

## ROLE OF THE COMPTROLLER AND AUDITOR GENERAL (CAG) FOR CHALLENGES OF GOOD GOVERNANCE

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### ABSTRACT

*The role of governance is an integral component of any country's growth and development. Government Audit plays an important role in the scheme of parliamentary financial control and ensures that the executive bodies keep expenditure and budget allocation within the sums allotted and for the purposes authorized. It is absolutely necessary that some independent person scrutinizes government spending and checks whether it has been in accordance with Parliamentary sanctions. In the absence of such a scrutiny, parliamentary control over appropriation made by the executive bodies may be frustrated.*

**KEYWORDS:** CAG, SAI, Public Sector Audit, DRDA, Public Private Partnership.

### Introduction

The CAG of India plays a unique role in Indian democracy, by upholding the constitution and laws in the field of financial administration. CAG of India has the power to audit and report on all expenditure from the consolidated fund, contingency fund and public accounts of the Union and State Legislature. The Comptroller and Auditor General of India (CAG) who is the head of Supreme Audit Institution of India (SAI India) discharge his constitutional functions through the Indian Audit and Accounts Department.

### Objectives of the Research Study

The said research study was carried out with following objectives in view:

- To study the historical background of CAG.
- To study the Principles of Public Sector Auditing.
- To study the Types of Public Sector Audits.
- To study the Duties and Powers of the CAG.

### Hypothesis

The main hypothesis of the said research paper is as follows:

**H<sub>1</sub>** The Comptroller and Auditor General (CAG) of India plays a unique role in Indian democracy, by the constitution and laws in the field of financial administration.

### Research Methodology

For the present research study the data pertaining to the above objectives was collected and reviewed the literature on the topic concerned. The literature was thus collected by visiting various libraries. Some Government offices were also visited for getting office record and statistical data. The

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secondary data is also collected from various websites. With the above objectives keep in mind the instructed Interview Method and Desk Research Method was basically adopted. The Secondary Data is collected from various reference books related to Comptroller and Auditor General (CAG), Supreme Audit Institution of India (SAI), Public Sector Audit, District Rural Development Authority (DRDA), Public Private Partnership, Commerce & Management, and Marketing & Finance etc. For said research study secondary data is also collected from the National and International Research Journals which are related to Commerce, Management, Marketing and Comptroller and Auditor General.

### **Principles of Public Sector Auditing**

Auditing is a cumulative and iterative process. The principles of public sector auditing constitute the general standards that apply to SAI India's personnel as auditors and are 11 fundamental to the conduct of all types of public sector audits. The principles to be observed by all individual auditors are categorized into two distinct groups as shown in the diagram below -

- **General principles**

General principles relate to the basic audit concepts, which shall be considered by auditors prior to commencement and at more than one point during the audit process and comprise the following:

- **Ethics and Independence:** Ethical principles shall be embodied in an auditor's professional behavior and the auditors shall comply with SAI India's code of ethics. Auditors shall remain independent so that their reports are impartial and be seen as such by the intended users.
- **Professional Judgment, Due Care and Skepticism:** The auditor's attitude shall be characterized by professional skepticism and professional judgment, which are to be applied when forming decisions about the appropriate course of action. Auditors shall exercise due care to ensure that their professional behavior is appropriate.
- **Audit Team Management and Skills:** The audit team shall collectively possess the knowledge, skills expertise and competence necessary to successfully complete the audit. This includes an understanding and practical experience of the type of audit being conducted, familiarity with the applicable standards and legislation, an understanding of the entity's operations and the ability and experience to exercise professional judgment. Auditors shall maintain their professional competence through ongoing professional development.
- **Audit Risk:** The audit risk is the risk that the audit report may be inappropriate. The auditor performs procedures to reduce or manage the risk of reaching inappropriate conclusions, recognizing that the limitations inherent to all audits mean that an audit can never provide absolute certainty of the condition of the subject matter.

- **Principles Related to the Audit Process**

Principles related to the audit process relate to the specific steps in the audit process and comprise the following:

- **Planning an Audit:** Auditors shall ensure that the terms of the audit have been clearly established. In some cases, such as in case of an entrusted audit, there is a need for arriving at an agreement on the terms of audit with the auditable entity.
- **Conducting an Audit:** The auditor's decisions on the nature, timing and extent of audit procedures will impact on the evidence to be obtained.
- **Reporting and Follow-up:** The audit process involves preparing a report to communicate the results of the audit to stakeholders, others responsible for governance and the general public. The purpose is also to facilitate follow-up and corrective action. Reports shall be easy to understand, free from vagueness or ambiguity and complete.

### **Good Governance**

- **Pillar of Economic and Political Stability**

"Do the policies help the poorest and weakest man? If yes, that is good governance."

-Mahatma Gandhi

Governance means different things in different contexts, but the concept generally relates to group decision making to address shared problems. Good governance has eight major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

#### **Duties and Powers of the CAG**

- **Duties**

- He audits the accounts related to all expenditure from the Consolidated Fund of India, Consolidated Fund of each state and UT having a legislative assembly.
- He audits all expenditure from the Contingency Fund of India and the Public Account of India as well as the Contingency Fund and Public Account of each state.
- He audits all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts kept by any department of the Central Government and the state governments.
- He audits the receipts and expenditure of all bodies and authorities substantially financed from the Central or State revenues; government companies; other corporations and bodies, when so required by related laws.

- **Functions**

- He audits all transactions of the Central and state governments related to debt, sinking funds, deposits, advances, suspense accounts and remittance business.
- He audits the accounts of any other authority when requested by the President or Governor e.g. Local bodies.
- He advises the President with regard to prescription of the form in which the accounts of the Centre and states shall be kept.
- He submits his audit reports relating to the accounts of the Centre to the President, who shall, in turn, place them before both the houses of Parliament.

#### **Limitations on the Powers of CAG**

- Its report is post-facto i.e. after the expenditure is incurred and has only prospective value in improving systems and procedures.
- Secret service expenditure is outside the purview of the CAG and he cannot call for particulars of expenditure incurred by the executive agencies, but has to accept a certificate from the competent administrative authority that the expenditure has been so incurred.
- Since the legislation, the government has increased its participation with the private sector through the PPT (public-private-transfer) and BOT (build-own-transfer) model. However the rules have not undergone a significant change and CAG does not have the power to audit PPP (Public Private Partnership) investments.
- There is no provision for auditing of funds that are given to an NGO and elected local bodies. Today NGOs have become a conduit for a multitude of government schemes.

#### **Conclusion**

To sum up, CAG of India plays a very unique role as a regulatory authority by upholding the constitution and the laws in the field of financial administration. CAG is the principal auditor who acts as a watchdog to ensure that various authorities function in accordance with the constitution and the laws of the parliament with regard to financial matters. He plays an essential role in making the government more transparent and accountable to the legislature as well as the society. In essence the CAG acts as a custodian and trustee of public money, exercises his powers in consonance with the constitution and within the rules framed by the government from time to time, to ensure that there is no loss, leakage of revenue, avoidable expenditure and embezzlement.

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