

Polymakers & Legislators

For policymakers and legislators, CAG's audit interventions serve as an important source of evidence for strengthening laws, regulations, and governance frameworks. By identifying gaps in policy implementation, inconsistencies in subordinate legislation, and weaknesses in regulatory oversight, audit findings support informed decision-making and drive systemic reforms. The examples in this section demonstrate how audit recommendations led to legislative amendments, regulatory revisions, and strengthened compliance mechanisms, enabling governments to improve revenue mobilisation, enhance accountability, and align administrative frameworks with statutory objectives. These outcomes highlight the role of audit as a catalyst for evidence-based policymaking and effective public governance.

Revision of District Mineral Foundation (DMF) framework, Government of Jammu & Kashmir

The office of the Accountant General (Audit), Jammu and Kashmir, during the audit, observed that the District Mineral Foundation (DMF) Rules, 2017, notified by the Department of Geology and Mining, were not aligned with the provisions of the Mines and Minerals (Development and Regulation) Act, 1957, and the Jammu and Kashmir Minor Mineral Concession, Storage, Transportation of Minerals and Prevention of Illegal Mining Rules, 2016, resulting in short collection of ₹14.55 crore from minor mineral lease holders.

Based on audit recommendations, the Government amended Rule 11 through S.O. 69 dated 8 February 2023 to align contribution rates with statutory provisions, ensuring alignment of subordinate legislation with the parent Act and strengthening the revenue framework governing mineral resources.

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Fixing a time limit for bringing export proceeds into India, Central Board of Direct Taxes

Under Section 10AA of the Income-tax Act, 1961, newly established SEZ units are eligible for tax holiday benefits for 15 years, subject to conditions including receipt of export proceeds in India. The office of the Director General of Audit (Central), Hyderabad, during the audit, observed that deductions under Section 10AA of the Income Tax Act, 1961 were being allowed without ensuring timely realisation of export proceeds, with ₹3,878.95 crore remaining unrealised and resulting in potential revenue loss of ₹28.57 crore.

Audit recommended that the Central Board of Direct Taxes may consider specifying a

timeline for bringing consideration against export proceeds into India for claiming deduction under Section 10AA of the I.T. Act. The Ministry amended Section 10AA through the Finance Act, 2023 by inserting a new sub-section (4A) to fix the time limit of six-months for bringing the export proceeds into the country for claiming deduction under Section 10AA (effective from 1 April 2024). This resulted in restriction of inadmissible claims and strengthening of the legal framework governing export-linked tax benefits.

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