

Preface

When the President of IPAI proposed my name to the Comptroller and Audit General of India for writing this Book, I told him that I would welcome the assignment but I want to do it with full freedom. He informed me later that the C&AG had approved his suggestion that I should write the proposed book. Soon thereafter, both of us met the C&AG sometime in July 2006. The C&AG made it clear that I would be my own conscience keeper and historian and that nobody would give any directions in the matter. He had only one word of caution that the history recorded by me should reflect an entirely objective narration of the developments during the period in question. This settled one point of principle.

I knew that recording the history would be a strenuous job. But there were two factors in my favour: one, the period covered in the history was witnessed by me very closely and, in fact, for some years covered in this history, I was a part of the top policy making team in the C&AG's office; second, I had a concept of recording history thematically to make it more readable and perhaps of more value to the readers. Happily, the C&AG was of the same view.

The real test was to start after this. I had, for reference the monumental work done by Shri R.K. Chandrasekharan, former Dy. C&AG of India whose four volumes on the history of C&AG brought out in early 1990 contained a wealth of data and information on the IA&AD which is unmatched by any other publication on the subject. Luckily, my task was comparatively easier since the time span covered in this history was only 18 years. And yet these 18 years were perhaps some of the most momentous years in the history of IA&AD as regards the wide ranging developments of very substantive nature that changed the shape of the Department in many ways. To recount these developments, I thought, would be a real challenge.

The idea of a theme-based recording of history has its own advantages as well as disadvantages. The main advantage is that any reader can get to know from the concerned chapters, all the details of the developments that took place in regard to the relevant subject covered in that chapter. The danger is that this may render the work a text book on IA&AD rather than a history. There is a very thin line dividing the two if one were writing this thematically. I realized this and have consciously made an effort that it remains a book of history and not a text book. The difference between the two lies in the fact that a volume of history records not only the developments (systems, procedures etc.) during the period in question but also, more importantly, the details, events and personalities that shaped these developments. History is vitally concerned with this factor.

This history is of C&AG and, by that, inevitably it is a history of the IA&AD, which is C&AG's arm to discharge his/her constitutional duties. IA&AD has a degree of functional and organizational independence unavailable to other government agencies. Furthermore, as the sole organization responsible for public auditing of both the Union and State Governments, it has a very wide reach across all ministries, departments, public sector undertakings, corporations and autonomous bodies and to a large body of grant-in-aid institutions. No other single government organization has this reach. And it is not only an auditing body, it has a unique role as accounts keeper which maintains the accounts of State Governments. State Government accounts may not match the Central Government accounts in volume of expenditure, but States which are the actual spender of most of the plan expenditure provide a bigger challenge in accounting. The quality of accounting is more an issue in State accounts rather than in Union which is mostly involved in bulk transfer of funds to States as far as developmental expenditure is concerned.

By a sheer coincidence, the period after 1990 marked a threshold in India's economic history also. The initial years of 1990s witnessed the most difficult times financially and for the economy of the country, that finally resulted in opening up the economy and shedding to a large extent the old burden of a socialist pattern of society. What was started those days by the then Prime Minister Narasimha Rao and Finance Minister Manmohan Singh is still continuing. It was befitting, therefore, though incidentally, that this volume begins from 1990 onwards.

Tracing the history of such a vast, multi-functional and multi-tasked organization, even for a comparatively brief period of 18 years, was not easy; more so because of the abiding reforms in the economic outlook and policies of the country, which in turn, impacted the organization and ethos of the public administration, necessitating consequential changes in the approach and the management of public audit as well. Therefore in many ways, the 18 years covered in this book were real extraordinary years. This was the period when maximum changes and developments happened in auditing systems and procedures, in emergence of new audits and in the development of Information Technology related audits that have redefined the whole audit process and system. The entire new generation of officers and staff in the IA&AD are now practically computer literate. This is in sharp contrast to the earlier periods (even 1990) when very few persons in the audit department knew the use and application of computers leave aside its application for IT Audit. This kind of change brought about by technological developments comes only once in many decades. The era also saw tremendous innovative and additional capital investments in the social and infrastructure sectors in tune with the increasing aspirations of people all over the country, and particularly, the evolution of the Panchayati Raj, which resulted in a sea change in two vital areas of public administration viz. local administration and expenditure management. With such great changes, Audit was quick to adjust to the new demands of a collaborative audit in Panchayati Raj Institutions and outcome oriented audit.

These years also saw new issues emerging in the functioning of audit department and in some cases repetition of old issues: how effectively these were tackled is brought out in this book. This book narrates another great saga that is still being written. This is about aligning the audit systems and practices in SAI India to international best practices prevailing in most advanced countries. In that sense, the IA&AD is now seriously trying to become at par with the most developed SAIs as far as auditing practices and systems are concerned. This is reflected in the new recognition which C&AG has acquired in the international arena. He is now a formidable member of INTOSAI and ASOSAI contributing to the development of auditing system and practices through these forums. He entered the international auditing in 1992 with the election to the UN Board of Auditors and even though he is no more the auditor for the UN, he continues to be auditor of many other allied UN organizations.

In one more way Indian Audit and Accounts Department looks much different than what it used to be earlier and this is in the literal sense. The audit/account offices across the country have now most modern and magnificent buildings which are well kept and well maintained. The modernization in the works procedures and offices has led to greater efficiency and better output. Some land mark buildings have come up which will be a pride for any organization. In short, the department now compares with the best in the country when it comes to infrastructure facilities and modern management techniques.

The period is marked by yet another great fact: there were some important institutions created and some were entirely revamped marking a big impact on the IA&AD's functioning and image.

While many things as pointed out above have changed during this period and yet some things have remained static and for good reasons: the Department continues with its old style belief in neutral stance, absence of any biases, working without fear or favour. The IA&AD on the strength of innovative techniques and moving out of the shackles of a predetermined system of extent and quantum of audit and replacing it by a flexible system based on more scientific analysis, has been able to render services more efficiently even with lesser manpower.

The period covered in this history corresponds to the terms of office of three Comptroller and Auditors General of India of recent times, namely, S/Shri C.G. Somiah, V.K. Shunglu, and V.N. Kaul. Fortunately, I had the opportunity of working closely with all of them; I also had their unreserved cooperation and encouragement in the preparation of this History. C&AG Somiah was also gracious to go through some draft chapters offering helpful suggestions, for which I am highly obliged. All the three Comptroller and Auditors General granted time for interview. I am thankful to them for this.

In compiling this volume, I basically had as the principal sources of information the official documents viz. files containing notes, orders and correspondence on various subjects I have covered in this book. This was supplemented by the material given by the various wings at Headquarters. I had, for reference, the two great publications on C&AG's History viz. by S/Shri M.S. Ramayyar and R.K. Chandrasekharan. Some first person experiences were also available in articles and books that proved very useful. My

interaction with the retired as well as serving officers in the department was also a great help.

The structure of this Book is designed in such a manner that the reader gets, from each thematic chapter, an idea of the developments that occurred relating to the relevant theme; Most of the chapters have a list of key-events depicting major events chronologically and, further, some relevant and important documents are reproduced relating to the chapter concerned. This will help the reader to have at one place all the relevant material concerning the chapter. The two appendices viz. Appendix 'A' and 'B' carry an account of impact of Audit on Policy, Law, Rule etc. by the Government and some key case studies from Audit Reports respectively during this period. In addition, some audit paras are discussed in the relevant chapters.

My thanks are due to several persons. First of all, to C&AG Shri V.N. Kaul for giving me this opportunity and honour to record the history of IA&AD, which I consider, is a great and wonderful institution, and which I am proud to have served for over three decades. I also thank the Institute of Public Auditors of India, which entrusted the task to me and provided all required support and assistance to complete my task. There are so many others whom I cannot possibly thank individually but I must mention a few without whose help it would have been very difficult to write this book. In the initial planning of this assignment, I had the benefit of the views of the DAIs and ADAIs at Headquarters in two interactive sessions with them. My thanks to them. I owe a special word of thanks to the DAI Shri C.V. Avadhani for giving personal attention in the closing stages of this project which greatly helped in the timely completion of this assignment. I also wish to mention about the help and support rendered by various Directors General/Principal Directors of the functional wings in the Headquarters office specially DG (Audit) and their supervisory staff in particular, who were helping us out on day to day basis with production of records and files and were always available for any clarification etc. To the field offices who responded to our questionnaire, I also owe a word of thanks. I owe special thanks to Ms Mamta Kundra, the then PD (Staff) in Headquarters who acted as the liaison officer for my work for her relentless persuasion with various officers to provide the requisitioned information to me. To my former colleagues in the IA&AS S/Shri B.M. Oza, T. Sethumadhavan and K. N. Khandelwal, I owe special thanks for not only giving me constant encouragement but also readily

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