18.1 Introduction

Public sector undertakings in India are fundamentally owned or controlled by central government, or any state government or governments, or partly by the central government and one or more state governments. The public enterprises have been assigned a key role in the socio-economic development of the country. These enterprises are industries supplying basic inputs to industry and agriculture, such as coal, oil, steel, minerals and metals, cement, chemicals and fertilizers and heavy equipment. Public utilities like the railways, postal and telecom services, electricity generation and supply, road transport, etc. constitute another class of public enterprises. Thus in India the public sector has achieved a dominant role in the national economy.

*Fig.: Audit of PSUs*
18.2 Framework for Government Audit

As defined under section 2(45) of the Companies Act, 2013, a “Government company” is a company in which not less than 51% of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company.

In India, government audit is performed by an independent constitutional authority, i.e. Comptroller and Audit General (C&AG) of India, through the Indian Audit and Accounts Department. The Constitution of India gives a special status to the C&AG and contains provisions to safeguard his independence.

**Article 148 to 151 of the Constitution** prescribes the role of C&AG of India as follows:

- **Article 148**
  - Appointment of C&AG by the President.
  - Special procedure for removal of C&AG, only on the ground of proven misbehaviors or incapacity.
  - Salary and other conditions of service to be determined by the Parliament.

- **Article 149**
  - Perform such duties and exercise such powers in relation to the accounts of the Union and States and of any other authority or body as may be prescribed by or under any law made by the Parliament.
  - The C&AG’s (Duties, Powers and Conditions of Service) Act, 1971 defines these functions and powers in detail.

- **Article 150**
  - On the advice of the C&AG, President to prescribe such form in which accounts of the Union and States shall be kept.

- **Article 151**
  - Audit reports of the C&AG relating to the accounts of the Central/State Government should be submitted to the President/Governor of the State who shall cause them to be laid before Parliament/State Legislative.
The Comptroller and Audit General's (Duties, Power and Conditions of Services) Act, 1971, prescribes that the C&AG shall hold office for a term of six years or up to the age of 65 years, whichever is earlier. He can resign at any time through a resignation letter addressed to the President. The Act also assigns the duties regarding the audit to be followed by C&AG.

The number of organisations subject to the audit of the Comptroller and Auditor General of India is very large. This includes:

- All the Union and State Government departments and offices including the Indian Railways and Posts and Telecommunications.
- Public commercial enterprises controlled by the Union and State governments, i.e. government companies and corporations.
- Non-commercial autonomous bodies and authorities owned or controlled by the Union or the States.
- Authorities and bodies substantially financed from Union or State revenues.

As a result, the Comptroller and Auditor General of India has been issuing a large number of audit reports every year.

Audit of Government Companies (Commercial Audit) – There is a special arrangement for the audit of companies where the equity participation by Government is 51 percent or more. The auditors of these companies are Chartered Accountants, appointed by the Comptroller & Auditor General, who gives the auditors directions on the manner in which the audit should be conducted by them. He is also empowered to comment upon the audit reports of the auditors. In addition, he has a right to conduct a supplementary audit of such companies and cause test audit if considered necessary, by an order.

[Note: Audit of Government companies is discussed separately under Para 18.4]

Audit Board Setup in Commercial Audit – A unique feature of the audit conducted by the Indian Audit and Accounts Department is the constitution of Audit Boards for conducting comprehensive audit appraisals of the working of Public Sector Enterprises engaged in diverse sectors of the economy.

These Audit Boards associate with them experts in disciplines relevant to the appraisals. They 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.

The results of such comprehensive appraisals are incorporated by the Comptroller and Auditor General in his reports.

It has no separate legal entity and works under the supervision and control of the Comptroller and Auditor General.
18.4 Advanced Auditing and Professional Ethics

Action on Audit Reports – The scrutiny of the Annual Accounts and the Audit Reports thereon by the Parliament as a whole would be an arduous task, considering their diverse and specialised nature, besides imposing excessive demands on the limited time available to the Parliament for discussion of issues of national importance. Therefore, the Parliament and the State Legislatures have, for this purpose, constituted specialized Committees like the Public Accounts Committee (PAC) and the Committee on Public Undertakings (COPU), to which these audit Reports and Annual Accounts automatically stand referred.

Public Accounts Committee (PAC) – It is the duty of the Public Accounts Committee to satisfy itself:
(i) that the moneys were disbursed legally on the service or purpose to which they were applied.
(ii) that the expenditure was authorised.
(iii) that re-appropriation has been made in accordance with the provisions made (i.e. distribution of funds).

It is also the duty of the PAC to examine the statement of accounts of autonomous and semi-autonomous bodies, the audit of which is conducted by the Comptroller & Auditor General either under the directions of the President or by a Statute of Parliament.

Estimates Committee – The Committee examines the estimates with a view to:
(i) report that economies, improvements in organization, efficiency, consistent with the policy underlying the estimates may be effected;
(ii) suggest alternative policies;
(iii) examine whether the money is well laid out within the limit; and
(iv) suggest the form in which the estimates shall be presented to Parliament.

The Committee does not comment upon a policy approved by Parliament, but where there is evidence that a particular policy is not leading to the desired results, or is leading to waste, it is the duty of the Committee to bring it to the notice of the House.

Committee on Public Undertakings – The Committee on Public Undertakings exercises the same financial control on the public sector undertakings as the Public Accounts Committee exercises over the functioning of the Government Departments. The functions of the Committee are -

(i) to examine the reports and accounts of public undertakings.
(ii) to examine the reports of the Comptroller & Auditor General on public undertakings.
(iii) to examine the autonomy and efficiency of public undertakings and to see whether they are being managed in accordance with sound business principles and prudent commercial practices.
(iv) to exercise such other functions vested in the PAC and the Committee on Estimates as are not covered above and as may be allotted by the Speaker from time to time.
The examination of public enterprises by the Committee takes the form of comprehensive appraisal or evaluation of performance of the undertaking. It involves a thorough examination, including evaluation of the policies, programmes and financial working of the undertaking.

The objective of the Financial Committees, in doing so, is not to focus only on the individual irregularity, but on the defects in the system which led to such irregularity, and the need for correction of such systems and procedures.

**C&AG's Role** – The Comptroller & Auditor General of India plays a key role in the functioning of the financial committees of Parliament and the State Legislatures. He has come to be recognised as a ‘friend, philosopher and guide’ of the Committees. His Reports generally form the basis of the Committees' working, although they are not precluded from examining issues not brought out in his Reports. He scrutinises the notes which the Ministries submit to the Committees and helps the Committees to check the correctness of submissions to the Committees and facts and figures in their draft reports.

The Financial Committees present their Report to the Parliament/ State Legislature with their observations and recommendations. The various Ministries / Department of the Government are required to inform the Committees of the action taken by them on the recommendations of the Committees (which are generally accepted) and the Committees present Action Taken Reports to Parliament / Legislature.

In respect of those cases in Audit Reports, which could not be discussed in detail by the Committees, written answers are obtained from the Department / Ministry concerned and are sometimes incorporated in the Reports presented to the Parliament / State Legislature. This ensures that the audit Reports are not taken lightly by the Government, even if the entire report is not deliberated upon by the Committee.

**18.3 Objective and Scope of Public Enterprises Audit**

The C&AG’s (Duties, Power and Conditions of Services) Act, 1971 specifies the entities that come under audit purview of C&AG at the Union and State level, however, the scope and extent of audit is determined by the C&AG itself.

(1) **Audit of PSUs not constrained to Financial and Compliance Audit**: Audit of public enterprises in India is not restricted to financial and compliance audit; it extends also to performance (efficiency, economy and effectiveness) with which these operate and fulfill their objectives and goals.
(2) **Propriety Audit:** Another aspect of audit relates to questions of propriety. This audit is directed towards an examination of management decisions in sales, purchases, contracts, etc. to see whether these have been taken in the best interests of the undertaking and conform to accepted principles of financial propriety.

(3) **Comprehensive Audit:** Under comprehensive audit, the C&AG do not really cover again the field which has already been covered. He conducts an appraisal or an efficiency-cum-performance audit. He sees whether the undertakings have fulfilled the objectives for which they have been established, whether value-for-money spent has been obtained, whether the targets have been achieved, etc. He locates the areas of weakness including review of the decisions taken by the management and a comprehensive appraisal of the performance of the undertaking.

(4) **Organisation’s Decision to be taken by Competent Authority:** In examining the decisions of a management, the auditor examines that these were taken by the competent authority after examination of all aspects (economic, technological, public interest) on the basis of all the relevant information available at that time and taking into consideration the different alternatives available to management and that the decisions were consistent with the aims and objectives of the enterprise.

(5) **Helping Government:** Audit is an instrument of accountability. But an equally important purpose of audit of public enterprises in India is to help the Government and the enterprise managements improve their efficiency and effectiveness. This is achieved by bringing out financial and operational deficiencies, inadequacies or ineffectiveness of systems, shortfalls in performance, etc. and by analysing the causes of shortfall from acceptable standards of performance.

(6) **Highlighting Issues of Efficient and Economic Operations:** Financial performance is linked with physical performance and issues of efficient and economic operations and management of resources are highlighted. There is an increasing emphasis on audit being an instrument of improvement.

(7) **Fiscal and Managerial Accountability:** In the broader context, Government audit encompasses two main elements, viz., (a) Fiscal Accountability: It includes audit of provisions of funds, sanctions, compliances and propriety; and (b) Managerial Accountability: It includes audit of efficiency, economy and effectiveness (This is often referred to as efficiency-cum-performance audit).
18.4 Audit of Government Companies

The following steps are involved in the audit of government companies:

(a) Appointment of Auditors under Section 139(5) and 139(7) read with section 143(5) of the Companies Act, 2013 - Statutory auditors of Government Company are appointed or re-appointed by the Comptroller and Auditor General of India. There is thus a departure from the practice in vogue in the case of private sector companies where appointment or re-appointment of the auditors and their remuneration are decided by the members at the annual general meetings.

The C&AG may direct the appointed auditor the manner in which the accounts of the Government company are required to be audited and thereupon the auditor so appointed shall submit a copy of the audit report to the Comptroller and Auditor-General of India which, among other things, include the directions, if any, issued by the Comptroller and Auditor-General of India, the action taken thereon and its impact on the accounts and financial statement of the company.

(b) Supplementary audit under section 143(6)(a) of the Companies Act, 2013 - The Comptroller and Auditor-General of India shall within 60 days from the date of receipt of the audit report have a right to conduct a supplementary audit of the financial statement of the company by such person or persons as he may authorize in this behalf; and for the purposes of such audit, require information or additional information to be furnished to any person or persons, so authorised, on such matters, by such person or persons, and in such form, as the Comptroller and Auditor-General of India may direct.

(c) Comment upon or supplement such Audit Report under section 143(6)(b) of the Companies Act, 2013 - Any comments given by the Comptroller and Auditor-General of India upon, or supplement to, the audit report shall be sent by the company to every person entitled to copies of audited financial statements under sub-section (1) of section 136 of the said Act.
i.e. every member of the company, to every trustee for the debenture-holder of any debentures issued by the company, and to all persons other than such member or trustee, being the person so entitled and also be placed before the annual general meeting of the company at the same time and in the same manner as the audit report.

(d) Test audit under section 143(7) of the Companies Act, 2013 - Without prejudice to the provisions relating to audit and auditor, the Comptroller and Auditor- General of India may, in case of any company covered under sub-section (5) or sub-section (7) of section 139 of the said Act, if he considers necessary, by an order, cause test audit to be conducted of the accounts of such company and the provisions of section 19A of the Comptroller and Auditor- General's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to the report of such test audit.

18.5 Financial Audit

Financial audit is primarily conducted to express an audit opinion on a set of financial statements. It includes:

(i) examination and evaluation of financial records and expression of opinion on Financial Statements;
(ii) audit of financial systems and transactions including an evaluation of compliance with applicable statutes and regulations which affect the accuracy and completeness of accounting records; and
(iii) audit of internal control and internal audit functions that assist in safeguarding assets and resources and assure the accuracy and completeness of accounting records.

18.6 Compliance Audit

Compliance audit is an independent verification process of evaluating audit evidence to determine whether specified compliance requirements are met.

It examines the transactions relating to expenditure, receipts, assets and liabilities of Government for compliance with:

(i) the provisions of the Constitution of India and the applicable laws; and
(ii) the rules, regulations, orders and instructions issued by the competent authority either in pursuance of the provisions of the Constitution of India and the laws or by virtue of the powers formally delegated to it by a superior authority.

Compliance audit also includes an examination of the rules, regulations, orders and instructions for their legality, adequacy, transparency, propriety, prudence and effectiveness, that is, whether these are:

(i) intra vires of the provisions of the Constitution of India and the laws (Legality);
(ii) sufficiently comprehensive and ensure effective control over Government receipts, expenditure, assets and liabilities with sufficient safeguards against loss due to wastage, misuse, mismanagement, errors, frauds and other irregularities (Adequacy);

(iii) clear and free from ambiguity and promote observance of probity in decision making (Transparency);

(iv) effective and achieve the intended objectives and aims (Effectiveness).

18.7 Performance Audit

A performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action.

Performance audit in PSUs is conducted by the Comptroller and Auditor General of India (Supreme Audit Institutions) through various subordinate offices of Indian Audit and Accounts Department (IAAD). In conducting performance audit, the subordinate offices are guided by manual and auditing standards prescribed by CAG.

According to the guidelines issued by the C&AG of India, Performance Audits usually address the issues of:

(i) **Economy** - It is minimising the cost of resources used for an activity, having regard to appropriate quantity, quality and at the best price.

Judging economy implies forming an opinion on the resources (e.g. human, financial and material) deployed. This requires assessing whether the given resources have been used economically and acquired in due time, in appropriate quantity and quality at the best price.
(ii) **Efficiency** - It is the input-output ratio. In the case of public spending, efficiency is achieved when the output is maximised at the minimum of inputs, or input is minimised for any given quantity and quality of output.

Auditing efficiency embraces aspects such as whether:

(a) sound procurement practices are followed;
(b) resources are properly protected and maintained;
(c) human, financial and other resources are efficiently used;
(d) optimum amount of resources (staff, equipment, and facilities) are used in producing or delivering the appropriate quantity and quality of goods or services in a timely manner;
(e) public sector programmes, entities and activities are efficiently managed, regulated, organised and executed;
(f) efficient operating procedures are used; and
(g) the objectives of public sector programmes are met cost-effectively.

(iii) **Effectiveness** - It is the extent to which objectives are achieved and the relationship between the intended impact and the actual impact of an activity.

In auditing effectiveness, performance audit may, for instance:

(a) assess whether the objectives of and the means provided (legal, financial, etc.) for a new or ongoing public sector programme are proper, consistent, suitable or relevant to the policy;
(b) determine the extent to which a program achieves a desired level of program results;
(c) assess and establish with evidence whether the observed direct or indirect social and economic impacts of a policy are due to the policy or to other causes;
(d) identify factors inhibiting satisfactory performance or goal-fulfilment;
(e) assess whether the programme complements, duplicates, overlaps or counteracts other related programmes;
(f) assess the effectiveness of the program and/or of individual program components;
(g) determine whether management has considered alternatives for carrying out the program that might yield desired results more effectively or at a lower cost;
(h) assess the adequacy of the management control system for measuring, monitoring and reporting a programme's effectiveness;
(i) assess compliance with laws and regulations applicable to the program; and
(j) identify ways of making programmes work more effectively.
18.7.1 Provisions contained in Companies Act, 2013 and C&AG’s (Duties, Powers, and Conditions of Service) Act, 1971

According to section 19(1) of the Comptroller and Auditor General (Duties, Powers, and Conditions of Service) Act, 1971, the duties and powers of the Comptroller and Auditor General in relation to the audit of the Accounts of Government companies shall be performed and exercised by him in accordance with the provisions of the Companies Act.
Sub-section (6) and (7) of section 143 of the Companies Act, empowers Comptroller and Auditor General of India to conduct supplementary audit or test audit of Government companies. The CAG shall have right to conduct supplementary or test audit of the Government company’s accounts by such person or persons as he may authorize in this behalf; and for the purposes of such audit to require information or additional information to such person or persons and in such form as the Comptroller and/ Auditor General may, by general or special order, direct.

The supplementary or test audit conducted by the Comptroller and Auditor General is in the nature of efficiency-cum-performance appraisal.

Section 143(5) of Companies Act requires the statutory auditor (chartered accountant appointed by CAG under section 139(5) or 139(7) of the Act) to submit a copy of his audit report on the accounts of the Government company to C&AG.

Thus section 143(6) and 143(7) of the Companies Act empowers C&AG to conduct supplementary audit and test audit respectively of annual accounts of a Government company.

In so far as statutory corporations are concerned the respective Statutes provide for audit by CAG. The scope includes conducting performance audit of these corporations also though specifically not stated so.

### 18.7.2 Objectives of Performance Auditing

The objectives of performance auditing are evaluation of economy, efficiency, and effectiveness of policy, programmes, organization and management. It also promotes accountability by assisting those charged with governance and oversight responsibilities to improve performance; and transparency by affording taxpayers, those targeted by government policies and other stakeholders an insight into the management and outcomes of different government activities.

Performance auditing focuses on areas in which it can add value which have the greatest potential for development. It provides constructive incentives for the responsible parties to take appropriate action.

### Example

**Performance Audit of enforcement mechanism for administering the provision of Minimum Wages Act (a social welfare legislation)**

The auditors, who undertake performance audit of a program or unit, must possess knowledge of the industries or labor contracts where these provisions are applicable and also identify the population thereof before carrying out audit program. He shall evaluate the standard of living before implementation and after implementation of the Act.

Further, he shall have to evaluate the evidence available as to nature of returns prescribed and obtained for taking appropriate action.
The Performance Auditor shall also have to evaluate the economy, efficiency and effectiveness in the welfare systems to be audited. He can then study the shortcomings in the coordination between different agencies like labor department, EPF and ESI organization and the control systems and point out a set of relevant problems.

Auditor shall also point out lacuna, if any in the existing legal frame work or enforcement mechanism to strengthen the objective of legislation. Another possible area of critical audit may be to study actual level of compensation required in each area keeping in mind the local living conditions and where the minimum wages prescribed in the statute is demonstrably different from this level he may report the same to the Government for taking appropriate action.

In this manner, the performance audit can not only examine the reasons for such vagaries but also ensures that the legislation serves the intended purpose. By reporting the same to the legislature, the corrective is made possible.

[Note: Interested students may refer to CPE Background Material on Performance Audit of Public Sector Enterprises in India published by the ICAI for further reference].

### 18.7.3 Planning for Performance Audit

The following steps are suggested to the auditors for planning while conducting the performance audit:

**A** **Understanding the entity/programme** - It is the starting point for planning individual performance audit.
The auditor may use the following sources for understanding the entity:

(i) **Documents of the entity**: Documents on administration and functions of the entity, policy files, annual reports, budget documents, accounts, minutes of meetings, information on the website, internal audit reports, electronic databases and MIS reports, RTI material etc.

(ii) **Legislative documents**: Legislation, parliamentary questions and debates, reports of the Public Accounts Committee, the Committee on Public Undertakings, the Estimates Committee and letters from Members of Parliament.

(iii) **Policy documents**: Documents of Planning Commission, Ministry of Finance etc.

(iv) **Academic or special research**: Independent evaluations on the entity, academic research and similar work done by other governments and other SAIs.

(v) **Past audits**: Past financial and performance audits of the entity provide a major source of information and understanding.

(vi) **Media coverage**: Print and electronic media - their systematic documentation on regular basis in a transparent manner.

(vii) **Special focus groups**: Audit Advisory Committee concerns, annual and special reports of World Bank, Reserve Bank of India, reports by special interest groups, NGOs, etc.

(B) **Defining the objectives and the scope of audit** - The audit objectives should be defined in a succinct manner as they will impact the nature of the audit, govern its conduct and affect audit conclusions. Setting audit objectives ensures good quality performance audits. It facilitates clarity, demonstrates consistent quality of audit and serves as a measure of quality assurance of the audit.

Defining the scope constrict the audit to significant issues that relate to the audit objectives. It mainly focuses the extent, timing and nature of the audit.

(C) **Determining audit criteria** - Audit criteria are the standards used to determine whether a program meets or exceeds expectations. It provides a context for understanding the results of the audit. Audit criteria are reasonable and attainable standards of performance against which economy, efficiency and effectiveness of programmes and activities can be assessed.
The audit criteria may be sought to be obtained from the following sources:

(i) procedure manuals of the entity.
(ii) policies, standards, directives and guidelines.
(iii) criteria used by the same entity or other entities in similar activities or programmes.
(iv) independent expert opinion and know how.
(v) new or established scientific knowledge and other reliable information.
(vi) general management and subject matter literature and research papers.

(D) Deciding audit approach - There is no uniform audit approach prescribed that can be applicable to all types of subjects of performance audits. Selection of approach also determine methods and means used for conducting the audit.

Some of the methods which could be used in conducting performance audits include:

(i) Analysis of procedures: It involves review of the systems in place for planning, conducting, checking and monitoring the activity. This would consist of examination of documents such as financial reports, budgets, programme guidelines, procedure manuals, etc.

(ii) Case studies: A case study is a descriptive analysis of an entity, scheme or a programme. It involves analysis of a particular issue within the context of the whole area under review.

(iii) Use of existing data: The audit staff should investigate the data held by entity management and by other relevant sources. Audit conclusions based on testing of available data for correctness and completeness enhances the assurance level.

(iv) Surveys: Survey is a method of collecting information from members of a population to assess the interrelation of events and conditions. Surveys on predetermined parameters can supplement the audit findings and conclusions adding value to the performance audits.

(v) Analysis of results: It requires the auditor to carry out actual output-input analysis to determine the efficiency of the programme.
(vi) **Quantitative analysis:** It involves examination of available data relating to financials like earnings, revenue, or data relating to programme implementation like details of beneficiaries etc. However, it may not be possible for the auditor to work with complete data due to its high volume. In such cases, sampling techniques are required to be used.

(E) **Developing audit questions** - Subsequent to designing of audit objectives and determination of audit criteria, the audit team is required to prepare a list of questions to which they would seek answers. The questions should be framed in comprehensive manner involving detailed hierarchy of questions.

(F) **Assessing audit team skills and whether outside expertise required** - It is essential that the performance auditors possess special aptitude and knowledge. The Auditing Standards of C&AG of India provide that the audit institution should develop and train the auditors to enable them to perform their tasks effectively & efficiently and should prepare manuals & other written guidance notes & instructions concerning conduct of audits.

Given the diverse range of subjects of performance auditing, the audit team needs to develop sound understanding of the programme or entity proposed to be audited.

The audit team needs to decide at the planning stage on which aspect expertise is required. Though, the Accountant General may use the work of an expert, he retains full responsibility for the expression of opinion in the auditor’s report.

(G) **Preparing Audit Design Matrix (ADM)** - Having determined the audit objective, audit criteria, audit approach, data collection etc., audit team should prepare an Audit Design Matrix. It is a structured and highly focused approach to designing a performance audit study.

It highlights the data collection and analysis method as well as the type and sources of evidence required to support audit opinion/findings.

The specimen of ADM is given as under:

<table>
<thead>
<tr>
<th>Audit Objective</th>
<th>Audit Questions</th>
<th>Audit Criteria</th>
<th>Evidence</th>
<th>Data Collection and Analysis Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
</tbody>
</table>

An ADM is prepared on the basis of information and knowledge obtained during the planning stage. A well-designed ADM leads to effective audits thus providing highest assurances to the auditing entities. It is desirable to prepare ADM for each of the audit objectives.

(H) **Establishing time table and resources** - It is significant to determine the timetable and desirable resources. Selection of appropriate audit team is the most vital component in planning an audit. Considerations for selection of an appropriate audit team should be recorded along with the proposed timelines for various activities to be undertaken as a part of audit process. The progress should also be monitored against these timelines. The Accountant General would be liable for ensuring that the performance audit is completed on time. The variations between the required and actual time spent should be compared and approved from the competent authority.
The team should build time for translation, approval and possible delays in their own schedule in order to meet the targets.

(I) **Intimation of Audit programme to audit entities** - Audited entities must be intimated about the intention of taking up planned performance audit with the scope and extent of audit including the constitution of audit team and the tentative time schedule, well before the commencement of Audit. Acknowledgement of this may be requested and placed on record.

It may be required to refine an audit’s objectives as the audit progresses for gathering the requisite information to fulfill the audit. The reasons for such changes in the objectives should also be recorded and approved from the competent authority.

The audit programme should be flexible and reviewed from time to time as it is not possible to anticipate all the contingencies at the early stage.

The Accountant General should share all significant refinements in the approach and additional tests and findings, concurrently with other audit teams when different persons conduct the audit at different locations. The system of sharing of the significant field audit experience should be documented and reviewed.

**Performance audit planning**

18.8 **Comprehensive Audit**

The Comptroller and Auditor General assist the legislature in reviewing the performance of public undertakings. He conducts an efficiency-cum-performance audit other than the field which has already been covered either by the internal audit of the individual concerns or by
the professional auditors. He locates the area of weakness and extravagance for managements’ information.

The areas covered in comprehensive audit naturally vary from enterprise to enterprise depending on the nature of the enterprise, its objectives and operations. However, in general, the covered areas are those of investment decisions, project formulation, organisational effectiveness, capacity utilisation, management of equipment, plant and machinery, production performance, use of materials, productivity of labour, idle capacity, costs and prices, materials management, sales and credit control, budgetary and internal control systems, etc.

Some of the issues examined in comprehensive audit are:

(a) How does the overall capital cost of the project compare with the approved planned costs? Were there any substantial increases and, if so, what are these and whether there is evidence of extravagance or unnecessary expenditure?

(b) Have the accepted production or operational outputs been achieved? Has there been under-utilisation of installed capacity or shortfall in performance and, if so, what has caused it?

(c) Has the planned rate of return been achieved?

(d) Are the systems of project formulation and execution sound? Are there inadequacies? What has been the effect on the gestation period and capital cost?

(e) Are cost control measures adequate and are there inefficiencies, wastages in raw materials consumption, etc.?

(f) Are the purchase policies adequate? Or have they led to piling up of inventory resulting in redundancy in stores and spares?

(g) Does the enterprise have research and development programmes? What has been the performance in adopting new processes, technologies, improving profits and in reducing costs through technological progress?

(h) If the enterprise has an adequate system of repairs and maintenance?

(i) Are procedures effective and economical?

(j) Is there any poor or insufficient or inefficient project planning?

The efficiency and effectiveness audit of public enterprises is conducted on the basis of certain standards and criteria. Profit is not the key criterion on performance; management’s performance in the economical and efficient use of public funds and in the achievement of objectives is more relevant. Public enterprises have been set up with certain socio-economic purposes and for fulfillment of certain objectives. The objectives vary from enterprise to enterprise. Audit appraisal analyses the performance of an enterprise to bring out the extent to which the objectives for which the enterprise was set up have been served.
The feasibility/detailed project reports give the basis of investment, capacity, costs, time schedules, gestation period, etc. and are built up of capacities, parameters and norms of consumption, yields, productivity, costs, rate of return, etc. These provide yardsticks by which the performance is measured. Some of the parameters may change due to external or internal factors subsequent to the setting up of the enterprise/project.

In conducting efficiency audit due account is taken of the changes effected. Then enterprises are required to have their long and short term capital and operational plans and these provide another set of reference points for assessment of performance. Rated capacity of the unit provides an acceptable benchmark against which physical performance is evaluated. However, utilisation of the rated capacity is assessed along with norms for consumption of raw materials and utilities, yields and rejections as well as requirements for proper maintenance and servicing of equipment. Cost efficiency is another important basis in appraising performance. Standard or target costs are determined on the basis of norms of capacity utilisation, consumption, productivity, yield etc. given in the detailed project reports, moderated in many cases by expert studies to take care of later constraints and changes.

The Bureau of Public Enterprises has issued guidelines to be followed by the public sector enterprises in respect of general management, financial management, materials management, production management, construction management, etc. and these guidelines provide another basis for appraising enterprise performance and its systems. Another source of criteria is industrial engineering and other technical studies by internal and external experts and the standards given in these. Then there are standards of financial propriety.

The starting point of a comprehensive appraisal of a public enterprise, which covers aspects of economy, efficiency and effectiveness, is the preparation of an audit programme based on the study of decisions relating to the setting up of the enterprise, its objectives, the areas of operation, organisation, financial and operational details available in the annual reports and accounts, capital and operational budgets, deliberations of the board of directors, material in the earlier audit inspection reports on the enterprise and other relevant available papers. These audit programmes (or guidelines) identify the areas/aspects which require further detailed audit analysis and criteria, the data required for such analysis and the sources of such data, the extent of the audit analysis including the test checks to be applied and the instructions to the audit parties assigned to the work.

18.9 Propriety Audit

Auditing, as a composite concept, looks into accounting and arithmetical accuracy, adherence to rules and regulations, propriety and the end result. According to the varied requirements, the emphasis on each of the aforesaid factors differs between various types of audit. Students should carefully go through section 143 of the Companies Act, 2013. All the requirements of this section are applicable to a Government Company and the analysis that will follow will show that some of the provisions of section 143 really are propriety based. Besides, the Companies (Auditor's Report) Order, 2016 issued under section 143(11) of the Companies Act, is also applicable to a Government Company, provided the Government Company belongs to any of the categories of companies to which the Order applies.
Finally, the Comptroller and Auditor General has issued a set of detailed directions under Companies Act which are to be complied with by the independent professional auditor in carrying out the audit of Government Companies. Propriety already exists in the audits carried on by the Comptroller and auditor General of India.

18.9.1 Definition and Principles

Propriety audit stands for verification of transactions on the tests of public interest, commonly accepted customs and standards of conduct.

E.L. Kohler has defined the term propriety as “that which meets the tests of public interest, commonly accepted customs, and standards of conduct, and particularly as applied to professional performance, requirements of law, Government regulations and professional codes”. On an analysis, the tests boil down to tests on economy, efficiency and faithfulness. Instead of too much dependence on documents, vouchers and evidence, it shifts the emphasis to the substance of transactions and looks into the appropriateness thereof on a consideration of financial prudence, public interest and prevention of wasteful expenditure.

Thus, propriety audit is concerned with scrutiny of executive actions and decisions bearing on financial and profit and loss situation of the company, with special regard to public interest and commonly accepted customs and standards of conduct. It is also seen whether every officer has exercised the same vigilance in respect of expenditure incurred from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money under similar circumstances.

In ‘propriety audit’, the auditors try to bring out cases of improper, avoidable, or infructuous expenditure even though the expenditure has been incurred in conformity with the existing rules and regulations. A transaction may satisfy all the requirements of regularity audit insofar as the various formalities regarding rules and regulations are concerned, but may still be highly wasteful. For example, a building may be constructed for installing a telephone exchange but may not be used for the same purpose resulting in infructuous expenditure or a school building may be constructed but used after five years of its completion is a case of avoidable expenditure.

Audit should, therefore, try to secure a reasonably high standard of public financial morality by looking into the wisdom, faithfulness and economy of transactions. These considerations have led to the evolution of audit against propriety which is now being combined by the audit authorities with their routine function of regularity audit. It is hard to frame any precise rules for regulating the course of audit against propriety. Such an objective of audit depends for its acceptance on its appeal to the common sense and straight logic of the auditors and of those whose financial transactions are subjected to propriety audit. However, some general principles have been laid down in the Audit Code, which have for long been recognised as standards of financial propriety.

Propriety requires the transactions, and more particularly expenditure, to conform to certain general principles. These principles are:
(i) that the expenditure is not prima facie more than the occasion demands and that every official exercises the same degree of vigilance in respect of expenditure as a person of ordinary prudence would exercise in respect of his own money;

(ii) that the authority exercises its power of sanctioning expenditure to pass an order which will not directly or indirectly accrue to its own advantage;

(iii) that funds are not utilised for the benefit of a particular person or group of persons and

(iv) that, apart from the agreed remuneration or reward, no other avenue is kept open to indirectly benefit the management personnel, employees and others.

It may be stated that it is the responsibility of the executive departments to enforce economy in public expenditure. The function of audit is to bring to the notice of the proper authorities of wastefulness in public administration and cases of improper, avoidable and infructuous expenditure.

18.9.2 Relevant provisions in the Companies Act, 2013

The Parliament and Government, with a view to knowing the standards of efficiency, propriety, cost consciousness and economy, have already come up with some provisions in the Companies Act, having direct or indirect bearing on propriety; some of these have been referred to earlier. These provisions are:

1. Section 148 relating to Cost Records and Audit.

2. Section 143(1) requiring enquiry into certain specified matters.

3. Section 143(6) and 143(7) requiring a supplementary audit and test audit respectively in respect of the Government companies on matters specified.

4. Additional information in Part II of Schedule III.

All these are applicable to Government Companies. The requirement of the provisions of section 143(1) is essentially propriety-oriented as much as some specific dubious practices are required to be looked into by the auditor. Areas of propriety audit under the provisions of Section 143(1) may be following:

(a) Whether the terms on which secured loans and secured advances have been made are prejudicial to the interests of the company or its members.

   It may be appreciated that the terms of loans include such matters as security, interest, repayment period and other business considerations. The auditor has to inquire whether the terms are such that they can be adjudged as prejudicial to the legitimate interest of the company or of its shareholders. This is a process of judging a situation by reference to certain objective standards or reasonableness whether the terms entered into are prejudicial or not, not only to the company but also to the shareholders.

(b) Whether transactions of the company which are represented merely by book entries are prejudicial to the interests of the company. This proposition has got to be inquired into by
reference to the effects of the book entries, unsupported by transactions, on the legitimate interests of the company. The auditor has to exercise his judgment based on certain objective standards. It is also possible that some transactions may not adversely affect the interests of the company. The auditor has to judiciously consider what does and does not constitute the interest of the company.

(c) Whether investment of companies, other than a banking or an investment company, in the form of shares, debentures and other securities have been sold at a price lower than the cost. Apparently, this is a matter of verification by the auditor. The intention, however, is not know whether loss has occurred due to the sale. The auditor is required to inquire into circumstances of sale of investments that resulted in loss. Obviously, the duty cast on him is propriety based, i.e., reasonableness of the decision to sell at a loss. It involves exercise of judgment having regard to the circumstances in which the company was placed at the time of making the sale.

(d) Whether loans and advances made by the company have been shown as deposits. Again, considering the propriety element, rationalizing the proper disclosure of loans and advance given by company is made.

(e) Whether personal expenses have been charged to revenue. It is an accepted principle that expenses which are not business expenses should not be charged to revenue. The effect of charging personal expenses to the business is to distort the profitability of the company and to secure a personal gain at the cost of the company. Obviously, propriety is involved in this; charging personal expenses to business account is highly improper and abusive hence this provision.

(f) In case it is stated in the books and papers of the company that shares have been allotted for cash, whether cash has actually been received in respect of such allotment, and if no cash actually received, whether the position in books of account and balance sheet so stated is correct, regular and not misleading. A control has been set up to verify the receipt of cash in case of allotment of shares for cash. Further, if cash is not received, the books of accounts and statement of affairs shows the true picture.

Cost records and the provisions of cost audit are designed to inculcate cost consciousness in the management and to know whether productivity is of acceptable order and whether undue wastage or loss etc. has occurred. It would be useful to go into some of the specific requirement of cost audit report in this context. Some of the matters in the additional information sought through the Statement of Profit and Loss (i.e., Part II of Schedule III) provide a basis for making more searching enquiries into such vital matters as consumption of raw materials under broad heads, goods purchased under broad heads, work in progress under broad heads, any item of income or expenditure which exceeds one percent of the revenue from operations or ₹ 1,00,000, whichever is higher, etc.
The implications of the Companies (Auditor’s Report) Order, 2016 and the provisions of the section 143(6) and the directions issued by the Comptroller and Auditor General also contain significant elements of propriety.

18.9.3 Propriety elements under CARO, 2016:

(a) If the company has granted any loans, secured or unsecured, to companies, firms limited liabilities partnerships or other parties covered in the register maintained under section 189 of the Companies Act, whether the terms and conditions of the grant of such loans are not prejudicial to the company’s interest, whether the repayment of the principal amount and interest are stipulated and whether repayments or receipts are regular. For this, the auditor should take note of repayment schedule. If loan agreements are not executed, any other equivalent documents may be referred to arrive at the terms of receipt of interest, for example, letters of understanding, acknowledgement by the party of the terms and conditions communicated by the company, etc. The dates of receipt of principal amount and interest thereof needs to be verified with reference to the books of accounts of the company to come to the conclusion whether such receipts are regular.

(b) If the amount is overdue, state the total amount overdue for more than ninety days, and whether reasonable steps have been taken by the company for recovery of the principal and interest. In making this examination, the auditor would have to consider the facts and circumstances of each case, including the amounts involved. It is not necessary that steps to be taken must necessarily be legal steps. Depending upon the circumstances, period of delay and other similar factors, issue of reminders or sending of advocate’s or solicitor’s notice may amount to reasonable steps. The auditor should ask the management to give in writing the steps which have been taken. The auditor should arrive at his opinion only after consideration of the management’s representations.

(c) in respect of loans, investments, guarantees, and security whether provisions of section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide the details thereof.

(d) whether maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013 and whether such accounts and records have been so made and maintained.

(e) whether the company is regular in depositing undisputed statutory dues including provident fund, employees’ state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated; by the auditor. In addition, where dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax have not been deposited on account of any dispute, then the amounts involved and the
forum where dispute is pending shall be mentioned by the auditor. It may be noted that mere representation to the concerned Department shall not be treated as a dispute.

(f) If the company has defaulted in repayment of loans or borrowing to a financial institution, bank, Government or dues to debenture holders? If yes, the period and the amount of default to be reported (in case of defaults to banks, financial institutions, and Government, lender wise details to be provided). The auditor should obtain a schedule of repayments to banks, financial institutions and debenture holders from the management of the company. He should examine the agreement or other documents containing the terms and conditions of the loans and borrowings of the company from banks and financial institutions. The auditor should also examine the debenture trust deed. This examination would enable the auditor in verifying the amount and due dates of the payments mentioned in schedule of repayments provided by the management of the company. The auditor should then verify whether the repayments as per the books of account are in accordance with the terms and conditions of the relevant agreement. The auditor should also satisfy himself that the repayment have actually been made to the party concerned.

(g) Whether the term loans were applied for the purpose for which the loans were obtained. The auditor should examine the terms and conditions subject to which the company has obtained the term loans. The auditor may also examine the proposal for grant of loan made to the bank. The auditor should compare the purpose for which the term loans were sanctioned with the actual utilisation of the loans. He should obtain sufficient appropriate audit evidence regarding the utilisation of the amounts raised.

(h) whether moneys raised by way of initial public offer or further public offer (including debt instruments) and term loans were applied for the purposes for which those are raised. If not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported;

(i) whether any fraud by the company or any fraud on the Company by its officers or employees has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated;

For this, while planning the audit, the auditor should discuss with other members of the audit team, the susceptibility of the company to material misstatements in the financial statements resulting from fraud. The auditor should examine the reports of the internal auditor with a view to ascertain whether any fraud has been reported or noticed by the management. The auditor should examine the minutes of the audit committee, if available, to ascertain whether any instance of fraud pertaining to the company has been reported and actions taken thereon. The auditor should also discuss the matter with other employees of the company.

(j) whether managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act? If not, state the amount involved and steps taken by the company for securing refund of the same;
(k) whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the ratio of 1: 20 to meet out the liability and whether the Nidhi Company is maintaining ten per cent unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability;

(l) whether the company has made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and if so, as to whether the requirement of section 42 of the Companies Act, 2013 have been complied with and the amount raised have been used for the purposes for which the funds were raised. If not, provide the details in respect of the amount involved and nature of non-compliance;

(m) whether the company has entered into any non-cash transactions with directors or persons connected with him and if so, whether the provisions of section 192 of Companies Act, 2013 have been complied with;

From the above analysis, it is somewhat clear that under the Companies Act, we already have tools which bring about a blending of propriety to the professional audit of Government companies. However, a word of caution is necessary in this context. The audit conducted by the Comptroller and Auditor General is a rule, procedure and propriety-based one; and often it is said that the desired flexibility is lacking in the system and this has contributed in a large measure to the lack of rapport between the auditor and the audit-units. Honesty is open to question, if that honesty has deviated from laid down rules and procedures. In turn, this has tended to foster a tendency amongst Government officials to just conform to the rules and provide a show of compliance with the standards of propriety. This is not intended to be little the contribution of this audit in ensuring appropriate use of fund of the Government. In Government, because of the enormous amounts involved and the massive volume of transactions and in view of public interest, it is but necessary that compliance with rules should be insisted upon and non-compliance enquired into. But the benefit derived is at least partly offset by the element of distrust and often the truth remains buried.

One distinguishing feature should be observed; excepting the directions of the Comptroller and Auditor General under the Companies Act, the rest of the provisions are applicable equally to government and non-government companies. Whatever elements of propriety are discernible in them are also present in the audit of non-government companies. The directions generally known as Comptroller and Auditor General’s directions, however, are exclusively applicable to the audit of Government companies.

Propriety Audit-Problems - Problems in propriety audit, however, arise mainly because of its distinct nature. The expression “propriety” is a moral term and can be understood by reference to the concept of morality accepted by the society at a given time. In any auditing, the essential test lies in formulation of auditing propositions. In the audit of financial accounts by reference to financial and legal requirements, propositions are built up about happening of events, existence, accuracy, title, ownership, compliance with law and internal regulations etc., which are all verifiable. In propriety audit the formulation of verifiable auditing propositions poses the problem.
Propriety audit has an inherent element of subjectivity because it is very difficult to establish standards of public interest, commonly accepted customs, standards for conduct which are not firm basis for audit evaluation. To take care of this situation, the C&AG has developed the norms of propriety for expenditure of public funds in our country. By laying down the standards of propriety for Government expenditure the C&AG has really tried to tackle in a practical way the complex problem of subjectivity inherent in a situation calling for propriety consideration.

The norms so developed provide the basis of verifying expenditure incurred by various Government departments. It may be appreciated that the norms of propriety applicable to governmental transactions may not ipso facto apply to transactions of private sector which have distinct and more limited, objectives suited to them. Each private sector entity may have its unique objectives related, to its management philosophy and the transactions should be geared to achieve those. For example, a management which is operating for maximization of profits without infringing, any legal regulations may follow certain policies while another management believing in a wider measure of social justice may follow different policies. Despite these clear angularities, certain commonness can also be discerned in the policies and approaches of different managements. They include efficient operations, higher productivity and higher profit, reduction of wasteful expenditure etc. Above all, each entity has its impact on the society and building up propriety audit propositions becomes of paramount importance.

It is felt that if the management of each entity, irrespective of any legal requirements, formulates norms of propriety for the entity, taking full note of wider social repercussions inherent in its operations; a formidable hurdle in the way of wider introduction of propriety audit can be removed. The element of subjectivity in propriety evaluation will get reduced.

Propriety as a moral element should be a matter of evaluation based on objectives and prevailing circumstances. For example, a travel by air as such should not be considered wasteful unless it is proved that a travel by rail would have been feasible in the circumstances and would have brought the same results brought by the air travel.

The element of subjectivity has caused proper discharge of duty very delicate and demands discretion, but wisdom of taking commercial decisions under dynamic environment (the economic, social and political) must be evaluated with reference to the circumstances in which these were taken and therefore, the auditor in his field must reconstruct such circumstances. The judgment of the auditor must be objective as otherwise it would dampen the initiative of management and others in taking commercial decisions and propriety audit would prove itself to be counter productive.

18.10 Audit Report of the Comptroller and Auditor General

For facility of consideration, the reports of the Comptroller and Auditor General on the public sector undertakings of the Central Government are presented to the Parliament in several parts consisting of the following:

(a) Introduction containing a general review of the working results of Government companies, deemed Government companies and corporations.
(b) Results of comprehensive appraisals of selected undertakings conducted by the Audit Board.

c) Resume of the company auditors’ reports submitted by them under the directions issued by the Comptroller and Auditor General and that of comments on the accounts of the Government companies.

d) Significant results of audit of the undertakings not taken up for appraisal by the Audit Board.

For certain specified states, the Comptroller and Auditor General submit a separate audit report (commercial) to the legislature, while for other States/Union Territories with legislature, there is a commercial chapter in the main audit report. The State audit reports, contains both the results of audit appraisal of performance of selected companies/corporations as well as important individual instances of financial irregularities, wasteful expenditure, system deficiencies noticed by the statutory auditors, comments noticed in Government audit in the audit functions of certification of accounts and a general review of the working results of Government companies and corporations.

**Specimen (abridged) Performance Report issued by the Comptroller and Auditor General of India**

I. Performance Audit on functioning of Internal Audit in Income Tax Department for the year ended March, 2015

This Report for the year ended March 2015 has been prepared for submission to the President under Article 151 of the Constitution of India.

Income Tax Department (ITD) is subjected to Internal Audit of assessment and accounting functions. The audit objectives of the “Functioning of Internal Audit Wing in Income Tax Department” were to derive an assurance whether:

(a) Internal audit is effective in providing reasonable assurance to the CBDT and Senior Management regarding achievement of objectives relating to compliance, assessment and other interrelated activities, as determined by CBDT.

(b) Internal audit is playing an effective role in enhancing the quality of assessments.

(c) There is an effective and efficient follow-up mechanism of internal audit findings and recommendations.

We examined the control issues relevant to CIT (Audit) charges and monitoring mechanism at the level of DIT (Audit) as well as Regional Supervisory Authorities administering the CIT (Audit) charges.

We found that Action Plan was not prepared in 17 CIT (Audit) charges. We noticed that list of auditable cases were not received on a regular basis in 19 CsIT (Audit) charges from administrative CsIT under Pr. CCsIT/CCsIT of 12 regions.
We noticed that out of 7,00,398 cases assigned, Internal Audit examined only 5,73,457 cases resulting in shortfall in coverage of 1,26,941 cases. The practice of selection of high risk units is not in place.

We found that there were delays in initiation of remedial action in 6,172 cases (13 regions) and delays in completion of remedial action in 1,640 cases (10 regions). We noticed 73 cases involving tax effect of ₹ 134.10 crore in six regions where Internal Audit objections were settled without proper reply or completion of remedial action. Inadequate follow up of Internal Audit objections resulted in time barring of 1,553 cases involving tax effect of ₹ 392.65 crore in 11 CsIT (Audit) charges.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Audit wishes to acknowledge the cooperation received from the Department of Revenue - Central Board of Direct Taxes at each stage of the audit process.

II. Performance of 100% Export Oriented Unit (EOU) scheme of Department of Revenue-Indirect Taxes, Customs for the year ended March, 2014

This Report for the year ended March 2014 has been prepared for submission to the President of India under Article 151 of the Constitution of India.

A Performance Audit on the working of the EOU, corresponding to the Foreign Trade Policy (2009-14), was conducted with a view to seek an assurance that:

(a) there exits adequate statutory provision/rules regulation, instructions/notification with regards to approval, creation, functioning and monitoring of EOUs.

(b) the EOUs fulfilled the import conditions as laid down in the relevant notifications and FTP and applicable provisions of HBP.

(c) the EOUs were able to fulfill the intended objectives as stated in the Foreign Trade Policy.

(d) the internal controls system and monitoring mechanism are effective.

The total number of EOUs has gone down from 3109 in 2009-10 to 2608 in 2013-14. While the number of functional units has come down from 2279 to 2095 during the same period, the percentage of functional units to total units has declined from 83 per cent in 2010-11 to 80 per cent in 2013-14 with corresponding increase in percentage of non-functional and deboned units. There has been a gradual reduction in EOUs after the SEZ Act came into force in 2006-07.

Government of India had forgone significant customs revenue amounting to ₹ 32,932 crore during 2009-10 to 2013-14 on EOU/EHTP/STP schemes. Government has fallen short by almost 33 per cent (US$ 150 billion) of its export target in 2013-14 vis-a-vis its Strategic Plan (DoC).

Audit wishes to acknowledge the cooperation received from Ministry of Commerce and Industry (DoC) and Department of Revenue (DoR) and its field formations at each stage of the audit process.