

Unveiling the Role of CAG in Safeguarding Good Governance: A Critical Analysis

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ABSTRACT

The C.A.G is an official mandate by the Constitution to act as a watchdog on government finance and its functioning. It plays an important role in making the government more transparent and accountable to the Legislature as well as Civil society. This paper tries to explain the role and functions of Comptroller and Auditor General of India(C.A.G) and also examine working of C.A.G towards achieving the goal of good governance. This paper also explain the position of C.A.G in our constitution and describe its power and duties as per statutory provision. Lastly i tried to provide some recommendation as panacea to make C.A.G a more powerful institution in curbing the challenges of good governance.

Keywords: Comptroller and Auditor General of India(C.A.G), Good Governance,accountability,corruption

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I. Introduction:

The office of Comptroller and Auditor General of India(C.A.G) has been established by the constitution of India as an independent institution (Constitution of India, 1950). All the receipts and expenditure account of union and state government including commercial and non-commercial government institution, autonomous bodies and companies where equity participation by the government is in excess of 51% are subject to fall under C.A.G authority for auditing.The audits made by C.A.G are reviewed by the Public Account Committees of Parliament of India and State legislative bodies.

The C.A.G plays a role as head of the Indian Audit and Account department which make this institution as an important bodies in the Constitution. It provides control to the parliamentary financed scheme and ensure that the executive bodies keep expenditure and budget allocation within the sums allotted and for the purpose authorized. As an independent Constitutional bodies it act as a financial watchdog and provides checks on the government institution. In the absence of such a scrutiny, parliamentary control over appropriations made by the executive bodies may be frustrated. The C.A.G also satisfies himself on behalf of the Parliament as to the wisdom,faithfulness and economy of expenditure (Jain,2011:81).

Audit, is therefore directed towards discovering waste or extravagance. The C.A.G can disallow any expenditure violating the Constitution or any law and thus upholds the Constitution and the laws in the field of financial administration (Mukherjee,1983:326). His duty is to challenge any improper exercise of discretion by authorities; and comment on propriety of sanctions and expenditure (Chanda, 1967:239).

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The report of C.A.G is important for ensuring good governance in the country and also provide insight to the efficacy of government policies and undertakings. Therefore, the relationship between the C.A.G and good governance is incontrovertible.In this regard Vice President of India says that” Today the C.A.G has evolved as an enabler to Balasaheb’s vision that not only ensures public financial accountability but also acts as a friend,philosopher and guide of the executive”(Hindustan Times, 2020)

Constitutional provisions relating to C.A.G and types of Audits

C.A.G helps the parliament/state legislature hold their respective government accountable. He is one of the bulwarks of the democratic system of government in India.It is for these reasons Dr. B R Ambedkar said that “C.A.G shall be the most important officer under the Constitution of India and his duties are far more important than the duties of even the judiciary”.

Article 148, of Indian Constitution deals with, "Comptroller and Auditor-General of India". Article 149, of Indian Constitution speaks about, "Duties and Powers of the Comptroller and Auditor-General". Article 150, of Indian Constitution talks about, "Forms of account of the Union and of the State". Article 151, of Indian Constitution defines, "Audit Reports"

Article 148: The Article 148 stated that, There shall be Comptroller and Auditor-General of India who shall be appointed by the President and shall only be removed from office in like manner as a Judge of Supreme Court. The salary and other ambience of service of C.A.G shall be determined by the Parliament by law but cannot be varied to his disadvantage after his appointment. The C.A.G shall not be eligible for further office in Union and State government after retirement. Subject to the provision of the Constitution and law made by the Parliament the service of persons serving in the Indian Audit and Accounts Department and administrative powers of C.A.G shall be such as may be prescribed by the President after consultation with the C.A.G.

The administrative expenses of the office of C.A.G, including salaries, allowances and pensions shall be charged upon the Consolidated Fund of India

Article 149: The C.A.G shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament.

Article 150: The Accounts of the Union and of the State shall be kept in such form as the President may, on the advice of the C.A.G, prescribed.

Article 151: The reports of the C.A.G 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. The report of the C.A.G relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.

Types of Audits: The C.A.G perform following types of Audit;

1. **Regulatory Audit:** It is an Audit to ascertain whether the moneys spent were authorized for the purpose for which they were spent and also that the expenditure incurred was in conformity with the laws, rules and regulations.
2. **Supplementary Audit:** C.A.G takes up supplementary audits in PSUs, even after the commercial audits are done by the auditors appointed by the C.A.G, for detection of leakages.
3. **Propriety Audit:** It focuses on whether the expenditure made is in public interest or not i.e it moves beyond mere security of expenditure to question its wisdom and economy in order to identify cases of improper expenditure and waste of public money.
4. **Efficiency Audit:** Efficiency Audit as the name suggests answers the question whether the money invested yields optimum results. The main purpose of the efficiency Audit is to ensure that the investment is prioritized and channeled into its most profitable utilization.
5. **Performances Audit:** Performances Audit answers whether the government programme such as MNREGA have achieved the desired objectives at the lowest cost and given the intended benefits. It generally does not get into the merits-demerits of a particular policy rather looks into the effectiveness with which the policy is implemented and any deficiencies thereof.
6. **Environment Audit:** This is a relatively new area of concern for the C.A.G keeping in mind the challenges facing India with respect to conservation and management of environment. More than 100 Audits on environment issues like bio-diversity, pollution of rivers, waste management have been conducted by the C.A.G to identify critical issues and suggest possible solutions by involving all stakeholders.

Good Governance: cornerstone of Economic and Political Stability:

Good governance has eight major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follow 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 (UN ESCAP).

Recently, Good governance has been widely accepted as a priority in economic development especially in developing countries. Good governance can be assumed to help boost the economy as it supports effectiveness

and efficiency of development. Dixit (2009) defined Good governance in regarding to legal and social institution and structure that support transaction and activities of the economy. The institution and structure is strengthened by property rights protection , contract enforcement, and collective action provision taken. Governance is considered important to economic activities and transaction as market and economic activity and transaction cannot function well in its absence. Good governance was secured for three essential prerequisites of market economies; security of property rights for incentive to invest or save, contract enforcement to fulfill its promised role in transaction, and collective action to avoid free riding (Dixit,2009:5-24).

In their camping for Good governance and transparency, the World Bank and the IMF have identified corruption as the major barrier to sustainable economic growth and development(Saladin, 1999:193). In this context Dr. S. Radhakrishna, our first Vice President, a great visionary and statement, said: *“From tomorrow morning- from midnight today- we cannot throw blame on the Britishers. We have to assume the responsibility ourselves for what we do. A free India will be judged by the way in which it will serve the interest of the common man in the matter of food, clothing shelter and social services. Unless we destroy corruption in high places, root out every trace of nepotism, love of power, profiteering and black marketing, which have spoiled the good name of yhis great country in recent times, we will not be able to raise the standards of effcency in administration as well as in the production and distribution of the necessary goods of life”*.

Impassive and bad governance hinders not only to economic development but also leads to sectarian conflict and civil wars resulting in political instability.In such an environment personal accomplishments as well as social achievements get severely restricted. Good governance helps to create an environment in which economic growth become achievable and allows citizen to maximize their returns on investments. This means harnessing private sector expertise, working closely with civil society and redoubling our efforts in the fight against corruption. Without better governance, our goals of ending extreme poverty and boosting shared prosperity will be out of reach(World Bank,2017).

Role of C.A.G in Good governance:

The powers and duties that bestowed to the C.A.G by the Constitution of India has clearly remarked that C.A.G plays an essential role in establishing Good governance. The audit report prepared by C.A.G contains the statements of cases involving financial irregularities, looses, frauds, wasteful expenditure and saving etc. The detailed auditing and reporting of C.A.G helps in efficient administration of government.

One of the most important challenges in the road of Good governance is corruption. Corruption in India is deeply rooted and this corruption is a major hurdles in Good governance. The role of C.A.G is likely to detect the irregularities in the balance sheet

of financial sheets of the government, although the post of C.A.G is not designed as anti corruption institution but it plays an important role in combating corruption. The main acts of C.A.G in curbing corruption is by it brings transparency and accountability. In recent past C.A.G has detected big scams like Common Wealth Games 2010, Coalgate and 2G scam.

C.A.G derives its powers from Constitution of of India¹⁰ and the Comptroller and Auditor General of India (duties, powers, and conditions of service) ACT, 1971.¹¹ Both this laws give some responsibilities to C.A.G to guard the treasury and ensure accountability in the management of public finance. C.A.G allows creating an atmosphere of Good accounting system that serves as a means for Good governance.

Government accounting system sometimes shows lack of transparency, inconsistency and incompleteness which leads to poor quality accounts and result in an inefficient use of public resources. C.A.G plays a key role through its independent auditor to bring transparency and accountability to unearth such discrepancies and bringing the people involved and condemn under the rule of law.

Achieving Good governance means Protecting Peoples’ right and safeguarding the fundamental interest of the people.C.A.G promotes public responsibility as its duty, safeguards the interest of taxpayers, which constitutes an important means to realizing Good governance. It focuses its endeavour in safeguarding the public resources and contributes to the government in prudent use of public resources for the collective well being of the people and fulfills their expectations within the preview of law. It promotes the improvement of efficient use of public funds.

C. A.G as an important part of the administrative oversight system, plays an important role in law based administration and building government ruled by law. Audit report provides oversight on over and above the

internal accountability system of the executive and other decision makers by assessing the program and policies, which in turn helps to review and adjust policies and programs. Ultimately C.A.G assist government in exercising oversight by evaluating whether government entities are doing what they are supposed to do, spending funds for the intended purpose and complying with laws and regulations.

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10 Article 279 of The Constitution of India gives the power to C.A.G to ascertain and certify the net proceeds of taxes and collected by the Union but assigned to the states or distributed the Union and State.

11 Section 10 (1) (a) of the Act Comptroller and (duties, powers and Conditions of Service) of the Auditor General 1971 empowers the C.A.G to compile the accounts drawing up the accounts of the Union and of each state of the initial and subsidiary has paid to the audit.

As compare to the past there has been a drastic change around the world in audit methodologies, reporting system and delivery mechanism. Application of ICT in audit system will improve delivery mechanism in governance and increase people's participation. The main objective of developing audit is to deliver "satisfaction oriented audit client". Such a system is aimed at preventing redundant audits and audit deadlocks (Asian Journal of Government Audit,2006:59).

Exercise of e-Governance in auditing ensure the professionalism and productivity of the audit through the systematic management of audit data where under various government activities are constantly collected, analyzed and evaluated by linking different information system Administrative managed by different government agencies. It will the electronic audit fair and transparent, maximizing the effect of prevention audit and eventually reduce corruption and facilitate Good governance.

As of new audit guidelines Social Audits has become an essential instrument for the C.A.G to ensure Good governance. These guidelines are based on the audit methodology intended to identify subject governance centric and facilitate Good governance. C.A.G shall help Social Audits by giving inputs and hence strength it (Times of India, 2015) C.A.G audit is essentially an external audit. The issues raised in these reports are discussed by the Legislature of the Union and the State, through its representatives legislative council on public finances and public enterprise. On opposite, Social Audit is more diverse and inclusive in nature as it brings greater stakeholder public domain under its scope. It helps in sensitize people and make a trust between them representing the responsibility and autonomy which is the main driving force of Good governance.

Limitations:

As compared to C.A.G of Britain, the executive can draw money from the public exchequer only with the approval of the C.A.G. But the C.A.G (of India) has no control over the issue of money from the consolidated fund. Also there are certain corporation whose auditing responsibility does not fall under the jurisdiction of C.A.G. Example of such corporation are Life Insurance Corporation, State Bank of India etc.

Another limitation of C.A.G is that there is denial of timely and complete access to record of audit. There is no such mechanism for timely producing or in failure to do so, awarding deterrent penalties for non-furnishing or incomplete production of records to C.A.G's audit.

The present selection process for the C.A.G is entirely internal to the Government machinery, no one outside has any knowledge of what criteria are applied, how name are shortlisted and how a final selection is made. The report of C.A.G is post-facto I.e after expenditure is incurred and has only prospective value in improving system and procedures. Secret Service expenditure is outside the purview of the C.A.G and he cannot call for particulars of expenditure incurred by executive agencies, but has to accept a certificate from the competent administrative authority that the expenditure has been so incurred.

II. Suggestions:

1. The Comptroller and Auditor General;s (Duties, powers and conditions of Services) ACT, 1971, needs to be amended which will increase power of the C.A.G, on the similar lines of the British model of C.A.G, who is responsible for control of the Consolidated fund and the National Loans fund.

2. There should be institutionalized process of selection for the post of C.A.G, a selection committee as seen in the appointment of CVC. The above steps could go a long way in ensuring that an outstandingly able person of great independence and integrity is selected to this high Constitutional office.
3. It should be empowered to deduct money from the salaries and wealth of corrupt officials and raid offices and seize documents that otherwise often go missing. It should also be permitted to access personal wealth details of officials found guilty under audits
4. Former C.A.G Vinod Rai suggest to bring all private-public-partnerships (PPPs), Panchayati Raj Institutions and Societies getting government funds within the ambit of C.A.G.
5. For curbing delays in receiving audit reports from various departments C.A.G should provide with some judicial power to take punitive action against offenders who fail to give information within stipulated time.
6. C.A.G should set up feedback system, where any person can lodge a complaint regarding the improper implementation of the policies. For this purpose C.A.G should coordinate with media to be informed in this regard.

III. Conclusion:

The office of Comptroller and Auditor general of India has no doubt plays an important role in establishing Good governance is quite evidence from report issued by his office and bring in public notice various scams like Common Wealth Games 2010, Coalgate and 2G scams. Until the recent period C.A.G is increasingly looked as the bulwark in the fight against corruption. Even Supreme Court has support the unbiased role of C.A.G in providing transparency and accountability in governance.

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