

FUNCTIONS AND SPIRIT OF AUDIT

- Audit forms an indispensable part of the financial system and is one of the important organs necessary to ensure the sound functioning of a Parliamentary democracy.
- It is the main instrument to secure accountability of the Executive to the Legislature.
- Audit assists the Parliament/Legislature in exercising its financial control over the Executive to ensure that funds voted by the Parliament/Legislature have been utilized for the purpose intended, and that the funds authorized to be raised through taxation and other measures have been assessed, collected and credited to Government properly.
- It checks the compliance, by the various authorities, with the rules and orders issued by the Executive Government and thus secures accountability on the part of each authority subordinate to the one immediately above in the hierarchy of delegation.

Primary function of Audit

- The primary function of Audit is to verify the accuracy and completeness of accounts
- To secure that all revenue and receipts collected are brought to account under the proper head
- All expenditure and disbursements are authorized, vouched and correctly classified and that the final account represents a complete and true statement of the financial transactions it purports to exhibit.
- Its broad aim is to safeguard the financial interest of the tax payer.

Distinction between auditorial and administrative function

- It is the first principle of Government audit to recognize the clear distinction between auditorial and administrative functions.
- It is the function of the Executive Government to make financial rules and orders and of the subordinates of the Executive Government to apply these rules and orders.
- It is the function of Audit to verify that financial rules and orders satisfy the provisions of law and are otherwise free from audit objection and that these rules and orders are properly applied.
- It is not the function of audit to prescribe what such rules and orders shall be or to interfere with their administrative applications.
- The Executive Government is responsible for enforcing economy in the expenditure of public moneys. It is the duty of Audit to bring to notice through its reports wastefulness in public administration and infructuous expenditure.

Spirit of Audit

- Although it is the duty of Audit to ascertain that the prescribed rules and orders are obeyed, it is not to be understood that the mere application of these rules and orders in their minutest detail by itself serves the purpose of audit.
- The fundamental object of audit is to secure real value for the tax payer's money.
- Avoid audit of trifling character where only technical error has been detected and where no substantial irregularity has been found
- Undue insistence on trifling errors and technical irregularities should, whenever possible be avoided and more time and attention devoted to the investigation of really important and substantial irregularities with the object not only of securing rectification of the particular irregularity but, also of ensuring regularity and propriety in similar cases for the future.
- An Auditor must develop an instinct for assessing the importance of an individual irregularity.
- Objectivity and independence are the two essential qualities an auditor should possess, and they should be complementary in manifestation.
- To save time and trouble over petty sums, Audit Officers have been given powers by the Government of India to waive petty objections and these powers should be exercised freely but with discretion.

Procedure for Audit Scrutiny

- Audit done by the Comptroller and Auditor General is in the nature of sample tests with varying quantum of audit for different types of transactions.
- It is almost entirely posts audit.
- It is done (i) centrally at the location of the field offices of the Indian Audit and Accounts Department, through examination of accounts, vouchers, and other papers and documents received by them and (ii) locally which is known as local audit or inspection, at the site of the offices of the departments of Governments or authorities and bodies through examination of their accounts, books, papers and other documents.
- In the course of scrutiny of accounts and transactions of Government, Audit is entitled to make such queries and observations and to call for such accounts, books documents, vouchers, returns and explanations in relation to them, as it may consider necessary in the interest of proper discharge of its duties. All queries and observations shall be couched in a courteous and impersonal language.
- Audit should confine itself to calling upon the Executive to furnish any necessary information and in cases of difficulty, it should confer with the Executive as to the best means of obtaining the evidence which it requires.

Procedure for Audit Scrutiny contd..

- once the detailed audit has been carried out strictly and every infraction of rule brought to light, it will be for the competent Audit Officer to exercise the discretion vested in him by Government and to determine the cases in which the objections which might be raised under the strict letter of the law can be waived.
- If the objection is of such a nature that it cannot be waived, it will be the duty of the Audit Officer to press it firmly but in courteous and impersonal language.
- Audit depends for its effective value on its right and duty to report results to the proper authority so that appropriate action may be taken to rectify the irregularity or impropriety, where possible, or to prevent a recurrence of it.
- It is in the treatment of result of audit that the auditorial function demands the highest qualities of understanding balanced judgement and sense of proportion

Audit as an aid to Government

- Audit is one of the instruments of financial control.
- It is, therefore, the duty of the Audit Officer to provide Government with all possible assistance within the sphere of his functions in financial matters. His normal attitude is the critical one, but the duty of criticism must not be developed to exclude the constructive faculty or constructive help.
- For example, when the Audit Officer is to inspect an office, he should not only point out mistakes but also indicate how they may be rectified and in future avoided; he should also suggest improvements in the system. He must educate as well as investigate.
- The scrutiny of departmental files, paper and documents enables audit to know the background of the transactions and to have a better appreciation of the situation for considering if any objection has to be raised;
- thus, making available to audit freely the papers and documents demanded by audit helps both Audit and Administration in the matter of raising and settlement of objections.
- The roles of Audit and Administration are really complementary to each other. The aim and purpose of both are the same viz. to see that the departments keep to the path of financial rectitude and that the resources of the state are efficiently utilized with due regard to consideration of economy and financial propriety.
- Audit objections are taken in the proper spirit and perspective and attended to promptly.