

Address to the Conference of the Accountants General (AG)

New Delhi (October 15, 2008)

by Justice K.G. Balakrishnan, Chief Justice of India

Ladies and Gentlemen,

I am grateful for the opportunity to address this conference. To begin with, I must congratulate your organization on the completion of a new premises for its' functioning. I hope that the transition to a new office building is symbolic of the dynamism of this organization.

The Office of the Comptroller and Auditor General (CAG) of India is indeed an important pillar in the framework of our constitutional governance. At a conceptual level, the importance of auditory functions can perhaps be understood by invoking Dr. Amartya Sen's discussion on the age-old ideas of 'Niti' and 'Nyaya'. While both ideas correspond to modern theories of justice, they do have different connotations. 'Niti' pertains to the quality of procedures and institutional designs, assessed with respect to how far they contribute to the delivery of justice to the common people. On the other hand, 'Nyaya' corresponds to the idea of substantive welfare which contemplates both the corrective and distributive dimensions of justice. If modern governmental institutions are to be evaluated on the threshold of 'Niti' and 'Nyaya', then the function of audit is significant for both parameters. It not only evaluates the propriety of governmental budgeting but also monitors the substantive results of

such public spending. The role of auditory agencies can be described as one of a watchdog which ensures adherence to expenditure plans and also provides a report-card subsequent to the same. More importantly, governmental agencies are given continuous feedback on the viability and efficacy of their policy-choices and specific measures.

In a rapidly transforming society and economy such as ours, there is a distinct need for innovation and experimentation in the shaping of public policy. However, this requirement for innovation on part of public agencies is also constrained by the numerous pressures on public finances. In a developing country such as ours, there is always a moral duty on those in government to ensure that vital public resources are not squandered on unviable projects or initiatives. Hence, there is a need to draw a balance between the often-divergent motives of experimentation in governance and the practical needs of the impoverished masses. In such a setting, the office of the CAG is a vital instrumentality for ensuring that executive agencies are held accountable for their expenditure decisions. On account of its nation-wide reach, the office of the CAG is uniquely placed to supply an independent and impartial assessment of the patterns of public spending.

In some ways, there are conceptual similarities between the function of auditing and the judicial process. Even though the origins of formal institutions for carrying out both these functions can be traced back to the colonial period, the framers of our Constitution

recognised their immense importance. Just as an independent judiciary is an essential component of a healthy democracy, an independent office for auditing governmental finances is also a crucial part of the 'checks and balances' needed for protecting and deepening democratic values. While the judiciary is assigned an expansive role of protecting the rights of citizens against governmental actions, the Office of the CAG is empowered to ensure that the fiscal policy of the government is consistently subjected to informed scrutiny. The independence of these institutions as well as the vigilance of ordinary citizens are the pre-conditions for ensuring that the functions of the state reflect efficiency as well as respect for democracy. For their part, those occupying important positions in the executive should look upon the role of the judiciary as well as auditing in a constructive manner. It is undeniable that Audit Reports frequently tend to be overtly critical of the incumbents, even when expenditure plans are made with the best of intentions. This preponderance towards criticism should not be considered as an indictment against the government and should instead be viewed as an indicator for improvements in the planning and monitoring of public expenditure. On the other hand, favourable audit reports can act as a means to disseminate information about the best administrative practices in particular settings, and hence encourage others to learn from the same.

Some commentators have described audit as an extension of the legislative function since the office of the CAG presents its' reports to Parliament. This is perhaps a misnomer, since the Audit

Reports are not only meant for elected representatives but are also meant to promote a wider dialogue amongst the general public. In this regard, the office of the CAG should take pro-active measures to ensure that ordinary citizens can easily access its' annual reports. It goes without saying that in recent years, the Performance Audit Reports are increasingly being cited in deliberations involving the mass media, civil society organizations and academia. In this sense, the audit reports are not only a means for legislative scrutiny over executive functions, but they also create a wider basis for accountability between citizens and governmental agencies as a whole.

In the post-liberalisation era, the substantive understanding of governmental functions has also been undergoing a change. For instance, the traditional understanding of governmental auditing was obviously not compatible with Public Sector Undertakings (PSUs) involved in commercial operations such as the processing of petroleum products, banking, civil aviation and power-transmission among others. In such circumstances the CAG relies on the services of experts in the respective fields. In an increasingly diversified economy, such a strategy can be extended to other specific areas as well. Especially in important sectors such as education, public health and infrastructure, there is increasing space for the involvement of Non-governmental organizations (NGOs) as well as public-private partnerships (PPP). These innovations in the delivery of functions that were traditionally identified with governance - have important implications for auditing agencies.

The first implication is that of the need for more rigorous auditing in circumstances where public money is entrusted to private parties. While the growth of the spirit of public-service on part of private players is laudable, there is always a concomitant need to check pilferage or inefficient use of funds. For example, the mid-day meal scheme for children enrolled in government-run primary schools has extensively relied on the services of private contractors. While the scheme as a whole appears to be delivering favourable results, there is a need to ensure stringent auditing at the grassroots level to ensure that vital public resources reach the intended beneficiaries of the same. Furthermore, the importance of auditing cannot be understated for the numerous financial and infrastructural ventures that are being undertaken under the Public-Private Partnership (PPP) model. The second major implication is that of involving individual citizens and voluntary sector organizations themselves in the auditing process. It must be remembered that progressive legislations such as those dealing with the 'Right to Information (RTI)' and the 'National Rural Employment Guarantee Scheme (NREGS)' were enacted after intense demands from some leading NGO's. With respect to the rights created by these legislations, much attention has been given to the innovative device of 'Social Audits' – wherein village-level communities congregate to assess spending on public works. In respect of the Employment Guarantee Scheme, NGO's have led 'Social Audits' to compel the disclosure of 'muster-rolls' by local government officials as well as to ensure the payment of minimum wages to workers under the said scheme. The Office of the CAG can

expand its' involvement in these localized initiatives. With its well-trained personnel and wide geographical reach, it can spread awareness about the importance of auditing at different levels of government and also build capacity for the same.

In a manner similar to those discharging judicial functions, the personnel involved in the auditing of public expenditure must maintain a high standard of integrity and impartiality in their work. The Constitution of India has laid down ample safeguards to preserve the independence of these institutions and it is our utmost responsibility to uphold the values enshrined in the same. This conference is a significant opportunity to reflect on strategies for enhancing the prestige of this institution. I hope that the deliberations will prove to be fruitful in the long-run.

Thank You!