



Comptroller and Auditor General of India

The Constitution of India (Article 148) provides for an independent office of the Comptroller and Auditor General of India (CAG). He is the head of the Indian Audit and Accounts Department¹. He is the guardian of the public purse and controls the entire financial system of the country at both the levels—the Centre and the state. His duty is to uphold the Constitution of India and laws of Parliament in the field of financial administration. This is the reason why Dr B R Ambedkar said that the CAG shall be the most important Officer under the Constitution of India². He is one of the bulwarks of the democratic system of government in India; the others being the Supreme Court, the Election Commission and the Union Public Service Commission.

APPOINTMENT AND TERM

The CAG is appointed by the president of India by a warrant under his hand and seal. The CAG, before taking over his office, makes and subscribes before the president an oath or affirmation:

1. to bear true faith and allegiance to the Constitution of India;
2. to uphold the sovereignty and integrity of India;
3. to duly and faithfully and to the best of his ability, knowledge and

judgement perform the duties of his office without fear or favour, affection or ill-will; and

4. to uphold the Constitution and the laws.

He holds office for a period of six years or upto the age of 65 years, whichever is earlier. He can resign any time from his office by addressing the resignation letter to the president. He can also be removed by the president on 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 special majority, either on the ground of proved misbehaviour or incapacity.

INDEPENDENCE

The Constitution has made the following provisions to safeguard and ensure the independence of CAG:

1. He is provided with the security of tenure. He can be removed by the president only in accordance with the procedure mentioned in the Constitution. Thus, he does not hold his office till the pleasure of the president, though he is appointed by him.
2. He is not eligible for further office, either under the Government of India or of any state, after he ceases to hold his office.
3. His salary and other service conditions are determined by the Parliament. His salary is equal to that of a judge of the Supreme Court³.
4. Neither his salary nor his rights in respect of leave of absence, pension or age of retirement can be altered to his disadvantage after his appointment.
5. The conditions of service of persons serving in the Indian Audit and Accounts Department and the administrative powers of the CAG are prescribed by the president after consultation with the CAG.
6. The administrative expenses of the office of the CAG, including all salaries, allowances and pensions of persons serving in that office are charged upon the Consolidated Fund of India. Thus, they are not subject to the vote of Parliament.

Further, no minister can represent the CAG in Parliament (both Houses) and no minister can be called upon to take any responsibility for any actions done by him.

DUTIES AND POWERS

The Constitution (Article 149) authorises the Parliament to prescribe the duties and powers of the CAG in relation to the accounts of the Union and of the states and of any other authority or body. Accordingly, the Parliament enacted the CAG's (Duties, Powers and Conditions of Service) act, 1971. This Act was amended in 1976 to separate accounts from audit in the Central government.

The duties and functions of the CAG as laid down by the Parliament and the Constitution are:

1. He audits the accounts related to all expenditure from the Consolidated Fund of India, consolidated fund of each state and consolidated fund of each union territory having a Legislative Assembly.
2. He audits all expenditure from the Contingency Fund of India and the Public Account of India as well as the contingency fund of each state and the public account of each state.
3. He audits all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts kept by any department of the Central Government and state governments.
4. He audits the receipts and expenditure of the Centre and each state to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue.
5. He audits the receipts and expenditure of the following:
 - (a) All bodies and authorities substantially financed from the Central or state revenues;
 - (b) Government companies; and
 - (c) Other corporations and bodies, when so required by related laws.
6. He audits all transactions of the Central and state governments related to debt, sinking funds, deposits, advances, suspense accounts and remittance business. He also audits receipts, stock accounts and others, with approval of the President, or when required by the President.
7. He audits the accounts of any other authority when requested by the President or Governor. For example, the audit of local bodies.
8. He advises the President with regard to prescription of the form in which

- the accounts of the Centre and the states shall be kept (Article 150).
9. He submits his audit reports relating to the accounts of the Centre to President, who shall, in turn, place them before both the Houses of Parliament (Article 151).
 10. He submits his audit reports relating to the accounts of a state to governor, who shall, in turn, place them before the state legislature (Article 151).
 11. He ascertains and certifies the net proceeds of any tax or duty (Article 279). His certificate is final. The 'net proceeds' means the proceeds of a tax or a duty minus the cost of collection.
 12. He acts as a guide, friend and philosopher of the Public Accounts Committee of the Parliament.
 13. He compiles and maintains the accounts of state governments. In 1976, he was relieved of his responsibilities with regard to the compilation and maintenance of accounts of the Central Government due to the separation of accounts from audit, that is, departmentalisation of accounts.

The CAG submits three audit reports to the President—audit report on appropriation accounts, audit report on finance accounts, and audit report on public undertakings. The President lays these reports before both the Houses of Parliament. After this, the Public Accounts Committee examines them and reports its findings to the Parliament.

The appropriation accounts compare the actual expenditure with the expenditure sanctioned by the Parliament through the Appropriation Act, while the finance accounts show the annual receipts and disbursements of the Union government.

ROLE

The role of CAG is to uphold the Constitution of India and the laws of Parliament in the field of financial administration. The accountability of the executive (i.e., council of ministers) to the Parliament in the sphere of financial administration is secured through audit reports of the CAG. The CAG is an agent of the Parliament and conducts audit of expenditure on behalf of the Parliament. Therefore, he is responsible only to the Parliament.

The CAG has more freedom with regard to audit of expenditure than with

regard to audit of receipts, stores and stock. “Whereas in relation to expenditure he decides the scope of audit and frames his own audit codes and manuals, he has to proceed with the approval of the executive government in relation to rules for the conduct of the other audits.”^{3a}

The CAG has ‘to ascertain whether money shown in the accounts as having been disbursed was legally available for and applicable to the service or the purpose to which they have been applied or charged and whether the expenditure conforms to the authority that governs it’. In addition to this legal and regulatory audit, the CAG can also conduct the propriety audit, that is, he can look into the ‘wisdom, faithfulness and economy’ of government expenditure and comment on the wastefulness and extravagance of such expenditure. However, unlike the legal and regulatory audit, which is obligatory on the part of the CAG, the propriety audit is discretionary.

The secret service expenditure is a limitation on the auditing role of the CAG. In this regard, the CAG 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 under his authority.

The Constitution of India visualises the CAG to be Comptroller as well as Auditor General. However, in practice, the CAG is fulfilling the role of an Auditor-General only and not that of a Comptroller. In other words, ‘the CAG has no control over the issue of money from the consolidated fund and many departments are authorised to draw money by issuing cheques without specific authority from the CAG, who is concerned only at the audit stage when the expenditure has already taken place’⁴. In this respect, the CAG of India differs totally from the CAG of Britain who has powers of both Comptroller as well as Auditor General. In other words, in Britain, the executive can draw money from the public exchequer only with the approval of the CAG.

CAG AND CORPORATIONS

The role of CAG in the auditing of public corporations is limited. Broadly speaking, his relationship with the public corporations falls into the following three categories:

- (i) Some corporations are audited totally and directly by the CAG, for example, Damodar Valley Corporation, Oil and Natural Gas Commission, Air India, Indian Airlines Corporation, and others.
- (ii) Some other corporations are audited by private professional auditors who are appointed by the Central Government in consultation with the CAG. If necessary, the CAG can conduct supplementary audit. The examples are, Central Warehousing Corporation, Industrial Finance Corporation, and others.
- (iii) Some other corporations are totally subjected to private audit. In other words, their audit is done exclusively by private professional auditors and the CAG does not come into the picture at all. They submit their annual reports and accounts directly to the Parliament. Examples of such corporations are Life Insurance Corporation of India, Reserve Bank of India, State Bank of India, Food Corporation of India, and others.

The role of the CAG in the auditing of Government companies is also limited. They are audited by private auditors who are appointed by the Government on the advise of the CAG. The CAG can also undertake supplementary audit or test audit of such companies.

In 1968, an Audit Board was established as a part of the office of CAG to associate outside specialists and experts to handle the technical aspects of audit of specialised enterprises like engineering, iron and steel, chemicals and so on. This board was established on the recommendations of the Administrative Reforms Commission of India. It consists of a Chairman and two members appointed by the CAG.

APPLEBY'S CRITICISM

Paul H Appleby, in his two reports on Indian Administration, was very critical of the role of CAG and attacked the significance of his work⁵. He also suggested that the CAG should be relieved of the responsibility of audit. In other words, he recommended the abolition of the office of CAG. His points of criticism of Indian audit are as follows:

1. The function of the CAG in India, is in a large measure, an inheritance from the colonial rule.
2. The CAG is today a primary cause of widespread and paralysing

unwillingness to decide and to act. Auditing has a repressive and negative influence.

3. The Parliament has a greatly exaggerated notion of the importance of auditing to Parliamentary responsibility, and so has failed to define the functions of the CAG as the Constitution contemplated it would do.
4. The CAG's function is not really a very important one. Auditors do not know and cannot be expected to know very much about good administration; their prestige is highest with others who do not know much about administration.
5. Auditors know what is auditing, which is not administration; it is a necessary, but a highly pedestrian function with a narrow perspective and a very limited usefulness.
6. A deputy secretary in the department knows more about the problems in his department than the CAG and his entire staff.

Table 49.1 *Articles Related to Comptroller and Auditor-General of India at a Glance*

<i>Article No.</i>	<i>Subject-matter</i>
148.	Comptroller and Auditor-General of India
149.	Duties and powers of the Comptroller and Auditor-General
150.	Form of accounts of the Union and of the States
151.	Audit reports

NOTES AND REFERENCES

1. The Indian Audit and Accounts Department was created during the British rule in 1753.
2. *Constituent Assembly Debates*, Volume VIII, p. 405.
3. In 2009, the salary of a judge of the Supreme Court had been fixed at Rs 90,000 per month.
- 3a. Wattal, P.K., *Parliamentary Financial Control in India*, Second Edition. Bombay : Minerva Book Shop, 1962, P. 235.
4. D D Basu, *Introduction to the Constitution of India*, Wadhwa, 19th

Edition, 2001, p. 198.

5. The two reports are : Public Administration in India (1953) and Re-examination of India's Administrative System, 1956.