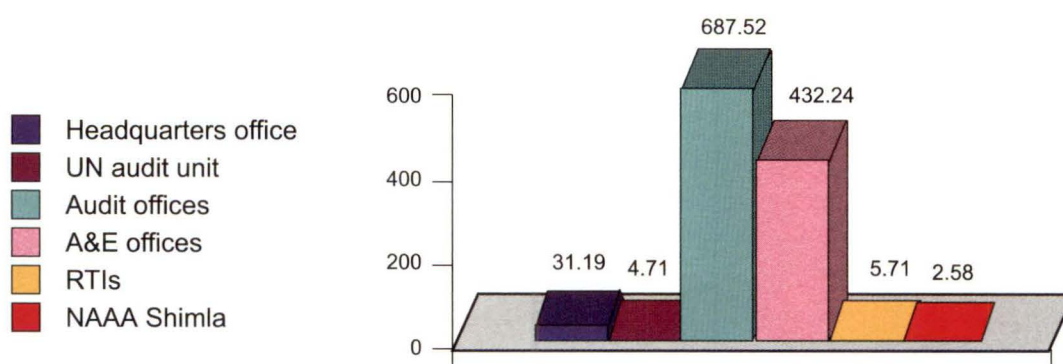
Staff and officer's associations function within IA&AD for category I, II, III & IV. At the end of March 2006, IA&AD consisted of 232 units of recognised staff/officers associations in various offices. In addition, five all India federations, consisting of the associations of each category in the field offices were also granted recognition. Departmental Council of IA & AD has also been revived.

Budget of IA&AD

During 2005-06, the total expenditure of IA&AD was Rs.1,164 crore, which consisted mainly of expenditure under salaries.



Expenditure incurred by various categories of offices



UN audit units – audit conducted against the funds received from UN Organisations

Cost of audit

Total expenditure on audit functions during the year was Rs.714 crore, including administrative and training overheads. Expressed as percentage, the expenditure on audit was only 0.045 per cent of total of the expenditure and revenue of Central and state governments for 2004-05; down from 0.048 per cent during the previous year.

Expenditure on auditing functions

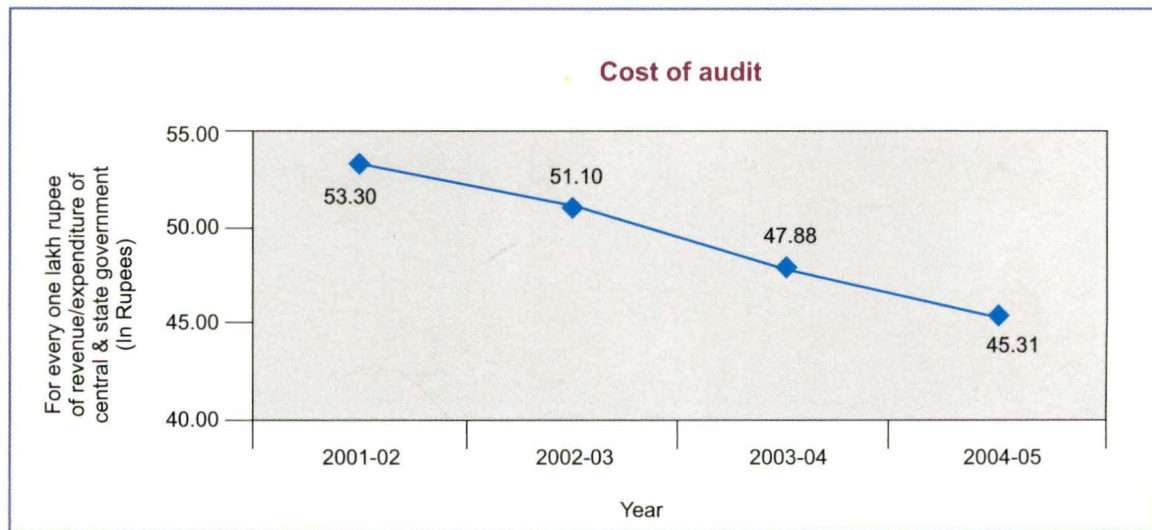
For every rupee one lakh worth of transactions audited, expenditure on Audit was a mere Rs.45.

(Rupees in crore)

Particulars	Union government	State governments	Total
I. Revenue receipts			
Tax Revenue	2,26,363	1,82,066	4,08,429
Non-Tax Revenue	1,50,508	46,795	1,97,303
Total - I	3,76,871	2,28,861	6,05,732
II. Expenditure			
Revenue expenditure	4,55,571	4,03,337	8,58,908
Capital expenditure	53,654	58,556	1,12,210
Total - II	5,09,225	4,61,893	9,71,118
Total revenue receipts + expenditure audited by IA&AD (I+II)	8,86,096	6,90,754	15,76,850

The above figures of revenue and expenditures do not include transactions of the Central and state public sector undertakings, autonomous bodies, bodies substantially financed by government grants, loans, and public debt transactions of the Union and state governments, which are also audited by the CAG. Reckoning these receipt and expenditure also, the expenditure on audit in terms of its proportion to the total amount of receipt and expenditure audited was significantly less than 0.045 per cent. In other words, for every Rs.1,00,000 audited by IA&AD, the expenditure was only Rs.45.

Even this, cost of audit per one lakh rupee of actual revenue and expenditure of Central and state governments has been declining over last three years:



Conferences and Seminars

i. Accountants General Conference

XXIII Conference of the Accountants General was held in Vigyan Bhavan, New Delhi from 20 to 22 September 2005. The biennial Conference was inaugurated by Hon'ble President of India, Dr. A.P.J. Abdul Kalam. More than 100



Principal Accountants General/Accountants General participated in the deliberations. The Conference inter alia deliberated on (i) enhancing effectiveness of Audit, (ii) adopting best practices from the ASOSAI guidance on Audit Quality Management System, (iii) audit challenges and prospects, and (iv) mid-term review of Perspective Plan 2003-2008, and issued recommendations for follow up.

ii. Seminar on Legislature and Audit Interface for Enforcing and Strengthening Accountability Mechanism

A first ever seminar on 'Legislature and Audit Interface for Enforcing and Strengthening Accountability Mechanism' was held in iCISA, India on 22 July 2005 where the Chairpersons of the Public Accounts Committees (PAC) and Committee on Public Undertakings (COPU) of Parliament and state legislatures shared a common platform with the officers of IA&AD. The Hon'ble Speaker of Lok Sabha, Shri Somnath Chatterjee inaugurated the seminar. The



seminar consisted of three sessions with presentations on 'Role of Public Audit and the process that goes into making an Audit Report', 'Pending Audit Reports and Shakhdar Committee Report' and 'Practices to increase/enforce/strengthen Accountability Mechanism'. The presentations were followed by discussions with active participation from the Chairpersons. A consensus report on the seminar was prepared at the end. It was decided that seminars of this nature should be held in different states or regions also.

Human resource management and training

In pursuit of its goal to impart professional training and continued professional development in audit and accounts, CAG gives significant importance on training to the officers and staff. IA&AD has established international level training institutes at NAAA, Shimla and iCISA, Noida for Group A officers and nine Regional Training Institutes (RTIs) and three Regional Training Centres for training of Group B and C officials. In addition, almost all field offices have facilities for carrying in-house training.

Training of Group A officers

The officers of the Indian Audit and Accounts Service (IA&AS) are recruited through the Civil Services examination conducted by the Union Public Service Commission. They are initially placed on probation and undergo a 15 weeks foundation course at the Lal Bahadur Shastri National Academy of Administration, Mussoorie along with the probationers of other Group A services. Thereafter, they are provided intensive professional training in the NAAA, Shimla.

The classroom training is supplemented by practical training in district treasuries, public works and forest divisions, Reserve Bank of India, Bureau of Parliamentary Studies, and an intensive module in public finance at National Institute of Public Finance Policy. The probationers are required to clear departmental examination in two parts consisting of papers as under:

Part-I

1. Government Accounts (including Public Works Accounts)
2. Commercial Accounting

3. Public Finance and Indian Financial System
4. Auditing principles and practices
5. Information Technology – basic skills and security issues (theory and practical)

Part-II

1. Government Audit
2. Financial Rules and Supplementary Rules
3. Cost and Management Accounts and concept of financial management
4. Advanced Commercial Accountancy
5. IT Audit and Data Analysis (theory and practical)

The total duration of induction training for IA&AS probationers is 104 weeks. The scheme of training is as follows:

Sr.No.	Type of training	No. of weeks
1.	Foundation course	15
2.	Induction training (Phase I) inclusive of attachment with National Institute of Finance Management (NIFM)	60
3.	Study tour	3
4.	Field training in the offices of Accountants General	16
5.	Induction training (Phase II)	10
	Total	104

In-service training courses for Group A officers

The Department organises large number of in-service training courses for IA&AS officers. Courses/seminars etc. conducted during 2005-06 *inter alia* included subjects of auditing/accounting standards, audit methodologies, management development, executive development, performance audit, fraud and corruption audit, IT related subjects, IT audit, revenue audit, risk analysis, statistical sampling, training of trainers etc. The number of training programmes, workshops and seminars conducted during 2005-06 and the number of IA&AS officers who attended these programmes is indicated below:

Sr.No.	Name of the programme	No. of courses	No. of participants
1.	In-service training/seminars/workshops at RTIs, iCISA and Hqrs.	66	703
2.	Training courses/seminars etc. at NAAA, Shimla	14	232
3.	Training courses/seminars etc. outside IA&AD	7	70
4.	Training for other departments	1	1
5.	Training courses/seminars etc. abroad		
	(a) Funded by the Department	14	23
	(b) Others	13	40
	Total	115	1,069

Technical cooperation and international training

CAG of India assists the SAIs in Asia, Africa, Latin America and Eastern Europe in their professional development through training programmes organised in iCISA and by deputing senior officers to the SAIs. The faculty for training is drawn from among the senior officers of the Department as experts in their fields.

Training programmes conducted outside India

The Department organised following training courses outside India:

Sl. No.	Particulars
1.	Financial audit for officers of SAI- Bhutan: April 2005
2.	Two performance audit training courses for officers of SAI, Bhutan: June and July 2005
3.	Training programme for officer of SAI- Iraq: September 2005

International training programmes conducted in India

Until 2005-06, 72 international training programmes (ITP) have been organized by IA&AD since 1979 in which 1981 senior and middle level officials from 94 countries of Africa, Asia, Pacific, Latin America and East Europe have participated.

During 2005-06, we organized five international training programmes at iCISA, Noida.

Sr.No.	Name of course	Duration	No. of participants
1.	68 th ITP- Audit of Public Sector Enterprises	08.08.2005 to 07.09.2005	32
2.	69 th ITP- Auditing in Information Technology	19.09.2005 to 18.10.2005	33
3.	70 th ITP- Performance Audit	20.11.2005 to 27.12.2005	38
4.	71 st ITP- Audit of Public Works and Projects	09.01.2006 to 08.02.2006	33
5.	72 nd ITP- Auditing in EDP environment – challenges for SAIs	27.02.2006 to 28.03.2006	39

International Centre for Information Systems and Audit - Noida

CAG established the iCISA in 2002. The institute is an ISO 9001:2000 certified. It is committed to providing high quality training and to serve as a platform at the international level for various SAIs to come together and share their knowledge and experience in various fields of audit, including in emerging areas like IT audit and

iCISA, an ISO 9001:2000 certified institution, provides international level training on IT audit, environment audit, etc. to various SAIs.

Environment Audit. The international courses enable the participants to get an exposure to the contemporary best practices of audit and the emerging audit concerns among the fraternity of government auditors.

iCISA is located at Noida. It is set in a self-contained campus comprising of academic, administrative, hostel and residential blocks. The administrative block has classrooms and computer labs with state of art training facilities. It also contains conference halls with sound recording and limited language interpretation facilities. There is a well-stocked library with books, journals and magazines on subjects ranging from audit, IT, management, literature, travel, history, politics, and economics. A good collection of CDs/VCDs/DVDs of study material is also stocked in the library. Internet services are available 24 hours for the participants. The hostel facilities include 38 single rooms, 15 double rooms and six suites/ deluxe rooms.

Training of Group B and C officials

Regional Training Institutes (RTIs)

Group B and C officials are imparted in-service training in nine Regional Training Institutes at Allahabad, Chennai, Jaipur, Jammu,

Two national and Nine Regional Training Institutes, located across the country, conducts value added training courses for IA&AD personnel on IT and various audit related areas.

Kolkata, Mumbai, Nagpur, Ranchi and Shillong and three Regional Training Centres at New Delhi, Hyderabad and Bangalore. Each RTI conducts training programmes for a set of neighbouring offices. The RTIs conduct value added training courses on audit methodology, modern auditing techniques and training for trainers apart from conducting seminars and workshops catering to the requirement of field offices. Special programmes for staff who are promoted to the supervisory cadres are designed to enable them to manage new responsibilities. Direct recruit Section Officers are also provided induction training in RTIs.

Special computer courses are also conducted in the RTIs for word processing, database management, spreadsheet application and IT audit etc. The details of the training programmes organised and the number of persons provided training in the RTIs during 2005-06 are as follows:

Nature of courses	No. of programmes	No. of participants
General courses	218	3,677
IT Audit/EDP courses	265	3,914
Total	483	7,591

Regional Training Centres

Regional Training Centres at New Delhi, Hyderabad and Bangalore are different from RTIs in as much as they cater to the local training needs only for the courses of general nature, including EDP courses. The number of programmes organised and persons provided training in the Regional Training Centres during 2005-06 were as under:

Nature of courses	No. of programmes	No. of participants
General courses	56	1,014
EDP courses	53	869
Total	109	1,883

Training Centres

Seven Training Centres were set up at Bhubaneswar, Chandigarh, Guwahati, Gwalior, Patna, Rajkot and Thiruvananthapuram during 2000-2001. Besides conducting practical examination in "Computer System" paper of the Section Officers Grade Examination and "Data Processing and Computer System" paper of Incentive Examination of AAOs/SOs of Accounts and Entitlement offices, these Centres are utilised for conducting in-house training by the local field offices. Each training centre is linked to the nearest RTI in relation to the training programmes, while their administrative control is with the local PAG/AG.

In-house training in field offices

With a view to providing depth to the continuing professional development with focus on priority areas of each office, the field offices conduct specific function related training courses in-house.

Training plan for IA&AD for the period 2003-08

As part of the emphasis on developing capacity consistent with the emerging challenges in the field of auditing, including risk-based audit planning, IT audit, environment audit, performance audit in increasingly complex environment, forensic

audit etc., a five year training plan covering the period 2003-08 has been formulated for the IA&AD. The training plan includes training objectives, broad areas of training, number of training courses in the various training institutes, training infrastructure and quality assurance. The emphasis in the training plan 2003-08 is on consolidation rather than on further expansion in the infrastructure.

The five year training plan is implemented through preparation of annual training plan keeping in view the targets in the five year plan.

ISO certification

In pursuit of excellence in quality of the training institutes and benchmark them against international standards evaluation by independent external agencies was introduced with a view to attaining ISO Certification. To begin with, RTIs, Jaipur and Chennai were selected for the purpose. They were awarded ISO 9001:2000 certificate. Subsequently, RTIs, Mumbai and Jammu also obtained ISO 9001: 2000 Certification during 2003-04.

Development of structured training modules and training materials

35 topics have been identified for development of structured training modules (STMs)/training materials by various RTIs. In order to ensure quality of the courseware, each STM is to be reviewed by an expert officer of IA&AD and 'peer reviewed' by another RTI.

22 STMs have been finalised so far by the respective RTIs and uploaded in the public folder of website of the CAG. STMs on 13 subjects are under various stages of development by the RTIs.

Courses on Parliamentary processes and procedures

Two appreciation courses on Parliamentary Processes and Procedures of one week duration each were organised for Senior Audit/Accounts Officers and Audit/Accounts Officers in July and December 2005 at Bureau of Parliamentary Studies and Training, New Delhi.

Centres of excellence

Considering the need for institutional linkage for issues being discussed in various working groups, research projects and committees of INTOSAI, ASOSAI, UN panel of Auditors, Conference of Auditor General of Commonwealth etc., eight RTIs have been nominated as nodal centres of excellence in various subjects. RTIs wise position of achievement on assigned topic and organisation of training programme on it during 2005-06 is as under:

Sl. No.	Nodal Institution	Subject matter	Achievements
1	RTI, Chennai	IT Audit- issues covered by INTOSAI IT Audit committee, ASOSAI research project, other foreign bodies like Commonwealth Auditors General Conference etc.	Conducted four training programmes and provided training to 71 persons.
2	RTI, Jaipur	Privatisation- including matters under consideration with INTOSAI working group on privatisation.	Conducted one training programme and seminar each. Provided training to 38 officers.
3	RTI, Mumbai	Environment Audit- including issues discussed in INTOSAI working group of Environment auditing and ASOSAI working group on Environment Audit and other such bodies.	STM circulated to other RTIs and field offices. Conducted two training programmes and provided training to 34 officers.
4	RTI, Nagpur	Audit of Frauds- including issues relating to ASOSAI ad-hoc working group on frauds and other groups on fraud guidelines.	STM circulated to other RTIs and field offices. Organised one course and provided training to 28 officers.
5	RTI, Kolkata	Local Bodies Audit and Accounts	Organised four training programmes during the year for 81 officers.
6	RTI, Allahabad	Corporate Governance and Internal Control	Organised one training programme and provided training to 14 officers.
7	RTI, Ranchi	IT Audit and Technological Tracking	Organised three training programmes and provided training to 51 officers.
8	RTI, Jammu	Value Added Tax	Nominated as nodal institute of excellence for Value Added Tax.

In addition, RTI, Allahabad and RTI, Ranchi continued as nodal institutions for excellence in “Corporate Governance” and “Information Technology Audit and Technological Tracking” respectively since August 2004.

Libraries

CAG office library has an excellent collection of about 38000 books on varied subjects which include books on accounting, auditing, economics, public finance, taxation, management, computer science, literature, biographies/ autobiographies and history; including Parliamentary Committee Reports, Union & State Audit Reports, Finance Accounts, Appropriation Accounts, Codes & Manuals and Activity Reports. It subscribes to 40 Indian and seven foreign periodicals and journals.

The library in the NAAA, Shimla is spread over two floors and can accommodate up to one lakh books. Presently it has a collection of over 25000 books on various subjects. The library also keeps training material and departmental reports and literature. It subscribes to about 25 Indian and foreign journals.

Field offices and RTIs also have well maintained libraries and are equipped with latest editions of code books/ manuals and books on varied subjects.

Altogether, in 113 IA&AD offices, we have a collection of 384342 books on various subjects.

Software on *Library Information System* for computerisation of libraries has been introduced in most of the offices of IA & AD.

Publications and Manuals

Asian Journal of Government Audit

Asian Journal of Government Audit is the official publication of the ASOSAI. It is published annually by the CAG in his capacity as the Secretary General of ASOSAI with the objectives of promoting sound and effective State Audit systems and providing ASOSAI members a forum for sharing experiences.

Audit Bulletin

Headquarters office of the CAG publishes quarterly, an Audit Bulletin containing important decisions and orders of the headquarters office and of the Government of India.

Administrative Reports

The field offices publish their Administrative Reports every year highlighting their performance during the year.

Brochure on Audit Reports

CAG office publishes an annual publication 'What the CAG's Audit Reports Say', which contains gist of major audit findings included in all Audit Reports on the accounts of the Union Government presented to the Parliament during the year. The AsG/PAsG responsible for audit of accounts of state bring out a publication 'Epitome of CAG's Reports' in respect of the Audit Reports presented to each state legislature.

Lekha Pariksha Prakash

Rajbhasha Anubhag at the Headquarters office brings out a quarterly magazine in Hindi titled 'Lekha Pariksha Prakash' which carries articles, poems, write-ups etc. by the officers and staff of the IA&AD. In addition, field units also bring out various magazines/Hindi periodicals etc.

Receipt Audit Bulletin

Receipt Audit Wing at the headquarters office brings out every quarter a Receipt Audit Bulletin-Direct Taxes with the objective of updating the audit skills amongst the officers and staff of the IA&AD engaged in Receipt Audit.

International Relations

The CAG of India is the Secretary General of ASOSAI. He is also a member of the Governing Board of INTOSAI and has been elected a Goal Liaison of INTOSAI's Goal-3 on knowledge sharing and knowledge services, besides being one of the members of INTOSAI Finance & Administration Committee.

CAG of India continues to be the Chairman of the INTOSAI Standing Committee on IT Audit (ISCITA). He is represented in various Committees, Working Groups and Task Force of INTOSAI. Apart from this, CAG of India is also the external auditor for various UN agencies.

International Organisation of Supreme Audit Institutions

INTOSAI is an internationally recognized professional organisation of the Supreme Audit Institutions (SAI) with a strength of 186 SAIs. For more than 50 years, INTOSAI has provided an institutionalized framework for coping with ever-increasing demands of public audit.

As the leader in public sector auditing, INTOSAI issues guidelines and best practices for financial management and audit, develops related methodologies, provides training, and promotes exchange of information among members. CAG of India is the Chairman of the Standing Committee on IT Audit and is a member of the (i) Governing Board (ii) Finance & Administration Committee (iii) Professional Standards Committee (iv) Working Group on Privatisation (v) Working Group on Environmental Audit (vi) Task Force on Audit of International Institutions.

International cooperation and technical dialogue

CAG is

- Secretary General of ASOSAI;
- Member of Governing Board of INTOSAI
- Chairman of INTOSAI Standing Committee on IT Audit;and
- External auditor of various UN agencies.

Journal on INTOSAI Standing Committee on IT Audit

The Committee Journal 'intoIT' is published bi-annually. 23 issues of the Journal have been brought out so far. Each issue has a main theme. The theme of the 23rd issue was 'Electronic documentation'. The main themes for the 24th and 25th issues of the journal have been identified as 'Training in IT Audit' and 'IT Governance' respectively. All the issues of the Journal are available on the committee web-site www.intosaiitaudit.org.

Reaching out..... Globally

Meetings

Bhutan & Oman

- CAG attended the 14th Meeting of the INTOSAI Standing Committee on IT Audit held in Bhutan in April 2005. The Committee decided to conduct survey for the future projects. The 15th meeting of the Committee was held in Brazil in May 2006 and the 16th meeting will be held in March 2007 in Oman.

Canada

- CAG of India attended the 6th meeting of the Global Working Group of 16 SAIs held in Alberta, Canada on 10-11 May 2005. The 6th GWG meeting discussed inter alia the subjects of Performance Indicators for SAIs, Whole of Government Approach, Funding Arrangements with NGOs, Public Funding for Advertising by Political Parties, Auditing Standards in Public Sector, Peer Reviews, SAI Independence, etc.

Brazil

- The 12th meeting of the INTOSAI Working Group on Privatisation was held in Brazilia, Brazil on 13-14 September 2005. The participants discussed technical case studies being developed by the Working Group. SAI-India participated in the meeting.

China

- The 35th meeting of the Governing Board of ASOSAI was hosted by Chinese National Audit Office at Kunming city on 6 - 7 September 2005. 41 delegates from nine Governing Board member countries and from two Audit Committee member countries attended the meeting. It was decided that from October 2005, the Asian journal would be an e-journal. The efforts made towards achieving the ASOSAI Strategic Plan 2005-09 and the progress of the Research Project on "Audit Quality Management Systems" was discussed by the Governing Board. The Board unanimously recommended the continuation of SAI-India as the ASOSAI Secretary General for a third term i.e. next three years after 2006 ASOSAI Assembly. The Board also unanimously recommended that SAI-Pakistan may host the 11th ASOSAI Assembly in 2009.

Moscow

- The 10th meeting of the Working Group on Environmental Auditing was held in Moscow in October, 2005. SAI, India participated in the meeting. The Working Group deliberated on the auditor's viewpoint of different countries and role of audit fraternity as a whole towards environmental protection and management.

New York

- CAG of India participated in annual meeting of the Panel of External Auditors of the United Nations, its specialised agencies and the International Atomic Energy Commission, held in New York during 05-16 December 2005. It was preceded by the meeting of the Technical Group on 28 November-02 December 2005.

Vienna

- SAI India participated in the 2nd meeting of the Task Force on Audit of International Institutions held in Vienna in November 2005. The Task Force reviewed the progress in approaching international institutions for audit by SAIs.
- Under the leadership of the CAG of India, a delegation attended the 54th meeting of the Governing Board of INTOSAI held in Vienna, Austria on November 10-11, 2005. SAI India as a Goal Liaison for Goal 3 presented proposals regarding INTOSAI Communication Policy and INTOSAI Collaboration Tool.

Riyadh

- CAG of India attended 3rd meeting of INTOSAI Finance and Administration Committee held in Riyadh on 21-22 February, 2006. SAI India presented a draft on INTOSAI Global Communication Policy and a proposal for INTOSAI Collaboration Tool at the meeting.

Workshops

Noida, India

- ASOSAI 2005 sponsored workshop on “Performance Audit” was hosted by the Comptroller and Auditor General of India at ICISA, Noida during 8-19 November 2005. 38 participants from 38 member countries participated. The workshop concluded on 19 March 2005 with a valedictory address by the Deputy CAG.



Participants of the “Performance Audit” Workshop

Pakistan

- An IDI sponsored workshop on “Dealing with Fraud and Corruption in Auditing” was held in Lahore, Pakistan during 12-17 December 2005. 37 participants from 15 SAIs attended the workshop. The workshop aimed at equipping the participants with the knowledge and skills necessary for detecting and preventing fraud and corruption while conducting their regular audit assignments.

Seminars

Poland

- The 6th Indo Polish seminar on “Audit of Privatisation” was hosted by SAI-Poland in Warsaw during 3-7 October 2005. A three member delegation from SAI India participated in the seminar.

China

- The Indo China seminar on “Performance Audit” was hosted by SAI-China during 24-30 October 2005 in Chengdu, the capital city of Sichuan Province in China. A three member delegation from SAI India participated in the seminar.

Visits

- At the invitation of the Auditor General of Pakistan, CAG of India visited Islamabad and Lahore during 17-20 February 2006 along with a two member delegation. The visit provided an opportunity to share experiences in the areas of training and IT audit.

- Dr. Clodosbaldo Russian, Controller General of Venezuela visited India at the invitation of CAG of India from 23 February to 01 March 2006. CAG of India and Dr. Russian held discussions on various areas of common interest. Dr. Russian also visited NAAA, Shimla during 25-28 February 2006 and saw the training facilities at the Academy.
- A group of 44 officers led by their Deputy CAG from SAI-Thailand visited India on 18 May 2005 to exchange their professional knowledge and experiences on auditing and other relevant topics.
- A 13 member delegation from SAI-Indonesia visited CAG office on 01 August 2005. The delegation also visited iCISA and Jaipur on 2nd and 3rd August respectively. The objective of the visit was to study implementation of Information Technology plan in their office.
- A 10 member delegation from the Board of Supreme Audit, Iraq visited India for training from 26 September - 07 October 2005. The training was divided in two components. The first component of one week was for the theoretical training at iCISA and the second part of training was an attachment with field offices in Delhi.

Rendering audit services to international organisations

CAG of India was the external auditor of the following UN Specialized Agencies and other International Organisations during 2005-06:

Food and Agriculture Organisation (FAO)

World Health Organisation (WHO)

International Maritime Organisation (IMO)

World Tourism Organisation (WTO)

We move on....

With a view to

- Providing greater degree assurance to the stakeholders;
- Adding more and more value to the entities' performance through our audit;
- Ensuring greater accountability of the entities and their elements;
- Assisting Government in improving the quality of governance and strengthening their internal control system through our audit;
- Making the entities aware of the shortcomings in their risk assessment and management; and
- Above all, to contribute to improvement in the quality of public administration by encouraging and promoting better planning, sound management practices, comprehensive and relevant information system, economic and efficient utilisation of resources, constant evaluation against predetermined performance measures and programme goals.

Being aware that

- The entity environment is increasingly becoming complex;
- The risks associated with greater devolution and decentralisation should be safeguarded with matching accountability systems and procedures;
- The policy of more and more programmes implementation being entrusted to autonomous institutions may be associated with higher risk to the accountability;
- Increasing use of public-private partnership in implementation of public programmes and outsourcing of many functions entities may entail a greater risk to transparency and accountability;
- More and more use of IT systems and e-governance requires continuous review and upgrading of audit planning, procedures and skills of the personnel of the Indian Audit and Accounts Department; and
- With increasing complexities in the manner of programme management and information systems, the risk of fraud and corruption may be higher.

Accounting and Entitlement functions

CAG of India is responsible for:

- Compilation of the accounts for 27 state governments and union territories of Chandigarh and Dadra & Nagar Haveli.
- preparation of the annual accounts of the state governments and union territories having a legislative assembly; and
- rendering accounting information and assistance to the state governments.

Salient features

- Electronic voucher level compilation of accounts in 26 states and UTs and consolidation from the treasuries compiled accounts in three states.
- Annual publication of 'Accounts at a Glance' by state Accountants General.
- Accountants General has initiated action for hosting key indicators/ information of the accounts of state governments on website.
- Substantial progress has been achieved in the computerization of GPF and Pension accounts.
- IVRS (Interactive Voice Response System) have been implemented in several states to facilitate online enquiries by serving and retired personnel.
- Several states have launched websites on information regarding GPF accounts.
- Close monitoring of all complaints relating to entitlement is in place in CAG office.

Accounting functions– a snapshot

Compilation of monthly accounts – state governments and union territories

The accounts are compiled electronically in 26* states and UTs from the initial accounts i.e. vouchers, cash accounts, list of payment, receipt schedule etc. submitted by the treasuries and compiled accounts received from Public works, Forest and Public Health Engineering Division etc. During the year, about three crore vouchers were compiled. State AsG also carry out number of inter-departmental and inter-state adjustments before consolidation and finalization of the monthly accounts.

Finance Accounts and Appropriation Accounts – state governments

The Finance Accounts present the accounts of receipts and disbursements of each state government for the year together with the financial results disclosed by the revenue and capital accounts, the accounts of the public debt and the liabilities & assets as worked out from the balances recorded in the accounts. The Appropriation Accounts compare the actual against the amounts of the Voted Grants and Charged Appropriations with comments on the excesses/savings over the

*except in-Andhra Pradesh, Tamil Nadu and Karnataka where treasuries render compiled accounts

sanctioned provisions. The AsG (A&E) prepare the Finance Accounts and Appropriations Accounts of the state governments.

From the annual accounts of 1998-99, state AsG issue an annual publication "Accounts at a Glance" in respect of accounts of the respective state governments for the year. This publication provides a broad view of governmental activities as reflected in Finance Accounts and Appropriation Accounts. In Andhra Pradesh, Assam and Tamil Nadu this booklet is printed in the local languages also.

The compilation of monthly accounts and finalization of annual accounts of the state governments by the AsG (A&E) were completed in time in accordance with the prescribed dates.

Certification of accounts by CAG

The Finance Accounts and Appropriation Accounts are audited by the respective state Principal Accountants General/Accountants General (Audit), on the basis of which CAG certifies these Accounts. CAG submits the certified Accounts to the Governor/Administrator of state/union territory for being caused to be laid before the state legislature. The accounts for the year 2004-05 for all the states/union territories were finalized and certified by the CAG as per the prescribed schedule.

Hosting the monthly accounts on website

The Department initiated action for hosting key indicator/information of the monthly accounts of the state governments on the CAG's website. 25 states, namely, Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Kerala, Madhya Pradesh, Maharashtra, Mizoram, Meghalaya, Manipur, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tamilnadu, Tripura, Uttar Pradesh, Uttaranchal and West Bengal have given consent to host the summary data.

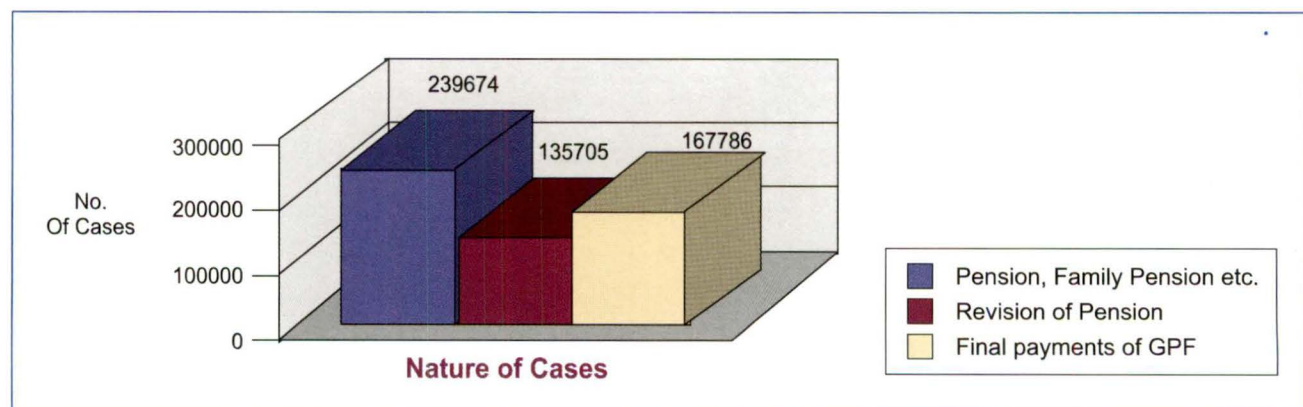
Entitlement functions- a snapshot

Authorization of payment to gazetted officers in states

The work of authorization of payments to gazetted officers remains either wholly or partially with the IA&AD in the states of Assam, Bihar, Jharkhand, Karnataka, Kerala, Manipur, Meghalaya, Nagaland and Tamil Nadu. The emoluments of high-ranking dignitaries like Governors, Judges of the High Courts, MLAs, MLCs etc. are processed in A&E offices.

Pension authorization and GPF functions

The AsG (A&E) maintain the GPF accounts of state government employees except in Arunachal Pradesh, Bihar, Goa, Jammu and Kashmir, Jharkhand, Mizoram, Punjab, Rajasthan, and Sikkim. AsG (A&E) also authorize pension and other retirement benefits to the employees of the state governments except in Arunachal Pradesh, Chhattisgarh, Goa, Gujarat, Madhya Pradesh, Mizoram, Rajasthan, Sikkim, Uttaranchal and Uttar Pradesh. During the year 2005-06, authorization of pension, family pension etc. and final payment of GPF made by the A&E offices of the IA&AD were as shown in the chart below:



Significant progress has been made in computerizing the GPF and Pension. The maintenance of GPF accounts and issuance of yearly statements have been computerized in the offices of all AsG (A&E). Around 48 lakh Provident Fund subscribers were served during the year.

Citizen's charter

A Citizen's Charter was adopted in April 2003 for providing better entitlement services to the serving and retired government employees. The Citizen's Charter adopted by our A&E offices has been displayed in all the A&E offices performing these functions. The Citizen's Charter is reproduced below:

Recognizing the right of the pensioners to receive prompt settlement of their pensionary benefits and provident fund balance dues

Conscious of our responsibility as scrutinizing and authorising authority

In evidence of our commitment to provide and maintain the highest quality of service

We resolve

- *To authorize pensionary benefits and provident fund dues within two months of receipt of the cases complete in all respects*
- *To address the concerned authorities, in respect of deficiencies and defects within one month; and, to keep the beneficiaries informed of such action*
- *To acknowledge receipt of all complaint cases within one week*
- *To furnish final replies to complaints relating to retirement benefits within two months of their receipt*
- *To furnish final replies to correspondence relating to discrepancies in general provident fund accounts within three months of receipt*

We further resolve to suitably disseminate knowledge and information on the procedures and processes to all 'stake holders'.

Interactive Voice Response System (IVRS)

To facilitate online inquiries by serving and retired state government employees in regard to information on their pensions and GPF Accounts, IVRS has been installed in the states of Gujarat, Haryana, Karnataka, Maharashtra, Tamilnadu and Uttar Pradesh. This project is being launched in other remaining states also. Information regarding GPF Accounts has also been made available in the websites hosted by AsG (A&E), Andhra Pradesh, Haryana, Karnataka, Maharashtra-II, Orissa, Tamil Nadu and Uttar Pradesh II.

Development of websites has been initiated by AsG (A&E), Haryana and Tamil Nadu as pilot projects. The pilot projects have since been implemented in these two offices. AsG (A&E) Uttar Pradesh-I, Maharashtra-I & II, Karnataka, Kerala also have their websites.

Authorisation of pension to pensioners by holding Pension Adalats

During the year 2005-06, AsG (A&E) dealing with pension conducted 41 Pension Adalats at 34 locations and authorized pension in 2248 cases. A booklet containing Pension Documentation Guidelines for state government officers has been circulated among field offices for circulation amongst the state government offices.

Other functions

Monitoring of complaints

The office of the CAG closely monitors all complaints relating to entitlement. Complaints are reviewed and appropriate advices are issued to the concerned AsG for speedy or interim settlement. The complainant is kept informed of the reasons for delay or non-settlement of the case. During the year 2005-06, 84 per cent of the complaints received were settled during the year itself.

Certification of net proceeds of taxes on income and Union excise duties

Consequent to 80th Amendment of the Constitution, all taxes and duties except cess & surcharge levied and collected by the Union Government are sharable with the states. The amendment was made effective from 01 April 1996. The certificates of Direct Taxes & Expenditure taxes for the years 1999-2000 to 2002- 2003 were issued during the year. Certificates in respect of Union Excise and Customs duties were not issued for want of clarification from the Ministry of Finance, Government of India.

Compilation of Combined Finance and Revenue Accounts

With the coming into force of CAG's (DPC) Act, 1971, though it was no longer the statutory responsibility of CAG to prepare the Compilation of Finance and Revenue Accounts (CFR) yet the practice was continued as it emphasizes the federal character of financial administration in this country. CFRs for the years up to 2003-04 have been prepared and printed copies distributed to all the departments and other users.

Measures taken to improve the quality of accounts

To improve the quality of accounts, all field offices review critically the initial accounts that are received from treasuries and point out mistakes in vouchers that have escaped the scrutiny at the treasury level. This is a measure to strengthen the classification check function. Cases of Detailed Contingency bills due but not received, inter government claims recovered and settled during the month, reconciliation of expenditure etc. are also brought to the notice of the state governments as our contribution to the financial reporting and management. A statement of expenditure and capital expenditure is also being forwarded to the state governments along with the monthly accounts.

Offices of the Indian Audit & Accounts Department

I. Audit offices – Union and Union Territories

A. Civil

1. Director General of Audit, Central Revenues, New Delhi
2. Principal Director of Audit, Economic & Service Ministries, New Delhi
3. Principal Director of Audit, Scientific Departments, New Delhi
Branch Offices at : Bangalore, Mumbai and Kolkata
4. Principal Director of Audit, Central, Kolkata
Branch Office at : Port Blair
5. Principal Director of Audit, Central, Mumbai

Note :- Audits of Union Territories of Chandigarh, Lakshadweep and Pondicherry are covered by the Accountants General (Audit), Haryana, Kerala and Tamil Nadu & Pondicherry respectively. Audit relating to Dadra and Nagar Haveli is covered by Accountant General (Audit)-II, Gujarat, Rajkot.

B. Defence

1. Director General of Audit, Defence Services, New Delhi
Branch Offices at : Allahabad, Chennai, Chandigarh, Delhi Cantt., Jammu, Kolkata, Meerut Cantt., Patna and Pune
2. Principal Director of Audit, Air Force and Navy, New Delhi
Branch Offices at : Bangalore, Dehradun and Mumbai
3. Principal Director of Audit, Ordnance Factories, Kolkata
Branch Offices at : Avadi (Chennai), Kolkata, Jabalpur, Kanpur and Kirkee

C. Post and Telecommunications

1. Director General of Audit, Post & Telecommunications, Delhi
Branch offices at : Ahmedabad, Bangalore, Bhopal, Kolkata (2), Cuttack, Delhi, Hyderabad, Jaipur, Kapurthala, Lucknow, Mumbai, Chennai, Nagpur, Patna and Thiruvananthapuram

D. Railways

1. Principal Director of Audit, Central Railway, Mumbai
2. Principal Director of Audit, Eastern Railway, Kolkata
3. Principal Director of Audit, Northern Railway, New Delhi
Branch Office at COFMOW, New Delhi
4. Principal Director of Audit, North-Eastern Railway, Gorakhpur
5. Principal Director of Audit, East Central Railway, Hajipur
6. Principal Director of Audit, North-East Frontier Railway, Maligaon, Guwahati
7. Principal Director of Audit, South-Central Railway, Secunderabad

8. Principal Director of Audit, Southern Railway, Chennai
Branch Office at : Perambur
9. Principal Director of Audit, South Western Railway, Hubli
10. Principal Director of Audit, South-Eastern Railway, Kolkata
11. Principal Director of Audit, Western Railway, Mumbai.
Branch Office at : Ajmer
12. Principal Director of Audit, North Western Railway, Jaipur
13. Principal Director of Audit, Railway Production Units & Metro Railway, Kolkata
Branch Offices at : Chitranjan (Burdwan), Kolkata and Varanasi
14. Principal Director of Audit, North Central Railway, Allahabad
15. Principal Director of Audit, West Central Railway, Jabalpur
16. Principal Director of Audit, South East Central Railway, Bilaspur
17. Principal Director of Audit, East Coast Railway, Bhubneshwar

E. Commercial

1. Principal Director of Commercial Audit & Ex-officio MAB, Bangalore
2. Principal Director of Commercial Audit & Ex-officio MAB-I, Kolkata
Branch Office at : Kolkata
3. Principal Director of Commercial Audit & Ex-officio MAB-II, Kolkata
Branch Office at : Ranchi
4. Principal Director of Commercial Audit & Ex-officio MAB, Chennai
5. Principal Director of Commercial Audit & Ex-officio MAB, Hyderabad
Branch Office at : Visakhapatnam
6. Principal Director of Commercial Audit & Ex-officio MAB-I, Mumbai
7. Principal Director of Commercial Audit & Ex-officio MAB-II, Mumbai
Branch offices at : Mumbai (Bandra), Baroda and Dehradun
8. Principal Director of Commercial Audit & Ex-officio MAB-I, New Delhi
9. Principal Director of Commercial Audit & Ex-officio MAB-II, New Delhi
Branch Office at Dehradun
10. Principal Director of Commercial Audit & Ex-officio MAB-III, New Delhi
Branch Office at : Bhopal
11. Principal Director of Commercial Audit & Ex-officio MAB-IV, New Delhi
Branch Offices at : Chandigarh, Kolkata, Chennai, Mumbai and New Delhi
12. Principal Director of Commercial Audit & Ex-officio MAB, Ranchi
Branches at : Durgapur and Rourkela

F. Overseas

1. Principal Director of Audit, India Audit Office, London,
2. Principal Director of Audit, Indian Accounts, Washington DC
3. Director of External Audit, Food & Agricultural Organisation, Rome
4. Director of External Audit, World Health Organisation, Geneva

II. Audit offices - States

1. Principal Accountant General (Civil Audit), Andhra Pradesh, Hyderabad
2. Sr. Dy. Accountant General (LB Audit & Accounts), Andhra Pradesh, Hyderabad

3. Accountant General (Commercial & Receipt Audit), Andhra Pradesh, Hyderabad
4. Accountant General, Arunachal Pradesh, Itanagar
5. Principal Accountant General (Audit), Assam, Guwahati
6. Sr. Dy. Accountant General (LB Audit & Accounts), Assam, Guwahati
7. Pr. Accountant General (Audit), Bihar, Patna
8. Accountant General, Chhattisgarh, Raipur
9. Sr. Dy. Accountant General (LB Audit & Accounts), Chhattisgarh, Raipur
10. Accountant General (Audit), Delhi
11. Accountant General, Goa
12. Principal Accountant General (Commercial & Receipt Audit), Gujarat, Ahmedabad
Branch office at : Rajkot
13. Accountant General (Civil Audit), Gujarat, Rajkot
Branch office at : Ahmedabad
14. Sr. Dy. Accountant General (LB Audit & Accounts), Gujarat, Ahmedabad
15. Accountant General (Audit), Haryana, Chandigarh
16. Accountant General (Audit), Himachal Pradesh, Shimla
17. Sr. Dy. Accountant General (LB Audit & Accounts), Himachal Pradesh, Shimla
18. Accountant General (Audit), Jammu & Kashmir, Srinagar
Branch Office at: Jammu
19. Accountant General (Audit), Jharkhand, Ranchi
20. Principal Accountant General (Civil & Commercial Audit), Karnataka, Bangalore
Branch Office at : Dharwad
21. Sr. Dy. Accountant General (LB Audit & Accounts), Karnataka, Bangalore
22. Accountant General (Works, Forest & Receipt Audit), Karnataka, Bangalore
23. Principal Accountant General (Audit), Kerala, Thiruvananthapuram
Branch Offices at: Kochi (Ernakulam), Kottayam, Kozhikode and Thrissur
24. Sr. Dy. Accountant General (LB Audit & Accounts), Kerala, Thiruvananthapuram
25. Principal Accountant General (Civil & Commercial Audit), Madhya Pradesh, Gwalior
26. Sr. Dy. Accountant General (LB Audit & Accounts), Madhya Pradesh, Gwalior
27. Accountant General (Works, Forest & Receipt Audit), Madhya Pradesh, Bhopal
Branch Office at : Gwalior
28. Principal Accountant General (Audit)-I, Maharashtra, Mumbai
Branch Offices at : Mumbai and Pune
29. Sr. Dy. Accountant General (LB Audit & Accounts), Maharashtra, Mumbai
30. Accountant General (Audit)-II, Maharashtra, Nagpur
31. Sr. Dy. Accountant General (LB Audit & Accounts), Maharashtra, Nagpur
32. Accountant General (Comml.Audit), Maharashtra, Mumbai
33. Accountant General (Audit), Manipur, Imphal
34. Sr. Dy. Accountant General (LB Audit & Accounts), Manipur, Imphal
35. Principal Accountant General (Audit), Meghalaya, Shillong
36. Accountant General, Mizoram, Aizawal
37. Accountant General (Audit), Nagaland, Kohima
38. Principal Accountant General (Civil Audit), Orissa, Bhubaneswar
39. Sr. Dy. Accountant General (LB Audit & Accounts), Orissa, Bhubaneswar
40. Accountant General (Commercial, Works & Receipt Audit), Orissa, Bhubaneswar
Branch Office at : Puri

41. Principal Accountant General (Audit), Punjab, Chandigarh
42. Principal Accountant General (Civil Audit), Rajasthan, Jaipur
43. Sr. Dy. Accountant General (LB Audit & Accounts), Rajasthan, Jaipur
44. Accountant General (Commercial & Receipt Audit), Rajasthan, Jaipur
45. Accountant General (Audit), Sikkim, Gangtok
46. Principal Accountant General (Civil Audit), Tamil Nadu & Pondicherry, Chennai
Branch Offices at : Pondicherry and Madurai
47. Sr. Dy. Accountant General (LB Audit & Accounts), Tamilnadu, Chennai
48. Accountant General (Commercial & Receipt Audit), Tamilnadu, Chennai
Branch Office at : Madurai
49. Accountant General (Audit), Tripura, Agartala
50. Sr. Dy. Accountant General (LB Audit & Accounts), Tripura, Agartala
51. Principal Accountant General (Civil Audit), Uttar Pradesh, Allahabad
52. Sr. Dy. Accountant General (LB Audit & Accounts), Uttar Pradesh, Allahabad
53. Accountant General (Commercial & Receipt Audit), Uttar Pradesh, Lucknow
Branch Office at: Allahabad
54. Accountant General, Uttaranchal, Dehradun
55. Sr. Dy. Accountant General (LB Audit & Accounts), Uttaranchal, Dehradun
56. Principal Accountant General (Audit), West Bengal, Kolkata
57. Accountant General (Receipt, Works & LB Audit), West Bengal, Kolkata

III. Accounts and Entitlement offices – states

1. Accountant General (A&E), Andhra Pradesh, Hyderabad
2. Accountant General (A&E), Assam, Guwahati
3. Accountant General (A&E), Bihar, Patna
4. Accountant General (A&E), Gujarat, Rajkot
Branch Office at : Ahmedabad
5. Accountant General (A&E), Haryana, Chandigarh
6. Sr. Dy. Accountant General (A&E), Himachal Pradesh, Shimla
7. Sr. Dy. Accountant General (A&E), Jammu & Kashmir, Srinagar
Branch Office at: Jammu
8. Accountant General (A&E) Jharkhand, Ranchi
9. Accountant General (A&E), Karnataka, Bangalore
10. Accountant General (A&E), Kerala, Thiruvananthapuram
Branch Offices at : Kochi (Ernakulam), Kottayam, Kozhikode, Thrissur
11. Accountant General (A&E)-I, Madhya Pradesh, Gwalior
Branch Office at: Bhopal
12. Accountant General (A&E)-II, Madhya Pradesh, Gwalior
13. Accountant General (A&E)-I, Maharashtra, Mumbai
14. Accountant General (A&E)-II, Maharashtra, Nagpur.
15. Sr. Dy. Accountant General (A&E), Manipur, Imphal.
16. Accountant General (A&E), Meghalaya, Arunachal Pradesh and Mizoram, Shillong.
17. Sr. Dy. Accountant General (A&E), Nagaland, Kohima
18. Accountant General (A&E), Orissa, Bhubaneswar
Branch Office at: Puri

19. Accountant General (A&E), Punjab, Chandigarh
20. Accountant General (A&E), Rajasthan, Jaipur
21. Sr. Dy. Accountant General (A&E), Sikkim, Gangtok
22. Accountant General (A&E), Tamil Nadu, Chennai
23. Sr. Dy. Accountant General (A&E), Tripura, Agartala
24. Accountant General (A&E)-I, Uttar Pradesh, Allahabad
25. Accountant General (A&E)-II, Uttar Pradesh, Allahabad
Branch Office at: Lucknow
26. Accountant General (A&E), West Bengal, Kolkata

Note: Accounts and Entitlement work of the Union Territories of Chandigarh, Dadra and Nagar Haveli and Lakshadweep is done in the offices of Accountants General (A&E) Punjab, Gujarat and Kerala respectively.

IV. Training Institutes

1. International Centre for Information Systems and Audit, Noida
2. National Academy of Audit and Accounts, Shimla
3. Regional Training Institute, Allahabad
4. Regional Training Institute, Chennai
4. Regional Training Institute, Jaipur
6. Regional Training Institute, Jammu
7. Regional Training Institute, Kolkata
8. Regional Training Institute, Mumbai
9. Regional Training Institute, Nagpur
10. Regional Training Institute, Ranchi
11. Regional Training Institute, Shillong

Audit Reports for financial year 2004-05 laid in Parliament/state legislature during 2005-06

Sr.No.	Particulars	Category of audit reports	Date of placement in Parliament/Legislature
Union Government			
Civil			
1.	Accounts of the Union Government excluding Railway	1 of 2006	21.03.2006
2.	Transaction Audit Observations	2 of 2006	21.03.2006
3.	Autonomous Bodies	3 of 2006	21.03.2006
Defence			
4.	Army and Ordnance Factories	4 of 2006	21.03.2006
5.	Air Force and Navy	5 of 2006	21.03.2006
Central Commercial			
6.	Telecom sector (Transaction Audit)	13 of 2006	17.03.2006

State Governments

Civil, Receipt and Commercial			
7.		Civil	27.03.2006
8.	Andhra Pradesh	State receipt	27.03.2006
9.		Commercial State	27.03.2006
10.		Arunachal Pradesh	Civil
11.	Assam	Civil	08.02.2006
12.		State receipt	08.02.2006
13.		Commercial State	08.02.2006
14.	Bihar	Civil	24.03.2006
15.		State Receipt	24.03.2006
16.		Commercial State	24.03.2006
17.	Chhattisgarh	Civil	23.03.2006
18.	NCT Delhi	Civil	17.03.2006
19.	Goa	Civil	12.07.2006
20.	Gujarat	Civil	28.03.2006
21.		State receipt	03.03.2006
22.		Commercial State	24.03.2006
23.		Civil	17.03.2006
24.	Haryana	State receipt	14.12.2005
25.		Commercial State	19.12.2005
26.	Jammu & Kashmir	Civil	27.03.2006
27.	Karnataka	Civil	28.03.2006
28.		State receipt	28.03.2006
29.		Commercial State	21.03.2006

30.		Civil	16.02.2006
31.	Kerala	State receipt	16.02.2006
32.		Commercial State	13.02.2006
33.			
33.	Madhya Pradesh	Civil	24.03.2006
34.		State receipt	24.03.2006
35.		Commercial State	24.03.2006
36.	Meghalaya	Civil	27.03.2006
37.	Mizoram	Civil	23.03.2006
38.	Nagaland	Civil	17.03.2006
39.		Civil	31.03.2006
40.	Orissa	State receipt	20.02.2006
41.		Commercial State	20.02.2006
42.			
42.	Pandicherry	Civil	27.02.2006
43.		Civil	13.03.2006
44.	Punjab	State receipt	13.03.2006
45.		Commercial State	13.03.2006
46.			
46.	Rajasthan	State receipt	10.03.2006
47.		Commercial State	11.03.2006
48.		State receipt	11.03.2006
49.	Uttar Pradesh	Civil	21.03.2006
50.		State receipt	21.03.2006

Audit Reports for financial year 2003-04 laid in state legislature during 2005-06

Sr.No.	Particulars	Category of audit reports	Date of placement in Parliament/Legislature
State (Civil, Receipt and Commercial)			
1.	Arunachal Pradesh	Civil	24.09.2005
2.	Assam	Civil	08.08.2005
3.		State receipt	08.08.2005
4.		Commercial State	08.08.2005
5.	Bihar	Civil	07.12.2005
6.		State Receipt	07.12.2005
7.		Commercial State	07.12.2005
8.	Chhattisgarh	Civil	19.07.2005
9.	NCT Delhi	Civil	05.04.2005
10.	Goa	Civil	31.08.2005
11.	Gujarat	Civil	13.09.2005
12.	Himachal Pradesh	Civil	08.04.2005
13.		State receipt	08.04.2005
14.		Commercial State	08.04.2005
15.	Jharkhand	Civil	19.12.2005
16.		State receipt	19.12.2005
17.	Karnataka	Civil	18.07.2005
18.	Kerala	Civil	20.07.2005
19.	Madhya Pradesh	Civil	04.01.2006
20.	Maharashtra	Civil	21.07.2005
21.		State receipt	21.07.2005
22.		Commercial State	21.07.2005
23.	Manipur	Civil	30.06.2005
24.	Meghalaya	Civil	14.10.2005
25.	Mizoram	Civil	26.09.2005
26.	Nagaland	Civil	18.08.2005
27.	Pandicherry	Civil	17.10.2005
28.	Rajasthan	Civil	28.09.2005
29.	Sikkim	Civil	25.08.2005
30.	Tamil Nadu	Civil	29.09.2005
31.		State receipt	29.10.2005
32.		Commercial State	29.09.2005
33.	Tripura	Civil	17.03.2005
34.	Uttar Pradesh	Civil	20.07.2005
35.		Commercial State	20.07.2005
36.	Uttaranchal	Civil	05.10.2005
37.	West Bengal	Commercial State	01.08.2005
38.		State Receipt	01.08.2005
39.		Civil	01.08.2005

Audit Reports for financial year 2004-05 placed after 31 March 2006

Sr.No.	Particulars	Category of audit reports	Date of placement in Parliament/Legislature
Union Government			
Railways			
1.	Transaction Audit	6 of 2006	19.05.2006
Revenue Receipts			
2.	Indirect Taxes (Central Excise & Service Tax)	7 of 2006	19.05.2006
3.	Direct Taxes (Transaction Audit)	8 of 2006	19.05.2006
Union Government : Commercial			
4.	Review of Accounts	10 of 2006	19.05.2006
5.	Comments on Accounts	11 of 2006	19.05.2006
6.	Transaction Audit Observations	12 of 2006	19.05.2006

State Government

Civil, Receipt and Commercial			
7.	Goa	Civil	12.07.2006
8.	Himachal Pradesh	State receipt	07.04.2006
9.	Jharkhand	Civil	24.08.2006
10.		State receipt	24.08.2006
11.	Kerala	Local Bodies	30.06.2006
12.	Karnataka	Local Bodies	10.07.2006
13.	Maharashtra	Civil	18.04.2006
14.		State receipt	18.04.2006
15.		Commercial State	18.04.2006
16.	Rajasthan	Civil	05.04.2006
17.	Tamil Nadu	Civil	08.08.2006
18.		State receipt	31.05.2006
19.		Commercial State	25.08.2006
20.		Local Bodies	28.08.2006
21.	Uttar Pradesh	Civil	12.05.2006
22.	West Bengal	Commercial State	24.07.2006

Performance Audit Reports for financial year 2004-05 of Union Government

Sr.No.	Particulars	Category of audit reports	Date of placement in Parliament/Legislature
Union Government			
Civil			
1.	Civil and Postal Department	1 of 2006	19.05.2006
2.	Internal Control and selected ministries	12 of 2006	19.05.2006
3.	Pradhan Mantri Gram Sadak Yogna	13 of 2006	19.05.2006
4.	Implementation of the Consumer Protection Act and Rules	14 of 2006	19.05.2006
5.	Sarva Shiksha Abhiyan	15 of 2006	18.08.2006
6.	Management of Foodgrains	16 of 2006	25.08.2006
7.	Disinvestment of Government Shareholding in selected PSUs during 1999-2000	17 of 2006	25.08.2006
8.	Conservation and Protection of Tigers and Tiger Reserves	18 of 2006	25.08.2006
Autonomous Bodies			
9.	Performance Audit	2 of 2006	19.05.2006
10.	System of revenue generation by Doordarshan and All India Radio	19 of 2006	18.08.2006
Defence			
11.	Army and Ordnance Factories	3 of 2006	19.05.2006
12.	Air Force and Navy	4 of 2006	19.05.2006
Railways			
13.	Railway Performance Appraisals	5 of 2006	19.05.2006
14.	Information Technology stand-alone	11 of 2006	19.05.2006
Revenue Receipts			
15.	Performance Report	6 of 2006	19.05.2006
16.	Direct Taxes – Performance Audit	7 of 2006	19.05.2006
17.	DT – Performance audit of Assessment Information System of the Income Tax Department (Ministry of Finance)	10 of 2006	19.05.2006
Central Commercial			
18.	Review of Activities of selected PSUs	8 of 2006	19.05.2006
19.	Performance Audit (Telecommunication Sector)	9 of 2006	11.05.2006

Action Taken Notes awaited from various Union ministries/ departments

Sr.No.	Name of ministry/ department	Commercial	Civil	Scientific dept	Autonomous bodies	Direct taxes	Indirect taxes	Defence services	Railways	Total
1	Finance	0	0	0	0	3281	822	0	0	4103
2	Information & Broadcasting	17	2	0	5	0	0	0	0	24
3	Urban development	14	7	0	40	0	0	0	0	61
4	Youth Affairs & Sports	0	2	0	0	0	0	0	0	2
5	Defence	0	0	0	0	0	0	141	0	141
6	Railways	0	0	0	0	0	0	0	331	331
7	Communication & information technology (Dept of Posts)	0	0	0	0	0	0	0	0	0
8	Dept of Information technology	0	0	1	0	0	0	0	0	1
9	Telecommunications	65	0	0	0	0	0	0	0	65
10	Commerce	0	1	0	0	0	0	0	0	1
11	Consumer Affairs & Public distributions	10	0	0	1	0	0	0	0	11
12	CSIR	0	0	2	0	0	0	0	0	2
13	Culture	0	2	0	2	0	0	0	0	4
14	Chemical & petro chemicals	20	1	0	0	0	0	0	0	21
15	External Affairs	0	16	0	1	0	0	0	0	17
16	Finance (Dept of Revenue)	0	2	0	0	0	0	0	0	2
17	Dept of Economic Affairs	0	1	0	0	0	0	0	0	1
18	Health & Family welfare	15	3	0	1	0	0	0	0	19
19	HRD (Dept of Secondary & Higher Education)	0	2	0	11	0	0	0	0	13
20	Women & Child development	0	1	0	0	0	0	0	0	1
21	Law & Justice	0	1	0	0	0	0	0	0	1
22	Power	20	1	0	0	0	0	0	0	21
23	Rural development	0	2	0	0	0	0	0	0	2
24	Science & Technology	4	0	1	0	0	0	0	0	5
25	Atomic energy	0	0	2	0	0	0	0	0	2
26	Shipping	7	1	0	7	0	0	0	0	15
27	SSI	2	0	0	3	0	0	0	0	5
28	Social justice & empowerment	41	1	0	1	0	0	0	0	43
29	Steel	73	1	0	0	0	0	0	0	74
30	Textile	9	1	0	0	0	0	0	0	10
31	Tourism	0	2	0	0	0	0	0	0	2
32	Water resources	2	1	0	0	0	0	0	0	3
33	Agriculture	1	0	0	0	0	0	0	0	1
34	Bio technology	11	0	0	0	0	0	0	0	11

35	Fertilizer	14	0	0	0	0	0	0	0	14
36	Civil aviation	15	0	0	0	0	0	0	0	15
37	Coal	11	0	0	0	0	0	0	0	11
38	Mines	1	0	0	0	0	0	0	0	1
39	Commerce & Industry	15	0	0	0	0	0	0	0	15
40	Defence production & supplies	13	0	0	0	0	0	0	0	13
41	North eastern development	10	0	0	0	0	0	0	0	10
42	Environment & Forest	7	0	0	0	0	0	0	0	7
43	Finance (Banking division)	113	0	0	0	0	0	0	0	113
44	Finance (Insurance division)	48	0	0	0	0	0	0	0	48
45	Home Affairs	6	0	0	0	0	0	0	0	6
46	HRD	12	0	0	0	0	0	0	0	12
47	Human Resources Science & Technology	4	0	0	0	0	0	0	0	4
48	Heavy Industry & Public Enterprises	17	0	0	0	0	0	0	0	17
49	Non conventional energy resources	2	0	0	0	0	0	0	0	2
50	Petroleum & natural gas	69	0	0	0	0	0	0	0	69
51	Public Enterprises	1	0	0	0	0	0	0	0	1
52	Road transport & highways	2	0	0	0	0	0	0	0	2
53	Space	5	0	0	0	0	0	0	0	5
54	Surface transport	1	0	0	0	0	0	0	0	
		677	51	6	72	3281	822	141	331	5381

Action Taken Notes awaited from State Governments

Sr.No.	Name of state	Civil	Commercial	Revenue	Total
1	Andhra pradesh	122	41	74	237
2	Assam	0	208	33	241
3	Bihar	2865	0	1717	4582
4	Chhattisgarh	0	0	0	0
5	Delhi	14	0	0	14
6	Goa	17	0	0	17
7	Gujarat	40	42	126	208
8	Haryana	77	144	74	295
9	Himachal Pradesh	0	0	64	64
10	Jarkhand	0	0	0	0
11	Karnataka	157	13	144	314
12	Kerala	25	38	42	105
13	Madhya Pradesh	84	927	0	1011
14	Maharashtra	1104	19	64	1187
15	Orissa	647	113	112	872
16	Pondichery	38	0	0	38
17	Punjab	0	0	63	63
18	Rajasthan	53	124	54	231
19	Tamil Nadu	193	90	577	860
20	Uttar Pradesh	0	0	42	42
21	West Bengal	43	6	46	95
22	Special Category States	1295	0	0	1295
		6774	1765	3232	11771

Glossary

A&E	Accounts and Entitlement
ADAI	Additional Deputy Comptroller and Auditor General
APL	Above Poverty Line
AsG	Accountants General, the Heads of field offices, also refers to Principal Accountant General, Accountant General, Principal Director and Director General.
ASOSAI	Asian Organisation of Supreme Audit Institutions – an international and independent body, which aims at promoting the exchange of ideas and experience between Asian Supreme Audit Institutions in the sphere of public auditing. The present membership is 43.
ATN	Action Taken Note
Audit Reports	Reports of CAG presented to the Parliament/state legislature in terms of Article 151 of the Constitution of India.
Auditing Standards	Provide minimum guidance for the auditor that helps determine the extent of audit steps and procedures that should be applied to fulfill the audit objectives.
BPL	Below Poverty Line
CAG	Comptroller and Auditor General of India
CBDT	Central Board of Direct Taxes
CoBIT	Control Objectives for Information and related Technology
COPU	Committee on Public Undertaking of the Parliament/state legislatures - examines the Audit Reports of CAG on Public Undertakings.
DAI	Deputy Comptroller and Auditor General
DG	Director General
DOS	Department of Space
DPC	Duties, Power and Conditions of service
Dy.AsG	Deputy Accountants General
EDP	Electronic Data Processing
ERP	Enterprise Resource Planning
GAIL	Gas Authority of India Limited
GASAB	Government Accounting Standard Advisory Board – set up to frame government accounting standards.
GPF	General Provident Fund
IA&AD	Indian Audit and Accounts Department
IA&AS	Indian Audit and Accounts Service
ICAI	Institute of Chartered Accountants of India
iCISA	International Centre for Information System Audit – Training institute of international standard that conducts international training programmes besides training programmes for Departmental officers.

IDEA	Interactive Data Extraction & Analysis
IDF	Institutional Development Fund
INTOSAI	International Organisation of Supreme Audit Institutions – an international and independent body, which aims at promoting the exchange of ideas and experience between member Supreme Audit Institutions in the sphere of public auditing. The present membership of INTOSAI is 185.
IR	Inspection Report – containing audit findings of local audit.
ISRO	Indian Space Research Organisation
IT	Information Technology
MSO	Manual of Standing Orders – Standing Orders of CAG dealing with general principles and procedures of audit
NAAA	National Academy of Audit and Accounts – responsible for professional training of IAAS officers, in-service training, research, seminars etc.
NCAER	National Council for Applied Economic Research
NHAI	National Highways Authority of India
OSD	Officer on Special Duty
PAC	Public Accounts Committee of Parliament and state legislature – examines the Audit Reports, Finance Accounts and Appropriation Accounts.
PAAsG	Principal Accountants General
PD	Principal Director
Performance audit	Audit of the economy, efficiency and effectiveness with which the entity uses its resources in carrying out its responsibilities.
PNB	Punjab National Bank
PSUs	Public Sector Undertakings
RBI	Reserve Bank of India
Regularity audit	Attestation of financial accountability of accountable entities, involving examination and evaluation of financial records and leading to opinion on financial statements; audit of financial systems and transactions; audit of internal control and internal audit functions.
RTC	Regional Training Centre – caters to the local training needs for courses of general nature.
RTI	Regional Training Institute – where the IAAD personnel belonging to Group B and C cadres are provided training.
SAI	Supreme Audit Institution – the public body of a state which, however designated, constituted or organized, exercises the highest public auditing function of that state by virtue of law.
SQL	Structured Query Language
STM	Structured Training Module
TAS	Traffic Accounting System
UN	United Nations
UTs	Union Territories

