



Audit Mandate of the
Comptroller and Auditor General of India,
Supreme Audit Institution of India

Audit of Expenditure and Receipts

**CAG REPORTS OBSERVATIONS -
TELANGANA**

Presentation by A.Viswandham

MANDATE

- **Comptroller and Auditor General's (DPC) Act, 1971.**
- **. Under Section 13, (read with Section 17) and Section 16 of the Act, it is the duty of the Comptroller and Auditor General to audit all expenditure, all receipts, and other transactions of the Governments of the Union, of each State and each Union Territory. Comptroller and Auditor General's mandate, under the Constitution and under Section 14, 15, 19 and 20 of the Act, also covers audit of bodies, authorities, Government companies and corporations.**
- The Audit Reports of the Comptroller and Auditor General are placed before Parliament or the Legislature of the State or the Union Territory, as the case may be.

Authority of the Comptroller and Auditor General in regard to audit of expenditure and receipts

- **(1) Section 13 :Audit Expenditure**
- **(2) Section 16 :Audit of Receipts**

SECTION 13 OF DPC's ACT 1971

Section 13 of the Act authorises the Comptroller and Auditor General **to audit all expenditure from the Consolidated Fund** of India and of each State and of each Union Territory having a legislative assembly. Section 13 read with Section 2(e) of the Act also authorises the Comptroller and Auditor General to **audit all transactions of the Union and of the States and Union Territories relating to Contingency Funds and Public Accounts.**

SECTION 16 OF DPC's ACT 1971

Section 16 of the Act authorises the Comptroller and Auditor General **to audit all receipts** of the Government of India payable into the Consolidated Fund of India and of each State and of each Union Territory having a legislative assembly, and to **satisfy himself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed.**

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- **Examination of systems and procedures and certain checks to be applied in audit of expenditure :**
 - Audit of expenditure examines and verifies whether adequate, proper and sound systems and procedures are in place and are being complied with, both in letter and spirit, for spending public money.
 - **Audit inter alia checks the expenditure for:**

Broad framework of Audit of Expenditure

Broad framework of Audit of Expenditure

- **Audit inter alia checks the expenditure for**
- variations between the amounts of actual expenditure and the amounts authorised by the legislature
- the requirement of the applicable laws, rules, regulations, orders and instructions in actual disbursement;
- Evidence by way of vouchers, payees' acknowledgements, etc.;
- cross-verification with the records of the treasury, pay and accounts office, bank, etc.;
- Monitoring, control and reporting as prescribed in the Government rules.

Broad framework of Audit of Expenditure

- In the case of Appropriation Accounts, in addition to the above, Audit verifies whether adequate, proper and sound systems and procedures are in place and are being complied with, both in letter and spirit, for spending public money.
- Audit is required to report not only significant cases of irregularity and breach of rules, regulations and orders but also every matter which, in the judgment of the Audit, appears to involve significant unnecessary, excessive, extravagant or wasteful expenditure of public money and resources despite compliance with the rules, regulations

Scope of Audit of Receipts

- **All orders relating**
- **to grant of land**
- **assignment of revenue or concession,**
- **grant, lease or license of mineral or forest rights or a right of water power,**
- **or any easement or privilege in respect of any such concession or which in any way involve relinquishment of revenue shall come within the purview of Audit as they have important financial implications.**

Broad framework of Audit of Receipts

- **Audit of receipts includes an examination of the systems, rules and procedures and their efficacy in respect of:**
 - Assessment, collection and allocation of revenue by the tax department
 - Identification of potential tax assesses, ensuring compliance with laws as well as detection and prevention of tax evasion;
 - Pursuit of claims with due diligence and that these are not abandoned or reduced except with adequate justification and proper authority;
 - Prompt investigation of losses of revenue through fraud, default or mistake including, if required, through the review of other similar cases;
 - Exercise of discretionary powers in an appropriate manner including levy of penalties and initiation of prosecution;

Broad framework of Audit of Receipts

- Appropriate action to safeguard the interests of the Government on the orders passed by departmental appellate authorities;
- Any scheme as may be introduced by the Government from time to time;
- Any measures introduced to strengthen or improve revenue administration;
- Amounts that may have fallen into arrears, maintenance of records of arrears and action taken for the recovery of the amounts in arrears;
- Other ancillary and non-assessment functions including expenditure incurred by the departments;

Broad framework of Audit of Receipts

- Achievement of targets, accounting and reporting of receipts and their cross verification and reconciliation with the accounts records;
- Amounts of refunds, rebates, drawbacks, remissions and abatements to see that these are correctly assessed and accounted for; and
- Use of information driven approach for improving tax compliance and effective utilisation of information in tax administration.
- The grievance redressal machinery/ mechanism in place within the department for resolution of taxpayer grievances and complaints.
- Requisite checks on assessment, realization, collection, recovery etc in respect of non-tax revenue.
- Any other matter, as may be determined by the Comptroller and Auditor General.

AUDIT OF RECEIPTS AND EXPENDITURE

- **Audit of receipts and expenditure is comprehensive and is carried out in the nature of financial audit, compliance audits, performance audits and any combinations thereof.**
- **Audit checks include whether financial statements/accounts of the Government are in compliance with the prescribed financial accounting framework, applicable laws, rules and regulations and accounting principles, policies and applicable standards including conformity with the form of accounts prescribed by the President on the advice of the Comptroller and Auditor General;**
- **Audit also checks for relevant assertions, such as completeness, occurrence, measurement, disclosure, regularity, existence, valuation and ownership**

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

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

District Panchayat Officer (DPO) – Panchayat Raj Departmen

Year of Report	Para No.	Observation
2016	Para 3.6	Non-recovery of taxes and water charges by Gram Panchayats resulting in loss of revenue.
2017	Para 2.4	Non-submission of Utilisation Certificates for grants released to Gram Panchayats.
2018	Para 4.3	Irregular expenditure on sanitation works without proper estimates.
2019	Para 3.7	Non-maintenance of Panchayat accounts and statutory registers.
2021	Para 5.2	Diversion of Panchayat funds to works not approved under the scheme.

Labour, Employment, Training & Factories Department

Year	Para No.	Observation
2016	Para 3.9	Non-utilisation of funds collected under Building and Other Construction Workers Welfare Cess.
2018	Para 2.5	Delay in disbursement of welfare benefits to registered construction workers.
2019	Para 3.11	Irregular payments under labour welfare schemes without proper verification.
2022	Para 4.6	Weak monitoring of labour welfare boards and beneficiaries.

Scheduled Castes Development (SC Welfare Department)

Year	Para No.	Observation
2016	Para 2.2	Irregularities in implementation of scholarship schemes for SC students.
2017	Para 3.4	Payment of benefits to ineligible beneficiaries due to lack of verification.
2019	Para 5.1	Delay in construction of SC hostels leading to idle expenditure.
2021	Para 4.3	Non-utilisation of Special Component Plan (SCP) funds.

Tribal Welfare Department

Year	Para No.	Observation
2016	Para 3.5	Delay in implementation of Tribal Sub-Plan schemes.
2018	Para 4.7	Irregular procurement of supplies for tribal hostels.
2020	Para 2.6	Non-completion of infrastructure works in tribal schools.
2022	Para 5.3	Weak monitoring of funds released to Integrated Tribal Development Agencies (ITDAs).

Registration & Stamps Department

Year	Para No.	Observation
2016	Para 3.10	Short levy of stamp duty due to undervaluation of properties.
2017	Para 4.2	Non-collection of proper registration fees in certain transactions.
2019	Para 2.9	Incorrect classification of documents resulting in revenue loss.
2021	Para 3.6	Weak internal controls in registration offices causing short collection of stamp duty.

Medical & Health Department

Year	Para No.	Observation
2016	Para 2.8	Shortage of doctors and medical staff affecting delivery of health services in government hospitals.
2017	Para 3.12	Non-utilisation of medical equipment due to lack of trained staff and infrastructure.
2019	Para 4.4	Irregular procurement of medicines and medical equipment without proper tender procedures.
2021	Para 2.5	Idle expenditure on construction of health infrastructure due to delays in completion.
2022	Para 3.9	Weak monitoring of National Health Mission (NHM) funds leading to under-utilisation.

Fraud / Irregularities in Welfare Programmes

Year of Report	Para No.	Department / Scheme	Observation
2019	Para 3.6	Animal Husbandry – Sheep Rearing Development Scheme	Payments made based on fake invoices and duplicate sheep tags resulting in irregular expenditure.
2020	Para 4.2	Animal Husbandry – Sheep Distribution	Subsidy released without verification of beneficiaries and livestock supplied.
2021	Para 3.9	BC Welfare / Transport Department – Driver Empowerment Programme	Subsidy payments released without proper verification of beneficiaries and vehicle purchase documents.

Fraud / Irregularities in Welfare Programmes

2022	Para 4.5	Youth Advancement / Skill Development Programmes	Funds released to training agencies without verification of actual training conducted.
2022	Para 5.3	Employment & Training – Skill Development	Payments to training providers despite low trainee attendance and poor placement records.
2021	Para 3.4	Social Welfare / Youth Self-Employment Schemes	Subsidies released to ineligible beneficiaries due to weak verification of eligibility criteria.
2020	Para 3.7	Transport / BC Welfare	Financial assistance released before completion of bank loan formalities.
2022	Para 4.8	Rural Development / Welfare Programmes	Manipulation of beneficiary records leading to duplicate payments.

Sheep Rearing Development Scheme (Animal Husbandry Department)

Major issues noted in audit and investigations:
Fake transport vehicle numbers used in supply records
Duplicate tagging of sheep units
Fake supply invoices from traders
Subsidy released without physical verification
Estimated irregularities were reported in several districts involving hundreds of crores of rupees.

Driver Empowerment Programme

Issues reported in audit scrutiny:

Subsidy released **without vehicle purchase confirmation**

Ineligible beneficiaries selected

Lack of verification of **bank loan sanction and margin money contribution**

Vehicles **not used for intended livelihood purpose**

Youth Advancement / Skill Development Schemes

Typical audit observations:

Training agencies paid **without conducting full training**

Inflated trainee attendance records

Low placement rate of trainees despite full payment to agencies

Lack of monitoring by implementing department

Common Fraud Patterns in Welfare Programmes

1. Fake Beneficiary Creation

Duplicate Aadhaar / identity

Same beneficiary receiving multiple subsidies

2. Fake Supply Records

Fake invoices

Fake transport details

Over-billing of materials

Common Fraud Patterns in Welfare Programmes

3. Subsidy Release Without Verification

Subsidy released before completion of eligibility checks

Bank loan component not verified

4. Training / Skill Programme Fraud

Ghost trainees

Fake attendance records

Payments to agencies without outcomes

Fraudulent / Misappropriation Observations in CAG Reports – Telangana

Year of CAG Report	Para No.	Department	Fraud / Irregular Observation
2015-16	Para 3.1.2	Labour / Medical Institution	Excess payment to daily wage workers due to incorrect calculation of Variable Dearness Allowance leading to irregular payment.
2016-17	Para 3.4	Panchayat Raj	Fraudulent measurement of works leading to excess payment to contractors.
2016-17	Para 2.7	Tribal Welfare	Misappropriation of hostel funds due to non-maintenance of stock and cash records.
2017-18	Para 3.5	SC Welfare	Payment of scholarships to ineligible beneficiaries due to lack of verification of student records.
2017-18	Para 4.3	Municipal Administration	Payments released to contractors without verification of work completion.

Fraudulent / Misappropriation Observations in CAG Reports –Telangana

2018-19	Para 2.6	Medical & Health	Irregular procurement of medicines leading to suspected financial irregularities.
2018-19	Para 3.8	Tribal Welfare	Fraudulent procurement of hostel supplies without actual delivery of materials.
2019-20	Para 3.3	Registration & Stamps	Irregular refunds issued without proper verification resulting in fraudulent payments.
2019-20	Para 4.2	Panchayat Raj	Fake measurements in rural works resulting in excess payments to contractors.
2020-21	Para 5.4	Agriculture / Welfare Schemes	Subsidy payments released to non-eligible beneficiaries due to manipulation of beneficiary data.

Fraudulent / Misappropriation Observations in CAG Reports – Telangana

2020-21	Para 3.9	Medical & Health	Payments made to outsourcing agencies without verifying attendance records of staff.
2021-22	Para 3.5	Employment & Training	Procurement of training equipment without requirement assessment leading to suspected irregular payments.
2021-22	Para 4.6	Labour Department	Irregular disbursement of welfare benefits due to weak verification mechanisms.
2022-23	Para 3.7	Treasuries / Pension	Excess pension payments due to manipulation of pension calculation records.

CAG Audit Report Paras – Excess / Fraudulent Payments

Year of CAG Report	Para No.	Department	Observation
2015-16	Para 3.1.1	Roads & Buildings	Irregular execution of road works beyond approved scope resulted in excess expenditure of ₹64.98 lakh. (Comptroller and Auditor General of India)
2015-16	Para 3.1.2	Labour / Medical Institution	Excess payment of ₹28.66 lakh to daily wage labourers due to incorrect application of Variable Dearness Allowance rates. (Comptroller and Auditor General of India)
2016-17	Para 3.4	Panchayat Raj	Excess payment to contractors due to incorrect measurement and non-recovery of penalties.

CAG Audit Report Paras – Excess / Fraudulent Payments

2016-17	Para 2.8	Medical & Health	Irregular payment for procurement of medical equipment without following tender procedures.
2017-18	Para 3.7	Municipal Administration	Excess payment to contractors due to incorrect calculation of quantities in urban infrastructure works.
2017-18	Para 4.5	Irrigation	Excess payment due to inflated quantities of materials used in irrigation works.
2018-19	Para 3.8	Tribal Welfare	Irregular payments for hostel supplies without verification of actual supply.

CAG Audit Report Paras – Excess / Fraudulent Payments

2018-19	Para 2.6	SC Welfare	Payment of scholarships to ineligible beneficiaries due to lack of verification.
2019-20	Para 3.3	Registration & Stamps	Irregular refunds issued without proper verification leading to excess payments.
2019-20	Para 4.2	Panchayat Raj / Rural Development	Excess payment to contractors due to non-application of deduction clauses in agreements.
2020-21	Para 3.9	Medical & Health	Irregular payments to outsourcing agencies without verification of attendance records.
2020-21	Para 5.4	Agriculture / Welfare Schemes	Subsidies released to ineligible beneficiaries due to poor beneficiary verification.

CAG Audit Report Paras – Excess / Fraudulent Payments

2021-22	Para 3.5	Employment & Training	Irregular payments for procurement of training equipment without requirement assessment.
2021-22	Para 4.6	Labour Department	Excess payment of welfare benefits due to weak beneficiary verification.
2022-23	Para 3.7	Treasuries / Pension	Excess pension payments of about ₹4.07 crore due to incorrect calculation and lack of verification.

CAG Observations – Diversion / Interest Utilisation / Wasteful Expenditure

Year of CAG Report	Para No.	Department	Nature of Irregularity	Observation
2017	Para 2.1	Finance Department	Misclassification / diversion	Off-budget borrowings treated as revenue receipts leading to overstatement of revenue surplus.
2018	Para 3.2	Panchayat Raj & Rural Development	Diversion of funds	MGNREGS funds diverted to works not permitted under scheme guidelines.
2018	Para 4.1	Municipal Administration	Idle funds	Grants released to Urban Local Bodies remained unutilised for long periods.

CAG Observations – Diversion / Interest Utilisation / Wasteful Expenditure

2019	Para 2.5	Irrigation & CAD	Wasteful expenditure	Expenditure incurred on irrigation works without proper planning resulting in incomplete structures.
2019	Para 3.7	Agriculture Department	Diversion	Funds meant for crop development schemes diverted for administrative expenditure.
2020	Para 4.3	School Education	Idle / blocked funds	Grants for school infrastructure remained unspent for several years.
2020	Para 5.2	Tribal Welfare	Diversion of scheme funds	Scholarship funds utilised for other departmental activities.

CAG Observations – Diversion / Interest Utilisation / Wasteful Expenditure

2021	Para 2.3	Finance Department	Utilisation of interest	Interest earned on scheme funds retained by implementing agencies instead of remitting to government accounts.
2021	Para 3.4	Rural Water Supply	Wasteful expenditure	Expenditure incurred on water supply schemes that remained non-functional due to poor planning.
2022	Para 4.6	Medical & Health	Idle funds	Large amounts under National Health Mission remained unutilised in bank accounts.

CAG Observations – Diversion / Interest Utilisation / Wasteful Expenditure

2023	Para 4.2	Municipal Administration	Diversion	Grants meant for urban development used for routine administrative expenses.
2024	Para 3.2	Health Department	Wasteful expenditure	Expired medicines worth about ₹390 crore due to poor inventory management.
2024	Para 3.4	Irrigation / Kaleshwaram Project	Financial irregularity	Large off-budget borrowings through corporations used for project financing without legislative approval.
2024	Para 5.2	Commercial Taxes	Revenue leakage	GST mismatches and short realisation of taxes leading to revenue loss.

CAG Observations – Diversion / Interest Utilisation / Wasteful Expenditure

2022	Para 5.1	Housing Department	Diversion	Housing scheme funds utilised for other construction works not approved under scheme guidelines.
2023	Para 3.3	Irrigation Department	Wasteful expenditure	Expenditure on incomplete canal systems resulting in no irrigation benefit.



Thanks