

Regulators & Oversight Bodies

Regulators and oversight bodies play a critical role in safeguarding public interest by enforcing laws, monitoring compliance, managing risks, and ensuring accountability across sectors. Through its audits, the CAG provides independent and evidence-based insights that help regulators identify systemic weaknesses, strengthen enforcement mechanisms, improve oversight frameworks, and adopt more effective monitoring practices. The examples in this section demonstrate how audit findings contributed to enhanced regulatory controls, technology-enabled compliance systems, stronger fraud prevention measures, improved environmental and resource governance, and more effective enforcement of statutory and regulatory requirements. These outcomes underscore the role of audit in supporting regulators and oversight institutions to promote transparency, accountability, compliance, and sustainable governance.

Loss of revenue due to undervaluation of iron ore, Government of Odisha

The office of Principal Accountant General (Audit-1), Odisha, during the audit, observed large scale revenue implications due to misreporting and undervaluation of iron ore grades, leading to revenue implication of ₹10,294.24 crore for 20 test-checked mines consisting of royalty of approximately ₹5,841.80 crore and premium of approximately ₹4,452.44 crore in respect of four auctioned mines.

Audit recommended carrying out a complete and timely investigation across all auctioned mines into the sudden reporting of lower grades of iron-ore as found in test check by Audit. Audit also recommended putting in place a policy/mechanism for preventing leakage of revenue due to the significant risk of misreporting of category and size of iron-ore. Based on audit findings, Odisha Minerals (Prevention of Illegal Mining and Regulation of Trading, Transportation and Storage) Rules, 2025 were notified to strengthen mineral administration through technology-driven controls, including real-time grade analysis, digital monitoring, AI-enabled surveillance, Global Positioning System (GPS)/ Radio Frequency Identification (RFID) based tracking and automated weighment.

SDGs



Non-remittance of government revenue in Karnataka

Context: Under Section 3 of the Karnataka Stamp Act, 1957, stamp duty is levied on instruments as prescribed in the Schedule to the Act. During audit scrutiny of the Sub Registrar Office (SRO), Chitradurga, the office of the Accountant General (Audit-I) Karnataka noted discrepancies between the stamp duty and registration fee amounts shown as remitted in the attached paid challans and the actual amounts transferred to the Government account. Audit found that although full stamp duty and fees were collected from parties, only partial payments were remitted to the bank. Further examination revealed that a licensed deed writer had manipulated the Khajane II (K2) challans by editing the documents using a text editor to inflate the remitted amounts before presenting them for registration. This resulted in significant financial loss to the Government and indicated serious lapses in document verification and internal controls within the SRO. Audit identified total short remittance of ₹1.51 crore across 181 cases.

Recommendation: Audit recommended immediate verification of all suspected cases, initiation of recovery proceedings, and strengthening of controls to prevent tampering with challans. To prevent recurrence, audit advised integrating registration processes with treasury systems to eliminate the scope for forged challans and to ensure real-time validation of remittances.

Outcome: Based on audit's observations and recommendations, the following actions were undertaken:

- Recovery of ₹36 lakh was completed in 47 cases.
- Ten cases were taken up before the High Court.
- Recovery efforts for the 137 cases were initiated.
- The Sub Registrar and a Second Division Assistant (SDA) were placed under suspension and a departmental enquiry commenced in September 2021. The deed writer's licence was cancelled, an FIR filed, and the individual arrested on 11 January 2022.
- Kaveri2 software was implemented across all registration offices by July 2023. The upgraded system is fully integrated with the Khajane treasury portal, ensuring that challan verification occurs directly through the Government's financial management system. This integration has substantially reduced the risk of using forged challans for registration in the future. Additionally, administrative action was taken against the officers and officials responsible, reinforcing accountability. These measures collectively strengthened financial integrity, minimised opportunities for fraud, and improved the reliability of stamp duty and registration fee collections.

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Environmental Governance, Visakhapatnam Port Authority (VPA)

The office of the Principal Director of Commercial Audit, Hyderabad, during the audit, identified gaps in environmental monitoring, Environment Clearances (ECs) hosting on the website, and persistent manpower shortages for compliance functions at VPA. Audit recommended that VPA should provide adequate manpower for the environmental cell to oversee the environment related activities.

Based on audit recommendations, recruitment notifications were issued Environment Clearances and half-yearly compliance submissions to the Ministry of Environment, Forest and Climate Change were hosted on its website by VPA. This has resulted in improved environmental compliance framework and strengthened institutional capacity to manage environmental obligations.

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Strengthening monitoring of environmental clearance compliance, MoEFCC

The Office of the Director General of Audit, Central Expenditure (Environment and Scientific Departments), New Delhi during the audit, observed weaknesses in monitoring and enforcement of compliance with environmental clearance conditions by the Ministry of Environment, Forest and Climate Change (MoEFCC), with inadequate inspection mechanisms limiting oversight and increasing the risk of non-compliance by project proponents.

In response to audit findings, the Ministry expanded the number of Integrated Regional Offices from 10 to 19, developed a web-based system for automated inspection and compliance monitoring, and integrated processes with the PARIVESH portal for real-time tracking. These measures improved monitoring capacity, enhanced transparency in compliance tracking, and enabled more effective enforcement of environmental safeguards, contributing to better environmental governance.

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Enhancing enforcement in Coastal Regulation Zones (CRZ)

The office of Director General of Audit (Central), Chennai, reviewed the enforcement of Coastal Regulation Zone (CRZ) provisions by State Coastal Zone Management Authorities (SCZMAs) and District Level Committees (DLCs) and observed significant enforcement deficiencies. SCZMAs failed to initiate timely action against CRZ violations, while DLCs did not effectively identify and report violations.

Audit highlighted several instances of irregular development in ecologically sensitive CRZ-I areas, including construction on Olive Ridley turtle nesting sites and a racetrack in Pattipulam, Tamil Nadu. Violations were also observed in the No Development Zone (NDZ), such as construction of beach resorts, jetty extensions, commercial complexes and other unauthorized developments in Tamil Nadu, Gujarat and Kerala, encroachments in the Vembanad Lake region, irregular approvals in wetlands, discharge of untreated effluents by coastal aquaculture units in Andhra Pradesh, and operation of ice plants and fish-packing units in CRZ areas of Tamil Nadu.

Audit recommended strengthening enforcement mechanisms through timely detection of violations, effective monitoring, and robust reporting and follow-up systems. In response, authorities initiated criminal proceedings under the Environment (Protection) Act, 1986 in cases of illegal constructions, issued show-cause notices and closure directions, and strengthened accountability through mandatory Action Taken Reports and provisions for revocation of CRZ clearances.

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Strengthening compliance controls in GST e-way bill system under the CGST Rules, 2017

The office of the Director General of Audit (Central), Chennai, during the audit of the e-way bill system under the CGST Act, 2017 revealed that 3,585 e-way bills were generated by unregistered persons for transactions exceeding ₹40 lakh, indicating gaps in system controls and compliance monitoring. Audit recommended strengthening identification and regulatory coverage. Based on GST Council decisions (June 2024), Rule 138(3) of the CGST Rules, 2017 was amended through Notification No. 12/2024 to mandate enrolment of such persons via Form GST ENR-03 and issuance of unique IDs. This resulted in improved traceability of transactions, strengthened audit trail for goods movement, and enhanced enforcement capability.

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Strengthening governance and financial management accountability in international organisations through external audit

The CAG of India, as External Auditor of organisations including WHO (World Health Organisation) and its hosted entities UNAIDS (Joint United Nations Programme on HIV/AIDS), UNITAID (UN International Drug Purchase Facility), IARC (International Agency for Research on Cancer), Staff Health Insurance, UNICC (United Nations International Computing Centre), FAO (Food and Agriculture Organization of the United Nations), OPCW (Organisation for the Prohibition of Chemical Weapons), ILO/ITC (International Labour Organization/International Training Centre), IAEA (International Atomic Energy Agency), BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) Secretariat (as Head of Panel), and SCO (Shanghai Cooperation Organisation) bodies, undertook audits to strengthen governance, financial management, and accountability frameworks. During 2025–26, 11 audit reports containing 206 recommendations were issued, focusing on systemic improvements in internal controls, performance, and transparency. Additionally, support was provided to the UN Board of Auditors (UNBoA) to update its portal by identifying missing audit reports from previous years. All 206 recommendations were accepted by the respective organisations, reflecting their relevance and practical value. The initiative also led to consideration of uploading audit reports for the last ten years (from 2016) on the UNBoA portal.

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