

FINANCIAL CONTROL OVER INDIAN ADMINISTRATION: AN ASSESSMENT

Dr. Badruddin

Professor in Political Science
PES's RSN College of Arts & Science (Goa University)
Ponda- Goa

Abstract

Finance remains the key of administrative management. Indian constitution has created several financial machineries to share responsibilities. Three important financial machineries: Public Accounts Committee, Estimates Committee and Comptroller & Auditor General of India are working in coordination with Public Administration to provide better services. However, due to rampant political corruption, financial irregularities, administrative unaccountability, frauds in banking sectors and repeated scams are uncomfortable for India's financial management. There is a greater need for a transparent and independent financial set up in India for prospective ends. The paper is a comparative and critical study of India's Financial Planning in parity with Federal States and Union Territories across India.

Key words: Financial Committees, CAG, Corruption, Fiscal Management

Background

Finance, the fuel o engine of public administration, is the nerve of government that keeps on moving the government machinery. It is an inalienable part of public system and remains a dynamic process by involving continuous chain of operation responsible for the preparation of budge, securing legislative sanction and helps to execute the fiscal management. Anywhere in the world, financial system remains the very core of governance, be it democratic, autocratic, socialist, or monarchial which determine the policy of planning and development. Unless and until, there is a proper coordination between public finds and administrative system, the government will not succeed. A balanced expenditure, proper utilization and needful implementation are crucial for the smooth functioning of public administration. It is the monitoring bodies that can filter the process, percolate the system, and trickle the finance which are the needs of hour.

India is the largest democracy in world representing over 700 million electoral mandates. Government organs like legislature, executive, judiciary and bureaucracy; though working under the principal of separation of power, the union administration provides effective guardianship. All these are important only when there is a proper planning and management of financial system or otherwise other administrative bodies will become handicapped. A well conceived system of control is an integral to India's financial management where the role of parliament, state legislatures and local bodies are increasingly important. Notwithstanding, India's financial machineries play crucial role in controlling the government. Three important contour to assess the financial system of India: Public Accounts, Public Finance, Estimates Committees and Comptroller and Auditor General are increasingly important. These three mechanisms work as trustees, consignees, treasurers, attorneys, negotiators, go-between, and middleman. In democratic systems like India, UK, Canada, Australia and Japan; parliaments work as effective decision makings to control over Budgetary Process through constituted and constitutionally appointed bodies. Let us have a brief overview of these financial committees and Comptroller & Auditor General (CAG) which are important mechanism to understand the fiscal map of India.

1. Public Accounts Committee

The classic idea of Public Accounts Committee (PAC) was historically derived from English System of taxation and exchequer in 1857. In India, the PAC was created through Government of India Act 1919 under the direction of Secretary of State which finally came into practice in 1923 during English Raj. After the independence of India and thereafter, the formation of Republic (26 January 1950), PAC became an autonomous body under Article 118 (section i) of the Indian Constitution, State Legislative Assembly Article 208 (section i) and Parliamentary Rules of Procedure and Conduct of Business (Rule 143) which clearly lays down about the role of PAC. ¹ Let us have a brief structural arrangements of PAC in a critical dimension.

A. Composition and Role

PAC, the most important among all the parliamentary committees, started functioning in 1955 with barely 15 members. However, the growing workload with the passage of time, the membership of PAC was increased to 22. As per parliamentary rule, Upper House (Rajya Sabha) is not accountable in decision making of PAC. However, certain degree of freedom is given to monitor the activities by seven nominee members. Article 151 (section i) of the Indian constitution clearly lays down that the PAC and Audit Report have to go through voting of both houses (Lok Sabha and Rajya Sabha) by use of single non transferable voting based on proportional representation. Members with sound financial background are eligible to work with PAC where the elected Chairperson along with *ispo facto* Deputy Speaker work for two years on rotational basis.

Article 143, the Rules of Procedure and Conduct of Business of parliament lays down the guidelines that go through the Comptroller and Auditor General (CAG) of India for legal and administrative formalities. Besides, the Appropriation Act of PAC is accountable to examine the trading units, manufacturing profits, loss and the balance of sheets have to go through President of India and Chairperson of CAG. In short, the PAC works as a screening committee to examine the financial liabilities of parliament with 'wisdom, truthfulness and economy'. At the same time, PAC is also accountable to assess the public finance disbursed for needful planning so that the fraudulent practices, irregularities, and misappropriation do not take place.

B. PAC: Nature of Work and Utilities

PAC has to go through several technical procedures. In general, CAG submits report to the President of India and Governors of states about the expenditure incurred. PAC is at complete liberty to check the accounts of each respective department like human resource, social welfare, infrastructure growth, revenue, public health, etc. Statements are prepared thoroughly about the details of expenditure incurred which include banking transactions, online auditing and e-governance. Every respective department is fully accountable to produce the statement of expenditure: be it annual, bi-annual, quarterly, monthly, daily, *ad hoc*, temporary, contractual, contingency, and miscellaneous activities. In case of any irregularity, PAC is accountable to answer subject to intervention of CAG. In short, PAC works as a guide, philosopher and friend embodied and accepted by Finance Commission of India.

C. PAC: An Assessment

Ever since PAC came into existence, it has undergone through various limitations. PAC also works as a powerful financial screening body in deciding the cases of misappropriation of funds. Indian financial system is very complicated due to internal setting, political corruption and regular scams of varied character. There are several

failure attempts of PAC. In its very first reference, the purchase of alcoholic products from UK during 1948-1949 was kept in secret. In second reference, the construction of railway station near Barwadi, Bihar; the excess expenditure Rs. 150 Lakh was shown as a fraudulent audit. In third case, the purchase of Jeep (Tracks) from UK audited to Indian High Commission in London was an unethical practice. The fourth case belongs to Post & Telegraph Department during the year 1958-1959 where the major loss was shown due to laxity in supervision. In 1962, PAC urged the government of India to expedite the legislative business while using power under Article 146. Another incidence came to light in May 1964 pertaining to Durgapur Steel Plant where PAC lost some 27 Lakh due to supply of low quality of steel and cement. In subsequent incidence, two more cases: Rourkela and Bhilai Steel Plants suffered badly due to non compliance of technical specifications. One more prominent case includes: loss of Indian Airlines business due to 'non business' like approach where the architectural designs were not carried as per specifications at a multistoried project in Bombay. In a similar way, another case belongs to C. Subramanyam who was Indian Ambassador to European Common Market when PAC was forced to pass legislation in 1963 despite odds and challenges. In the same way, another allegation was made against Secretary and Minister of Steel Bhoota Lingan who was responsible for loss of foreign exchange in July 1966. Above all, PAC has also been made allegation for not doing accountability that came to light in September 1986 during Rajiv Gandhi Ministry. Time and again, PAC has taken some important considerations that include: Parliament Seeds Bill (2004), Commercial Division of High Courts Bill (2009), Amendment to the Right to Education Act (2010), National Identification Authority Bill (2010), Protection of Women from Sexual Harassment in Workplace Bill (2010), Judicial Standards and Accountability Bill (2010), Land Acquisition (Amendment) Bill; and Rehabilitation and Resettlement Bill (2012). Since July 2019, Adhir Ranjan Chowdhury is accountable and Chairperson of PAC under Modi Government.

Despite odds and challenges, PAC has played key role in various decisions for making transparency and accountability in Public Administration. PAC is often called as 'continuous economic committee', suggests the report of economic improvement. It is an alternative to parliament, finance commission, CAG and Finance Ministry. Unfortunately, PAC continues to face serious challenges during Modi Government as large number of money laundering cases are on, bank frauds have reached to climax, too much intervention of corporate and high level of monetary scams, are serious concerns. Hence, there is a greater need to redesign and re-structure the functioning of PAC so as to fulfill the expectations of common men.

2. The Estimates Committee

Indian Parliament is a comprehensive political institution that has to look after hundreds of works of varied character. However, the control over public expenditure needs effective monitor to ensure the efficiency and transparency of public finance. It is therefore utmost necessary to examine the estimates presented to Lok Sabha to secure best economic management, the execution of plan, implementation of policies, and future course of action. A proper checks and balance must be brought to public notice to examine the role of Public Estimates Committee (PEC) popularly know as 'Estimates Committee' in parliament and state assemblies. Estimates Committee was traditionally introduced by Select Committee of the House of Commons in London in 1903 with key objectives to access the details of national expenditure. It was finally implemented in 1912 by the British Cabinet with 25 elected members in parliament. Henceforth, Estimates Committee was fully accountable to examine financial irregularities. In India, Estimates Committee Model was adopted during Nehru Ministry with support of several Indian National Congress (INC) Leaders in 1939

where M.N. Roy, a great financial visionary scholar, played key role. Estimates Committee was traditionally called as 'Retrenchment Committee' to secure a reduction in public expenditure. Unfortunately, however, the Estimates Committee was a failure attempt during British Raj. Fundamentally, Pt. Nehru, a great futuristic and exponent of Western Constitution, with support of INC Leaders, helped to incorporate Babasaheb Ambedkar's constitution. Finally, the Estimates Committee came into existence in 1950 on the suggestion of Dr. John Mathai, the Finance Minister during Nehru Ministry.

A. Composition and Role

30 Members of Estimates Committee are elected by Single Non Transferable Vote based on Proportional Representation. The Chairperson of Estimates Committee is appointed by the President of India on the advice of Prime Minister and his cabinet. Chairperson of committee must be sound in character with clean work and should not be involved in any crime. In case of death, resignation or illness, the Deputy Chairperson acts as Chair. Members are appointed every year on rotational basis. Estimates Committee is duly accountable to improve the financial administration as per the guidelines of parliament. It also suggests alternative policies for efficient economic policy, monitor and torch bearer of parliament.

B. Nature of Work & Limitations of Committee

Normally, Estimates Committee decides the nature of work during the beginning of financial month, prepares the estimates well in advance, and distribute the requisite amount as the statement and direction of Ministry of Finance. Estimates Committee is also a body of coordination of economists, policy makers, academicians, and secretaries of various departments and cadres. For the very purpose, the concerning departments, attaches, sub ordinate offices and assistants work like 'team members' with collective responsibility. Broad details are prepared, volumes of works are decided, schemes and projects are undertaken. Every ministry and department is duty bound to provide factual information. Thereafter, Estimates Committee draws up collective report for Lok Sabha which refers the matter to Ministry of Finance for budget. In case of any mismanagement about the allocation of estimates, the same is send back to departments and ministries concerned for reconsideration to follow up practice. It is based on four parts: provisional recommendations, accepted recommendations, pending recommendations, and final reply.

There is no doubt that the Estimates Committee has done tremendous job related to omissions and commissions of the government and often called with alternative names: Standing Economy Committee, Financial & administrative Reform Committee, and Budgetary Reform Committee. All these make Estimates Committee more meaningful with respect to expenditure, revenue and national savings organization. In fact, Estimates Committee has been accountable in producing various satisfactory reports on Personal Policies and Public Undertaking (1963-1964), Report on International Trading Wing (1964), Schemes of Executive Department (1992), Recommendations of Central Board of Direct Taxes (1994), etc. In a nutshell, Estimates Committee represents peoples' approach, a training ground for financial legislature, and the budget communicator. Despite limitation about intervention of parliamentary matters and its self centrist approach, Estimates Committee remains an effective device on financial control in public management that works as a useful tool for parliamentary democracy.

3. Comptroller and Auditor General of India

Comptroller and Auditor General (CAG) of India is the highest administrative body in India's financial set ups mentioned in Article 148 of Indian Constitution. CAG looks after receipts, expenditures, statements, disbursements, distribution and dissemination of India's financial management. CAG also works as an auditor, operator, accountant, financier, treasurer, exchequer, liquidator, paymaster, trustee, bursary, and even money box of India. CAG even coordinates with Public Accounts, Public Estate, Public Undertaking Committees, and directly or indirectly remains the benchmark of Indian Audit and Accounts Service who are assisted by large number of officials including secretary, under secretary, deputy secretary and attaché officials all over India with 44000 staffs. As the highest public finance official, appointed by President of India in advise with Prime Minister by single non transferable vote, CAG remains in financial whirlpool. Like other ministers, the CAG has to take oath of affirmation as mentioned in the preamble of Indian constitution.

A. Duties, Compensations and Reforms

The constitution of India enacted the provision of CAG's (DPC): Duties, Powers and Conditions of Service Act, 1971 which entrusted comprehensive duties of CAG. It briefly includes: receipts and expenditure from the Consolidated Fund of India (CFI), trading, manufacturing, profit and loss accounts, balance sheets and grants of loan. Besides, CAG is also accountable for receipt of stock accounts, deposits, remittances, trading, manufacturing and compliance audits of various functions and departments of the government and even several private firms attached to Public Private Partnership (PPP). Several metro projects have been undertaken under the supervision of CAG. Even CAG is attached to various international forums like World Intellectual Property Organization, United Nations Children's Fund, United Nations Joint Staff Pension Fund, United Nations Compensation Commission, International Trade Centre (Capital Master Plan), United Nations Office for Project Services and World Food Programme. ²

CGI is also authorized to monitor the audits of Panchayats, Municipalities, and local bodies with Technical Guidance & Support. CAG is appointed for six years subject to satisfactory report on time to time. Salary and perks are given as central pay commission determined by the parliament which is equivalent to judges of Supreme Court of India. All other benefits: housing, travelling concessions, dearness allowance, pension provision, provident fund etc, are subject to independence. Basic salary as per 7th Pay Scale (as on 1st January 2016) stands 250,000/-per month apart from other incentives, periodical increments and admissible benefits. Presently, Rajiv Mehrishi, 11th CAG is working as CAG since July 2017 under Modi Government. Some previous profiles of CAG include: V. Narahari Rao (1948-1955:First) followed by A. K. Chanda (1954-1960), A. K. Roy (1960-1966), S. Ranganathan (1966-1972), A. Bakshi (1972-1978), Gian Prakash (1978-1984), T. N. Chaturvedi (1984-1990) and C. G. Somiah (1990-1996); V. K. Shunglu (1996-2002), VN Kaul (2002-2008), Vinod Rai (2008-2013) and Shashi Kant Sharma (2013-2017). All have undergone serious challenges and political limitations.³

B. Audit Reports: Some Prominent Cases

Although CGA is free to conduct independent inquiry in various financial matters, but in actual practice, there is too much intervention of government officials thereby loosing the credibility of CAG. As such, CAG has to be do some extra ordinarily work which normally do not fit under the parameter. The following table shows a brief overview of three cases with audit reports.

SL. No.	Particulars	Objectives and Reports
	Fodder Scam	It happened during Lalu Prasad Yadav when he was the Chief Minister of Bihar in 1995. It was the fraudulent case about the fodder scam which was not done as per paper work and the price was shown much higher i.e. ₹ 9.5 billion. The dispute is still pending in Patna High Court
	2G Spectrum Allocation	Issue of License by CAG under UPA Government in 2012 showing the loss of loss at ₹ 310 billion after intervention of CBI. After the speculations of profit, the Supreme Court of India on a Public Interest Litigation (PIL) declared allotment of spectrum as "unconstitutional and arbitrary". Main accused A.Raja with others were acquitted in December 2017
	Coal Mine Allocation	CAG report on allocation earned wide media publicity. The CAG report criticized the Government by saying that it had the authority to allocate coal blocks by a process of competitive bidding. PPP paid less than the real one, resulting in loss of 1,856 billion where both CBI and CVC were involved to sort out the matter with CAG in July 2012.
<p>Source:https://en.wikipedia.org/wiki/Comptroller_and_Auditor_General_of_India#cite_note-56</p>		

C. CAG: An Assessment

Ever since CAG came into action in 1952, there have been financial allegations and challenges. India being a very large democracy with over 120 million inhabitants, continue to face problems. The annual package given to various states are not acceptable due to local conditions and petty politics. Whereas some poor states like Uttar Pradesh, Bihar, Orissa, and West Bengal are not satisfied with CAG role in regards to allocation of funds. There is a greater need of coordination and understanding between center and the states on financial matters. Since Modi Government is facing financial irregularities due to demonetization, bank frauds, corporate scams and communal divide, and more recently Covid-19 Pandemic, the role of CAG is more important. There is a greater need of wit, wisdom, fruitfulness and efficiency to tackle the monetary issues in India under the broad guidelines of parliamentary democracy.

Findings

Today, India's economy is passing through an exceptionally difficult time due to outbreak of corona virus pandemic. Compulsory lockdown puts tremendous hardship for every financial committee, department and offices. Let the triangular: PAC, PEC and CAG are ready to prepare a new model of 'financial democracy' for a transparent public administration. India, a great financial advocate needs to reconstruct 'Economic Planning' to explore new possibilities where coordination, cooperation and conciliation of every financial machinery is important.

References:

1. Vishnoo Bhagwan & Others (2015), *Public Administration*, New Delhi: S. Chand & Company Ltd, pp. 565-66.
2. *"United Nations Panel of External Auditors"*, United Nations, Data accessed on 24 October 2017.
3. *"Former CAG"*, Data accessed on 18 April 2012, Data accessed on 9 May 2012.