PRESS RELEASE

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

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CAG'S AUDIT DIWAS CELEBRATIONS BEGIN TODAY

Following is the text of speech of Comptroller and Auditor General of India Shri K Sanjay Murthy delivered at the Audit Diwas here today.

"Good afternoon and warm greetings to all of you on this Audit Diwas, as we celebrate 166 years of this great institution.

Audit Diwas has come to stay as an institutional milestone in the calendar of our Department. Every Audit Diwas is an occasion to recognise what our institution has achieved, cherish the strengths of our legacy, and build upon the strong foundations laid by the visionary leaders—some of whom are amongst us today.

As we begin our deliberations, we are guided by the expectations set for this institution by the Constitution of our country.

On the occasion of the Audit Diwas celebration in 2023, the Hon'ble President of India, Smt. Droupadi Murmu ji, articulated a clear vision for our role, expecting us to act as both a fellow traveller and a guide in the nation's journey of development—in alignment with India's new stature, new aspirations, and new goals.

Every reform we have undertaken over the last couple of years—including breaking departmental silos, auditing themes like ease of living and ease of doing business, and focusing on local bodies—takes us in this direction.

Institutional achievements of the past year

This journey belongs to all of us—more than 40,000 officers and staff in our audit and accounts offices spread across the country, our training institutions and specialised centres of excellence. **In the year gone by, the Department**

has worked vigorously to fulfil the responsibilities reposed on us:

- **We tabled 40 Audit Reports of the Union Government and 174 Audit Reports of State Governments. These reports made 3,742 audit recommendations, of which nearly one-third were accepted by governments and audited entities.**
- **We audited over 34,000 units and issued more than 27,000 Inspection Reports.**
- **In addition, 8,793 accounts related to Union and State governments, PSUs, ABs, EAPs and other entities were examined and 5,852 audit certificates were issued.**

Today, however, I want us to look not just what we have achieved, but also at what we must become because our job goes beyond protecting public money; our job is also about earning people's trust.

Today's programme, extending through tomorrow, focuses on three core strands: New Initiatives, Innovations, and Good Practices in the field of public audit and accounting. Let me share how our ongoing work comes together across these three areas. If we are to earn people's trust, we must examine the issues that matter to them, draw conclusions that the evidence can sustain, and make what we learn available across the Department.

Early last year, we began working across departmental silos so that our audits could follow issues that cut across sectors. The multimodal transport and logistics audit shows what this makes possible. Led by the Railway Audit Wing, it brought together the Infrastructure and Commercial Audit Wings and several State audit offices. Working together, they completed the audit in 11 months and made focused recommendations that gained wide acceptance among stakeholders.

A power-sector audit is also under way. Starting with distribution, it will cover generation and transmission in subsequent years. Examining these stages can help us understand how decisions at one stage affect costs, financial

sustainability and the reliability of supply for consumers.

The establishment audits show what collaboration can achieve once a weakness has been identified. CDMA and State accounts and audit offices worked together to detect deficiencies in payment systems, and remedial steps were taken. We also worked with MeitY to develop a standard protocol for validation checks. Going forward, NIC and our offices will use it to test the robustness of these systems.

A pan-India horizontal audit of Ease of Doing Business for MSMEs was initiated in 2025-26 to assess whether doing business has become easier for MSMEs and whether ongoing reforms are translating into tangible last-mile improvements. The Audit Design Matrix focused on regulatory simplification, digitalisation, decriminalisation, reduction of compliance issues, access to finance, infrastructure readiness, grievance redressal and market access for MSMEs and was prepared after extensive deliberations in the stakeholder Workshop held in January 2026.

A family experiences several welfare schemes together. By examining 7 major welfare schemes together and surveying 2.75 lakh households, we gained insights into how families experience welfare across programmes. Detailed analysis and field validation helped us frame recommendations that the departments responsible for delivery could act on.

In the last year, another focus area of our Department has been to assess local governance. Citizens judge their cities by basic daily realities: whether safe water reaches home, whether waste is collected, whether the air is clean, and whether travel times are optimised. We have embarked on a pan-India horizontal audit of 101 major cities focusing on Urban Mobility this year under the theme of Ease of Living. This will be followed by audits of water, sanitation, housing and municipal finances in the next 3–4 years. Supported by the World Bank technical assistance partnership, we are equipping our officers to evaluate not just expenditure but municipal creditworthiness, project bankability, and sustainable and efficient service delivery. Reliable municipal accounts help us examine

whether a city can finance the services its residents need and meet the costs of sustaining those services over time.

The Sixteenth Finance Commission has drawn attention to a fundamental weakness in local government financial accounts. While the availability of accounts has improved considerably, their reliability and consistency remain matters of concern. Indeed, the Commission itself encountered persistent data-quality problems in undertaking its analysis.

This presents both a responsibility and an opportunity for the Department. Our task must extend beyond ensuring that accounts are prepared and published to helping establish that they are reliable, meaningful and capable of supporting informed financial decisions, effective oversight and public accountability.

After organising a National Conference of State Secretaries on Local Governments in March 2026, we clearly set out the following priorities:

- better quality accounts,
- uniform reporting of grants,
- timely audit, and
- wider coverage with priority to the top 500 cities.

Further, under Technical Guidance and Support (TGS), a quality assessment framework was shared with the Directors of Local Fund Audit (DLFA). We prepared a three-tiered checklist and peer-reviewed by ICAI, to help ULBs check the quality of their accounts and help the Directors of Local Fund Audit certify them. We are also preparing a State-wise panel of professionals whom States can engage for the preparation and audit of their accounts.

Another important collaboration is with the Ministry of Housing and Urban Affairs for the preparation and implementation of the National Municipal Accounts Manual 2.0 (NMAM 2.0), as a sequel to NMAM 1.0, which was issued over two decades ago. This will strengthen the reporting framework for ULBs taking into account the rapid technological changes that have taken place.

As far as Panchayati Raj Institutions are concerned, to ensure completeness and quality of the accounts of PRIs, our institution and the Ministry of Panchayati Raj

(MoPR) are working together to leverage technology for audit of PRIs. For this, Application Programming Interface (API) access for an integrated visibility of e-GramSwaraj, AuditOnline and SAMARTH has been initiated for enabling a seamless, data-driven audit.

Another focus area is improving the financial Management of 1,400 Central and State Autonomous bodies. A large number of accounts in arrears raises concerns about the internal control mechanism in place. Of the 839 State Autonomous Bodies, around 23% have arrears of more than five years, and 59 have yet to submit their first accounts.

In this backdrop, under the Framework for Accelerated Accounts Preparation and Skill Transformation (FAAST) for State Autonomous Bodies, our audit offices have already completed the risk assessment exercise to identify ABs with higher account arrears and significant materiality. Our Accounts offices have begun deliberations with State governments on facilitating a reduction in these arrears and the associated risks.

Further, to assess the internal control mechanism of autonomous bodies and to move them from reactive audit compliance to managing their own risks, we have introduced the Risk-Control Maturity Scorecard (RCMS). It is a self-assessment tool, not an extra audit; the management of each AB uses it to assess its risks and controls while retaining primary responsibility for internal controls. The first phase, launched with the Department of Higher Education in March 2026, covers 66 universities, 44 Central and 22 State. We hope to have the first set of scorecards by early next month. These will bring into focus the areas that need management attention and those that audit should focus on.

In central public sector enterprises, access to the enterprises' own systems is changing where we can work and what we can examine. We secured access to enterprise resource planning systems in 182 undertakings, obtained remote access in 53 entities and gained access to other digital platforms in 97 entities. With standard protocols for using ERP, e-Office and e-procurement data, teams can test full sets of available transactions where the data permit. This year, we completed supplementary audits of around 60 undertakings remotely or from a single location. We are also changing when we engage with enterprises. For FY

2025–26, we introduced a multi-phase audit model for all listed and Ratna public sector undertakings, covering 115 CPSUs.

In large government schemes, transaction data can help audit teams decide where to look and what to verify. We analyse portal records and transaction databases ahead of fieldwork to identify anomalies and districts where risks appear to be concentrated. That analysis guides our field enquiries.

In 2025–26, we piloted this approach in audits of establishment expenditure, social-sector Direct Benefit Transfer schemes and public works. Examining full sets of available transactions helped teams identify recurring patterns and focus their enquiries on the underlying controls. In the pilots, the audit cycle fell from six to eight months to three months.

The larger gain is in the assurance we can give. When we examine the full set of available transactions, we can see whether an irregularity recurs across offices or over time. Field verification then helps us establish why it recurs and which control needs attention. That gives the department a clearer basis for taking remedial action.

To ensure data security and take advantage of Artificial Intelligence and Machine Learning (AI/ML) techniques, we are building audit-specific AI since last year, rather than relying on general AI tools alone.

We are investing heavily in a new generation of officials under the AI Champions and AI Enablers programme to promote innovations. Under this programme, 17 officers worked with start-ups on 16 projects. The three most mature interventions, all of which are ready for pan-India rollout, will be presented later today.

When one office develops a method that others can use, we should make it possible for colleagues to learn and apply it. Over these two days of Audit Diwas, our teams, consisting of Group Officers and SAOs/AAOs, will showcase remarkable innovations in data-led audit of direct and indirect taxes, public works, and social sectors. We are now standardising localised analytical tools as plug-and-play solutions usable across every office. We hope these learnings and

experiences will further trigger many more relevant solutions towards improving our efficiency and efficacy.

Today we all heard the Hon'ble Prime Minister's message about emerging technologies which are reshaping different domains and the need for our Institution to adapt and equip its officials accordingly.

We recognise this very timely message and have begun to strengthen our domain expertise as part of our capacity-building efforts. To this end, we have restructured our centralised Central Expenditure Audit and Central Receipt Audit cadres, proposed doubling our Commercial Audit strength, initiated staff rationalisation for better efficacy, and reinforced rigorous professional competition in departmental exams. The proposal for the first comprehensive review of the IA&AS cadre in over three decades is at an advanced stage of finalisation. It proposes specialised verticals across the financial, commercial, revenue and expenditure domains.

None of the above progress would have been possible without the visionary leadership and foresight of previous CAGs who nurtured premier institutions like iCISA, CDMA, iCED, and iCAL. Had these strong foundations not been laid, our progress today would not have been so structured. We salute the leadership and dedicated staff who grounded these initiatives and institutions. Building on this foundation, our engagements with IITs, IIMs, and ICAI have seen our officers successfully complete data science and ICAI certification courses with distinction. I am delighted to share the very positive feedback from these institutions on the dedication and engagement of the participants in these courses. I want to acknowledge the considerable efforts made by many officers and staff in curating these programmes, alongside their regular duties. They spent many hours working with our partner institutions to design the courses and curate the training material relevant to the work we do. Because of their effort, every employee across the Institution can now benefit from these programmes. I know how much time and care this took, and I am grateful to each one of you.

On this occasion, I am delighted to welcome Shri R. Gopalakrishnan, today's keynote speaker, who will address us shortly on *"Embracing the Future"*. His distinguished career and his constant engagement with innovation and

organisational change offer invaluable lessons in our own journey. This gives an opportunity to our young officers to engage with him on matters which are pertinent to them.

I have listed a few of the key initiatives taken in the Department, which represent a significant departure from the way the Department previously approached its work. I commend the Senior Management, their teams and staff for adopting these changes and new approaches in right earnest. I am sure that with their diligent efforts, we will be able to contribute significantly to good governance.

As we look ahead, let us build an IA&AD that makes full use of technology and remains firmly grounded in its constitutional mandate. Let us use these new capabilities to strengthen public accountability, earn the trust of our citizens and contribute to India's development."



Earlier in the day, a book "The CAG of India: Institution, Evolution and Public Value, brought out under its popular India—The Land and the People series, was formally released by Shri K. Sanjay Murthy, CAG and National Book Trust Director Shri Yuvraj Malik.

Speaking on the occasion Shri Malik described the CAG as one of the few public institutions in the history of the Indian Republic that has steadfastly upheld its credibility, public trust, efficiency, vision and integrity, while continuously evolving and successfully standing the test of time. Highlighting the changing role of audit, Shri Malik observed that it had moved beyond fault-finding to becoming an instrument of value addition to the processes of good governance. Through its engaging narrative, the book aptly captures this transformation while tracing the institution's glorious history and

exploring the thoughts and vision of the Constitution-makers that shaped its emergence as a cornerstone of integrity and accountability. It also brings to light the silent yet tireless efforts of auditors in strengthening accountability in governance.



At the start of the Audit Day function, Deputy CAG Shri K S Subramanian in his welcome address said “the demands on the CAG organisation are growing. Public expenditure and service delivery now pass through connected financial systems, multiple implementing agencies and several levels of government. Citizens experience the result as one service, even where responsibility for it is shared. Our work must retain its rigour in examining individual transactions and organisations, while at the same time be responsive to meet the requirements of such a fast-changing external environment.”

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