

## **CAG: Comptroller and Auditor General of India**

### **Handout for Foundation Batch**

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#### **Introduction**

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 to Parliament and State Legislatures and through them to the people is ensured.

*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*

#### **Difference between India and UK**

In India, unlike the UK, the CAG doesn't perform the comptroller functions but rather only does the auditing function. In the UK, any money withdrawn out of the consolidated fund should be approved by CAG. In India, the CAG audits the accounts after the expenditure is committed i.e., ex post facto. In India, CAG is not a member of the parliament while in Britain; CAG is a member of house of the Commons.

#### **Appointment and Removal of CAG:**

- The CAG is appointed by the President of India by a warrant under his hand and seal.
- The CAG holds office for a period of six years or up to the age of 65years, whichever is earlier.
- He can resign at any time from his office by addressing the resignation letter to the president.
- He can also be removed by the president on the same grounds and in the same manner as a judge of the Supreme Court. In other words, he can be removed by the president on the basis of a resolution passed to that effect by both the Houses of Parliament with the special majority, either on the ground of proven misbehavior or incapacity.

#### **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 which is the manner same as the 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 the 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 to the Consolidated Fund of India that is not subject to vote.

### **Duties and Powers of CAG:**

As per article 149, the Parliament has enacted the CAG Act, 1971 which describes the powers and the duties to be performed by this office.

- He audits the receipts and expenditures from the consolidated fund of India.
- He audits the transactions related to **contingency funds and public accounts.**
- He audits all the government companies and the central PSUs.
- He audits all the autonomous bodies and authorities receiving government funds.
- Audit of accounts of any other authority at the request of the President.
- Assessing the net proceeds of the taxes.
- Acts as an agent of the Parliament and conducts an expenditure audit on their behalf.
- He ensures the accountability of the executive to the legislature in financial administration.
- To check the **legality** of the funds shown in the accounts have been disbursed properly and to make sure it was spent for the specific purpose and by the specific body. This is also termed the compliance audit by the CAG.

### **Performance and Propriety Audit by CAG:**

Conventionally the CAG would only perform Compliance audits but in recent times, it has ventured into the domain of **performance and propriety audits.** According to this, the CAG focuses on whether the interventions, programs, and institutions are performing in accordance with the **principles of economy, efficiency, and effectiveness** and whether there is room for improvement. The CAG tries to examine whether the social and economic objectives associated with the intervention have been achieved or not and what improvements could have been made in the same. Under the Propriety audit, the CAG examines the propriety of executive actions and looks beyond the formality of the expenditure to highlight any case of losses and extravagant expenditures.

### **Significance of CAG Office:**

- He is the friend, philosopher, and guide of PAC and provides them with the necessary technical inputs to hold the executive accountable.
- In the recent past, the CAG has played an important role in unearthing some of the major scams in the country.

- CAG looks at the material in front of it to ascertain whether relevant factors were taken into consideration to reach a policy decision.
- Above all, it ensures that the principles of the constitution and law are complied with by the executive agencies.

### **Issues in the functioning of office of CAG**

- Lack of independence in the manner of appointment. Appointment is made by the President of India on the aid and advise of Council of Ministers. 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 constitution doesn't prescribe any eligibility criteria for the CAG office. Often, the IAS officers are given preference over IAAS officers who have specific domain expertise and should be given priority for such positions.
- CAG is usually not interested in the audit of private companies involved in the delivery of public services.
- CAG is an overburdened institution especially as it is auditing the PPPs as well these days. Considering the increased workload, the CAG office should be provided with extra resources and hands. Presently, the CAG office is a single-membered body, considering the increased workload, the possibility of a multi-membered body should be explored.
- The effectiveness of the report of CAG is dependent on the report of PAC and discussions in the Parliament on its basis but it has been often observed that adequate debate doesn't happen in the Parliament with respect to such reports.
- It is often criticized that the CAG had the **benefit of hindsight** which is not available to the policymakers, therefore, overtly critical reports of CAG may have a detrimental effect on the functioning of the civil services. 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.

### **Suggestions to reform the functioning of CAG's Office**

- It seems desirable that the findings of Audit should not only be reported to the President and Parliament as close to the events as possible, but also made known simultaneously to the media and the public, with some explanations to aid understanding. It is for the CAG to decide how best the work of the Indian Audit Department, which the CAG heads, could be made more visible and intelligible. This is not to gain publicity for itself, but as a means to make it more effective.

- There is of course the opposite criticism of overreach when Audit widens its horizons and attempts to examine efficiency or 'cost-effectiveness' or propriety. The criticism is untenable because any meaningful audit must necessarily go into these aspects, and the supreme audit institutions of many countries do so as a matter of course. A further and recurring refrain is that audit has an inhibiting effect on decision-making and paralyses initiative. The answer to such criticisms is not to whittle down the audit function but to ensure that it is performed carefully and well. It needs to be realised that audit is an important, indeed vital, function. It is not a necessary evil that is to be tolerated, but a positive good that is to be welcomed.
- The constitutional provisions and the provisions of the CAG's Act do hold the potential to make the CAG a forceful authority, and it is for the CAG to make full use of that potential. Remember how T.N. Seshan transformed the Election Commission using the relevant constitutional and statutory provisions, and how N. Vittal left the institution of CVC somewhat stronger than it was earlier. If the present CAG is able to do for the institution what Mr. Seshan and Mr. Vittal did for their respective institutions, he will go down in history as the most effective CAG since the adoption of the Constitution.
- In conclusion, there is one point that the government, Parliament and the Public Accounts Committee will need to consider. It seems self-evident that the process of selection of such an important constitutional functionary should be **open, objective and credible**. This is best ensured by a committee procedure of the kind statutorily laid down for the Central Vigilance Commission and the National Human Rights Commission. This suggestion has been made earlier, but there has been a strange lack of interest in the matter.

## **References**

1. RAMASWAMY R. IYER in The Hindu
2. Vice president's speech
3. CAGs Speech