

**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT-I),
MADHYA PRADESH, GWALIOR**

No. SMU/AAP/2025-26/ 01

Date:16-01-2025

Office Order - 0 /

The following directions are being issued for constitution of a new Section namely Strategic Management Unit, preparation of Annual Audit Plan for 2025-26 and subsequent years, and improving audit procedures.

1. A new Section named " Strategic Management Unit (SMU) " has been constituted vide office order no. PAG/Sectt/STR-296-306 dated 08-01-2025. The tasks entrusted to this Section are devising internal auditing process in IT environment, developing technical processes for internal test audit in OIOS/e-office environment, Compliance audit/performance audit guidelines based internal test audit in IT environment, developing audit manuals in IT environment and any other assignment given by the Pr. A.G. This Section will report directly to the Pr. A. G. Initially, until further orders, Shri Debashish Kar has been posted as SAO/ SMU. Besides, Shri Anshuman Agnihotri (AAO/Report, 02/10510) may be posted in this newly created Section. Posting of other AAOs/staff shall follow. Effective date of incorporation and place of seating of this new Section will be decided by Sr. DAG/Admn.

(Action:- Sr. DAG/Admn)

2. Each AMG may select two Subject Specific Compliance Audit (SSCA) or one Performance Audit (PA), duly based on feasibility studies. Besides, one PA and one SSCA, across the AMG formation (such as framing of SOR, encroachment of roads etc.), may be selected by APDAC Section under the guidance of the Pr. A. G. (Audit-I). The one PA and one SSCA (across the AMG formation) will be under the direct supervision of Pr. A.G. (Audit-I). The newly created SMU section will be primarily responsible for shortlisting, proposing and subsequent auditing of PA/SSCA taken across the AMG formation and will report directly to the Pr. A.G. (Audit-I).

(Action:- all Sr. DAsG/ DAsG/AMG, APDAC Section)

3. Allahabad model of risk assessment is not to be followed and the same has been communicated to the CAG Office along-with Annual Audit Plan 2025-26. The reason for not using Allahabad model is as follows. This model is not consistent with the

provisions of Compliance Auditing Guidelines 2016 which prescribes Top Down Department Centric Activity Based Audit where risk assessment is to be carried out for Departments. Allahabad model relates to Audit processes of selection of Units as High risk, medium risk and low risk being carried prior to provisions Compliance Auditing Guidelines. The instructions used in the office of Pr. A. G. (Audit-I), Madhya Pradesh in respect of Allahabad model are based on directions of the Principal Director (Central Region) conveyed during 2018-19.

(Action:- APDAC Section)

4. Up-to-date and Compliance Auditing Guidelines compliant maintenance of Audit Universe will be ensured by Data Analytics Group with the assistance of field audit parties and respective AMGs.

(Action:- all DAsG/AMG, DA Group)

5. Top-down department centric approach is to be adopted for compliance audit, as prescribed in the Compliance Auditing guidelines. Central Audit of selected Departments, Audit of Sanctions, Receipt and Expenditure will be audited simultaneously for the same Department. Compliance Audit of Regulatory Bodies, State PSUs, Autonomous Bodies. Section 14/15 Audit will also be covered in Top Down Department Centric Audit.

(Action:- all DAsG/AMG)

6. Risk assessment of all the Apex units is to be carried out by APDAC Section under the guidance of Pr. AG (Audit-I), consistent with the Compliance Auditing Guidelines. Requisite information, as sought by APDAC Section, will be expeditiously provided by AMG/Headquarters, Report/PA Sections, Admn, Data Analytics Group, and FINAT Sections to facilitate the risk assessment exercise. For subsequent years, risk assessment exercise will be completed by the end of October for upcoming AAP.

(Action:- APDAC Section and Other Sections)

7. Risk assessment methodology for AAP 2025-26 and onwards will be as follows.

S. No.	Parameters	Source of data	Weightage %	Criteria	Score (out of 100)	Weighted score
1	Expenditure plus Receipt trend of last three FY (2021-22 to 2023-24)	Budget documents, Finance Account, Detailed Demand for Grants (for 2023-24 RE 2023-24 will be taken	5	Overall aggregated trend (Say X%) of all the departments during FY1 to FY3 will be worked out. Similarly trend of the department (Say D%) will be worked out. A. If $D < X$:		
1.1	Budget Trend for salary, office expense, wages and professional services of last three years (2022-23 to 2024-25)	Detailed Demand for Grants	5	(i) in the range of more than 100%, score will be 0; (ii) in the range of 75-100%, score will be 10; (iii) in the range 50-75%, score will be 20; (iv) in the range 25-50%, Score will be 30;		
1.2	Budget trend for capital expenditure, minor works, repair and maintenance of last three years (2022-23 to 2024-25)	Detailed Demand for Grants	10	(v) in the range 0-25%, score will be 40; B. If $D = X$, score will be 50 C. If $D > X$: (i) in the range 0-25%, Score will be 60:		
1.3	Budget trend for GIA (other than salary) of last three years (2022-23 to 2024-25)	Detailed Demand for Grants	10	(ii) in the range 25-50%, Score will be 70: (iii) in the range 50-75%, Score will be 80: (iv) in the range of more than 75-100%, score will be 90; (v) in the range of more than 100%, score will be 100.		
1.4	Expenditure incurred from subsidy of last FY (2023-24)	Detailed Demand for Grants	10			
1.5	Expenditure incurred from investment, loan and advances in last FY (2023-24)	Detailed Demand for Grants	5			
1.6	SAAB input	Minutes of last SAAB	5 3	Whether topic proposed by SAAB members pertains to the department; score of 100 will be given otherwise score will be zero		

1.7	Media reports during 2024-25	List of paper cuttings maintained	5	(i) No media report -0 (ii) 1 Media report -20 (iii) 2 Media report -40 (iv) 3 Media report -60 (v) 4 Media report -80 (vi) More than 4 media report -100		
1.8	Auditors' perception risk	Records of Report Section	10	Total number of draft paras of all the departments in the last three years would be added, divided by number of departments, Average (say A) will be worked out. If total number of Department's (i) draft para = N_i , score will be 25; (ii) draft para < A, score will be 50; (iii) draft para = A, score will be 75; (iv) draft para > A, score will be 100.		
1.9	Number of PSUs and ABs in the Department	Records of AMGs, TSC	5	Total number of PSUs/ABs of all the departments (as available the time of risk assessment) would be added, divided by number of departments, Average (say A) will be worked out, at If total number of Department's (i) PSUs & ABs = Nil, Score will be 25; (ii) PSUs & ABs < A, Score will be 50; (iii) PSUs & ABs = A, score will be 75; (iv) PSUs & ABs > A, Score will be 100		
1.10	Time elapsed since last audit	Records of AMGs	30	(i) 1 year- 25 (ii) 2 years -50 (iii) 3 years -75 (iv) more than 3 years-100		
	Total		100		Total Weig	

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(Action:- APDAC Section)

Note:- If data relating to any parameter are not available, the same may not be considered in risk assessment exercise.

8. APDAC Section will select the departments for compliance audit in a particular Annual Audit Plan and communicate the same to all AMG/Headquarters.

(Action:- APDAC Section)

9. Determination of Sanctioned Strength for each AMG will be done by APDAC Section as per AAP under the guidance of Pr. A. G. (Audit-I). Manpower available for auditing purposes will be divided in two parts Headquarters and field. All the field personnel will be distributed to different AMGs before the commencement of implementation of AAP. Necessary transfer/posting will be done by Transfer Board as per AAP.

(Action:- APDAC Section and Sr. DAG/Admn)

10. Nomination of Sr. Audit Officer for each Top Down Department Centric Audit will be done by concerned AMG. There will be two parties under the nominated Sr. Audit Officer. The team will be responsible for doing Financial Audit, Certification Audit, GIA audit, Audit of Sanctions (on a sample basis), Audit of sampled Regulatory bodies, Audit of sampled PSUs, Audit of sampled Autonomous Bodies, compliance audit of sampled units of the department and other assignments related with the Department as entrusted by the Group Officer. Sr. Audit Officer may suitably distribute the work between the two teams preferably one team engaged in compliance audit and another team in other kinds of audit and activities.

(Action:-Sr. DAsG/DAsG/AMG)

11. The nominated officer will ensure listing of activities, selection of activities (risk based) to be audited, mapping of activities to audit and implementing units, sampling of audit and implementing units to be audited for the selected list of activities, preparation of Audit Design Matrix for each selected activity and manpower requirement for audit. They will prepare check list for each selected activity. Besides, nominated officer will prepare audit tour programme and obtain approval of the Group Officer concerned.

- (i) Risk assessment of activity may be based on expenditure, previous audit experience, or media clippings, with suitable documentation. High expenditure activities may be accorded priority.
- (ii) Previous IRs, previous audit reports, media clippings, rules of executive business, VLC/CFMS database, detailed demand for grants data collection from the department etc, may be referred to for selection of activities.
- (iii) Sample size of audit units/implementing units within audit units may be similar to the sample size taken in performance audit or subject specific compliance audit.
- (iv) Requirement for re-deployment of surplus manpower may be assessed and conveyed to Transfer and Posting Board for necessary action with a copy to APDAC Section. In case of assessed shortfall, the same may also be dealt in a similar manner.

(Action:-Sr. DAsG/DAsG/AMG and Sr.DAG/Admin)

12. In case of any assessed conflict of Compliance Auditing Guidelines and MSO (Audit), Compliance Auditing Guidelines will prevail.

(Action:- All Sections)

13. Before commencing audit, intimation letter will be sent well in advance to the entities to be audited in the manner as prescribed in the Compliance Auditing guidelines. This intimation letter will also accompany initial audit requisitions.

(Action:- Sr. DAsG/DAsG/AMGs, respective audit teams)

14. Before commencing audit, entry conference with the Department will invariably be carried out in a manner similar to that being followed in Performance Audit and Subject Specific Compliance Audit. In this meeting department will be apprised of scope and coverage of audit. Entry meeting with respective audit and implementing units will also be carried out. At the end of audit, exit meeting will be held with respective entities. Exit Conference with the Department will be held in which Department will be apprised of aggregated audit observations noted in course of top down department centric audit. Discussion during these meetings will be minuted.

(Action:- Sr. DAsG/DAsG/AMGs, respective audit teams)

15. The audit of the apex auditable entity and its selected audit units/implementing units are to be done by one group of officers for the entire assignment (one Audit team). However, in case of large entities, it may become necessary to constitute more than a single team for audit of the apex auditable entity and its selected audit units. In such a scenario, a lead team may be constituted from amongst the audit teams which may be entrusted with the responsibility of providing a cohesive and synergised approach to compliance audit. The lead team in such cases may also be required to provide guidance, liaison support to other teams throughout the audit process and also consolidate audit findings in co-ordination with other audit teams for a holistic analysis and reaching a reasoned conclusion. All such cases of more than one Audit team will require approval of Pr. A. G. (Audit-I), Madhya Pradesh, Gwalior.

(Action:- Sr. DAsG/DAsG/AMGs)

16. Audit will be conducted in Top Down Department Centric Activity Based approach, starting from Apex Unit. Resistance to the methodology is expected but needs to be persisted.

(Action:- Sr. DAsG/DAsG/AMGs)

17. IRs are to be issued at the end of audit of respective apex and audit units as envisaged in Compliance Auditing Guidelines. IRs are not to be issued at the Implementing Unit level. The IR Paragraphs will be activity wise, both at the Apex and Audit Unit level. At the end of Audit of activities, a Departmental Appreciation Note (DAN) would be submitted. These DAN would be equivalent to PDP in present set up and used for filtering for material for Audit Report.

(Action:- Sr. DAsG/DAsG/AMGs)

18. Head of the Departments are to be apprised of department centric audit findings through a Department Appreciation Note (DAN) which will contain findings clubbed from various IRs related to a particular activity of the Department (Apex and audit units). Preparation of DAN will be done by Audit Officials and finalised by DP Cell. Initial draft will be prepared by the team and will be submitted to the DP Cell. DASG may assign this responsibility to Vetting Section or Report Section under him/her in place of DP Cell, if required.

(Action:-DP cell AMG/As directed by Sr. DAsG/DAsG)

19. While doing SSCA, IR will invariably be issued to the audited entities, the scope of which may be limited to the topic of SSCA. Similarly, while doing a Performance Audit, Field Audit Report/Discussion Paper will invariably be issued to the audited entities the scope of which may be limited to the topic of Performance Audit.

(Action:- Sr. DAsG/DAsG/AMGs)

20. In a scenario where a particular paragraph of an Inspection Report is included in the Compliance Audit Report of the CAG, such paragraphs may be settled as per the existing procedure for settlement of Audit Paragraph featured in the CAG Audit Report. Report Sections will suitably document the IR number and Paragraph number of the Draft paragraphs/long draft paragraphs and will communicate to the concerned Vetting Sections about the final inclusion of the draft paragraphs/long draft paragraphs in the Audit Report.

(Action:- SAO Report Sections and SAO Vetting Sections)

21. These instructions shall not apply to the audit of local bodies, financial audit as well as any of the Audit conducted under specific directions of the office of the C&AG of India which may be inconsistent with the above instructions.

(Action:- all AMGs)

22. A Committee of Group Officers in the o/o the Pr. AG (Audit-I), Madhya Pradesh, Gwalior is constituted for wider consultation of this office order and for further fine tuning before implementing this office order. APDAC section will arrange for the meeting of the committee for wider consultation.

(Action:- Sr. AO/APDAC and Sr. DAsG/DAsG/AMGs)

Sd/-

Pr. Accountant General (Audit-1)

No. SMU/AAP 2025-26/STR/17

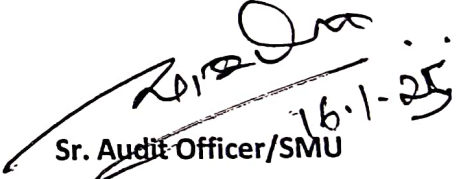
Date 16.01.2025

प्रतिलिपि सूचनार्थ एवं आवश्यक कार्यवाही हेतु प्रेषित:-

1. सचिव, महा लेखाकार (लेखापरीक्षा-प्रथम), मध्य प्रदेश, ग्वालियर
2. वरिष्ठ उपमहालेखाकार/ प्रशाशन एवं ए.एम.जी. 5

3. उपमहालेखाकार/ ए.एम.जी. 1
4. उपमहालेखाकार/ ए.एम.जी. 2
5. उपमहालेखाकार/ए.एम.जी. 3
6. उपमहालेखाकार/ ए.एम.जी. 4
7. वरिष्ठ लेखापरीक्षा अधिकारी (मुख्यालय)/ ए.एम.जी. 1
8. वरिष्ठ लेखापरीक्षा अधिकारी (मुख्यालय) / ए.एम.जी. 2
9. वरिष्ठ लेखापरीक्षा अधिकारी (मुख्यालय) / ए.एम.जी. 3
10. वरिष्ठ लेखापरीक्षा अधिकारी (मुख्यालय) / ए.एम.जी. 4
11. वरिष्ठ लेखापरीक्षा अधिकारी (मुख्यालय) / ए.एम.जी. 5
12. वरिष्ठ लेखापरीक्षा अधिकारी/वाणिज्यिक समन्वय
13. वरिष्ठ लेखापरीक्षा अधिकारी/APDAC
14. वरिष्ठ लेखापरीक्षा अधिकारी/ प्रशासन-11,12
15. वरिष्ठ लेखापरीक्षा अधिकारी/ रिपोर्ट-1
16. वरिष्ठ लेखापरीक्षा अधिकारी/ रिपोर्ट-2
17. वरिष्ठ लेखापरीक्षा अधिकारी/ IS Wing को इंटरनेट एवं इंट्रानेट पर अपलोड करने वाबत।
18. श्री नरेश आहूजा, स.ले.प.अ. को इंटरनेट एवं इंट्रानेट पर अपलोड करना सुनिश्चित करने वाबत।

Note: A meeting of GOs and SAOs of all Hqrs section dealing with Audit work scheduled on 17-01-2025 at 3.00 pm with PAG Sir to discuss on this Office order.


Sr. Audit Officer/SMU 16.1.25