

Chapter 2

EVOLUTION OF FINANCIAL PARLIAMENTARY COMMITTEES IN INDIA

Parliamentary democracy is a participatory system in which the people, the legislative bodies and the Government have their respective roles to play. The state in modern times tends to have an ever-expanding range of Governmental activities and services and a great deal of legislation, more so in a welfare state. Legislation is necessary not only to provide the legal sanctions against the infringement of laws by the citizens but also to create and legalise the Governmental enforcement agencies and actions. Therefore, a quarter of Parliamentary time is devoted to approve proposals of taxation and estimates of expenditure.¹ Parliament in a democratic country has the supreme authority in formulating financial policy, approving the ways, means of raising and spending of money.² Finance is the fuel of administrative machinery, just as no motor car can run without petrol, so no Government can function without finance. It is generally accepted that democracy is an expensive form of government. This observation is as old as democracy itself, but in recent years the expensiveness of democratic administration has become more and more manifest. India is no

¹ N.N. Mallya, *Indian Parliament*, National Book Trust, New Delhi, 1970, p.151.

² Hoshiar Singh and Pardeep Sachdeva, *Administrative Theory*, Kitab Mahal, Allahabad, 1999, p.304.

exception to this general tendency.³ In addition to the expensiveness of democratic administration there is a steady expansion of the functions of Government with the transformation from the police to the welfare state. Increase in Governmental function is a continuous process and every year a new list is added to it. The 'police state' has been replaced by the 'welfare state', ever-increasing quantity and variety of Government activities is a characteristic of a welfare state. The very evolution of Parliamentary system points to the fact that without the sanction of the people and proper authorisation by the people's representative, the Executive authority cannot raise and spend money.⁴ The Indian financial system is mostly a true copy of the British model with certain modifications.

In all Parliamentary democracies, Parliamentary Committees play a pivotal role in ensuring accountability of the Executive. In Presidential form of Government like the USA, congressional committees play this role. Unlike political groups committees are recognised in the rules of procedure of all Parliaments. They meet a practical need; the House as a whole is too unwieldy a body to deliberate efficiently on the problem put before it unless they have first been considered by a smaller body. The growing range of matters with which Parliament is concerned has led to the steady development of Parliamentary

³ P.K. Wattal, *Parliamentary Financial Control in India*, Minerva Book Shop, Bombay, 1962, pp.1-2.

⁴ Amiya K. Chaudhuri, *Legislative Control over Public Administration*, Minerva Associates Publications, Calcutta, 1993, p.139.

Committees until today they are essential to the efficient despatch of parliamentary business.⁵ The advantage that the Parliamentary Committees enjoys in its functioning over the whole House is that it can work more quickly, because it is relaxed from the pressure of other business and can devote more time and attention to the subjects under consideration. The committee members are in a position to think calmly and with a sense of impartiality. This freedom enables them to take up in a dispassionate way the matters referred to the committee.⁶ The legislature normally through its committees, discharge its supreme democratic responsibilities of control and financial involvement. It can review, reject, revise, recommend, confirm or approve a motion or resolution overseeing through legislative devices. There are three Financial Committees in India with different dates but with similar scope.

The principle of appointing committee is not a recent development; it is almost as old as Parliament itself.⁷ The British Parliament soon after its organisation realised that, as a deliberative body, it could not do its work effectively and efficiently, although the business it transacted at the stage of its career was very light and simple. It accordingly started the

⁵ Michel Ameller, *Parliaments: A Comparative Study on the Structure and Functioning of Representative Institutions in Fifty-Five Countries*, 2nd Edition, Inter Parliamentary Union, London, 1966, p.102.

⁶ Buta Singh, "Committees in Parliamentary Democracy", quoted in L.M. Singhvi, *Parliamentary Committee in India*, The Institute of Constitutional and Parliamentary Studies, New Delhi, 1973, p.43.

⁷ Anup Chand Kapur, *Select Constitutions*, S. Chand and Company, New Delhi, 1999, p.161.

practice of appointing its committees and delegating to them the more detailed consideration of work.⁸ British Parliament realised even when its work was comparatively very light, that it could not, as a large deliberative body, attend to every aspect and stage of business which came before it for transaction. It therefore, initiated the practice of delegating more detailed and less important work to smaller bodies which were designated as committees and these have been regularly appointed for some purpose or other.⁹ With the growth of Parliamentary work in the modern period, the utility and the member of committees have tremendously increased. Morrison has pointed out that, “the House of Commons uses a large number of committees, though the main emphasis still remains on work in the Chapter rather than in the Committee Rooms”.¹⁰

The Committee system originated somewhere in the 16th century in England and thereafter Parliamentary Committees were established in USA. The French Parliament adopted the Committee system in the 18th century, while in the European Countries and British Dominions, the Committees were established around the second half of the 19th century. The evolution and development of Parliamentary Committees varies from country to country but one thing is common to all, i.e.

⁸ M.H. Syed, *Encyclopaedia of Indian Politics*, Vol. 3, Anmol Publications, New Delhi, 2006, pp.159-160.

⁹ Kersell, *Parliamentary Supervision of Delegated Legislation*, Stevenson, London, 1960, p.50.

¹⁰ S.S. More, *Practice and Procedure of Indian Parliament*, Thacker and Co., Bombay, 1960, p.512.

first these committees were established as select committees to assist the Crown or the Executive and later on, they converted themselves into standing committees of the House.¹¹ The origin of the legislature in India can be traced back to the year 1833, but the legislative control over finance can be said to have commenced after the year 1919, under Montague Chelms Ford Reforms. The Government of India Act, 1919 introduced the system of control by Indian legislature over finance largely modelled on the British system.¹²

The origin of committee system in India can be traced back to the first legislature after the advent of British rule in India in 1854 under the Charter Act of 1853. The history of committees in India began with the establishment of the first committee by the Legislative Council (1854-1861) on May 20, 1854 to consider what should be its standing order.¹³ It was a committee of four persons appointed by a House of only twelve members.¹⁴ Thereafter a select committee was appointed in 1856. There was a provision in the standing order of the legislative council of India (1854-61) for allowing the council to convert itself into a committee of the whole council, after passing a motion of that effect. This was similar to the practice

¹¹ Verinder Grover, *The Constitution of India: Political System and Constitution of India – 2*, Deep and Deep Publications, New Delhi, 1999, p.412.

¹² Anil Minhas, Amrik Singh, Gurbax Ram Chumber and Sanjeev Chanana, *Financial Committees at State Level*, Arun Publishing House, Chandigarh, 1990, p.14.

¹³ Op. cit., n 10, p.512.

¹⁴ Subhash C. Kashyap, *Parliamentary Procedure: The Law, Privileges, Practice and Precedents*, Vol. 2, Universal Law Publishing Co., Delhi, 2000, p.1765.

in the House of Commons to appoint the committee of the whole House, and this committee of the whole Council of the Indian Legislative Council used to consider Bills which were presented before it, after consideration in a select committee. The first Committee of the whole House of the Indian Legislative Council was constituted on 20th July 1854 and the process was repeated on several occasions. The Legislative Assembly used to appoint standing committees also for some department. They were consultative and advisory committees and though called standing committees, they do not resemble, in functions and liabilities, the standing committees of the House of Commons. These standing committees were constituted with the members elected by the Assembly as well as nominated by the Governor General and their functions and procedures were laid down in Rules.

Public Accounts Committee is one of the four elected committees of the House and one of the oldest committee of the House.¹⁵ The Public Accounts Committee is considered as a Twin Sister of Estimates Committee.¹⁶ The Accounts Committee is said to have, “fulfilled the expectation that it should develop into a powerful force in the control of public expenditure”.¹⁷ The Public Accounts Committee, as an institution, owes its origin to

¹⁵ B. Goswami, *The Indian Parliamentary Scene*, Pointer Publishers, Jaipur, 1994, p.84.

¹⁶ Op. cit., n 8., p.174.

¹⁷ Udai Narain, *Parliamentary Control of Public Administration in India*, Chugh Publications, Allahabad, 1981, p.400.

the UK Parliament.¹⁸ The proposition that there is no use of Parliament voting money for specific purpose unless there is a scrutiny of the application of funds seems self-evident, but the evolution of this idea has been of very slow growth. The main instrument in the hands of Parliament has throughout been appropriation that is, the attachment to grants to the king of conditions as to how these grants shall be used.

In the early days the King's own income was normally sufficient to enable him to meet the expenses of government, but when wars were undertaken costs increased and the king was compelled to come and ask the people's representatives to raise additional money. The first recorded instance was in 1353 when a subsidy on wool was granted to be applied only to the purposes of war and not to be spent by the king on "wine, women and song". A similar condition was attached to a grant by Parliament in 1426 but generally in Tudor and early Stuart times appropriation was only occasional.¹⁹ After the revolution of 1688 Parliament began to appropriate grants for specific objects.²⁰ By an Act of 1785, Parliament created "Commissioners for Auditing the Public Accounts", but they were subordinate to the Treasury until 1834 when they were made directly responsible to the legislature. The Exchequer and

¹⁸ A. Premchand, *Control of Public Expenditure in India*, Allied Publishers, Bombay, 1963, p.404.

¹⁹ *Op. cit.*, n 3, p.253.

²⁰ Maharashtra Legislature Secretariat, *Parliament Topics*, Government Central Press, Bombay, 1967, p.92.

Audit Act of 1866 completed the circle of independence of audit and laid the foundation of Appropriation Accounts.

It was not until 1832 that Parliament required every department to submit accounts showing how the money voted has been spent. This procedure, in the typically British way, was applied first to the Navy in that year and having proved useful was extended to the Army in 1846 and the office works in 1851.²¹

After ten years on 8th April, 1861, Mr. Gladstone, then Chancellor of the Exchequer appointed for the first time a select Committee on Public Accounts.²² In 1866, the Exchequer and Audit Department Act, which forms of the present day accounting and audit system in the UK, was passed. It provided for full appropriation accounts to be prepared under treasury directions by all departments, for presentation to the House. It also created the post of Comptroller, and Auditor General made him an officer independent of the Executive, prescribed statutory duties and gave him powers to audit and examine the accounts and to reports thereon.²³ It has been claimed that UK possesses, in the Public Accounts Committee, one of the most interesting features of her whole system of financial administration, and that it is the crowning point of that system

²¹ Basil Chubb, *The Control of Public Expenditure*, Oxford University Press, London, 1957, p.25.

²² Sir Ivor Jennings, *Parliament*, 2nd Edition, Cambridge University Press, London, 1970, p.333.

²³ Ashok Chanda, *Indian Administration*, George Allen Unwin, London, 1958, p.171.

which she has built up, step by step, for securing a real control over public expenditure.

In 1896, such a committee was needed by Royal Commission (Webly Commission) for the establishment of an Accounts Committee to find out irregularities in the financial administration²⁴ and also engaged in the overall study of the Indian expenditure.²⁵ The committee generally examine cases involving losses, nugatory expenditure and financial irregularities.²⁶ The Commission while referring to the utility of such committee in UK, desired that such a committee should also be constituted in India, but no substantial progress was made. As a consequence of it; it was again in 1919 that the necessity for such a committee was pointed out for the provinces by the Government of India itself in its dispatch to the Secretary of the State, Mr. Montague. It was suggested that, "It should be the constitutional duty of the legislative council in each province to appoint a Committee on Public Accounts".²⁷

On the UK pattern, Public Accounts Committee (at the centre) was set-up under the Montague Chelmsford Reforms, the first step being taken on the 22nd February, 1921, when Mr. Malcolm Hailey moved a motion in the legislative Assembly of India for the election of 8 members to the Committee. But on

²⁴ Hoshier Singh, *Indian Administration*, Kitab Mahal, Allahabad, 2001, p.350.

²⁵ B.P. Singh, *Legislative Control over Government Expenditure*, B.R. Publishing Corporations, Delhi, 1986, p.34.

²⁶ H.N. Mukerjee, *The Public Accounts Committee*, quoted in S.L. Shakhder (ed.), *The Constitution and the Parliament in India*, National Publishing House, New Delhi, 1976, p.386.

²⁷ Op. cit., n 12, p.16.

account of certain legal difficulties, the Committee was not considered competent to “begin its functions until after the 1st April, 1921 and to examine accounts relating to the period earlier than the financial year 1921-22 and submitted its report to the Assembly in 1923”.²⁸ Introducing the motion in the Legislative Assembly for the election of the Committee, Mr. W.M. Hailey observed:

“The Committee will call the attention of the Assembly to any case in which there is proved to be either an offence against financial rules or a waste of public money, and it will be for the Assembly, either by Resolution or by other Constitutional means within their power, to put pressure on Government to take proper action in the matter. Let me add that, there is still wider field for the committee when it gets if I may so express myself, thoroughly into its stride, it may be able to reveal cases where expenditure has been incurred on hasty or unbusiness like lines. Those who are acquainted with the reports of Public Accounts Committee in England will be aware of the enormous influence exercised by that body in bringing pressure to bear upon Government to

²⁸ R.N. Aggarwala, *Financial Committees of the Indian Parliament*, S. Chand and Co., Delhi, 1966, p.178.

enforce economy in the expenditure of public moneys”.²⁹

The Public Accounts Committee was first constituted at the centre in 1923. The composition and functions of the Public Accounts Committee were governed by Rules 51 and 52 of the Indian Legislative Rules made under Section 67(1) 129-A of the Government of India Act, 1919. According to the rules, the maximum strength of the members was fixed at 12, including the Chairman, two-third of the members were elected by non-official members of the Assembly according to the principle of proportional representation by means of single transferable vote system and rest of the four members to be nominated by the Governor General. Beside this, the Finance Minister was to be the ex-officio Chairman of the Committee. The Secretariat facilities were also to be provided by the finance department and not by the Assembly. Thus like the Standing Committee, the Public Accounts Committee was not free from departmental domination.³⁰ The Auditor General having statutory recognition under the Government of India Act, 1919, used to assist the Committee. Since its very inception, the Central Public Accounts Committee became a major force in the legislative control of public expenditure. Despite the limitations on its Constitution and restrictions on its authority, it exercised

²⁹ *First Parliament 1952-1957: A Souvenir*, Lok Sabha Secretariat, New Delhi, pp.70-71.

³⁰ Nandini Upreti, *Provisional Parliament of India*, Lakshmi Narain Agarwal Educational Publisher, Agra, 1975, p.179.

enormous influence in bringing pressure to bear upon the Government to enforce economy in the expenditure of public money.³¹ Before independence, the Indian Public Accounts Committee was only in a very qualified sense, a Committee of Legislature. However, during pre-independence days, the committee had performed useful service.³²

The manner in which the Public Accounts Committee in pre-independence days extended the scope of its functions in the beginning, there were some doubts regarding the competence of the Public Accounts Committee to investigate matters relating to receipts. The committee on the accounts for 1923-24 observed that it was not quite satisfied (with)... the Constitutional position... as stated by the Auditor General, that the Public Accounts Committee was not connected with the matters pertaining to receipts on the plea that the committee was only concerned with the expenditure. The committee added,

“We are inclined to doubt whether the fact that estimates of revenue do not come to the Assembly for sanction justifies the view that any serious failure to collect revenues or any defalcations which have the results of reducing the revenues collected are *ipso facto* out of our preview altogether”.³³

³¹ M.J.K. Thavaraj, *Financial Administration of India*, 2nd Edition, Sultan Chand and Sons, New Delhi, 1987, p.681.

³² W.H. Morris Jones, *Parliament in India*, Longman, London, 1957, p.279.

³³ *Indian Statutory Commission Report*, Vol. 1, Para 38, Report Portion, p.17.

The Government of India agreed that the committee was “competent to deal with receipts in so far as matters relating to such receipts are mentioned in the Appropriation Report. The Committee on the accounts for 1924-25 noted with satisfaction that the legal advisers of the Government had accepted this view. The committee on the accounts for 1925-26 finally laid down, it is open to us to refer to the account of receipts in our report so far as they arise from audit and appropriation report.³⁴

The committee then turned its attention to the military expenditure which were of a non-voted variety and was therefore not included in the scope of the committee, for they were not within the control of the Assembly either. In 1924, the powers of the Public Accounts Committee with regard to military expenditure were the subject matter of a discussion between the Auditor General and the military accounts department. As a result, it was agreed that so long as military expenditure continuous to be non-voted, the Auditor General’s Report on it should be submitted to the Secretary of State, but that copies should be placed before the Public Accounts Committee for their information only. Thus, while the defence accounts for the year 1921-22 and 1922-23 were submitted to the Public Accounts Committee direct, for the year 1923-24 with Auditor General’s comments thereon were in the first instance, scrutinized by the above mentioned departmental

³⁴ Op. cit., n 18, p.408.

committee. The report of this adhoc committee was thereafter, placed before the Public Accounts Committee³⁵ and incorporated as a part of the committee's report.

In 1926, the constitutional position of the Public Accounts Committee was again examined by the finance department and it was concluded again that the committee was entitled to make any recommendations on any matter included in the audit and appropriation reports. The practice of the adhoc committee examination of the military accounts was allowed to continue for sometime more. The reports submitted by this committee were scrutinised by the Public Accounts Committee but the latter was not empowered to examine any witnesses afresh.³⁶ When the Public Accounts Committee met in 1931 to consider the Military Appropriation Accounts, it was recorded that the work of the Adhoc Committee had its own advantages in view of the highly specialised and complicated nature of much of the material in those accounts. It suggested that, in future, the Military Accounts Committee which consisted of five members, in all should have, besides the finance member as its Chairman and the Finance Secretary, three non-official members nominated by the Public Accounts Committee from amongst its members. These changes were introduced with effect from 1931. The Public Accounts Committee acquired an indirect control in the matters of scrutinizing military expenditure,

³⁵ *Ibid.*, p.409.

³⁶ Maurice Geoyer and A. Appadorai, *Documents, Memorandum of the Government of India to the Indian Statutory Commission*, pp.48-49.

because of its nominees in the committee which held position continued upto till 1947. This is how the committee pressed successfully the question of bringing under the purview of its scrutiny non-voted expenditure.

The Public Accounts Committee on the accounts for 1925-26 and 1926-27 asked the Government to consider the best method for giving the Assembly an adequate opportunity for discussing the report of the committee. On February 4, 1931, the Assembly formally considered the report of the Public Accounts Committee relating to the accounts for 1928-29. The debate was opened by the finance member, it evoked a general discussion as had happened in the previous years. The last report of the Public Accounts Committee which was discussed in the Assembly on October 31, 1946 related to the accounts for 1943-44. The motion for its consideration was moved by the then finance member, Mr. Liaquat Ali Khan. A peculiar feature of the motion was that, while replying to the debate, the finance member also moved for the regularisation of excess grants for the year 1943-44.³⁷ The pre-independence Public Accounts Committee, evidently, regarding it useful said that an opportunity should be provided for a regular discussion of its Reports in the Assembly. Moreover, it was regarded as one of the way to bring pressure on the Government to implement the recommendations of the committee.

³⁷ Op. cit., n 28, p.194.

Although India became independent in 1947, the Constitutional status and structure of the Public Accounts Committee remained the same till the inauguration of the present Constitution on the 26th January, 1950. The Finance Minister continued to be its Chairman as before. The secretarial assistance continued to be provided by the finance department. Its programme of work also continued to be chalked out by that department with the guidance of the Finance Minister. No doubt, the position occupied by the Finance Minister, “restricted somewhat the free expression of views and criticism of the executive to which the Chairman of the Committee belonged”. This lacuna was removed on the introduction of the Constitution Act.³⁸ At the same it was now a Committee of Parliament to whom the Government was responsible. The members of the committee (except the Chairman) were wholly elected. The committee acquired complete control over defence expenditure as it became a voted item. The Public Accounts Committee on the accounts for 1945-46, at its sitting held on the 18th November, 1948, decided that:

The appropriation accounts of the defence services and the audit reports thereon should in future be considered and dealt with by the committee as a whole instead of by a sub-committee as hitherto.³⁹

³⁸ Op. cit., n 23, pp.173-174.

³⁹ Op. cit., n 28, p.194.

The above position continued till 1950 and with the coming into force of Constitution in 1950, the composition of the Public Accounts Committee underwent a radical change.

The administrative control over the committee was passed on to speaker and the responsibility for discharging its secretarial function was taken over by the Parliament Secretariat. All the members of the committee began to be elected by the House. The Chairman of the Committee was now to be nominated by the speaker from amongst the members of the Committee. It was, thus for the first time that the Public Accounts Committee became a Parliamentary Committee in true sense of the term. It is natural that the Chairman of the new committee felt that the change has enabled the committee to function in a freer atmosphere and to offer its criticism in an unrestricted manner.

The first Public Accounts Committee was constituted in April, 1950 at the commencement of the first session of Parliament.⁴⁰ It consisted of 15 members, elected every year by the Lok Sabha from amongst its members.⁴¹ It may be pointed out that, under the British practice, members of the House of Lords are not appointed to the Public Accounts Committee of the U.K. In India, however the Rajya Sabha has claimed a right to discuss the reports of the Comptroller and Auditor General

⁴⁰ Sahib Singh and Swinder Singh, *Public Personnel and Financial Administration*, 5th Edition, New Academic Publishing Co., Jalandhar, 1995, p.195.

⁴¹ R.K. Arora, *Public Administration in India Continuity and Change*, Rajat Publications, New Delhi, 2006, p.259.

on the ground that, under the Constitution, its reports and 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. It may be said that the Rajya Sabha has the right to discuss the accounts and the Auditor's General Reports because these are laid before the House. It is the Lok Sabha which grants money, and which may withhold money from the executive if the money is spent in a manner of which it disappears. It stands to reason, therefore that it is the Lok Sabha only which the right to call for explanation from the Government.⁴²

The claim of the Rajya Sabha was accepted on 10th May, 1954, when the Lok Sabha adopted a motion to include seven members to the Rajya Sabha in the Public Accounts Committee. Nevertheless, it was stressed that the Public Accounts Committee, inspite of its mixed membership, continued to be committee of the Lok Sabha.⁴³ Since 1954-55 seven members of the Rajya Sabha have been associated with the committee.⁴⁴ Thus, the membership of the committee was increased to 22, with 15 members from the Lok Sabha and seven from the Rajya Sabha.⁴⁵ Members of the Public Accounts Committee are

⁴² A.R. Mukerjea, *Parliamentary Procedure in India*, 3rd Edition, Oxford University Press, London, 1983, pp.339-340.

⁴³ Ramesh K. Arora and Rajni Goyal, *Indian Public Administration, Institutions and Issues*, Wishwa Prakashan, New Delhi, 2006, p.504.

⁴⁴ B.P. Mathur, *Governance Reform for Vision India*, Macmillan India, Delhi, 2005, p.237.

⁴⁵ B.B. Gupta, *Organisation and Methods for a Welfare State with Special Reference to India*, Chugh Publications, Allahabad, 1976, p.175.

elected every year by the MPs themselves,⁴⁶ according to the principle of proportional representation, by means of single transferable vote, with a view to enable all major political parties to secure due representation on it.⁴⁷ The work of servicing the committee was transferred from the Ministry of Finance to the Parliament Secretariat. Till 1966-67, the Chairman belonged to a ruling party, in 1967 a convention was set to appoint a member of the opposition party nominated as the Chairman of Committee. Mr. M.R. Masani was the first opposition member to adorn this office. This healthy convention of appointing a member of the opposition as the Chairman has been continuing.⁴⁸ Thereafter, the Chairman of the Public Accounts Committee has been given to the opposition and it is a practice which is considered democratic.⁴⁹ The Chairman has a casting vote in case of a tie. The quorum for a meeting is four members. Article 308 of the Rules of Procedure and Conduct of Business in Lok Sabha (1977 edition) lays down the functions and duties of the Committee. Thus it is a committee of the lower house with the association of the members from the upper house.⁵⁰ The choice of the Chairman is affected by the general setup of the Government and the suitability of

⁴⁶ Hans Raj, *The Constitution of India*, Surjeet Publications, Delhi, 1981, p.238.

⁴⁷ N. Jayapalan, *Indian Administration*, Vol. II, Atlantic Publishers and Distributors, New Delhi, 2001, p.445.

⁴⁸ Op. cit., n 44, p.237.

⁴⁹ C.S. Seth, *Theory and Practice of Public Finance with Special Reference to India*, Himalaya Publishing House, Bombay, 1982, p.226.

⁵⁰ A. Avasthi, *Central Administration*, Tata McGraw Hills Publishing Company, New Delhi, 1980, pp.279-280.

ministers. The Chairman has the right to call or to cancel the meetings of the Committee.⁵¹

Another Committee of Financial Parliamentary Committee is the Estimates Committee. The Estimate Committee and the Committee on Public Accounts deal with the financial matters of the Government.⁵² The British House of Commons employs two committees. First one is the Public Accounts Committee which has been appointed to scrutinise the accounts though it has extended its functions beyond this “formality” of mere scrutiny of expenditure to questioning its wisdom and economy but there is a drawback. All that the committee does is a post-mortem examination of accounts. Its basis and starting points are the accounts. People began to realise that there must be a change of approach to the problem, because experience of mounting expenditure was leading the House to question the efficacy of its control. The result was the national expenditure committee of 1902-03 which was directed “to enquire whether any plan can be advantageously, adopted for enabling the House, by select committee or otherwise, more effectively to make an examination not involving criticism of policy, into the details of national expenditure”. The committee recommended that an Estimates Committee might be appointed to examine one class of estimates each year. Those who were enthusiastic

⁵¹ Alice Sturgis, *Standard Code of Parliamentary Procedure*, McGraw Hills Book Company, America, 1950, p.122.

⁵² C.M. Jain, *State Legislature in India - The Rajasthan Legislative Assembly: A Comparative Study*, S. Chand and Co., New Delhi, 1972.

to have a separate machinery of the House of Commons to control the expenditure and estimates thereof asserted that there was an obvious gap which must be filled by the House. The time to effect economy is, no doubt, before the expenditure is incurred, best at the estimates stage. To check therefore, unwise spending, the House should appoint a committee of its own before sanctioning the demands for grants.⁵³

This idea however, was not received by the Government without misgivings. They were quite reluctant to surrender the power of examining the 'future and current expenditure to a committee because it seemed to them to threaten the responsibility of ministers, a responsibility which was thought to be to the House alone.⁵⁴

The origin of the Indian Estimates Committee is traceable to the impact of the British experience, as the case with the Public Accounts Committee. But if the inspiration for the establishment of the Estimates Committee was drawn from the British experience, the same experience also held up an earlier establishment of the Estimates Committee. The British experience, which revealed more of the defects of the committee did not at that time indicate any beneficial results of the committee.⁵⁵ This together with the fact that it has not proved itself an effective instrument of Parliamentary control created

⁵³ B.B. Jena, *Parliamentary Committees in India*, Scientific Book Agency, Calcutta, 1966, pp.125-126.

⁵⁴ Op. cit., n 21, p.68.

⁵⁵ Op. cit., n 18, pp.443-444.

apprehensions in the minds of the Indian Parliamentarians, with the consequence that an offer for the establishment of an Estimates Committee made in 1930s by the British Government was not taken advantage of by the Indian Parliamentarians.

The Indian Estimates Committee is modelled on that of Britain which is now known as the Expenditure Committee.⁵⁶ The system of Estimates Committee in our country has been taken from England where such a committee was first created in 1912.⁵⁷ The committee was reappointed in 1913 and 1914. The outbreak of the war in 1914 brought to an end this short experiment and it was not till the end of July 1917 that a Select Committee on National Expenditure was formed from year to year.⁵⁸ In 1921, the Select Committee on National Expenditure was not reappointed and a Select Committee on Estimates was revived in its place. The committee was reappointed every year from 1921 till the outbreak of the last war. In the Ninth Report, it made a proposal for the Select Committee on Estimates for the following reasons:

1. Control in committee of supply is not in fact a control over the estimates.

⁵⁶ C.L. Baghel and Yogendra Kumar, *Public Administration Functional Structure and Administrative Reforms*, Vol. 2, Kanishka Publishers, Distributors, New Delhi, 2005, p.141.

⁵⁷ Nevil Johnson, *Parliament and Administration: The Estimates Committee 1945-46*, George Allen and Unwin Ltd., London, 1966, p.15.

⁵⁸ S.L. Shakdher, *Parliamentary Practice in India*, Research Publications in Social Sciences, Delhi, p.31.

2. Control by ministers is not enough such a doctrine would convert the responsibility of ministers into irresponsibility.
3. committee considered that the Estimates Committee of 1912 and 1914 had some defects:
 - i) The task of examining all the estimates was too large for any single body to perform, with the result that only a fraction of them were considered each year and a department whose estimates was once examined knew that it would be free for the next eight or ten years.
 - ii) Whereas the Public Accounts Committee has the expert assistance of the Comptroller and Auditor-General and his staff, the Estimates Committee had no technical assistance.⁵⁹

Although in India, the Estimates Committee was set up in 1950, a portion of the votable expenditure of the Government of India came under the scrutiny of the standing finance committee, ever since it was formed in 1921. However, then it was totally under the control of the finance department as the Finance Minister was its Chairman.⁶⁰ In 1922, similar Standing Advisory Committees were established for other department of the Government of India. These Advisory Committees were instituted on the recommendations of the authors of the report

⁵⁹ Op. cit., n 22, pp.305-306.

⁶⁰ Op. cit., n 43, p.515.

of 1918 on Indian Constitutional Reforms. The setting up of these committees were, perhaps, an acknowledgment of the growing political consciousness in the country. These bodies were meant to associate Indian with the administration and to enable “the executive to know in advance what lines of criticism to expect in the Assembly”.

The Standing Finance Committee was the most important of these Advisory Committees. It was constituted on an experimental basis, on the motion of the finance member in 1921 with ten members elected by the Assembly. In 1922, the number of the elected members was raised to 14, which remained the strength of the committee throughout the pre-independence days, apart from the finance member as the nominated Chairman. Five members constituted the quorum for a sitting of the committee. The proceedings of the committee were regulated by the Chairman and treated as confidential. The agenda of the meeting was drawn up by the secretary and circulated to the members, together with explanatory memorandum each item of business and copies of such other papers as decided by the Chairman. In the absence of an Estimates Committee, the Standing Finance Committee performed a necessary function. The committee had an opportunity of studying in detail proposals for expenditure coming from the Government. Some members of the Assembly thus acquired knowledge of the administration. When the Government did not agree to the recommendations of the

committee, which was purely advisory body, the members of the Assembly were in a much better position to criticize the proposal in the House. In the words of Prof. Morris Jones, “The Government only brought before the committee those items of expenditure on which it was prepared to follow Assembly advice”.⁶¹ In any event in the year following independence back-benchers expressed an anxiety to see a real Estimates Committee established. Many of them feeling that such a committee would be a sign of sovereign Parliament. The matter was debated in the Constituent Assembly (Legislative) soon after the transfer of power. The Finance Minister reviewed the history of the Standing Finance Committee and explained how its functions had developed by conventions.⁶²

Before the Estimates Committee was actually set up in 1950, many attempts had been made to bring it into existence in the old Legislative Assembly. In reply to a short notice question on 25th August, 1935, by a member of the Legislative Assembly, inquiring whether there was any proposal by the Government to set up an Estimates Committee of the House on the times of a similar committee of the House of Commons, the then finance member, Sir James Grigg, replied in the negative.⁶³

⁶¹ Op. cit., n 32, p.296.

⁶² M.N. Kaul, *Parliamentary Institutions and Procedures*, National Publishing House, New Delhi, 1978, pp.128-129

⁶³ M.N. Kaul and S.L. Shakhder, *Practice and Procedure of Parliament (With Particular Reference to the Lok Sabha)*, Metropolitan Book Co., New Delhi, 2004, p.828.

It is significant to note that the first serious attempt to set up an Estimates Committee in India was linked up with a proposal to set up a Retrenchment Committee. On April 8, 1938, Mr. A. Ayyangar moved the following resolution in the Assembly:

That this Assembly recommends to the Governor General in Council to appoint a Retrenchment Committee to consider all items of expenditure from central revenues and to suggest measures for curtailing the outlay with a view to reduce the total expenditure by ten percent.⁶⁴ Some discussions followed regarding the admissibility of the amendment, which the President eventually, ruled to be 'in order' as retrenchment was also the object of the amendment. While speaking in support of his amendment, the members described the role of the proposed Estimates Committee and said, "we suggest that, instead of setting up a retrenchment committee from time to time make adhoc enquiries, the effective control of the legislature, over the detailed estimates is far better achieved by setting up an Estimates Committee, whose functions would be to examine the estimates and suggest economies consistent with the administration policy".⁶⁵

The members wanted the House to set up an Estimates Committee on the lines of the Select Committee on Estimates in the United Kingdom and pleaded for a continuous rather than a

⁶⁴ L.A. Deb, 8 April 1938, p.2830.

⁶⁵ *Ibid.*, p.2836.

spasmodic inquiry into the expenditure of the central Government.

While replying to the debate, Sir James approved the amendment and agreed with the desirability of setting up an Estimates Committee, somewhat, on the lines of Estimates Committee of the House of Commons. He placed before the scheme for a proposed Estimates Committee. According to his proposal, the Estimates Committee was to consist of 15 non-official members elected by the Assembly for a year representing all prominent parties of the non-governmental benches. It was to elect its own Chairman and the Deputy Secretary of the Finance Department was to act as the Secretary of the Committee. The estimates were to be referred to the committee after they had been presented to the Assembly. It was to report only after the estimates had been voted.⁶⁶ The scheme of Sir James Grigg was, no doubt, an improvement on the Standing Finance Committee. The proposed committee was to be a non-official body representing all sections of the Assembly, with a right to elect its own Chairman.

If the schemes had been accepted, an Estimates Committee might have come into existence more than a decade earlier than it actually did. But there were some evident defects in the scheme. An official of the finance department was to act as its secretary, where as in England the secretary of the Estimates Committee was a servant of the House of Commons,

⁶⁶ *Ibid.*, pp.2865-66.

appointed by and responsible to the Speaker and independent of the Executive. Though the proposal was for the time being, shelved, the desirability of setting up of an Estimates Committee continued to figure, off and on in the discussions of the Assembly and in the Public Accounts Committee. The matter was raised by the member of Public Accounts in its meeting held on the 24th August, 1939. Sir Jeremy Raisman, who in his capacity as the finance member, was also the Chairman of the Public Accounts Committee, explained that such a proposal had already been circulated to the various party leaders. He stated that no further action was possible until their reactions to the proposals were known.

Another attempt to set up an Estimates Committee was made on the 14th March, 1944, during the debate over a cut motion moved by a member of the Legislative Assembly. Sir F.E. James of the European group pointed out that an Estimates Committee was needed for the purpose of scrutinizing the expenditure proposals of the Government and to suggest where economies could be affected. The desirability of setting up an Estimates Committee began to be mooted with fresh vigour after the attainment of independence. The subject was debated at length soon after the transfer of powers. But the Government was not prepared to take up the idea. Dr. John Matthai, the then Finance Minister even stated that, in his opinion, the Standing Finance Committee already in existence was, in many ways, better than the Select Committee on Estimates in

England. At the end of the debate, the suggestion for setting up an Estimates Committee was once again dropped, atleast for the time being.

In 1950, with the inauguration of the New Constitution, the demand for setting up an Estimates Committee became more insistent, the Speaker and his Secretariat now acting as a spearhead of the attack. It appears that official opinion in the Finance Ministry was opposed to the formation of an Estimates Committee, presumably fearing that a too powerful Parliamentary Committee might have a crippling effect on Government departments, but the Parliamentary view prevailed and the Finance Minister himself welcomed the setting of an Estimates Committee.⁶⁷ As a result, the first Estimates Committee was elected by the provisional Parliament on April 10, 1950. Administrative control over the committee was vested to in the Speaker, who was endowed with the power to nominate its Chairman. The secretariat for the committee was to be provided by the Parliament secretariat. This made the Estimates Committee, from its very beginning, a Parliamentary Committee in the real sense of the term.

The Estimates Committee was set up in 1950. But the Standing Finance Committee was not abolished till 1952, that is, after the first general elections when it was discontinued along with all other Standing Advisory Committees. Thus during 1950-1952, that is, the period of the provisional

⁶⁷ Op. cit., n 32, p.297.

Parliament, both committees existed side by side. Opinion was divided as to whether both are needed or only an Estimates Committee. Dr. Johan Matthai was of the opinion that the existence of both these committees, side by side, was necessary speaking in Parliament on the need for both these committees, he said; "There is a real distinction between the work of the Standing Finance Committee and the work of the proposed Estimates Committee. The Standing Finance Committee is concerned with specific proposals of expenditure by each department of Government, but the Estimates Committee's business would be to make a comprehensive examination of expenditure in relation to the resource available to Government.⁶⁸ In answer to Dr. Matthai's contention, it may be added that the functions of the Estimates Committee do not exclude examination of specific proposals of the Government. One is inclined to agree with the view that "after the Estimates Committee was formed, its enquiries at the time of the scrutiny of estimates, ranged over the entire field of administration and the Standing Committees of the Legislature become redundant.⁶⁹

During the year 1950-52, when there were three Financial Committees (Public Accounts Committee, Standing Finance Committee and Estimates Committee) confusion of duties as between one committee and another was resented by the

⁶⁸ Op. cit., n 28, p.11.

⁶⁹ A.B. Lal, *Indian Parliament*, Chaitanya Publishing House, Allahabad, 1956, p.155.

Chairman of the Estimates Committee, who said that each committee was “beating the air in a different committee direction”. Infact, the continued existence of the Standing Finance Committee was linked up with that of other Standing Advisory Committee. All these committees, as already stated, were abolished in 1952. So long as India was not free, these committees had performed quite a humble role. After the coming of independence these committees began to assert their powers.

On the basis of similar considerations, the Government finally decided to abolish these committees, although they had among their supporters, apart from the members of the opposition and some independent, a minister of the government. The Prime Minister explained that these committees had been formed in a different set of circumstances.

Although the Standing Finance Committee was abolished in 1952, opinion continued to be expressed in favour of its revival. Mr. M.A. Ayyangar, the ex-speaker, who was, till 1953-54, the Chairman of the Estimates Committee has throughout felt that there should be a Standing Finance Committee at the centre. While speaking at the Seminar on Parliamentary Democracy held in New Delhi in February 1956, he had expressed the desirability of reviving the Standing Finance Committee so that the financial proposals of the Government should come under scrutiny before these are actually introduced in the Parliament. In his address to the second

conference of the Chairman of the Estimates Committee held on 16th and 17th April, 1958, the Speaker again expressed the “need for a third Financial Committee like the old Standing Finance Committee on April 23, 1958, the Estimates Committee came out for the first time with a recommendation to revive the Standing Finance Committee”.

The main plea of the committee appears to be that a check is essential before the estimates are presented by the Government to the House. It is however, felt that the need of Parliamentary Democracy are adequately met if supervision is exercised over the administration by Parliament through its committees. The existence of the Estimates Committee guarantees such a supervision. The formation of proposals for estimates is really a responsibility of the Government. The Government is not likely to accept the right of a Parliamentary Committee to suggest what is to be included in the budget. Even the Estimates and Public Accounts Committee are, so to say, Advisory Committee but because of these Parliamentary Committees their recommendations have acquired somewhat of a mandatory character. The late Standing Finance Committee was, no doubt Advisory, but the proposed committee cannot be merely so. It has not been made clearly whether the proposed committee will have the right to examine Government witnesses, if so, it may introduce many complications. The Estimates Committee may also claim the right to investigate the same proposals. The proposal for setting up of the Standing

Finance Committee has, undoubtedly, the support of the ex-speaker, Mr. Ayyangar. But there is hardly any likelihood of the same being accepted by the Government. While speaking in the House of People, Mr. Morarji Desai, the then Finance Minister stated that it was not desirable to set up a Standing Finance Committee or other Advisory Committee in India in the existing political set up and that the Government was having its own Consultative Committees for purposes of advices.

When the first Estimates Committee was constituted, its strength was 25, but after sometimes, the membership of the committee was raised to 30 from the year 1956-57 to facilitate the Constitution of sub-committees and study groups to undertake intensive examinations of the estimates. According to Rule 311(1) the members of the Estimates Committee are elected every year from amongst the members of the Lok Sabha, according to the principle of proportional representation by means of single transferable vote on a motion adopted by the House.⁷⁰ The Rules of Procedure prohibit ministers to become a member of the committee. One third of the members constitute the quorum for the committee. The Estimates Committee is thus the House in miniature as it represents the parties and groups in the Lok Sabha, more or less proportion to their representation in the House. The term of the office of members

⁷⁰ Rule 311 (1), Rules of Procedures and Conduct of Business in Lok Sabha.

of the committee shall not exceed one year.⁷¹ The Chairman is appointed by the Speaker from amongst the members of the committee.⁷² Unlike the Public Accounts Committee and the Committee on Public Undertakings with whom members of the Rajya Sabha are also associated, the Estimates Committee consists exclusively of members of Lok Sabha. The reason appears to be that since the Constitution of India vests all financial powers almost entirely in the Lok Sabha, it is the Lok Sabha alone which should exercise the powers to scrutinise the expenditure of the Government of India incurred against the budgetary grants made by the Lok Sabha and suggest economies.

The third Financial Parliamentary Committee of the House is Committee on Public Undertakings and it is the youngest financial committee of Parliament.⁷³ Committee on Public Undertakings (COPU) assumes importance as the most effective instrument of Parliamentary control and supervision over the public sector undertakings. Legislative surveillance over the affairs of Public Undertakings through the techniques of questions and debates is undoubtedly important. Yet, these techniques, on their own, cannot be expected to have more than a limited impact over the total control system partly due to

⁷¹ Mohan Prasad Shrivastava and Kanchan Prasad Shrivastava, *Parliament and Financial Committees*, Anmol Publications, New Delhi, 1999, p.46.

⁷² S.A. Palekar, *Public Administration*, Serials Publications, New Delhi, 2003, p.263.

⁷³ Nawal Kishore Sharma, *The Public Undertakings Committee*, quoted in S.L. Shaktidher (ed.), *The Constitution and the Parliament in India*, National Publishing House, New Delhi, 1976, p.409.

the fact that opportunities for questions and debates on public sector undertakings are generally very few in the House, but principally because the legislators have neither the time nor the requisite expertise to probe into the nuances of commercial transactions of such undertaking thoroughly.⁷⁴ The term 'Public Undertakings' refers to enterprises of an industrial, commercial or financial nature, set up by Government. In a sense every Government organisation is a public undertaking, but it is deemed convenient to give the term a restricted connotation.⁷⁵

With the passage of time, the Indian Public Undertakings Committee has departed from the British pattern and has instead moved towards the American congressional practice.⁷⁶ It is the performance of the British Select Committee on Nationalised Industries that essentially, influenced the demand for the establishment of a similar committee in India.⁷⁷

After independence till 1964, there were only two major standing committees on finance i.e. Public Accounts Committee and Estimates Committee.⁷⁸ The Committee on Public Undertakings (CPU) was constituted on May 1, 1964 to examine the working of public sector undertakings. Under Rule 312(A) of the Rules of Procedure and Conduct of Business in Lok

⁷⁴ Jagdish Prakash, Rao and Shukla, *Administration of Public Enterprises in India*, Himalaya Publishing House, Mumbai, 2001, p.424.

⁷⁵ Op. cit., n 3, p.190.

⁷⁶ Op. cit., n 53, p.311.

⁷⁷ V.V. Ramanandhan, *The Control of Public Enterprises in India*, Asia Publishing House, Bombay, 1964, p.182.

⁷⁸ Op. cit., n 31, p.677.

Sabha,⁷⁹ fourteen years after the setting up of the other two financial committees, the Estimates Committee and Public Accounts Committee.⁸⁰ According to Dr. Balram Jakhar, “The Committee on Public Undertakings acts as a powerful device for ensuring legislative supervision of the various public sector enterprises in India. Although the members of the Committee represents different political ideologies inside the Committee they act as a team and function with the utmost impartiality.”⁸¹ Prior to 1964 Parliament exercised control over public enterprises through its committees – Public Accounts Committee and Estimates Committee – the so called two eyes of the legislature.⁸²

The argument whether the committee should be set up or not went on for nearly eleven years. The committee was in fact born out of a persistent demand on the part of a few members of Parliament against the Government reluctance to have a full-fledged Committee on Parliament to look into the functioning of public enterprises. The constant demand for the creation of a special committee to secure judicious accountability of nationalised industries, in the wake of a spate of post-war nationalisation measures initiated by the labour government (1945-51), was eventually accepted by the conservative

⁷⁹ Rule 312 (A), para 6.

⁸⁰ Op. cit., n 71, p.57.

⁸¹ Balram Jakhar, *The People, The Parliament and The Administration*, Metropolitan, New Delhi, 1982, p.100.

⁸² M.P. Shrivastava, *Parliamentary Accountability and Supervisions over Public Enterprises*, Deep and Deep Publications, New Delhi, 1992, p.90.

Government. The adoption of Industrial Policy Resolution by the Parliament in 1948 stating that the state must play a progressive active role in the development of industries, and the emphasis placed on the need for planned and rapid development of industries of basic and strategic importance in the public sector in 1956, led to a steady growth of public enterprises controlled and managed by various ministries of the Government of India.⁸³ The increasing rate of investment in the public sector undertakings not only aroused interest in them of the members of parliament but also a demand that the public enterprises should be subjected to adequate parliamentary supervision.⁸⁴

India has adopted the mixed economy with a leniency towards public sector in achieving the goal of socialistic pattern of society through its Directive Principles of State Policy under the Constitution of India.⁸⁵ In UK, there is separate Select Committee on Nationalised Industries⁸⁶ which has its own terms of references. It is quite distinct from the Select Committees on Estimates since no estimates for these industries are laid before Parliament. The sphere of work of the Select Committee on Nationalised Industries is more comparable with (and needed intentionally to some extent

⁸³ D.R. Sachdeva and Meena Sogani, *Public Administration: Concepts and Applications*, Associated Publishing House, New Delhi, 1994, p.179.

⁸⁴ D.N. Gadgok, *Accountability of Public Enterprises to Parliament (Working and Impact on Public Undertaking)*, Sterling Publishers, New Delhi, 1979, p.1.

⁸⁵ K.N. Baisya, *Financial Administration in India (Theory and Practice)*, Himalaya Publishing House, Bombay, 1986, p.388.

⁸⁶ Op. cit., n 58, pp.38-39.

overlaps) that of the Committee on Public Accounts. Nationalised industries are not new in the British Constitution, December 4, 1951 a select committee of the House of Commons, chaired by Ralkh Assheton, MP, was appointed to review the existing media of parliamentary control and to recommend suitable changes for enhancing its effectiveness. Detailed enquiry and investigation of witnesses from diverse fields, including parliamentarians and other politicians⁸⁷ led the committee to believe that a special committee of parliament would be the most appropriate device for obtaining optimum accountability of nationalised industries without interfering with their efficiency.⁸⁸

The question of exercising adequate parliamentary control over public enterprises was discussed for the first time in the House on 10 December, 1953. The creation of a separate Parliamentary Committee to look into the affair of various categories of public corporations, companies and institutions was suggested, but Government thought it inadvisable to proceed with the setting up of the committee at that time.⁸⁹ Dr. Lanka Sundram himself a member of the Estimates Committee stated, "...there is neither the time nor the opportunity for either the Public Accounts Committee or the Estimates

⁸⁷ Herbert Morrison, *Government and Parliament*, Oxford University Press, London, 1956, pp.263-264.

⁸⁸ A.H. Hanson, *Nationalization: A Book of Readings*, Allen and Unwin, London, 1963, pp.317-318.

⁸⁹ Vidya Bhushan and Vishnoo Bhagwan, *Indian Administration*, S. Chand and Company, New Delhi, 2000, p.371.

Committee to take a grip of the problems involved here... these committees are already overburdened with work and they have neither the opportunity nor the time to go into these question fully”.⁹⁰ Other members also expressed their dissatisfaction with the nature and control of these two committees exercised over public corporations and search for a better mechanism of parliamentary control led to the demand for a separate parliamentary committee on public enterprises.⁹¹

The then Finance Minister, C.D. Deshmukh, pleading for “self abnegation” on the part of members of parliament was of the opinion that the prevailing level of ministerial supervision over public undertakings was adequate, even if it was not a better substitute of legislative control.⁹² But ultimately, a decade’s sustained and clamorous demand in parliament led to the setting up of Indian Committee.⁹³ C.D. Deshmukh also announced in the House, “In the fullness of time, there is nothing to stop us from setting up any body, which as far as I can see, will be a sort of combination of the Public Accounts Committee and the Estimates Committee for the special purpose of going into accounts and affairs of these corporations. Actually, the Public Accounts Committee has been setting up sub-committees to go into certain matters. This

⁹⁰ Lok Sabha Debate, Vol. 10, Para 11, December 10, 1953, cc 1004-42.

⁹¹ Op. cit., n 71, p.59.

⁹² R.K. Jain, *Management of State Enterprises in India*, Manaktalas, Bombay, 1967, p.124.

⁹³ V. Ramkistayya, *The Committee on Public Undertakings – Historical Perspectives, Constitution and Functions*, quoted in Laxami Narain (ed.), *Framework of Public Accountability*, S. Chand and Co., New Delhi, 1977, p35.

is another device which should be adopted. Therefore, at the moment, I think it is inadvisable in the opinion of government, the attitude of the Government was different from the very beginning. However, it did not reject the proposal. It merely postponed the issue”.⁹⁴

The Speaker G.V. Mavlankar, was perhaps not satisfied with these arguments of the Finance Minister. He, therefore, on December 19, 1953, a week after the debate in the House, addressed a letter to the Prime Minister, Jawaharlal Nehru that there was a general feeling in favour of setting up a Standing Committee to examine the working of autonomous corporations.⁹⁵ He further suggested, “The Rules Committee have suggested that there is no harm if a separate committee is appointed with limited functions....” The proposed committee will not go into the problem of day-to-day administration of such corporations but would only consider question of policy and their working broadly.⁹⁶ The Speaker, Mavlankar, feel that as the matter had cropped up several times in the House and there was a feeling about it, there was no harm in agreeing to the recommendations of the Rules Committee for the Constitution of a separate committee on autonomous bodies.⁹⁷ To set aside Government’s doubts of interference by a Parliamentary Committee in the day-to-day working of public

⁹⁴ *Lok Sabha Debate*, Vol. 10, para 11, December 10, 1953, cc1004-42.

⁹⁵ *Op. cit.*, n 8, p.197.

⁹⁶ *Lok Sabha Debate*, Vol. 22, No. 1, December 1953, Cols. 126-128.

⁹⁷ Surya Prakash, *Parliamentary Control over Public Enterprises in India*, Chugh Publications, Allahabad, 1985, p.192.

corporation, the then Speaker said, “The committee will of course work under my direction and it will be my effort to see that they do not stray beyond the functions assigned to them or cause day-to-day interference”.⁹⁸ The Prime Minister, Nehru, in his reply to the Speaker agreeing that there should be an overall control of the Parliament over autonomous and semi-autonomous corporations, and observed that the object of having autonomous corporations would be defeated, to some extent, if there was any interference in their day-to-day working.⁹⁹ The idea of having a separate parliamentary committee was therefore shelved once again strangely enough for the reason that such a committee would disturb the autonomous character of the public enterprises by looking into their day-to-day working.

Ultimately all the doubts about the proposed committee’s possible utility were set at rest and the recommendations of the select committee were accepted after a discussion on the bill in the House of Commons on 8 February 1954. The first select committee¹⁰⁰ on nationalised industries was established on 7 July, 1955. According to Herbert Morrison, “No material harm has been done due to working of such a select committee”. The British prototype of this committee is the select committee on nationalised industries. It has 13 members made up in relation

⁹⁸ Op. cit., n 96, Col. 126-128.

⁹⁹ Darbara Singh, *Committees Working: Public Undertakings*, Lok Sabha Secretariat, New Delhi, 1976, p.4.

¹⁰⁰ Op. cit., n 56, p.142.

to party strength in the full House of Commons. Its Chairman is a backbencher on the Government side. It is one of the cardinal features of Constitution that parliament should exercise financial control of the administration. The importance of parliament's 'power of the purse' cannot be over emphasised. For as, Gladstone said, "the finance of the country is ultimately associated with the liberties of the country".¹⁰¹

In May 1956, after the interlude of about three years the demand for the committee was revived in Parliament. The exponent this time was Ashok Mehta who tried to underscore the importance of the impact there the expert members of the committee might be able to exert as could be supported by the British experience.¹⁰² He argued that such a committee was necessary because it would be in a position to challenge the government on the basis of well informed data regarding the working of Public Undertakings.¹⁰³ The Finance Minister, Shri Deshmukh personally seemed to be inclined to agree to the proposal. He said, "It was for the Estimates Committee or Public Accounts Committee or for the Speaker or the House to decide whether to have such a committee or not. But so far as I am concerned", he said, "I for one shall not oppose it. Indeed I shall encourage this such an idea". B.G. Mehta, the Chairman

¹⁰¹ R.L. Khanna, *Public Administration in India*, Mohindra Capital Publishers, Chandigarh, 1968, pp.238-239.

¹⁰² Ashok Mehta remarked: "Parliament will not be able to exercise its supervision unless it is aided and assisted independently of the Government by a set of experts to find out what is happening to different corporation.

¹⁰³ Laxmi Narain, *Parliament and Public Enterprises in India*, S. Chand and Company, New Delhi, 1979, pp.190-191.

of Estimates Committee, suggested to the Speaker that instead of a separate Parliamentary Committee, a standing committee of the Estimates Committee and Public Accounts Committee might be set up to deal with the public undertakings. The Speaker agreed to the suggestion partly and in July, 1957, a Sub-Committee of the Estimates Committee was constituted to specifically look into the working of Public Undertakings of the central government. The idea of having a separate committee was revived once again in 1958, when Prime Minister Nehru on 10 April 1958, appointed a sub-committee of the Congress party in Parliament to consider the problems relating to state-owned corporations and companies and to suggest how a broad supervision may be maintained by Parliament without interference in their day-to-day activities of the concerns.¹⁰⁴ The sub-committee consisted of ten persons and V.K. Krishnamenon was appointed its Chairman. No action seemed to be taken for about three years on the recommendations of the Krishna Menon Committee and other such demands.¹⁰⁵

On 24th November, 1961, the Government came out with a motion in the House of People proposing such a committee to be called the “Joint Committee on State Undertakings” consisting of 15 members; 10 from the House of People and 5 from the Council of States, was moved by the Minister of

¹⁰⁴ *Report of the Sub-Committee of the Congress Party in Parliament on Parliamentary Supervision over State Undertakings*, November 14, 1959, pp.1-2.

¹⁰⁵ Satish K. Batra, *Legislative Control over Public Enterprises (A Study of Legislative Committee on Public Undertakings: 1968-1980)*, Printwell Publishers, Jaipur, 1985, p.21.

Industry, Shri Manubhai Shah.¹⁰⁶ The functions of the Committee, according to the motion, were:

- a) to examine the reports and accounts of the state undertakings specified in the schedule;
- b) to examine in the context of the autonomy and efficiency of the state undertakings, whether the affairs of the state undertakings are being managed in accordance with sound business principles.

In the motion, the committee was prohibited from examining and investigating matters “of major government policy” and “of day-to-day administration” apart from certain other aspects.¹⁰⁷ The members of the Joint Committee were to hold office for a period of five years. The motion was, however, not pursued as objections, both from procedural and constitutional point of view, were raised by members. It was contended that the Lok Sabha had the exclusive right of making any budgetary recommendation or examining the current accounts of the Government. The motion for a Joint Committee was contradictory to the Constitution and contravened the right of the Lower House as regards the financial and budgetary matter. It was apprehended that the association of the Upper House in the committee would be an encroachment on power of the Lower House.¹⁰⁸ A special objection was raised that members of the Upper House would participate in the nature of

¹⁰⁶ Op. cit., n 83, p.19.

¹⁰⁷ Op. cit., n 28, p.260.

¹⁰⁸ Op. cit., n 12, p.21.

work so far conducted by the Estimates Committee with regard to state undertakings. Evidently in view of these and some other objections, the Government withdrew the motion and was thus given time to bring a revised motion.

On 10th August, 1962, a revised motion appeared on the agenda of the House of the People in the name of Government regarding the setting up of the separate Parliamentary Committee on State Undertakings.¹⁰⁹ But the motion was not actually moved in the House, evidently because, after the appearance of the motion on the agenda, there was some rethinking on the part of the Government.¹¹⁰ The Executive of Congress parliamentary Party met on 28th August, 1962 and constituted a committee on the party to resolve controversial issue. In this revised motion, it was proposed that the members of the Council of States serving on the committee would be 'associate' members and that they would not sit on the committee while it investigated matters, till then dealt with by the Estimates Committee.¹¹¹

On the 21st September 1963, the Government actually moved, yet another revised motion, in the House which also described the committee as belonging to the House. The word 'joint' was dropped. In the motion requesting for the constitution of a committee, to accommodate the objections raised in 1961, the words 'Joint Committee of State

¹⁰⁹ Lok Sabha Debates, Second Series, Vol. 59, No. 1961, cc 1006-68.

¹¹⁰ Op. cit., n 83, p.197.

¹¹¹ Op. cit., n 28, pp.262-263.

Undertakings' were substituted by a committee of this House called the 'Committee on State Undertakings'. In the latest motion, the members were to be elected for a period of five years and one fifth of the members were to retire every year by rotation. The committee was to consist of 10 members to be elected by the House from amongst the members according to the principle of proportional representation by means of single transferable vote. In another motion moved by Government on the same day, i.e., 21st September 1963, the House recommended to the Council of States "to nominate 5 of its members to associate with the Committee". These motions were, however taken up for discussion in the Lok Sabha on November 18, 1963 nearly after a lapse of two months. The motion was adopted by the House of the People on November 20, 1963,¹¹² substantially in the form proposed on 21st September 1963 and concurred in by the Rajya Sabha on the 2nd December 1963.¹¹³ But the tenure of the committee, however, was to end with the life of the present House of People. The Council of States has also approved the formation of the committee on the lines recommended by the House and agreed to elect its own members for being associated with the committee.

¹¹² Lok Sabha Debates, November 18, 1963.

¹¹³ Op. cit., n 103, p.195.

Shri Nityanand Kanoongo, Minister of Industry, initiated discussion on the motions.¹¹⁴ He drew specific attention of the House to the modification made in the motions as compared with those moved in November 1961, commending the motions to the House, he said,

“By setting up the Committee on Public Undertakings, we are thinking a firm step forward in the process of quicker industrial progress and particularly of Parliamentary Accountability of Public Undertakings. It will be the privilege of the members of this committee when formed to allay the fears and hesitations of many and create a bond of confidence between the boards of Public Undertakings and the Parliament and also inspire the Public Undertakings to greater efforts”.¹¹⁵

Twenty-eight amendments, including one substitute motion, were tabled. The largest number of amendments related to the manner of composition, strength of the committee and term of office. In the course of discussion, a plea was also made that the committee should have the assistance of the Comptroller and Auditor General and the latter should be more directly associated with the committee. The Ministry of Industry declined to accept amendments to the motion. He, however, in the light of the suggestions made in the House agreed to modify

¹¹⁴ Op. cit., n 83, p.197.

¹¹⁵ Op. cit., n 84, p.8.

the motion to meet some of the objections raised by the members. Against the suggestions for raising membership of the committee the Minister pleaded that when we are launching upon a new type of parliamentary activity, the committee should be as small as possible and a compact one. The House adopted both the motions with minor changes. The motion as passed were:

“That a committee of the House to be called the Committee on Public Undertakings be constituted with ten members who shall be elected from amongst the members of this House according to the principle of proportional representation by means of single transferable vote”. The functions of the committee shall be;

- a) to examine the reports and accounts of public undertakings specified in the schedule;
- b) to examine the reports if any, of the Comptroller and Auditor General on the public undertakings;
- c) to examine, in the context of the autonomy and efficiency of the public undertakings, whether the affairs of the public undertakings are being managed in accordance with sound business principles and prudent commercial practices;
- d) to exercise such other functions vested in the Public Accounts Committee and Estimates Committee in relation to the public undertakings specified in the scheduled by or under the Rules of Procedure and Conduct of Business

of this House as are not covered by clause (a), (b) and (c) above and as many as may be allotted to the committee by Speaker from time to time.¹¹⁶

The members of the committee shall hold office for the duration of the present Lok Sabha. The Lok Sabha also passed the following motion requesting Rajya Sabha to nominate five members to associate with the committee on public undertakings. The issue of the status of Rajya Sabha members has recently caused first ever jolt to the very existence of the Committee on Public Undertakings. With the resignation of the three opposition members of the Rajya Sabha over the ruling of the Chairman M. Hidayatullah on 26 July 1982, that they (Rajya Sabha members) did not have equal rights with Lok Sabha members on Parliamentary Committees. It was only after the reversal of the ruling by the Speaker of Lok Sabha, Balram Jakhar on 28 July 1982, clarifying that both the Rajya Sabha and the Lok Sabha members had equal status that the crisis could be resolved and the Rajya Sabha members on the Committee on Public Undertakings as well as on Public Accounts Committee withdrew their resignations. Eventually, the official resolution was adopted, with certain minor modifications on 20 November 1963.¹¹⁷ Accordingly, on 21 May 1964, the first Committee on Public Undertakings was

¹¹⁶ Op. cit., n 103, p.197.

¹¹⁷ Op. cit., n 63, p.722.

entrusted with the “functions vested in the Committee¹¹⁸ on Public Accounts and the Committee on Estimates in relation to public undertakings” under the Chairmanship of P. Govind Menon.¹¹⁹ The committee consists of 15 members – ten members elected from the Lok Sabha and five from the Rajya Sabha. The committee undertakes its studies of individual public undertakings by rotation.¹²⁰ The Committee on Public Undertakings is essentially a fact-finding body and helps parliament ensure accountability of public undertakings.¹²¹ In order to cope with the increase in the number of undertakings, the strength of the committee was raised from fifteen to twenty-two since 1974-75, fifteen members being elected from the Lok Sabha and seven from Rajya Sabha.¹²² The members of the Rajya Sabha are invited to associate with the committee on a motion adopted by the Lok Sabha and concurred to by the Rajya Sabha. A minister is not elected a member of the committee. If a member, after his election to the committee, is appointed a minister, he ceases to be a member of the committee from the date of such appointment. The Chairman of the committee is appointed by the Speaker from amongst the members of the committee.

¹¹⁸ Op. cit., n 105, p.22.

¹¹⁹ Op. cit., n 89, p.372.

¹²⁰ R.B. Jain, *Contemporary Issues in Indian Administration*, Vishal Publications, Delhi, 1976, p.300.

¹²¹ Jaya Chaturvedi, I.H. Syed and Manoj Dixit, *Public Administration*, New Royal Book Company, Lucknow, 2003, p.438.

¹²² Rule 312B (1).

It has been seen that Committee system is not a new concept. Many countries have adopted the concept of Committee system. The whole idea of appointing the Committee began to delegate the work to smaller bodies to reduce the burden and the House of Parliament could spend the time for more important tasks.

The system of control by Indian Legislature over finance was introduced in 1919 under the Government of India Act. There are three financial Committees of Parliament which are borrowed from U.K. The Estimates Committee was first formed in Britain in 1912. In 1921 the Standing Finance Committee was constituted and its successor was Estimates Committee which came into being in 1950.

Webley Commission of 1896 suggested to highlight financial irregularities, an Accounts Committee to be formed. The Public Accounts Committee was formed in 1921 under Montague Chelmsford Reforms. The first Public Accounts Committee was constituted at the centre in 1950. Since 1950 to 1964, there were only Financial Committee of Parliament, Estimates Committee and Public Accounts Committee.

In 1954, Mr. Mavalankar expressed that, “the Estimates Committee and Public Accounts Committee are overburdened with the work assigned to them and find very less time to go into the working of corporations, but on the recommendations of Krishnamenon, a separate committee was constituted, “Committee on Public Undertakings” to examine the estimates

and scrutinise the accounts relating to the working of Public Undertakings. The Financial Committees play an important role in the system of parliamentary control over finance. These Committees ensures that the objectives of parliamentary control over finances are fulfilled. There is no doubt that the effectiveness of a Parliamentary Committee will always depend on the calibre of its members, of their ability to understand the Governmental Organisation and its procedures. The function of the Parliament not only to vote grants public expenditure but also to ensure that the grants made by it are spent legally and faithfully.

These Committees also provide a forum for interaction between Government Departments and Parliament and a medium for information and ideas to follow in both directions. In a free atmosphere the Committee have taken a dispassionate and objective view of matters coming before them, and have contributed in their own way to the growth on sound lines of Parliamentary democracy in India.