# BLOCK 6
# FINANCIAL CONTROL

# UNIT 13 FINANCIAL CONTROL OF PARLIAMENT OVER EXECUTIVE: NATURE OF FINANCIAL CONTROL AND INSTRUMENTS OF PARLIAMENTARY CONTROL*

**Structure**



## 13.0 OBJECTIVES

After reading this unit, you should be able to:

- Discuss the nature of parliamentary financial control in India; and
- Describe the important instruments of parliamentary financial control over the executive.

## 13.1 INTRODUCTION

The founding fathers of the Indian Constitution adopted the parliamentary form of government based on universal adult suffrage and direct elections to Lok Sabha and indirect elections to the Rajya Sabha. It is a sovereign, democratic republic with a federal structure and parliamentary form of government. The Parliament as an important pillar of democracy exercises control through their elected representatives over the executive in achievement of governance goals. It is an institution mandated to provide a responsible government and, in the process, ensuring its own accountability to the electorate. The Constitution has vested the Parliament with many instruments through which it can enforce accountability on the government. Its various mechanisms of financial control are question hour, zero-hour, debates, and committees in the House. The information sought from political executives during


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question hour is instrumental in establishing their accountability to the Parliament. This unit deals with the instruments of accountability and control, especially, the financial control over the executive.

## 13.2 THE NATURE OF PARLIAMENTARY FINANCIAL CONTROL

The Parliamentary financial control is done to ensure proper execution and control of budget. The changing role of governments globally brings out their increasing responsibility for various activities, resulting in increasing expenditure and need for effective parliamentary financial control over the executive. Financial control by the Parliament is extremely important for the fixing the accountability of the executive. The budget is prepared by the executive. It is the Parliament/Legislature that is responsible for passing of budget and to see that the expenditure is for purposes voted for and within the appropriated grants of money. In a way it controls the 'purse' of the government. The exercise of oversight by the Parliament requires monitoring through certain mechanisms. Any government requires public funds appropriated and allocated to it to carry out various activities. The expansion of activities has been matched by an increase in the appropriations in terms of money which necessitates control and oversight. This is possible only if there is reliable and accessible information and data based on which the public agencies can be held responsible. Any lapses in financial control have serious repercussions on the soundness of public delivery system and development in all sectors. Besides the instruments of question hour, zero hour, etc., another effective way of financial control over public finance by the executive is through classification of transactions in which the concerned departmental officer is subjected to a periodic review. It will clarify whether the money has been spent for the purposes for which it was allocated.

In India, the following four principles of financial control are followed:

i) The executive, acting through the ministers, cannot raise money by taxation, borrowing or otherwise without the authority of Parliament; proposals for expenditure requiring additional funds must emanate from the cabinet.

ii) The second principle is the control that vests in the Lok Sabha which has the exclusive control of the money bills. These must originate in the Lok Sabha which has the sole power to grant money by way of taxes or loans and to authorise expenditure.

iii) The demands for grants must come from the government. Neither Lok Sabha nor a state assembly may vote a grant except on a demand for grant from the government.

iv) Likewise, the proposal for a new tax or for an increase in the rate of an existing tax must come from the government (IGNOU, EPA-05 Course Material, Block 6, Unit 18).

The Parliamentary control is exercised through various instruments such as question hour, debates, and discussions, passing of various types of motions, etc. Since the work of parliament/legislature becomes too unwieldy, the parliamentary committees too play an important role in exercising control and supervision. We shall be discussing about the committees in Unit 14 of the Course.

## 13.3 INSTRUMENTS OF PARLIAMENTARY CONTROL OVER EXECUTIVE IN INDIA –I

There are several instruments of Parliamentary control that we shall be focusing in this section and subsequent section of this unit.

Question Hour has its origin in the United Kingdom when in 1961, the Parliament initiated the Prime Minister's question time to make him/her accountable to the public. The first hour of a sitting of the Lok Sabha is devoted to questions and that hour is called the Question Hour. It is the unfettered right of the members of Parliament to ask questions. The question hour highlights the government policies in the national and international spheres. It is an important device of focusing public attention on different aspects of functions and activities of administration. At times not all questions are admitted by the Speaker.

The question hour is a very important instrument of Parliamentary financial control over the executive. Some of its major purposes are given below:

- **Misuse of Funds:** The opposition gets the rightful time to ask the executive about any aberrations in public expenditure. The government-in-power or the executive, on the other hand, gets a chance to clarify any doubts arising out of misinformation and if it cannot, it gets corrected.
- **Checks and Controls:** In India, the question hour is a dedicated hour at the beginning of the proceedings of the Lok Sabha for the opposition parties to ask questions about governmental activities and its expenses.
- **Hour of Trial:** It has a special significance in the proceedings of the Parliament as asking questions is an inherent parliamentary right of members. This hour becomes an hour of trial for the government in which every minister is answerable for the administration's acts of omission and commission.
- **Interactive Platform:** It helps the government to keep in touch with the genuine public grievances and find ways to redress them.
- **Transparency:** The televising of the proceedings of the Parliament makes citizens aware about the activities of the government and brings in transparency into the system.

**Types of Questions in the Question Hour**

There are four types of questions that can be addressed during the question hour. They are given below:

1. **Starred Questions:** When a member desires a question, marked by an asterisk, to be answered in the House, it is called a starred question. In this case, supplementary questions also can be asked thereon. The limit of questions taken up in a day is only 20 questions.
2. **Unstarred Questions:** When verbal answer is not desired and there is no permission of supplementary questions, it is called an unstarred question. The concerned minister lays down a written answer in the house and is printed in the official report of the sittings of the House. The limit is of 230 questions in a day to which 25 more questions can be included relating to the States under the President's rule.

3. **Short Notice Questions:** Such a question relates to a matter of urgent public importance and can be asked in a shorter notice than the ordinary questions. It is supposed to be answered verbally like a starred question and can be followed by supplementary questions.

4. **Private Member Questions:** A question may be addressed to a private member provided the subject matter of the question relates to some bill, resolution or other matter connected with the business of the house for which that member is responsible.

**Notice of Questions:** A fifteen-day period of notice is required in the prescribed format in the Lok Sabha Rules for a question unless the Speaker directs otherwise. The notice includes requisite information like the name of the member asking the question and to whom it has been addressed and the date on which the answer is desired.

**Admissibility of Questions:** Certain conditions have been laid down in the Lok Sabha rules which define the admissibility of questions. They are given below:

- It shall be clearly and precisely expressed and shall not be too general incapable of any specific answer or in the nature of a leading question;
- It shall not bring in any name or statement not strictly necessary to make the question intelligible;
- The questions are categorised, and individual numbers are assigned to them; and
- The questions are evaluated for their admissibility as per the rules laid down in the Lok Sabha Rules.

**Allotment of Days for Questions:** Days are allocated for the answering of questions according to the assigned numbers. The ministers are divided into five groups and there is no question hour is fixed on Saturdays. Not more than five questions are admitted per member for each sitting.

**Mode of Asking Questions:** The member must rise in one's place when the turn of the question comes and asks the question by reading out its number on the list of questions. Only two supplementary questions can be asked by the member asking the question. The Speaker may allow one supplementary question to each of the members who are involved in the question.

**Half-an-Hour Discussion:** Where answer to a question, whether starred or unstarred, needs elucidation on a matter of fact, any member can table a notice for raising a half-an-hour discussion. If the notice is admitted and gets priority in ballot, such a discussion may be allowed by the Speaker. The discussion is usually held from 1730 to 1800 hours, that is, the last half-an-hour of the day's proceedings.

**Check Your Progress 1**

**Note**: **i) Use the space given below for your answers.**

**ii) Check your answers with those given at the end of the unit.**

1) Discuss the importance of parliamentary financial control in India.

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2) What is question hour and explain its significance.

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3) What are the different types of questions included in the question hour?

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## 13.4 INSTRUMENTS OF PARLIAMENTARY CONTROL OVER EXECUTIVE IN INDIA – II

The control exercised by the Parliament relating to enactment of the budget is an important mechanism.

### Budgetary Control

In every democratic country, the legislature controls the nation's purse-strings. No money can be spent by the executive without legislative sanction. The budget proposals are extensively debated in the Parliament before being voted upon. The ruling party having majority in Parliament, the demands for grants can neither be rejected nor reduced but provide a chance to review the public policy. The Comptroller and Auditor General of India conducts audit according to its guidelines to check if the money sanctioned by the Parliament has been used and spent judiciously. During the general discussion on the Finance Bill and submission of demands for grants of budget proposals, general policy of taxation can also be discussed. Members of Lok Sabha can move three kinds of cut motions to assent, reject or reduce the amount of a demand which are Policy Cut Motion, Economy Cut Motion and Token Cut Motion. (We have discussed this in Unit 8 of this Course.)

### Zero Hour

The time immediately following the question hour and laying of papers and before any listed business is taken up in the house has come to be popularly known as the 'zero hour'. As it starts around 12 noon, this period is termed as 'zero hour'. For raising matters during the 'zero hour' in Lok Sabha, members give notice between 8.30 a.m. and 9.00 a.m. every day to the Speaker clearly stating the subject which they consider to be important and to be raised in the house. It is, of course, for the Speaker to allow or not to allow raising such matters in the House.

The zero hour is usually used to raise matters that are urgent and cannot wait for the notice period required under other procedures. For raising matters during the zero hour, the members of Parliament give notice before 10 am to the Chairperson on the day of the sitting. The notice must state the subject they wish to raise in the house and the Chairperson decides about its admissibility. Short notice questions too are taken up during the zero hour.

The pre-lunch proceedings of the Rajya Sabha include the zero hour and question hour. During this period, Member of Parliament participate in the proceedings as individual legislators. Post lunch the House meets for government business. This includes debates on national issues, passing laws, budget etc. In these proceedings, Members of Parliament act as representatives of their political parties.

During this time, various papers such as annual reports of ministries, public sector undertakings, government bodies, audit reports by the CAG, government notifications, etc., are also laid on the table of the House.

**Matters allowed to be raised under 'Zero Hour':** Twenty matters per day as per their priority in the ballot are allowed to be raised for zero hour. The order in which the matters will be raised is decided by the Speaker at his/her discretion. In the first phase, five matters of urgent national and international importance, as decided by the Chair, are taken up after question hour and laying of papers, etc. In the second phase, the remaining admitted matters of urgent public importance are taken up after 6.00 P.M. or at the end of the regular business of the House. However, since there is no provision in the rules regarding 'zero hour', there is no maximum limit on the number of matters that can be raised on any given day.

**Debates and Discussions**

Debates and discussions provide an important occasion to the members to review the functioning of administration on the floor of the House. The ministers are duty bound to answer all the questions that they are asked in course of the debate. The general discussion on the proposals of the various departments provides ample opportunities for the legislature to keep the executive in check. Hence, the Parliament may exercise control through various debates and discussions by appraising governmental policies and their implementation. The most important discussions pertain to the President's inaugural speech to both the Houses of the Parliament and the budget speech by the finance minister.

**Adjournment Motion**

An adjournment motion of the business of the House for the purpose of discussing a definite matter of urgent public importance may be introduced with the consent of the Speaker. The notice for the adjournment motion shall be given by 10.00 hours on the day on which the motion is proposed to be made to the Secretary-General and the copies shall be endorsed by the Speaker; the Minister concerned; and the Minister of Parliamentary Affairs.

The notice for adjournment motion can be given in the following conditions:

- Not more than one motion shall be made at the same sitting;
- Only one matter shall be discussed;
- No matter involving a question of privilege can be raised; and
- No matter under adjudication can be admitted; and such other conditions.

The Speaker cannot adjourn the house till the motion is completed and done away with as at that time the House has the power to decide about the adjournment motion. As an adjournment motion is a move towards condemnation against the government, if it is adopted, the house is adjourned by itself.

There have been significant changes since independence in various aspects of public financial administration. The system of financial control was found wanting in dealing with the dynamic needs of planning and implementing the massive schemes and programmes of economic and social development. The major developments over time are decentralisation of responsibilities, delegation of financial powers, cost benefit analysis of projects, performance budgeting, accounting reforms, zero-based budgeting, inculcation of financial consciousness in business departments etc.

**Check Your Progress 2**

**Note**: **i) Use the space given below for your answers.**

**ii) Check your answers with those given at the end of the unit**.

1) Explain how budgetary control and 'zero hour' act as the instruments of parliamentary control.

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2) How can debates and discussions and the adjournment motion act as instruments of parliamentary control?

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## 13.5 CONCLUSION

The Parliament has a majesty and sanctity of its own. It has a written and unwritten code for its members and others to conduct themselves. The citizenry of today is aware and alert in asking questions about the actions and attitudes of parliamentarians. It is imperative that they behave in the prescribed manner to preserve the decorum of the Parliament. The instruments of financial control in India mentioned above can be effective if they are applied with public ethics and morality. The Parliamentary oversight can ensure control or act as a check on the functioning of the government. However, the parliamentarians must take care that there are no disruptions and walk-outs so that a healthy environment of questioning can be carried out.

## 13.6 GLOSSARY

**Cut Motions**: It is a veto power given to the members of Lok Sabha to oppose a demand in the financial bill presented by the government.

**Demands for Grants:** It is the form in which estimates of expenditure from Consolidated Fund of India are included in the annual financial statement (Budget). These are required to be voted in the parliament.

**Economy Cut:** This is moved so that the amount of the demand be reduced by a specified amount.

**Policy Cut Motion:** It is moved so that the amount of demand of any ministry/ department be reduced to Re.1. It basically represents the disapproval of the policy underlying the demand.

**Private Member Questions:** A question may be addressed to a private member provided the subject matter of the question relates to some bill, resolution or other matter connected with the business of the House for which that member is responsible.

**Token Cut:** It aims at publicising a specific grievance by reducing the demand by 100 Rs.

## 13.7 REFERENCES

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## 13.8 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

**Check Your Progress Exercise 1**

1) **Your answer should include the following points:**

- The changing role of governments around the world has highlighted the importance of Parliamentary financial control over the executive.
- Financial control by the Parliament is extremely important for the fixing of accountability of the executive.
- Governments require public funds appropriated and allocated to them to carry out activities to improve physical and social infrastructure.
- Oversight is possible only if there is reliable and accessible data based on which the public agencies can be held responsible.
- Any lapses in financial control will have serious repercussions on the soundness of public delivery system and development in various sectors.
- Besides the instruments of question hour, zero hour, etc., another effective way of financial control over public finance by the executive is through classification of transactions in which the concerned departmental officer is subjected to a periodic review.

2) **Your answer should include the following points:**

- The first hour of a sitting of the Lok Sabha is devoted to questions and that hour is called the question hour. It is the unfettered right of the members of Parliament to ask questions.
- The question hour highlights the government policies in the national and international spheres.
- It has many objectives to achieve and is an important instrument of Parliamentary financial control over the executive. Some of the major purposes of question hour are given below:

a) **Misuse of Funds:** The opposition gets the rightful time to ask the executive about any aberrations in public expenditure. The government-in-power or the executive, on the other hand, gets a chance to clarify any doubts arising out of misinformation and if it cannot, it stands in check and gets corrected.

b) **Checks and Controls:** In India, the question hour is a dedicated hour at the beginning of the proceedings of the Lok Sabha for the opposition political parties to ask questions about governmental activities and its expenses.

c) **Hour of Trial:** It has a special significance in the proceedings of the Parliament as asking questions is an inherent parliamentary right of members. This hour becomes an hour of trial for the government in which every minister has to stand up and answer for the administration's acts of omission and commission when it is his/her turn to answer.

d) **Interactive Platform:** It helps the government to keep in touch with the genuine public grievances and find ways to redress them.

e) **Transparency:** The televising of the proceedings of the Parliament brings transparency into the system and people get informed of the activities of the government.

3) **Your answer should include the following points:**

- **Starred Questions:** When a member desires a question, marked by an asterisk, to be answered orally in the House, it is called a starred question. In this case, supplementary questions also can be asked thereon. The limit of such questions in a day is only 20.
- **Unstarred Questions:** When a verbal answer is not desired and there is no permission of supplementary questions, it is called an unstarred question. The concerned minister lays down a written answer in the House and is printed in the official report of the sittings of the house. The limit is of 230 questions in a day to which 25 more questions can be included related to states under the President's rule.
- **Short Notice Questions:** Such a question relates to a matter of urgent public importance and can be asked with a shorter notice than the ordinary questions. It is supposed to be answered orally like in starred question and can be followed by supplementary questions.
- **Private Member Questions:** A question may be addressed to a private

member provided the subject matter of the question relates to some bill, resolution or other matter connected with the business of the House for which that member is responsible.

**Check Your Progress Exercise 2**

1) **Your answer should include the following points:**

**Budgetary Control**

- In every democratic country, the legislature controls the nation's purse-strings. No money can be spent by the executive without legislative sanction. The budget proposals are extensively debated in the Parliament before being voted upon.
- With the ruling party with a majority in Parliament, in parliamentary democracies the demand for grants can neither be rejected nor reduced but provide a chance to review the public policy.
- The Comptroller and Auditor General of India conducts an audit according to its guidelines to check if the money sanctioned by the Parliament has been used and spent judiciously.
- During the general discussion on the finance bill and submission of demands for grants of budget proposals, general policy of taxation can also be discussed. Members of Lok Sabha can move three kinds of cut motions to assent, reject, or reduce the amount of a demand which are Policy Cut Motion, Economy Cut Motion and Token Cut Motion.

**Zero Hour**

- The time immediately following the question hour and laying of papers and before any listed business is taken up in the House has come to be popularly known as the 'Zero Hour'. As it starts around 12 noon, this period is termed as 'Zero Hour'.
- **Laying of Papers:** During this time, various papers such as annual reports of ministries, public sector undertakings, government bodies, audit reports by the CAG, government notifications, etc., are also laid on the table of the House.
- **Matters allowed to be raised under 'Zero Hour':** Twenty matters per day as per their priority in the ballot are allowed to be raised during zero hour. The order in which the matters will be raised is decided by the Speaker at his/her discretion.

2) **Your answer should include the following points:**

**Debates and Discussions**

- Debates and discussions provide an important occasion to the members to review the functioning of administration on the floor of the House. The ministers are duty bound to answer all the questions that they are asked in course of the debate.
- The general discussion on the debate proposals of the various departments

provides ample opportunities for the legislature to keep the executive in check. Hence, the Parliament may exercise control through various debates and discussions by appraising governmental policies and their implementation.

- The most important discussions are during the President's inaugural speech to both the Houses of the Parliament and the budget speech by the finance minister.

**Adjournment Motion**

- An adjournment motion of the business of the House for the purpose of discussing a definite matter of urgent public importance may be made with the consent of the Speaker.
- The notice for the adjournment motion shall be given by 10.00 hours on the day on which the motion is proposed to be made to the Secretary-General and the copies shall be endorsed by the Speaker; the minister concerned; and the Minister of Parliamentary Affairs.

# UNIT 14 FINANCIAL COMMITTEES – PARLIAMENTARY COMMITTEES IN INDIA (PUBLIC ACCOUNTS COMMITTEE, ESTIMATES COMMITTEE, COMMITTEE ON PUBLIC UNDERTAKINGS)*

**Structure**



## 14.0 OBJECTIVES

After going through this unit, you should be able to:

- Bring out the need for and importance of Parliamentary Committees;
- Describe the composition and functions of Public Accounts Committee;
- Discuss the composition and functions of Estimates Committee; and
- Explain the composition and functions of the Committee on Public Undertakings.

## 14.1 INTRODUCTION

The Committee system in India is one of the ways of ensuring effective and efficient financial Parliamentary control. The committees have a secondary status to the


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legislature because they lack original jurisdiction and act on behalf of the Parliament. Such Parliamentary committees comprise members from different political parties and relieve the parliament from additional burden of examining various estimates of revenue and expenditure of ministries and departments. It is considered that they produce unbiased work because the members belong to different political parties and perform their work away from public scrutiny. Hence, they act as the watchdogs of the legislature over the government. Their reports have educative value as they inform the government of its shortcomings and errors which can be minimised for smooth functioning. They act as a link between the law-making and law implementing organs of the government.

This is the last unit of this Course on Public Finance and Administration. It provides an overview of the composition and functions of the three important committees-, Public Accounts Committee, Estimates Committee and Committee on Public Undertakings.

## 14.2 COMMITTEE SYSTEM: NEED AND IMPORTANCE

The need for financial Parliamentary control with the help of committee system arose somewhere in the sixteenth century in England and thereafter in the USA. It became popular in France in the eighteenth century and slowly developed in other countries.

In India, the legislative control over finance can be said to have commenced after the year 1919 under the Montague Chelmsford Reforms. The Government of India Act, 1919 introduced the system of control by the Indian Legislature over finance largely modelled on the British system.

The origin of the committee system in India can be traced back to the first legislature after the advent of British rule in India in 1853. The history of committees in India started with the setting up of the Legislative Council in 1854 and a Select Committee in 1856. Public Accounts Committee is one of the four elected oldest committees of the House.

The Parliamentary financial control through committees attempts to ensure that the appropriation of money done by the parliament is spent economically for the approved purposes within the framework of grants. In view of the magnitude of tasks to be performed and within limited time at its disposal, the Parliamentary committees have been constituted. The committees facilitate a methodical and exhaustive assessment of the diverse legislative activities. They ensure supervision and accountability.

There are two kinds of committees — Standing Committees and Ad hoc Committees. The ad hoc committees are appointed for a specific purpose and their existence ends after it has presented its report. The main ad hoc committees are the select and joint committees on bills.

The Standing Committees are elected or appointed every year or periodically and their work goes on a continuous basis. The three financial committees that we shall be discussing in this unit constitute this category. There are Departmentally Related Standing Committees (DRSCs), too entrusted with tasks of considering demands for grants for various ministries/departments, examining bills referred by the Chairman of Rajya Sabha or Speaker of Lok Sabha and so on.

Now we shall be discussing the composition and functions of the three financial committees of the Parliament.

## 14.3 PUBLIC ACCOUNTS COMMITTEE

The parliamentary financial tool to monitor the government's financial activities is the Public Accounts Committee (PAC). It is constituted to examine the appropriation accounts and the annual finance accounts of state corporations and other bodies. It also scrutinises the CAG report but not those organisations which have been designated to the Committee on Public Undertakings. The PAC tends to be effective and significant if its recommendations are rightly carried out.

**Evolution**

The PAC was set up in 1921 as per the Montague Chelmsford Reforms. The Government of India Act 1919, mandated the Governor-General-in Council to formulate such committees at the Centre as well as the provincial levels so that the accounts of the government are examined to detect any kind of abnormality or deviation from rules and regulations, extravagance, losses, delays, etc.

The 1935 Act included a provision that the report of the PAC must be tabled in the Legislature. Later, the 1947 Act mandated that the Committee would present its report to the President. The Committee on Public Accounts, which is the most prestigious Committee of Parliament, is constituted every year to examine accounts showing the appropriation of sums granted by the Parliament for expenditure of Government of India as mentioned above. The Committee became a Parliamentary Committee on 26$^{th}$ January, 1950.

**Composition**

The PAC consists of 15 members elected by Lok Sabha every year from amongst its members according to the principle of proportional representation by means of single transferable vote. Seven members of Rajya Sabha elected by it in the same manner as the Lok Sabha are associated with the Committee in proportion to its respective strength in both the Houses.

## 14.4 FUNCTIONS OF THE PUBLIC ACCOUNTS COMMITTEE

As discussed above, the PAC examines accounts to check if the government has spent as per the funds appropriated by the government. The functions of the PAC are given below:

1. **Examination of Accounts:** The PAC examines accounts and the report of the CAG to ascertain that the appropriated funds by the Parliament have been spent with economy and efficiency as per the following conditions:

   i) The expenditure must not surmount the funds allocated by the Parliament.

   ii) The expenditure has been incurred for the specific activity that it was apportioned by the Parliament.

iii) Only the authorised officials have spent the allocated funds.

iv) The authorised officials have not neglected any vote of Parliament by using it more than a grant.

2. **Procedure:** The PAC confirms if the procedure used in the maintenance of accounts has been according to the rules and laws. The PAC has the power to call for persons, papers, or records for the purpose of evidence. Although the committee can report or recommend on a specific item but cannot prohibit any expenditure.

3. **Additional Functions:** The PAC is supposed to perform these following functions:

   i) It scrutinises income and expenditure statement of state corporations, trading and manufacturing schemes and projects.

   ii) Examination of accounts of autonomous and semi-autonomous bodies.

   iii) It scrutinises the accounts of those stores and stocks of which the CAG has conducted an audit.

4. **Tax Administration:** The Committee examines various aspects of the government's tax administration like the cases involving under-assessments, tax evasion, non-levy of duties, etc. It also identifies the loopholes in the taxation laws and procedures and makes recommendations to check leakage of revenue.

**Working/Procedure of the Committee**

The procedure of the committee is given below in brief:

- The committee works with the Chairperson as its head and guide. He/she is given feedback by the CAG and the Secretary of the Committee to start the procedure of asking the questions.
- The ministry's representatives are asked to appear before the committee to clarify certain questions related to their ministry's accounts. Such meetings are kept private and confidential to maintain secrecy of the witnesses.
- A model/draft report is prepared by the Parliament Secretariat and Chairman to further send it to the CAG for validation.
- The Committee considers it finally and the presents it to the Parliament.
- At times, sub-committees are formed to deal with specific issues.

After a detailed review of all aspects, the report is finalised by the Committee and submitted to the Parliament.

**Check Your Progress Exercise 1**

**Note: i) Use the space below for your answers.**

**ii) Check your answers with those give at the end of the unit.**

1) Bring out the need for Parliamentary committees.

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2) Discuss the composition and functions of Public Accounts Committee.

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3) Explain the functioning of the Public Accounts Committee.

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## 14.5 ESTIMATES COMMITTEE

The Estimates Committee was constituted in 1950 on the 10th of April in India as a Parliamentary Committee. The basic purpose of the setting up of this Committee was to ensure economy in spending money before the expenditure is incurred which can be done the best at the estimates stage. So, the objective of the appointment of the Estimates Committee was to check unwise spending before sanctioning demands for grants.

**Origin:** The Estimates Committee of India is heavily influenced by the British Parliament. The British experience also showed its ineffectiveness in Parliamentary control. However, it has been shaped on the lines of the Expenditure Committee of Britain though there it was first created in 1912. Since the Committee in India at that time had lot of defects, it finally came into existence in 1950, with the inauguration of the Constitution. The parliamentary decision to establish it prevailed despite the resistance from the Finance Ministry. The administrative control over the committee was vested to in the Speaker, who was endowed with the power to nominate its chairperson. The Secretariat for the Committee was to be provided by the Parliament Secretariat making the Estimates Committee a Parliamentary Committee from the beginning. Finally, the Estimates Committee was constituted in 1950 after the independence of India on the recommendation of John Mathai under Rule 310 of Procedure and Conduct of Business of Lok Sabha.

**Term of Office:** The term of office of the Estimates Committee is one year.

**Composition:** The Estimates Committee comprises 30 members only from the Lok Sabha, but the Rajya Sabha does not have any representation in it. An additional condition is that all parties are proportionally represented but a minister cannot become the Committee's member and has to tender his/her resignation prior to it. Finally, the Chairperson of the Committee is elected by the Speaker from its members.

## 14.6 FUNCTIONS OF THE ESTIMATES COMMITTEE

The Estimates Committee (EC) separates itself from the policymaking of the government and has the major function to propose efficient use of resources. It ensures the best use of funds of possible without any wastage while staying within the purview of the policies of the government.

Some other functions of the Estimates Committee are:

1) **Examination of Accounts:** The Committee would examine the appropriation and finance accounts of the central government and any other accounts tabled in the Lower House of the Parliament. The accounts of autonomous and semi-autonomous organisations are also examined along with their audit by the CAG except for public undertakings which have been allotted to the Committee on Public Undertakings.

2) **Preparation of Reports:** It prepares a report on the economies to be affected in organisations and how to improve efficiency in administrative processes in tandem with the prepared estimates.

3) **Scrutiny of Accounts:** It scrutinises the accounts of the state corporations, business concerns, manufacturing units and their Comptroller and Auditor General's audit report.

4) **Scrutiny of Estimates:** Finally, it suggests the way in which the estimates are tabled in the Parliament. Throughout the year, the EC keeps on scrutinising the estimates and reports it to the Parliament.

5) **Suggestions for Changes:** While it is the duty of the Committee to see if the activities are being carried out by the various departments and agencies but if there is a discrepancy and there is a scope for a change or improvement, it can suggest a change in the policy to have desired results.

**Chairperson's Appointment:** The Speaker appoints the Chairperson from amongst the members elected to the Estimates Committee.

**WORKING OF THE ESTIMATES COMMITTEE**

Every year, the EC is formed in the month of June and begins with its functioning in July. Its basic function is to prepare a plan for estimates. It collects, compares, prepares and finally approves them. It has the power to constitute sub-committees giving them powers so that matters can be examined for further approval. The copy of the final report is tabled ultimately in the Lok Sabha although there is no formal debate on it. The report basically recommends four aspects:

i) Improvement in organisation and ways for better administration.

ii) Maintaining balance between economy and efficiency.

iii) Assessing the performance of the ministry/department pertaining to the achievement of targets.

iv) Guidance in the preparation of estimates are tabled in Parliament.

Even though the EC sometimes goes beyond its prescribed boundaries of its functions by recommending policy changes, yet it plays a very significant role in the Indian administrative system by keeping a strict watch over the activities of the executive. Lastly, it also has a good record of getting its recommendations accepted by the government.

## 14.7 COMMITTEE ON PUBLIC UNDERTAKINGS

Public sector has been a key component of our economy. It played a key role in India to address socio-economic issues such as income disparities, underemployment, regional inequalities in economic development, etc. Public sector was developed to have self-reliant economic growth initially by placing emphasis on core sector but later in its so-called second phase it ventured into the private sector too. Many industries got nationalised and the public sector began taking over sick units from the private sector and later entered production of goods.

The Committee on Public Undertakings (CPU) was established in 1964. It is entrusted with clearly defined functions to:

i) Examine the reports and accounts of the public undertakings mentioned specifically in the Schedule.

ii) Scrutinise reports of the CAG on the public undertakings.

iii) Examine if the activities of public undertakings are being carried out as per sound business principles and prudent commercial practices; and

iv) Carry out any other functions of PAC and EC with respect to public undertakings.

**Composition**

The Committee comprises 22 members, 15 from Lok Sabha and 7 from the Rajya Sabha. Their term of office is one year. They are pledged to work on non-party lines. The CPU has similar processes of selection of members as the PAC and the EC.

## 14.8 FUNCTIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

The Committee on Public Undertakings (CPU) also functions in the same way as the other two committees except in its own field. Given below are a few areas and issues under consideration of their committee:

i) The CPU examines the reports and accounts of the selected public undertakings as per its terms of reference.

ii) The public sector undertaking is asked to provide the required information so that the committee members can study the specific subject.

iii) Study groups can be appointed when required to do a detailed analysis of various subjects.

iv) If an on-the-spot study has to be made, the CPU also takes study tours. Informal meetings are held during these tours.

v) Notes pertaining to a specific study of a study of a subject are called for from Ministries.

vi) The CPU's members can also meet members of Confederation of Indian Industries while on tour but informally to discuss the specific issue.

vii) Based on such informal meetings and sessions, the CPU invites witnesses to furnish evidence formally which are held in Parliament.

viii) It also performs any other functions allotted by the Speaker of Lok Sabha.

It cannot examine and consider matters pertaining to government policies. All discussions held by the Committee with the representatives of the undertakings/ministries/departments, etc., are to be treated as confidential and no one having access to the discussions, should directly communicate to the press or any unauthorised person of any type of information connected to the discussions.

Finally, the observations of the Committee are written down in a report which are tabled in the Parliament and later an 'Action Taken Report' is prepared. The concerned ministry is asked to send reply to each recommendation. It may accept the recommendation, implement, and inform the committee,

**Check Your Progress Exercise 2**

**Note: i) Use the space below for your answers.**

**ii) Check your answers with those given at the end of the unit.**

1) Describe the composition, and the functions of the Public Accounts Committee.

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2) Briefly discuss the working of the Public Accounts Committee.

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3) List the functions of Committee on Public Undertakings.

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## 14.9 CONCLUSION

It is beyond doubt that the committee system is a useful tool to keep a check over the government's working, but it is not without its weaknesses. The committees become powerful and presume more importance than allocated to them according to the law. Though it is felt that there is lack of expertise in the committee which tends to roll out reports in a general manner but, the committee system is considered as a beneficial means to keep the government in check by highlighting its lapses. Their functions of inquiry, scrutiny, control and advise help in acting as a watchdog of the government. They provide a platform for bringing in consensus across political parties as their meetings are close-door ones and they can express their views freely. The committees formulate an Action taken Report which shows the status of government's action on each recommendation. To sum up, the committee system plays an important role in maintaining a balance in various activities of the government.

## 14.10 GLOSSARY

**Confederation of Indian Industry (CII):** It is a non-governmental trade association and advocacy group which has headquarters in New Delhi. It engages business, political, academic and other leaders of society to shape global, regional and industry agendas.

**Montague Chelmsford Reforms**: The Government of India Act, 1919 also known as the Montague Chelmsford Reforms came into force in 1921. It was instituted in in the British Indian polity to introduce the diarchy, that is, the rule of two, the executive councillors and the ministers.

**Sub-Committees:** It is a deliberative group of members who work for covering more areas within the committee.

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## 14.12 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

**CheckYour Pregress 1**

1) **Your answer should include the following points:**

   The need for parliamentary committees arises due to the following reasons:

   - Parliamentary financial control through committees ensures that the appropriation of money done by the parliament is spent economically for the approved purposes within the framework of grants.
   - The magnitude of tasks and limited time at the disposal of parliament.
   - Facilitate a methodical and exhaustive assessment of the diverse legislative activities.
   - Ensures supervision and accountability.

2) **Your answer should include the following points:**

   - **Composition:** The PAC consists of 15 members elected by Lok Sabha every year from amongst its members according to the principle of proportional representation by means of single transferable vote. Seven members of Rajya Sabha elected by it in the same manner as the Lok Sabha are associated with the Committee in proportion to its respective strength in both the Houses.

   **Functions**

     - Examination of Accounts
     - Economy
     - Procedure

- Tax Administration
- Additional Functions

2) **Your answer should include the following points:**

- The Committee works with the Chairperson as its head and guide. He/she is given feedback by the CAG and the Secretary of the Committee to start the procedure of asking the questions.
- The Ministry's representatives are asked to appear before the Committee to clarify certain questions related to their Ministry's accounts.
- Such meetings are kept private and confidential to maintain secrecy of the witnesses.
- The model /draft report is prepared by the Parliament Secretariat and Chairman to further send it to the CAG for validation.
- The Committee considers it finally and the presents it to the Parliament.
- At times, sub-committees are formed to deal with specific issues.

After a detailed review of all aspects, the report is finalised by the Committee and submitted to the Parliament.

**Check Your Progress Exercise 2**

1) **Your answer should include the following points:**

- The constitution of Estimates Committee of India is heavily influenced by the British Parliament. The British experience also showed its ineffectiveness in parliamentary control. However, it has been shaped on the lines of the Expenditure Committee of Britain though it was first created there in 1912.
- It comprises 30 members only from the Lok Sabha, but the Rajya Sabha does not have any representation in it.
- The Parliamentary Affairs Minister moves a motion in the Lok Sabha every April so that 30 members can be elected amongst the members of the Parliament according to the process.

**Functions**

- Examination of Accounts
- Preparation of Reports
- Scrutiny of Accounts
- Scrutiny of Estimates
- Suggestions for Changes

2) **Your answer should include the following points:**

**Working/Procedure of the Committee**

It collects, compares prepares and finally approves them. It has the power to constitute sub-committees giving them powers so that matters can be examined further approval. The copy of the final report is tabled ultimately in the Lok Sabha although there is no formal debate on it. The report basically recommends three things:

- Improvement in organisation functioning and recommend ways for better administration.
- Maintaining balance between economy and efficiency.
- Assessing the performance of the ministry/department pertaining to achievement of targets.
- Guidance in the preparation of estimates to be tabled in parliament.

3) **Your answer should include the following points:**

- The Committee on Public Undertakings (CPU) examines select public undertakings as per its terms of reference.
- The PSU is asked to provide the required material so that the Committee members can study the specific subject.
- Study groups can be appointed when required to do a detailed analysis of various subjects.
- If an on-the-spot study has to be made, the CPU also undertakes study tours. Informal meetings are held during these tours.
- Notes pertaining to a specific study of a study of a subject are called for from Ministries.
- The CPU's members can also meet informally members of Confederation of Indian Industries while on tour to discuss specific issues.
- Based on such informal meetings and sessions, the CPU invites witnesses to furnish evidence formally which are held in Parliament.
- It also performs functions allotted by the Speaker of the Lok Sabha.

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