

**Speech by Shri P Chidambaram, Union Finance Minister  
at the  
26<sup>th</sup> Accountants General Conference  
on  
9.10.2012**

I am pleased to join you at the 26th Conference of Accountants General and to share my views with you. Last year, you crossed the important milestone of 150 years. That would have been a proud moment for any institution, and I offer you my greetings and good wishes as you complete another year of hard work and solid achievement.

The theme of this Conference of Accountants General is "Strengthening Professional Practices". I understand that this includes strengthening the key streams of public audit viz. Financial Audit, Compliance Audit and Performance Audit. I am also happy to note that there is a separate sub-theme on "Strengthening Public Financial Reporting".

The office of the Comptroller and Auditor General of India has a key role that is defined in the Constitution of India. The Constitution says that the C&AG "shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament." I think the words are quite significant. The office of the

C&AG is under the Constitution; but the authority of the C&AG to perform duties and discharge functions is under a law made by Parliament. Thus, while it is correct to describe the office of the C&AG as a Constitutional office, it may also be remembered that the C&AG owes his authority to a law made by Parliament.

Audit is an important function in any system governed by the rule of law. Audit is a profession. Like in any other profession, the practitioners of the profession have added to the body of knowledge over the years. Initially, national auditing standards and benchmarks were established, but over the years auditing standards and professional practices have acquired international benchmarks. Naturally, the National Auditor will be judged by his ability to meet such international benchmarks. I am happy to note that the C&AG has adopted many of these international benchmarks. Recognition of that fact has led to the C&AG of India being appointed as the external auditor of the World Food Programme (WFP), World Intellectual Property Organization (WIPO) and the International Atomic Energy Agency (IAEA). The C&AG has also earned a place on the Governing Board of the International Organisation of Supreme Audit Institutions (INTOSAI) and the Asian Organisation of Supreme Audit Institutions (ASOSAI). I congratulate you on winning these distinctions. I can sense an opportunity for the C&AG to become a global leader and a

standard setter in the field of public audit and serve as a model for fellow Supreme Audit Institutions across the globe.

Recently, through the Finance Act, 2012, Parliament entrusted to the C&AG the review of compliance of the provisions of the Fiscal Responsibility and Budget Management Act, 2003 (FRBM). Fiscal responsibility has two sides – revenue and expenditure. Fiscal stability and fiscal consolidation can be achieved only by placing an equal stress on revenue and expenditure. On the revenue side, needless to say, tax policies are the prerogative of the Government; tax laws are the prerogative of Parliament. Given the tax policies and the tax laws, the Auditor should ask the question whether the Department of Revenue has, diligently and efficiently, collected the tax revenues due to Government. The Auditor should ask the question if there has been any laxity in tax administration. The Auditor should ask the question if any authority has waived or written off tax dues without proper justification. Likewise, on the expenditure side, the Auditor should look at the estimated expenditure and the actual expenditure and ask the question if there has been any wasteful expenditure or diversion of funds or falsification of accounts. Government looks to the Auditor's report to improve its systems and procedures so that, both on the revenue side and the expenditure side, Government is able to meet its budgeted targets.

One of the areas engaging the attention of the Ministry of Finance is the way forward in strengthening the financial reporting framework for the Government. Successive Finance Commissions have suggested a number of measures in this regard. The Government Accounting Standards Advisory Board (GASAB) has formulated and recommended the Indian Government Accounting Standards (IGAS) for cash system of accounting and Indian Government Financial Reporting Standards (IGFRS) for accrual system of accounting. The Government has notified three Indian Government Accounting Standards, namely, Disclosure Requirements; Accounting and Classification of Grant-in-aid; and Loans and Advances made by Governments. I am told that two other standards recommended by GASAB are under consideration for notification. The adoption of these standards will improve the overall standards of Government accounting and financial reporting which, in turn, will enhance the quality of decision-making and public accountability. I feel there is a need to strengthen this process so that we are at par with other countries in the matter of accounting standards.

The revision of the list of Major and Minor Heads of Account is also under consideration. The C&AG and the Ministry of Finance need to work together to ensure that the new chart under consideration adds value to the existing chart of accounts and is able to factor in the need for a modern financial reporting system. Besides, there are issues relating to

capacity which, unless resolved, will stall the roll out of the new reporting system. It is widely acknowledged that the benefits in terms of improvements in financial reporting for the Union and the States are enormous. It is my sincere hope that we would be able to put in place, as soon as possible, a modern financial reporting system.

In recent months issues relating to probity, ethics and integrity have occupied centre stage. That is necessary and correct. I would strongly endorse and support the increased awareness of such issues and urge everyone to join in an informed and healthy debate on such issues. There is a consensus that corruption impedes economic development, undermines stability and erodes trust in public institutions. The C&AG has played a key role in addressing issues of good governance and the Government is obliged to take necessary action to address gaps in governance. I visualise the role of the C&AG and the responsibility of Government as complementary to each other. I also believe that both the C&AG and the Government have the common objectives of infusing greater transparency, improving financial management and ensuring better outcomes.

Unfortunately, however, some dissonance has crept into the public discourse and, for reasons which are inexplicable, the C&AG and the Government have been cast as adversarial to each other. Perhaps, this is

because of the nature of the functions of the Government and of the C&AG. Policy making, sometimes, is through trial and error. Decisions are taken often without full information and in an environment of uncertainty. Audit is a post-decisional review. I believe that institutions and individuals are always in a learning process. The recent opinion of the Supreme Court has brought about a great degree of clarity. It is my intention and desire, as the Minister in-charge of Finance, to work with the C&AG and his colleagues to erase the impression of adversaries and restore trust and confidence in all institutions of Government.

I am confident that this Conference will provide a platform for exchange of ideas and strengthening of public audit practices. The issues of governance, macro economy, fiscal health and financial reporting, which I have touched upon, are closely interlinked. These should remain a part of the broader canvas of public auditors. I am confident that the C&AG, through his reports, will continue to provide independent and unbiased assurance on how well socio-economic objectives have been advanced, public purpose has been served and how further improvements can be effected.

I wish the 26th Conference of Accountants General all success.

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