

Finance & Public Financial Management Professionals

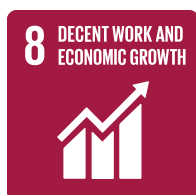
Finance and public financial management professionals play a critical role in ensuring sound fiscal governance, effective resource allocation, transparent financial reporting, and robust risk management. Through its audits and accounting-related interventions, the CAG provides valuable insights that help strengthen financial controls, improve accounting practices, enhance compliance with statutory and regulatory requirements, and support evidence-based fiscal decision-making. The examples presented in this section demonstrate how audit findings and professional engagement contributed to improved financial reporting, strengthened fund management frameworks, enhanced revenue accountability, better risk governance, correction of accounting irregularities, and more transparent management of public resources. These outcomes underscore the role of audit in promoting fiscal discipline, transparency, accountability, and resilience across both public finance systems and financial institutions.

Strengthening credit risk governance in corporate card sanctions, SBI Cards

Para 11.7 of the Company's Credit Risk Policy required suspension or reduction of credit limits in the event of a downward rating movement. Despite the corporate's rating being downgraded by two notches in 2018-19 owing to deterioration in key financial ratios, Audit noted that the Company enhanced the credit limit of the clients in March 2019 instead of reducing or suspending it, in contravention of its own risk controls. This non-adherence contributed to an avoidable loss of ₹19.65 crore.

Audit recommended strict adherence to credit policies, strengthening of internal controls, and enhanced monitoring mechanisms. Based on audit intervention, credit governance framework was strengthened with improved risk evaluation and monitoring. This resulted in reducing the risk of recurrence of similar instances.

SDGs



Reduction in use of minor head '800' across State Finance Accounts

Analysis of Finance Accounts of various state governments highlighted extensive use of Minor Head '800 – Other Receipts/Expenditure', which obscured the nature of transactions and reduced transparency in financial reporting. Based on sustained and targeted advisories by the Government Accounts (GA) Wing and engagement by the

Offices of the State Accountants General (Accounts and Entitlements), classification practices were rationalised and inappropriate use of this residual head was reduced across more than 20 States. This resulted in improved clarity in financial statements, enhanced transparency in reporting, and better usability of accounts.

SDGs

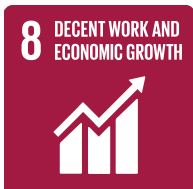


Creation of Budget Stabilisation Fund, Jharkhand

Jharkhand's fiscal position was vulnerable to volatility due to its dependence on mining based revenues, which fluctuate with market conditions. States maintaining balanced budgets or generating fiscal and revenue surpluses are better placed to create fiscal buffers that help sustain public expenditure during periods of economic uncertainty. In this context, Odisha had established a Budget Stabilisation Fund (BSF) by earmarking a portion of its mining-related receipts as a rainy-day fund to cushion sudden revenue shortfalls and strengthen fiscal resilience. The initiative was also deliberated upon during the 2nd Conference of State Finance Secretaries in September 2025 as a best practice for enhancing fiscal sustainability across States.

Drawing on similar principles, the Office of the Principal Accountant General (A&E), Jharkhand, initiated consultations with the State Finance Department and designed the accounting and operational framework for a Budget Stabilisation Fund (BSF). Following its notification, the State Government approved an initial contribution of ₹832 crore during 2025–26 and authorised its investment through the Reserve Bank of India. This involved establishing dedicated reserve fund accounting and reporting mechanisms, with a clear audit trail and investment interface. The operationalisation of the BSF has resulted in the creation of a structured fiscal buffer, improved fiscal resilience against fluctuations in mining revenues, and strengthened transparency and accountability in fund management.

SDGs



Detection of incorrect allowance of deductions relating to bad and doubtful debts, Income Tax Department

As part of the performance audit of exemptions and deductions claimed by Banks and Non-Banking Financial Companies (NBFCs) in assessments completed by the Income Tax Department, Audit observed incorrect allowance of deductions and computation errors in tax assessments of the banking sector entities. Based on audit findings, reassessment and recovery proceedings were undertaken, resulting in recovery of ₹3,389 crore and strengthening of tax assessment processes.

SDGs



Rectification of interest credited to SDRF and SDMF balances, Madhya Pradesh

Incorrect application of interest rates on balances under the State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF) was observed, with interest being credited at 1.35 per cent instead of the prescribed rate of Repo Rate plus two per cent, resulting in short credit of interest over multiple financial years. Based on the communication of the applicable rate by the office of the Accountant General (A&E) Madhya Pradesh, Gwalior, the State Government was advised to rectify the shortfall and make necessary budgetary provisions. During 2024-25, the Government rectified the discrepancy by crediting a combined additional credit of ₹498.13 crore (₹428.83 crore to SDRF and ₹69.30 crore to SDMF). This resulted in correct accounting of interest liabilities, improved accuracy of fund balances, and strengthened financial discipline in disaster-related funds.

SDGs



Creation of the Oil Industry Development Fund (OIDF) and transfer of cess proceeds

The Office of the Director General of Audit (Finance and Communication), during the audit, observed that cess collected on crude oil by the Government amounting to ₹2,93,948.16 crore till 2023-24 was not transferred due to non-creation of a designated fund. Based on audit intervention, the need for proper accounting and earmarking of cess

proceeds was highlighted. During 2024-25, the Union Government created the Oil Industry Development Fund as a Reserve Fund and transferred ₹17,730 crore to it. This is a significant change in accounting/fund management arrangement relating to transfer and earmarking of cess proceeds on crude oil in Government Accounts.

SDGs



Rationalisation of mineral receipts accounting to enhance transparency and compliance

There existed several systemic deficiencies in the accounting of mineral receipts under the Mines and Minerals (Development and Regulation) Act, 1957, including lack of distinction between major and minor minerals, absence of unique accounting heads, and non-compliance with the National Mineral Exploration Trust (NMET) Rules, 2018. These gaps affected traceability, auditability, and compliance monitoring. The issues highlighted the need for appropriate accounting classification, ring-fencing of receipts, and clear alignment of financial reporting with legislative and regulatory requirements to facilitate effective audit oversight and policy evaluation. Rationalisation of accounting structures was therefore undertaken to strengthen transparency, accountability, and compliance in the management of mineral revenues.

Pursuant to these objectives, reforms were introduced during 2024-25 through initiatives led by the Government Accounts Wing. These included the creation of unique minor heads under Major Heads 0803, 0852, and 0853 for coal and lignite, iron ore, and non-ferrous minerals respectively; establishment of a Reserve Fund for State Mineral Exploration Trusts (SMET) under Major Head 8235; and mandatory transfer of NMET contributions to the Consolidated Fund of India in accordance with statutory provisions. Capacity-building workshops were also conducted to facilitate implementation of the revised accounting framework. These measures improved classification and traceability of mineral receipts, strengthened compliance with Sections 9 and 9C of the Act and the NMET Rules, 2018, enhanced audit oversight, and ensured greater transparency and accountability in the management and reporting of mineral revenues.

SDGs



Rectification of incorrect booking of pension payments post bifurcation, Telangana

Incorrect classification of pension payments by Government of Telangana was observed under Sub-head (14) instead of Sub-head (34) following State bifurcation, resulting in excess claim of ₹695.17 crore from Andhra Pradesh during April 2021 to August 2024. Following sustained engagement by the Office of the Principal Accountant General (A&E), Telangana, the State Government corrected classification from September 2024 onwards under the appropriate Sub-head. The excess amount of ₹695.17 crore was adjusted in the accounts for 2024-25. This rectification strengthened accuracy of inter-state financial reporting, improved compliance with accounting norms, and enhanced transparency and integrity in pension accounting.

SDGs



Advancing timeline for closure of Monthly Civil Accounts (MCA)

Government Accounts (GA) Wing is monitoring timely closing of Monthly Civil Accounts (MCA) in respect of 28 States and thereafter, hosting of Monthly Key Indicators (MKIs) in CAG's Website. During the year, GA Wing focused on advancing timelines for rendering MCA to the State Governments from existing target date of 25th of the following month. For this, it engaged with RBI and State Finance Secretaries. As a result of this initiative for the first time, 20 PAG/ AG (A&E) offices were able to close MCA of State Governments by 15th of the following month, with 11 out of these being able to close MCA by 10th of following month, during the year 2025-26.

SDGs



Strengthening pricing discipline in PMFBY to prevent reinsurance losses, Oriental Insurance Company Limited

The office of the Principal Director of Audit (Industry & Corporate Affairs), New Delhi, during the audit, revealed that the Oriental Insurance Company Limited applied uniform

premium rates across PMFBY crop-insurance clusters under the Pradhan Mantri Fasal Bima Yojana (PMFBY) in 2019–20, contrary to provisions of the Agriculture Quota Share Reinsurance Treaty with GIC, leading to invocation of the Loss Corridor clause and a loss of ₹194.08 crore.

Audit recommended adherence to treaty-specific pricing and improved underwriting discipline. In response, OICL discontinued underwriting under the traditional PMFBY model from 2020–21 and adopted the Surplus/Loss Sharing Model (SSM), also known as the Cup-and-Cap model (80:110), capping liability at 110 per cent of premium. Under this model, excess losses are borne by State Governments, while surpluses below 80 per cent are shared. This resulted in improved loss ratios and reduced exposure to catastrophic losses.

SDGs

