The role of governance is an integral component of any country’s growth and development. In an era where India has been plagued by the menace of unprecedented corruption, auditing and scrutiny of the government exchequer assume prime importance. The Office of the Comptroller and Auditor General is being increasingly perceived as an institution that can deliver the country from such plight.

This article analyzes the principles of good governance and challenges that lie ahead for the CAG. It highlights the role of the CAG in meeting these challenges and elucidates how the institution has been a vanguard in the fight for efficient and transparent governance in the country. The article then makes suggestions to better harness the benefits of the institution.

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I. Introduction

The office of the Comptroller and Auditor General (CAG) has been established by the Constitution of India (Constitution). All the Union and State government departments are subject to the audit of the CAG, including commercial and non-commercial government institutions, autonomous bodies financed from Union or State revenues and companies where equity participation by the government is in excess of 51%. These audits are reviewed by the Public Accounts Committees of the Parliament of India and State legislative bodies. The CAG also controls the Indian Audit and Accounts Service.

Government Audit plays an important role in the scheme of parliamentary financial control and ensures that the executive bodies keep expenditure and budget allocation within the sums allotted and for the purposes authorized. It is absolutely necessary that some independent person scrutinizes government spending and checks whether it has been in accordance with Parliamentary sanctions. In the absence of such a scrutiny, parliamentary control over appropriations

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made by the executive bodies may be frustrated. The CAG also satisfies himself on behalf of the Parliament as to the wisdom, faithfulness and economy of expenditure.²

Audit, is therefore directed towards discovering waste or extravagance. The CAG can disallow any expenditure violating the Constitution or any law and thus uphold the Constitution and the laws in the field of financial administration.³ He is duty bound to challenge any improper exercise of discretion by authorities; and comment on the propriety of sanctions and expenditure.⁴

The CAG is intrinsically linked to the governance of the country. Its role as the highest auditing authority is intrinsically linked to augmenting the efficacy of government policies and undertakings. Therefore, the relationship between the CAG and good governance is incontrovertible.

Part II of this paper shows how Good Governance is integral to growth of any nation. Part III outlines the various challenges encountered by the CAG and its course of action in the future. The CAG has come to the aid of citizens by performing necessary audits in an array of different sector. Part IV elucidates these instances and analyses how the CAG has proved to be a bulwark in identifying and suggesting solutions for inadequacies in governance. In Part V, the author puts forth his concluding remarks.

II. Good Governance: Pillar of Economic And Political Stability

“Do the policies help the poorest and weakest man? If yes, that is good governance.”

-Mahatma Gandhi

Governance means different things in different contexts, but the

concept generally relates to group decision making to address shared problems.\(^5\) Good governance has eight major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.\(^6\)

Theories of governance cannot be intelligible unless they are seen in the context of its time. India’s democratic experience of the past six decades has clearly established that good governance must aim at expansion of social opportunities and removal of poverty.\(^7\) In their campaign for good governance and transparency, the World Bank and the IMF have identified corruption as the major barrier to sustainable economic growth and development.\(^8\)

Bad or indifferent governance not only restricts opportunities of success but it can even degenerate into sectarian conflicts and civil wars. In such an atmosphere personal accomplishments as well as social achievements get severely restricted. Good governance helps create an environment in which sustained economic growth becomes achievable and allows citizens to maximize their returns on investment.


It should be clear that good governance is an ideal which is difficult to achieve in its totality. Very few countries and societies have come close to achieving good governance *in toto*. However, to ensure sustainable human development, action must be taken to work towards this ideal with the aim of making it a reality.

III. Challenges For The CAG: The Path To Be Traversed

In his famous ‘tryst with destiny’ speech on 14 August 1947, Jawaharlal Nehru articulated the central challenge as ‘the ending of poverty and ignorance and disease and inequality of opportunities’.

With a burgeoning population and increasing resource crisis, the nation is faced with a vast conundrum of economic, social and political problems. Each of these three different facets is interlinked with one another. The economic woes form the base of the pyramid. With a string of corruption scandals now facing the incumbent government, there must be a swift consensus to mitigate these problems.

Corruption and political scandals have ensured unimaginable losses to the exchequer. This creates a paucity of funds for implementation of beneficial schemes for the populace besides getting black money in the hands of those who can easily stash them in tax havens across the globe. This loss has a trickle-down effect. It is incontrovertible that in circumstances of financial encumbrance, the poorest of the poor are the biggest losers. With a population of nearly 37.2% below the poverty line, mismanaged audits and tampered accounts do not augur well for our nation in the future.

The CAG’s efforts can enhance accountability of the executive

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bodies to the Parliament and State Legislatures by carrying out audits in the public sector and providing accounting services in the states in accordance with the Constitution of India and other laws as well as best international practices. In addition, the CAG has the capacity to provide technical guidance and support to local bodies including Panchayati Raj Institution to enhance their accountability.

IV. CAG and Good Governance: Intervention and Impromptu Action

The CAG’s detailed auditing and impromptu reporting on issues of national importance have proved to be the pivot on which the country’s administration is revolving. Following are a few cases in point, with reference to numerous sectors, where affirmative action has been taken by the CAG and has borne fruit. However, there are still some loopholes which need to be rectified. These have been analysed subsequently.

A. The Coalgate & 2G Scams: Lobbying and Ministerial Maladies

The CAG’s recent report on the allocation of coal blocks was introduced in Parliament. It estimated that the exchequer suffered a notional loss of Rs. 1.86 lakh crore owing to the government’s failure to introduce competitive bidding in allocation of coal mines between 2004 and 09. The CAG challenges to the government were twofold — first, it established that the government had the legal authority to auction the coal blocks using the policy of competitive bidding; and, second, that the private and public sector companies who had been allocated coal blocks benefited from windfall gains to the tune of


US$201.72 billion. The Honourable Supreme Court took cognizance of this matter and Jagdish Singh Khehar, J., held:

“One is compelled to take judicial notice of the fact, that allotment of natural resources is an issue of extensive debate in the country, so much so, that the issue of allocation of such resources had recently resulted in a washout of two sessions of Parliament. The current debate on allotment of material resources has been prompted by a report submitted by the Comptroller and Auditor General, asserting extensive loss in revenue based on inappropriate allocations. The report it is alleged, points out that private and public sector companies had made windfall gains because the process of competitive bidding had not been adopted.”

Subsequently, another public interest litigation was filed before the Apex Court and the division bench has issued preliminary orders to the Central Government to counter-affidavit, shall also deal with the aspects such as the details of guidelines framed by the Central Government for allocation coal blocks and the process adopted for allocation of subject coal blocks et al. The CAG saw the fruit of its labour when the Inter Ministerial Group (IMG) recommended (thus far) de-allocation of 14 blocks and deduction of bank guarantee in

14 In re: Special Reference No. 1 of 2012 (¶ 165), Supreme Court of India (U).
cases of 14 others. A total of 58 mines were given show cause notices for failure to develop blocks within stipulated timeline.\textsuperscript{16}

The previous Telecom Minister was forced to resign from the Union Cabinet last year after the CAG report faulted him for undervaluing spectrum to favour companies who were largely ineligible for 2G spectrum. It added that the government had probably lost Rs.1.76 lakh crore in estimated revenue as the then Telecom Minister had ignored the advice of the Office of Prime Minister besides those of the Ministry of Law and Justice, Government of India and Ministry of Finance, Government of India, giving “undue” benefits to certain conglomerates.\textsuperscript{17}

The CAG highlighted that the entire process of allocation of Unified Access Service licenses “lacked transparency” and was undertaken in an “arbitrary, unfair and inequitable manner,” in the process “flouting every canon of financial propriety, rules and procedures.”\textsuperscript{18} The UAS licenses were challenged and subsequently quashed by the Honourable Supreme Court, after referring to the CAG’s report.\textsuperscript{19}

Recently, Reliance Industries (RIL) claimed that the CAG was not authorised to audit its accounts on its operations in the KGD6 basin, and the related production sharing contract (PSC). The company wanted the government to appoint an auditor other than CAG.\textsuperscript{20} RILs denial of access to records was adversely commented upon in the previous audit.\textsuperscript{21} Such impediments to transparency could ring the

\textsuperscript{17} 2G scam: Raja names Manmohan Singh, Chidambaram in Delhi Court, MID-DAY, July 25, 2011.
\textsuperscript{19} Centre for Public Litigation v. Union of India, (¶ 47), (2012) 3 SCC 1.
\textsuperscript{21} Sujay Mehdudia, RIL Questions CAG jurisdiction to audit KG-D6 block, again,
death knell for sound governance in India.

The allocation of government contracts on the basis of personal favouritism has allegedly become a common practice. This acts as a significant deterrent to comparatively smaller conglomerates and dissuades foreign investors. Lobbyism ensures that only a select few get rewards from State coffers. The CAG’s intervention has indeed yielded fruit, but only at the macro level. Therefore, a concerted effort needs to be made by the CAG to ensure transparency by similar checks on various contracts awarded by Local and State Governments. This will also ensure efficacy in the implementation of basic infrastructure projects for building of roads, schools and housing. If the CAG can play watchdog at the micro level, the rural populace will stand to benefit tremendously.

B. Defence Sector: Corruption, Indolence and Inaction

There are concerns about the procurement policy of the Ministry of Defence, Government of India. Several instances of quality deficiencies in purchase of sophisticated armament systems have been noticed in audit. The Defence Research and Development Organisation (DRDO), was severely criticized for this by the office of the CAG. Besides instances of cost increases and performance shortfalls, the time gap between assessment and initiation of the process for strategic procurements by the armed forces and actual induction of systems was alarmingly long. There were recurring instances of poor contract and vendor management and weak vendor development, all recorded in audits.22

The lack of seriousness on the part of government authorities to provide and subscribe to accounting standards is a matter of concern for our country. One of the aspects identified by the World Bank, in the 1989 report, as part of good governance, was the overhaul of the

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procurement policies of some states. This was seen as a prerequisite for sustainable growth and the continued provision of aid by many international organisations. Non-implementation of schemes is a direct and proximate result of the slackening work ethic of these authorities. Moreover, efficacy in arms procurement and transparency therein is the sine qua non for the security of a nation in toto. A lackadaisical approach can prove to be fatal to the interests of national security. There exists a heavy burden on the CAG to discharge the function of timely and scrupulous monitoring of arms procurement and equipment maintenance. The lives of a multitude of countrymen are at stake and any apathetic pursuit to achieve required targets will have a demoralizing effect on the nation.

C. Project Implementation: The bane of infrastructure development

In its voluminous report on the Commonwealth Games 2010 (CWG), the CAG found “irregularities”, “favouritism” and “bias” in award of contracts for various projects like construction and development of CWG venues and Village, infrastructure development and beautification in Delhi and broadcasting rights. CAG also faulted the government for not setting up a “single point of authority and accountability” and said there was “lack of clear governance structure, a multiplicity of coordination committees were created, disbanded and reconstituted at different points of time.”

The row over whether the Delhi Metro project was responsible to Parliament or the Delhi Legislative Assembly is intrinsically linked

26 CAG drags PMO into Commonwealth Games mess, FINANCIAL EXPRESS, August 6, 2011.
to the CAG. In four contracts, testing requirements were scaled down to expedite work and terms were relaxed after the bids were opened while negotiating with the lowest bidder, which was unfair on the other bidders.

The report says that the Delhi Metro Rail Corporation had acquired 32 lakh square metres of land, but there is no location-wise data about how much is for its own use. In nine locations the Metro had acquired land in excess of need by 14-35%. The CAG alleged that the Delhi Metro Rail Corporation's ownership structure is amorphous, does not permit accountability and cannot be justified on the grounds of business-like functioning.²⁷

Infrastructure is not only the vehicle for progress and development of any nation; it is also a symbol of pride in instances such as the Commonwealth Games. Therefore, it is imperative that they be implemented with precision. Delays always escalate costs and erode quality. India’s reputation on the global map was significantly dented after the Games’ scandal. The CAG must continue to keep a watchful eye over events of national significance and the states too must be monitored. Infrastructure development is an opportunity for economic growth, however in most cases it has led to embezzlement. Both the Metro and the CWG lacked an organizational structure and suffered from the ills of concentration of power. The CAG’s timely and pre-emptive audits can serve as effective deterrents to shoddy project implementation. A pre-emptive audit can be of enormous benefit as it can lay down standards for the implantation of the project in the future. It must be noted that the pre-report on the CWG was overlooked by the Government, which proved fatal.

D. Education: Pivot of an emerging nation

The CAG filed a report on the fees levied by selected schools in Delhi and submitted it to the Delhi High Court after a petition was

filed by a parents’ association.\textsuperscript{28} The schools had not used any prescribed accounting format. Scrutiny of records has revealed that schools had determined tuition fees without considering the admissible expenditure.

Inspection of the schools by the Department of Education (DoE) was inadequate. The DoE made only 10 visits to 25 schools from 2006 to 2009, against the mandatory 75 envisaged by the government. The CAG said the schools, which earned profits, used to prepare accounts to show losses by transferring the surplus funds into the next financial year.\textsuperscript{29}

Education is the cornerstone of an emerging nation such as ours. If students are compelled to face financial impediments, their path to a comfortable education can be hindered. Monitoring the fiscal activities of schools in the national capital is no doubt an easier task than performing audits of schools at the rural level. The vast multitude of schools across the country must be monitored to ensure the implementation of schemes such as mid-day meal and the nascent Right to Education Act. Several primary educational institutes lack basic infrastructure like blackboards, tables, chairs and reading material. In the rural regions education is more than imperative, not only for building careers but also in the context of social upheaval.

\textbf{V. Conclusion}

Economic development without growth of human development factors is meaningless. More than half of the expenditure on social development programmes by the Central Government is through the non-government organizations and CAG has a role in ensuring that these are monitored closely for benefits to reach the people. The adoption of information technology is an integral tool in achieving all the objectives.\textsuperscript{30}

\textsuperscript{28} The Action Committee of Unaided Pvt. Schools v. Director of Education, (¶¶ 84-87), W.P. (C) Nos. 6952, 8614, 9228 and 11139 of 2009(U).
\textsuperscript{29} \textit{CAG Report: Schools slammed for irregularities, DoE for weak governance}, \textit{Indian Express}, March 18, 2011.
\textsuperscript{30} Ravi Mishra, \textit{CAG holds key to corruption-free governance}, \textit{The Pioneer},
If attributes of good governance are transparency, efficiency, responsiveness, cost effectiveness and accountability — e-governance is the means to attain these attributes. The National Knowledge Commission had suggested that to make an immediate impact on citizens, it is critical to identify and simplify important processes and services which are currently cumbersome, bureaucratic and prone to unnecessary delays and corruption. Initially these services could include providing online record of land rights, computerized land registration, computerization of social security systems, ration and ID cards. If implemented, it would make the CAG’s task much easier and improve its efficacy.

The CAG must also ensure its accessibility to the common man. Its audit record and accounting could provide overwhelming benefit for people at the grassroots. A grievance ventilation mechanism needs to be set up which could go a long way in alleviating people from their plight.

With the quartet of corruption, criminalization, communal tension and casteism as the cancers afflicting the Indian society, the CAG is being increasingly looked at as the bulwark in the fight against corruption. Maintaining its image of probity and impartiality in spite of several adversities has been its hallmark. Human rights violations have been pointed out by the activities of the CAG and it must be ensured that the good record of CAG that exists on this front should not be allowed to get sullied. In recent times money has taken precedence over morality in public life and the vulgar display of wealth in our society needs to be probed by CAG.

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