

**PARLIAMENTARY
CONTROL OF
STATE FINANCE
IN INDIA**

by

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Constitutional provisions

The Constitution of India provides that no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by Law passed in accordance with the provisions of the Constitution. It also lays down that no tax can be levied or collected except by authority of law. The Constitution thus gives absolute power to Parliament to regulate the finances of the State both on the receipt and expenditure sides.

At the beginning of each financial year, the President of India causes to be laid before Parliament a statement of estimated receipts and expenditure of the Government of India for that year called 'Annual financial statement'. The estimates of expenditure embodied in the annual financial statement include the sums which are charged on the Consolidated Fund of India.

Budget speech and papers

The financial year of the Government of India runs from the 1st April to the 31st March. At present the annual financial statement is presented to Parliament on the last day of February. Thus the annual financial statement pertaining to the year 1952-53 will be presented on the 29th February 1952. While presenting the annual financial statement, the Minister of Finance makes a speech called the 'budget speech' in which he surveys the economic, political and social conditions of the country. He analyses the budget under the various heads and compares it with the figures of the past and current years. After having dealt with the expenditure side, he formulates his proposals for meeting the estimated expenditure. These latter proposals

This article was appended as a Note to the Inter Parliamentary Bureau's Memorandum on Parliamentary Control of the Budget, examined by the Committee on Economic and Financial Questions at its meetings in Nice in April 1952.

are generally known as 'taxation proposals'. At the conclusion of his speech, he introduces a Bill called the 'Finance Bill' which embodies the taxation proposals.

The Members of Parliament are then supplied with the following papers called the 'Budget Papers' for their study:—

1. Finance Minister's speech—Part A (A survey of the economic, political and social conditions of the country).
2. Finance Minister's speech—Part B (Taxation proposals).
3. Budget of the Central Government.
4. Finance Bill.
5. Demands for Grants (Four Volumes) for the expenditure of the Central Government.
6. Explanatory memoranda on the Budget.

General discussion on Budget in the House

Sometime in the middle of March, the Speaker in consultation with the Leader of the House appoints three or four days for general discussion on the Budget. At this stage the Parliament is at liberty to discuss the Budget as a whole or any question of principle involved therein. But no motion is moved nor the budget is submitted to vote of Parliament. In order to give opportunity to a large number of Members to take part in the discussion, the Speaker as a rule prescribes a time limit for speeches. At the end of the debate the Minister of Finance replies to the criticisms that may have been made on the budget as a whole.

Thereafter the Speaker, after consultation with the Leader of the House, allots a number of days, varying between 10 and 15, for the discussion and voting of the estimates which are normally divided into a number of grants Ministry-wise and Department-wise. A definite time limit is laid down for the discussion of each grant and the discussion is confined to the subjects coming under that grant. The Members may discuss questions of policy, principle

underlying the estimates under that particular grant or may ventilate grievances in respect of the service for which money is required or may even make suggestions for the better organisation of the Department or service for which the money is demanded. The discussion, however, is confined to matters of general policy and principle.

No demand for grants is made except on the recommendation of the President of the Republic. The Members can give notice of motions to reduce any grant. Such motions are called cut motions. They are of three kinds. The first is the 'Economy cut'. A member may propose the reduction of a specified amount in a grant for purposes of economy. The second is 'Refusal of Supplies cut', a Member may propose that the whole grant may be refused or certain amount for a particular service under that grant may be refused, on the ground of certain policy issue or mal-administration or defective organisation. The third is the token cut'. A Member may give notice of a motion for the reduction of a grant by a nominal amount in order to discuss an individual grievance. The idea behind the cut motions is that the Members may have opportunity of bringing to the attention of the House all such matters on which they feel agitated or which in their opinion require careful consideration by the Government. In order to ensure that a maximum number of Members take part in the discussion, as stated earlier, the Speaker fixes a time limit for speeches in this case also. After the process has been gone through in respect of the whole estimate and the grants have been voted, an Appropriation Bill is introduced in Parliament to authorise Government to draw upon the Consolidated Fund of India.

Finance Bill

Having determined the size of the expenditure for the year, Parliament then proceeds to deal with the Finance Bill which embodies the taxation proposals. A couple of days are allotted for the general discussion of the Bill. Then it is referred to an *ad hoc* Select Committee of the House

which examines it in detail. Since the introduction of this procedure for the last five years, the Committee has made suggestions for the reduction or modification of certain taxation proposals and Parliament has accepted the recommendations. The Committee's suggestions and their acceptance by the House are not regarded as a vote of no-confidence by the Government nor does the Committee or Parliament make suggestions in that spirit. When the Committee's report comes before the House, it is discussed for two or three days and the Members have a right to move amendments which may or may not be accepted by the House. The Minister of Finance is answerable to the House for any criticisms made against the proposal and gives the Government's reactions to any suggestion which may have been made. At the appointed time the Bill is put to the vote of the House and the debate cannot be prolonged beyond the hour fixed for its termination. The time limit for speeches in this case also is enforced so that the maximum number of Members may take part in the discussion.

Vote on account

The Constitution of India also provides for a vote on account so that a part of the money is voted to enable the Government to carry on for the first few months of the financial year and sufficient time is available to the House to consider the budget in detail and to pass it through the various processes as described above at leisure.

Control through Financial Committees of Parliament

The foregoing paragraphs describe the procedure which is followed by the House as a whole in considering and passing the budget. It is obvious that beyond raising matters of principle or policy Parliament is not in a position and cannot conveniently offer a detailed criticism on the various items of expenditure which are embodied in the estimates. Apart from the complex nature of the whole

administration, there is neither the time nor the machinery to do it, and yet Parliament is anxious that its control over the finances is as sound and perfect as the Constitution enjoins upon it. It has therefore established three Committees, namely, the Estimates Committee, the Public Accounts Committee and the Standing Finance Committee to examine the details and to offer considered criticism wherever necessary.

The first two Committees, the Estimates Committee and the Public Accounts Committee are Parliamentary Committees. They consist of Members of Parliament with a Chairman appointed by the Speaker for each of them. The Committees in their secretarial duties are assisted by the Secretariat of Parliament and render their report to Parliament. The third Committee namely the Standing Finance Committee while consisting of Members of Parliament only, is presided over by the Minister of Finance and is, in its secretarial duties, assisted by the Ministry of Finance. It is in the nature of an Advisory Committee to the Minister of Finance on matters which are referred to it under the rules framed for the purpose.

Estimates Committee

The functions of the Estimates Committee are very wide in character. The Committee is required to examine such of the estimates as seem fit to it and suggest economies consistent with the policies underlying the estimates. The Committee consists of 25 Members and is elected every year. The business of the Estimates Committee is to make a comprehensive examination of the estimates, in relation to the resources available to the Government, to take the policy and objective of the Government and to suggest how the policy and objective of the Government may be carried out with the least expenditure of public resources. The suggestions and criticisms made by the Committee since its establishment two years ago have given useful direction and guidance to the Government in the matter of regulating expenditure in respect of the Ministries and the services

which they have examined. Secondly—and this is a very important consideration—the knowledge that expenditure of the Government is examined in detail by an independent authority set up by the House acts as a deterrent on extravagance in public expenditure.

The Estimates Committee is concerned with the current estimates. After the budget has been voted by Parliament the Committee selects three or four Ministries and goes into the estimated expenditure of each Ministry in great detail. The Committee requires the Ministry concerned to prepare memoranda and to give information in support of the Estimates which together with the oral evidence given before the Committee constitute the raw material on which their report or suggestions are based. The Committee may sometimes, in order to get a first hand information of the activities of and the way in which a particular organisation is working, pay a visit on the spot and gather such impressions as they can by personal contacts with the men on the spot. This strengthens any conclusions that they may have formed as a result of their study. During the two years of its existence, the Committee has done very useful work which has been appreciated by all the sections in the press and the Government. It submitted 4 reports containing about 230 recommendations. A large number of them has already been accepted by the Government and implemented. Parliament has also shown keen appreciation of the work of the Estimates Committee and the Government look upon it with great respect and expectation.

The Estimates Committee make their suggestions in the form of recommendations which may or may not be accepted by the Government, but seldom Government have treated any recommendation lightly and where they have been unable to accept any recommendation they have given full reasons to Parliament for its non-acceptance. Thus Parliament has been in a position to secure adequate control over the current expenditure to the extent to which it is possible for the Estimates Committee to scrutinise the expenditure

of the Government in detail. The Committee is a continuing Economy Committee and as in the U.K. is expected to take about 4 to 5 years to cover the whole range of Government administration. The Committee sometimes goes into the field of policy questions, with a view to influence Government's policy in various directions. Apart from the work of the Committee in so far as the various estimates are examined by it, it serves as a training ground for the Members of Parliament to equip themselves with knowledge and experience and to serve as a reserve which can be drawn upon in future years for selection to Ministerial appointments.

Public Accounts Committee

The Public Accounts Committee which is a statutory Committee like the Estimates Committee has been in existence for a long time. It consists of 15 Members and is elected for one year. The functions of the Committee are to examine the audited expenditure of the Government and such other accounts laid before Parliament as the Committee may think fit. In scrutinising the Appropriation Accounts and the report of the Comptroller and Auditor General thereon, the Committee satisfies itself (i) that 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; (ii) that the expenditure conforms to the authority which governs it and (iii) that every re-appropriation has been made in accordance with the rules for the purpose. The Committee also examines all trading, manufacturing The Committee also examines all trading, manufacturing by the Departments concerned together with the report of the Comptroller and Auditor General thereon. In short the Committee on Public Accounts is required to examine all cases involving negligence, fraud, over-payments, laxity of financial control and losses. The Committee is mainly guided by the report of the Comptroller and Auditor General and examines such matters as he may have brought to

their notice through his report. The work of the Committee although in the nature of a post-mortem examination is useful as it acts as a deterrent on the Government departments against similar lapses in future. The Committee also examines whether any expenditure has been incurred in excess of the sum voted by Parliament and the Department which is guilty of the irregularity has indeed a very tough time before the Committee. In investigating the irregularities the Committee also make useful suggestions as to improvements in organisation, procedure or control over finance and Government and Parliament both look upon the work of the Public Accounts Committee with the same respect and expectation as that of the Estimates Committee.

The two Committees, the Estimates Committee and the Public Accounts Committee in themselves complete the scrutiny of the current estimates presented to Parliament and the audited expenditure voted by Parliament. The reports of the Estimates Committee or the Public Accounts Committee are not as such debated in Parliament. They are made use of in debates and discussions and therefore no specific motion for the adoption or otherwise of the report is placed before the House.

Standing Finance Committee

The third Committee which is known by the name of the Standing Finance Committee is required to advise Government on new proposals of expenditure. The Standing Finance Committee is not really a Parliamentary Committee although it wholly consists of the Members of Parliament. It is elected by the House in response to a suggestion made by the Government who are anxious to have an Advisory Committee composed of Members of Parliament to advise them on each specific proposal of fresh expenditure which may be referred to it. It is obvious that no Government with its modern complexities and huge problems of administration can envisage in advance every single item of expenditure required for the various services and supplies.

It happens invariably that after the estimates have been voted by Parliament, some new proposals involving extra expenditure which is not covered by the voted grant may come up. Such expenditure may be in the form of a new service not covered by any of the existing services or may be an extension of the existing service for which the money is not adequate. It is also possible the expenditure may have to be incurred immediately and since it cannot be done without the authority of Parliament the Government will be faced with a serious problem and no Parliament would ever like any responsible Government to be faced with such a difficulty merely because of constitutional difficulties and yet at the same time do not like to give any wide discretion to the Government in the financial matters. The Standing Finance Committee is constituted to scrutinise all proposals for fresh or extra expenditure and it is only after the Committee approve of them that the actual scheme can be proceeded with and the money expended thereon. The Committee is purely an advisory body, but its views are respected and it is in rare cases that if the Committee have not approved of a certain proposal, Government may overrule it, but then they have to give full reasons for it in the House and satisfy Parliament that it was necessary for them in the public interest to proceed with the proposal even though the Committee were not in favour of it. The reports of the Standing Finance Committee are not formally presented to Parliament, but are invariably circulated to the Members before the proposals come up before Parliament in connection with the Supplementary Demands.

Contingency Fund

Parliament has by law established a contingency fund in the nature of an imprest known as the Contingency Fund of India in which are paid from time to time such sums as have been determined by law and the fund is placed at the disposal of the Government of India, Ministry of Finance to enable advances to be made by them out of such Fund for the purposes of meeting any unforeseen expenditure

pending authorisation of such expenditure by Parliament by law. After the proposal has been agreed to by the Standing Finance Committee, Government may find money for financing the scheme either from the voted grants by re-appropriation or from the Contingency Fund. In the latter case, the proposal is placed before Parliament at the earliest opportunity and after the extra money is voted by Parliament in the shape of Supplementary Grants, the Contingency Fund is re-imbursed and the money for the scheme is found from the voted grants.

Supplementary and excess grants

The Supplementary Grants undergo the same processes in the House as the main grants excepting that unless a Grant is entirely a new one, the discussion is confined to matters arising out of the services or supplies for which the extra money is required and the policy or principle underlying the whole demand is not touched upon. Excess grants *i.e.* money spent over and above the amount voted by Parliament without its previous approval are regularised by Parliament on the recommendations of the Public Accounts Committee after the report is presented to Parliament.

Conclusion

The procedure as a whole, both in the House and in the various Committees described above, ensures a reasonably strict control by Parliament over the Public finances in India.