Effective financial control involves scrutiny into the details of estimates and accounts but the House itself is not a suitable organ for going into such minute details. It has neither the time nor the facilities for such detailed examination and accordingly it has necessarily to delegate such duties to Select Committees which are in a position to discharge these functions efficiently while their reports keep the House informed as to the result of the investigation and enable it to take action thereon, where action is necessary.

These investigations are carried on for the purpose of safeguarding public economy either (1) with a view to ensuring economy in expenditure or (2) with a view to securing regularity, legality and propriety in the matter of financial administration.

The Estimates Committee of the Legislature is concerned with the duties of the former kind while the Public Accounts Committee is concerned with those of the latter kind. The Committees of this nature have, however, no executive power. They merely report to the House their findings and recommendations and it is the duty of the administration
to consider those propositions, to subject them in turn to careful scrutiny and to decide, upon their own responsibility, to what extent and in what way the reforms can be carried out.

Estimates Committee

Estimates Committees are of recent origin in India. An Estimates Committee was set up for the first time in 1950 by the House of the People. Thereafter the Legislative Assemblies of all the States have appointed Estimates Committees. The functions of an Estimates Committee are similar to those of the Estimates Committee of the House of Commons. Indeed, the rule of the House of the People which provides for the appointment of an Estimate Committee follows the language of the resolution of the House of Commons appointing such a Committee where it says:

'to examine such of the estimates as may seem fit to the Committee and to suggest economies consistent with the policy underlying the estimates'. It will presently be seen that subsequently the term of reference was enlarged.

Estimates Committee of the House of Commons

It would therefore be profitable to discuss the origin and function of the Estimates Committee of the

British House of Commons. It is well known that the
Estimates in the House of Commons are first considered
by a Committee of the whole House known as the Committee
of Supply. In its origin, the Committee of Supply was
intended to be something like a Select Committee for
scrutinising the financial aspects of the Estimates. But
gradually with the enlargement of the House and the
growth of Party Government, the Committee lost its
significance as a Financial Committee and the consideration
of the Estimates by it has ceased to be a scrutiny of
the financial reasons for the demands and has now become
an occasion for criticising Government policy.

A Select Committee on National Expenditure was appointed
by the House of Commons in 1902 and the appointment of
a small Committee for the purpose of examining the estimates
presented to the House was one of the recommendations made
by it. The Report of the Committee contains the following
observations:

"But we consider that the examination of Estimates
by the House of Commons leaves much to be desired from
the point of view of financial scrutiny. The colour of
the discussions is unavoidably partisan. Few questions
are discussed with adequate knowledge or settled on their
financial merits. Six hundred and seventy Members of Parliament, influenced by party ties, occupied with other work and interests, frequently absent from the Chamber during the 20 to 23 Supply days, are hardly the instrument to achieve a close and exhaustive examination of the immense and complex Estimates now annually presented. They cannot effectively challenge the smallest item without supporting a Motion hostile to the Government of the day; and divisions are nearly always decided by a majority of members who have not listened to the discussion. Your Committee agree in thinking that the Estimates are used in practice — perhaps necessarily by the Committee of Supply — mainly to provide a series of convenient and useful opportunities for the debating of policy and administration, rather than to the criticism and review of financial method and of the details of expenditure. We are impressed with the advantages, for the purposes of detailed financial scrutiny, which are enjoyed by Select Committees, whose proceedings are usually devoid of party feeling, who may obtain accurate knowledge collected for them by trained officials, which may, if so desired, be checked or extended by the examination of witnesses or the production of documents; and we feel it is in this direction that the financial control of the House of
Commons is most capable of being strengthened....

We consider that if the portion of the Estimates selected were not unduly large the temporal difficulties incidental to their examination would be removed, and that as the Committee would have no power to disallow any expenditure, but only to report thereon, there could be no question of any interference either with ministerial responsibility or with Parliamentary control.

Your Committee are therefore prepared to recommend that such a Select Committee be appointed, and that it be called "The Estimates Committee". (Report of the Select Committee on National Expenditure, 1903.)

No steps were however taken to implement the above recommendation till 1912 when a Select Committee was appointed in the following terms: -

'That a Select Committee be appointed to examine such of the Estimates presented to this House as may seem fit to the Committee and to report what, if any, economies consistent with the policy implied in those Estimates should be effected therein.'

Such a Committee has since been appointed every year on the same terms - although during the two great wars the Committee was known not as the Estimates Committee but as the Committee on National Expenditure.

2 Report of the Select Committee of the House of Commons on National Expenditure, 1903.
A question was raised in 1921 on the motion for the appointment of the Estimates Committee as to what was to be done in the House itself with recommendations of the Committee. It was suggested that if the Committee recommended that a certain economy was desirable the vote on that recommendation should be a free vote and not taken under the compulsion of the party whips. But that suggestion was never accepted on the ground that such a position would be a complete abandonment of the ministerial responsibility for the finance of the country.

**Functions of the Estimates Committee**

If therefore appears that the recommendations of the Estimates Committee are purely advisory and have no relation to or influence upon the voting of the demands in the House. The Committee has no power to disallow any expenditure; it can only recommend what economies can be effected in the Government departments. The recommendations of the Estimates Committee do not necessarily precede the consideration of the estimates by the Committee of Supply. In fact, the voting on the estimates is over when the recommendations of the Committee are generally presented to the House.

The entire estimates are not examined by the Estimates Committee but subjects are chosen for examination and the Committee takes evidence from departmental officials and outsiders and considers and makes its recommendations on the subjects in reports submitted from time to time to the House. The reports are considered by the House and the usual motion that is made is in the form:—

'That this House takes note of the Report of the Select Committee on Estimates.'

The recommendations may or may not be accepted by the Government and replies by the various departments which are concerned dealing with the recommendations are sent to the Committee in the form of minutes and are made part of the subsequent report by the Committee.

Although there is some probing and check on departmental expenditure by the Estimates Committee and there is a necessity for the setting up of a machinery for securing due economy in expenditure, it seems to have been the opinion of the Committee on National Expenditure of 1943-4 that for a variety of reasons, the Estimates Committee was not considered to provide a

5 L.S.D. 21 May 1954, c. 7988.
satisfactory solution to the main problems. The Committee in its Eleventh Report said that although the House had been successful in setting up machinery capable of securing that money is spent only upon the objects for which it was voted (i.e., by the Public Accounts Committee), the House had not succeeded in devising satisfactory permanent machinery to secure due economy in the National Expenditure.

The causes which impaired the usefulness of the Estimates Committee were pointed out by the Select Committee in 1918 and the view of that Committee was endorsed by the Committee on National Expenditure of 1943-4 and was as follows:

(1) The task imposed is too large for one body working as a single unit; when the estimates of a particular department had been considered, a period of from 7 to 10 years would probably elapse before those estimates were again considered;

(2) The handicap imposed by the form in which estimates are presented — one of probable cash requirements only and not of the actual cost of any particular scheme;

(3) The Estimates Committee has no professional assistance.

Durrell observes as follows regarding the utility of having an Estimates Committee:

'Although, then, the Estimates Committee in theory secures parliamentary control over the estimates - so far as it can be secured by anybody other than the House itself - the apparent advantages and the possible results of its work are reduced to a minimum, because of the proportion of similar ground covered by the Public Accounts Committee and by the Treasury...

'Even in the case of the advantage which is nominally secured by the examination of the Estimates Committee of a particular year's estimates, two years before the Public Accounts Committee examine the expenditure of the money provided on these estimates, the benefits are more apparent than real; for the expenditure of any department is, as a rule, of the same type from year to year and the review by each committee must be mainly a review of the application of continuing principles. It would therefore be only in the case of new classes of expenditure that the examination in this respect by the Estimates Committee would be actually in advance of that of the Public Accounts Committee, and the probable results to be achieved in such cases would be proportionately small, as it is these very items which would have been most recently approved and therefore
scrutinised by the Treasury. 7

A Comptroller and Auditor-General of India says, 

'In recent years, however, the Committee's contribution has been more impressive. It has interpreted the word 'estimates' to mean 'current activities' and has undertaken a selective review of governmental activity on the ground that these would, in any case, be reflected in the estimates under examination. While the Committee refrains even now from openly criticising the policy implicit in the estimates, its examination does often indirectly reflect on the manner in which a particular policy has been evolved or is being implemented. There has also been considerable improvement in the organisation of the Committee and in its technique, which has better equipped it to fulfil its responsibilities. Even though it works within the limitations inherent in a democratic form of government, its contributions are tending to become more and more effective in economising national expenditure.' 8

In India 'the functions of the committee, were initially not dissimilar from the functions entrusted to the U.K. Committee. The committee, however, complained that its

7 Durell, p. 153.
8 Chanda, p. 186.
scrutiny was circumscribed and its usefulness curtailed by the exclusion of examination of policy from its terms of reference. Sometime in 1953, the scope of the committee's examination was extended so as 'to suggest alternative policies in order to bring about efficiency and economy in administration'. The Speaker issued a directive to the committee, explaining the connotation of the term 'policy'. The term "policy", he explained, 'relates only to policies laid down by Parliament by statute or by specific resolutions passed by the committee from time to time and that it will be open to the committee to examine any matter which may have been settled as a matter of policy by the Government, in the discharge of its executive functions.' The committee should not be said, question approved policies, but said that it was nevertheless the duty of the committee to comment on a particular policy, if it was evident that it was not fulfilling its purpose or that it was leading to a waste of public funds.

The committee has put a liberal interpretation on its terms of reference in accordance with the Speaker's instructions. The committee pays a great deal of attention to the organizational aspect and to measures which would, in its opinion, provide that the money voted
by Parliament is better spent. In its very first report, it discussed the efficiency and organization of the ministry which it had taken up for examination. The second report was entirely devoted to the reorganization of the secretariat of the departments of government. 9

**Line of Action**

The Committee is not required to consider all the estimates of the different departments or ministries. At the beginning of each financial year it makes a selection of subjects concerning any part of the estimates of a ministry or ministries to be examined by them during the year under review. The department(ministry) or departments are asked sufficiently in advance to collect all relevant information relating thereto for submission to the Committee. They are required to furnish full information regarding the organisation, functions and volume of work of the respective ministry and its attached and subordinate offices together with broad details on which estimates are based, schemes or projects undertaken by them, actual expenditure incurred under each sub-head of estimates during the preceding three years, reasons

9 See also Ghanda, p. 191-192.
for variations, if any, between the actuals of the past years and the current estimates and reports, if any, issued by the department. They are also to furnish any other information that the Committee may call for. Questions are framed by the members on the basis of the information furnished. On the date or dates when the estimates are examined by the Committee, the Secretary or head of the Department and the accredited representative of the Ministry of Finance are required to attend to explain the details of the estimates and to furnish such information as the Committee may ask for. Questions are put and elucidations obtained. Minutes are prepared and decisions arrived at and the report containing the recommendations of the Committee is finalised.

The Committee may enquire about the justifiability of rates of pay given for the work done and the size of the staff allowed for a particular work. It may also go to suggest reorganization of the ministries or departments. The Committee is also authorized to consider questions of the arrangement and structure of the estimates and the advisability of dividing up sub-heads or giving more
detailed information about them. Questions of this kind relating to the form of estimates are settled by the Finance Minister in consultation with other bodies or authorities, e.g., the Public Accounts Committee, the Auditor-General, when the importance of the question demands.

In the House of Commons, the Chairman of the Estimates Committee is always a member of the Government party. The Committee nowadays appoints several sub-committees to each of which a liaison officer belonging to the Treasury is attached. It has been found that the Estimates Committee had been able to put forth more amount of work by reason of the fact that a number of small sub-committees can deal with a larger number of subjects or ministries than can one single large committee. The same practice is followed in the House of the People in India.

Public Accounts Committee

The origin of the Public Accounts Committee in India dates back to 1923. Although in the Government of India Act 1919 there was no provision for laying the Audited Accounts and Audited Report thereon before the Legislature, the Rules framed under that Act authorised the constitution of such Committees for the Centre as well as for the

10 Chubb, Control of Public Expenditure, p.223.
Provinces to examine the Accounts of the respective Governments. Such Committees were not wholly Committees of the Legislature as the members were partly elected by the members of the Legislature and partly nominated by the executive and it was the duty of the Public Accounts Committee so constituted to bring to the notice of the Legislature any irregularity in the Accounts of the State. In the Provinces such affairs continued till the Government of India Act 1935, came into force in 1937. This Act required the submission of Accounts and Audit Report before the Legislature and since then the Committees were constituted by the Rules of procedure of the House.

Under the provisions of the Constitution the reports of the Comptroller and Auditor General relating to the Accounts of the respective Governments are to be laid before the respective Legislatures. The Accounts are also appended to the Reports. It is implied that the Legislature has the right to discuss the Report but in practice the House does not take up the discussion until the Public Accounts Committee has first reported thereon.

In regard to economy and scrutiny, the influence of the Committee is more regular and efficient than that

Art. 151.
which is or could be exercised by the House. The Committee is designed to guarantee financial regularity and audit, and exercises great influence over the departments (of the Government) although it possesses no direct power, other than the power to call for documents and to require witnesses to attend. Its power is indirect and lies nominally in the potential results of its reports. Actually its power lies in the publicity which it is able to give to the question it investigates, and in the normal effect of its criticism on the departments.

The Committee functions under certain technical limitations. One of the limitations is that there is no obligation on the part of the executive to adopt the reports of the Committee. In such cases the executive, in its minute upon the reports of the Committee, is required to state the reason for any difference of opinion it may hold, and the question is reserved for reconsideration by the Committee in the next session. In the case of eventual disagreement the House is there whose attention may be specially directed to the fact by those who represent that department, when any matter in respect of the subject upon which such difference has arisen is under consideration. In spite of these
limitations, the influence of the Committee is admittedly effective. The fear of the Public Accounts Committee, and the very searching examination that takes place there, does a great deal to keep in the path of rectitude the members of the civil service.'

Advantages of the Committee over the House

The Committee is so constituted as to represent all parties of the House and in the matter of representation of different parties of the House, those members who evince interest in public economy and accounts are usually nominated. The special feature of the Committee is that its proceedings, unlike the proceedings of the House, are usually devoid of party feelings. The question of public accounts is recognised as a national question and not one of party politics and, as such, investigation is made in the public interest from a financial and not a political point of view. The advantage of the Committee is that it directly contacts the executive officers, the administrators and those who spend money. Questions can be thrashed out fully and promptly by direct elicitation of information from the officials above mentioned or by

12 Durell, p. 112; Chubb, Control of Public Expenditure, p. 190.
summoning further witnesses and calling for documents. If necessary, evidence may be taken on oath, but in practice that is not adopted by any select committees except in very special cases. Such examinations - although post mortem - have effective value. Finally, the Committee possesses the great advantage of being served regularly and continuously by the public department under the Comptroller and Auditor General whose assistance is further intensified by the personal attendance at the meetings of the Committee either of the Auditor General himself or of the Accountant-General or of both. A principal permanent officer of the Finance Department (usually the Finance Secretary himself) also attends every meeting. The Committee is thus able to obtain accurate knowledge of trained officials. The Comptroller and Auditor General has been described as to a large extent of acting hand of the Committee. He guides the Committee in their labours, he detects the points of question, presents them with available information and leaves the Committee to pursue them and to report on them. His assistance is able and thorough and the Committee naturally attaches great importance to his views.
A question has sometimes been raised that the Public Accounts Committee's term should be coextensive with the term of the Assembly but that one third of the members should retire annually, so that a continuity may be maintained. The main objection to this course is that at the subsequent elections, it would be difficult to have proportional representation. In practice, the majority of old members are re-elected so that continuity is maintained in fact.

Another question is whether the Finance Minister or any other Minister should be a member of the Committee. In some legislatures, the Finance Minister or any other Minister is a member of the Committee and when the Finance Minister is on the Committee he is in practice, made Chairman of the Committee. The Lok Sabha rules specifically prohibit a Minister from being chosen as a member of the Public Accounts Committee. In England, a Junior Minister is invariably selected a member of the Public Accounts Committee but he does not now attend its sittings or take part in its deliberations because the criticism of the Committee may cause him embarrassment.

Another question is as to the Chairmanship of the Committee. In England, a member of the Opposition, preferably a person in the position of a Minister in
the last Government having experience in the Treasury, is elected Chairman. The question of the election of a member of the Opposition as Chairman was first raised before the Public Accounts Committee in Bengal in 1931 by Dr. Haridhan Dutt and again in 1939 by Dr. Malinaksha Sanyal.

In the Lok Sabha the Speaker nominates a Chairman, but if the Deputy Speaker is elected a member of the Committee, he acts as the Chairman. The State Legislatures have also similar rules. In some of them a member of the opposition is appointed Chairman.

Functions of the Public Accounts Committee

Placed as the Committee is with its limitations and limited powers as well as its advantages and influence, as aforesaid, it is worthwhile examining its procedural methods and functions as well as its scope and ambit.

It is appointed for the examination of accounts showing the appropriation of the sums granted by the House to meet public expenditure. In scrutinising the Appropriation Accounts and the Audit Report thereon it must satisfy itself 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, that the expenditure conforms to the authority which governs it and that every reappropriation has been made in accordance with the provisions made in this regard in the Appropriation Act or under rules made by competent authority lawfully empowered in this behalf. The term of reference also includes examination of any trading, manufacturing and profit and loss accounts and balance sheets of Government concerns run on commercial lines, together with their Audit Reports and any other audited accounts of receipts or of stores and stocks or other matters in respect of which the Executive may have required the accounts to be prepared and audit conducted.

The functions of the Committee are, however, considerably wider than those suggested by the bare terms of this reference. It is not merely a duplication or verification of the Comptroller and Auditor General's work. Although in practice the Committee works on the Auditor General's brief, any member may raise any relevant question on his own initiative, and although the Committee is primarily guided in its line of investigation by the Comptroller and Auditor General's report, as to the subjects it selects for consideration it is not necessarily restricted to the ground covered by that report.
From the accounting point of view, the Committee necessarily reviews the Comptroller and Auditor General's Report and investigates any irregularities brought to notice in that report. The examination amounts to an enlarged revision of the report, supplementing it by oral examination both of the accounting officer and of other officers concerned in the expenditure.

It deals with the cases of expenditure in excess of the grants made which may necessitate an excess vote by examining the causes of an jurisdiction for such expenditure. The attention of the House is invariably directed to all such cases and the very first report of the Committee to the House must contain its recommendations and findings on all such cases. 'It is an unwritten law and the universal practice that no excess vote can be taken without having been previously submitted to this Committee.'13 No alternative remains at this stage but to recommend that an excess vote be taken; but if it can be shown that the probabilities of an excess were known in sufficient time for a supplementary estimate to have been put forward, the department would be severely censured.

The known fact that the Committee does not deal leniently with excess, exercises the strongest deterrent effect on the departments against willingly or knowingly exceeding parliamentary provision.¹⁴

In dealing with the accounts, the Committee's function is not restricted to mere formalities of expenditure so far as irregularities or excesses are concerned. Its function extends to the 'wisdom, faithfulness and economy' in matters of expenditure. It acts not only as a check upon extravagant, irregular or unauthorised expenditure but also within limits upon unwise methods of management.

It may be mentioned in this connection that the Committee is not concerned with questions of policy which are the domain of the Cabinet and the House. This is because a discussion on the question of policy might imply a right, whether exercised or not, of approving or disapproving of that policy and an expression of opinion on points of policy either by way of approving or disapproving is likely to be set up as such by a department in its defence. Furthermore, there should be no intervention between the Minister and the House in the matter of policies. The amounts of estimate or of grants are also outside the scope of the Committee even

¹⁴ Durell, p.117; Chubb, Control of Public Expenditure, p.195.
when the policy is common knowledge as sometimes items of an estimate are based on policies resting on confidential documents which in the national interest even the House does not require to be divulged. The Committee, therefore, does not attempt any enquiry in all matters determined by the settled policy of the Government. The powers of the Committee are also limited in regard to changes of policy during the year of expenditure even if such changes may have a very material effect on the expenditure as compared with parliamentary appropriation. If excess expenditure is attributed to a change of policy it must be accepted. But the Committee is right in ascertaining whether such change of policy could have been foreseen and schemes worked out and decisions given in time to admit of provision being made in the estimates or at least in a supplementary estimate. No department should be allowed to take shelter under an excuse of 'change of policy' to evade the parliamentary control of expenditure through the scrutiny by the Committee. Furthermore, the Committee is in its own field when, leaving the question of policy underlying an expenditure as well as the economic results of such
policy, it restricts itself to the merit of such expenditure only so far as the administration is involved, although it is sometimes very difficult to determine its extent. Again the Committee is within its rights in considering the purpose - apart from the amount or the policy - in respect of a grant so as to see that the expenditure conforms to the purpose.

In this way the Committee deals with the accounts of different departments and makes reports thereupon taking one or more or all at a time, according to circumstances.

The reports made by the Committee contain its views and findings on the accounts of different departments of the Government, expressing its satisfaction in some cases, and recording its disapproval of unsatisfactory expenditure in cases involving financial irregularities. The Committee will point out the abuses in the management of the public finances, suggest remedies and report after proper investigation its opinion on disputed points of account between departments or between agencies and departments. The Committee may also offer suggestions regarding the form or arrangement of the estimates or
or its number of grants. It may also formulate or suggest principles for the improvement or growth of the existing system of accounting. In rare cases it also reports on cases of non-compliance with law and cases where the function of the Legislature has been usurped, giving sufficient allowance for the circumstances of the case.

Some remarks are needed to describe the impersonal attitude that is all along maintained by the Committee. In matters of fraud and proved negligence resulting in loss it does not require to know the name of a delinquent but sees whether the head of the department has timely enquired into the origin of the affairs and taken suitable steps to bring the delinquent to book as also to prevent a recurrence. It may express its opinion on the adequacy of steps taken and that of the punishment meted out. It possesses the power to intervene to examine the systems under which the departments work to act as a check on unwise methods of expenditure but it does not think it advisable to interfere in administration but calls attention to the weak points in it leaving the department to remedy them.

The manner in which the Committee discharges its function combined with its impersonal attitude enables it to exercise an increasingly effectual and salutary influence on the administration of public finances.
Upper House and the Public Accounts Committee

The accepted convention of the British Parliament is that it is the elected House, the House of Commons, which grants the money to the Crown for expenditure and it is that House which has the right to scrutinise the expenditure and see that the money has been spent for the purposes for which it was granted. It is therefore the House of Commons which appoints the Public Accounts Committee to examine the accounts. In fact the accounts are not laid before the House of Lords.

In the British Parliament, the House of Lords does not appoint any Committee to scrutinise the Public Accounts; nor are any members of the House of Lords associated with the House of Commons. On two occasions, it appears that the House of Lords tried to appoint some additional members of their own to be associated with the Standing Committee of the House of Commons to scrutinise the Public Accounts but the attempt failed. The claim of the House of Lords was based on the ground that the Accounts were to be laid before both the Houses.

15 Durall, p. 108.
In India, however, the Upper House, the Council of States of the Indian Parliament and the Legislative Councils of some State Legislatures, have claimed a right to discuss the Comptroller and Auditor General's Report and the Accounts on the ground that 'under the Constitution, the Reports and the Accounts are to be laid before the Legislature'; the Upper House also claims the right to scrutinize and discuss the accounts.

It does not seem that the claim is very well justified. Theoretically, of course, it can be said that the Upper House has the right to discuss the Accounts and the Auditor-General's Reports because these are laid before the House. But what would be the result of discussion? The Upper House has no control over the finance of the State. It cannot withhold the grant of any money, for no demands for grants are made to it. It has no control over the Appropriation Bill for the Appropriation Bill can become law without the concurrence of the Upper House. It is the Lower House which grants the money and which can withhold the money from the executive if the money is spent in a manner which it
disapproves. It stands to reason therefore that it is the Lower House only which has the right to call for explanation from the Executive Government.

Then again, if there are two Public Accounts Committees of the two Houses, the Government Departments would be at a great disadvantage. They would have to appear twice before the two Committees and if the two Committees differ in their views in any particular matter, they would not know to whom to hearken, the voice of Delphi or the voice of Dodona.

On 10 May 1954, the Lok Sabha adopted a motion to associate seven members of the Rajya Sabha with the Public Accounts Committee of the Lok Sabha. Although the Speaker said after the motion was adopted that so far as the deliberations, voting and every other matter were concerned members of the Council who were associated with the Committee would have the same status as other members of the Committee, yet it was emphasised that the Committee was a Committee of the Lok Sabha and the associated members would be under the control of the Speaker. Some of the State Legislatures have also followed this practice.

Discussion of the Report of the Public Accounts Committee

Although there is no specific rule for the discussion of the Report of the Public Accounts Committee, there are rules which provide that no discussion on the Accounts of the State shall take place until the Public Accounts Committee has reported its finding. It is usual to have the Report of the Public Accounts Committee discussed on a motion that the Report of the Public Accounts Committee be taken into consideration.

In the House of Commons, the Reports of the Public Accounts Committee are not generally discussed unless some important point with political repercussions or of scandalous nature is involved. Such discussions took place in 1942 and 1947. There is however a feeling extant that the Reports of the Public Accounts Committee should be discussed and the Select Committee on Procedure recommended:

'Your Committee approve Sir Gilbert Campion's suggestion that provision should be made for securing discussion in the House of the Reports of the proposed Public Expenditure Committee (combining the Estimates Committee and the Public Accounts Committee) by giving them precedence on not more than two of the days allotted...
Since the amendment of S.O. No. 16 in 1947, it has been possible to consider reports from the Public Accounts Committee or from the Estimates Committee on a day allotted to the business of supply.

Control over Corporations

A new form of undertakings which affect parliamentary control of finances has recently come into existence, viz., state-owned or state-controlled corporations or companies. The following observations of Mr. Harahari Ram, Comptroller and Auditor General of India, deserve careful consideration:

'I refer to the formation of private companies under the Indian Companies Act for the management of Government industrial undertakings from the Consolidated Fund. These private limited companies are, in my opinion, a fraud on the Companies Act and also on the Constitution, because money cannot be taken away from the Consolidated Fund for


18 May, p. 739.
the establishment and transformation of certain concerns into private companies in the name of the President and Secretary to Government. To convert a government concern into a private company solely by executive action is unconstitutional. While recognising that the management of industrial and business concerns differs from the normal day-to-day duties of administration and that special organisation and delegation of authority more in accordance with speedier business practices may be necessary, the government should have the backing of suitable Parliamentary enactment for the setting up of Corporations.

There is another important point involved in this procedure of creating a private company under the Companies Act. Private companies are to be audited by auditors nominated by the Board of Directors. The Comptroller and Auditor General will not, therefore, have any automatic right to audit such a company. It is true that the company may request him to be the auditor, if necessary by incorporating suitable provisions in its Articles of Association, but this would be neither proper nor binding, as the Comptroller and Auditor General's duties and functions are prescribed by Parliament and cannot be regulated by the Articles of Association of a company. Furthermore, even
if he undertakes audit on a consent on payment of fees, he can only submit his audit reports to the company and to the Parliament through the President. The Parliament cannot watch through the Public Accounts Committee the regularity of the operations and the financial results of such company.\textsuperscript{19}

It may however be worthwhile to state here that there is another class of corporations created by ad-hoc statutes. Some of these corporations are kept outside the purview of the Comptroller and Auditor-General of India, e.g. the Reserve Bank of India, State Bank of India, and the Life Insurance Corporation. The Public Accounts Committee has accordingly no function with regard to them. In some cases the statutes creating autonomous bodies have made provisions that their accounts will be audited by the Comptroller and Auditor General and his report placed before the respective legislature e.g. the Damodar Valley Corporation. In such cases the Public Accounts Committee is within its rights to examine the financial position of the Corporation as in the case of a Government department.

\textsuperscript{19} Statement of Mr. Harahari Rao before the Union Public Accounts Committee; quoted in the Indian Parliament, ed. by A.B. Lal, p. 163.