

GSTN rejects CAG's request to name auditor, do an extra audit

A top government official familiar with the subject told The Indian Express: "The issue of auditing of the GSTN will have to be escalated, possibly to the Finance Ministry.

GSTN (Goods and Services Tax Network), a private limited company set up in 2013 for providing IT infrastructure to all stakeholders for the implementation of the Goods and Services Tax, has rejected a request from the Comptroller and Auditor General (CAG) to appoint an auditor as well as to conduct a supplementary audit as is being done, at present, for all government companies. Following a communication sent by the CAG in November 2016 on the subject of commencing a supplementary audit and appointing a Chartered Accountant for the company, the GSTN sent a reply on January 17 claiming that its Articles of Association do not "bestow" any right to either the state government or the Centre to "exercise control" over either the management or the policy of the GSTN.

A top government official familiar with the subject told The Indian Express: "The issue of auditing of the GSTN will have to be escalated, possibly to the Finance Ministry. In view of the current stalemate, a clarification will be needed on who will eventually audit the GSTN, a private auditor or the CAG?"

The GSTN has been set up as a non-government private limited company in which the Union government along with the state governments/Union Territories together hold 49 per cent equity with the balance 51 per cent being held by financial institutions such as HDFC Bank, ICICI Bank and LIC Housing Finance Limited.

When the GSTN was set up, a non-recurring grant was given to it by the central government of Rs 315 crore. The GSTN website shows that between 2013 and 2016, the government has released additional Rs 143.96 crore of which the body has spent Rs 62.11 crore.

The website also states that since it was "substantially funded" by the government in the 2013-2016 period, its expenditure audit was conducted by the CAG. The CAG is reported to have pointed out that although only 49% equity in GSTN is owned by the Government, there are various provisions in the Companies Act as well as in the Articles of Association of the GSTN that support their contention.

Section 139 and Section 143 of the Companies Act, for instance, state that any company which is either directly or indirectly controlled or owned by the Central/any State Government will have an auditor appointed for it by the CAG after which it (the CAG) will conduct a supplementary audit of the annual financial statements.

There are also the CAG's own DPC (Duties, Powers and Conditions of Service), Section 14 of which states that the Central auditor will audit all receipts and expenses of all bodies and authorities which are "substantially" financed by grants or loans from either the Consolidated Fund of India or of any State or Union Territory.

Incidentally, as The Indian Express reported today, the Union Ministry of Home Affairs has written to the Finance Ministry to ascertain whether the GSTN falls in a sector or category where a security clearance is mandatory from the Ministry of Home Affairs.

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