

I. THE COMPTROLLER AND AUDITOR-GENERAL'S (DUTIES, POWERS AND CONDITIONS OF SERVICE) AMENDMENT BILL, 1976

II. THE DEPARTMENTALISATION OF UNION ACCOUNTS (TRANSFER OF PERSONNEL) BILL, 1976

DR. K. MATHEW KURIAN (Kerala): Sir, I would like to make a submission. There are two Bills, the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Amendment Bill, 1976, and the Departmentalisation of Union Accounts (Transfer of Personnel) Bill, 1976. I suggest that these two Bills may be discussed together because they are interconnected.

MR. DEPUTY CHAIRMAN : I think this is agreed to by the House.

THE DEPUTY MINISTER IN THE MINISTRY OF FINANCE (SHRIMATI SUSHILA ROHATGI): Sir, I beg to move:

"That the Bill to amend the Comptroller and Auditor General's (Duties Powers and Conditions of Service) Act, 1971, as passed by the Lok Sabha, be taken into consideration."

The Bill seeks to replace the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Amendment Ordinance, 1976. The circumstances which necessitated the promulgation of the Ordinance have already been explained in the statement circulated to hon. Members.

Planning, programming, budgeting, monitoring and appraisal of Government's activities are integral to modern financial management. Each of these functions requires meaningful and continuous flow of information processed from up-to-date accounting data. Sound financial management is possible only if this support is forthcoming continuously and speedily from the accounting system at all levels of management. The existing accounting system in most Ministries/Departments is essentially external to the financial management functions, as the payments are made by the treasuries and accounts are

compiled by the Audit and Accounts offices of the Comptroller and Auditor-General on the basis of initial and subsidiary accounts received from the treasuries.

Thus the Comptroller and Auditor General is responsible not only for the audit of the accounts of the Union—a responsibility assigned to him under the Constitution—but also for compiling and keeping the accounts of most of the Departments and services of the Government. Section 10 of the CAG's Act, 1971, however, contained a provision empowering the President, after a consultation with the Comptroller and Auditor General, to issue an order relieving the Comptroller and Auditor General from the responsibility of compiling the accounts of any particular service or Department of the Union and/or keeping the accounts of any particular class or character.

Based on the recommendations of the Group of Ministers on Administration, a decision was taken to instal a system of departmentalised accounting by separating accounts from audit as part of an overall scheme of reforms in financial administration. It is proposed to complete the separation of accounts from audit in all Ministries and Departments of the Government of India during the year 1976-77 in three phases commencing from 1st April, 1976.

According to the first proviso to Section 10(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the President, in respect of accounts of the Union may, after consultation with the Comptroller and Auditor General, by order relieve him from the responsibility or compiling the accounts of any particular service or department of Union.

The term "any particular service or department" referred to in Section 10(1) of the Comptroller and Auditor General's Act, 1971, can mean only one or, at best, some more departments. Therefore, if the Comptroller and Auditor General is to be

relieved of the responsibility for compiling the accounts of all the Ministries of the Union, it was necessary to amend the proviso to Section 10(1) of the Comptroller and Auditor General's Act. In respect of accounts of the State, it was also considered that it would be necessary to provide for prior approval of the President before the Governor of the State could issue an order relieving the Comptroller and Auditor General of the responsibility of compiling the accounts of the State to make sure that due provision is made by the State Government for absorption of the employees of the Indian Audit and Accounts Department under the State Government and for safeguarding their scales of pay and their conditions of service on their absorption. The amendments which were necessary for these purposes were brought about by means of the Ordinance mentioned by me earlier.

Clause 3(b) of the Bill is a new amendment which did not find a place in the Ordinance. This provides for relieving the Comptroller and Auditor General of the responsibility for preparing each year, accounts showing under respective heads, annual receipts and disbursements of the Union and each State by issue of an order, after consultation with the Comptroller and Auditor General by the President or by the Governor of a State, with the approval of the President, as the case may be. This amendment has become necessary because once the Comptroller and Auditor General is relieved of the responsibility of compiling the accounts every month in the whole of the Union or of the State, it is but logical that he should be relieved of the responsibility of preparation of the annual accounts and submission thereof. The Comptroller and Auditor General has been fully associated with the reforms and measures that are now being taken by the Government in regard to installation of a departmentalised accounting system.

The transfer of accounts from audit is a step towards an end. With the integration of accounts with managements, the existing lacunae arising from externality of accounts

will disappear and accounting will be an aid to cost effective management at all levels starting from the lower operational level to the Ministry. The new system would also do away with an element of duplication of accounting work now prevailing with the various departments and audit offices maintaining similar accounting records. I expect that when full coverage of departmentalisation of accounts in all Ministries takes place, compilation of accounts would be speeded up, thereby providing necessary inputs to management information system which in turn would help better financial control and performance appraisal.

Sir, I move that the Bill be taken up for consideration.

SHRIMATI SUSHILA ROHATGI :
Sir, I also move :

"That the Bill to provide for the transfer of officers serving in the Indian Audit and Accounts Department to any Ministry, Department or office of the Central Government for facilitating the efficient discharge by such Ministry, Department or office of the responsibility in connection with compiling the accounts thereof, as passed by the Lok Sabha, be taken into consideration."

Sir, the existing system under which accounts are maintained by an agency external to the Ministries and Departments is not conducive to effective financial management. Accounts and Finance should form an integral part of overall management and should play a more meaningful and effective role in selection of projects, allocation of funds, monitoring of expenditure in relation to physical progress, and evaluation of results.

In order to integrate accounts with administrative Ministries and Departments, it is proposed to separate accounts from audit and instal a Departmentalised Accounting System. The takeover of accounting functions from the Comptroller and Auditor

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General involves the transfer of about 10000 employees from the Indian Audit and Accounts Department to the Ministries and Departments of the Government of India and offices under them. To forestall the administrative and legal problems that may arise in the transfer of such a large number of persons from the administrative control of the Indian Audit and Accounts Department to the Ministries and Departments of the Government of India and to ensure that necessary expert manpower is available to Government for discharging the newly acquired responsibilities, it was found necessary to issue the Departmentalisation of Union Accounts (Transfer of Personnel) Ordinance, 1976. The Bill which has been passed by Lok Sabha seeks to replace that Ordinance.

According to the Bill, it shall be lawful for Government on the advice of a Committee to be constituted for the purpose, to transfer any of the officers and employees of the Indian Audit and Accounts Department to any Ministry, Department or any of its attached or subordinate offices, on the issue of an Order by the President relieving the Comptroller and Auditor-General from the responsibility for compiling the accounts of the Union or of any Services or Departments as may be specified. Officials transferred from the CAG's organisation will be entitled to be appointed to posts carrying scales of pay not less than those of posts held immediately before such transfer. The Bill also provides for an opportunity to a person proposed to be transferred to express his unwillingness for such transfer but at the same time, makes it clear that Government can transfer even a person who has expressed his unwillingness if it is considered necessary to do so in public interest. Every care will be taken to see that minimum hardship is caused to the employees and the Comptroller and Auditor-General is able to discharge his Constitutional responsibilities effectively and without disruption.

As the hon. Members will see, the Bill has been introduced with a view to facilitate the smooth implementation of the scheme of separation of accounts from audit with the ultimate object of securing a continuous process of planning, programming, budgeting, monitoring and appraisal.

Sir, I move that the Bill be taken up for consideration.

The questions were proposed.

SHRI S. RANGANATHAN (Tamil Nadu) : Mr. Deputy Chairman, Sir, I rise to speak on these Bills not to oppose the separation of Audit and Accounts, with which concept almost everyone will agree in principle, nor to minimize the need to improve the financial management of departments by their own heads. I, however, venture to submit that the manner in which it is proposed to effect this does not appear to me to be appropriate. It is bound to increase the cost of administration considerably, very much more than what is indicated in the Financial Memorandum appended to this Bill. An attempt at separation was made in the U.P. many years ago and according to the late Shri M.S. Ramayyar's authoritative publication entitled "Indian Audit and Accounts Department" published by the Indian Institute of Public Administration, it came to Rs. 3.16 lakhs per annum for that State alone. On present rates of remuneration it will be much more and if one takes into account all the states and the Centre, the additional expenditure will become sizeable. Eventually the separation which was introduced in U.P. in 1926, was abandoned in 1931. The Administrative Ref Commission which also considered the question recommended in their report Finance, Accounts and Audit. I quote

"Recommendation 17 : We recommend that as a matter of general principle the responsibility for the compilation of central accounts may continue to

with the Comptroller and Auditor-General, except in the case of the Departments for which separate Accounts Offices have already been established."

They have further observed, I quote :

"However, this does not absolve the Department or Government of the responsibility to establish adequate procedures for facilitating managerial control. Nevertheless the administrative Ministries and Departments have taken little interest in developing accounting systems suited to their own managerial needs. Indeed, even the maintenance of accounting records within the department for the limited purpose of control over expenditure is known to be far from satisfactory."

However, once it is decided—and Government under the Constitution are fully entitled to do so—to separate the auditing functions from the functions of accounting over the entire field, it is only correct that Government take powers for the transfer of personnel, as in the Bill that has been introduced for that purpose to transfer by order personnel from the Indian Audit and Accounts Department to a Department or Ministry.

I cannot, however, help feeling—and this I say with some amount of experience both on the administrative and audit sides—that the kind of separation that is envisaged, will not result in any particular strengthening of the financial management functions. On the other hand, it may introduce a measure of slackening in what I would call financial rectitude or propriety. I shall give one example. Some years back, with the approval of the Cabinet, orders were issued that a pension should be paid to an individual after he relinquished his post as Governor of a State. The Auditor-General was not, of course, consulted before the paper went up to the Cabinet. But for the vigilance of the Accountant-General concerned who had to authorise the payment and who referred the matter to me, when I was the

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Comptroller and Auditor-General, the payment would have been made and a gross Constitutional impropriety would have occurred. Under the proposed system (though not necessarily in the statute), so far as I can see, there is no specific provision for any kind of pre-audit or prior consultation with audit, and on the decision of the Secretary of the Department concerned, such payments would be made automatically. In the case I have referred to, I had no doubt at all that the individual concerned fully deserved the help which the Government wished to give him after retirement; but the manner of giving it was not correct. Alternative unobjectionable methods I had suggested informally were not acceptable to Government. A similar thing happened in the case of the fixation of the remuneration for Government Deputy Chief Whips in Parliament, and the Public Accounts Committee took strong exception to the executive trying to pay certain Members of Parliament something beyond what the relevant statutes provided. A perusal of the P.A.C. Report No. 107 of the Fourth Lok Sabha, April, 1970, and the Thirteenth Report of the P.A.C., Fifth Lok Sabha, July, 1971, will be rewarding.

I have no doubt that the Bill to amend the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971, and what follows as a corollary, the Departmentalisation of Union Accounts (Transfer of Personnel) Bill, 1976, will both become law, as apparently Government, after full consideration, have introduced these legislative measures. Particularly as these Bills are not going to be referred to a Joint Select Committee of both the Houses, it is placing us at some disadvantage, as no white paper has even been circulated, to explain in detail the scheme in the transitional and final phases of separation. I would, therefore, like to suggest that instead of attempting to complete the separation of the accounting functions by the 1st October, 1976, or even by the end of the year, in all Ministries and Departments of

[Shri S. Ranganathan]

the Centre, it should be confined to one or two selected Civil Departments and tried as an experiment for a year before it is decided to extend it to the rest of the area or the proposal to separate given up. Until then, it would not, in my view, be necessary to permanently transfer people from the I.A and A.D. They could be made to work in the Government Department Departments on deputation, though not necessarily with additional allowances, under the administrative control of the Financial Adviser attached to the Ministry or the Secretary of the Ministry concerned. During that time, thought could also be given as to whether it is necessary to have completely separate Departments—one for audit and another for accounts, or whether there could be a joint cadre for both Departments, administered, if necessary, jointly by the Comptroller and Auditor-General and the Finance Secretary. A measure of mobility for the personnel from audit work to accounts work and *vice versa*, and even between the two cadres and the administrative departments, if it is finally decided to go ahead with the scheme, will be found useful and beneficial. If such an arrangement is found workable, and given the necessary goodwill on the part of the two administering authorities, I do not see why it should not work, the problem of evolving two cadres with reasonable promotion prospects will no then arise.

Clause 3 of the amending Bill, which contemplates amendment of Section 11 of the Audit Act, also appears to me incomplete, and I hope Government will carefully consider his and further amend it as early as possible, if they go ahead with the scheme of separation as contemplated.

The main Section 11 refers to compilation, preparation and submission to the President. This amendment mentions only the preparation and submission, presumably because, acting under Section 10, the responsibility of compilation is

being taken away. Who then will become responsible for compilation, preparation and submission? And what provision is there for the transmission of the combined accounts to Parliament, though even now this is done under no statutory provision? When such an amendment is made, it may be wise to provide for some such functionary as Controller-General of Accounts, not only of Civil Accounts, who will consolidate all the accounts separately compiled by the various Ministries or Departments and require that he should submit it to the President and shall thereafter ensure that it is placed on the Table of the Houses of Parliament or other legislatures, as may be necessary.

The first and the second Auditors-General after Independence, Shri Narahari Rao and Shri A. K. Chanda, both, started enthusiastically and wished to implement the separation of audit and accounts; but after full consideration, they abandoned this idea for financial and other reasons. I myself, when I was appointed to that post, because of their experience and the reasons I shall give further, did not contemplate such a step as conducive to any advantage and so, did not suggest it to Government for consideration. I have said so in my evidence before the Joint Select Committee of Parliament which went into the C.&A.G. (Duties & Powers) Bill, 1969, on the 16th February, 1970.

In conclusion, I would like to repeat that I am not opposed to the principle of separation of accounting and auditing functions; but I am only suggesting that this could be effected without breaking up the Indian Audit and Accounts Department and it would be safer and better to do this more gradually than at present intended. I hope that the joint cadre idea will not be rejected out of hand. A sub-conscious audit attitude or even bias, is healthy in the people handling the accounts in the Departments, as they would be in a position to point out to the Internal Financial Adviser possible irregularities in

sanction. In any case, the separation will make audit by the C.&A.G. less effective, as it is at the moment, in the case of Departments which compile their own accounts, and to some extent, the joint cadre idea may minimise the dilution of the results of audit effort. Audit, I concede, may be a necessary evil; but especially for a Parliamentary form of democracy, the institution of an effective Auditor-General is a vital necessity. The present form of the I.A.&A.D. is not a colonial remnant. It grew according to the needs of this country over a period of time and the system is perhaps *sui generis*, and is not a copy of anything existing anywhere else. The separation as contemplated is not necessarily a modernisation which will ensure by itself improvement in the management functions of the various Ministries. There are other methods by which the deficiencies in the present organisation and I concede there are many deficiencies though minor in nature could be rectified. I would not, however, like to take more of the time of the House now, and I am not opposing the Bills as they are in the nature of enabling measure.

Thank you.

MR. DEPUTY CHAIRMAN : The House stands adjourned till 2.15 P.M.

The House then adjourned for lunch at five minutes past one of the clock.

The House reassembled after lunch at eighteen minutes past two of the clock, [the Vice Chairman (Shri Loknath Misra) in the Chair.]

**I. THE COMPTROLLER AND
AUDITOR-GENERAL'S (DUTIES,
POWERS AND CONDITIONS OF
SERVICE)**

AMENDMENT BILL, 1976-CONTD.

**II. THE DEPARTMENTALISATION OF
UNION ACCOUNTS (TRANSFER OF
PERSONNEL BILL, 1976—Contd.**

SHRI KALYAN ROY (West Bengal) : Sir, this Bill, rather two Bills, namely, the

Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Amendment Bill, 1976, and the Departmentalisation of Union Accounts (Transfer of Personnel) Bill, 1976, look rather innocent and simple. But in our opinion, these are most sinister pieces of legislation. The Minister, in her introduction, said that it is logical. I will say that it is neither logical nor rational, nor fair. It is most arbitrary and the way it has been brought and presented smacks of arrogance. And definitely it is derogatory to the democratic conventions we have developed in the last 25 years. The Bill is rather complicated and way not be understood by all. I might go a little deeper into the matter. What happens today is that the Auditor-General and the accounting department, at a very initial stage after the appropriation, go into each financial item.

And, Sir, they check whether actually that item or the particular financial sanction should be given and whether it is in accordance with the provisions of the Constitution and whether it is not in violation of any constitutional propriety. Of course, it has lacunae. But, in a capitalist structure of society, there are bound to be loopholes and lacunae. But, on the whole, particularly in view of the functioning of the Public Accounts Committee during the last six years, it has been found that this arrangement which is prevailing today is sound and I am speaking with authority and out of my experience because I was a member of the Joint Select Committee on the Comptroller and Auditor-General (Duties & Powers) Bill, 1969, and I was also a Member of the Public Accounts Committee. In the past, there were more than one view. But all the views were crystallised and later on, they came to the conclusion that whatever might be the defects, the merits of the system far more outweighed the demerits and that it should be given a trial till really something better was found. So, if at all the Government thought that something was necessary and that something was to be done immediately,