

**FINANCIAL CONTROL:
THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA**

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F O R E W O R D

An attempt is being made to highlight the important feature of Parliamentary / Legislative Control over Public Finance, which is key to the Public Accountability system. Parliamentary Control over public purse is also an instrument of accountability at the highest level of the Government. Accountability is not an option but an essential obligation to the people of a nation owned by its Parliament, its Government and the Ministries and the Departments in Governments.

Audit contributes to the accountability process through objective and independent analysis of the performance information and reporting on such matters to Parliament. Audit reports assist Parliament to keep Government accountable by enabling it demand improvement in performance.

The system of public financial accountability revolves around two key agencies, namely the Comptroller and Auditor General of India (CAG) and Legislative Committees such as the Public Accounts Committee (PAC) and the Committee on Public Undertakings (CoPU). These financial committees are the principle instruments of enforcing financial accountability of the Executive to the Legislature.

I hope this brief publication will help to understand the subject in its proper perspective.

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1. CONTROL OVER PUBLIC FINANCE

A Government cannot exist without raising and spending money. Parliament controls public finance which includes granting of money to the administration for expenses on public services, imposition of taxes and authorisation of loans. This is a very important function of Parliament. Through this means Parliament exercises control over the executive because whenever Parliament discusses financial matters, government's broad policies are invariably brought into focus.

The Indian Constitution devises an elaborate machinery for securing parliamentary control over finances which is based on four principles. The first principle regulates the constitutional relation between the Government and Parliament in matters of finance. The Executive cannot raise money by taxation, borrowing or otherwise, or spend money without the authority of Parliament. The second principle regulates the relation between the two Houses of Parliament in financial matters. The power of raising money by tax or loan and authorizing expenditure belongs exclusively to the popular House, viz., Lok Sabha. The Rajya Sabha merely assents to it. It cannot revise, alter or initiate a grant. In financial matters, Rajya Sabha does not have co-ordinate authority with Lok Sabha which has the real control in this area. Thus, financial powers have been concentrated in the Lok Sabha and the Rajya Sabha plays only a subsidiary role in this respect. The third principle imposes a restriction on the power of Parliament to authorize expenditure. Parliament cannot vote money for any purpose whatsoever except on demand by Ministers. The

fourth principle imposes a similar restriction on the power of Parliament to impose taxation. Parliament cannot impose any tax except upon the recommendation of the Executive. These principles are discussed below. (See, *May, The Law, Privileges, Proceedings and Usages of Parliament*, 700 (1976); *Ilbert, Parliament*, 76, 77 (1953); *Morrison, British Parliamentary Democracy*, 60-94 (1961),

No Tax without authority of Law: The Principle that the executive has no power to impose any levy upon the people without the sanction of the Legislature is contained in Article 265 which states: “No tax shall be levied or collected except by authority of law”. This constitutional provision applies both to the Central as well as the State spheres. The word ‘tax’ has been used in Article 265 in a comprehensive sense as including any impost-general, special or local. (*Article 366 (28)*). A tax cannot be levied or collected merely by an executive fiat or action without there being a law to support the same. (*Kerala v. Joseph, AIR 1958 SC 296*). There appears to be a difference of opinion among the High courts regarding the exact significance of the word ‘law’ in this Article. One view is that ‘law’ means a statutory law, i.e., an Act of Legislature and, therefore, a levy or collection of tax by usage is ruled out. The other view is that ‘law’ does not mean statute law alone and that a customary levy is not ruled out, e.g. a levy on land imposed under a custom as an incident of the possession of any property or holding an office. (*Wadhvani v. Rajasthan, AIR 1958 Raj. 138*). But a customary collection in respect of goods taken out of a village, or brought within, for purposes of sale, is not valid as it

is not related to the holding of some land or office. (*Guruswami Nadar v. Ezhumalai Panchayat*, AIR 1968 Mad. 271). It will be seen that under the second view some customary levies may be held valid while these would not be valid under the first view.

A mere resolution of a House is not sufficient to impose a tax. For this purpose, the Legislature has to enact a law. A law for levying a tax may be made with retrospective effect. (*Shri Prithvi Cotton Mills v. Broach Borough Municipality*, AIR 1970 SC 192). Under Article 265, not only the levy but also the collection of a tax must be sanctioned by law. A tax may have been validly levied, but it can be collected only in accordance with the law. The procedure to impose the liability to pay a tax has to be strictly complied with, otherwise the liability to pay tax cannot be said to be according to law. (*Khurai Municipality v. Kamal Kumar*, AIR 1965 SC 1321). Article 265 also gives protection against executive arbitrariness in the matter of tax collection. Arbitrary assessment of a tax does not amount to collection of tax by authority of law. (*M. Appukutty v. STO*, AIR 1966 Ker. 55). The imposition cannot exceed what the statute authorises. The tax imposed must fall within the four corners of the law. Therefore, where the statute authorises levy of a tax on the basis of trade, income assessment of tax on the total income of the assessee is unjustified. (*Phani Bhushan v. Province of Bengal*, 54 CWN 177).

The Constitution imposes several limitations on the power of Parliament and the State Legislatures to levy taxes. A tax levied by a law infringing any of these restrictions will be a tax without the authority of law and hence invalid.

Article 265 thus gives protection against imposition and collection of a tax except by authority of a valid law. (*Firm Ghulam Hussain Haji Yakoob v. Rajasthan, AIR 1963 SC 379*). A law imposing a tax should be within the legislative competence of the legislature concerned; it should not be prohibited by any provision of the Constitution or hit by a Fundamental Right. (*Chhotabhai Jethabhai v. India, AIR 1962 SC 1006*).

The right conferred by Article 265 can be enforced through proper court proceedings. Therefore, if a tax-payer is made to pay an unconstitutional tax, he can recover the amount paid by bringing a civil suit. The writ jurisdiction of the High Court can also be invoked if a tax is sought to be levied without following the mandatory provisions of law. (*Poona City Municipal Corp. v. Dattatraya N. Deodhar, AIR 1965 SC 555; B.K. Bhandar v. Dhamangaon Municipality, AIR 1966 SC 249*). In India, the executive is empowered to issue ordinances. An ordinance has the same effect as a law of the Legislature. (*Zila Parishad, Moradabad v. Kundan Sugar Mills, (1968) 1 SCJ 641; also see, infra. Chs. 4 and 8*).

It is possible therefore to levy a tax through an ordinance, but it is very much deprecated and, in practice, use of an ordinance to levy tax is rare. (*Infra. Chs. 3 and 7*).

Money Bills: From the point of view of parliamentary procedure, the Constitution distinguishes between (i) Money Bill, (ii) Financial Bill and (iii) Ordinary Bill involving expenditure. Money bill is a bill which contains only provisions dealing with the following matters:- (a) the imposition, abolition,

remission, alteration or regulation of any tax; (b) the regulation of the borrowing of money or the giving of any guarantee by the Government of India or the amendment of the law with respect to any financial obligations under-taken by that Government; (c) the custody of Consolidated Fund of India or the Contingency Fund of India, the payment of moneys therein or withdrawal of moneys therefrom therefrom; (d) the appropriation of money out of the Consolidated Fund of India; (e) the declaring of any item of expenditure as being a charge on the Consolidated Fund of India or increasing any such amount; (f) the receipt of money on account of the Consolidated Fund of India or the Public Account of India, or the custody or issue of such money or the audit of the accounts of India or of a State or; (g) any matter incidental to any of the matters specified above. (*Article 110 (1)*). A Bill is a Money Bill when it deals only with the matters specified above, and not with any other extraneous matter. A Bill which makes provisions for any of the above-mentioned matters, and additionally with any other matter, is called a Financial Bill. (*Article 117 (1)*). A Financial Bill is thus really a Money Bill to which some other matter has also been tacked on. Further, a Bill is neither a Money Bill nor a Financial Bill if it deals only with - (i) the imposition of fines or other pecuniary penalties; or, (ii) the demand of payment of fees for licenses or fees for services rendered, or (iii) imposition abolition, remission, alteration, or regulation of any tax by any local authority or body for local purposes. (*Articles 110 (2) and 117 (2)*). The last clause excludes all municipal taxation from the scope of a Money or Financial Bill. (*Corporation of Calcutta v. Liberty Cinema, AIR 1965 SC 1107*)

As regards the exclusion of 'licence fee' from the purview of a Money or a Financial Bill, it is necessary to interpret the term 'licence-fee', somewhat restrictively, for there are examples of taxes being collected through licenses, e.g., excise duties. It cannot be the purpose of the constitution to exclude a tax measure from the definition of a Money or a Financial Bill merely because the tax is sought to be collected or levied in the form of licence-fees. Therefore, the expression 'licence-fee' would mean only a 'fee' collected through a licensing system and not a 'tax'. (*For a discussion of the difference between a 'tax' and a 'fee' see, infra, Ch. 11*).

Parliamentary Procedure in Money Bills: A Money Bill originates in the Lok Sabha only; it cannot be introduced in the Rajya Sabha. (*Article 109 (1)*). It cannot be introduced or moved except on the recommendation of the President. (*Article 117 (1)*). After it's passed in the Lok Sabha, the Money Bill is transmitted to the Rajya Sabha for its consideration and recommendations. Rajya Sabha is allowed a period of 14 days for this purpose from the date it receives the bill. (*Article 109 (2)*). Lok Sabha is free to accept or reject any recommendation made by the Rajya Sabha relating to the Money Bill. If Lok Sabha accepts any recommendation, the bill is then deemed to have been passed by both the Houses in the modified form. If Lok Sabha rejects all recommendations of the Rajya Sabha the Bill is deemed to have been passed by both Houses in the form of originally passed by the Lok Sabha without any change. (*Article 109 (3) and (4)*). If Rajya Sabha fails to return a Money Bill with its recommendations within 14 days allowed to it, the

Bill is deemed to have been passed by both Houses at the expiry of that period. (*Article 109 (5)*). In financial matters, therefore, the Powers of the Rajya Sabha are only recommendatory. The decision of the Speaker of the Lok Sabha is final on the question whether a particular Bill is a Money Bill or not. (*Article 110 (3)*). While sending a money Bill to the Rajya Sabha for consideration, or presenting it to the President for assent, the Speaker endorses on it a certificate that it is a Money Bill. (*Article 110 (4)*). The certificate is conclusive of the question that a Bill is a Money Bill.

It will be seen that the procedure for passing a Money Bill differs substantially from that used to pass an ordinary Bill. Whereas an ordinary Bill can be introduced in any House, a Money Bill can be introduced only in the Lok Sabha. Then, while consent of the Rajya Sabha is not necessary for passage of a Money Bill, it is necessary for passing an ordinary Bill. Lastly, a Money Bill can be introduced only on the President's recommendation while this is not so in case of an ordinary Bill.

Two incidents are common between Money and a Financial Bill. First, both originate only in the Lok Sabha and not in the Rajya Sabha. Secondly, none can be introduced without the recommendation of the President. (*Article 117 (1)*). In all other respects, a Financial Bill is treated like any other ordinary Bill by both Houses; Rajya Sabha has full power to effect amendments in it and a deadlock between the two Houses will have to be resolved through the procedure of the joint session. (*Supra, 36*). Thus Lok Sabha has much greater control over a Money Bill than a Financial Bill. The stipulation that a Financial

Bill should not originate in the Rajya Sabha is necessary to safeguard the position of the Lok Sabha, for, otherwise, it should have been quite possible for the Rajya Sabha to originate a Bill, in essence a Money Bill, by adding something else to it so as to save it from being labelled as a Money Bill; and Lok Sabha's control over finance would thus have been greatly weakened. The distinction between a Money Bill and a Financial Bill is also necessary to protect the position of the Rajya Sabha. Rajya Sabha does not possess co-ordinate power with the Lok Sabha in case of a Money Bill. The Lok Sabha could possibly pass the Rajya Sabha even in case of an ordinary Bill by adding some financial clauses to be so if some other matter is added to it in which case it becomes necessary for both Houses to agree to it.

An ordinary Bill, though not a Money or a Financial Bill, may yet, if enacted and put into effect, involve expenditure from the Consolidated Fund of India. Such a Bill is to be passed by the two Houses as an ordinary Bill, the only difference being that it cannot be passed by a House unless the President recommends it to the House for Consideration. (*Article 117 (3)*). Under the rules of the two Houses, a financial memorandum is to accompany a Bill involving expenditure drawing attention to the clauses involving expenditure.

President's Assent: Presidential assent is necessary to make a Money Bill or a Financial Bill legally effective after its passage in the two Houses. The position in this connection is much the same as in case of an ordinary Bill, except that the President has no power to refer a Money Bill back to the Houses for reconsideration. (*Article 111*). It has been contended that the

President cannot withhold assent from a Money Bill. (*Seervai, Constitutional Law of India, 834*). But this opinion does not appear to be sound in view of the phraseology of Art. 111.

Executive's Responsibility in Financial Matters: A leading tenet of parliamentary control of finance is that money is granted by the Lok Sabha only on demand by the Executive, and that no proposal for imposing a tax, or for appropriating public revenue, can be made in the House without the recommendation of the Executive. Nor can amendments to government's proposal be in order if they have the effect of increasing a tax or imposing an additional charge on the revenue. There are several reasons underlying this rule which places the responsibility for suggesting measures of taxation and expenditure on government. If the privilege to suggest expenditure is given to private member's there is a danger that they may expend so as to benefit the particular interests of the constituents they represent in Parliament, and the allocation of funds may take place on a sectional, rather than national, basis. Being both the collector and spender of money, the executive is in a much better position to allocate the available resources among competing needs on an integrated and planned national basis. This rule making the Executive responsible for proposing measures of taxation and spending is concretised through several constitutional provisions. Thus no demand for a grant can be made except on the President's recommendation. (*Article 113 (3)*) Lok Sabha may refuse any demand or reduce its amount but cannot increase it. (*Article 113 (2)*). A financial Bill or a Money Bill, or an amendment thereto, is

not to be moved without the President's recommendation, but no such recommendation is necessary to move an amendment to reduce or abolish any tax. (Proviso to Article 117 (1). Further a Bill which when enacted and put into operation would involve expenditure from the Consolidated Fund of India is not to be passed by a House unless the President has recommended its consideration to that House. (*Article 117 (3)*).

Parliamentary Control on Appropriations: No expenditure can be incurred by the Government without the sanction of Parliament. The pivot, the foundation stone, of Parliamentary control over appropriations is the Consolidated Fund of India out of which all government expenditure is met. Parliamentary control over appropriations Fund without an Appropriation Act. (*Article 114 (3)*). No moneys can be appropriated out of the Consolidated Fund except in accordance with law and for the purpose and in the manner provided in the Constitution. (*Article 266 (3)*).

The idea of a Consolidated Fund arose in England sometime around 1787. Originally Parliament voted taxes to the King leaving him free to collect and spend it on such purposes as he liked. Often money was spent for purposes other than those for which the King had asked it. Parliament retained no control after having voted the taxes. At a later stage, Parliament started to follow the procedure of levying a tax and appropriating its proceeds to a specific purpose. The result of this was that when it came to passing the Budget, practically no money was left for general purposes, as all taxes had been appropriated to specific purposes. To avoid this situation, it became

necessary to collect into one fund all revenues raised by taxes or received in other ways, without being appropriated to any particular purpose, so that when Parliament came to decide upon the Budget, it had with it a fund which it could disburse. A Consolidated Fund is thus necessary in order to prevent the proceeds of taxes from being frittered away by laws made by Parliament for specific purposes without regard to the general needs of the people. The Consolidated Fund is a single united account for all government departments. It is like a reservoir, a national till, into which all government receipts flow. In India, the Fund is formed of all revenue receipts of the Central Government; all loans raised by it by issuing treasury bills, loans or ways and means advances: all moneys received by the Central Government in repayment of its loans; (*Article 266 (1)*). and any fees or other moneys taken by the Supreme Court. (*Article 146 (3)*). Thus, practically, all money raised by the Central Government for its expenditure forms part of the Fund. From the Fund are excluded the sums payable into the Contingency Fund, and the receipts from taxes and duties which have been assigned wholly or partly to the States for their expenditure. (*Ch. 11, infra*). Parliament is empowered to regulate by law such matters as the custody of the Consolidated Fund, payment of moneys therein and withdrawal of moneys therefrom. Till parliament enacts a law for the purpose, these matters may be regulated by rules made by the President. (*Article 283 (1)*).

Besides the Consolidated Fund of India, there is the Public Account of India in which are credited public moneys, other than those put in this

Consolidated Fund, received by or on behalf of the Government of India; *(Article 266 (2))* all moneys received by or deposited with any officer employed in connection with the affairs of the Union, in his capacity as such, other than revenues or public moneys raised or received by the Government of India, *(Article 284 (a))* and all moneys received or deposited with the Supreme Court to the credit of any cause, matter, account or persons. *(Article 284 (b))*. Matters like the custody of public moneys, other than those credited to the Consolidated Fund and the Contingency Fund, received by or on behalf of the Government of India, their payment into the Public Account of India and the withdrawal of such moneys from that Account, may be regulated by Parliament by law and until such a law is made, by rules made by the President. *(Article 283 (1))*. No Appropriation Act is needed to withdraw money from the Public Account. The reason being that none of the moneys placed in this Fund really belongs to the Government and the payments made into this Fund are largely in the nature of banking transactions.

Expenditure charged on the Consolidated Fund: Public expenditure is divided into two distinct categories, namely, (1) expenditure charged on the Consolidated Fund and (2) charges granted by Parliament on an annual basis. The former category comprises charges of a permanent nature or charges which it is desirable to keep above controversial party politics. Parliamentary control over these items is very limited as these can be discussed, but not voted upon, in Parliament. An estimate of the charged expenditure is presented to parliament but no demands for grants are made for them. These

items are incorporated in the Appropriation Act. The following items of expenditure are charged on the Consolidated Fund of India; (*Article 112 (3)*) the emoluments and allowances of the President and other expenditure relating to his office, the salaries and allowances of the and other expenditure relating to his office, the salaries and allowances of the Chairman and the Deputy Chairman of the Rajya Sabha and the Speaker and the Deputy Speaker of the Lok Sabha, debt charges for which the Indian Government is responsible, the pension payable to the Judges of the Federal Court and the High Courts; any sum of money needed to satisfy any judgment, decree or award of any court or arbitral tribunal; administrative expenses of the Supreme Court, including all salaries, allowances and pensions payable to the Judges, officers and servants of the Court; (*Articles 112 (3)(d)(i) and 146 (3)*) administrative expenses of the Comptroller and Auditor-General including salaries, allowances and pensions payable to him and persons serving in his office, (*Articles 112 (3) (e) and 148 (6); infra, 48*) sums prescribed by law by Parliament as grants-in-aid for states in need of assistance, (*Article 275 (1); see, infra, under Federalism, Part IV, Ch. 11*) sums of money required for making loans to the States; (*Article 293 (2)*) and the expenses of the Union Public Service Commission including any salaries, allowances and pensions payable to its members or staff. (*Article 322*). In addition, Parliament may by law declare any other expenditure to be charged on the Consolidated Fund of India. (*Article 112 (3)(g)*).

Annual Appropriations: An important mechanism of securing parliamentary control over appropriations is the principle of annuality. Most of the appropriations made by Parliament are on an annual basis. The executive thus Comes before Parliament every year to ask for grants for the ensuing year so that Parliament gets an opportunity of reviewing, criticising and discussing the activities and policies pursued by the government during the preceding year. Parliamentary process to make annual appropriations passes through several stages. The first stage is the presentation of an annual financial statement, popularly known as the Budget. The formal obligation to cause the annual financial statement to be laid before both Houses has been cast on the President. (*Article 112 (1)*). The Budget is presented by the Finance Minister on the last day of February every year. It is the statement of the estimated receipts and expenditure of the Government of India for the following year (April 1 to March 31). The Expenditure charged on the Consolidated Fund of India is shown separately from other and expenditure, expenditure on revenue account is distinguished from all other expenditure. (*Article 112 (2)*). *A separate Railway Budget is presented by the Minister of Railways a few days before the General Budget*). In England, the Budget is presented only to the House of Sabha is laid before the Rajya Sabha. A general discussion is held on the Budget in each House. Members may discuss the Budget as a whole or any question of principle involved therein. At this stage no motion is moved nor is the Budget submitted to the vote of the House.

Then comes the stage of submitting demands for grants to the Lok Sabha for approval. The estimates of expenditure charged on the Consolidated Fund of India are open to discussion but not to a vote in Parliament. (*Article 113 (1); supra; 43*). All other items of expenditure contained in the Budget are submitted to the Lok Sabha in the form of demands for grants. The Lok Sabha has power to assent to, reject or reduce, but not to increase, the amount of any demand. (*Article 113 (2)*). Also, as already noted, no demand for grant can be made except on the recommendation of the President, which, in effect, means that only a Minister may move a demand in the Lok an increase in a demand over and above what the government suggest. (*Article 113 (3); supra, 41*). A member has therefore very limited opportunity to distort the Budget. He can only move cut motions to reduce the amount of a demand and through such motions he may criticise the government, discuss policy questions, criticise the administration, discuss the conduct of the executive and suggest economy in government expenditure. (*There are three kinds of cut motions: (i) Disapproval of Policy Cut – its form is ‘That the amount of the demand be reduced to Re. 1/-,’ It represents disapproval of Policy underlying the demand under consideration. In this way, the whole policy of the Ministry to which the grant relates can be discussed and members may even advocate alternative policies. (ii) Economy Cut – its form is ‘That the amount of the demand be reduced by a specified amount’, the amount being equivalent to the economy which the member moving the cut thinks may be affected. By moving such a cut, ways and means to effect*

economy in the expenses of a Ministry can be discussed. (iii) Token Cut – its form is ‘That the amount of the demand be reduced by Rs. 100/-’. This kind of cut motion is used to ventilate a specific grievance: Kaul and Shakhdar, Practice and Procedure of Parliament, 555 (1968). Cut motions though freely moved by members when demands for grants are being considered in the Lok Sabha, are seldom pressed to the point of voting, for the government would always use its majority to defeat them, the reason being that acceptance of a cut motions are used only the demands moved by government are invariably accepted by the House after a discussion. The demands for grants are discussed, but not voted upon, in the Rajya Sabha and no 'cut motions' are moved there. It is exclusive privilege of the Lok Sabha to grant money demanded by government. The process of discussing the demands in the Houses is very useful as in this way the whole area of the government activities can be probed into by the members of Parliament and thus the concept of responsible government becomes a reality to some extent.

Appropriation Act: No money can be withdrawn from the Consolidated Fund of India without an Appropriation Act being passed in accordance with the procedure laid down in the Constitution for the purpose. (*Article 114 (1), (2) and (3)*). The sanction given by the Lok Sabha to the demands for grants does not by itself authorise expenditure without the passage of an Appropriation Act. Therefore, after the demands have been discussed in both Houses of Parliament, and have been assented to in the Lok Sabha, an Appropriation Bill is introduced in the Lok Sabha. The Bill provides for

appropriation out of the Consolidated Fund of all money required to meet the grants assented to by the Lok Sabha and the expenditure charged on the Consolidated Fund, and in no case the amount under each head can exceed what was shown previously in the Budget. (*Article 114 (1)*). No amendment can be proposed to this Bill in any House of Parliament so as to vary the amount or alter the destination of any grant previously agreed to by the Lok Sabha or to vary the amount of expenditure charged on the Consolidated Fund. The decision of the presiding officer as to whether an amendment is admissible or not under this clause is final. (*Article 114 (2)*). The idea behind these restrictions is that the grants already voted upon in the Lok Sabha should not be disturbed later. The Appropriation Bill goes before both Houses of Parliament for consideration, but being a Money Bill, the power of the Rajya Sabha to deal with it is very restricted. (*Supra, 41*). The passing of the Appropriation Bill completes the parliamentary process of authorisation of expenditure. The Appropriation Act plays an important role in the parliamentary control of public finance. It authorised the issue of money from the Consolidated Fund of India for the expenditure of the Central Government, and limits the expenditure of each department to the sums set out therein, thus ensuring not only that the expenditure does not exceed the sum voted but that it is incurred only for the purpose authorised.

Finance Act: The last stage in the chain of annual parliamentary financial procedure is reached when parliament enacts a Finance Act to effectuate government's taxation proposals for the ensuing year. The taxes

imposed in India are partly permanent and partly temporary. Only a few taxes are levied on a permanent basis and their renewal every year is not necessary. In order to maintain parliamentary control over the executive, some of the important taxes are imposed on a yearly basis, as for example, the income tax which is the most fruitful source of revenue is renewed every year. The Finance Act seeks to renew the annual taxes, impose new taxes and make necessary adjustments in the permanent taxes with a view to raise revenue necessary to meet the appropriations made out of the Consolidated Fund of India for the ensuing financial year. The government's taxing proposals is introduced in the Lok Sabha immediately after the conclusion of the Finance Minister's Budget speech. The Bill is not proceeded with immediately but is kept pending till the passage of the Appropriation Act. A motion may then be made in the Lok Sabha for referring the Finance Bill to a select committee and the debate ensuing thereon generally covers a very wide ground. The Bill is taken up for consideration after the select committee has made its report.

The Finance Bill may be a Money Bill or a Financial Bill according as it deals with matter of taxation exclusively or with some other matters also. The passage of the Finance Act is essential to raise the necessary revenue because of Art. 265. (*Supra*, 39) Ordinarily, the taxes sought to be levied by the Finance Act can be collected only after its enactment, but, in order to avoid leakage of revenue, the government is empowered, under the Provisional Collection of Taxes Act, 1931, to start collection of duty of customs and excise

at the new proposed rates immediately from the date the Finance Bill is introduced in the Lok Sabha. (*Albert David Ltd. v. India, AIR 1966 Cal. 101*)

Votes on Account, Votes of Credit and Exceptional and Supplementary Grants: No expenditure can be incurred out of the Consolidated Fund without parliamentary authorization expressed through an Appropriation Act. It usually becomes difficult to go through the various stages- from the presentation of the Budget to the passage of Appropriation Act-in Parliament before the new financial year starts on April. Each Financial year is a watertight compartment and, therefore, just after a financial year ends, and till the new Appropriation Act is passed for the ensuing year, funds are needed to carry on the administration. This situation is met by taking recourse to votes on account (*4 J1. Parl. Inf., 125 (1958)*; *Article 116 (1) (a)*) i.e., Parliament allows a lumps sum grant to the executive to cover expenditure for a short period of two or three months, so that parliament may discuss the Budget and pass the Appropriation Act without being unduly rushed. In addition, votes of credit may be used in times of emergency when parliament may vote a lump sum without allocating it to any particular object. Lok Sabha has power to make a grant for meeting as unexpected demand upon the resources of India when on account of the magnitude or indefinite character of the service, the demand cannot be stated with usual details. (*Article 116(1)(b)*). Lok Sabha is also authorised to make an exceptional grant which forms no part of the current service of any financial year. (*Article 116(1)(c)*). After the Lok Sabha assents to any of these grants, Parliament has to enact a law to withdraw

moneys from the Consolidated Fund. In making these grants and passing the law, the procedure prescribed for making annual appropriations is to be followed. (*Article 116 (2)*).

It may be that during a financial year, the money sanctioned by the Annual Appropriation Act for a particular service may prove to be inadequate, or that supplementary of additional expenditure is needed on some new service not contemplated at the time when the Budget was presented, or, that money has been spent on a service in excess of the amount granted for the year. In such cases, supplementary grants are made by Parliament before the end of the financial year. The Finance Minister places before Parliament a statement showing the estimated amount of that expenditure or a demand of such excess. The demands are discussed in both houses and such of them as are not charged on the Consolidated Fund of India are then assented to in the Lok Sabha. Thereafter, a supplementary Appropriation Act containing the demands sanctioned by the Lok Sabha as well as the expenditure charged on the Consolidated Fund is passed. The procedure outlined above in relation to annual demands and appropriations applies to supplementary demands and appropriations as well. (*Article 115*).

It may become necessary during a financial year to spend some money on a service which was not foreseen at the time of presentation of the Budget. There may not be enough time to convene Parliament to secure its sanction for incurring the expenditure. The Contingency Fund is meant to be used in such a contingency. This Fund is in the nature of an imprest and is used to

defray expenditure pending, and in anticipation of, parliamentary sanction. Money is spent from this Fund without prior parliamentary approval; later, ex post facto parliamentary sanction secured for the expenditure incurred, and an equal amount of money are transferred to this Fund from out of the Consolidated Fund. It is for Parliament to establish the Contingency Fund and to determine the sums which may be paid into it from time to time, The Fund is placed at the disposal of the President so that advances may be made out of it for the purpose of the President so that advance may be made out of it for the purpose of meeting unforeseen expenditure parliamentary authorization of the Same. The Contingency Fund of India Act, 1950, has created the Fund with a sum of 50 Crores of rupees, and has vested its custody in a Secretary of the Ministry of Finance on behalf of the President. The existence of this fund in no way exonerates the executive from submitting all excess expenditure to Parliament for sanction, nor dost it commit Parliament to approving the expenditure simply because it has been met out of the Contingency fund. Parliamentary control over the expenditure is thus not diluted by the creation of the Fund.

Parliament's Power to regulate Financial Procedure: Each house of Parliament has power to make rules for regulating its procedure and conduct of business subject to the provision of the Constitution. (*Article 118 (1)*).

In addition, Parliament may for the procedure of timely completion of financial business in, each House of Parliament in relation to any financial matter, or in relation to any Bill for the appropriation of moneys out of the Consolidated

Fund of India. (*Article 119*). Any such law will prevail over, in case of inconsistency with, any rule made by a House under its rule-making power.

Borrowing: It is not always possible for government to find through taxation all the money needed for public expenditure. It may have to resort to borrowing Art. 292 empowers the Central Government to borrow money upon the security of the Consolidated Fund of India within such limits, if any, as Parliament may fix from time to time by law and the Government may give guarantees for its loan within the limits so fixed. This Constitutional provision is of a permissive nature as it does not obligate the executive to obtain statutory authorization from Parliament to borrow funds, but it gives the necessary power to Parliament if it so desires, to control borrowing activities of the Central Government by fixing quantitative limit thereon. This power has not been exercised by Parliament so far. The position therefore is that the Central Government today from Parliament for the purpose. The Practice in the U.K. however differs from that in India. Whenever the British Government desires to borrow money. A resolution authorising the Treasury to issue the loan is passed by the House of Commons. No such specific resolution is needed in India. The power to raise funds by borrowing is an important weapon in the hands of the Central Government and if parliamentary control over public finance is to be complete, it is essential for Parliament to take suitable action to define the limits and Conditions subjects to which loans can be raised by Central Government. The government does not however favour this course of action. Because of planning, government has to resort to borrowing and deficit

financing extensively. If a ceiling is placed on borrowing, it will make things, rigid as the ceiling cannot be crossed without amending the law and this may delay matters. All borrowings during the year are shown in the Budget and approval of the Budget by Parliament might be regarded as approval of the government's borrowing programme as well. The money borrowed by Government becomes part of the Consolidated Fund of India out of which appropriations are made only by Parliament by law

Comptroller and Auditor General: The Comptroller and Audit – General (C.A.G.) is appointed by the President, i.e. the Central Executive. (*Article 148 (1)*). He takes a prescribed oath before assuming his office. (*Article 148 (2)*). His Salary and other condition of service have now been prescribed in an Act of Parliament. (*The Comptroller and Auditor-General (Duties, Powers and Conditions of Service) Act, 1971, fixes his salary equal to that of a Supreme Court Judge. The Tenure of his office is fixed at six years*). Neither his salary nor his rights in respect of leave of absence, pension, or age of retirement can be varied to his disadvantage after his appointment. (*Article 148 (3)*). He can be removed from his office in the same way as a Judge of the Supreme Court. (*Article 148 (1); for procedure to remove a Judge of the Supreme Court, see Ch. 4*) He is not eligible to hold any office under the Central or any State Government after he ceases to hold the office of the Comptroller and Auditor-General. (*Article 148 (4)*). The administrative expenses of his office, including all salaries, allowances and person's payable to him or in respect of persons serving in his office, are charge on the

Consolidated Fund of India. (*Articles 112(3) (e) and 148 (6); supra, 43*). He has power to make rules regulating the conditions of service of persons serving in the Indian Audit and Account Department. This rule making power is however subject to the "Constitution and any law made by Parliament". (*Article 148 (5)*). Interpreting the scope of the rule-making power, the Supreme Court has ruled that the C.A.G. cannot make retrospective rules. (*Accountant-General v. S. Doraiswamy, AIR 1981 SC 783*). Adequate precautions without fear or favour. The Constitution does not specifically prescribe his functions but leaves the matter to be dealt with by Parliament. He is to perform such duties and exercise such powers in relation to the accounts of the Union and the States and of any other authority or body as may be prescribed by law by Parliament. (*Article 148*). Under the Act of 1971, (*Supra, 47*) Parliament has prescribed two type of functions for him. As an accountant he compiles the accounts of the Union and the States. These accounts are to be kept in such form as the President may prescribe on the advice of the Comptroller and Auditor-General. (*Article 150*). As an auditor, he audits all the receipts and expenditure of the Union and State Governments and ascertains whether moneys disbursed were legally available for, and applicable to, the service or purpose to which they have been applied and whether the expenditure conforms to the authority which governs it. Audit plays an important role in the scheme of parliamentary financial control. Parliament appropriates specific sums for specific purposes. Audit ensures that the executive keeps within the sums allotted and the purposes authorised. It is absolutely necessary that

some independent person should scrutinise the Government spending and check whether it has been in accordance with parliamentary intentions. In the absence of such a scrutiny parliamentary control over appropriations may be frustrated. He also satisfies himself on behalf of Parliament as to the wisdom, faithfulness and economy of the expenditure. Audit is therefore directed towards discovering waste or extravagance. He can disallow any expenditure violating the Constitution or any law and he thus upholds the Constitution and the laws in the field of financial administration. It is his duty to challenge any improper exercise of discretion by authorities and comment on the propriety of the sanctions and expenditure. (*Mukherjea, Parliamentary Procedure in India, 326; A. K. Chanda, Indian Administration, 239 (1957)*). The Comptroller and Auditor-General perform a very useful function. He secures the accountability of the executive to Parliament in the field of financial administration. He helps in making legislative control over the executive more effective by a sort of retrospective an ex post facto, examination of the expenses incurred. It is because of the great importance of his functions that the Comptroller and Auditor-General have been given a status comparable to that of a Judge of the Supreme Court. He submits his reports to the President or the Governor in case of the Central or State accounts respectively. These reports are placed before Parliament or the concerned State Legislature. (*Article 151*)

In England, this officer performs a dual function. As Auditor-General, he audits and examines the Government account to ensure that each payment has been applied to the purpose for which it was appropriated by Parliament

and not to any other purpose for which it was appropriated by Parliament and not to any other purpose. The audit reports prepared by him are presented direct to the House of Commons and not to the government and so he is regarded as an officer of the House. As Comptroller, he controls issue of money out of the Consolidated Fund by ensuring that nothing is taken out of it without due parliamentary authority. He would not allow issue of money for an unauthorized purpose; any excesses over parliamentary grants are prevented, and parliamentary control is made more effective. (*Wade and Phillips, op. cit.*, 273; *Wheare Government by Committee*, 129 (1955); *Shakdher, Comptroller and Auditor-General of India and the U.K.*, 4. *Jl. of Parl. Inf.*, 102). In India, this aspect of the Comptroller's functions has not yet been developed. Here he acts mainly as an auditor and points out the irregularities after the expenses have been incurred. He does not have that preliminary control over the issue of public money as his British counterpart has. Audit only constitutes a post-expenditure check. The Constitution has left it to Parliament to enact a law to strengthen the position of the Comptroller and Auditor-General and equate him with his British counterpart. But this has not been done so far. Another weakness of the Indian system is the combination the due functions of Audit and Accounts in the same hands. Such a combination lessens the responsibility of the Administration to render accounts. Accounting is essentially an executive function and must be under the control of the executive head of the department. Auditing is a kind of quasi-judicial function, which involves a checking of the financial transactions of the executive

authorities. A combination of these two essentially distinct functions involves a kind of contradiction, for the officer compiling the accounts has also to certify as to their correctness. The prevalent system was introduced by the British in the pre-Independence days on grounds of economy and expediency. It is out of tune with the modern context and can be justified no longer. Although opinions have been expressed from time to time to dissociate the two functions, (*Third Report of the Public Accounts Committee, 1952-53*) nothing has been done in this direction and status quo has been maintained so far.

Parliamentary Financial Committees: In addition to all the institutional and procedural apparatus which the Constitution creates for ensuring parliamentary control over the executive in financial matters, the Lok Sabha further has created two committees under its rules.

The Public Accounts Committee in India is a close replica of the English model. (*Mukherjea, op. cit., 312*). It consists of fifteen members elected by the Lok Sabha every year from amongst its members. A Minister cannot be its member. Seven members of the Rajya Sabha are also associated with the committee a member of the opposition acts as its chairman. The committee examines the accounts showing the appropriations of the sums granted by Parliament for government's expenditure. The committee also examines the accounts of the government corporations and autonomous and semi autonomous bodies. The committee has power to hear officials or take evidence connected with the accounts under examination. The reports made by the Auditor-General would not be of much use if the Houses were to have

no organ to examine these reports. It is with this in view that the Public Accounts Committee has been instituted. The committee functions on the basis of the audit reports made by the Comptroller and Auditor-General. The basic purpose of the committee is to see that the grants made to the various departments are used only for the purposes set out in the estimates. The committee thus reviews the transactions of the departments after the Budget has been executed with a view to ensure that money is spent as Parliament intended, that due economy is exercised and that no waste or extravagance or losses occur in expenditure. The committee is not an executive body, and has no power to disallow any item or to issue an order. Its reports are technically made to Parliament. The reports have no force in themselves but they carry great weight and influence and the government usually accepts its recommendations. A beneficial result of the activities of the committee is that it reminds the officials that their actions are subject to scrutiny on behalf of Parliament and this is a great check on the slackness, negligence or absolutism of the executive.

The Estimates Committee consists of 30 members elected by the Lok Sabha for one year from amongst its members. A minister cannot be its member. Unlike the Public Accounts Committee. The committee is authorised to take evidence connected with the estimates under examination. The committee presents its reports to the House. The committee, like its counterpart in England, examines the details of the estimates presented to the Lok Sabha in the Budget with a view to secure economy and efficiency in

administration, but it does not go so much into the policy which is regarded as government's responsibility. However, it can suggest alternative policies economy in the administration.

The two committees make parliamentary control of public finance more effective. Because of its large membership, pressure of work and inexpert character, Lok Sabha is hardly in a position to go into minute details and exert effective financial control over government. The committees being smaller bodies can scrutinise the government expenditure and estimates more thoroughly than the House could ever do. Another advantage of the committee is that they directly contact the executive officers who spend money. They can call for evidence and documents. Discussion in these committees cuts across party lines. After submitting their recommendations, the committees insist on a statement from the government showing which of these have been implemented, and to give its reasons for those not implemented. On the basis of the government's statements, the committees issue a second report discussing whether the action taken on their recommendations is adequate or not. The reports of these committees are of great value in checking laxity of administration and irregularity of expenditure. Though these reports are not discussed or formally adopted by the House, nevertheless, these reports carry the same weight and authority as if they had been so adopted. (*Wade & Phillips, op. cit., 192; Jennings, op. cit., 303-316, 332-7; May, op. cit., 672, 675; Wheare, op. cit. 205, et seq.; Mukherjea, op. cit., 305, 312; Shaktiher, Two Estimates Committees 6 Jl. of Parl. Inf., 76 (1960); Chanda op. cit., 170,*

180: R. N. Aggarwal, *Financial Committees of the Indian Parliament* (1966); B.

B. Jena, *Parliamentary Committees in India*, 125-198 (1966).

2. PARLIAMENTARY CONTROL OVER PUBLIC PURSE IN INDIA

1. Introduction

Parliamentary control over public purse is the central point in public financial administration and key to the public accountability system. Parliament sets goals of public financial management and watches performance of government in these areas. At issue is the question whether parliamentary control over public purse is effective for improvement in the quality of public investment and accountability of the executives.

2. Control and accountability

Legislative controls over executive are an exercise of power through a series of techniques (goal setting, restrictions and reporting) to ensure that expenditure remains within the grants and the financial actions of government correspond to fiscal policies and objectives approved by the Parliament.

Parliamentary control over public purse is also an instrument of accountability at the highest level of government. Accountability has been universally considered a positive democratic value and important element of good governance. The accountability relationships in the Parliamentary system have three inter-related groups:-

- The public, who receives service from the politicians and executives and wants them to be accountable to them,
- The political leaders who frame policy and provide resources to the executives to implement the policies and therefore want them to be accountable to them.

- The executives who are service providers and are to account for the resources provided to them by the political leaders.

Accountability is not an option but an essential obligation to the people of a nation owed by its Parliament, its government and the ministries and departments in government.

Parliament acts on behalf of people and obtains the accountability information from the executives who are obliged to provide this information. Budget is the instrument through which the goal setting is approved by the Parliament and against this; the executive provides information of performance in the form of accounts and other performance reports.

Audit contributes to the accountability process through objective and independent analysis of the performance information and reporting on such matters to Parliament. Audit reports assist Parliament to keep government accountable by enabling it to demand improvement in performance.

3. Background information

India adopted the Westminster model of responsible government in distinction from the American model of separation of powers of legislature, executive and judiciary. Under this system, executives are selected from the members of legislature and the majority party or group in the legislature forms the government. While considering the Budget, legislature does not increase or reduce the proposed expenditure or taxation by any amount. The reason is that, government remains in power only so long as it has a majority in

Parliament and so long the executive has majority, the appropriations can not be revised or altered.

(i) Legal framework of Parliamentary control

Legal foundation of Parliamentary control is based on the Constitutional provision that all revenues and receipts of Government are to go to a 'Consolidated Fund' and moneys can be withdrawn from the 'Fund' only in accordance with the laws passed by the Parliament. The constitutional provisions and conventions for Parliamentary control through the annual budget are shown in Box 1.

Parliamentary Control over Public Purse

Constitutional Provision

Article 266 All revenues and receipts of government are to go to a "Consolidated Fund" and moneys can be withdrawn from the 'Fund' only in accordance with laws passed by Parliament.

Article 112

- President to place Annual Financial statement before Parliament every financial year.
- Charged and voted estimates of expenditure to be shown separately.
- Expenditure on revenue account to be shown as distinct from other expenditure.

Article 113

- Charged expenditure not to be submitted to the vote of Parliament.
- Expenditure of estimates to be submitted in the form of demands for Grants to Parliament for its assessment.

- Prior recommendation of President necessary for placing demand for Grants.
- Article 114** ▪ Withdrawal of moneys from the Consolidated Fund only after passing of the Appropriation Bill.
- Article 115** ▪ Provision of supplementary, additional or excess grants.
- Article 116** ▪ Provision of vote on account, vote on credit and exceptional grants.
- Article 117** ▪ Finance Bill to be introduced in the Parliament with the recommendation of the President of India.

Parliamentary Rules / Orders

- Introduction of New Service and New Instrument of service.
- Approval of excess demands for grants by PAC before their presentation to the Parliament for discussion and approval.
- Examination of detailed demand for grants and proposals for taxation by the Departmental Standing Committees.
- Placing of various documents along with the Budget proposals.
- Placing of performance Budget along with the detailed demand for grants.

While the Parliamentary controls are defined in the Constitution, the operation of controls is ensured through committees established by Parliamentary Rules etc. These committees are Public Accounts Committee (PAC), Committee on Public Undertaking (COPU), Estimates Committee (EC) and Departmentally Related Standing Committees (DRSC). Railway

Convention Committee and Estimate Committee are not substantively involved in the financial control area and hence their activities are not reviewed in this study. Functions of committees are described in Box 2.

FINANCIAL COMMITTEES AT A GLANCE

❖ Committee on Public Accounts

- Constituted under Rule No. 308 of the Rules of Procedure and conduct of business in Lok Sabha.
- Total No. of members-22
- Term of office – One year

Functions

- Examines the Appropriation Accounts and Annual Finance Accounts.
- Examines the Report of CAG of India on these accounts and other matters.
- Examines the expenditure by various ministries /departments and accounts of autonomous bodies.
- Examines various aspects of tax administration.
- Ascertains that Government spent money within the scope of the demand.
- Functions of the Committee extend "beyond the formality of expenditure to its wisdom, faithfulness, and economy".

- Examines and reports on money spent in excess of the amount granted by the House for regularization.
- Can take up suo-moto subjects not covered in CAG's Report.
- Ministers not called before the Committee.

❖ Committee on Public undertakings ❖ Railway Convention Committee

- | | |
|--|---|
| • Constituted under Rule No. 312 A of Rules of Procedure and conduct of business in Lok Sabha. | • Ad-hoc Parliamentary Committee. |
| • Total number of members –22 | • Total no of members –18 |
| • Term of office –Not to exceed one year | • Term of office – Committee becomes functus officio after presenting its final report on rate of dividend. |

Functions

- Examines the reports and accounts of the Public Undertakings and Reports of CAG of India.
- Examines whether the affairs of Public Undertakings are being managed in accordance with sound business principles and

Functions

- Reviews the rate of dividend payable by Railways to the General Revenue.
- Suggests level of appropriations to be made to various funds of Railways.
- Reports on subjects, which have a bearing on the working of

prudent commercial practices.

Railways and Railway Finance.

- Not to examine matters of major Government policy as distinct from business or commercial functions of Public undertakings or matters of day to day administration.
- Ministers not called before the Committee.

❖ **Committee on Estimates**

- Constituted under – Rule 310 of Procedure and conduct of Business of Lok Sabha.
- Total No. of members –30
- Term of office –Not to exceed one year.

❖ **Departmentally Related Standing Committees**

- Constituted under Rule 331C to 331N of the Rules of Procedure and conduct of Business in Lok Sabha.
- Started in 1993.
- Total No. of Committees –17
- Total No. of members - 45 (Loksabha-30, Rajya Sabha 15) in each committee.
- Term of office - One year.

Functions

- Reports on what economics, improvements in organization, efficiency or administrative reforms, consistent with the policy underlying the estimates, may be effected.
- Suggests alternative policies in order to bring about efficiency and economy in administration.
- Examines whether the money is well laid out within the limits of policy implied in the estimates.
- Suggests the form in which estimates shall be presented to Parliament

Functions

- Considers and report on Demand for Grants for the concerned ministries. No cut motion to be suggested.
- Examines and reports on Bills referred to the Committee.
- Considers Annual Report on Ministries / Departments.
- Considers national basic long term policy documents, if referred to.
- Not to consider matters of day to day administration and matter which are under consideration by other Parliamentary Committees.

Though in theory Parliament has the supreme power in the matter of finance, there is no instance when Parliament affected a cut in the estimates submitted by the government. An author observed in the sixties, that the present system reduces the Parliamentary control of public finance to a farce.

Though this is an extreme view. Parliamentary financial control can no longer be taken for granted.

(ii) Operational framework of Parliamentary control

Budget or Annual Financial statement is the central focus of legislative financial control process. These controls are executed through the control over demands for grants (public expenditure) and raising of taxes. In the matter of raising of resources through taxes, Constitution permits imposition of any tax only with the authority of law. Thus Parliament is the sole authority for imposition of tax. Union Government can borrow or raise loans on the security of the Consolidated Fund of India and the Parliament has the power to fix limits of such borrowings.

(i) Passing of budget

The macro economic policy, as reflected in the Budget proposals cover the plan priorities approved by the National Development Council and suggested by the Planning Commission, transfer of non-plan grants recommended by the Finance Commission and other non-plan expenditure proposed by the government.

The demands are presented in the form of grants for various departments, in a summary form, by the Finance department. Subsequently, the administrative departments present Detailed Demands for Grants.

Under the demand for grants, amounts are grouped under 'Revenue' section and 'Capital' section and also under 'Charged' and 'Voted'. Each grant also shows provisions under plan and non-plan for each major head of accounts. Parliamentary scrutiny of Budget process involves the following stages:

(i) After presentation of Budget a general debate over the budget proposals takes place. At this stage only general points are raised. Oftentimes, the debate moves around the concern over taxation proposals.

(ii) After this, Parliament is adjourned to facilitate the scrutiny of the Grants and taxation proposals through the DRSC who examine the Detailed Demands for Grants and the functioning of the selected schemes.

(iii) Voting for the grants takes places after discussions.

(iv) Passing of the Appropriation Bill provides one more opportunity to discuss the policy and other matters but the amounts already approved by the Parliament can not be disturbed.

With the passing of the Finance Act and Appropriation Act the, pre appropriation control process comes to a formal end.

(ii) Execution of budget

After the passing of the Appropriation Act and Finance Act, amounts under each Grant are placed at the disposal of the administrative departments for execution of the budget proposals.

There is no formal control of Parliament over the execution of the Budget. However, the mechanism of 'questions' raised by the members to obtain information on the ongoing activities, provides opportunity for the Parliament to intervene, if necessary, in any matter including financial and fiscal administration.

Other mechanisms which Parliament uses to ensure that moneys granted are not spent on the purpose not approved, are passing of:-

- 1) Supplementary grants
- 2) Re-appropriation
- 3) Token grants

Power of the executive to appropriate funds from 'revenue' to 'capital' or 'charged' to 'voted' or vice versa is also restricted and fresh approval of legislature is necessary when such appropriations are needed.

(iii) Ex-post control

Arguably there could be no control after the budgetary grants are spent. The mechanism of regularization of excess expenditure over grants provides

opportunity to look into the reasons of excess and thus enforce accountability for such excess.

The Public Accounts Committee on the basis of reports of the Comptroller & Auditor General of India (CAG) examines the excess over the budgetary grants, which come up for ex-post facto approval of Parliament. Based on the Committee's recommendation, the Parliament regularises such excess.

CAG audits and reports on Appropriation Accounts and provides comprehensive reports on the financial and fiscal management of the Government and performance of development programmes. These reports are examined by the PAC to assess the performance of the Government. This is a very detailed accountability exercise through examination of the officers of the departments and agencies and verification of their written representations. PAC submits its recommendations to Parliament and also reports on the action taken on these recommendations.

4. Role of other stakeholding bodies and institutions

Scope of general public having a voice or participation in public activities encourages transparency in decision making and is a powerful element in good governance. The Parliamentary telecast of debates on budget provides opportunity to general public to indirectly participate in the process and voice their views as soon as budget is presented.

There is strong media presence in India and they report extensively on budgetary debates. Pre and post budget analysis and discussion in the electronic media provide opportunity to the general public for gaining insight into the budgetary process. Participation of trade and industries is ensured through the pre budget consultation with various interest groups of industry and trade.

5. Existing system in perspective

The roles of the executive and legislature in allocation of tax powers and expenditure responsibilities are clearly defined. The grants are scrutinized by the DRSCs. Reports of the Standing Committees are public documents and reported in the press.

- CAG reports only to the Parliament and provides detailed value for money assessment of programmes and projects undertaken by Government. Independence of the CAG provides strength to the accountability process. The PAC and COPU report to Parliament, about the action taken on CAG's Reports.
- Standardised classification of accounts has established accounts and budget link and facilitates assessment of budgetary performance in financial terms. Computerisation of accounts provides timely inputs for performance assessment by Parliament. Since the inter-governmental fiscal transactions are significant, the standardisation of accounts

classification facilitates comparing the operations of these two levels of government.

- Budgetary information and disclosures have been strengthened through several publications including 'Budget at a Glance'. Furthermore, Performance Budgets assist in reporting on the management of Plan schemes.
- Telecast of Budget presentation and reaction to the proposals on real time basis facilitates public participation in the process of budgeting. Media exposure to legislative debate over Budget contributes to public awareness of the government policies and programmes.

6. Factors affecting legislative financial control

(i) Budgetary aspects

Parliamentary control over public finances is operative mostly through the approval of the Annual Budget and its ramifications. Some aspects of budgeting have significant impact on the quality and extent of control.

- The Budget does not fully disclose the extent of tax expenditure (subsidies, tax concessions and tax deferrals) and quasi fiscal activities. e.g. it also does not indicate the full extent of contingent liabilities and therefore, assessment of fiscal risk is inadequate.
- Plan and non-plan components of the Budget impose rigidity in the overall structure of the expenditure proposals. The Plan budget

(comprising nearly 30 per cent of the total budget) for the most part, are transfers to states and the public sector enterprises. An analyst¹ noted that Budget formulation represents a basic paradox as only the Plan budget is proactive and geared for additional spending while the remaining part is decided on reactive basis in the light of preliminary estimates. The large element of reactive budget limits Parliament's power of influencing major spending policies and the fiscal direction of the country.

- The non-plan budget comprises large chunks of payments of interest, debt payment and transfer to states (block grants, devolution of centrally collected taxes etc). Remaining part of it is mostly staff cost and consumption expenditure. There is little flexibility of staff cost. Legislative scrutiny of plan estimates looks at the policy but has to observe the ceilings on the overall outlays and sectoral outlays decided by the Planning Commission and the Government.
- Budget making is a year round activity. The budget undergoes major changes during the year as reflected in the difference between the revised estimates and the original estimates. Consequently despite the expenditure ceilings approved by Parliament, they are presented with proposals of major revisions at the end of the budget period.
- There is no system of providing expenditure plan along with the demands. Tendency to release plan funds to the states at the end of the year results in booking of expenditure without the funds being actually

spent. An expenditure plan may provide an assurance of planned disbursement of the total amount sanctioned by Parliament. Over the years, budgetary controls have been bypassed by parking budgeted funds in Personal Ledger Accounts in the states while the amounts are shown as expended. This is facilitated by the delayed release of funds to the States and reliance on utilization certificates for the use of such funds.

- The large amount of charged expenditure out of total demands (71 to 77 *per cent* in the last 5 years) restricts Parliament's control to a relatively small portion of the total budget.
- High incidence of indirect taxes makes the receipt budget inflexible. Tax concessions and tax deferrals affect the receipts, as these are not reflected in the budget adequately.

Effectively therefore the scope of control gets restricted and the condition that the government abides by its promises set out in the budget proposals can not be taken for granted. Unless the structural issues are addressed, the accountability to the legislature will appear to be: "illusory, distant and hopelessly insignificant".

(ii) Limitations in functioning of the Committees

The working of the Parliamentary committees namely Departmentally Related Standing Committees, PAC and COPU have certain limitations.

(a) *Departmentally Related Standing Committees (DRSC)*

- DRSCs can not propose any alteration of the amounts reflected in the Budget. Hence any recommendation regarding the policy or the financial ceilings by DRSC are indicative suggestions. It is not uncommon that these suggestions may be overlooked while framing subsequent budget. The reports of DRSCs being advisory, these have no binding force and may not be accepted by government (see Box 3).
- Time at the disposal of the DRSC is inadequate. They start the examination of the Detailed Demand for Grants after middle of March and have to complete the examination before the Parliament resumes. In 1996 and 1997 effective reviews of budgetary grants were not possible due to delay in presentation of budget (July in 1996 instead of February) and resignation of government soon after the presentation of the Budget.
- DRSCs have to analyse formidable statistical information contained in the Detailed Demand for Grants, and documents like Performance Budget, Annual Reports, Plan evaluating Reports, Reports of CAG, Reports of PAC and COPU etc. and above all the huge written material obtained from the departments. Since the Committees are to deal with various other legislative works (see Box 3), time at their disposal for financial work is relatively less. (see para. 10 (ii))
- The committees are serviced by the Secretariat staffs, who are generalists. The basis of estimation, zero base examination of the ongoing schemes and the rationale or accuracy of estimates and

demands require research support in financial and fiscal management which is not evident in the existing system.

- The DRSCs mainly examine the departmental officers. The political executives are outside their ambit. DRSCs of other departments do not examine MOF officials, (while examining the departmental proposals) who ultimately decide the size of the Grants. Thus in one case, when the DRSC for Defense emphasized the need of raising the defense budget to the level of at least 3 *per cent* of the GDP, the departmental officers merely pointed out that they had forwarded the recommendations to the MOF.
- DRSCs have 45 members and short life span (one year). The large size of the DRSC makes effective functioning difficult.
- Jurisdiction of the committees extends to more than one ministry. Such bunching reduces the scope of acquiring expertise by the members in respect of any departments.

(b) Public Accounts Committee (PAC)

- PAC is traditionally considered the most important financial Committee of Parliament in the financial accountability process. It has wide ambit, it examines the budgetary appropriations and accounts of the government and Reports of CAG on the execution of the projects and programmes by the ministries. By convention, the recommendations of the PAC are considered as the recommendation of the entire House. The Parliament

also considers the Action Taken Report on the recommendations of PAC.

- Discussions of CAG's reports by PAC and finalisation of its recommendations have been slow. In 1998-1999 PAC selected 7 per cent of the total 1197 paras, included in CAG's Reports on Central Government. Actual examination was confined to 2 per cent of the paras. Reports on Central Excise and Customs Receipts and on Autonomous Bodies and Scientific Department were not discussed¹. Large-scale exclusion of items from examination and discussions restricts effectiveness of Parliament.
- In the states, discussions of CAG's Audit Reports have been pending for 15 years in some cases.
- In several states, including UP, the discussions of CAG's Reports are pending since 1983.
- The PAC's report is recommendatory and not binding on the Governments. During 1998-99, 44.3 per cent of the recommendations of PAC were accepted by Government.
- The demand for excess grants, are examined by the PAC before they are presented to the Parliament for regularisation. This system has virtually collapsed in the states where Rs.94000 crores (Rs 940 billion) of excess expenditure dating back to 1970s in some cases is awaiting approval of legislatures.

(c) Committee on Public Undertakings (COPU)

The functioning of COPU is similar to PAC in relation to the Public Sector Enterprises. The COPU discusses the reports of CAG on the accounts and performance of the PSEs. They examine the representatives of the Government as well as the enterprise and their recommendations are primarily directed towards the controlling department of the Government.

As in the case of PAC, the examination of reports of CAG by COPU has also fallen into delays. In 1998-99 COPU selected 2.5 per cent of the paras included in CAG's Reports. Effectiveness of Parliament is restricted due to large scale exclusion of paras from CAG's Reports from examination and discussion by COPU.

7. Key issues in strengthening the parliamentary financial control

The foregoing review underlines the need for revitalisation of the present system. These relate to budgetary control, committee system of scrutiny, and use of technology.

(i) Budgetary control issues

Points relating to the structural problems and lack of transparency in budget adversely affecting parliamentary financial control were discussed earlier. Reform in these areas would improve the relevance, reliability and transparency of the budget which is necessary to ensure better accountability

and control. The operational areas and their ramifications are discussed below:-

- CAG's review of the successive Central Budgets pointed out consistent under projection of fiscal and revenue deficits by over-estimation of tax receipts and under-estimation of expenditure. Due to unrealistic budgetary forecasts, actual fiscal deficit overshoot the estimates by 10 to 60 *per cent* during 1994-99. CAG has repeatedly questioned the budgetary assumptions and emphasized the need of improved resource management. In 1998-99 nearly 5.5 *per cent* of the total Central Budget provisions remained unspent. Large part of these unspent funds related to developmental areas. Cases of excess expenditure over authorised amounts were also substantial. Poor financial management and control resulted in unnecessary re-appropriation and supplementary demands and unauthorized expenditure on new services. Such recurrent aberrations in the annual budgets underline the need of critical legislative scrutiny of the budgetary proposals.
- It is also a point whether the Westminster style of control, suitable for a relatively small country in terms of geographical, cultural and economic diversity like UK would be relevant in India². Secondly, in UK, exchequer control is exercised by CAG on behalf of the Parliament. This reduces scope of excess expenditure over the grants. There is no such centralized exchequer control in India. The budget passed by the Parliament undergoes many changes in course of the year due to cash

and funds flow compulsions and the post budget clearance of expenditure proposals for the schemes.

- Evidently there is scope for a more proactive role of Parliament to ensure that budgetary projections are realistic and their executions do not transgress the approved budgetary policy and ceiling. This will also reduce the scope of successive re-appropriations and supplementaries. To facilitate better control of Parliament, the Demands for Grants need be supported by expenditure plan. In view of the tendency towards excess expenditure almost routinely in the states, exchequer control in some form at the State level merit consideration to ensure integrity of budgetary control of legislature. Given the advancement in information technology, exchequer control in some form at the center should also be considered.
- There is no system of a formal mid year review by Parliament of the performance of government against the macro-economic forecasts and expenditure or taxation projections. Parliament has to wait till the end of the year for an overall picture through revised budget proposals. This underlines the necessity of a formal mechanism like a Parliamentary budget office, which may monitor the budgetary performance on behalf of Parliament based on periodic reporting on budget and extra budgetary outturn by the government. Parliamentary budget office will also facilitate pre-budget consultation to provide input in the budget formulation stage.

- Periodical reporting of performance against budgetary policies should be possible due to the improvements in electronic data capture and processing facilities. Government could report to Parliament periodically, the actual outflow of funds as against the expenditure plan and actual collection of taxes. Timely reporting on major budget forecasts and fiscal projections would enhance the quality of Parliamentary control.

(ii) Control through Committees is not effective.

- There is no need to improve the research support to the DRSCs, who are to examine the expenditure and taxation proposals in a short period of 3 to 4 weeks. The Secretariat staffs have no direct experience in the matter of financial and fiscal management and thus would not have specialist understanding of such issues. To improve the quality of scrutiny of expenditure and taxation proposals, the secretariat resources need be strengthened so that they can provide required research support. This is all the more necessary as the DRSCs are to perform other legislative responsibilities in addition to the scrutiny of grants. This leaves them with inadequate time to scrutinise the grants of 3 or 4 departments. Till the tenth Lok Sabha, out of a total of 309 original reports prepared by the DRSCs, 121 pertained to demand for grants. As many as 71 Bills apart from several national long term policies were referred to DRSCs during April 1993 to March 1996.

- Tardy implementation of the committees' report has been commented by the committees time and again. This is notwithstanding the fact that large numbers of the recommendations are not accepted at all. In many Recommendations were rarely accepted when they relate to substantive issues.
- The functioning of various committees like Estimate Committee, DRSC, RCC, sometimes overlap. It is not uncommon that same department or ministry may be taken up for examination by more than one committee during a year. More effective coordination among these committees could avoid overlap and consequent overload of scrutiny.
- There is considerable merit in the suggestion of extending the life of DRSCs to make it coterminous with the life of the Parliament. This will provide opportunity to the members to develop expertise and allow continuous and consistency in approach.
- A more comprehensive acceptance and implementation of DRSC's Reports is also necessary to avoid wastage of Parliamentary resources over examination and discussion of important financial and other matters and better use of tax payers money.

(iii) Accountability issues are disregarded.

- The process of accountability through objective and professional opinion on government's performance based on CAG's audit and its examination by PAC and COPU have been significantly weakened. For many years

no explanations for excess expenditure are forthcoming in many states and the same budgetary aberrations continue year after year. There is an urgent need to strengthen and revitalise this process.

- There is scope for PAC and COPU to devote more time to discussion of matters reported by CAG. Advantages of on the spot study may be carefully weighed against the need of timely discussion of important issues of mismanagement and corruption highlighted in CAG's reports. Term of PAC / COPU needs to be extended beyond one year to develop further expertise and for continuity in approach.
- In view of huge pendency in discussion of Audit Reports, PAC and COPU should mainly discuss issues of systemic nature and programme performance and results achieved out of tax payers' moneys from the observation of CAG rather than the specific cases. This will go a long way to ensure accountability of the executive and contribute to improvement in administration in the light of audit findings.
- Presently the discussions of these committees are not open to press. If the Parliamentary proceedings can be telecast, there appears to be a case for the meetings of PAC and COPU also to be telecast. In the short run press should be allowed to report on the proceedings of these committees to foster public financial accountability.

(iv) Audit effectiveness issues

Constraints in the working of CAG need to be addressed on priority basis.

- Independence of CAG is one of the main sources of his effectiveness as an instrument of accountability. An aspect of this independence is the Constitutional provision that CAG presents his Reports to the President or the Governors who cause them to be laid before the Parliament or the Legislature(s) as the case may be. In actual practice this provision is misused by the governments in the States to delay the presentation of the Reports at their free will though they have no role once the Reports are finalized. As a result, legislatures are deprived of their privilege of timely information about the executive performance through CAG's Reports. This issue will need speedy resolution through suitable legislation, if necessary in the overall national interest and the need to strengthen legislative financial control.
- Large numbers of Audit Reports are not being discussed by PAC and COPU both in the Centre and the States. In many States, replies to most of the audit observations are not furnished at all by government departments or are delayed interminably and the Audit Reports are finalized without considering governments' views. After the Reports are laid, government departments do not furnish explanatory memorandum to PAC and virtually no action is taken by them till the PAC discussion is held. In many cases, the replies are incomplete or tentative. Evidently

the apathy and non-responsiveness of governments nullifies the effectiveness of audit.

- The huge arrear in discussion of Audit Reports and non-action in the matter of audit observations have fostered an atmosphere of lack of accountability and permissiveness. This ultimately affects Parliamentary control as the Parliament can not enforce the accountability of the executive when they defy the accountability relationship.

Summing up

- Parliamentary financial control system in India has a firm legal base and meets the norm of good governance. But there is significant gap between theory and practice. Unless this is attended to Parliament's ability to watch over nation's financial affairs can no longer be taken for granted.
- To strengthen Parliamentary control, budget proposals need be supported by expenditure plan and periodical reports on performance. This will contribute to greater depth in control and ensure effective accountability of government to Parliament.
- There is scope for Parliamentary financial control to be proactive in monitoring the budgetary performance of government. A Parliamentary budget office could be a suitable institutional mechanism for this. Effective use of information technology would facilitate Parliamentary financial control.

- Departmental Standing Committees need research and institutional support for effective scrutiny of budget proposals. Acceptance and implementation of the Committees' reports by government should be comprehensive.
- Discussion of reports of CAG by PAC and COPU need to gain momentum to improve the accountability process. Discussion should cover and emphasize issues rather than exceptions. Media participation in the Committee's deliberations will improve public financial accountability.
- Timely response and complete action on Audit Reports will need to be assured to strengthen Parliamentary Control and accountability process.

3. ROLE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. INTRODUCTION

Democratic governance and accountability have been the fundamental principles of the Indian Parliamentary system. The accountability of the executive to the Legislature, stems from the basic principle that the Legislature embodies the will of the people and it must therefore, be able to supervise the manner in which public policy laid down by the Legislature is carried out. In India, the system of public financial accountability revolves around two key agencies, namely the Comptroller and Auditor General of India (CAG) and legislative oversight committees such as the Public Accounts Committee (PAC) and the Committee on Public Undertakings (CoPU). These financial committees are the principal instruments of enforcing financial accountability of the executive to the legislature.

2. Mandate and Role of the CAG

The Comptroller and Auditor General of India is an office created by the Constitution of India and entrusted with the responsibility of audit of accounts of Union and the States. The duties and powers of the CAG as enshrined in Articles 149 to 151 of the Constitution of India have been further elaborated in the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and the Audit and Accounts Regulations 2007.

The CAG of India is the Supreme Audit Institution of the country. It is the duty of the CAG to audit the expenditure and receipts of the Union, the States and the Union Territory Government as also various authorities and bodies established by Government. The duties of the CAG also extend to audit of Government companies and corporations and bodies and authorities in accordance with the Act. The Audit Reports of the CAG in the case of the Union Government are presented to the President of India and in the case of State and Union Territory Governments to the Governor / Lieutenant Governor, who cause them to be laid before each House of Parliament or the Legislatures of the States / Union Territories as the case may be.

Under Article 150 of the Constitution, the accounts of the Union and the States are to be kept in such form as the President may, on the advice of the CAG, prescribe.

Mandate of the CAG

The mandate of the CAG includes audit of:-

- Receipts and expenditure from the Consolidated Fund of India and of the State and Union Territories,
- Transactions relating to Contingency Funds and Public Accounts,
- Trading, manufacturing, profit and loss accounts and balance sheets and other subsidiary accounts kept in any Government department,
- Accounts of stores and stock kept in Government offices or department,

- Government companies as per the provisions of the Companies Act, 1956.
- Corporations established by or under laws made by legislatures in accordance with provisions of the respective legislations,
- Authorities and bodies substantially financed from the Consolidated Fund of India or States,
- Any body or authority even though not substantially financed from the Consolidated Fund of India or States, the audit of which may be entrusted to CAG,
- Grants and loans given by the Government to Bodies and Authorities for specific purposes,
- Panchayati Raj Institutions and Urban Local Bodies.

2.1 Objectives and Scope of Audit

The broad objectives of audit are:-

- i. to provide an unbiased, impartial and objective assessment of the reliability and fair presentation of the financial activities and financial position of the Government in their accounts, which is known as **Financial Audit**;
- ii. to provide an assessment of the due observance of laws, rules, procedures and systems in dealing with public money in general and propriety in the financial decisions of the Government, which is known as **Compliance Audit** and;

- iii. to provide an assessment of the achievement of economy, efficiency and effectiveness (value for money) in the implementation of the mandated activities of the Government, which is known as **Performance Audit**.

Within the audit mandate, the CAG is the sole authority to decide the scope and extent of audit to be conducted by him or on his behalf.

2.2 Authority of the CAG in regard to audit

For conducting audit, the CAG has the authority:

- (a) to inspect any office of accounts under the control of the Union or of a State or of a Union Territory having a Legislative Assembly;
- (b) to require that any accounts, books, paper and other documents which deal with or form the basis of or are otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may appoint for his inspection; and
- (c) to put such questions or make such observations as he may consider necessary, to the person in charge of the office and to call for such information as he may require for the preparation of any account or report which is his duty to prepare.

The person in charge of any office or department, the accounts of which have to be inspected and audited by the CAG, is required under the Act to

afford all facilities for such inspection and comply with requests for information in as complete a form as possible and with all reasonable efficiency.

2.3 Broad Categories of Audit

Financial Audit

Financial Audit is conducted in accordance with the auditing standards prescribed by the CAG of India. The primary purpose of financial audit is to verify whether the accounts of the Government are properly prepared are complete in all respects and are presented with adequate disclosures.

Compliance Audit

Compliance audit addresses two issues: viz., (i) Regularity and (ii) Propriety.

Compliance audit includes an examination of the rules, regulations, orders and instructions for their legality, adequacy, transparency, propriety and prudence i.e. whether these are:

- Intra-Vires of the provisions of the Constitution of India and the statutory laws (legality);
- Sufficiently comprehensive and ensure effective control over Government receipts, expenditure, assets and liabilities with sufficient safeguards against loss due to waste, misuse, mismanagement, errors, frauds and other irregularities (adequacy);

- Clear and free from ambiguity and promote observance of probity in decision-making (transparency);
- Judicious and wise (propriety and prudence); and
- Effective and achieve the intended objectives and aims (effectiveness).

Performance Audit

Performance audit is an independent assessment or examination of the extent to which an entity, programme or organisation operates efficiently and effectively, with due regard to economy. It embraces:

- (a) audit of the economy of administrative activities in accordance with sound administrative principles and practices and management policies;
- (b) audit of the efficiency of utilisation of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements and procedures followed by audited entities for remedying identified deficiencies and
- (c) audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entities and audit of the actual impact of activities compared with the intended impact.

In practice, there can be an overlap between compliance and performance auditing and in such cases; classification of a particular audit would depend on the primary purpose of that audit.

Mandate and Functions and Interaction with the Public Accounts Committee

1.0 MANDATE

1.1 Constitutional Provisions regarding the Comptroller and Auditor General of India.

Articles 148 to 151 of the Constitution of India outline following salient features.

1.1.1 There shall be a Comptroller and Auditor-General of India who shall be appointed by the President by warrant under his hand and seal and shall only be removed from office in like manner and on like grounds as a Judge of the Supreme Court.

1.1.2 The Comptroller and Auditor-General shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament and, until provision in that behalf is so made, shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States as were conferred on or exercisable by the Auditor-General of India immediately before the commencement of this Constitution in relation to the accounts of the Dominion of India and of the provinces respectively.

1.1.3 The accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor-General of India, prescribe.

1.1.4 Audit Reports: - The reports of the Comptroller and Auditor-General of India relating to the accounts of the Union shall be submitted to the president, who shall cause them to be laid before each House of Parliament. The reports of the Comptroller and Auditor-General of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.

1.2 The Comptroller and Auditor-General's (Duties, Powers and Conditions of service) Act, 1971

1.2.1 An Act to determine the conditions of service of the Comptroller and Auditor-General of India and to prescribe his duties and powers and for that matter connected therewith or incidental thereto was passed by the Parliament of India in 1971. This act has been last amended in 1994.

1.2.2 Under this Act the CAG is the sole auditor of the accounts of the Central (Union) Government and the State Governments. CAG is also responsible for the audit of local bodies (i.e. Panchayati Raj institutions and urban local bodies) under the provisions of some of the State Acts and provides technical and administrative guidance for accounting and audit functions in all States as per orders issued by Ministry of Finance, Government of India. The CAG is also responsible for ensuring a uniform policy of accounting and audit in the Government sector as a whole. The Act authorizes the CAG to lay down for the guidance of the Government departments, the general principles of Government

accounting and the broad principles in regard to audit of receipts and expenditure.

1.2.3 The Mandate of the CAG thus includes audit of:

- Receipts and expenditure from the Consolidated Fund of India and of the State and Union Territories.
- Transactions relating to the Contingency Funds and Public Accounts.
- Trading, manufacturing, profit and loss accounts and balance sheets, and other subsidiary accounts kept in any Government department.
- Accounts of stores and stock kept in Government offices or departments.
- Government companies as per the provisions of the Companies Act, 1956.
- Corporations established by or under laws made by Parliament in accordance with the provisions of the respective legislation.
- Authorities and bodies substantially financed from the Consolidated Funds.
- Any Body or Authority even though not substantially financed from the Consolidated Fund, the audit of which may be entrusted to SAI.
- Grants and loans given by Government to Bodies and Authorities for specific purposes.

1.2.4 Reports of the CAG relating to the accounts of the Union and the States are submitted to the President / Governor of the State for being laid before the Parliament/State Legislature.

1.2.5 The audit mandate also provides for the periodic inspection of records and accounts of the Government departments to supplement the audit of vouchers and sanctions that are with the accounts compiling offices. Access to all documents and records considered relevant for audit is generally envisaged.

1.2.6 In order to ensure uniformity in Government accounting, the Constitution also enjoins that the accounts of the Union and of the States are to be kept in a form prescribed by the President on the advice of the Comptroller & Auditor General. The Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, authorises the Comptroller & Auditor General to lay down for the guidance of Government Department, the general principles of Government accounting and broad principles in regard to audit of receipts and expenditure. The Comptroller at Auditor General also plays a fiduciary role in federal financial relations. Under Article 279 of the Constitution, he ascertains and certifies the net proceeds of taxes levied and collected by the Union but assigned to the States or distributed between the Union and the States.

1.2.7 The organisations subject to the audit of the Comptroller and Auditor

General of India are:-

1. All the Union and the State Government departments and offices including the Indian Railways, Posts and Telecommunications and Defence establishments.
2. About 1200 public commercial enterprises controlled by the Union and State governments, i.e. government companies and corporations.
3. Around 400 non-commercial autonomous bodies and authorities owned or controlled by the Union or the States.
4. Over 4400 authorities and bodies substantially financed from Union or State revenues.

1.3 The Accountant General

1.3.1 In states audit is carried out by the Accountants General under the guidance and supervision of the Comptroller and Auditor General.

1.3.2 An Accountant General is a Senior Officer from a Indian Audit and Accounts Services who represent a Comptroller & Auditor General of India in the State. He normally has a minimum of 10 to 15 years acquaintance with fiscal administration and is free from Administrative Control and Service Regulation of the State Government.

1.3.3 Audit Reports on accounts of states are signed by him before they are approved by the Comptroller & Auditor General of India for submission to

the Governor of the State. He acts as an interface between the Comptroller & Auditor General of India, the Public Accounts Committee of the State Legislature and the Executive in the State Government. *Important values and cherished by the Accountant General in their audit work include objectivity, impartiality, balance views and sensitivity to response.*

2.0 Nature of Audit

While fulfilling his Constitutional obligations, the Accountant General under the guidance and supervision of the Comptroller & Auditor General examines various aspects of Government receipts / expenditure. The audit done is broadly classified into Regularity Audit and Performance Audit.

2.1 Regularity Audit (Compliance)

2.1.1 This category of audit Includes

- Audit against provision of funds to ascertain whether the moneys shown as expenditure in the Accounts were authorised for the purpose for which they were spent.
- Audit against rules and regulation to see that the expenditure incurred was in conformity with the laws, rules and regulations framed to regulate the procedure for expending public money.

- Audit of sanctions to expenditure to see that every item of expenditure was done with the approval of the competent authority in the Government for expending the public money.
- Propriety Audit which extends beyond scrutinising the mere formality of expenditure to its wisdom and economy and to bring to light cases of improper expenditure or waste of public money.
- While conducting the audit of receipts verification that assessment, collection and allocation of revenue are done in accordance with the law and there is no leakage of revenue which legally should come to the Government is attempted.

2.2 Performance Audit

The objective of Performance audit is to see that Government programmes have achieved the desired objectives at lowest cost and given the intended benefits.

3.0 Relationship with the Legislature

3.1 The Comptroller & Auditor General of India plays a key role in the functioning of the financial committees of Parliament and the State Legislatures. He has come to be recognized as a 'friend, philosopher and guide of the Committee. His Reports generally form the basis of the Committees' working, although they are not precluded from examining issues not brought out in his Reports. He scrutinises the notes which the

Ministries submit to the Committees and helps the Committees to check the correctness of facts and figures in their draft reports.

- 3.2 The scrutiny of the Annual Accounts and the Audit Reports thereon by the legislature as a whole would be an arduous task, considering tier diverse and specialized nature, besides imposing excessive demands on the limited time available to the Parliament for discussion of issues of national importance. Therefore the Parliament and the State Legislatures have, for this purpose, constituted specialized Committees like the Public Accounts Committee (PAC) and the Committee on Public Undertakings (COPU), to which these audit Reports and Annual Accounts automatically stand referred.
- 3.3 The Financial Committees present their report to the Parliament / State Legislature with their observations and recommendations. The various Ministries / Department of the Government are required to inform the Committees of the action taken by them on the recommendations of the Committees (which are generally accepted) and the Committees present Action Taken Reports to Parliament / legislature.
- 3.4 In respect of those cases in Audit Reports, which could not be discussed in detail by the Committees, written answers are obtained from the Department / Ministry concerned and are incorporated in subsequent reports presented to the Parliament / State Legislature. This ensures that the audit Reports are not taken lightly by the Government, even if the

Committee does not have enough time to deliberate upon the entire report.

4.0 PAC and the Accountant General in Maharashtra

4.1 In accordance with Article 151 of the Constitution, the Comptroller and Auditor General of India forwards his Audit Reports on the accounts as well as on the points noticed during audit of financial transactions of the State Government to the Governor, who causes them to be laid on the Table of the Vidhan Sabha (Legislative Assembly). The Reports of the Comptroller and Auditor General on the transactions of the State Government presented to the Vidhan Sabha stand referred to the respective Public Accounts Committee (PAC) in respect of Appropriation Accounts, Civil expenditures and Revenue Receipts (and to the Committee on Public Undertakings (COPU) in respect of Audit Report - Commercial). The Government departments, are to submit suo-moto Action Taken Notes on all Audit Paragraphs and Reviews to the Committee, duly vetted by Audit. The Committees select some of the paragraphs / reviews for detailed examination after which a report containing their observations and recommendations is presented to the *Vidhan Sabha*.

4.2 The drafts of the paragraphs / reviews included in the Audit Reports are always forwarded to the Secretary of the department concerned for his comments so that the views of the Government are incorporated in the

Audit Reports before their presentation to the *Vidhan Sabha*. Finance Department has prescribed that the Audit paragraphs should be disposed of as expeditiously as possible and the comments of the concerned department intimated to Audit within a period not exceeding six weeks.

4.3 The Public Accounts Committee satisfies itself that:-

- The moneys (shown in the accounts) were disbursed legally on the service or purpose to which they were applied.
- The expenditure was authorised.
- Re-appropriation (i.e. distribution of funds) was permissible under the rules.
- PAC also examines the statement of accounts of autonomous and semi-autonomous bodies, the audit of which is conducted by the Comptroller & Auditor General either under the directions of the President or by a Statute as also the reports based on Performance audit.

4.4 The objective of the Financial Committees, in doing so, is not to focus only on the individual irregularities, but on the defects in the system which led to such irregularity, and the need for correction of such systems and procedures.

4.5 The procedure which the committee follows in dealing with accounts and Reports is regulated by rules framed under article 208 of the constitution and rules framed by Maharashtra Legislative Assembly. The committees submit their reports to legislature. These reports embody their findings on Audit Reports and Accounts examined by them and their recommendations to executive Government or the legislature.

4.6 The Finance accounts, Appropriation accounts and the Audit Reports of expenditure and revenue are being perused by the PAC. The PAC as a representative of legislature has a vital role to play in enforcing the accountability of the executives. The Accountants General is normally invited to be present at the meetings of PAC where witnesses are examined and Accounts and Reports are considered. They endeavour to attend all these meetings personally (or through their senior officers) and assist PAC in their deliberations. They are in particular,

- Help the committee in discriminating between more important and less important matters included in the Report, so that the time at the disposal of the Committee may be utilized to the best advantage.
- Furnish any supplementary and up to date information on matters included in the Accounts and Reports.
- If necessary, clarify the issues and explain the technicalities involved in a case under consideration.

- Are expected to indicate to the Committee the manner in which the inquiry should be developed with is always subject to the consent and control of the Chairman.

4.7 Copies of the Reports and Accounts would be circulated to the Administrative Department as soon as the same are placed on the table of the legislature. The explanations in respect of audit paragraphs are required to be submitted to Maharashtra Legislative Secretariat (MLS) within a period of three months from of receipt of Audit Report by that Department. The MLS have decided that no memoranda / action taken note be submitted to PAC unless it has been vetted by Accountant General. On the basis of explanation furnished by the Department in their memorandum, briefs are prepared for each department and after vetting by AG further questions are raised to bring out failure in the system.

4.8 The recommendations of the PAC are considered by the concerned Ministries / Departments of Government. Recommendations of the PAC can be grouped generally under the following categories: -

- Recommendations towards investigations and fixation of responsibility in specific cases of failures to observe the prescribed rules, etc.
- Recommendations towards review of existing procedure in the department / departments to tighten up control.

- Recommendations towards modifications / amendment to an existing rule / order having financial implications.
- Recommendation on issues arising from higher audit points with a view to securing greater financial control.

The Accountant General watches the action taken and the orders passed on the recommendation of the Committee. If, in any case, the action taken by Government is inadequate, It will be open to the Accountant General to take up the matter with Government and if necessary, to comment on the matter in a subsequent Audit Report.

4.9 The impact of the audit largely depends upon the support of the Public Accounts Committee available to the Accountant General. This impact when backed by the recommendations of the Public Accounts Committee in Maharashtra has taken the following forms.

- Use of resources as mandated by the legislature.
- Removal of weaknesses in the administrative machinery.
- Advance warning of frauds, misappropriation etc.
- Checking indiscipline in fiscal matters and effecting recoveries of evaded taxes, overspent amounts, etc.

4. THE COMPTROLLER AND AUDITOR-GENERAL'S (DUTIES, POWERS AND CONDITIONS OF SERVICE) ACT, 1971

(As of May 31, 1989) (15th December, 1971)
(As amended in 1976, 1984, 1987 and 1994)

An Act to determine the conditions of service of the Comptroller and Auditor-General of India and to prescribe his duties and powers and for that matters connected therewith or incidental thereto.

Be it enacted by parliament in the Twenty-second year of the Republic of India as follows:-

CHAPTER 1

PRELIMINARY

1. Short title

This Act may be called the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971.

2. Definitions

In this Act, unless the context otherwise requires,

(a) "accounts", in relation to commercial undertakings of a Government, includes trading, manufacturing and profit and loss accounts and balance-sheets and other subsidiary accounts;

(b) "appropriation accounts" means accounts which relate the expenditure brought to account during a financial year, to the several items

specified in the law made in accordance with the provisions of the Constitution or of the Government of Union Territories Act, 1963, (20 of 1963) for the appropriation of moneys out of the Consolidated Fund of India or of a State, or of a Union territory having a Legislative Assembly, as the case may be;

(c) "Comptroller and Auditor-General" means the Comptroller and Auditor-General of India appointed under article 148 of the Constitution;

(d) "State" means a State specified in the First Schedule to the Constitution;

(e) "Union" includes a Union territory, whether having a Legislative Assembly or not.

CHAPTER II

SALARY AND OTHER CONDITIONS OF SERVICE OF THE COMPTROLLER AND AUDITOR-GENERAL

Salary

3. There shall be paid to the Comptroller and Auditor-General a salary which is equal to the salary of the Judge of the Supreme Court:

Provided that if a person who, immediately before the date of assuming office as the Comptroller and Auditor-General, was in receipt of, or, being eligible so to do, had elected to draw, a pension (other than a disability or wound pension) in respect of any previous service under the Government of the Union or any of its predecessor Governments, or under the Government of

a State or any of its predecessor Governments, his salary in respect of service as Comptroller and Auditor-General shall be reduced:

(a) by the amount of that pension; and

(b) if he had, before assuming office, received, in lieu of a portion of the pension due to him in respect of such previous service, the commuted value thereof, by the amount of that portion of the pension.

Term of Office

4. The Comptroller and Auditor-General shall hold office for a term of six years from the date on which he assumes such office:

Provided that where he attains the age of sixty-five years before the expiry of the said term of six years, he shall vacate such office on the date on which he attains the said age.

Provided further that he may, at any time, by writing under his hand addressed to the President, resign his office.

Explanation: For the purpose of this section, the term of six years in respect of the Comptroller and Auditor-General holding office immediately before the commencement of this Act, shall be computed from the date on which he had assumed office.

Leave

5. (1) A person who, immediately before the date of assuming office as the Comptroller and Auditor-General, was in the service of Government may be granted during his tenure of office but not thereafter, leave in accordance

with the rules for the time being applicable to the Service to which he belonged before such date and he shall be entitled to carry forward the amount of leave standing at his credit on such date, notwithstanding anything contained in section 6.

(2) Any other person who is appointed as the Comptroller and Auditor-General may be granted leave in accordance with such rules as are for the time being applicable to a member of the Indian Administrative Service.

(3) The power to grant or refuse leave to the Comptroller and Auditor-General and to revoke or curtail leave granted to him, shall vest in the President.

Pension

6. (1) A person who, immediately before the date of assuming office as the Comptroller and Auditor-General, was in the service of Government shall be deemed to have retired from service on the date on which he enters upon office as the Comptroller and Auditor-General but his service as Comptroller and Auditor-General shall be reckoned as continuing approved service counting for pension in the Service to which he belonged.

(2) Every person who enters upon office as the Comptroller and Auditor-General shall, on demitting the said office, be eligible to a pension of a sum of fifteen thousand rupees per annum which sum shall include: the aggregate of all pensions payable to him and the commuted portion, if any, of his pension,

and the pension equivalent of the retirement gratuity, if any, which may have been admissible to him under the rules for the time being applicable to the Service to which he belonged:

Provided that if such a person is or becomes eligible, at any time, under the rules for the time being governing the Service to which he belonged, to a pension higher than the said sum of fifteen thousand rupees, he shall be eligible to draw, as pension, the said higher amount.

(3) A person who, immediately before the date of assuming office as the Comptroller and Auditor-General, was in receipt of, or, had become eligible for receiving, a pension in respect of any previous service under Government, shall, on demitting office as the Comptroller and Auditor-General, be eligible to a pension of fifteen thousand rupees per annum which sum shall include the aggregate of all pensions payable to him and the commuted portion, if any, of his pension, and the pension equivalent of the retirement gratuity, if any, which may have been admissible to him under the rules for the time being applicable to the Service to which he belonged:

Provided that if such a person is or becomes eligible, at any time, under the rules for the time being governing the service to which he belonged, to a pension higher than the said sum of fifteen thousand rupees, on he shall be eligible to draw, as pension, the said higher amount.

(4) Any other person who is appointed as the Comptroller and Auditor-General shall, on demitting the said office, be eligible to a pension of fifteen thousand rupees per annum.

(5) The person holding office immediately before the commencement of this Act as the Comptroller and Auditor-General shall be eligible to draw, at his option, pension at the rate at which it would be admissible to him if this Act had not come into force or at the rate specified in this section.

(6) A person who demits office as the Comptroller and Auditor-General by resignation shall, on such demission, be eligible to a pension at the rate of two thousand rupees per annum for each completed year of his service as the Comptroller and Auditor General:

Provided that in the case of a person referred to in sub-section (1) or sub-section (3), the aggregate amount of pension admissible under this sub-section together with the amount of pension including the commuted portion, if any, of his pension, and the pension equivalent of the retirement gratuity if any which may have been admissible to him under the rules for the time being applicable to the Service to which he belonged immediately before he assumed office as the Comptroller and Auditor-General, shall not exceed fifteen thousand rupees per annum or the higher pension referred to in proviso to sub-section (2) or sub-section (3), as the case may be.

(6A) Notwithstanding, anything contained in the foregoing provisions of this section a person referred to in sub-section (1) who demits office (whether

in any manner specified in sub-section (8) or by resignation) as the Comptroller and Auditor-General after the commencement of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Amendment Act, 1984, shall, on such demission, be entitled to: -

(a) the pension to which he would have been entitled under the rules of the Service to which he belonged by reckoning his service as the Comptroller and Auditor-General as continuing approved service counting for pension in such Service; and

(b) a special pension of seven hundred rupees per annum in respect of each completed year of service as the Comptroller and Auditor-General;

(6B) Notwithstanding anything contained in the foregoing provisions of this section, a person referred to in sub-section (3) who demits office (whether in any manner specified in sub-section (8) or by resignation) as the Comptroller and Auditor-General after the commencement of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Amendment Act, 1984, shall, on such demission be entitled to:

(a) the pension payable to him in respect of any previous service under Government; and

(b) a special pension of seven hundred rupees per annum in respect of each completed year of service as the Comptroller and Auditor-General.

(6C) Notwithstanding anything contained in the foregoing provisions of this section, a person who demits office (whether in any manner specified in sub-section 8 (or by resignation) as the Comptroller and Auditor-General after the commencement of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Amendment Act, 1987 shall, on such-demission, be entitled to-

(a) a pension which is equal to the pension payable to a Judge of the Supreme Court,-

(i) if such person is a person referred to in sub-section (1) or sub-section (3), in accordance with the provisions of part III of the Schedule to the Supreme Court Judges (Conditions of Services) Act, 1958 (41 of 1958) (hereafter in this Act referred to as the Supreme Court Judges Act), as amended from time to time.

(ii) If such person is a person referred to in subsection (4), in accordance with the provisions of Part I of the Schedule to the Supreme Court Judges Act, as amended from time to time.

(b) Such pension (including commutation of pension), family pension and gratuity as are admissible to a Judge of Supreme Court under the Supreme Court Judges Act and the rules made thereunder, as amended from time to time.

(6D) Notwithstanding anything contained in the foregoing provisions of this section, a person who demitted office (whether in any manner specified in sub section (8) or by resignation) as the Comptroller and Auditor-General, at any time before the 16th day of December, 1987, shall be entitled to the pension specified in sub section (6C) on and from that date.

(7) If a person who demits office as the Comptroller and Auditor-General is not eligible to any pension under this section but is eligible to a pension under the rules for the time being applicable to the Service to which he belonged immediately before he assumed office as the Comptroller and Auditor-General he shall, notwithstanding anything contained in this section, be eligible to draw such pension as is admissible to him under the said rules.

(8) Except where he demits office by resignation, a person holding office of the Comptroller and Auditor-General shall be deemed, for the purposes of this Act, to have demitted such office as such if, and only if-

(a) he has completed the term of office specified in section 4, or

(b) he has attained the age of sixty-five years, or

(c) his demission of office is medically certified to be necessitated by ill-health.

7. Omitted.

Right to Subscribe to General Provident Fund

8. Every person holding office as the Comptroller and Auditor-General shall be entitled to subscribe to the General Provident Fund (Central Services).

Other Conditions of Service

9. Save as otherwise provided in this Act, the conditions of service relating to travelling allowance, provision of rent free residence and exemption from payment of income-tax on the value of such rent-free residence, conveyance facilities, sumptuary allowance, medical facilities and such other conditions of service as are for the time being applicable to a Judge of the Supreme Court under Chapter IV of the Supreme Court Judges Act, and the rules are made there under, shall, so far as may be, apply to a serving or retired Comptroller and Auditor-General as the case may be.

Provided that nothing in this section shall have effect so as to give a person, who immediately before the date of assuming office as the Comptroller and Auditor-General, was in the service of Govt. less favourable terms in respect of any of the matters aforesaid than those to which he would be entitled as a member of the Service to which he belonged, his service as Comptroller and Auditor-General being treated for the purpose of this proviso as continuing service in the Service to which he belonged.

CHAPTER III

DUTIES AND POWERS OF THE COMPTROLLER AND AUDITOR-GENERAL

Comptroller and Auditor-General to compile accounts of Union and States

10. (1) The Comptroller and Auditor-General shall be responsible-

(a) for compiling the accounts of the Union and of each State from the initial and subsidiary account rendered to the audit and accounts offices under his control by treasuries, offices or departments responsible for the keeping of such accounts; and

(b) for keeping such accounts in relation to any of the matters specified in clause (a) as may be necessary:

Provided that the President may, after consultation with the Comptroller and Auditor-General, by order relieve him from the responsibility for compiling-

(i) the said accounts of the Union (either at once or gradually by the issue of several orders); or

(ii) the accounts of any particular services or departments of the Union:

Provided further that the Governor of a State may with the previous approval of the President and after consultation with the Comptroller and Auditor-General, by order, relieve him from the responsibility for compiling-

(i) the said accounts of the State (either at once or gradually by the issue of several orders); or

(ii) the accounts of any particular services or departments of the State:

Provided also that the President may, after consultation with the Comptroller and Auditor-General, by order, relieve him from the responsibility for keeping the accounts of any particular class or character.

(2) Where, under any arrangement, a person other than the Comptroller and Auditor-General has, before the commencement of this Act, been responsible-

(i) for compiling the accounts of any particular service or department of the Union or of a State, or

(ii) for keeping the accounts of any particular class or character,

such arrangement shall, notwithstanding anything contained in subsection (1), continue to be in force unless, after consultation with the Comptroller and Auditor-General, it is revoked in the case referred to in clause (i), by an order of the President or the Governor of the State, as the case may be, and in the case referred to in clause (ii) by an order of the President.

**Comptroller and Auditor-General to prepare and submit accounts
to the President, Governors of States and Administrators of Union
Territories having Legislative Assemblies**

11. The Comptroller and Auditor-General shall from the accounts compiled by him or by the Government or any other person responsible in that

behalf prepare in each year accounts (including, in the case of accounts compiled by him, appropriation accounts) showing under the respective heads the annual receipts and disbursements for the purpose of the Union, of each State and of each Union territory having a Legislative Assembly, and shall submit those accounts to the President or the Governor of a State or Administrator of the Union territory having a Legislative Assembly, as the case may be on or before such dates as he may, with the concurrence of the Government concerned, determine:

Provided that the President may, after consultation with the Comptroller and Auditor-General, by order, relieve him from the responsibility for the preparation and submission of the accounts relating to annual receipts and disbursements for the purpose of the Union or of a Union territory having a Legislative Assembly;

Provided further that the Governor of a State may, with the previous approval of the President and after consultation with the Comptroller and Auditor-General, by order, relieve him from the responsibility for the preparation and submission of the accounts relating to annual receipts and disbursements for the purpose of the State.

Comptroller and Auditor-General to give information and render assistance to the Union and States

12. The Comptroller and Auditor-General shall, in so far as the accounts, for the compilation or keeping of which he is responsible, enable him so to do,

give to the Union government, to the State Governments or to the Governments of Union Territories having Legislative Assemblies, as the case may be, such information as they may, from time to time, require, and render such assistance in the preparation of their annual financial statements as they may reasonably ask for.

General Provisions Relating to Audit

13. It shall be the duty of the Comptroller and Auditor-General-

(a) to audit all expenditure from the Consolidated Fund of India and of each State and of each Union territory having a Legislative Assembly and to ascertain whether the moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it;

(b) to audit all transactions of the Union and of the States relating to Contingency Funds and Public Accounts;

(c) to audit all trading, manufacturing, profit and loss accounts and balance-sheets and other subsidiary accounts kept in any department of the Union or of a State;

and in each case to report on the expenditure, transactions or accounts so audited by him.

**Audit of receipts and expenditure of bodies or authorities substantially
financed from Union or State Revenues**

14.(1) Where any body or authority is substantially financed by grants or loans from the Consolidated Fund of India or of any State or of any Union territory having a Legislative Assembly, the Comptroller and Auditor-General shall, subject to the provisions of any law for the time being in, force applicable to the body or authority, as the case may be, audit all receipts and expenditure of that body or authority and to report on the receipts and expenditure audited by him.

Explanation: Where the grant or loan to a body or authority from the Consolidated Fund of India or of any State or of any Union territory having a Legislative Assembly in a financial year is not less than rupees twenty-five lakhs and the amount of such grant or loan is not less than seventy-five percent of the total expenditure of that body or authority, such body or authority shall be, deemed, for the purposes of this sub-section, to be substantially financed by such grants or loans as the case may be.

(2) Notwithstanding anything contained in sub-section (1) the Comptroller and Auditor-General may with the previous approval of the President or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, audit all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of India or of any State or of any Union

territory having a Legislative Assembly, as the case may be in a financial year is not less than rupees one crore.

(3) Where the receipts and expenditure of any body or authority are by virtue of the fulfillment of the, conditions specified in sub-section (1) or sub-section (2) audited by the Comptroller and Auditor-General in a financial year, he shall continue to audit the receipts and expenditure of that body or authority for a further period of two years notwithstanding that the conditions specified in sub-section (1) or sub-section (2) are not fulfilled during any of the two subsequent years.

Functions of Comptroller and Auditor-General in the Case of Grants or Loans given to other Authorities or Bodies

15. (1) Where any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State or of any Union territory having a Legislative Assembly to any authority or body, not being a foreign State or international organisation, the Comptroller and Auditor-General shall scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which such grants or loans were given and shall for this purpose have right of access, after giving reasonable previous notice, to the books and accounts of that authority or body:

Provided that the President, the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, may, where he is of opinion that it is necessary so to do in the public interest, by

order, relieve the Comptroller and Auditor-General, after consultation with him, from making any such scrutiny in respect of any body or authority receiving such grant or loan.

(2) Except where he is authorised so to do by the President, the Governor of a State or the Administrator of Union territory having a Legislative Assembly, as the case may be, the Comptroller and Auditor-General shall not have, while exercising the powers conferred on him by sub-section (1), right of access to the books and accounts of any corporation to which any such grant or loan as is referred to in subsection (1) is given if the law by or under which such corporation has been established provides for the audit of the accounts of such corporation by an agency other than the Comptroller and Auditor-General:

Provided that no such authorisation shall be made except after consultation with the Comptroller and Auditor-General and except after giving the concerned corporation a reasonable opportunity of making representations with regard to the proposal to give to the Comptroller and Auditor-General right of access to its books and accounts.

Audit of Receipts of Union or of States

16. It shall be the duty of the Comptroller and Auditor-General to audit all receipts which are payable into the Consolidated Fund of India and of each State and of each Union territory having a Legislative Assembly and to satisfy himself that the rules and procedures in that behalf are designed to secure an

effective check on the assessment, collection and proper allocation of revenue and are being duly observed and to make for this purpose such examination of the accounts as he thinks fit and report thereon.

Audit of accounts of stores and stock

17. The Comptroller and Auditor-General shall have authority to audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State.

Powers of Comptroller and Auditor-General in connection with audit of accounts

18. (1) The Comptroller and Auditor-General shall in connection with the performance of his duties under this Act, have authority-

(a) to inspect any office of accounts under the control of the union or of a State, including treasuries, and such offices responsible for the keeping of initial or subsidiary accounts, as submit accounts to him;

(b) to require that any accounts, books, papers and other documents which deal with or form the basis of or an otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may appoint for his inspection;

(c) to put such questions or make such observations as he may consider necessary, to the person in charge of the office and to call for such information

as he may require for the preparation of any account or report which it is his duty to prepare.

(2) The person in charge of any office or department, the accounts of which have to be inspected and audited by the Comptroller and Auditor-General, shall afford all facilities for such inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Audit of Government companies and corporations

19. (1) The duties and powers of the Comptroller and Auditor-General in relation to the audit of the accounts of Government companies shall be performed and exercised by him in accordance with the provisions of the Companies Act, 1956 (1 of 1956).

(2) The duties and powers of the Comptroller and Auditor-General in relation to the audit of the accounts of corporations (not being companies) established by or under law made by Parliament shall be performed and exercised by him in accordance with the provisions of the respective legislations.

(3) The Governor of a State or the Administrator of a Union territory having a Legislative Assembly may, where he is of opinion that it is necessary in the public interest so to do, request the Comptroller and Auditor-General to audit the accounts of a corporation established by law made by the Legislature of the State or of the Union territory, as the case may be, and where such

request has been made, the Comptroller and Auditor-General shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation:

Provided that no such request shall be made except after consultation with the Comptroller, and Auditor-General and except after giving reasonable opportunity to the corporation to make representations with regard to the proposal for such audit.

Laying of reports in relation to accounts of Government companies and corporation

19A. (1) The reports of the Comptroller and Auditor-General, in relation to audit of accounts of a Government company or a corporation referred to in section 19, shall be submitted to the Government or Governments concerned.

(2) The Central Government shall cause every report received by it under sub-section (1) to be laid, as soon as may be after it is received, before each House of Parliament.

(3) The State Government shall cause every report received by it under sub-section (1) to be laid, as soon as may be after it is received, before the Legislature of the State.

Explanation: For the purposes of this section "Government or "State Government" in relation to a Union Territory having a Legislative Assembly, means the Administrator of the Union territory.

Audit of accounts of certain authorities or bodies

20. (1) Save as otherwise provided in section 19, where the audit of the accounts of any body or authority has not been entrusted to the Comptroller and Auditor-General by or under any law made by Parliament, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority:

Provided that no such request shall be made except after consultation with the Comptroller and Auditor-General.

(2) The Comptroller and Auditor-General may propose to the President or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, that he may be authorised to undertake the audit of accounts of any body or authority, the audit of the account of which has not been entrusted to him by law, if he is of opinion that such audit is necessary because a substantial amount has been invested in, or advanced to, such body or authority by the Central or State Government or by the Government of a Union territory having a Legislative Assembly, and on such request being made, the President or the Governor or, the Administrator,

as the case may be, may empower the Comptroller and Auditor-General to undertake the audit of the accounts of such body or authority.

(3) The audit referred to in sub-section (1) or sub-section (2) shall not be entrusted to the Comptroller and Auditor-General except where the President or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, is satisfied that it is expedient so to do in the public-interest and except after giving a reasonable opportunity to the concerned body or authority to make representations with regard to the proposal for such audit.

CHAPTER IV

MISCELLANEOUS

Delegation of Power of Comptroller and Auditor-General

21. Any power exercisable by the Comptroller and Auditor-General under the provisions of this Act, or any other law may be exercised by such officer of his department as may be authorised by him in this behalf by general or special order.

Provided that except during the absence of the Comptroller and Auditor-General on leave or otherwise, no officer shall be authorised to submit on behalf of the Comptroller and Auditor-General any report which the Comptroller and Auditor-General is required by the Constitution or the Government of Union Territories Act, 1963 (20 of 1963) to submit to the

President or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be.

Power to Make Rules

22. (1) The Central Government may, after consultation with the Comptroller and Auditor-General, by notification in the official Gazette, make rules for carrying out the provisions of this Act in so far as they relate to the maintenance of accounts.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:-

(a) the manner in which initial and subsidiary accounts shall be kept by the treasuries, offices and departments rendering accounts to audit and accounts offices;

(b) the manner in which the accounts of the Union or of a State or of any particular service or department or of any particular class or character, in respect of which the Comptroller and Auditor-General has been relieved from the responsibility of compiling or keeping the accounts, shall be compiled or kept;

(c) the manner in which the accounts of stores and stock shall be kept in any office or department of the Union or of a State, as the case may be;

(d) any other matter which is required to be, or may be, prescribed by rules

(3) Every rule made under this section shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty day's which may be comprised in one Session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid both Houses agree in making any modification in the rule or both Houses agree that the rules should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

Power to make regulations

23. The Comptroller and Auditor-General is hereby authorised to make regulations for carrying into effect the provisions of this Act in so far as they related to the scope and extent of audit, including laying down for the guidance of the Government Departments the general principles of Government accounting and the broad principles in regard to audit of receipts and expenditure.

Power to dispense with detailed audit

24. The Comptroller and Auditor-General is hereby authorised to dispense with, when circumstances so warrant, any part of detailed audit of

any accounts or class of transactions and to apply such limited check in relation to such accounts or transactions as he may determine.

Repeal

25. The Comptroller and Auditor-General (Conditions of Service) Act 1953, (21 of 1953) is hereby repealed.

Removal of doubts

26. For removal of doubts, it is hereby declared that on the commencement of this Act the Government of India (Audit and Accounts) Order, 1936, as adapted by the India (Provisional Constitution) Order, 1947, shall cease to be in force except as respects anything done or any action taken there under.

5. CONSTITUTIONAL PROVISIONS OF CAG

148. Comptroller and Auditor-General of India.—(1) There shall be a Comptroller and Auditor-General of India who shall be appointed by the President by warrant under his hand and seal and shall only be removed from office in like manner and on the like grounds as a Judge of the Supreme Court.

(2) Every person appointed to be the Comptroller and Auditor-General of India shall, before he enters upon his office, make and subscribe before the President, or some person appointed in that behalf by him, an oath or affirmation according to the form set out for the purpose in the Third Schedule.

(3) The salary and other conditions of service of the Comptroller and Auditor-General shall be such as may be determined by Parliament by law and, until they are so determined, shall be as specified in the Second Schedule:

Provided that neither the salary of a Comptroller and Auditor-General nor his rights in respect of leave of absence, pension or age of retirement shall be varied to his disadvantage after his appointment.

(4) The Comptroller and Auditor-General shall not be eligible for further office either under the Government of India or under the Government of any State after he has ceased to hold his office.

(5) Subject to the provisions of this Constitution and of any law made by Parliament, the conditions of service of persons serving in the Indian Audit and Accounts Department and the administrative powers of the Comptroller and

Auditor-General shall be such as may be prescribed by rules made by the President after consultation with the Comptroller and Auditor-General.

(6) The administrative expenses of the office of the Comptroller and Auditor-General, including all salaries, allowances and pensions payable to or in respect of persons serving in that office, shall be charged upon the Consolidated Fund of India.

149. Duties and powers of the Comptroller and Auditor-General.—The Comptroller and Auditor-General shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament and, until provision in that behalf is so made, shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States as were conferred on or exercisable by the Auditor-General of India immediately before the commencement of this Constitution in relation to the accounts of the Dominion of India and of the Provinces respectively.

150. Form of accounts of the Union and of the States.—The accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor-General of India, prescribe.

151. Audit reports.—(1) The reports of the Comptroller and Auditor-General of India relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each House of Parliament.

(2) The reports of the Comptroller and Auditor-General of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.

6. LEGISLATIVE CONTROL OVER EXECUTIVE

In parliamentary System of Government as we have already seen executive is responsible to the Legislature. Thus the existence of Council of Ministers i.e. Executive is totally depends on the will of the Legislature. Executive has to command majority in the popularly elected House i.e. Lok Sabha or Legislative Assembly. At no moment of time it affords to loose majority. Moment it lost majority the Council of Ministers i.e. Executive is under constitutional obligation to resign. This very principle of Executive responsibility to the Legislature has given rise to the concept of Legislature control over the Executive. In Parliamentary democracy Legislature expresses popular will of the people and in that sense it gets direct authority from the people. That's why Legislature has to perform a function of controlling the Executive and for that purpose devided various ways to ensure this responsibility.

Main aim of the Parliamentary/Legislative control is to ensure good governance in furtherance of Constitutional obligation. To enquire and examine whether administration has acted in confirmity with socio-economic objectives which have been approved or endorsed by Legislature/Parliament. It is also responsibility of Legislature while ensuring control that to tone up administration and to recommend policies for the welfare of the people and to ensure that executive authorities should not mis-use or abuse of power. The novel principle of rule of Law should be safeguarded at any cost so that no injustice, unfair, arbitrary, unreasonable treatment is meted out to common

man and their socio-economic welfare and various principles laid down in the preamble of the Constitution should be zealously safeguarded. It is also motive of the Legislative surveillance to curb the evil of corruption, malpractices, maladministration in the functioning of the Government.

7. PARLIAMENTARY COMMITTEES **NEW STANDING COMMITTEE SYSTEM**

The work done by the Parliament in modern times is not only varied in nature, but considerable in volume and the legislatures are faced with many complex issues. Constituted as they are, they have neither the time for scrutiny of varied and complex details of modern administration nor the expertise needed for the task. They cannot, therefore, give close consideration to all the legislative and other matters that come up before the legislature. A good deal of legislative business is, therefore, transacted by what are called the Parliamentary Committees. These Committees also endure effective Parliamentary surveillance over the Executive.

Parliamentary Committees in India are of two kinds: Adhoc Committees and Standing Committees. Adhoc Committees are appointed for a specific purpose and they cease to exist when they finish the task assigned to them and submit a report. The Principal Adhoc Committees are the Select and Joint Committees on Bills. Others like the Railway Convention Committee, the Committee on the Draft Five Year Plans, the Hindu Equivalents Committee, the Joint Committee to enquire into Bofors Contract and the Joint Committee to enquire into irregularities in securities and banking transactions were appointed for specific purpose.

Apart from the ad hoc Committee, each House of Parliament has Standing Committees like the Business Advisory Committee, the Committee on Petitions, the Committee of Privileges and the Rules Committee etc.

Yet another class of Committee, which act as Parliament's watch dogs over the executive are Committee on Subordinate Legislation, the Committee on Government Assurances, the Estimates Committee, the Public Accounts Committee and the Committee on Public Undertakings. These Committees play an important role in exercising a check over governmental expenditure.

However, in recent years need was felt for suitable reforms in the existing Committee System in order to ensure better Parliamentary Control and effective surveillance over the working of the administration in diverse fields.

Proposal for ad hoc Budget Committees

During the Budget Session which lasts for as long as 10 to 12 weeks, the major part of the time of Parliament is spent on transaction of financial business. The while process of discussion and voting of the Demands for Grants and the passage of Appropriation and Finance Bills is required to be completed within a specified time. As a result, owing to paucity of time, often the Demands for Grants in respect of most of the

Ministries/Departments get guillotined every year without discussion.

In 1985, for example, the Demands for Grants of 15 Ministries / Departments were discussed while the Demands of as many as 21 Ministries / Departments were guillotined. In 1986 Demands of 10 Ministries / Departments were discussed and Demand of 27 Ministries / Departments were guillotined. The figures for 1988 were 10 and 26, respectively. A record of sorts was made in 1989 when the Demands for Grants of only 3 Ministries / Departments were discussed and Demands in respect of as many as 34 Ministries / Departments were guillotined. It would thus be seen that there has been a progressive decrease in the number of Ministries / Departments who's Demands are actually discussed on the floor of the House. Hence, the need for a detailed pre-voting scrutiny of the Demands for Grants had been felt in various parliamentary for a in order to secure better and more effective parliamentary control over the administration and its expenditure.

The matter was first brought into sharp focus during the Third Regional Commonwealth Parliament Association Seminar held in New Delhi in January, 1984. The Matter was also debated in the Presiding Officers' Conference held at Calcutta in October, 1984. Soon thereafter, the then Hon. Speaker, of Lok Sabha (Dr. Bal Ram Jakhar) had a proposal prepared for the setting up of ad hoc Budget Committee for pre-voting scrutiny of the Demands for Grants of all

Ministries / Departments. The salient features of the proposal were:

(a) There may be about nine Committees to be set up by the Speaker by a Resolution of the House after the general discussion on the budget is over;

(b) The House may adjourn for a recess of three to four weeks after the general discussion on the Budget during which period the Committee might function;

(c) The Committee may scrutinise the Demands for Grants in depth and report on changes in the Estimates without increasing the total amount of any Demand;

(d) Provisions for any policies / Programmes and significant variations, specially increases over previous years, may receive particular attention with an overall eye on the need for economy and efficiency and relationship between expenditure and needs;

(e) The number of members in each Committee may be between 50 and 55, every member of the House (other than Ministers) may be a member of one or other Committee. Ministers concerned may be associated as ex-officio members. Choice or priorities indicated by the members may be taken into consideration while allocating members to one or the other Committee. As far as possible the party-wise completion of the House may be reflected in the composition of the Committees. Members and Chairman of the Committees may be appointed by the Speaker;

(f) The Committees may have three to four week's time for scrutiny and report to the House. The Reports of the Committees may be precise and to the point;

(g) The Committees may discuss brief background memoranda provided by the Ministries. Senior Government officials concerned may be present during the sitting to assist the Committees in their deliberations. Rules relating to the existing Financial Committees may apply to the Budget Committees.

After the reports of the Committees are presented to the House, the House might confine itself to discussing (i) Specific points/recommendations made by these Committees; and (ii) cut motions in regard to certain selected Demands, and voting on the Demands.

Pre-voting scrutiny of Budget proposals is in vogue in Australia, U.K., Federal Republic of Germany and Japan. The Budget examined first by Committees and then by the House.

The proposal to set up ad hoc Committees for pre-voting scrutiny of the Demands for Grants was considered by the Rules Committee of the eighth Lok Sabha, but no final decision could be reached.

SUBJECT COMMITTEES:

Even while the proposal to set up Budget Committees awaited finalisation, another proposal of a far-reaching nature

designed to strengthen the Committee System and to secure the administrative accountability in a far more effective manner was placed before the Rules Committee in the closing months of the life of the Eighth Lok Sabha. The Rules Committee at their sittings held on 30 March and 9 May, 1989 considered and approved the proposals to set up three Subject Committees - One each on Agriculture, Science and Technology and Environment and Forests. Necessary recommendations to this effect were made by the Rules Committee in their Second and Fourth Reports laid on the Table of the House on 2 May and 25 July, 1989 respectively. The Rules relating to this Committee were finally approved by the House and the Committees were constituted for the first time with effect from 13 August, 1989.

These Subject Committees were inter-alia, to examine the activities of the concerned Ministries / Departments and to report as to what economies, improvement in organisation, efficiency or administrative reforms consistent with the policy approved by Parliament might be effected. Apart from other functions, these Committees were to examine in due course the Demands for Grants in respect of concerned Ministries before they were actually discussed in Lok Sabha.

In two States, viz, Kerala and West Bengal, subject-based Committees have already been functioning on an experimental basis.

There have been ten Subjects Committees in Kerala Legislative Assembly since 1980 and three Subject Committees in West Bengal since 1987-88.

Departmentally related Standing Committees:

During 1992, the 10th Lok Sabha, the matter relating to departmentally related Parliamentary Standing Subject Committee was again considered by the General purposes Committees and the Rules Committee and they felt that a full fledged system of Departmentally related Standing Committees be created covering under their jurisdiction all the Ministries / Departments of the Government of India.

Lok Sabha on 29th March, 1993, paved the way for setting up of 17 Departmentally Related Standing Committees covering under their jurisdiction all the Ministries / Departments of the Union Government as enumerated below :-

<u>Sr. No.</u>	<u>Name of the Committee</u>
1.	Committee on Commerce
2.	Committee on Home Affairs
3.	Committee on Human Resource Development
4.	Committee on Industry
5.	Committee on Science & Technology
6.	Committee on Transport & Tourism
7.	Committee on Agriculture

8. Committee on Communications
9. Committee on Defence
10. Committee on Energy
11. Committee on External Affairs
12. Committee on Finance
13. Committee on Food, Civil Supplies and Public Distribution
14. Committee on Labour and Welfare
15. Committee on Petroleum & Chemicals
16. Committee on Railways
17. Committee on Urban and Rural Development

The earlier three Subject Committees have been replaced by these Standing Committees.

The rules relating to this Standing Committee, as recommended by the Rules Committee in their Third Report, were adopted by Lok Sabha on 29th March, 1993, and promulgated by the Speaker on the same date. These Committees were constituted for the first time with effect from 8 April, 1993.

Constitution

Each of these Standing Committees shall consist of not more than 45 Members, 30 to be nominated by the Speaker from amongst the Members of Lok Sabha and 15 to be nominated by the Chairman, Rajya

Sabha from amongst the Members of Rajya Sabha. The representation of Members in these Committees will be in proportion to the strength of the party in both the Houses of Parliament. The increased membership is to involve greater participation of Members in deliberating the policies and programmes, plans, projects, the underlying philosophies and their implementation by the Government.

Term:

The term of the Members of these Committees shall not exceed one year.

Functions:

The functions of these Committees would broadly include:

- (a) consideration of Demands for Grants,
- (b) Examination of bills referred to by the Chairman, Rajya Sabha or the Speaker, as the case may be.
- (c) Consideration of Annual Reports.
- (d) Consideration of national basic long term policy documents presented to the House and referred to the Committee by the Chairman or the Speaker, as the case may be.

The consideration of Demands for Grants by these Committees will be achieved in the following manner:

After the general discussion on the Budget is over, the House shall adjourn for a fixed period and the Committees shall consider the Demands for Grants during this recess. The Demands for Grants shall thereafter be considered by the Lok Sabha in the light of the Reports of these Committees.

Assigning the Demands for Grants to such core groups would not only help develop individual expertise and specialization amongst the members, but will also at long last ensure that each and every Demands for Grants is given the exclusive attention of the Parliament and the of repeated procedure of guillotine becomes a thing of past.

The procedure relating to examination of Bills will be that the Committee shall consider only such Bills introduced in either of the Houses as are referred to them by the Chairman, Rajya Sabha or the Speaker as the case may be and report on such Bills in the given time.

Reports:

The Reports of the Committees shall be based on broad consensus. However, a Member may give a note of dissent on the Report of the Committee and the same shall be presented to the Houses along with the Report.

While making the Report the Committee may avail of the expert opinion or the public opinion on the subject matter. These Committees shall not consider matters of day to day administration of the Ministers / Departments under their jurisdiction as also avoid overlapping with the working of other Parliamentary Committees.

The System:

The Standing Committees system is the latest innovation in the ever evolving process of parliamentary surveillance over the Executive to ensure its accountability to the common man. The underlying refrain of the examination by these Committees is not to duplicate the functions being undertaken by the existing Parliamentary Committees and other institutions performing audit investigative functions etc. In fact, these Committees will rather go into the basic issues which are affecting the very basis of the functioning of a particular Ministry or a Department. The Committees will examine the philosophy on which a particular Ministry / Department's entire functioning hinges-upon. These will assess the broad policy which the Ministry is following in the direction of achieving this philosophy. These will scrutinise threadbare, the plans and projects made in this regard as also the manner in which they are being implemented, to make the goals set out in the philosophy achievable.

The Methodology:

While making a critical assessment of the philosophy and policies being followed by the concerned Ministry / Department the Committee will analyse the Five Year Plans, the Annual Plans, the Annual Reports the Performance Budgets, the Demands for Grants and all other such relevant material which may throw some light on the physical and financial achievements of the Ministry / Department concerned. These will assist these Committees in coming to a considered decision as to whether the present allocations sought by the Ministry / Department are in consonance and in conformity with their past performance and achievements.

At a more microscopic level these Committees will also assess as to whether the monies asked for have been spent in a rationale and proportionate manner evenly throughout the year or there have been the usual spending at the end of the financial year, which cause a cascading effect on the national economy.

The Committee will seriously dwell into the fact as to whether the money spent has been in proportion to the physical objectives achieved, whether the money has been spent on the programmes and projects launched in consonance with the policy pronouncements or on unrelated schemes. They will also make a perspective assessment as to whether the projections raised by the Ministry / Department are precisely in consonance with their actual requirements.

While making a professional assessment of the Ministeries' performance it has also to be kept in mind as to what are the subjects being handled by the concerned Ministry / Department; what is the existing relationship between the different components existing within the Ministry; as also as to how much money can be allotted or should be allotted to that particular discipline or subject in the entirety and in the context of the availability of funds.

The newly constituted departmentally related Standing Committees System is a path-breaking endeavour of the Parliamentary surveillance over administration. With the emphasis of their functioning to concentrate on long-term plans, policies and the philosophies guiding the working of the Executive, these Committees will be in a very privileged position to provide necessary directions, guidance and inputs for broad policy formulations and in achievement of the long-term national perspectives by the Executive.

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