

Office of the Principal Accountant General (Audit-I)
Madhya Pradesh, Gwalior

Office order

No./SMU/2025-26/F-70/0.0-102

Date 16/10/2025

Sub: - Information - "Impact of Audit" Chapter for Compendium 2025.

- 1.0 In compliance to instructions contained in Hqrs' email dated 08.10.2025, AMGs and other importance sections are to send details for inclusion under the following sub-chapters under a dedicated chapter on "Impact of Audit" in this year's edition of "The Catalysts – In Pursuit of Good Governance": -
- 1.1 Changes in Policy, Laws, Rules, and Procedures at the Instance of Audit
- 1.2 Impact of Audit in Strengthening and Enforcing Accountability (including strengthening of internal controls, new institutional mechanisms, etc.)

The details provided shall pertain to Audit Reports of 2024 of this office. For references, document share by Hqrs. may be referred (last year compendium) (Copy enclosed).

Encl.- As above.

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Sr. Audit Officer/SMU

Endt. No./SMU/2025-26/F-70/0.0-102/STR-1/2096-2109 Date 16/10/2025

Copy for information and necessary action: -

1. Secy to PAG (Audit)-I, M.P., Gwalior
2. DAG/AMG-I, AMG-II, AMG-III, AMG-IV & AMG-V
3. SrAO/ITA, APDAC, Report, Report (PAC)
4. SrAO/IS Wing for updating on Official Website
5. Sr. Utkarsh Yadav, AAO for updating on Official Website
6. Assistant Director/Raj Bhasha for Hindi Translation
7. Guard File

Sr. Audit Officer/SMU

Total financial impact of Audit

(In crores of Rupees)

	Recoveries accepted	Recoveries effected
UNION	25275.66	1391.89
STATES	22584.01	3645.46
Total	47859.67	5037.35

b. Changes in Policy, Laws, Rules and procedures at the instance of audit

Our Audit Reports have significantly influenced changes in policies, laws and procedures across various sectors. Through detailed assessments and recommendations, we have highlighted areas needing improvement, leading to enhanced regulatory frameworks and compliance measures. This proactive approach has resulted in greater transparency, accountability, and operational efficiency, ultimately strengthening governance and oversight. Some significant changes are highlighted below:

(i) Commercial Audit Vertical

Report No. 8 of 2023: Role of Tea Board India in Development of Tea in India

- **Systematic Inspection Mechanism:** The Tea Board has mandated the Licensing Committee to establish a systematic inspection and monitoring mechanism, ensuring adequate quality testing of tea.
- **Transparency in Tea Waste Sales:** All tea waste will now be sold through the Tea Board auction portal, enhancing transparency in the sales process.
- **Committee Meeting Calendar:** A formal calendar of meetings for various committees, including the Welfare Committee, has been devised to streamline operations and oversight.

Report No. 1 of 2023: Compliance Audit on Maintenance of Houses by CPWD

- **Annual Action Plan Revision:** The Maintenance Manual 2023 has been amended (Para 2.2) to change the preparation process of the CPWD Annual Action Plan, improving efficiency.
- **Digital Asset Management:** The asset maintenance data has been digitized, following amendments to the Maintenance Manual (Para 1.5), facilitating better management and accessibility.
- **Building Inspection Data:** Amendments to the Maintenance Manual (Para 1.6) have digitized inspection data of buildings, enhancing record-keeping and accountability.

Report No. 33 of 2022: Corrections/Rectifications by Eastern Coalfields Limited Standardized Accounting Policy:

Following our observations, Coal India Limited, the parent company of Eastern Coalfields Limited formulated a uniform accounting policy for coal quality variance to be adopted by all its subsidiaries. This rectification ensures consistency and accuracy in reporting across all subsidiaries.

(ii) Direct Taxes Audit Vertical

Audit Report No. 06 of 2022 on the Gems and Jewellery Sector, Audit Report No. 12 of 2022 on Charitable Trusts, and Audit Report No. 04 of 2023 on Property Attachment by Income Tax Department—have driven important changes in policies and procedures. The Ministry, vide Finance Act 2023, amended Section 10AA of the Act by inserting a new sub-section (4A) to fix the time limit of six months for bringing the export proceeds into the country for claiming deduction under Section 10AA (effective from 1 April 2024).

- The Ministry, vide Finance Act 2023, inserted clause (iii) in Explanation 4 to sub-section (1) of Section 11 of the Income Tax Act to provide that any amount credited or paid by a trust or institution to another trust as donation out of current years' income shall be treated as application only to the extent of 85 per cent of such donation. Similar provisions have been proposed to be inserted under clause (iii) of Explanation 2 to the third proviso of clause 23C of Section 10 of the Income Tax Act.
- A new ITR-7 from the Assessment Year 2023-24 is applicable for Charitable Trusts/Institutions.
- The Audit findings were brought out in the Union Audit Report (Direct Taxes) No.4 of 2023, which was placed before the Parliament on 29 March 2023. The Report contained a total of 13 Recommendations on different aspects. Consequently, the Central Board of Direct Taxes of ITD accepted ten out of 13 Recommendations and issued Instructions covering nine Audit Recommendations, in June 2024, giving detailed guidelines (SOP) to Income Tax Authorities.

(iii) Principal Accountant General (Audit) Uttarakhand

Through the medium of Management Letter (February 2022) to the entity, we highlighted, the deficiencies in the preparation of Schedule of Rates (SoRs). At our instance, a new Standard Operating Procedure (SoP) with regard to preparation of SoR was issued by the Government of Uttarakhand (Public Works Section-2 vide No. 2200 / III (2) /22-17 (General) 2008 dated 17 June 2022). This SOP is to be implemented by all the Engineering and Civil Departments for construction works in the State.

c. Impact of audit in strengthening and enforcing accountability (strengthening internal controls, new institutional mechanism etc.)

Our audits contribute to improvement in systems, process and controls, leading to improved efficiencies. Some of the significant changes are highlighted below:

(i) Railway Audit Vertical:

East Coast Railway (ECoR), Central Railway (CR) and South Western Railway (SWR) Zones have each taken significant steps to enhance operational efficiency. ECoR has established a mechanism to prevent short charging of chargeable distances due to incorrect loading point bookings. In response to CAG Report No. 25 of 2022, CR has revised its level crossing construction policy, mandating 100% Railway funding and requiring a Detailed Project Report from the outset. Meanwhile, SWR has implemented a Joint Procedure Order to streamline land acquisition processes, setting specific timelines for activities related to land acquisition cases in construction.

(ii) Commercial Audit Vertical

Report No. 1 of 2023: Compliance Audit on Functioning of National Mineral Exploration Trust (NMET)

- **Partial Reimbursement Scheme:** In March 2023, the Ministry introduced a scheme to partially reimburse exploration expenses for composite license holders, aimed at encouraging private sector participation in mineral exploration.
- **Engagement of Private Exploration Agencies:** A scheme launched by NMET in May 2022 focuses on enhancing the involvement of notified private exploration agencies.
- **Standard Operating Procedure:** A detailed Standard Operating Procedure has been established to outline the mechanisms for evaluating project proposals and the timeline for project approvals.

Report No. 1 of 2023: Compliance Audit on Operation of Coal Mines Pension Scheme 1998 and Coal Mines Deposit Linked Insurance Scheme 1976

- **Centralized Pension Disbursement:** The Coal Mines Provident Fund Organisation (CMPFO) has set up a Centralized Pension Disbursement Cell at CMPFO HQ to improve monitoring and reconciliation of pension disbursements. An Exit Policy on Investment Fund Management has also been approved.
- **Digitization Initiatives:** The digitization of CMPFO activities is underway, including the development of a web portal.
- **Pension Liability Management:** To address the significant gap between pension liabilities and assets, a high-level committee under the Additional Secretary, Ministry of Coal, has been constituted.

Report No. 2 of 2023: Compliance Audit on Scheme for Integrated Textile Parks

- **Scheme Closure:** The Integrated Textile Parks scheme is currently closed and not accepting new projects. However, during a Project Approval Committee meeting in

September 2023, the Ministry acknowledged several recommendations and decided to conduct a detailed inquiry into actions against defaulters.

Report No. 9 of 2023: Compliance Audit on Departmental Trading Unit including Supply Chain Management in Khadi and Village Industries Corporation (KVIC)

- **Production Unit Assessment:** KVIC undertook assessment of its production units, carried out maintenance of machineries that resulted in improved production.
- **Renewable Energy Initiatives:** Energy audits have been performed, and renewable energy sources have been installed. There has also been a transfer of usable machinery from defunct units to functional ones.
- **Marketing Enhancements:** KVIC is enhancing the marketing of Khadi products by refurbishing Khadi Bhavans and exploring franchise arrangements.