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Comptroller and Auditor-General of India (CAG)

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"I am of the opinion that this dignitary or officer is probably the most important officer in the Constitution of India. He is the one man who is going to see that the expenses voted by Parliament are not exceeded, or varied from what has been laid down by Parliament in the Appropriation Act." —*Dr. B.R Ambedkar*

About

- CAG is an independent authority under the Constitution of India.
- He is the head of the Indian audit & account department and chief Guardian of Public purse.
- It is the institution through which the accountability of the government and other public authorities (all those who spend public funds) to Parliament and State Legislatures and through them to the people is ensured.
- Shri Rajiv Mehrishi is the incumbent CAG of India.

Background

- Office of the Accountant General was established in 1858 (the year the British took over administrative control of India from the East India Company).
- In 1860 Sir Edward Drummond was appointed as the first Auditor General.
- Meanwhile after some restructuring the Auditor General of India came to be called the Auditor and Accountant General to the Government of India.
- In 1866, the position was renamed Comptroller General of Accounts, and in 1884, it was re-designated as Comptroller and Auditor General of India.
- Under the Government of India Act 1919, the Auditor General became independent of the government as statutory backing was given for the position.
- The Government of India Act 1935 further strengthened the position of the Auditor General by providing for Provincial Auditors General in a federal set-up.
- The act also described the appointment and service procedures and gave a brief

overview of the duties of the Auditor General of India.

- The Accounts and Audits Order of 1936 provided detailed accounting and auditing functions of the auditor general.
- This arrangement remained unchanged until India's independence in 1947. After independence, Article 148 of the 1949 Indian Constitution provided for the establishment of a Comptroller and Auditor General to be appointed by the President of India.
- CAG jurisdiction was extended to Jammu and Kashmir in 1958.
- In 1971 the central government enacted the Comptroller and Auditor General (Duties, Powers, and Conditions of Service) Act, 1971. The act made CAG responsible for both accounting and auditing duties for central and state governments.
- In 1976 CAG was relieved from accounting functions.
- CAG has undergone rapid computerization and modernization since the 1990s and pervasive nature of Indian corruption has kept CAG vigilant and it has audited and investigated some of the worst and most controversial corruption scandals in Indian history.

Comparison with Britain CAG

- CAG of India only performed the role of an Auditor General and not of a Comptroller but in Britain it has the power of both Comptroller as well as Auditor General.
- In India the CAG audits the accounts after the expenditure is committed i.e. ex post facto. In UK no money can be drawn from the public exchequer without the approval of the CAG.
- In India, CAG is not a member of the parliament while in Britain; CAG is a member of house of the Commons.

Constitutional Provisions

- **Article 148** broadly deals with the CAG appointment, oath and conditions of service.
- **Article 149** deals with Duties and Powers of the Comptroller and Auditor-General of India.
- **Article 150** says that the accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the CAG, prescribe.
- **Article 151** says that the reports of the Comptroller and Auditor-General of India relating to the accounts of the Union shall be submitted to the president, who shall cause them to be laid before each House of Parliament.
- **Article 279** - Calculation of "net proceeds" is ascertained and certified by the Comptroller and Auditor-General of India, whose certificate is final.
- **Third Schedule** - Section IV of the Third Schedule of the Constitution of India prescribes the form of oath or affirmation to be made by the Judges of the Supreme Court and the Comptroller and Auditor-General of India at the time of assumption of

office.

- According to **Sixth Schedule** the accounts of the District Council or Regional Council should be kept in such form as CAG, with the approval of the President, prescribe. In addition these bodies account are audited in such manner as CAG may think fit, and the reports relating to such accounts shall be submitted to the Governor who shall cause them to be laid before the Council.

Independence of CAG

- There are several provisions in the Constitution for safeguarding the independence of CAG.
- CAG is appointed by the President by warrant under his hand and seal and provided with tenure of 6 years or 65 years of age, whichever is earlier.
- CAG can be removed by the President only in accordance with the procedure mentioned in the Constitution that is the manner same as removal of a Supreme Court Judge.
- He is ineligible to hold any office, either under the Government of India or of any state, once he retires/ resigns as a CAG.
- His salary and other service conditions cannot be varied to his disadvantage after appointment.
- His administrative powers and the conditions of service of persons serving in the **Indian Audit and Accounts Department** are prescribed by the President only after consulting him.
- The administrative expenses of the office of CAG, including all salaries, allowances and pensions are charged upon the Consolidated Fund of India that is not subject to vote.

Functions and Power of CAG

- CAG derives its audit mandate from different sources like–
 - Constitution (Articles 148 to 151)
 - The Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971
 - Important Judgments
 - Instructions of Government of India
 - Regulations on Audit & Accounts-2007
- CAG audits the accounts related to all expenditure from the Consolidated Fund of India, Consolidated Fund of each state and UT's 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.
- 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.
- He submits his audit reports relating to the accounts of a State to the Governor, who shall, in turn, place them before the state legislature.
- CAG also acts as a guide, friend and philosopher of the Public Accounts Committee of the Parliament.

CAG and Public Accounts Committee (PAC)

- PAC is a Parliamentary Standing Committee created under GOI Act, 1919.
- CAG audit reports are handed over to the PACs at the centre and at the state.
- Three CAG reports i.e. audit report on appropriation accounts, audit report on finance accounts and audit report on public sector undertakings are examined by PAC.
- At the central level, these reports are submitted by CAG to president, who makes them to be laid in parliament.
- CAG also assists the committee in its deliberations by preparing a list of the most urgent matters which deserve the attention of the PAC.
- He also helps in making the actions of the committee clear to the witnesses and in making the action of the government clear to the committee.
- CAG position is sometimes one of interpreter and translator, explaining the officials' views to the politicians and vice-versa.
- 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 whether it has not been taken, he reports the matter to the PAC which will take up the matter.

Challenges and Opportunities

- In present times audits are getting complex because forms of corruption and maladministration extremely difficult to detect.
- Besides the historic task of keeping a close watch on the Central and State governments, CAG are now auditing several public-private partnerships (PPP) projects.
- In this context CAG of India has suddenly landed in the midst of unprecedented opportunity and challenge.
- No criterion or procedure has been prescribed either in the Constitution or in the statute for the appointment of CAG.

- This has given the sole power to the executive to appoint a person of their choice as the CAG. This goes against the international best practices prevalent across the world.
- The CAG has the authority to inspect any Government office and to call for any accounts. However, in practice, the supply of records is often denied.
- Moreover, usually inordinately delayed and more often than not, crucial documents are supplied to the auditors at the end of the audit programme with the sole objective of obstructing meaningful audit of those crucial records.
- Just like the citizen's right to get the information within a month under RTI Act 2005, auditors should be provided access to records on priority basis within seven days, failing which, heads of departments should be required to explain the circumstances that caused the delay.
- In 2015, an all-India conference of PACs of Parliament and State/Union Territories legislatures discussed the need for complete independence of the CAG, making it a part of the PAC, like in the UK and Australia.
- It also called for prior consultation with the Chairman, PAC, before appointment of the CAG and consequential need to amend the CAG Act to this effect.
- Though the Indian Constitution provides for a six-year term to the CAG, the cap of 65 years of age has been reducing the actual terms of successive CAGs in the recent times.
- Shorter tenure works as an impediment to the independent and proper functioning of the institution due to lack of continuity of the leadership and loss of expertise.
- Internationally, the CAG of the UK and the Comptroller General of the US has 10 and 15 years of term respectively.
- The work of audit of accounts of the Union and of the States is actually done by the officers and staff of the IA&AD. However, no statutory recognition has been given to the work of IA&AD in India as against National Audit Office of the UK.
- The recognition of the IA&AD as a statutory body with delegation of powers to lower functionaries on the pattern of IT Act will improve the quality of audit and give credibility to the work done by the officers and staff of the IA&AD, thereby leading to greater impact and better outcome.
- Some of the audits of CAG in recent times have attracted criticism due to exaggerated loss estimates or outlandish figures.
- To avoid such allegations CAG should follow rigorous standards so that the integrity of audits is not affected by extraneous considerations.

Reforms suggested by Vinod Rai (former CAG)

- Bring all private-public partnerships (PPPs), Panchayati Raj Institutions and government-funded societies, within the ambit of the CAG.
- CAG Act of 1971 should be amended to keep pace with the changes in governance.
- A collegium type mechanism to choose a new CAG on the lines of selecting a Chief Vigilance Commissioner (CVC).

- From climate change to PPPs, there are dramatic changes happening in the way government funding and public goods are exploited. CAG has to change its audit mechanisms in this context.
- CAG has to prepare itself to audit issues like implementation of the Sustainable Development Goals and the Goods and Services Tax.
- In the wake of the Big Data revolution, CAG came out with a Big Data management policy in 2016 and also established a Centre for Data Management and Analytics in Delhi. This is a welcome step.
- In 2017, CAG of India hosted the Commonwealth Auditors General Conference. Leveraging technology in public audit and environment audit were the two themes of the conference. Conference helped in fostering partnerships amongst Commonwealth countries for capacity development in public audit.
- CAG successfully audited the UN headquarters which involves multifarious and complex operations; it shows the credibility of Indian CAG.