

TEXT OF SPEECH OF C&AG OF INDIA AT THE VALEDICTORY FUNCTION OF 28<sup>TH</sup> CONFERENCE OF ACCOUNTANTS GENERAL HELD IN CAG OFFICE TODAY (21 OCTOBER 2016)

Honourable Finance Minister Shri Arun Jaitleyji,  
Deputy Comptroller and Auditor General  
Senior Officers of the Indian Audit and Accounts Service  
Ladies and Gentlemen,

I am grateful to the Honourable Finance Minister for agreeing to grace the Valedictory Function of the 28<sup>th</sup> Accountants General Conference. The Indian Audit and Accounts Department holds this Conference every two years and, over the years, this Conference has evolved into a very effective forum for discussing the emerging issues relevant for the Department.

2. Sir, let me take you back to 2014, when we had the good fortune of having you here to deliver the valedictory address of the 27<sup>th</sup> Accountants General Conference. That Conference made several recommendations. In the intervening period we have devoted significant time and resources to examine and implement these recommendations. I am happy to state that the action on most of the recommendations was completed before we

started this Conference. The actions taken on recommendations of the 2014 Conference have now been compiled together in the form of printed booklet. This is a clear demonstration of our resolve to not only actively engage with the issues that confront us, but also to take decisive action thereon with purpose and professionalism.

3. While we gear up our capacity and equip ourselves to handle various challenges, we are faced with new reforms in financial governance. These reforms brought in recently, some small and some big, have potential to generate large impacts. These reforms are likely to improve budgetary process and tax administration in a big way. Amalgamation of the Railways and General budgets has brought the 92 years old practice to an end. The Government proposes to advance the budget presentation date from the last week of February. Further, plan and non-plan expenditure are proposed to be merged. Many more sectors have been opened up to foreign direct investment. Debt recovery is being made easier by amending the SARFAESI Act. And the most significant reform is introduction of Goods and Services Tax.

No doubt, these changes will bring new challenges to accounting and auditing.

4. We have taken due cognizance of these new challenges. As we went into planning this Conference, we took great care to identify areas that were of utmost importance and relevance to us. Our Senior Management, after considerable deliberations, identified four key areas. These are: auditing the programmes under Sustainable Development Goals, issues related to the audit of local bodies, challenges in the audit of government revenues and the impact on our accounts and entitlement functions of the implementation of the Integrated Financial Management System (IFMS) in the states. All these four themes were deliberated upon during the last two days.

5. As our country joins the international community in implementing the United Nations Sustainable Development Goals, aimed at transforming our world by eradicating poverty and hunger, protecting the planet and ensuring prosperity for all, our auditing strategy would require suitable re-orientation. The 17 goals for transforming the world set specific targets, many of them cross-cutting in nature, and provide a framework of indicators that in turn will provide benchmarks for auditing. I am happy to inform that one of the four groups of the Conference has examined these issues in detail and given specific recommendations for handling this challenge. This is one of the examples of our resolve to be in the forefront of

contemporary issues and make our audits relevant to the changing times.

6. The urban local bodies and Panchayati Raj Institutions that constitute the third tier of Government have come to occupy a very important place in our governance structure. Their importance is bound to increase with time. These bodies receive significant flows of funds, now close to Rs. 14 lakh crores annually, but suffer from poor governance systems, weak financial management and poor accountability. Successive Finance Commissions have been recommending a key role for the Comptroller and Auditor General in the governance and accountability mechanism of the local bodies. However, we are not the primary auditors of these institutions in most of the states. Our Department has been conducting supplementary audits and providing technical guidance and support/supervision to the primary auditors of these institutions.

7. Looking at the enormity of the flow of funds to urban and rural local bodies, their numbers and the geographic spread, our Department has identified their audit as a critical area that must be clearly understood from the perspective of materiality and risk and addressed accordingly. I am happy to inform that one of the four groups of this Conference has gone into various aspects of

the audit of local bodies in detail and recommended a set of measures to strengthen the governance and accountability mechanism in these institutions. In coming months, these recommendations will be examined in detail and necessary action taken.

8. The importance of fiscal sustainability of the governments can hardly be over-emphasized. Our Department has since the 1960s given special emphasis to audit of government revenues to ensure that the government revenues are realized as due and in time. It is to the credit of the Department that, based on our audit observations and findings, substantial amounts of government revenues are recovered each year both at the Union and the state levels. The Department has been alert to the emerging new challenges in the area of revenue administration, including the GST and various other reform measures taken by Government of India to improve tax collection and combat tax avoidance.

9. The Department has taken note of the changing paradigm in revenue administration, including the challenges posed by shadow economy and black money, transfer pricing, accommodation bills etc. and the need to manage large volumes of digital information that will emerge from increasing automation of tax filing,

assessment and recovery procedures. Notwithstanding the fact that the revenue audit has led to identification and recovery of thousands of crores of tax amounts every year, the Audit Department has faced challenges in accessing the data and information of tax- payers, which significantly limits the potential and effectiveness of audit.

10. This Conference has given in- depth consideration to all aspects of revenue audit including the availability of manpower and required skills. In the coming days the recommendations of the Conference will be examined with a view to effect changes and take measures that would enhance the effectiveness of revenue audit such that it contributes more effectively to the fiscal sustainability of the governments.

11. The Department has been handling its accounting mandate in respect of state governments for over a century now. Under the National e-governance plan of the Government of India, the states are implementing the Integrated Financial Management System (IFMS), which consists of several modules including a module on accounts. Once implemented, the IFMS would facilitate real time management, monitoring and control of all fund allocations and financial transactions in different departments and subordinate offices of the government.

12. Being an important stakeholder in the process of accounting, the Department has taken cognizance of this important development and has been interacting with the state governments to ensure that the new system is developed in a manner that optimizes the efforts of all stakeholders, leads to production of accurate, timely and complete accounts, and supports an effective and transparent financial management system. I am glad to inform that this Conference had a separate group that deliberated on the impact of the IFMS on the accounts and entitlement functions of the Indian Audit and Accounts Department. The issues discussed included ensuring the integrity of the data that will be captured in the IFMS and the processes and procedures of the accounts and entitlement function that may need to be re-oriented after the implementation of the IFMS. In the months to come the recommendations of this group will be examined further and taken to their logical conclusion to ensure that all pertinent issues are taken into account in the development and implementation of the IFMS.

13. With these words, Honourable Finance Minister, I once again welcome you to the valedictory function of the 28<sup>th</sup> Accountants General Conference, and invite you to

kindly deliver your valedictory address to the participating Accountants General.

**Thank you.**