

**KEY NOTE ADDRESS OF CAG, INDIA AT CBC MEETING  
ON 9<sup>TH</sup> SEPTEMBER, 2015**

**Mr. Ulf Bengtsson**, Auditor General of Sweden and gracious host of tonight's dinner,

**Mr. Kimi Makwetu**, Auditor General of South Africa and Chair of the Capacity Building Committee,

Ladies and Gentlemen, A very good evening.

1. At the outset, I wish to thank the Auditor General of Sweden and his dedicated staff for the excellent arrangements made for the Capacity Building Committee meeting at Stockholm and for organising a sumptuous dinner for us. I also wish to appreciate Mr. Kimi Makwetu and his team for carefully planning a focussed and useful CBC meeting.

Friends.....

**Human Resource  
our biggest asset**

2. I have been requested to speak on the issue of "**Capacity Development**", an issue which is very relevant to all of us and is quite dear to me personally. Being a knowledge based organisation, I consider human resources as our biggest asset. Hence, capacity development of the people working for SAI India as for other SAIs, is an area of high priority.

**Changing  
Environment**

3. Before I share with you some of the capacity building initiatives adopted by the SAI, India, let us just delve on the environment in which we the SAIs operate.
4. As we all are aware, in today's world the concept of good governance has been taken to a new level where we talk of **smart governance** which involves increased private participation, a high degree of citizen engagement and increasing use of technology.

**Institutions are  
critical for a nation's  
success or failure**

5. In this evolving scenario, concept of accountability and transparency acquire dynamic interpretation. Both are central to the very idea of good governance and without them effective and responsive governance is not possible.

6. A nation's success or failure depends on the institutions it establishes, maintains and promotes. It is the framework of economic and political institutions of a nation that keeps the power of the state under checks and balance. **Former US President, John F. Kennedy** once said, and I quote, **"The men who create power make an indispensable contribution to the nation's greatness, but the men who question power make a contribution just as indispensable, for they determine whether we use power, or power uses us"**. Unquote.

Supreme Audit Institution is one such institution that questions power and gives some sane advice to keep its misuse under check.

7. **Kautilya**, a renowned political strategist and economist of ancient India in his magnum opus titled **'Arthashastra'** written in **4<sup>th</sup> Century BC** had highlighted the need for uniform bookkeeping practices and periodic reporting of public expenditure and its independent audit for effective administration of an empire or kingdom. He advocated for an independent office of auditor somewhat, akin to modern day Auditor General to enhance accountability.

8. We all know that independence of the audit institution is critical in promoting accountability and transparency in governance. **The United Nations** has also recognized

the indispensable role of independent and capable public audit which resulted in the adoption of **a resolution by the United Nations General Assembly on 19<sup>th</sup> December 2014 on ‘Promoting and fostering the efficiency, accountability, effectiveness and transparency of public administration by strengthening Supreme Audit Institutions’.**

### **Mandate of CAG of India**

9. Mandated by the Constitution to act as a watchdog of public purse, the CAG of India ensures that the public resources are spent according to the legislative mandate and towards the stated objectives. Our audit jurisdiction covers about 30% of India’s annual GDP (500 billion USD) and we audit more than 50,000 entities every year. These include the Union and Provincial Governments, their corporations, autonomous authorities and local bodies.

### **Changing landscape of Public Finance**

10. We have witnessed two fundamental shifts in the Public Finance landscape. **First**, government has gradually withdrawn from several economic activities, and handing over many responsibilities to private sector. **Secondly**, the term public resources has acquired a much wider meaning. Hitherto, public auditor focussed on audit of financial resources/or budgetary resources and expenditure related to such resources; but there is paradigm shift now, and public resources are encompassing even many non-conventional resources, such as spectrum, intellectual property, biodiversity and even genetic resources.

### **An alert watchdog to detect fraud and corruption**

11. These changes in public finance landscape coupled with financial growth require redefining the scope and methods of public auditing. As an alert watchdog of

public finance, SAI is required to update its capacity and resources to handle the challenges of financial frauds and corruption. An effective system for detection and prevention of fraud and corruption is, therefore, an integral part of our capacity development initiatives.

### **Big Data: A New Opportunity**

12. One of the new instruments now available for the international public audit community to analyse complex financial and expenditure patterns and issues is “Big Data”. As governments and other organizations transition into digital environment, they generate, process and store voluminous data. Also, useful and relevant data in disparate forms are incessantly produced by various agencies and entities, such as Census data, Statistical data, Economic data, industry/domain specific data etc. When collated, they provide the contextual framework and valuable insight into the functioning of an audited entity. The advent of big data marks a paradigm shift, which by design envisages synthesizing and integrating relevant data from various sources and in various formats to transform data into actionable information. This can enhance the efficiency and effectiveness of audits. We will, in future, be required to invest in new analytical tools that can handle large and complex data and help in visualizing hidden patterns.

In India, we have recently initiated work on usage of Big Data for more incisive audit analysis. We have set up a nodal centre for this activity at our international Centre for Information & Systems Audit at Noida, near Delhi. We propose to liaison with other active players in this field both nationally and globally.

**Social Audit: An innovative tool for auditing social sector expenditure**

13. **‘Social audit’** is another innovative method which help in enhancing the accountability of the executive towards its stakeholders. Given the enormity of the **social sector** intervention in developing economy like ours, the idea of social audit has been fast gaining ground. Conceptually social audit goes beyond realm of pure audit by including issues such as awareness, grievance redressal, feedback about the programmes, physical verification, etc., in its ambit. Further the depths and details up to which social audit goes for examination is indeed not possible in any other evaluation or feedback mechanism including conventional audit. Effectively, it can provide us feedback on efficiency of a scheme or programme which can be used by us in our risk analysis for prioritizing issues to be picked up. A manual on Social Audit has been prepared by the Government with our consultation. We have taken steps like hosting workshops and undertaking cooperative audits to actively engage with the social audit groups.

*Ladies & Gentlemen...given this scenario available for us auditors, let me now discuss some specific capacity development initiatives and instrumentalities of SAI India...*

**Capacity Development in Auditing in Digital Environment**

14. We in SAI India have taken note of the fast changing Technological solutions being adopted by the audited entities. We have embarked on an IT skill development programme for our audit supervisors and audit managers numbering around 12000, in this year. We are conducting these programmes across the country, in collaboration with the audited entities so as to familiarise the audit personnel with the software being used by

these entities. Majority of these programmes are for the ERP solutions SAP and Oracle financials.

## **Emphasis on Evidence**

15. We at SAI, India are investing resources for enhancing our capabilities in the realm of evidence gathering. In this regard we have entered into an **MOU with Evidence for Policy Design**, a research initiative based at **Harvard Kennedy School, University of Harvard**. The exercise will enable us to ensure that our audit findings are supported by better evidence gathering and analysis. Further, we are also venturing into informatics and data visualization in a big way for better analysis and presentation of our findings.

## **Institutions for Capacity Building**

16. To address our capacity development efforts, we have **12 Regional training institutes** spread across different parts of the country. These training institutes cater to the training needs of field level operations staff and lower level audit managerial staff.

We have a **National Academy of Audit and Accounts** which caters to the training needs of staff working in managerial capacity.

In addition, we have two International Training Centres, **iCISA (International Centre for Information Systems and Audit)** and **iCED (International Centre for Environmental Audit and Sustainable Development)**. Our two international training centres have together conducted more than 100 multilateral international training programmes which have been attended by international participants from about 135 countries.

In addition to these multilateral training programmes, these two training centres have also conducted several

bilateral training programmes designed to meet the SAI-specific training needs.

Further, our officials have also visited other SAIs like Iran, Oman, Saudi Arabia, Tanzania, Uganda, to name a few, to conduct capacity development programmes for their auditors.

**Mid Career  
Development**

17. An important aspect of our training policy is the focus of career milestone training to re-orient employees for assuming higher responsibilities. We have clearly structured orientation programme for staff to transition from auditor level to lower management level and similarly from lower management to middle management and from middle management to senior management. We also have tie-up with Wharton School, University of Pennsylvania and University of California, Berkeley for higher and middle managerial level training.

**e-learning**

18. Given the human resources pool available with SAI India, we are exploring **e-learning** as a viable option for reaching out to the large number of trainees more economically. We are thankful to IDI for supporting us in setting up our own Learning Management System that can enable us to conduct mentor-driven e-learning programmes. We have already prepared some static e-learning programmes, including user-friendly courses for auditing in ERP environment.

**Interactive  
Mechanism**

19. For enhancing the effectiveness of our work, workshops are held regularly where audit teams working in different parts of the country on the same audit topic meet together and share their audit experiences and best practices. We also convene workshops for discussing emerging areas of audit and for sharing best practices.

**Concluding  
Remarks**

For instance, we recently held two workshops on big data and use of visual analytical tools. These workshops enabled us to formulate our 'Big Data Management' Policy.

20. SAI India has strived to assume a leadership position as one of the premier organization of enforcing accountability and ensuring people centric governance and this has been achieved by investing significant resources in capacity development of our personnel.

I again thank our host **Mr. Ulf Bengtsson**, Auditor General of Sweden & **Mr. Kimi Makwetu**, Auditor General of South Africa for according me this opportunity and to all of you for a very patient listening.

**Thank you all**