

Audits by Comptroller and Auditor General of India and Their Contribution to Accountability in Development Cooperation Projects

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Abstract

Audit of development cooperation projects by the Comptroller and Auditor General of India (CAG) contributes to ensuring accountability in using development cooperation funds. The present study examined such contribution to five different types of accountability: financial accountability, compliance accountability, performance accountability, accountability to stakeholders, and constitutional accountability based on the analysis of findings presented in the CAG's audit reports. The study examined the audit reports for six states of India – Andhra Pradesh, Assam, Gujarat, Madhya Pradesh, Uttarakhand, and West Bengal for six years with findings on World Bank and Asian Development Bank projects. The sample states were selected based on stratified random sampling, with one state each drawn from each of the six geographical regions of India. Further, the study analyzed three essential aspects of management of development cooperation projects such as project planning, project implementation & monitoring, and financial management, along with their relevant sub-categories like the number of findings; money value as a measure of the materiality of the findings; and the yearly consistency. The study's conclusions based on the different findings presented in audit reports revealed that CAG's audit reports contributed substantially to the respective types of accountability.

Keywords : accountability, audit, audit report, development cooperation projects, Comptroller and Auditor General, supreme audit institution

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Comptroller and Auditor General of India (CAG), the Supreme Audit Institution (SAI) of India, conducts different types of audits like performance audits, compliance audits, and certification of the financial statements in respect of development cooperation projects. Development cooperation is the support provided by multilateral development agencies like the United Nations (UN), World Bank, etc.; regional agencies like Asian Development Bank, etc.; and governments- and their specialized funding agencies like US AID etc., on a not-for-profit basis. Accountants General (Audit) in the respective states (provinces) are the field offices of the CAG which certify the expenditure in respect of the development cooperation projects in the individual states. Audit certificates assure the stakeholders that the expenditure claimed by the implementing agency and charged to the project or scheme pertains to the relevant purpose. They also indicate that the expenditure is as per the applicable rules and project agreements.

CAG undertakes the performance and compliance audits of programmes and schemes funded by development

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agencies according to the CAG's (Duties, Powers and Conditions of Service) Act 1971 and CAG's Regulations on Audit and Accounts. In addition, the audits are in terms of C&AG Auditing Standards, 2002, adapted from International Standards for Supreme Audit Institutions (ISSAIs). Findings from CAG's audits included in the CAG's audit reports are tabled in the Parliament of India (in case of audits on the Union government) and the State Legislatures (in case of audits on the respective states or Union Territories with legislature).

Types of Accountability and CAG's Audits

The different types of accountability that are applicable in the case of development cooperation projects are:

- ✦ **Financial Accountability.** Deals with the proper use and accounting of funds. It's regarded as one of the outcomes of the audit by SAIs (Nzewi & Musokeru, 2014).
- ✦ **Compliance Accountability.** Deals with the use of development cooperation resources in compliance with rules, laws, and regulations.
- ✦ **Performance Accountability.** Deals with achieving the expected outputs and outcomes.
- ✦ **Accountability to Stakeholders.** The CAG's audit reports serve as accountability instruments for different stakeholders of the donors and recipients, including citizens. Meeting stakeholders' expectations and being accountable to them has been considered a vital accountability requirement (Rasche & Esser, 2006; Steurer et al., 2005).
- ✦ **Constitutional Accountability.** SAIs are important organizations providing constitutional accountability. As mandated by the Constitution of India, the CAG presents its audit reports in the Parliament or State Legislature.

Accountability in development cooperation projects is of utmost importance owing to the funds involved. As per the Organisation for Economic Cooperation and Development (OECD), the total grant equivalent of Official Development Assistance to developing countries from OECD member countries was \$157.1 billion. The amount of development cooperation assistance to India as per the 2020–21 revised estimates presented in the Union Budget (Receipt Budget) 2021–22 was ₹ 92,600 crore. In addition, this supports the local communities' development and provides citizens services and infrastructure. Development cooperation is also necessary to achieve the UN 2030 Agenda of Sustainable Development Goals (SDGs) in developing and underdeveloped countries.

This paper examines how CAG's audit of development cooperation contributes to the accountability of development cooperation in respect of these types of accountability. As evident from the subsequent section on the literature review, there's a research gap regarding different studies highlighting different parameters of development cooperation. However, minimal work is available on linking these issues to the accountability of development cooperation in the Indian context. In addition, studies are available regarding the role and functioning of SAIs. However, there is very little work regarding the role of SAIs in auditing development cooperation in the Indian and international contexts.

Literature Review

The literature review has focused on audits conducted by SAIs and their contribution to accountability. In addition, accountability in international development cooperation has also been considered, along with studying the effect of development aid on public finance and economic development to realize accountable benefits.

Keywords considered in the literature review include foreign aid, international development cooperation, accountability, supreme audit institutions, public sector audit, and Comptroller and Auditor General of India. The key themes have been identified by analyzing the text of the selected research papers and the respective papers categorized according to the identified themes.

Theme 1 : Accountability Through Audits of SAIs

Maama and Marimuthu (2020) studied the work of SAI Ghana. SAI Ghana examined the working of local government in Ghana and contributed marginally to their accountability through its audits. Furqan et al. (2020) studied the importance of following up on audits in the context of Indonesia. Following up on the financial audits by SAI significantly impacted improving the financial reports. Kaushal (2019) stated that audits by the CAG of India have an essential role in public financial management. During a financial year in India, the government exercises public financial management through auditing, budgeting, and accounting.

Sharma and Kumar (2018) examined the role of the CAG of India as an instrument to increase accountability, good governance, and probity. The role of the CAG of India is highlighted in terms of its constitutional mandate to conduct a fair and professional audit that will guard against fraud etc. Assakaf et al. (2018) explored the trends and literature linking public sector auditing and control of corruption. They indicated that there is a knowledge gap in terms of linking public sector auditing with control of corruption. Loke et al. (2016) explored the public sector auditors' perception of performance audits on entities in the public sector in Malaysia. The results indicated that performance audits have enhanced public accountability and accountable use of resources.

Morin (2014) studied the performance audits of SAI in Canada. SAIs and their performance audits have a mixed impact on the audited administrations. Nzewi and Musokeru (2014) reviewed the role of the Auditor General of South Africa in exercising oversight. They mentioned that the Auditor General plays a significant role in financial accountability. Sen (2013) examined the changing role of the CAG of India in the current times. The author discussed the reports of the CAG of India, like those on the coal sector, commonwealth games, 2G spectrum, etc., which have significantly impacted accountability. Reichborn-Kjennerud and Johnsen (2018) examined the audited entities' perception of the utility of performance audits conducted by the SAI of Norway. Most auditees mentioned the usefulness of performance audits.

Theme 2 : Dimensions of Accountability in Development Cooperation

Kim and Lim (2017) studied the context of accountability in South-South Cooperation. The three crucial components of accountability are responsibility, answerability, and enforceability. Wenar (2006) mentioned three dimensions relevant to accountability in development aid. These are the complexity of development projects, the diversion of resources from the expected beneficiaries, and the adverse effects that result in the flow of development aid to a country.

Theme 3 : Problems in Administering Development Aid

Nunnenkamp et al. (2017), in a study about the utilization of World Bank aid in India, found that the location choices for aid provision and utilization across different districts in India by the World Bank lacked evidence in terms of being need-based. Easterly and Pfutze (2008) discussed the persistence of some long-standing problems. These include the aid provided by donors not being harmonized – multiple donors in one country, multiple sectors being catered to by one donor etc. Sakthivel (2021) highlighted the effect of policies of the United States of America on the economy of Afghanistan.

Theme 4 : Results of Development Cooperation

Asongu and Nwachukwu (2016) revealed that development assistance leads to economic and institutional governance deterioration. Marjit and Mukherjee (2016) examined the issue of whether aid promotes corruption in recipient countries. Sahoo and Sethi (2013) studied the impact on development and economic growth in India owing to foreign aid. They studied the impact of macroeconomic variables on development and growth. The conclusion was that foreign aid had an impact on both economic growth as well as development.

In this context, a study of macroeconomic indicators and their interlinkages (Sunil et al., 2019) will help identify the beneficiaries of foreign aid. Gstøettner and Jensen (2010) explained governance's "black box." This is the failure to get the desired results from aid. Winters (2014) stated that aid performance is better in environments with greater accountability. Verma and Saharan (2019) studied the importance of accountability in respect of the Mahatma Gandhi National Rural Employment Guarantee Scheme in India. They looked at this in the context of using funds released for the programme like development cooperation projects. Kaur and Vij (2020) worked on the subject of the impact of the political stability of the country on the inflow of foreign funds (foreign direct investments). This issue is similar to the inflow of foreign aid into the country.

Theme 5 : Dynamics of Accountability

Regarding accountability, the relationships and dynamics between players in development cooperation have been studied. For example, while working in Northern Ghana, Agyemang et al. (2017) commented on the importance of fieldworkers getting a say in the accountability arrangements. O'Dwyer and Boomsma (2015) discussed the joint accountability dynamics between Oxfam Novib and the Government of the Netherlands regarding a funding scheme for NGOs.

Research Objectives and Methodology

The study's objective is to examine the role of CAG's audit reports in contributing to different types of accountability in development cooperation projects in India.

Research Questions

- ✎ What are the different types of accountability in development cooperation projects addressed by findings in the CAG's audit reports?
- ✎ Whether the CAG's audit reports provide significant findings on accountability issues in implementing development cooperation projects in India?

Research Hypothesis

The research has been undertaken to prove the following hypothesis which corresponds to the above-mentioned research objective and research questions:

- ✎ **H1** : There is a significant contribution to accountability in development cooperation projects by CAG of India through its audit reports.

Table 1. CAG's Audit Reports Considered in the Study

S.No.	State	Total Reports Studied	Reports with Findings on World Bank/ADB Projects
1	Andhra Pradesh (AP)	33	6
2	Assam	23	5
3	Gujarat	26	6
4	Madhya Pradesh (MP)	26	8
5	Uttarakhand (UK)	10	3
6	West Bengal (WB)	33	6
	Total	151	34

Research Design

- ✧ The research is an exploratory study examining the accountability link between the audits of CAG of India and development cooperation projects.
- ✧ The study considers secondary data available in the public domain in terms of published reports of the CAG, tabled in the State Legislatures, and the coverage of development cooperation projects in these reports.
- ✧ The study is confined to World Bank and Asian Development Bank (ADB) funded projects.
- ✧ One hundred eleven projects supported by the World Bank in different states of India and 99 supported by ADB during 2012 – 2018 are studied.
- ✧ The reports published during 2013 – 2019 are considered for the corresponding audit period.
- ✧ Six zones of India have been considered for stratification of the states – Northern, Eastern, Western, Southern, Central, and North-Eastern India. Afterward, random sampling was employed to select one state from each region. As a result, the states selected are Assam (North Eastern), Andhra Pradesh (Southern), Gujarat (Western), Madhya Pradesh (Central), Uttarakhand (Northern), and West Bengal (Eastern).

Table 1 details the reports on the different states under study.

Analysis and Results

The study focuses on 'Accountability through audit,' which examines the contribution to accountability in development cooperation projects. Further, the accountability is measured for the analysis purpose through variables grouped in the following two categories:

- ✧ Number of audit findings
- ✧ The materiality of audit findings

Regarding the number of audit findings and their monetary impact, we analyzed three essential aspects of management of the World Bank and ADB projects. These are project planning, project implementation & monitoring, and financial management. The detailed analysis provides further insights into the nature of the audit findings and their importance in ensuring accountability.

Table 2. State-Wise Audit Findings Based on the Category

	Category of Audit Finding	AP	Assam	Gujarat	MP	UK	WB	Total
A.	Project Planning							
1	Planning and assessment of work	1	1	1	2	3	1	9
2	Approvals and documentation	2			1	1	2	6
3	Involvement of stakeholders	2			1		1	4
4	Idle expenditure		1		1		1	3
	Sub Total	5	2	1	5	4	5	22
B.	Project Implementation and Monitoring							
1	Project implementation	1	1		3	2	1	8
2	Achievement of targets	3			2	1	1	7
3	Contract management		1		2	3		6
4	Time and cost overrun		3	1	2	2	1	9
5	Internal controls				1			1
6	Procedural irregularities					2	1	3
7	Development and management of ICT systems		1		3		1	5
	Sub Total	4	6	1	13	10	5	39
C.	Financial Management							
1	Savings	3	1	4	3			11
2	Excess expenditure						1	1
3	Accounting issues	1			1	1		3
4	Undue benefits to contractors		1		2	6		9
5	Irregular expenditure		2	1	1			4
6	Management of funds				1			1
7	Non-recovery of charges					2		2
	Sub Total	4	4	5	8	9	1	31
	Total	13	12	7	26	23	11	92

State-Wise Audit Findings Based on the Category of Audit Findings

Table 2 highlights the number of audit findings in the different categories/ sub-categories for the states during 2013 – 2019. While the variable is quantitative, there is no attempt to compare the numbers across the states. As mentioned in Table 2 and the subsequent section, audit findings have been detected for all three aspects of project management in respect of all the states under study. Since projects operate as integrated wholes, it is challenging to classify audit findings into watertight compartments. Accordingly, we have grouped them in the appropriate category as per the best fit.

The Materiality of Audit Findings as per States and Categories

In Table 3, data show the materiality of the audit findings in terms of the monetary value involved. The figures presented in each cell are the cumulative total of the total number of findings presented against the corresponding

Table 3. Materiality (Money Value in USD Million) of Audit Findings per Category / per State

Category of Audit Finding		AP	Assam	Gujarat	MP	UK	WB	Total
A. Project Planning								
1	Planning and assessment of work	0.4	0.0	0.0	0.1	58.0	0.0	58.5
2	Approvals and documentation	18.8	0.0	0.0	1.5	1.3	0.4	22.0
3	Involvement of stakeholders	0.0	0.0	0.0	0.0	0.0	1960.0	1960.0
4	Idle expenditure	0.0	5.6	0.0	1.0	0.0	0.9	7.5
	Sub total amount (USD million)	19.2	5.6	0.0	2.7	59.3	1961.3	2047.9
B. Project Implementation and Monitoring								
1	Project implementation	72.8	2.4	0.0	1.5	1.1	0.0	77.7
2	Achievement of targets	0.0	0.0	0.0	0.0	233.3	2.4	235.7
3	Contract management	0.0	4.4	0.0	3.4	102.0	0.0	109.8
4	Time and cost overrun	0.0	11.0	0.0	29.8	0.0	0.0	40.7
5	Internal controls	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Procedural irregularities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Development and management of ICT systems	0.0	2.1	0.0	2.7	0.0	0.0	4.8
	Sub total amount (USD. Million)	72.8	19.9	0.0	37.3	336.4	2.4	468.7
C. Financial Management								
1	Savings	158.5	22.3	155.6	22.7	0.0	0.0	359.2
2	Excess expenditure	0.0	0.0	0.0	0.0	0.0	0.4	0.4
3	Accounting issues	6.0	0.0	0.0	3.9	1.0	0.0	10.9
4	Undue benefits to contractors	0.0	0.6	0.0	4.2	18.4	0.0	23.3
5	Irregular expenditure	0.0	86.2	0.1	74.1	0.0	0.0	160.5
6	Management of funds	0.0	0.0	0.0	5.3	0.0	0.0	5.3
7	Non-recovery of charges	0.0	0.0	0.0	0.0	4.2	0.0	4.2
	Sub total amount (USD million)	164.5	109.2	155.8	110.3	23.7	0.4	563.8
Total Amount (USD Million)		256.4	134.7	155.8	150.3	419.3	1964.1	3080.5

Source : <https://data.adb.org/dataset/adb-sovereign-projects> ; <https://data.worldbank.org/country/india>

item in Table 2. In the case of an imputed amount resulting in more than one audit finding, we have considered it only once against the most appropriate category. The total amount for all the six states from the 34 reports under consideration is United States dollars (USD) 3080.5 million. All money values in CAG's reports are presented in Indian rupees (INR) currency. For this study, we have converted all INR amounts into USD using a median conversion rate of 1 USD = 63.31 INR from 1 May 2015 for all amounts from 2012 – 2019. The rate is as per the United Nations Operational Rates of Exchange.

While substantial amount points towards accountability issues, all audit findings do not necessarily have a monetary impact. This is especially true when the findings indicate systemic deficiencies or problems like time overrun without a corresponding figure for cost overrun. Further, there is one significant outlier of USD 1,960 million in one finding.

Table 4. Audit Findings per Year/ per Category / per State

	Category of Audit Finding	AP	Assam	Gujarat	MP	UK	WB
A.	Project Planning						
1	Planning and assessment of work	2012–13	2011–12	2015–16 2017–18	2014–15 2016–17	2016–17	2012–13
2	Approvals and documentation	2012–13 2015–16			2015–16	2016–17	2011–12
3	Involvement of stakeholders	2012–13 2014–15			2015–16		2015–16
4	Idle expenditure		2011–12		2014–15 2016–17		2016–17
B.	Project Implementation and Monitoring						
1	Project implementation	2015–16	2011–12		2015–16 2016–17	2011–12	2015–16
2	Achievement of targets	2015–16 2016–17			2014–15 2016–17	2011–12	2016–17
3	Contract management		2015–16		2015–16	2011–12 2016–17	
4	Time and cost overrun		2011–12 2016–17	2015–16	2015–16 2016–17	2016–17	2011–12
5	Internal controls				2016–17		
6	Procedural irregularities					2016–17	2015–16
7	Development and management of ICT Systems		2011–12		2014–15 2015–16 2016–17		2013–14
C.	Financial Management						
1	Savings	2013–14 2016–17	2011–12	2012–13 2013–14 2015–16 2017–18	2012–13 2013–14 2014–15 2015–16 2016–17		
2	Excess expenditure						2016–17
3	Accounting issues	2016–17			2015–16	2016–17	
4	Undue benefits to contractors		2016–17		2015–16	2011–12 2012–13 2014–15 2016–17	
5	Irregular expenditure		2016–17 2017–18	2014–15	2015–16		
6	Management of funds				2016–17		
7	Non-recovery of charges					2011–12	

Year-Wise Audit Findings

Table 4 highlights the contribution of the CAG's audit findings to the accountability of development cooperation projects undertaken with World Bank and ADB funds yearly. This information indicates that accountability insights are consistently provided through the audit exercise for the donor and implementing agencies to take remedial action. The year considered in the table/ figure is the year to which the CAG's concerned report pertains. This does not correspond to the actual period to which the finding pertains since projects run over several years and also because the CAG's reports contain findings of more than one year. The year has been indicated only once, even if there are multiple findings about different projects in the same state during a particular year.

Interpretation and Linkage of Audit Reports with Various Types of Accountability

Coverage of Development Cooperation Issues in CAG's Audit Reports

The data presented in Tables 2 to 4 show that there has been substantial coverage regarding accountability issues regarding the implementation of World Bank and ADB projects in India. As mentioned in the section on Research Design, 200 projects have been implemented during the period under consideration. As seen in Table 2, the CAG reports have presented 92 findings on such projects during this period. This roughly translates to a 46 % ratio between published audit findings on accountability issues and projects.

Materiality and Quantum of World Bank/ ADB Grants

We have further analyzed the materiality in the context of the quantum of World Bank and ADB grants released in India. Table 5 provides us with the amount of grants from the World Bank and ADB for operations in India during the period under study. The total amount released for projects in all Indian states is USD 41,271 million. We have approximated the grants for the six Indian states under research at 41.5 % of this amount at USD 17,131 million. We have arrived at the approximation factor of 41.5% by considering the actual amounts (not just the World Bank/ADB grants) of total revenue and capital expenditure of the six Indian states under study against that of all

Table 5. Yearly Quantum of Grants Released in India in Respect of World Bank and ADB Operations

Year	World Bank Operations (USD Million)	ADB Operations (USD Million)	Total (USD Million)
2012	3,178	2,891	6,069
2013	1,326	3,498	4,824
2014	5,109	3,775	8,884
2015	3,785	1,520	5,305
2016	3,845	3,092	6,937
2017	2,284	3,031	5,315
2018	859	3,078	3,937
		Grand Total	41,271

Indian states for the year 2015–16 (the median year for 2012 – 2019). Considering the amounts published in the *Reserve Bank of India's Report on State Finances*, we see that the cumulative expenditure for 2015–16 for the six states under study is INR 9388.6 billion as against the total expenditure for all states of INR 22618.7 billion, that is, 41.5 %.

Further, compared to the total operations of USD 17,131 million for World Bank and ADB in the six states during the six years, the audit findings amounting to USD 3080.5 million have been published in the CAG's reports. This indicates that in terms of the materiality aspect, the money value of the findings published in the CAG's reports is approximately 18% of the total operations approximated in respect of the six states for the six years under study.

Financial Accountability

Categories in financial management dealing with financial accountability in development cooperation projects include (numbers in brackets indicate the total number of findings in each of the categories): Savings (11), Excess expenditure (1), Accounting issues (3), Undue benefits to contractors (9), Irregular expenditure (4), Management of funds (1), and Non-recovery of charges (2). About 34 % (31 out of 92) of the findings indicated in the CAG reports under study pertain to financial accountability. Regarding materiality, the money value of findings on financial accountability comprises 18 % of the total money value of findings (USD 554.5 million out of USD 3080.5 million).

Some illustrative audit findings in respect of financial accountability are :

✦ Assam Electricity Grid Corporation Limited, with operations partially funded by ADB, could not spend the sanctioned amounts. For 2005–12, the inability to complete the projects saved USD 22.3 million.

✦ In Uttarakhand, financial rules prohibit the payment of advances to contractors except for mobilization advances. However, USD 2.4 million was paid as an interest-free advance against four contracts in public works projects without ascertaining the actual value of the plant or machinery to be mobilized at the site. In a couple of cases, the contractors could not ensure the progress of the work as per the contracted milestones. Still, the liquidated damages of USD 0.5 million and USD 0.2 million were not charged.

✦ Regarding improper accounting, in the case of the Andhra Pradesh Rural Inclusive Growth Programme (APRIGP), USD 5.9 million, about 29 inoperative deposit accounts were held in deposit accounts despite instructions for closing these accounts.

✦ In Madhya Pradesh, during 2014–15, there have been a few comments on road projects. In one case of targets not being met and attendant savings, 13 cross drainages were constructed against the 20 approved, leading to savings of USD 0.04 million.

Compliance Accountability

Compliance accountability issues are indicated under project planning and implementation and monitoring. These are under the following sub-categories (figures in brackets indicate the number of findings): Planning and assessment of work (9), Approvals and documentation (6), Contract management (6), Internal controls (1), and Procedural irregularities (3). Regarding the percentage, 27 % of the findings (25 out of 92) pertain to compliance accountability. In terms of materiality, the money value of the findings about compliance accountability is approximately 6 % of the total money value (USD 184.8 million out of USD 3080.5 million).

Some illustrative audit findings in respect of compliance accountability are:

✧ Regarding contract management, in the case of the South East Guwahati Water Supply Project funded by ADB, the contractor was engaged in 2012 despite negative reviews regarding its performance in a similar project. As a result of poor progress of work, the contract was terminated in 2015. After that, owing to the contractor obtaining a court injunction, the bank guarantees could not be realized till mid-2016. All this resulted in the need for re-tendering with a minimum cost escalation of USD 4.4 million.

✧ Planning and assessment findings have been published concerning a project on roads and bridges in Gujarat over eight years, from 2011–18. The surrenders were over 90% of the allocations during the first two years. These were due to problems getting administrative approvals, technical sanctions and delays in tendering, thereby indicating improper planning and assessment.

✧ Deficiencies in planning were seen in West Bengal in respect of a World Bank-funded project for upgrading and converting Industrial Training Institutes (ITIs) into Centres of Excellence in selected trade courses. In four ITIs, the trade chosen courses were not approved by the regulatory authority, whereas the infrastructure was inadequate in another case.

Performance Accountability

Of the total of 92 findings, 32 pertained to performance accountability (34.8 %). These were in the sub-categories of Idle expenditure (3), Project implementation (8), Achievement of targets (7), Time and cost overrun (9), and Development and management of ICT systems (5). In terms of materiality, the findings related to performance accountability comprised 11.9% of the total money value of results.

Some illustrative audit findings in respect of performance accountability are:

✧ The Enterprise Information Management System (EIMS), as part of the Madhya Pradesh Water Sector Restructuring Project, had several findings. First, the IT Controls were deficient. Second, the expenditure of USD 2.7 million was unfruitful as the planned modules were not developed or utilized adequately. Third, the IT issues were compounded by improper contract management and the inability to create adequate human resources for using the application to its full potential.

✧ A performance audit was conducted during 2016–17 on the Uttarakhand Disaster Recovery Project concentrating on the disaster recovery efforts following the 2013 Uttarakhand floods. There were significant delays in the implementation of different projects. Out of the total number of 2,345 sanctions issued up to March 2017 by the scheduled completion dates, 514 projects were still in progress, and work on 62 projects was not initiated. Procedural irregularities were detected in a project involving the reconstruction and provision of residential houses, with all not having clear land titles. As a result, consultants got undue benefits. A design and supervision consultancy firm involved in the construction of helipads and multi-purpose halls was paid an amount of USD 0.1 million, 83% of the agreed amount, despite its unsatisfactory performance.

✧ The performance audit of the Urban Local Bodies (ULBs) in Andhra Pradesh brought out issues in implementing water supply projects. Over five years, these ULBs had used USD 72.7 million of World Bank funds for the water supply projects. Detailed Project Reports (DPRs) were not approved for some projects. In one ULB, only 4,200 household connections were given against the targeted connections of 11,680. The pipeline network established was inadequate.

Accountability to Stakeholders

Accountability to stakeholders is provided by all the CAG reports that are published. However, despite these being available to the legislatures, these are available to the executive, the donors, and essential stakeholders being the citizens. Thus, it is universally achieved in respect of all the reports. As seen in Table 2, four findings have been published regarding the non-involvement of stakeholders in the implementation of the development cooperation projects.

In an illustrative example, the Government of India had approved the Integrated Coastal Zone Management Project (ICZM) with World Bank aid. Several deficiencies have been detected during the audit of this project. The West Bengal State Coastal Zone Management Authority (WBSCZA) was set up multiple times. Still, it did not involve the relevant stakeholders like the Pollution Control Board, local bodies, fishers, Commerce & Industries Department, Tourism Department, etc. The authority recommended industrial projects worth USD 1944.7 million and tourism projects worth USD 15.3 million during 2011–15. The non-involvement of stakeholders also affected the regulation of non-environment-friendly activities around the beach.

Constitutional Accountability

Similar to accountability to stakeholders, constitutional accountability is also ensured in respect of all CAG audit reports placed in the respective houses of the Parliament concerning audit reports on the Government of India and the individual state legislatures in cases of states. Reports under study met this condition and have been under the scrutiny of the state legislature and the associated Public Accounts Committee.

Conclusion

This paper provides an overview of the audit findings published in CAG's audit reports concerning the relevant years in the sampled states. We can see significant results from the reports that contribute to financial, compliance, and performance accountability in terms of the components of project management. Besides, the CAG's audit reports being tabled in the state legislatures and published afterward contribute significantly to stakeholders' constitutional accountability. The findings contributing to the respective accountability types are regularly published in CAG's audit reports on the different states. Besides, these findings involve substantial materiality value, approximately 18 % of World Bank's and ADB's total operations. Given the preceding analysis and discussion, H1 is accepted, and the CAG of India significantly contributes to accountability in development cooperation projects through its audit reports.

Implications

The research has been undertaken to explore the CAG's accountability for development cooperation projects. The importance of obtaining responsibility for using development cooperation funds is seen in the volume of funds involved. The annual value of development cooperation funds in the world has been in the range of a staggering USD 157 billion. With the dire need for the world to spend these amounts judiciously towards realizing the Sustainable Development Goals under the UN 2030 agenda, improving accountability in using these funds becomes paramount.

Implications for the different sets of stakeholders in terms of accountability in the use of development cooperation funds are as follows:

Development Cooperation Providers

As mandated by the successive high-level forums on aid effectiveness discussions like the Paris Declaration and the Accra Agenda for Action, development cooperation providers (donors) need to rely more on using Country PFM Systems to ensure proper utilization of the development cooperation funds. This includes depending on public sector auditing by SAIs in different countries, including the CAG of India. Relying on the established auditing mechanism of the SAI helps the development cooperation providers avoid creating a duplicate set of mechanisms, thus resulting in optimal use of logistics. As a result, aid use is harmonized, and the providers get assurance that aid is being utilized per the beneficiaries' requirements. This is even more important when the aid is channeled through the government's budget. Channeling the aid through the budget instead of allocating it to specific projects also ensures the achievement of aid's national or regional developmental priorities.

Development cooperation partners can also get assurance regarding the utilization of the funds at the micro level, including at the block and district levels where the audits are conducted. In addition, assurance is available to meet the project's objectives through performance audits, adherence to rules and regulations through compliance audits, and financial management through financial audits.

However, the SAI as an institution must be adequately mature to be in a position to provide the necessary assurance to the development cooperation providers about the proper utilization of the development cooperation funds. This would imply that the development partners also support the capacity development of SAIs and other institutions forming a part of the country's PFM systems before relying on them in countries where they are not adequately developed or enabled.

Taxpayers of Donor Countries

Audit reports issued by SAIs are published, and in many cases, including CAG of India, they are available online. The source of development cooperation funds is the donor countries' taxpayer citizens. Therefore, they can access the public audit reports and get assurance on utilizing the funds for the intended purpose.

Beneficiary Countries and Implementing Agencies

Through the CAG's audit reports, the beneficiary countries are in a position to understand whether the implementation of the donor-funded projects is meeting the intended objectives. In addition, the CAG's audit reports which span across implementing departments and ministries, and across geographical units, help harmonize the use of development cooperation funds.

Legislatures and Government

The tabling of the CAG's audit reports in the Parliament or State Legislatures provides them and the government with oversight of the utilization of development cooperation funds. The progress of projects and utilization of funds helps them make and implement policy decisions. As a result, they get the necessary inputs for allocating the internal resources for the required sectors for the social and economic development of the country in a balanced and equitable manner.

Citizens of the Beneficiary Countries

Citizens of the beneficiary countries are the ultimate stakeholders in receiving the benefits of the development

cooperation funding. They get assurance from the published audit reports regarding the utilization of development cooperation funds.

SAIs and Private Sector Auditors

The SAIs have a constitutional mandate to audit all expenditures from the government budget or government exchequer. However, they do not have a similar mandate for auditing the expenditure from or utilization of development cooperation funds because these are not necessarily routed through government budgets and are not governments' resources. In such situations, the development cooperation partners entrust audits of different projects to SAIs and private sector auditors. Through this research, auditors of both the SAI and the private sector can derive lessons for further strengthening their work in providing assurance and accountability in utilizing development cooperation funds. Furthermore, studying the coverage of the audits of the public and private sector auditors can identify the relevant audit areas for improving and strengthening their capacities and procedures.

Limitations of the Study and Scope for Further Research

The study has covered all the types of audits undertaken by SAI India: performance, compliance, and financial audits. However, the coverage has been in the findings presented in audit reports. The study has not covered a detailed analysis of the procedures employed in the different types of audits. In addition, the perception of stakeholders like citizens, civil society organizations, or experts and practitioners have not been studied.

Accountability of use of development cooperation funds, as well as audits by SAIs, are an area where limited research is available. Future research can be undertaken on the following issues :

- ✦ Study the procedures and impact of different types of audits undertaken by SAIs like performance, compliance, and financial audits.
- ✦ Comparing the audits of development cooperation projects by SAIs in two or more countries.
- ✦ Studying the follow-up on audit recommendations and changes to legislation and rules at the instance of audit.
- ✦ Ascertaining the perception of stakeholders, including citizens, CSOs, etc.
- ✦ Exploring the contribution of private sector auditors to the accountability in the use of development cooperation funds.

Authors' Contribution

Shourjo Chatterjee conceived the idea for the research paper. Dr. Rajit Verma developed the structure of the research and developed the research methodology. Shourjo Chatterjee carried out the study of the secondary data sources. The secondary data were jointly analyzed by Shourjo Chatterjee and Dr. Rajit Verma to draw conclusions. Shourjo Chatterjee drafted the manuscript in consultation with Dr. Rajit Verma.

Conflict of Interest

The authors certify that they have no affiliations with or involvement in any organization or entity with any financial interest or non-financial interest in the subject matter or materials discussed in this manuscript.

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