

## Social Obligation of Public Auditors

1. I deem it a great privilege to be able to address such a distinguished gathering in such a distinguished school. Privilege - not because I stand in America's most elite university; privilege - not because I stand in front of some of the finest and brightest brains in the world, privilege - because I stand in front of a group who have the capacity and opportunity to transform processes and the very thinking of people. I am conscious as I stand before you that I address a group who will wield tremendous influence on the future of the societies they belong to and who will emerge as future leaders. I say this as many who have passed from this School are indeed very distinguished leaders in many countries of the globe. I consider getting an opportunity to interact with such a group, an honour.

2. Immediately after my college education, I joined the Indian Civil Service and have been a bureaucrat all my life. A bureaucrat, according to a definition is: an official who works by a fixed routine, without exercising **intelligent** judgment. Frank Hubert in

his science fiction novel, 'Heretics of Doom', says "bureaucracy destroys initiative". He elaborates by saying that there is little a bureaucrat hates more than innovation, specially innovations that produce better results. Adjectives like rigid, negative, close minded, unresponsive are routinely attributed to us. So how is it that after spending 40 years in this supposedly rigid, red-tape ridden system, I stand before you with the confidence that I can call upon you to address precisely those attributes which we are not committed to doing. I do so, with the confidence of my personal experience of a rewarding career in government. I firmly believe that the attributes ascribed to us are bogeys. They are red herrings.

**3.** Governance in government is, exercising power and taking decisions on behalf of people. The well being and development of this group of people in the village, city or country, depends upon the choices made by the people granted this authority. It is easier to misuse or not use this authority. Good governance, according to the United Nations, is when its authority and institutions are accountable, effective and efficient, transparent, responsive, equitable and inclusive and follow the rule of law. In

the present age, governance has assumed such critical proportions that it appears too important to be left only to the government. The stakeholders in governance have expanded beyond the executive, legislature and judiciary to civil society, social organisations, media and the public. Apart from the base expanding, each new stakeholder has become very vociferous and demanding. It is in this context that I propose to discuss with you the role of the public auditor.

**4.** All countries around the world have a provision to have an Auditor General to oversee Government's spending on behalf of Parliament. In most of these countries such Auditors General, are constitutionally mandated to conduct audit of government departments and report their findings to the Parliament.

We in India also have such a mandate. Considering the heightened interest of civil society, in holding its government to account, we have been introspecting whether our mandate is merely to conduct audit – prepare a Report and – place it in Parliament and full stop!

5. What we have been introspecting is whether our constitutionally mandated responsibility ends the moment we have placed our Reports in the Parliament or is it in any way beyond this mechanical function that we perform. To get an answer to this query repeatedly arising in our minds, we also looked at the constitutional position of Supreme Audit Institutions in certain other parliamentary democracies. This was at the time, when we were being advised by the highest in the land, not to exceed our mandate which they believe to be mere accountants and to conduct mechanical audit of government's expenditure. We were being advised not to get into the realm of auditing policy formulation. The question that continues to repeatedly arise in our minds is whether the Parliament, and in fact, the public at large, expect us to be mere accountants and do arithmetic over government expenditure? If it was so, then why should constitutions worldwide – appoint such high dignitaries as Auditors General and give them independence, freedom from the executive and accord them a constitutional position. Evidently what

was envisioned in the constitution was more than expecting them to be mere accountants.

6. Civil society in India is witnessing a rare phenomenon. A phenomenon where the citizen has come centre stage and is wanting to hold government accountable for its decisions. Citizens today seek a dialogue with government and would like to participate in decision making. They are seeking transparency in policy formulation. Today's youth is discerning, demanding and believes in respecting Institutions created by the constitution. He is not willing to see politicians subvert these Institutions. He seeks a new moral and ethical framework for sustainable governance. The citizen coming centre stage and wanting to be heard, is indeed a phenomenon which debunks the myth of a 'silent majority'. This voice is seeking to be heard. This voice was never taken seriously by political parties as it was the voice of people who merely engaged in living room debates and never came out to vote. The administration ignored them as they

did not have a history of mobilising themselves into a potent pressure group. Hence, the spontaneous outpouring of people as witnessed recently, has taken the administration and political parties by surprise.

7. There is thus a distinct paradigm shift in civil society in India. This demands a distinct paradigm shift in the model of governance. If so, should there not be a paradigm shift in the objective and approach of public auditing?

It is this issue that I propose to place before you today.

Should we as public auditors limit our role to placing Reports in parliament or go beyond that and seek to sensitize public opinion on our audit observations, especially so in social sector audits such as Rural Health, Primary Education, Water Pollution, Environment, Drinking water etc.

We have reacted positively to this paradigm shift and have introduced a threefold change. Firstly, we now premise our audits on the firm belief that we are as much engaged in the

business of upgrading governance as any other agency in the administration. We do not subscribe to the WE – THEY concept and hold ourselves to be on the same side of the table as the executive. Our audits have undergone a culture change. We now engage in positive reporting. Hence, from being a bunch of fault finders who are often wiser by hindsight, we now recognise and report good practices that we observe during audit.

**8.** Secondly, to ensure a mere widespread dissemination of our audit observations – both positive and negative – we convert the salient observations in our Reports into small booklets which are well indexed and facilitate easy understanding. We have been distributing these pamphlets, which we refer to as “Noddy” books, to the media, colleges, citizen’s groups, non government organizations and the like. This is being undertaken in the firm belief that an awakened citizenry, once sensitized about the inadequacy of government departments, would exert pressure on these

departments and maintain a vigilante thereby ensuring better delivery of government services.

Thirdly, in our quest for a deeper insight and a more widespread coverage of social sector issues we have wholeheartedly supported the concept of **social audit**. We recognise that our own core competence is limited to conducting audit. At times, we may not have adequate in-depth knowledge of areas where government schemes are being implemented on the ground. We thus engage with credible citizen's groups which are working in that area to avail of their local knowledge for a better appreciation of the efficiency in the implementation of government schemes. This has given us a better outreach, and provided those agencies, with a more credible voice in their legislatures. We even give prominent coverage, in the media, of our intent to conduct audits in specific places and sectors and invite suggestions as well as information about these areas. This has evoked a very positive response.



All these three initiatives apart from engaging the stakeholders in the process of accountability by moving them from the fringes to centre-stage, has also helped we auditors in producing more rounded Audit Reports.

9. To ensure that we are on the right track, and indeed owe an obligation to society at large, we looked at trends among other Supreme Audit Institutions. We found that worldwide the trend is to make Government functioning more transparent. In this context Legislatures in other democracies are empowering their Auditors General with a mandate to hold the Government financially accountable through Performance Audits of the programmes and activities of the Government. In July 2004 in USA, several proposals were introduced in the 110<sup>th</sup> Congress to augment the mandate of the External Auditor. The erstwhile **General Accounting Office** (GAO) of the USA was re-designated as the **Government Accountability Office** to reflect the agency's evolution and additional duties. Most of the agency's work

today involves programme evaluations, policy analyses, and legal opinions and decisions on a broad range of government programmes. Today, most GAO blue-cover reports go beyond the question of whether federal funds are being spent appropriately, to ask whether federal programmes and policies are meeting their objectives and needs of society. At today's GAO, measuring the government's performance, and holding it accountable for results, is central to who they are and what they do. They continue to believe that the public deserves the facts on all aspects of government operations – from spending to policy making.

**10.** There was a similar case in Estonia where the Tallinn City Body contested the mandate of the National Audit Agency to audit its activity in the housing sector. After protracted litigation over four years, the Supreme Court maintained that it was not unconstitutional for the National Audit Authority to supervise local governments. The Court held that local bodies function for the welfare of the people

and the people need to be kept informed about the efficiency of their operations through an independent audit procedure. Such worldwide trends have reaffirmed our belief that Supreme Audit Institutions are also mandated to sensitise public opinion.

**11.** The traditional role of Public auditors is to conduct financial attest audit. However, the issue we debated is whether the common citizen is really concerned whether the governments financial statements are materially mis-stated. Is he not concerned about more fundamental issues that affect his day to day life and about issues that impinge on his very existence such as food, housing, health care, education etc? The question that we posed to ourselves and that is my first proposition to you: does public audit address these issues by merely placing their Audit Reports in Parliament?

Do not public auditors have obligations that go beyond those achieved by conventional methods? If the outcome of good governance is improvement in the quality of life of its

citizenry, should the same not be the outcome of effective public audit?

Our answer to all these was a resounding affirmative. It is thence that we have commenced pushing the envelope and going beyond hitherto practiced conventional and conservative methodology. This pushing of the envelope did evolve a very sharp resistance from the executive. This was no doubt expected. Issues regarding our exceeding our mandate were raised. Statements about such 'activism' tantamounted to interference in policy formulation and misleading public opinion, emerged. However, since Indian democracy is maturing and the urban India middle class is becoming more involved in citizen's affairs, we continue to tread the new path in the belief that the final stakeholder is the public at large.

**12.** In taking the initiative as mentioned we are no doubt aware that we, as an Institution, will be subjected to scrutiny. This entails that we practice objectivity and transparency in

the conduct of our audits. We ensure that our organization maintains a zero tolerance of lack of probity. We also ensure that our human capital - our auditors, remain professionally outstanding and are equipped with the latest trends in public auditing. It is imperative that we appear objective and trustworthy. We can only deserve trust if we are judged as credible, competent and independent and can be held accountable for our operations. Our utmost priority is to strive for service excellence and quality within a self defined code of ethics and morality.

**13.** The auditing of government and public entities has a positive impact on trust in society. It focuses the minds of the custodians of the public purse to use public resources effectively, as they know that after audit scrutiny, the public will be aware of their actions. Such awareness thus supports desirable values and underpins accountability mechanism leading to efficient decision making. Once the citizens are sensitised about such findings, they get empowered to hold

the custodian of the public purse accountable. In a parliamentary democracy, it is critical that the citizens of a country are able to hold their representative accountable. Democratically elected representatives can only be held accountable if they, in turn, can hold accountable those who implement their decisions. An important ingredient of this accountability cycle is an independent and credible Supreme Audit Institution capable of scrutinising the stewardship and use of public resources. It is incumbent on us to show our efficacy by appropriately responding to the concerns of citizens. It is our firm belief that it is important for us to communicate and promote the value and benefits that we can bring to democracy and accountability in our jurisdiction. An alert media and an awakened citizenry have certainly drawn attention to such accountability of those in power. It is towards this objective that we also lend our weight. We may not be able to wipe out corruption, but endeavour to uncover instances of crony capitalism. Government should be seen to support enterprise per se and not particular entrepreneurs.

14. I now revert to my earlier statement of confidence that I am privileged to stand before a group of future leaders. There is a two fold purpose of my explaining to you of the change that we have introduced in the system. First, that I seek your endorsement of our belief in the social obligation that we endeavour to fulfil. Secondly, to place before you my second proposition viz., it will be very convenient for you to remain in a state of lethargic non performance under the garb of complicated rules, fear of investigations and time consuming procedures as an alibi. However, with forty years of experience in the bureaucratic system behind me I assure you, given a little imagination, innovation and initiative the challenge of enabling and empowering the poor and marginalised, is within the realms of possibility. All it requires is a simple innovation of processes, a slight tweaking of the rules, sensitisation of the people who work, for the scheme and for whom the scheme works and insistence on timeliness.

**15.** The challenge is to be a change agent. Being a change agent is not all that difficult. Each one of us should have certain non-negotiable principles governing our lives. The biggest challenge facing you is to constantly change yourself without changing the core principles in you.

**16.** But change agents are not born that way. They are moulded, shaped and forged largely by their education and by their experiences. Some centers of learning consistently produce students who later become game changers in whatever field they venture into. The mission statement of Harvard states: "it strives to create knowledge to serve society". That institution which differentiates between education and knowledge is the institution which acts as a crucible to mould leaders.

**17.** The view that "the end justifies the means" is becoming an increasingly convenient cover for behaviour of individuals, groups or governments. But the implications of this individual or collective conduct, are far reaching. History is witness to the fact that any dilution of morality has eventually led to degeneration of societal values, pushing the country into a quagmire from which it takes



ages to emerge. This leads to my third proposition before you: should ethics be applied selectively? If so, who determines the purpose, the justification and the quantum? When does it stop being convenient, and become inconvenient? When from individual transgressions, we move on to institutional transgressions? A basic premise of parliamentary democracy is that an elected and accountable political executive, with the assistance of an elaborate bureaucratic structure, would manage public affairs within the restrictions imposed by the Constitution and Law. However, the reality of complex politics in every democracy is leading to convenient deviations. A dominant culture of adjustment has become prevalent, with honesty and integrity being the casualty. Let me remind you that it is into this rather imperfect world that you now venture. You will be men and women who will matter and who will be leaders in society. Make the choice early in life and ensure that probity is the cornerstone of your actions.

**18.** The Kennedy School has given great men and great ideas. It is neither the rich student nor the poor students' college. It has no prejudices. Its only pursuit has been the freedom of the mind and

the dignity of the individual. We in Supreme Audit Institution of India are also committed to these values. We are committed to the mission that when the India story is written, posterity should not judge us to say that when the challenge arose, we were found wanting. Institutions shape their own destinies. Nations also determine their own destinies. Each generation must further enrich the culture of its predecessor generation. I am firm in my belief that history will record that we bequeathed to Gen Next a value system and a heritage which was considerably more enriched than what we inherited.