

COMPTROLLER AND AUDITOR GENERAL

22.1 INTRODUCTION

You must be knowing that India was under British Rule. One of the contributions of British Rule in India has been the uniformity of government accounts and their independent audit. As early as 1753, the Indian Audit and Accounts Department was created in India. The office of the Comptroller and Auditor General made its first appearance in 1857, following a major reorganization carried out by Lord Canning. Following the introduction of the Montford Reforms in 1920-21, the system of independent audit emerged; The Act of 1919 had made the Auditor General independent of the Government of India. Later his position was further strengthened under the Act of 1935.

The new Constitution of India, enforced in 1950, changed the designation of the officer to Comptroller and Auditor-General (CAG). The word 'Comptroller', in its dictionary interpretation, means one who checks the accounts of other by a counter roll. The word 'Control' here means the authority to govern and check the expenses of the government. The prefix 'Comptroller' in the modern sense of the word, does not carry much significance as the function of this officer is audit of accounts.

22.2 OBJECTIVES

After studying this lesson, you will be able to :

- appreciate that in a democratic set up an authority like the CAG is required to monitor the expenditure from public funds;
- recall that the CAG is appointed by the President;
- explain that the CAG is independent of the executive and the legislature;
- describe the functions of the CAG;
- conclude that Comptroller and Auditor General is the watch dog of the public purse.

22.3 NEED FOR AN AUTHORITY TO MONITOR EXPENDITURE OF PUBLIC FUNDS

The legislature approves the budget. The executive of the government has to spend within

the grants approved by the budget. The Comptroller and Auditor General is appointed to control on behalf of the Union and States, all spendings from the public funds. He is to audit all accounts of money administered by, and under, the authority of Parliament and the State Legislatures. Thus, in a large democratic country like India public expenditure is to be kept under control, if the country's economy is to be safe-guarded. The CAG is the custodian of the public purse and the controller of the public expenditure.

22.4 APPOINTMENT OF THE CAG

The provisions regarding the appointment and conditions of service of the Comptroller and Auditor General of India (CAG) are laid down in Article 148 of the Indian Constitution. The CAG is appointed by the President for a period of six years or upto the age of 65 years, whichever is earlier. He can be removed from the office in like manner and on like grounds as in the case of a Judge of the Supreme Court. Before he enters upon his office, every person so appointed as the CAG takes an oath before the President.

The salary and other conditions of service of the Comptroller and Auditor General are prescribed by Parliament by law viz., the Comptroller and Auditor General (Conditions of Service) Act., 1953, as ammended in 1971.

Being equated with a Judge of the Supreme Court, the CAG draws the equivalent salary of Rs.9000/- per month. He is entitled to receive pension after his retirement. In other matters, his service conditions are equivalent to those of a Secretary to the Government of India. But, neither the salary of the CAG nor his rights in respect of leave of absence, pension or age of retirement can be varied to his disadvantage after the appointment. The Constitution also prescribes that the CAG will not be eligible for further office either under the Government of India or under the Government of any State after he has ceased to hold office. The administrative expenses of the office of the CAG, including all salaries, allowances and pensions payable to irrespective of persons serving in that office are charged upon the Consolidated Fund of India.

INTEXT QUESTIONS 22.1

Fill in the blanks with appropriate words given in the brackets.

- (a) The CAG is the custodian of the _____ purse. (public/private)
 - (b) Provisions regarding the appointment and conditions of service of the CAG are laid down in Article _____ of the Indian Constitution. (248/148)
 - (c) The CAG gets his salary from the _____ fund of India. (private/consolidated)
 - (d) The CAG is appointed by the _____ of India (President/Prime Minister).
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22.5 INDEPENDENCE OF CAG

The CAG cannot function in an independent manner unless he enjoys certain constitutional protection and privileges. The Indian Constitution therefore, ensures the CAG's independence, through the following provisions :

1. The CAG holds office for a term of six years from the date he assumes office or until he attains the age of 65 years, whichever is earlier. He can be removed from office only by an order of the President passed after an address by each House of Parliament supported by a majority of the total membership of the House and by a majority of not less than two-thirds of the members of the House present and voting on the ground of proved misbehaviour or incapacity.
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2. His salary and service conditions cannot be varied to his disadvantage after he is appointed.
3. A CAG shall not be eligible for further office under the Government of India or of any State, after he leaves office.

The Indian Constitution has intended to secure CAG's independence in respect of the legislature and the executive.

22.6 FUNCTIONS OF THE COMPTROLLER AND AUDITOR GENERAL

The major functions of the CAG are as follows :

1. To prescribe, with the approval of the President, the form in which the accounts of the Union and of the States are to be kept.
2. To perform such duties and exercise such powers in relation to accounts of the Union and the States and of any other bodies or authority, as may be prescribed by any law made by the Parliament.
3. To report to the President or to the Governors of the States on the accounts of the Union and of the States. The Constitution has also provided that the CAG has to ascertain and certify the net proceeds of any tax or duty mentioned in Chapter I of Part XII of the Constitution. Besides these constitutional provisions and the Act of 1971, it is necessary to mention that before 1976, the CAG had a two-dimensional role, that of accounting and auditing. Due to separation of accounts and audit in 1976, the CAG's primary duty is the auditing of accounts.

22.7 THE CAG AS AUDITOR GENERAL

The primary purpose of audit is to ensure that the money has been applied to the purposes for which the grants made by Parliament and the expenditure conforms to the authority which governs it. Thus audit becomes an important instrument in the control of public expenditure, for it is this instrument which makes the expenditure accountable. It has a dual role to play; firstly, it checks the extent of application by the government servants, of rules and regulations issued on behalf of the legislature, that the actions of the government have been in accordance with the views and requirements of the legislature.

Though audit is not directly responsible for ensuring economy in governmental expenditure, through its working and through the submission of its annual audit reports, it brings rational financial criticism based on the accounts and a subtle influence on the process of incurring expenditure and, after it has been incurred, by bringing to notice the wastefulness in public expenditure. The staff of the audit department is always vigilant to detect inaccuracies and errors in accounts.

The purpose of audit is to 'offer financial criticism' and its value lies in its reports pointing out the irregularity of certain transactions so that appropriate action could be taken to rectify them. As it prevents the recurrence of irregularities and paves the way for a prudent* expenditure policy, its impact is that of a deterrent. While it may be argued that audit is essentially a post-mortem and a post-event exercise, it has a wholesome influence in creating a proper atmosphere in which the departments try to minimize and avoid irregularities. Despite the handicap that it bolts the stable door after the horse has run away, audit is probably the most potent force making for prudent financial administration. It is thus expected that, what one department is publicly pilloried* for today, all other departments will try to avoid tomorrow.

The powers of the CAG, regarding audit, are provided for in the Comptroller and Auditor General of India (Duties, Powers and Conditions of Services) Act, 1971. According to this Act, the CAG can audit :

1. All receipts and expenditure from the Consolidated Fund of India and of the States and Union Territories.
2. All transactions relating to the Contingency Funds and Public Accounts.
3. All trading, manufacturing, profit and loss accounts and balance sheets and other subsidiary accounts kept in any department.
4. All stores and stock of all government offices or departments.
5. Accounts of all government companies set up under Indian Companies Act, 1956.
6. Accounts of all Central Government Corporations where Acts provide for audit by the CAG.
7. Accounts of all authorities and bodies substantially funded from the Consolidated Fund of India.
8. Accounts of any authority, even though not substantially funded by the government, at either the request of the Governor/President or at the CAG's own initiative.

In order that the CAG may discharge his duties effectively, he has been given certain privileges and powers which facilitate the process of auditing. The CAG, or the Staff authorized by him, can inspect any office of the organisations which are subject to his audit. He and his staff can scrutinize the transactions of the government and question the administration regarding the various aspects of these transactions. On hearing the explanations, the CAG may withdraw his objections or if he finds them serious, incorporate them in his report which is submitted to the Parliament. To enable the CAG to perform this function smoothly, he is endowed with full access to all the financial records including books, papers, documents. Moreover, the CAG has the freedom to ask for the relevant information from any person or organisation. His right to call for information and accounts is statutory, as was affirmed by the order made by the Government of India in 1936 in order to enforce the Act of 1936, the present provision of according him, free access to files and informations is a practice continuing from the part. A modifications however, was introduced in 1954 in the Central Government according to which if secret documents are involved, they are sent to the CAG by name specifically and are returned as soon as the work is over.

22.8 REPORTS OF THE COMPTROLLER AND AUDITOR-GENERAL

According to Article 151 of the Constitution, the CAG presents the audit report of the Union and the States to the President of India and the Governors of the States, who lay them before the Parliament or the State Legislature respectively. The duty of making the report has been entrusted to the CAG under the Act of 1971. Some observers have expressed the opinion that the CAG is that agent of the Parliament in the sense that he is performing a task for the Parliament. "He is Parliament. Parliament only works through him".

When the audit takes place, during the course of inspection of the various organisations, 'Inspection Reports' of each unit/organisation are prepared and copies are sent to them. About 72,000 Inspection Reports are sent in a year. They are asked to take corrective action and then progress is also watched. The most important matters in these Inspection Reports are included in the Annual Audit Report.

The report submitted to the Parliament by the President, or to the State Legislature by the Governor consists of two parts (i) Audit Report on the Appropriation Accounts and (ii) Audit Reports on the Finance accounts. The Appropriation Accounts show the appropriation of the money granted by the legislature to the various grants and heads of expenditure and whether the money granted for a specific purpose has been spent for that purpose or not. The Finance Accounts show the accounts of annual receipts and expenditure during the year.

The audit report, in brief, contains a narration of cases involving financial irregularities, losses, frauds, wasteful expenditure and comments thereon, accuracy of budgeting control of expenditure, savings, etc. The form of the audit reports is constantly under review and has undergone periodical changes. No matter what the format, the objective, that loss of money has to be presented remains the same. They highlight transactions which have not proved financially liable. As the report focuses its gaze on the omissions, each department is on its toes because the report may bring adverse and undesirable publicity in its wake.

Before they are presented to the President, the audit reports are put through rigorous quality assurance procedure and are countersigned by the CAG. After they are submitted to the legislature, the legislature in turn, hands them over for examination to the concerned Parliamentary Committees. The reports of all the departments, including Railways, Post and Telegraph and other departmental undertakings are handed over to the Public Accounts Committee (PAC). The reports relating to the Corporations and Companies are given to the Committee on Public Undertakings (COPU). The CAG also assists these Committees during investigations. The Committees have wide powers of obtaining information from the departments or public enterprises, as the case may be. After these investigations, and taking into consideration the report of the CAG, these Committees make recommendations regarding the course of actions to be taken.

22.9 THE CAG AND THE PUBLIC ACCOUNTS COMMITTEE

The audit reports of the CAG are handed over to the PAC at the Centre and the States. The CAG assists the PAC at the Centre and Accountants General of the States do so at the State level CAG/AG, assists the Committee in its deliberations by preparing a list of the most urgent and important matters which deserve the attention of the PAC. Invariably, he is physically present during the meetings of the Committee where he may question the witnesses himself. His position in the process of examination is unique, as he helps in making the actions of the Committee clear to the witnesses and in making the action of the government clear to the Committee. His position is sometimes of interpreter and translator, explaining the official views to the politicians and vice-versa. Their roles are, in fact complementary as the value of the examination by the Committee is dependent on the thoroughness of the audit examination and, for the utility of the audit, on the support it receives from the Committee.

When the examination of the witnesses is complete, the PAC prepares its report and submits it to the Parliament or the State Legislature. The responsibility of the CAG does not end here. He has to watch whether the corrective action suggested by him has been taken or not. In cases where it has not been taken, he reports the matter to the PAC which will take up the matter.

INTEXT QUESTIONS 22.2

Answer the following questions in brief.

Fill in the blanks:

- (1) The CAG is appointed for a period of _____ years.
- (2) The CAG shall _____ be eligible for further Government office.
- (3) The accounts and audit was separated in _____
- (4) About _____ inspection reports are sent in a year.
- (5) The audit reports of the CAG are handed over to the _____

22.10 EVALUATION OF THE COMPTROLLER AND AUDITOR GENERAL AS THE WATCHDOG OF THE PUBLIC PURSE

Keeping in view the functions of the CAG it can be concluded that the Auditor General serves as the custodian of revenues and servant of the legislature. He assists the legislature in seeing that its wishes and decisions expressed in the budget are respected. The CAG thus plays a vital role and acts as an extended arm of the Parliament in controlling public expenditure. Though, we can in this context mention that there are some scholars who have criticised the role of the CAG. Their main points of criticism are :

- (i) The system is in a large measure an inheritance from colonial rule.
- (ii) The Parliament and the Public give undue importance to the audit rule.
- (iii) Auditing has very limited usefulness.
- (iv) Auditing is strictly negative. It does not suit the need of a welfare administration.

However, their criticisms are not wholly valid. Colonial rule did not have similar office and such an office was indispensable in a democratic form of government where public accountability of administration is to be secured.

It may however, be accepted that our audit system needs to be reoriented so as to meet the objectives of our national government. The audit and administration should be brought closer. Each of them should comprise a component of the machinery of government. We may thus come to the conclusion that public expenditure is to be kept under three control if the country's economy is to be safe-guarded. The Finance Minister is a valuable instrument of balancing the budget and securing coordination of the activities of the government. The parliamentary committees are the most effective weapon in the hands of the Parliament to expose administrative wastefulness. The CAG and his department serve as a means of enforcing accountability and determine the process of ascertaining whether the administration has spent or is spending its funds in accordance with the terms of the legislative instrument which appropriated this money.

INTEXT QUESTIONS 22.3

Mark the statement True or False :

- 1) The CAG is the custodian of revenues.
 - 2) Auditing has every limited usefulness.
 - 3) The office of the CAG is necessary in a democratic form of government.
 - 4) The CAG is appointed by the President.
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WHAT YOU HAVE LEARNT

The Comptroller and Auditor General is appointed to control on behalf of the Union and States, all spendings from public funds. The CAG is the custodian of public purse and controller of the public expenditure. Article 148 of the Indian Constitution lays down the provisions regarding the appointment and conditions of service of the CAG. The CAG is appointed by the President. The Indian Constitution has intended to secure CAG's independence in respect to the legislature and the executive. The primary duty of the CAG is the auditing accounts of the Union and States. The primary purpose of audit is to ensure that the money has been applied to the purposes for which the grants made by the Parliament were intended to provide and that the expenditure conforms to the authority which governs it. The powers of the CAG regarding audit are provided for in the Comptroller and Auditor General of India (Duties, Powers and Conditions of Service) Act of 1971. In order that the CAG may discharge his duties effectively, he has been given certain powers and privileges which facilitate the process of auditing.

According to Article 151 of the Indian Constitution, the CAG presents the audit report of the Union and States to the President of India and the Governors of the States, who lay them before the Parliament or the States legislatures respectively. The duty of making the report has been entrusted with the CAG under the Act of 1971. The audit reports of the CAG are handed down to the PAC (Public Accounts Committee). The PAC prepares its report and submits it to the Parliament or the State Legislature. The CAG has to watch whether the corrective action suggested by him has been taken or not. In cases, where it has not been taken, he reports the matter to the PAC, which will take up the matter.

Despite much criticisms, it may be concluded that CAG is an extended arm of the Parliament in controlling public expenditure.

TERMINAL EXERCISES

1. Write in 50 words the powers and duties of the CAG.
2. How is the CAG appointed and what are the conditions of his service?
3. What is the relation between CAG and the Public Account Committee?
4. What are the points of criticism against the CAG?

ANSWERS TO INTEXT QUESTIONS

22.1

(a) Public, (b) 148, (c) Consolidated, (d) President

22.2

(1) 6

(2) not

(3) 1976

(4) 72000

(5) PAC Public Accounts Committee

22.3

(1) True

(2) False

(3) True

(4) True

HINTS TO TERMINAL EXERCISES

(1) Please refer to Section 22.6

(2) Please refer to Section 22.4

(3) Please refer to Section 22.9

(4) Please refer to Section 22.10