

Duties and powers of the Comptroller and Auditor General of India

The duties and powers of the Comptroller and Auditor General of India are enshrined in Chapter V of Part V of the Constitution of India in Articles 148 to 151 and elaborated under CAG's (Duties, Powers and Conditions of Service) Act¹, 1971.

AUDIT FUNCTIONS

The duties of Comptroller and Auditor General includes audit of:

- ❑ all expenditure from the Consolidated Fund of India of Union, of each State and of each Union Territory having a Legislative Assembly with the objective to ascertain whether the moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it;
- ❑ all transactions of the Union and of the States/Union Territory having a Legislature relating to Contingency Funds and Public Accounts;
- ❑ all trading, manufacturing, profit and loss accounts and balance-sheets and other subsidiary accounts kept in any department of the Union or of a State and in each case, to report on the expenditure, transactions or accounts so audited by him;
- ❑ receipts and expenditure of bodies or authorities substantially financed from Union or State revenues;
- ❑ grants or loans given to other authorities or bodies;
- ❑ revenue of the Union and of the State Governments;
- ❑ accounts of stores and stock;
- ❑ Government Companies and Corporations under the Company's Act 1956 read with CAG's (DPC) Act, 1971 ; and
- ❑ accounts of other authorities or bodies as per their statute or upon request by the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly.

ACCOUNTING FUNCTIONS

The Accounts Offices are responsible for:

- ❑ Compilation of accounts of the State Government;
- ❑ preparation of the annual accounts of the States Governments and Union Territories having a Legislative Assembly; and
- ❑ rendering accounting information and assistance to the State Governments.

¹ web page < www.cag.gov.in/html/about_legal_dpc.htm >

AUDIT REPORTS

CAG presents a number of Audit Reports on the basis of audit of the Union Government and the State Governments to the Parliament and State Legislature respectively under Article 151 of the Constitution of India. In addition, CAG certifies the Appropriation Accounts and Finance Accounts of the Union Government and of the State Governments and forwards them to the President / Governors of States for being laid on the Table of Parliament and State Legislature respectively. CAG also submits Separate Audit Reports on all statutory corporations and autonomous bodies, for which he is the sole auditor.

The sectors under which CAG presents one or more volumes of his Audit Reports to Parliament are:

- ❑ Civil;
- ❑ Autonomous Bodies;
- ❑ Scientific Departments;
- ❑ Defence Services;
- ❑ Railways;
- ❑ Direct Taxes;
- ❑ Indirect Taxes; and
- ❑ Commercial.

CAG presents the following reports to State Legislature and Union Territories with Legislative Assemblies in one or more volumes:

- ❑ Civil;
- ❑ Revenue; and
- ❑ Commercial.

AUDIT IN PURSUANCE OF LAW, STANDARDS AND GUIDELINES

Constitutional provisions

Comptroller and Auditor General of India derives his position and authority in relation to audit of expenditure and receipt of both the Union Government and the State Governments from the Constitution. Article 149 of the Constitution prescribes that the Comptroller and Auditor General of India shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States, as prescribed by law made by the Parliament. The Constitution also prescribes that the accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor General of India, prescribe.

Enactments by Parliament

In pursuance of the Constitution, the Parliament established the law defining duties, powers and conditions of service of the Comptroller and Auditor General of India

in 1971². This Act inter alia prescribes the duties and responsibilities of the Comptroller and Auditor General of India in respect of audit of the expenditure of the Union and State Governments, autonomous bodies under them, bodies and authorities in receipt of grants-in-aid from the Governments, revenue receipts, stores and stocks and Government Companies and Corporations.

With a view to ensuring the accountability of the executive of the Government Companies and Corporations to the Parliament and State Legislature, the Act envisages that the Comptroller and Auditor General of India shall have powers to conduct the audit of the accounts of the Government Companies and Corporations³. These provisions are consistent with the Companies Act, 1956 and the acts establishing the Corporations. The Companies Act, 1956 empowers the Comptroller and Auditor General of India to:

- appoint/ re-appoint the auditors of a Government Company;
- direct the manner in which accounts shall be audited;
- give such instructions to the auditors in regard to any matter relating to audit;
- to conduct a supplementary or test audit of the accounts; and
- to comment upon or supplement the audit report of the statutory auditors.

The Act also prescribes the authority of the Comptroller and Auditor General of India in respect of production of documents and information by the audited entities. The Act provides the authority to the Comptroller and Auditor General of India to determine the manner and scope of audit.

As per the CAG's (DPC) Act, 1971 the Comptroller and Auditor General shall be responsible for compiling and keeping the accounts of the Union and of each State, any particular services or departments of the Union. Under the Act, the President/ Governor after consultation with the Comptroller and Auditor General can relieve him from the responsibility for compiling of such accounts.

Auditing Standards

With a view to maintaining high quality of audit, the Comptroller and Auditor General of India has promulgated Auditing Standards that prescribes the standards of professional conduct of the officers and staff of the Indian Audit and Accounts Department, both in terms of professional competence and ethics. It also prescribes the principles of the entire spectrum of audit. The Standards are consistent with the Act prescribing the duties and powers of the Comptroller and Auditor General of India. These are also consistent with the contemporary global best practices, including those of International Organisation of Supreme Audit Institutions (INTOSAI). Apart from the Standards of professional conduct, the Auditing Standards also lay down the quality assurance system within the institution, overall framework for the steps to be followed by auditors in conducting and managing audit work and framework for reporting the result of audit.

With a view to ensuring that the audit works within the Indian Audit and Accounts Department conform to the standards set for itself, the Comptroller and Auditor General of India has issued standing orders and various guidelines.

²Comptroller and Auditor General of India's (DPC) Act, 1971-< www.cag.gov.in/html/about_legal_dpc.htm >

³ Corporation enacted by or under the law made by Parliament or State Legislature

Standing orders

To give effect to the Auditing Standards and his accounting responsibilities, Comptroller and Auditor General of India has issued three Manuals of Standing Orders MSOs; namely (i) M.S.O. (Audit), (ii) M.S.O. (Accounts) and (iii) M.S.O. (Admn.).

Manual of Standing Orders (Audit) deals with general principles and procedure for audit, reporting the results of audit and preparation of Audit Reports for the Parliament and State Legislatures. The Manual provides detailed instructions for various types of audits viz. audit of expenditure, receipts, stores and stock, commercial accounts, and non-commercial autonomous bodies etc. It also contains supplementary instructions for certification, compliance and performance audits, with detailed instructions for audit of establishment expenditure, contingent expenditure, grants-in-aid, pension, contracts, deposits, service provident and other funds, World Bank and other externally assisted projects etc. besides audit of computerised system, public works, and forest accounts etc.

Manual of Standing Orders (Accounts) deals with general principles and procedure for classification of transactions between capital and revenue, procedure of accounting of loans and advances, deposits, public works, forests, provident fund, pensions etc. besides form and contents the monthly accounts and Finance and Appropriation Accounts.

Manual of Standing Orders (Admn.) consists of organisational set up and service matters, various cadres within the Department, recruitment rules, promotion, departmental examinations, financial and administrative powers of subordinate offices etc.

Guidelines and practice notes

In the light of widely varying, complex and vast auditee environment, CAG has issued detailed subject and technique specific guidelines for each sector of audit viz. Civil, Commercial, Defence, Post & Telecommunications and Railways, etc. These guidelines contain step-by-step procedure/methodology and techniques for conduct of audit in pursuit of the Act and Auditing Standards established for conduct of audit as well development of the professional competence of the officers and staff.

Consultative procedure

While the audit is conducted in the background of the Constitution of India and the Act made there-under; CAG has also established a framework of a consultative arrangement for audit. The inputs/ suggestions by the Public Accounts Committee and Committee on Public Undertakings of the Parliament are also taken into account for audit planning.

Audit Advisory Board

To broad-base the input for audit planning and for setting overall audit objectives, an Audit Advisory Board has been set up under the Chairmanship of Comptroller

and Auditor General of India, which consists of eminent persons in diverse fields. Deputy Comptroller and Auditors General being the functional heads of different functions are ex-officio members of Audit Advisory Board. Apart from the three Deputy Comptrollers and Auditors General, the other members of Audit Advisory Board's are as follows:

S. No.	Name S/Shri	
1.	Alagh, Dr. Yoginder K.	Vice-Chairman and Prof Emeritus Sardar Patel Institute of Economic and Social Research, Ahmedabad
2.	Hussain, Abid	Former Member of Planning Commission
3.	Kalra, Lt. Gen (Retd) D. V.	Retd. Lt. General
4.	Mathur, J.S.	Former Dy. Comptroller and Auditor General of India
5.	Murthy, N. R. Narayana	Chairman, Infosys Technologies Ltd., Bangalore
6.	Pachauri, R.K.	Director General, The Energy and Resources Institute, New Delhi
7.	Pathan, M.A.	Resident Director, Tata Services Ltd., New Delhi
8.	Rana, I.I.M.S.	Former Chairman, Railway Board, New Delhi
9.	Rangachari, N.	Former Chairman, CBDT & Insurance Regulatory and Development Authority, Hyderabad and Financial Advisor to the Government of Andhra Pradesh
10.	Rao, Prof. U.R.	Chairman, Physical Research Laboratory Council, ISRO-DOS, Bangalore
11.	Shankar, P.	Central Vigilance Commissioner, New Delhi.
12.	Vikamsey, Kamlesh S.	President, Institute of Chartered Accountants of India, New Delhi

Audit Board mechanism

Audit Boards are set up to undertake comprehensive appraisals of the performance of the Government Companies and Corporations. Audit Boards are constituted with Deputy Comptroller and Auditor General of India (Commercial) as ex-officio Chairman. The Secretary of the Board and two - three Principal Directors are full time members. In addition, the respective Ministry/ Department controlling the PSU appoints two part-time technical members in consultation with CAG.

Government Accounting Standards Advisory Board

In August 2002, CAG of India established a Government Accounting Standards Advisory Board (GASAB) under the chairmanship of Deputy Comptroller and Auditor General. The members of the Board include Controller General of Accounts, Financial Commissioner Railways, Controller General of Defence Accounts, Additional Secretary (Budget), Government of India, Deputy Governor of RBI and President of ICAI, Director General of NCAER and Principal Finance Secretaries of four States (by rotation). Director General (AEC) in the office of CAG is the Member Secretary of the Board. The mission of the Government Accounting Standards Advisory Board is to establish and improve standards of State and local Governmental accounting and financial reporting that will result in useful information for users of financial reports. GASAB has issued five exposure drafts on the following subjects:

1. Guarantees given by Governments;
2. Cash flow statements;
3. Accounting and classification of Grants-in-aid;
4. Presentation of financial reports; and
5. Components of financial reports issued for Governments.

Audit Committees

Audit committees, comprising of representatives of the Audit Department and the Government Departments are constituted in the Government Departments. The committees follow up and monitor compliance to audit observations.

Compliance to Right to Information Act, 2005

In compliance to the Right to Information Act, 2005, the required information has been made available at our web page < www.cag.gov.in/html/rti.htm >

Organisation structure

