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WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal provided dedicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

THE COMPTROLLER AND AUDITOR GENERAL: AN APPRAISAL

AUTHORED BY - ANISHKA GUPTA & GAURI SHARMA

Students

Dr. B.R. Ambedkar National Law University, Sonapat, Haryana

INTRODUCTION

Dr. B.R. Ambedkar opined that the Comptroller and Auditor General (hereinafter referred as CAG) is the most important officer in the Constitution of India, for the CAG was to see that the expenses voted by Parliament are not exceeded. He expressed that the CAG ought to have far greater independence than the judiciary itself.¹

In our Parliamentary democracy, there exists a system of checks and balances and the executive is accountable to the legislature. Thus, it is necessary for the representatives of people (legislature) to examine critically the soundness of financial transactions of the executive in order to ensure accountability, efficiency and transparency.² For fulfilling this objective, the Constitution of India establishes an independent organisation called CAG under Article 148 who places his reports before the legislature for its consideration. He is appointed by the President of India and serves a term of six years or up to the age of 65 years whichever is earlier.

The CAG is the watchdog of finances of India. It is the CAG, who ensures that the Union or the State Governments do not spend any amount from the Consolidated Fund without proper legal sanctions. He performs essentially an administrative function and ensures that all the revenues and finances are utilised in accordance with the provisions of the Constitution.³

CAG has played a crucial role in exposing several significant scams including the 2G Spectrum scam (2008) with an estimated loss of ₹1.76 lakh crore, the Coalgate scandal (2004-2009)

¹ Constituent Assembly Debates on May 30, 1949 available at: https://www.constitutionofindia.net/constitution_assembly_debates (last visited on June 3, 2025).

² Jeevan Kumar, "Audit and Accountability in Indian Administration" 62 *The Indian Journal of Political Science* 75-89 (2001).

³ V.N. Shukla, *Constitution of India* 527 (Eastern Book Company, Lucknow, 14th edn., 2022).

involving irregular coal block allocations worth ₹1.86 lakh crore, the 2010 Commonwealth Games financial mismanagement of ₹70,000 crore, and the AgustaWestland VVIP helicopter deal (2013) worth ₹3,600 crore. These investigations led to significant policy reforms, legal actions, and strengthened public accountability measures. This project entails an in-depth appraisal of the institution of CAG.

RESEARCH QUESTIONS

1. How has CAG evolved from colonial times to the present?
2. How does the CAG contribute to maintaining financial accountability through its powers and duties as outlined in the Constitution and the CAG's Act of 1971?
3. Whether Performance Audits fall under the scope of CAG's powers and whether CAG can invalidate constitutional mandate?
4. What are the limitations of the CAG's powers?
5. What reforms are necessary to enhance effectiveness of CAG?

HYPOTHESIS

CAG, is the constitutional guardian of public finances and significantly enhances accountability and transparency in governance. However, the institution faces certain limitations. Strengthening the CAG's independence will enhance its effectiveness in addressing financial irregularities and safeguarding democratic principles.

RESEARCH METHODOLOGY

In this project, Doctrinal Research Methodology, also known as "black letter" methodology has been applied as Primary Legal Sources such as the Constitution of India and The Comptroller and Auditor General's (Duties, Powers, and Conditions of Service) Act, 1971(hereinafter referred as DPC Act) have been examined to identify the specific powers, duties, and functions of the CAG as outlined in the legal framework. Further, certain case laws have been discussed to assess how courts have shaped the understanding of the CAG's powers.

CHAPTER-1 HISTORICAL EVOLUTION OF COMPTROLLER AND AUDITOR GENERAL OF INDIA

The CAG and the Indian Audit and Accounts Department evolved from colonial-era financial systems established by the British East India Company in the mid-18th century. Initially, three

presidencies of Calcutta, Bombay, and Madras functioned independently of each other and reported directly and separately to the Board of Directors in England. The Charter Acts of 1813 and 1833, transformed the Company into an administrative body. A significant shift occurred in 1857 when Lord Canning established a centralized General Department of Accounts, followed by the appointment of Sir Edmund Drummond as the first Auditor General in 1860. The role was redesignated as Comptroller and Auditor General in 1884. In the twentieth century its scope expanded to include revenue and railway audits. The position gained statutory recognition through the Montagu-Chelmsford Reforms of 1919, which also established the Public Accounts Committee. The Government of India Act 1935 further strengthened the Auditor General's independence by ensuring security of tenure and financial autonomy. Following independence, the CAG was elevated to constitutional status, with V. Narahari Rao becoming the first Indian Auditor General of independent India in 1948⁴.

CHAPTER-2 ROLE AND FUNCTIONING

The functions of the CAG are outlined in Articles 149 to 151 of the Constitution. Article 149 mandates the CAG to oversee the accounts of the Union, States, and other authorities as prescribed by law. To formalize these provisions, Parliament passed the Comptroller and Auditor General's (Duties, Powers, and Conditions of Service) Act, effective from December 15, 1971, with amendments in 1976, 1984, and 1987.

The Act defines the CAG's responsibilities in two key areas: (i) compiling and maintaining accounts and (ii) auditing.

A. THE POWERS AND DUTIES OF CAG WITH RESPECT TO COMPILING ACCOUNTS

1. Responsibilities of the CAG in compiling and maintaining the accounts of the Union and the States are as under-

- a) **Compilation of Accounts:** The CAG is entrusted with compiling the accounts of the Union and the States based on the initial and subsidiary accounts submitted by relevant departments, treasuries, and offices under his control.

⁴ History of the Institution, available at: <https://www.calm.cag.gov.in/history#:~:text=Narahari%20Rao%2C%20who%20served%20as,the%20Indian%20Constitution%20in%201950>. (last visited on June 3, 2025).

- b) **Maintenance of Necessary Accounts:** In connection with this responsibility, the CAG also keeps accounts necessary to support its compilation duties effectively.⁵
2. **The CAG is responsible for preparing and submitting financial accounts to the President, Governors, or Administrators of Union Territories with Legislative Assemblies.**
- a) **Preparation of Annual Accounts:** Accounts are derived from records compiled either by the CAG's own office or by the government or other designated individuals responsible for maintaining such records. The prepared accounts include appropriation accounts which provide a summary of annual receipts and disbursements under specific budgetary heads.
- b) **Submission of Accounts:** After completion, the CAG submits the annual accounts to the President for Union and Union Territory accounts, to the Governor for State accounts, and to the Administrator for Union Territories with Legislative Assemblies.⁶
3. **Duty to Provide Information and Assistance**
- a) **Providing Information:** The CAG must furnish financial information pertaining to the accounts as requested by: The Union Government, State Governments or Union Territory Governments with Legislative Assemblies.
- b) **Rendering Assistance:** The CAG is also obligated to assist in preparing annual financial statements upon reasonable requests made by these governments.⁷

4 . Power to Make Rules for Accounts

CAG has the authority to issue rules, through a notification in the Official Gazette, for implementing the provisions of the DPC Act related to the maintenance of accounts, in accordance with the prescribed procedure.⁸

B. THE POWERS AND DUTIES OF CAG WITH RESPECT TO AUDIT

General Provisions for Audit are contained in Sections 13–21, 23, 24. The Act vests the CAG with comprehensive powers to audit government finances. The scope of these audits include:

- **Audit against Provisions of Funds:** Verifying whether expenditures align with the budgeted allocations and are legally justified.

⁵ Comptroller and Auditor General's (Duties, Powers, and Conditions of Service) Act, 1971 (Act 56 of 1971), s. 10.

⁶ Supra note 5, s. 11.

⁷ Supra note 5, s. 12.

⁸ Supra note 5, s. 22.

- **Regularity Audit:** Ensuring that expenditures conform to established rules and authorizations.
- **Propriety Audit:** Examining the wisdom and economy of expenditures, highlighting waste or extravagance.
- **Efficiency and Performance Audits:** Evaluating whether government programs and schemes are implemented effectively and yield expected results.
- **Systems Audit:** Reviewing organizational systems and internal controls for authorization, recording, and accounting.

1. General Provisions Relating to Audit and Key Duties of CAG are as under-

- a) **Audit of Expenditure from the Consolidated Funds:** The CAG must audit all expenditures made from the Consolidated Fund of India, State Consolidated Funds, and those of Union Territories with Legislative Assemblies.
- b) **Audit of Contingency Funds and Public Accounts:** The CAG is tasked with auditing transactions related to Contingency Funds (Emergency or unforeseen expenditures) and Public Accounts (Funds such as savings, deposits, and other liabilities maintained by the government).
- c) **Audit of Departmental Accounts:** The CAG audits trading and manufacturing accounts, Profit and loss accounts and balance sheets and any other subsidiary accounts maintained by Union or State departments.
- d) **Reporting:** The CAG must prepare reports on the audited expenditures, transactions, and accounts, providing an authoritative assessment of financial compliance and efficiency.⁹

2. Audit of Receipts and Expenditure of Substantially Financed Bodies-

- a) The CAG is mandated to audit all receipts and expenditures of any body or authority that is substantially financed by grants or loans from the Consolidated Fund of India, a State, or a Union Territory with a Legislative Assembly.
- b) Under certain conditions, with the previous approval of the President, the CAG may audit receipts and expenditures of anybody or authority, regardless of whether it meets the "substantially financed" criteria. The criteria is that the grant to the body or authority is from Consolidated Fund and is at least one crore.¹⁰

3. Functions of CAG in the Case of Grants or Loans Given to Other Authorities or Bodies

⁹ Supra note 5, s. 13.

¹⁰ Supra note 5, s. 14.

- a) **Scrutiny of Procedures for Grants or Loans:** The CAG is tasked with scrutinizing the procedures used by the sanctioning authorities to ensure that the conditions for granting loans or grants are met. This includes ensuring that the funds are used for the specific purposes for which they were granted.
- b) **Right of Access to Accounts:** The CAG has the right to access the books and accounts of the bodies or authorities receiving these funds, but must give reasonable prior notice before doing so.¹¹

4. Audit of Receipts of the Union or of States

- a) **Auditing Receipts:** The CAG is responsible for auditing all receipts that are payable into the Consolidated Fund of India, each State, and each Union Territory with a Legislative Assembly.
- b) **Examination of Rules and Procedures:** The CAG must ensure that the rules and procedures for the assessment, collection, and allocation of revenue are effectively designed to secure a proper and effective check on these processes. This includes verifying that revenue is collected and allocated in a transparent, accurate, and lawful manner.
- c) **Right to Conduct Examinations and Reporting:** The CAG has the authority to conduct an examination of the accounts related to these receipts, as deemed necessary. After conducting this examination, the CAG is required to make a report on the findings, ensuring that the collection and allocation of revenue conform to established rules and procedures.¹²

5. Audit of Accounts of Stores and Stock

- a) **Authority Over Stores and Stock Accounts:** The CAG can examine the records and accounts related to the stores and stock maintained by government departments at both the Union and State levels. This includes any materials, goods, and supplies held by these departments.
- b) **Audit and Reporting:** The CAG must audit the accounts to ensure that the stores and stock are properly accounted for, and report any discrepancies, mismanagement, or irregularities discovered during the audit.¹³

6. Powers of CAG in Connection with the Audit of Accounts

¹¹ Supra note 5, s. 15.

¹² Supra note 5, s. 16.

¹³ Supra note 5, s. 17.

- a) **Authority to Inspect and Require Documents:** The CAG has the authority to inspect any office of accounts under the Union or State, including treasuries and offices maintaining initial or subsidiary accounts, which must submit their records for review. The CAG can demand the submission of accounts, books, papers, or documents related to financial transactions and designate a location for their inspection. Furthermore, the CAG may pose questions, make observations, and request information from responsible officials to ensure thorough scrutiny and facilitate the preparation of audit reports or accounts.
- b) **Right to command Cooperation:** The person in charge of any office or department that is being audited by the CAG is obligated to provide all necessary cooperation.¹⁴

7. Audit and reporting of Government companies and corporations

The CAG is responsible for auditing the accounts of government companies and statutory corporations. These audits:

- Adhere to the Companies Act for government companies.
- Follow specific laws for corporations established by Parliament.

For government companies, the CAG exercises powers conferred by the Companies Act, 2013, ensuring compliance with corporate governance and financial reporting standards. In the case of corporations established by Parliamentary law, the CAG is responsible for submitting audit reports to the President or the Governor.¹⁵

8. Audit of Accounts of Certain Authorities or Bodies

- a) **Request for Audit by the President, Governor, or Administrator:** In cases where the audit of a body or authority's accounts has not been assigned to the CAG by any law made by Parliament, the CAG can still be tasked with this responsibility if a request is made by the President, Governor of a State, or Administrator of a Union Territory with a Legislative Assembly after due consultation with CAG.
- b) **Proactive Proposal by the CAG:** In addition to responding to requests, the CAG has the authority to propose to the President, Governor, or Administrator that he should undertake the audit of a body or authority's accounts, even if this audit has not been assigned to him by law. The CAG can suggest this if he believes that such an audit is essential, particularly when a substantial amount of government funds (from the

¹⁴ Supra note 5, s. 18.

¹⁵ Supra note 5, s. 19.

Central, State, or Union Territory government) have been invested in or loaned to that body or authority.¹⁶

9. Delegation of Powers of the CAG

1. **Power of Delegation:** The CAG has the authority to delegate any of his powers through a general or special order to officers within his department to streamline operations and ensure that the audit functions are carried out efficiently, especially in large or complex audits.

2. **CAG has the final responsibility:** No officer may be authorized to submit reports to the President, Governor of a State, or Administrator of a Union Territory unless the CAG is absent due to leave or other reasons. This restriction ensures that the final responsibility for high-level reports remains with the CAG, maintaining the integrity and accountability of the office.¹⁷

10. Power to Make Regulations:

The CAG is empowered to make regulations to implement the provisions of the CAG's Act. Specifically, the regulations focus on establishing general principles of government accounting and the broad principles for auditing receipts and expenditures. This ensures that the audits are consistent, transparent, and adhere to a standardized methodology across government accounts.¹⁸

11. Power to Dispense with Detailed Audit:

The CAG is also authorized to dispense with detailed audits of accounts or transactions when deemed necessary due to specific circumstances. Instead of a full audit, the CAG can opt for a limited check for particular accounts or transactions, based on his judgment of the situation. This provision allows the CAG to be flexible in his audit approach, reducing the burden of exhaustive checks where circumstances do not demand it, while still maintaining the integrity of the auditing process.¹⁹

CHAPTER-3 CASE COMMENTS

1. *Comptroller and Auditor General v. Kamlesh Vadilal Mehta*²⁰: CAG Subject to Constitutional Mandate

In the above case, the Supreme Court propounded that the decisions of CAG must align with Constitutional mandate and must not be arbitrary.

In May, 1981, the CAG invited applications from the firms of the Chartered Accountants for

¹⁶ Supra note 5, s. 20.

¹⁷ Supra note 5, s. 21.

¹⁸ Supra note 5, s. 23.

¹⁹ Supra note 5, s. 24.

²⁰ *Comptroller and Auditor General v. Kamlesh Vadilal Mehta*, (2003) 2 SCC 349

empanelment of CA firms to audit of Government companies. Only the partnership firms of the Chartered Accountants were eligible for enrolment and the proprietary firms were made ineligible except in certain states (e.g., Orissa, J&K, Assam, Manipur, Meghalaya, Nagaland, Tripura).

The Respondent who was the sole proprietor CA from Ahmedabad filed a writ petition under Article 226 before High Court of Gujarat and the learned Single Judge allowed the writ petition on the ground that the policy was unreasonable and that such sub-classification had no real nexus with the objects sought to be achieved.

The CAG then appealed before the Supreme Court and contended that his decision to invite the applications exclusively from partnership firms was a matter of policy and, therefore, beyond the pale of review by Supreme Court. It was also contended that Partnership firms are inherently more efficient and reliable for audits due to continuity of work and greater ability to meet deadlines and manage workloads. Furthermore, it was argued that partnership firm of the Chartered Accountants was a class in itself and a valid classification for the purposes of article 14 of the Constitution.

The Supreme court held that “there is difference between framing of a policy which is an administrative function and an exercise of statutory functions.” The court held that CAG's power of empanelment of CA firms for auditing public sector undertakings (PSUs) was a statutory function derived from the Companies Act, not merely a matter of administrative policy. Further held that CAG is not free to act untrammelled and unreasonably as his functions are statutorily assigned under the Companies Act. It was observed that there appeared no valid reason as to why a sub-classification from the general class of eligible Chartered Accountants was created as when a person is qualified and experienced there are no sufficient reasons to explain that he could be discriminated against only for the reason that he has chosen to act alone in the professional career and has not been able to form a partnership firm. The Supreme Court also observed that the same was not backed by any reason as to why proprietary firms were eligible in the aforesaid states while not in others.

This appeal was dismissed and the decision of Gujarat High Court was upheld. The Supreme Court upheld the Principle of Anti-Arbitrariness in administrative actions and held that even the policies of CAG is subject to Judicial Control if they do not conform to constitutional standards.

2. *Arvind Gupta Vs. Union of India (UOI) and Ors*²¹: Upholding Validity of Performance Audits

Performance Audits have significantly expanded the scope of traditional statutory audit which merely verified arithmetic accuracy. While statutory audits only confirm if allocated funds were spent as budgeted and followed proper procedures, Performance Audits evaluate the effectiveness and efficiency of government spending. For instance, in a road construction project, statutory audit would only verify if the allocated Rs. 10 crores was spent correctly, while Performance Audit would assess whether the road was built cost-effectively and achieved its intended social benefits like improved access to essential services. This is particularly crucial in India as Performance Audits help to ensure optimum utilization of public funds by identifying inefficiencies, corruption, and underperformance in government schemes. In November 2007, Regulations on Audit and Accounts were issued by CAG which provided that Audit ‘includes performance audit or any other type of audit determined by the Comptroller and Auditor General of India’ under Section 23 of the DPC Act which confers the power of determining the scope and extent of the audit upon the Comptroller and Auditor General. Hence, challenging this, a PIL was filed before the Supreme Court in order to seek a declaration that the CAG has no power to conduct performance audits of schemes and policies of Government of India.

The Petitioner argued that Performance Audits violated the Constitution since they gave authority to CAG to examine or evaluate a government program or policy, which was beyond the scope of Article 149 of the Constitution. Further argued that the Performance Audits violated principles of separation of powers as by conducting a performance audit, the CAG was, in fact, conducting a review of policy decision taken by the government and even the judiciary is not permitted to conduct a review of the policy decisions of the government.

The Supreme Court clarified that CAG's authority stems from Article 149 of the Constitution and is further detailed in the DPC Act. The Court emphasized that the power to examine the economy, efficiency, and effectiveness of government resource utilization is inherent in the 1971 Act. Additionally, CAG's performance audit reports undergo parliamentary or state legislative scrutiny as per Article 151, requiring the President or respective Governors to present these reports before the legislative bodies. This framework ensures comprehensive financial oversight and accountability in public administration.

Justice Lodha stated that “CAG is not a *munim* [accountant] to go into the balance-sheets. The

²¹ *Arvind Gupta v. Union of India*, (2013) 1 SCC 393

CAG is a constitutional authority entitled to review and conduct performance audit on revenue allocations relating to the Centre, the States and the Union Territories and examine matters relating to the economy and how the government uses its resources.”²² Thus, the regulations were found to be devoid of any unconstitutionality and the petition was dismissed. This caselaw is a testimony to the fact that CAG is not a mere-book keeping institution, rather it plays an important role in the democracy.

CHAPTER-4 LIMITATIONS OF CAG

- 1. Post-Facto Role-** The CAG plays a critical role in auditing public finances but operates primarily in a post-facto capacity. This means that the CAG reviews expenditures only after they have been incurred. This limitation undermines the CAG's potential as a proactive watchdog of financial accountability. In the case of *Shri S. Subramaniam Balaji v. Government of Tamil Nadu*²³, it was held by the Supreme Court that the CAG office can only effectively oversee government accounts and spending on government schemes only after they have been put into action. On the contrary in the United Kingdom, no money can be spent from the public treasury without the approval Parliament and the Comptroller and Auditor General is tasked with ensuring the same, thus ensuring more accountability.
- 2. Fear of Biased Appointments-** The appointment process for the CAG lacks transparency and accountability. In the present scenario, firstly names are shortlisted by the cabinet secretary, which are the confirmed by the finance minister, and then presented to the prime minister, who recommends a candidate to the president²⁴. In January 2024, the Supreme Court of India sought response from Ministry of Law and Justice and Ministry of Finance as a Public Interest Litigation has challenged the appointment of CAG on the ground of non-independence and non-transparency.²⁵ The main grounds of contention are that the executive branch holds sole discretion in appointing the CAG without any prescribed procedure. There are no publicly available

²² “Don’t Undermine Office of CAG, Says Supreme Court”, *The Hindu*, Nov. 17, 2021, available at: <https://www.thehindu.com/news/national/Don%E2%80%99t-undermine-office-of-CAG-says-Supreme-Court/article12541316.ece> (last visited on June 03, 2025).

²³ *Shri S. Subramaniam Balaji v. Government of Tamil Nadu*, (2013) 9 SCC 659

²⁴ Anupam Kulshreshtha, “India Needs a Free and Fair CAG Appointment Process”, *Hindustan Times*, Mar. 23, 2023, available at: <https://www.hindustantimes.com/opinion/india-needs-a-free-and-fair-cag-appointment-process-101679582980525.html> (last visited on June 3, 2025).

²⁵ Ashish Tripathi, “SC Seeks Centre's Response on PIL Alleging CAG Appointment Not Fair & Transparent”, *Deccan Herald*, Jan. 25, 2024, available at: <https://www.deccanherald.com/india/sc-seeks-centres-response-on-pil-alleging-cag-appointment-not-fair-transparent-2865233> (last visited on June 3, 2025).

criteria or procedures for selection and the appointment is done without consulting state governments, undermining the principles of federalism. The appointment of former bureaucrats, such as secretaries or administrators, to the position often leads to conflicts of interest, as it may compromise the institution's perceived independence. There exists doubts that the CAG being directly appointed by the Executive, will always be in a state of obligation or feel indebted to the one who appointed him.

- 4. Practical Challenges in Auditing-** Government officials often delay providing essential documents.²⁶ In some cases, records are withheld until the conclusion of the audit program, obstructing meaningful examinations.
- 5. Constraints in Auditing Certain Expenditures-** Certain categories of government expenditure, such as Secret Service expenditures, are beyond the full purview of the CAG's audit.²⁷ In such cases, the CAG cannot demand detailed particulars of the expenses incurred by executive agencies. Instead, it must accept a certificate from the competent administrative authority as sufficient proof. This lack of access to details restricts transparency and weakens oversight over potentially sensitive areas of government spending.
- 6. Centralised Approach and Heavy Workload on CAG²⁸-** The CAG of India has a broader and more demanding mandate compared to its counterparts in countries like the U.S. or Australia. In India, the CAG is responsible for auditing the accounts of both Central and State Governments, as well as public sector undertakings (PSUs). In contrast, other federal systems typically have separate state-level auditors, and the central auditor (e.g., the U.S. Government Accountability Office or Canada's Auditor General) focuses only on federal-level accounts.
- 7. Lack of Specialized Expertise-** The CAG and the Indian Audit and Accounts Service (IAAS) lack specialized expertise in certain economic and industrial domains. For instance, the auditing of natural resources like coal and energy resources requires sector-specific knowledge, which is often missing. This is a standard in many democratic countries. In India, however, the position is often filled by generalist

²⁶ Chapter-III Financial Reporting, Audit Report 2020, available at: https://cag.gov.in/uploads/download_audit_report/2020/7%20CHAPTER_III-060ddae5385fde8.60296530.pdf (last visited on June 3, 2025).

²⁷ V. KURIAN, Accountant General (C&CA), Kerala, "Manual of Central Audit Vol. I- Departmental Audit" 36 (2010), available at: https://cag.gov.in/uploads/office_mannual/1-Manual-of-Central-Audit-Vol-I-Departmental-Audit-05ff58fb0c89068-85117763.pdf, (last visited on June 3, 2025)

²⁸ K.P. Joseph, "CAG: Watchdog or Lapdog" 33 *Economic and Political Weekly* 568-570 (1998), available at <https://www.jstor.org/stable/4406515> (last visited on June 3, 2025)

administrators, leading to a credibility gap as compared to counterpart nations. This limitation reduces the effectiveness of CAG audits in addressing complex economic and resource-related issues.²⁹

8. **Limited Public Awareness-** Historically, CAG reports have not received the level of attention they deserve, with many remaining largely unknown and not all being discussed in Parliament. For the CAG to function effectively as a cornerstone of accountability, it is essential that its reports gain broader public visibility and prompt wider discussion. Citizens have a right to be informed about these findings.³⁰

CHAPTER-5 REFORMS AND RECOMMENDATIONS

1. **Transparency in Appointment Procedure-** Anupam Kulshreshtha, (former Deputy CAG) in his article suggests that just like free and fair elections, free and fair audit system is also backbone of democracy. He proposes reforming the CAG appointment process to mirror the Supreme Court's recommendation in *Anoop Baranwal v Union of India*³¹ for selecting the Chief Election Commissioner. Thus, CAG can also be appointed by a committee consisting of Prime Minister (PM), Leader of the Opposition (LoP) in the Lok Sabha, and the Chief Justice of India (CJI).³² In the International context, there are provisions to ensure the fair appointment of CAG. For example, in UK, the CAG is jointly selected by the Prime Minister and Chairman of Committee of Public Accounts and is also ratified by the House of Commons.³³
2. **Broadened Audit Mandate-**Certain expenditures, such as secret service funds, remain outside the full purview of the CAG. Expanding its mandate to include these areas while maintaining national security protocols is crucial.
3. **Enhanced Parliamentary Oversight-**Many audit reports prepared by the CAG are delayed or not adequately discussed in Parliament. To address this, a mandatory timeline should be established for presenting and debating audit reports in Parliament or state legislatures.

²⁹ Parimal Brahma, "CAG Reforms-II", *The Statesman*, Dec. 21, 2022, available at: <https://www.thestatesman.com/opinion/cag-reformsii-1503139873.html> (last visited on June 3, 2025).

³⁰ Ramaswamy R. Iyer, "Getting to Know the Abc of CAG", *The Hindu*, Dec. 04, 2021, available at: <https://www.thehindu.com/opinion/lead/getting-to-know-the-abc-of-cag/article2568360.ece> (last visited on June 3, 2025).

³¹ *Anoop Baranwal v Union of India*, 2023 SCC OnLine SC 216

³² Anupam Kulshreshtha, "India Needs a Free and Fair CAG Appointment Process", *Hindustan Times*, Mar. 23, 2023, available at: <https://www.hindustantimes.com/opinion/india-needs-a-free-and-fair-cag-appointment-process-101679582980525.html> (last visited on June 3, 2025).

³³ Budget Responsibility and National Audit Act 2011 (C. 4 of 2011), s. 11

- 4. Specialized Expertise and Modernization-** The CAG requires specialized knowledge to audit complex domains such as natural resources, defence, and digital transactions. Recruiting experts in areas like IT, energy, and infrastructure, along with adopting advanced technologies like AI and data analytics, can significantly enhance the quality and efficiency of audits. Modern tools can also help automate processes, ensuring timely and error-free reporting.
- 5. Decentralization and Workload Reduction-** Establishing independent state-level audit agencies, can help decentralize responsibilities. This would allow the CAG to focus on high-impact audits and national-level priorities.
- 6. Public Awareness and Transparency-** Simplified, citizen-friendly versions of CAG reports should be published and shared widely through digital platforms and social media. Regular public briefings and press conferences can also help explain major findings, fostering greater public engagement and scrutiny.

CONCLUSION

The role of the CAG has come a long way since its inception during British colonial rule. It has gone from basic auditing and accounting functions to include performance audits, efficiency assessments, and a broader oversight of public spending. However, limitations such as a post-facto role, centralized workload, and opaque appointments hinder its full potential. Reforms like decentralization, enhanced expertise, and a transparent selection process can empower the CAG to address these challenges effectively, reinforcing its role as a cornerstone of India's democracy.

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