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**OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

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**AUDIT PLAYS CATALYTIC ROLE IN PROMOTING
EFFICIENCY AND EFFECTIVENESS: CAG**

**The following is the text of Speech of Comptroller and
Auditor General of India Shri G C Murmu delivered at Shri
Ram College of Commerce at SRCC Business Conclave here
today**

'I am very pleased to be addressing the bright, young minds at one of India's leading educational institutes, who will be shaping and participating in India's growth story in the years to come. Today, India is a bright spot in the world economy with high GDP growth, rapid development of infrastructure, encouraging FDI flow, progressing towards 3rd largest economy in the world. During the *Amrit Kaal*, this journey will continue attracting more investment, fund flow development and growth. *India has demographic advantage* of large young population and it is expected that talented young people like you will have opportunity to join in this journey to lead the Country towards *Vikshit Bharat*.

About good governance:

I would like to briefly touch upon areas of governance and administration as you all are already familiar with the essence of good governance and efficient and effective administration. Good governance is universally recognised as a cornerstone of statecraft, essential for achieving societal goals and addressing complex challenges. In a democracy, Governments are repositories of public trust. As fiduciaries, they are entrusted with responsibly handling tax revenues, allocating funds to address various societal needs such as

education, healthcare, and infrastructure, etc. Fiduciary duties extend to long-term planning and debt management.

Governments are required to address economic stability, uphold the rule of law, and act transparently to build and maintain public trust. Effective governance demands accountability and ethical decision-making to fulfill the fiduciary obligations inherent in their role as custodians of the public's resources. With resources being scarce relative to human needs, it is essential that a measure of economic performance is properly undertaken because that will lay the roadmap to an effective, efficient and economic allocation of resources for *Sarvjan Hitay and Antodaya*.

In 1992, the World Bank defined good governance in its report as the manner in which power is exercised in the management of a country's economic and social resources for development. It ascribed certain characteristics to the same and I quote "good governance is democratic, consensus-driven, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and adheres to the rule of law." In the realm of public administration, the success of government programs heavily depends on the principles of good governance, ensuring that resources are utilized wisely and that the benefits reach the intended recipients. It serves as the bedrock for building trust between the government and its citizens, promoting transparency, accountability, and responsiveness.

In fact, a sutra in Kautilya's 'Arthashastra' states that "The use of science is the sight of truth", which can be one of the golden rules of accounting. He was the earliest philosopher to conceive of a distinct role of a Comptroller-Auditor, who was known in Mauryan times as the Akshapataladhyaksha as separate from that of a Treasurer, to increase accountability and specialization, and also reduce the scope of conflict of interest. Ethics was one of the main theoretical bases of Kautilya's theory of statecraft. He believed ethical values were the cementing glue that held society together and promoted economic progress which paved the way for greater welfare of the people spearheaded by good governance.

CAG and Accountability framework:

Now let me briefly introduce you to the institution of CAG and share my perspective on how the institution of the Comptroller and Auditor of

India contributes to good governance that is the foundation for creating an enabling economic environment in India.

CAG as a Constitutional institution, has long history of more than 163 years. It serves as supreme audit institution and as friend, philosopher and guide to the Legislature adding their efforts to enforce accountability of executive to the people. The institution has about 132 offices within and 3 out of the country, having 44000+ staff strength. It has presence in various international organization like INTOSAI, regional organizations under INTOSAI and audit exposure with various UN organizations. Besides, role played as member of SAI 20, BRICS and SCO.

The role of CAG assumes significance in view of our federal multi-party democracy, wherein both the Union and State Governments are responsible for the formulation and implementation of a large number of schemes involving substantial public resources. During the deliberations of the Drafting Committee of the Constitution, Babasaheb Dr. B.R. Ambedkar had very famously said; *“I am of the opinion that this dignitary or officer is probably the most important officer in the Constitution of India. He is the one man who is going to see that the expenses voted by Parliament are not exceeded, or varied from what has been laid down by Parliament in the Appropriation Act. If this functionary is to carry out the duties—and his duties, I submit, are far more important than the duties even of the Judiciary— he should have been certainly as independent as the Judiciary”*.

As you all know word ‘audit’ means an independent examination of financial information of an entity. Audit could be of many types – external audit, internal audit, pre-audit and post audit. Further, objectives of audit are not merely to find out the deviations, non-compliance and fault finding in lawful decision-making but it plays catalytic role in promoting efficiency and effectiveness. Different types of audit, which I will be elaborating, are taken up against the extant policies, rules, standards already prevalent at the time of audit. We inspect and examine records and the audit reports thereon are based on evidences.

Types of audit undertaken by CAG can be broadly categorized as financial audit, compliance audit and the performance audit. Most of these audits are in the nature of post facto audit. However, another type of audit is pre audit where examination and checking is done before actually taking the decision. This is more linked to a management function.

Financial audit calls for close scrutiny against standards and practices and in-depth examination of budgetary deviations and goes beyond mere vetting of figures. I would like to highlight that financial discipline is the linchpin of good governance, playing a pivotal role in ensuring responsible and transparent management of public resources. It also establishes a foundation for economic stability and attracts investor confidence. It creates an environment conducive to sustainable development by ensuring that public finances are managed with foresight and prudence. In essence, financial discipline is not just a matter of fiscal responsibility; it is a cornerstone of good governance that underpins a government's ability to meet its obligations, enhance public welfare, and build a robust foundation for long-term economic prosperity.

Compliance Audits requires conformity with the law, rules and procedures. It is very important to emphasise that the audits are conducted not just for a deterrent effect but also for serving as catalysts for institutional improvements. In its audit reports, the CAG helps identify areas of weakness, inefficiencies, and malpractices within government departments and provides recommendations for the same. This feedback loop encourages corrective measures and enhances the quality of governance, which is pivotal for sustained development.

The performance audits, conducted by us are to provide assurance to the Parliament on the effectiveness, efficiency and economy in projects/schemes, etc. Particularly, it examines prudent usage of resources, efficient and timely execution of plan, projects and schemes and the effectiveness or even outcome of such activities. So, we strive not to stop at efficiency but go till the last mile, i.e., effectiveness. And in this manner, we look at the 3Es - Economy, Efficiency and Effectiveness. Time overrun and cost overrun etc. are dealt which serve as an aid to good governance by helping the executive to make mid-course corrections and improve systems and procedures. The performance audits are conducted to comprehensively appraise the schemes and public programs.

Accountability, transparency, efficiency and effectiveness are assertions that are tested in audit. Such independent checks on the functioning of the government provides credibility to the executive and confidence to public at large. Securing accountability of the government protects its fiscal stability and its image globally.

Although accountability does not start and end with audit, it emphasizes the need to fix responsibility for healthy governance. Different types of audits, as mentioned, promotes pervasive sense of accountability, prompts course correction, optimal use of resources, efficient and effective implementation of plans, projects and programmes, etc. thereby it complements the administration and good governance.

At this juncture, I would again note that these principles are not exclusive to public functionaries. Practicing financial discipline is essential to those in the private sector and also in our own daily lives. Businesses that keep an eye on both the top and bottom lines are often successful in meeting their obligations to all stakeholders. On the other hand, there have been several cases where the readiness of easy capital led to wasteful expenditure, losing sight of the target and eventual collapse of businesses.

About new developments and emerging challenges:

Of late, it is heartening to see the initiatives that various departments and offices across the country have come up with to improve public service delivery. There has been a greater push towards using technology, knowledge management tools, data-driven policy formulation and implementation, which has been almost revolutionary in formulation and delivery of programs. The general trend of moving towards good governance using new and innovative tools is very reassuring. The leveraging of mobile telephony network to transmit information, services and benefits has been a game changer in recent years. The ability to harness innovations is critical to addressing challenges and finding efficient solutions to the problems of today and tomorrow. This applies, not just for those in the public sector, but for all those present in the room today.

The history of phenomenal growth in trade and commerce is closely intertwined with that of the development of the business professionals. At the same time, we have seen that when professionals falter, it causes domino effect across the globe; the prominent examples being that of Silicon Valley Bank, Credit Suisse, etc. In India too, we have had cases where the highest professional and ethical standards if truly followed would have prevented collapse of companies like Satyam and ILFS.

In such a scenario, another important area for modern day professionals is the issue of sustainable development paradigm. The maxim popularised in the 1980s that “Greed is Good” requires a serious rethink if our planet has to sustain itself. Though humans are still only a footnote in the chronological history of millions of years of evolution of life in this planet, however, within a few thousands of years we have brought unimaginable changes upon earth. The issue of sustainable development can no longer be overlooked and we all have an important role to play here to comment not just on legality, propriety, transparency and accountability; but also on sustainability.

While profit maximisation and wealth creations are rightfully the drivers of the private sector, my only suggestion to all of you is to also keep in mind your social responsibility, which extends beyond simply paying taxes. As India enters its *Amrit Kaal*, you are in a position of great privilege. The country looks towards you to lead the way in economy, science, policy, research, etc. As the world hails India’s demographic dividend, harnessing it will require more training, skilling and opportunities. You are the generation that will lead India for the next few decades, and I am sure your time in this prestigious institution will equip you with the tools that you will need to face the world.

My final advice will be to make the most of the opportunities that are coming your way. Think of how you can benefit your nation and how your work can help your fellow Indians. Today, India has the third largest startup ecosystem in the world, and we need to continue this strong push. Job creators, instead of job seekers, are just as important.

I wish you all a bright future ahead and would like to thank the management and faculty for giving me the opportunity to speak here today.’

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