

**SPEECH BY THE PRESIDENT OF INDIA, SHRI PRANAB  
MUKHERJEE ON THE OCCASION OF THE 'CIVIL ACCOUNTS  
DAY'**

**1ST MARCH, 2016**

**NEW DELHI**

I am indeed happy to be amongst you today on the occasion of the 40<sup>th</sup> Anniversary of the Indian Civil Accounts Service. The service owes its origin to a major institutional reform in public financial management undertaken in 1976, that of separation of audit from accounts. There was a felt need at that time to make the accounting system at the Union Government level more reflective of ground level realities and geared towards providing effective financial management.

2. Forty years later, I am pleased at the significant reforms and initiatives that have been ushered in since the departmentalization of accounts and creation of the Indian Civil Accounts Service. I extend my felicitations to the Controller General of Accounts and the officers and staff of the Indian Civil Accounts Service for effectively and efficiently discharging their responsibilities in the service of the nation.

3. The founding fathers of our Constitution placed significant importance on accounts and audit of the Union Government and States. Several Constitutional provisions prescribe for the financial accountability of the Executive to Parliament, and the financial management of the affairs of the Union and the States. India's tryst with accounting, in fact, dates back to the ancient past. Kautilya's Arthashastra discusses accounting, budgeting and general principles of financial management that the State must endeavor to achieve in order to promote good governance. Indian history records the importance given by kingdoms and enlightened rulers towards the better management, custody and control of public finances, and reporting of expenditures and revenues.

4. During colonial rule, a payment and accounting system was established in the country based on the principles of control and compliance. The colonial administration designed complex rules and procedures of payment and accounting. Efficiency and effectiveness of public expenditures did not matter. That was because most of the funds mobilized were spent on meeting the costs of wages for the army or public servants. Expenditure on infrastructure within the country, like expanding the railways and road networks was geared to serve the interests of the colonial administration and exploitation of local resources. The focus of public finance in other words

was not development but perpetuating control for keeping the fabric of the Raj together. Post-independence, the foci of governance changed and it was but natural that our accounting and financial systems would also undergo changes to reflect the new priorities that independent India had charted for itself.

5. I am happy to note that during the last forty years the office of the Controller General of Accounts has made substantive investments in automation and training of human resource in Information Technology. Consequently, there have been overall improvements in both the payment and accounting functions of the Union Government, in addition to providing decision makers with high quality, timely reports and analysis of the monthly and annual status of expenditures and revenues. I recall the launch of the Government e-payment Gateway called GePG in 2011 when I was the Finance Minister that has enabled direct electronic payments to beneficiary accounts in a seamless IT environment. The system has brought in greater transparency and efficiency in e-payment transactions. In recent times, the Public Financial Management System (PFMS) portal has further facilitated release of funds by line Ministries through the banking channels to beneficiaries, both within and external to Government with real time MIS inputs.

Ladies and Gentlemen,

6. Government places the highest importance towards the Direct Benefit Transfer (DBT) mode of payments as the preferred mode for reaching out to financially disadvantaged and excluded segments of our population. This mode of direct transfer of funds to beneficiary bank accounts ensures transparency, eliminates delays and brings about a perceptible drop in corruption levels. I am confident Government will on-board more welfare schemes on the PFMS portal in future. We must continue to harness and leverage our e-governance capabilities for improving the lives of the poor and needy, and to transform India into a more equitable and financially inclusive society.

7. India is today the third largest economy in the world, in terms of purchasing power parity (PPP). The size, scale and complexity of the economy is increasing with every passing day, as is its integration with the world economy. These fast paced developments pose policy and administrative challenges on many fronts, including on the capability and the capacity of our financial management and accounting systems to respond to the myriad needs of various stakeholders in the economy. In that context, the foremost challenge for your organization is timely and credible financial

reporting of public finances, which is the backbone of an efficient and sound financial management system.

8. I congratulate both the C&AG and the Controller General of Accounts for ensuring faster submission of the Annual Financial Statements, alongwith the Audit Report of the Union Government for 2014-15, to Parliament within the same calendar year. I understand that this is only the second time since Independence that both organizations, working in tandem, have been able to achieve this. This now has to be the norm rather than the exception. At the same time, fiscal data needs to be presented in a simple and user friendly manner to enable easy comprehension both by parliamentarians and the general public. I am confident you will work towards this.

9. The other pressing need is to strengthen oversight mechanisms in the implementation of projects and schemes by line Ministries. The internal audit function today remains largely confined to compliance audit. This needs to change- internal audit has to aid management in the effective implementation of programs and help reduce cost and time overruns. Moreover, the focus has to change from compliance to risk management, mitigation and control. I understand that the Controller General of Accounts has taken several steps towards this end. This process needs to continue.

Ladies and Gentlemen,

10. An efficient payment system also entails new challenges and opportunities for the Government accounting fraternity. Government and its agencies today are repositories of large volumes of financial and statistical data. Such databases may be used to analyze and evaluate welfare programs, and to obtain new insights about long term outcomes of social sector spending. Data analytics may help to design, target and restructure welfare programs so as to improve the quality and efficiency of public expenditure.

11. I am happy to note that the Indian Civil Accounts Service has run up several achievements to its credit, in a relatively short time span of forty years. I am confident that all of you shall continue to build on these successes and provide India with robust and state-of-the-art public financial management systems. I wish the Service and all officers and staff a bright future.

Jai Hind!!

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