

Chapter 15 : Audit Reports

Form, content and time of submission of audit reports to be decided by the C&AG

The form, content and time of submission of audit reports shall be decided by the Comptroller and Auditor General.

Opportunity to be provided to Government before including any matter in an audit report

Adequate opportunity shall be provided to Government to offer its comments, observations and explanation before including any matter in an audit report.

Communication of draft paragraph to Government and discussion thereon

1. The Accountant General (Audit) shall send a copy of the proposed audit observations in the form of a draft paragraph to the concerned Secretary to Government by name for communicating the comments, observations and explanation of the Government within a period of six weeks from the date of the letter or within such other period of time as may be specified. The Accountant General (Audit) shall also offer to discuss the draft paragraph with the Secretary at mutual convenience within the aforesaid period. A discussion may not be necessary in the case of a draft performance audit report that has been separately discussed with the Secretary at an exit conference in terms of these Regulations.
2. The Accountant General (Audit) shall simultaneously send one copy of the draft paragraph to the Secretary to the Government, Ministry of Finance or Finance Department, by name.
3. The draft paragraph shall be annotated with reference to the supporting audit evidence. The Accountant General (Audit) shall provide copies of any relevant documents and evidence in his possession that may be required by the Government department.

Reply to draft paragraph by Government

1. The Secretary to Government of the concerned department shall (a) confirm or cause to be confirmed, the receipt of the draft paragraph to the Accountant General (Audit) as soon as it is received, and (b) communicate the comments, observations and explanation of the Government on the draft paragraph in writing to the Accountant General (Audit) by name within the specified period. The reply shall be signed by the Secretary or carry an indication of approval by the Secretary.
2. The reply of the Secretary to Government shall state:
 - (a) whether the department accepts the facts and figures mentioned in the draft paragraph; if not, the reasons supported by the relevant documents and evidence duly authenticated;
 - comments, observations and explanation of the Government on matters included in the draft paragraph;
 - Government's response to suggestions and recommendations made in the draft paragraph;
 - remedial action taken or proposed to be taken; and
 - any other observations or remarks of the department.
3. Consistent with the schedule of preparation, finalisation and presentation of the audit report in the legislature, the Accountant General (Audit) may consider a request made by the concerned Secretary to Government for extension of time for sending the reply to the draft paragraph. Every such request shall (i) specify the reasons for seeking extension beyond the time stipulated, and (ii) state the date by which the final reply to the draft paragraph shall be sent to the Accountant General (Audit).
4. The Accountant General (Audit) will proceed on the assumption that the Government has no comments, observation and explanation in the matter in case a final reply is not received within the specified period or the extended period agreed to. The Government shall bear responsibility for the accuracy of the facts, figures and the related audit evidence mentioned in the draft paragraph in such cases.

5. The Accountant General (Audit) shall give full consideration to the reply of the Government. The draft paragraph may be modified or settled or may not be included in the audit report in the light of the reply.

Communication of finalised paragraphs for inclusion in audit report

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

Forwarding copies of audit report for laying before legislature

1. An officer authorised by the Comptroller and Auditor General shall send copies of the audit report duly signed by the Comptroller and Auditor General to the Secretary to the Government, Ministry of Finance or Finance Department as the case may be, who shall take prompt action for the submission of the audit report to the President or the Governor or the Administrator for further action and for the presentation of the report in Parliament or the State or Union Territory legislature. Copies of the audit reports under Section 19A of the Act shall be sent to the Secretary of the Ministry or department concerned or the Administrator of a Union Territory having legislative assembly, who shall take prompt action for laying the same in the Parliament or the legislature of the State or Union Territory.
2. An unsigned copy of the audit report shall simultaneously be sent to the Secretary to the President or the Governor or the Administrator.

Forwarding copies of audit report to Secretary to Government after presentation

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

Preparation of action taken note for submission to PAC or COPU

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

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

8. the remedial action taken or proposed to be taken to avoid occurrence of similar cases in future, to streamline the systems and to remove system deficiencies, if any; and
9. such other information as may have been prescribed by the Public Accounts Committee/Committee on Public Undertakings.

Vetting of action taken notes and responses on the recommendations of PAC/COPU by Accountant General (Audit)

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

1. The Secretary to Government of the concerned department shall send two copies of the draft self-explanatory action taken note to the Accountant General (Audit) for vetting along with the relevant files and documents on which the explanatory note has been formulated, properly referenced and linked. This shall be done within such period of time as may be decided consistent with the requirements of the time-schedule for the submission of the self-explanatory action taken notes prescribed by the Public Accounts Committee/Committee on Public Undertakings.
2. The Accountant General (Audit) shall return the self-explanatory action taken note to the Secretary duly vetted as soon as possible but not later than one month. Subject to any requirements that may have been prescribed by the Public Accounts Committee/Committee on Public Undertakings, the vetting comments of the Accountant General (Audit) may include suggestions for further course of action.
3. The Secretary shall send the requisite number of copies of the vetted note, as prescribed by the Public Accounts Committee/Committee on Public Undertakings, to the secretariat of the Public Accounts Committee/Committee on Public Undertakings in accordance with the time schedule prescribed by the latter and also forward a copy each to Ministry of Finance or Finance Department as the case may be, and the Accountant General (Audit).
4. On receipt of the recommendations of the Public Accounts Committee/Committee on Public Undertakings, the Secretary shall initiate action to prepare the Government's response by way of action taken note for submission to the respective Committee within such period and in such form as the Public Accounts Committee/Committee on Public Undertakings may prescribe.
5. The Government's response on the recommendations of the Public Accounts Committee/Committee on Public Undertakings shall be sent to the Accountant General (Audit) for vetting before its submission to the respective Committee with the relevant files and documents properly referenced and linked. The vetting comments of the Accountant General (Audit) shall be duly reflected in the response that may be sent to the Public Accounts Committee/Committee on Public Undertakings.

Duty of Government for systems and procedures to ensure timely response

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

Reporting of cases of delay to Government

The Accountant General (Audit) will report cases of delay to Secretary (Expenditure), Ministry of Finance in the case of the Union Government and to the Chief Secretary in the case of a

State Government and to the Administrator in case of a Union Territory having a legislative assembly. Cases of delay may also be appropriately commented in the audit report.