

## **Duties & Powers**

The Comptroller and Auditor General of India derives his authority and functions mainly from the provisions of Articles 149 to 151 of the Constitution of India. Article 149 of the Constitution provides that the Comptroller and Auditor General of India shall exercise such powers and perform such duties 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. Parliament passed the necessary legislation, namely the Comptroller and Auditor General's [Duties, Powers and Conditions of Service (DPC)] Act in 1971. The Comptroller and Auditor General of India shall be appointed by the President by a warrant under his hand and seal and shall only be removed from office by an order of President passed after an address by each House of parliament supported by a majority of the total membership of that house and by a majority of not less than two-thirds of the members of that house present and voting has been presented to the President in the same session for such removal on the ground of proved or incapacity.

### **Role, Independence and Powers of the Comptroller & Auditor General:**

The duties entrusted to the Comptroller and Auditor General of India under the provisions of the above said Act fall broadly under two categories, namely those relating to (i) compilation and keeping of accounts and (ii) audit. By virtue of the provisions in sub-section (1) of section 18 of the Act, the Comptroller and Auditor General has, in connection with the performance of his duties under the Act, the authority:

- (i) to inspect any office of accounts under the control of the Union or of a State, including treasuries and such offices responsible for the keeping of initial and subsidiary accounts, and submit accounts to him;
- (ii) to require that any accounts, books, paper and other documents which deal with or form the basis of or are otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may appoint for his inspection; and
- (iii) to pose such questions or make such observations as he may consider necessary to the person in charge of the office and to call for such information as he may require for the preparation of any account or report which it is his duty to prepare.

Sub-section (2) of section 18 requires the person in charge of the office or department, the accounts of which are to be inspected and audited by the Comptroller and Auditor General, to afford all facilities for such inspection and to comply with requests for information in as complete a form as possible and with all reasonable expedition.

### **General Provisions Relating to Audit**

The provisions relating to audit are embodied in Sections 13 to 21, 23 and 24 of the Act. Section 13 of the Act enjoins on the Comptroller and Auditor General the duty to audit all expenditure from the Consolidated Fund of India, of each State and each Union Territory having a Legislative Assembly. The audit of expenditure is comprehensive and includes:

- (i) audit against provisions of funds;
- (ii) regularity audit;

- (iii) propriety audit;
- (iv) efficiency-cum-performance or value for money audit; and
- (v) systems audit.

The completeness and accuracy of accounts is examined in audit to verify that there is proper voucher or proof of payment. Audit against provision of funds is aimed at ascertaining whether the moneys shown in the accounts as having been disbursed, were legally available for and applicable to the service or purpose to which they had been applied or charged. The objective of regularity audit is to see whether the expenditure conforms to the authority, which governs it. Propriety audit is directed towards examining the propriety of executive action beyond the formality of expenditure to its wisdom, faithfulness and economy, and bringing to notice cases of waste, losses and extravagant expenditure. Efficiency-cum-performance or value for money audit is a comprehensive appraisal of the progress and efficiency of the execution of development and other programs and schemes wherein an assessment is made as to whether these are executed economically and whether they are producing the results expected of them. In systems audit, organization and systems governing authorization, recording, accounting and internal controls are analyzed and performance evaluated with reference to standards of quality. All the methods of audit of expenditure could be used in the audit of transactions performed in the Commercial Undertakings.

### **General Principles and Practices**

This topic deals with the general principles and practices to be observed in regard to audit of expenditure, receipts, stores and stock, commercial accounts, non-commercial autonomous bodies and non-Government

institutions. It is of considerable importance that the audit checks prescribed should be observed in spirit and not merely in the letter. While these directions are primarily intended to be applied in relation to the accounts of the Union, of the States or of the Union territories they apply mutatis mutandis to the accounts of other authorities, the audit of which is undertaken by or on behalf of the Comptroller and Auditor General.

### **Right of Access to Information**

In the course of scrutiny of accounts and transactions of Government, Audit is entitled to make such queries and observations and to call for all records, statements, returns and explanations as it may consider relevant and necessary in the interest of proper discharge of its duties. All such queries and observations shall be couched in courteous and impersonal language.

Under Sub-section (2) of Section 18 of the Act, it is the statutory obligation of the person in-charge of the office or the department, the accounts of which are to be inspected/audited by the functionaries of the Comptroller and Auditor General, to afford all facilities for the inspection/audit and comply with requests for information in as complete a form as possible and with all reasonable expedition. In the eventuality of non-production of vital records, the audit should be called off and the matter should be reported by the Principal Director of Commercial Audit to the Secretary in the Ministry/Department or to the Chairman & Managing Director of the Company, as the case may be.

In case the problem is not resolved even after this is brought to the notice of the Chief Executive concerned, an omnibus draft paragraph on all such problems that arise during the year should be considered for inclusion in the Audit Report for bringing to the notice of the Legislature through the Public

Accounts Committee or the Committee on Public Undertakings the failure of the executives to discharge their statutory obligations.

## **Audit of Commercial Accounts**

### **Audit Objectives**

The fundamental objectives of audit of accounts of companies/corporations are to ascertain whether the Financial Statements:

- (i) present a true and fair view of the entity's financial position;
- (ii) are prepared in accordance with the InAS Standards and Companies Act, 2013 and laws, if any, governing the entities;
- (iii) are presented with due consideration to the circumstances of the audited entity;
- (iv) contain sufficient disclosures about their various elements, including any unusual items; and
- (v) various elements thereof are properly evaluated, measured and presented.

The detailed audit of accounts of Government Companies and deemed Government Companies is conducted by statutory auditors appointed under the Companies Act by the Comptroller & Auditor General. He can also issue directions to the statutory auditors for conduct of audit, authorized their reports

### **Audit Mandate**

Public Sector Undertakings which function on commercial lines and whose commercial accounts come under the audit of the Comptroller & Auditor General can be broadly grouped into the following four categories:

- (i) Government companies, i.e. companies in which the Central and/or State Governments own not less than 51 per cent of the paid-up share capital.
- (ii) Deemed Government companies under the Companies Act, 2013.
- (iii) Statutory bodies wholly or mainly financed by Government and set up under Acts of Parliament and/or State or Union Territory Legislature; and
- (iv) Concerns, i.e. Government commercial and quasi-commercial departmental undertakings, that are managed departmentally

### **Government Companies**

Government companies are governed by the Companies Act, 2013, and by all legislations applicable to limited liability companies in general. Under Section 19(1) of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, audit of the accounts of Government companies is to be conducted by the Comptroller & Auditor General in accordance with the provisions of the Companies Act, 2013. As per the Companies Act 2013, "Government company means any company in which not less than 51 percent of the paid up share capital is held by the Central Government, or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary of a Government company."

As per the Companies Act, an annual report on the working and affairs of a Government Company is required to be prepared within three months of the holding of the Annual General Meeting and laid, as soon as possible thereafter, before the appropriate legislature together with a copy of the statutory auditors' report and any comment upon or supplement to that report made by the Comptroller & Auditor General.

### **Deemed Government Companies**

As per the Companies Act 2013 companies in which not less than 51 per cent of the paid up share capital is held by one or more of the following or any combination thereof.

- (a) The Central Government and one or more Government Companies
- (b) Any State Government or Governments and one or more Government Companies
- (c) The Central Government, one or more State Governments and one or more Government Companies
- (d) The Central Government and one or more Corporations owned or controlled by the Central Government
- (e) The Central Government, one or more State Governments and one or more Corporations owned or controlled by the Central Government
- (f) One or more Corporations owned or controlled by the Central Government or the State Government
- (g) More than one Government Company

## **Statutory Bodies**

The Statutory Corporations, Boards, etc. are governed by the respective Acts of Parliament/State or Union Territory Legislature, which contain detailed provisions in regard to their scope and function, etc. Specific provisions are usually made in the governing Act for Parliamentary control over certain aspects like budgeting and audit and presentation of annual report to the Parliament/State or Union Territory Legislature on the overall functioning of the concern.

By virtue of the provisions of Section 19(2) of the Comptroller and Auditor General of India's DPC Act, 1971, audit of the accounts of Corporations established by or under law made by Parliament is to be conducted by the Comptroller & Auditor General in accordance with the provisions of the respective legislation.

## **Departmental Undertakings**

Departmentally managed concerns are directly under a ministry or department of Government and are subject to Government rules and procedures, sometimes with minor modifications.

## **Audit of Government Companies**

Duties and responsibilities of the Comptroller & Auditor General in relation to the audit of Government Companies are as follows:

## **Issue of Directions to Statutory Auditors**

Statutory Auditors have to function within the parameters of the Companies Act, 2013. Their primary responsibility is to examine, certify and report

whether the Profit and Loss Account and the Balance Sheet disclose a true and fair view of the company's working and financial position. They are required to see that the management has complied with various provisions of the Companies Act and the generally accepted Accounting Principles and Accounting Standards as well as the guidelines issued by the Institute of Chartered Accounts of India.

The Comptroller & Auditor General issues directions to the statutory auditors for conduct of audit under Section 143(5) of the Companies Act, 2013. In addition, sub-directions are issued to the statutory auditors by the respective Principal Directors of Commercial Audit and Accountants General. It should be ensured that the areas of weaknesses and those requiring special attention are identified and brought to the notice of the statutory auditors before they take up the audit. Statutory Auditors have to furnish their compliance report on these directions/sub-directions issued by the Comptroller and Auditor General of India along with Auditors' Report on the accounts.

### **Supplementary or Test Audit by the Comptroller & Auditor General.**

Comptroller and Auditor General of India has the right to comment upon or supplement the audit report of the Statutory auditors in such manner as he may think fit under Section 143(6)(b) of the Companies Act 2013. The supplementary or test audit, conducted by the Comptroller and Auditor General on the audit report of the Statutory Auditors broadly covers the following four aspects:

- Verification of the technical accuracy of the accounting records, books of account and financial results with reference to the Accounting Standards;

- Detection or prevention of misstatements in and window dressing of the financial statements;
- Whether mention of any important defects or irregularities has been omitted, and;
- That the report does not reveal any important point that would need to be further investigated.
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### **Audit of Deemed Government Companies**

The statutory provisions relating to audit of government companies and the related instructions of the Comptroller & Auditor General in regard to audit by his representatives and scrutiny of the statutory auditors' reports are also applicable to the deemed government companies.

However, the provisions relating to presentation of annual reports before the appropriate Legislature under the Companies Act are not applicable to them.

### **Audit of Statutory Corporations**

A number of statutory corporations have been set up by special acts of the legislature. The provisions relating to their audit differ from one corporation to another. In some cases, the Comptroller and Auditor General have been given the statutory responsibility for audit whereas in others, Chartered Accountants are solely responsible for audit. An auditor of a statutory corporation should familiarize himself with the provisions of the special act governing the particular corporation and conduct his audit accordingly. The powers and

duties of auditors of most of the Corporations are similar to those of Company Auditors.

The Accountants General/Principal Directors of Audit are required to issue Separate Audit Reports (SARs) in respect of Statutory Corporations for which Comptroller and Auditor General is the sole Auditor. The Report should contain comments on the accounts as well as on their review, which should indicate the operations performance as well as the working results.

### **Submission of Reports to Parliament/Legislature**

Under Section 143(6)(a) of the Companies Act, 2013, supplementary audit is conducted by C&AG office and comments issued under 143(6) (b) are laid before Parliament or the State/Union Territory Legislature, as the case may be, along with the annual report on the working and affairs of the company.

### **Audit Reports**

Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by the C&AG under the provisions of Section 19-A, of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The Annual reports on the accounts of the Central Government Companies and Corporations are issued by the C&AG of India to the Government.