E. C. No. 845

ESTIMATES COMMITTEE
(1975-76)

(FIFTH LOK SABHA)

NINETY-EIGHTH REPORT

MINISTRY OF FINANCE

(Department of Expenditure)

DELEGATION OF FINANCIAL POWERS

LOK SABHA SECRETARIAT
NEW DELHI
April, 1976/Chaitra, 1898 (S)
Price : Rs. 2.75

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Ninety-eighth Report of E. C. on Delegation of Financial Powers

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(1975-76)

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Shri G. D. Sharma—*Chief Financial Committee Officer.*

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*Elected with effect from 17-1-1976 *vice* Shri Mohd. Khuda Baksh died.

INTRODUCTION

I, the Chairman of Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Ninety-eighth Report on the Ministry of Finance (Department of Expenditure)—Delegation of Financial Powers.

2. The Committee took evidence of the representatives of the Ministry of Finance (Department of Expenditure) on 15th and 16th December, 1975. The Committee wish to express their thanks to the officers of the Department for placing before them the material and information which they desired in connection with the examination of the subject and for giving evidence before the Committee.

3. The Committee also wish to express their thanks to Shri S. Ranganathan, former Comptroller and Auditor General, Shri S. S. Khera, former Cabinet Secretary and Shri Govind Narain, former Defence Secretary, for furnishing memoranda to the Committee and also for giving evidence and making valuable suggestions.

4. The Committee also wish to express their thanks to all the Institutions, Associations, Bodies and individuals who furnished memoranda on the subject to the Committee.

5. The Report was considered and adopted by the Committee on 14th April, 1976.

6. A summary of the recommendations/observations contained in the Report is appended to the Report (Appendix V).

7. A Statement showing analysis of recommendations/observations contained in the Report is also appended to the Report (Appendix VI).

NEW DELHI;
April 21, 1976
Vaisakha 1, 1898 *(S)*

R. K. SINHA,
Chairman,
Estimates Committee.

CHAPTER I

INTRODUCTORY

According to Article 112(1) of the Constitution, a statement of estimated receipts and expenditure of the Government of India, referred to as Annual Financial Statement, or in common parlance as the Budget, is to be laid before both the Houses of Parliament. The responsibility for preparing this statement has been assigned to the Finance Minister. He has the responsibility for raising the resources for Government and it is equally his responsibility to regulate the expenditure of the Government in conformity with the available resources. In the matter of regulating expenditure, it has to be ensured that the available resources are put to the best use of the community, that the allocation is made between various competing demands according to national priorities and that the expenditure is incurred in accordance with the directions given by the Parliament. Sometimes, it also happens that after the Budget has been presented, occasions arise where, as a result of new and unforeseen demands on the resources of Government, it becomes necessary to cut down the allocations already made so as to provide extra funds elsewhere. The mechanics of doing this is also the responsibility of the Finance Ministry. The concept of financial control exercised by the Ministry of Finance, thus springs from the accountability of Government to Parliament and the Constitutional responsibilities of the Finance Minister.

1.2. The rules framed for the more convenient transaction of business of the Government under Article 77(3) of the Constitution provide that, unless the case is fully covered by powers to sanction expenditure or to appropriate or reappropriate funds, conferred by any general or special orders made by the Ministry of Finance, no department shall without the previous concurrence of the Ministry of Finance issue any orders which may—(a) involve any abandonment of revenue or involve any expenditure for which no provision has been made in the Appropriation Act; (b) involve any grant of land or assignment of revenue or concession, grant lease, or licence of mineral or forest rights or right to water, power, or any easement of privilege in respect of such concession; (c) relate to the number or grade of posts or to the strength of a service or to the pay or allowances of Government servants or to any other conditions or the service having financial implications; or (d) otherwise have a financial bearing, whether involving expenditure or not.

1.3. The provisions quoted above envisage not only financial control by the Ministry of Finance but also the delegation of powers by the Ministry of Finance to the administrative Ministries to sanction expenditure or to appropriate or re-appropriate funds either under general or under special orders.

1.4. The scheme of financial control and delegation of financial powers which existed in pre-independence days was found to require modifications as a result of the expansion of Governmental activities both in size and complexity after independence. With the introduction of Five Year Plans, it was felt that the system of financial control required to be revamped as it had an important bearing on the efficiency of administration. As stated by the Secretary of the Ministry during evidence the old system consisted of highly centralised treasury control through the machinery of the budget, supplemented by detailed scrutiny of staff, contingencies, outlay on civil works and so on before any amount of money could be spent by any administrative Ministry. This was backed up by centralised accounting and post audit by the Comptroller and Auditor General through machinery of appropriation, re-appropriation, audit of sanction, aduit of propriety, scrutiny of excess and short spending, all of which again, was backed up by the watch-dog role of the Public Accounts Committee. While this structure was adequate to deal with traditional functions of Government as a maintainer of law and order and provider of some minimum amount of infrastructure to the economy, it was not really adequate to deal with a modern governmental system as we now have in the country with the pre-dominance of the public sector. The tremendous increase in Government expenditure under the Five Year Plans called for a sound system of financial control which would at once ensure a quicker movement of the administrative apparatus as well as economy in expenditure.

1.5. The question of financial control exercised by the Ministry of Finance engaged the attention of the Estimates Committee from the very beginning. As early as 1950-51, the Estimates Committee stressed the need for greater delegation of financial powers to the administrative Ministries. In their Second Report, (1950-51), the Estimates Committee observed that the present rules under which the heads of Ministries or Departments have been vested with certain financial powers were in their opinion, inadequate. The Committee recommended that in order to avoid unnecessary delay in the day to day performance of the normal functioning of a Ministry, greater financial powers in the field of minor items of expenditure should be devolved on the Heads of the Ministries and Departments.

The functions of the Ministry of Finance should be specified in more definite terms than they were with a view to ensuring that there were no unnecessary inter-departmental consultations and that the responsibility is properly distributed and shared by both the spending Ministries and the Ministry of Finance.

1.6. Again, in their Ninth Report, in 1953-54, on Administrative, Financial and other Reforms, the Estimates Committee pointed out that "the system which worked well till recently is a source of annoyance in the quick execution of works and plans in the altered conditions." The Committee felt that concrete steps should be taken to achieve the end in view and to establish perfect cordiality between the administrative ministries and the Ministry of Finance and to see that one was complementary to the other and helped in the ultimate objective. The Committee made a number of recommendations in this regard. These included *inter-alia* the following:

> "Before a scheme is embarked upon, it should be properly planned and it should also be ascertained whether the money required for it is available or can be made available at the proper time. Detailed plans and estimates should be worked out fully so as to enable the Ministry of Finance to approve the scheme and accord financial concurrence.
>
> After the scheme is concurred in from the financial point of view by the Ministry of Finance, the detailed execution of the scheme and spending of money thereon should be the responsibility of the administrative Ministry concerned which should also be given power to vary or alter amounts under the sub-heads of the scheme so long as the total outlay is not affected.
>
> The spending Ministry should go ahead with the scheme as planned and should take such administrative and financial advice within the Ministry itself as may be necessary from time to time.
>
> The Secretary of the administrative Ministry will be responsible for the sanctioning of the expenditure on the advice of the Financial Adviser and it will be the responsibility of the Financial Adviser to give him proper advice and in cases of disagreement between the Financial Adviser and the Secretary, the matter shall be referred to the Minister who shall, in consultation with Minister of Finance, take appropriate decision in the matter.

In regard to the Contingent Expenditure, it should be left to the discretion of the administrative Ministry to incur expenditure according to the needs up to the amount specified under each detailed Head and detailed expenditure sanction need not be required.

1.7. In pursuance of the action taken on some of the recommendations of the Committee, Government informed in December, 1956 that a scheme for the re-organisation of the Department of Expenditure was under implementation.

1.8. The first important scheme of delegation of financial powers was introduced by the Government in 1958. Under this scheme, the administrative Ministries were vested with considerably larger powers, not enjoyed by them before. These powers covered the fields of creation of posts, sanctioning of expenditure on schemes, sanctioning grants-in-aid and loans, incurring contingent expenditure, entering into contracts for purchases and re-appropriation of funds. The scheme also intended that the administrative ministry should in their turn, delegate to the maximum extent, administrative and financial powers to the Heads of Departments and also to the subordinate authorities with due regard to their respective levels of responsibility.

1.9. The revised powers were codified in the form of statutory rules called the 'Delegation of Financial Powers Rules, 1958' issued under Clause 3 of Article 77 of of the Constitution.

1.10. In September, 1961 an experimental scheme, based on devolution of greater measure of financial responsibility to administrative Ministries and exercise of control by the Finance Ministry mainly through pre-budget scrutiny, test checks and work studies, was introduced in a few selected Ministries to secure speedy implementation of development plans and greater efficiency in administration. In June, 1962 a scheme on these lines was introduced in all Ministries, except Railways, Atomic Energy and Defence in relation to expenditure from Defence Service Estimates, which have separate arrangements. Enhanced delegation of financial powers formed an integral part of this scheme. The most significant among the increased financial powers of Ministries under this scheme, were those relating to (a) re-appropriation of funds between the primary units in which provision was made for grants for allied schemes and (b) redelegation of powers to Heads of Departments and Heads of Offices. The salient components of the scheme are given in the Appendix-I.

1.11. Again as a result of a review of the scheme of 1962, a modified scheme was evolved, delegating larger financial powers to the administrative Ministries. This scheme which was introduced in October, 1968 was also based on the arrangement that the Ministry of Finance will exercise its control mainly by a proper scrutiny of the schemes, proposals etc. before inclusion in the budget and through an adequate system of reporting, test checks and work studies. This scheme was an improvement over the earlier scheme of 1962 in many respects. Apart from enhancing the powers, the scheme provided for development of competent financial advice within the Ministry for discharging their responsibility. Under this scheme each Ministry was required to organise its own internal financial cells, under the overall charge of an internal financial adviser whose functions included rendering of advice to the Ministry/Department on all matters falling within the field of delegated financial powers, ensuring timely preparation and scrutiny of budget proposals and maintenance of complete departmental accounts and watching and review ing the progress of expenditure, etc. The Internal Financial Adviser was appointed by the administrative Secretary and while consultation with him was obligatory in exercising the delegated powers, it was open to the administrative Secretary to over-rule his advice by an order in writing.

1.12. Again in 1973, a detailed review of the financial delegations covered by the Delegation of Financial Powers Rules, General Financial Rules and Fundamental and Supplementary Rules was undertaken at the instance of the Group of Ministers on administration set up to recommend changes required to improve administrative performance in relation to the requirements of the Fifth Plan. As a result of this review the Group of Ministers recommended enhanced delegations in several respects with a view to meeting the requirements of the Fifth Plan, and in the context of the present day costs. These recommendations excepting those relating to direct purchase of stores by indenting Departments (consideration of which is awaiting recommendations of a high powered Committee) were accepted by Government and given effect to in April and July, 1975.

1.13. Apart from the enhanced financial powers, under the latest delegation orders, an administrative Ministry can now declare any of its subordinate officers satisfying certain specified criteria as Head of Department. Ministries have also been advised that powers delegated to Heads of Departments and Heads of Offices are only the floor level of delegations and that they could make good the additional requirements at subordinate levels by further re-delegation. However, power of administrative Ministries to re-delegate their powers in respect of creation of posts, write-off of losses and re-appropriations exceeding 10 per cent of the original budget provision, has been held in abeyance till the introduction of better accounting systems for the Ministries. This restriction is intended to ensure stricter control over the growth of administrative expenditure.

1.14. Thus, the Ministries have been delegated enhanced powers from time to time to provide the administrative ministries necessary operational facility in the implementation of their development programmes. The important aspects of the existing scheme of the delegation of Financial powers and allied matters are discussed in the following chapters.

CHAPTER II

PLANNING AND SANCTIONING OF SCHEMES/PROJECTS

(a) *Shelf of Projects*

2.1. Discussing the reasons for slow progress in investment in the public sector, the draft Fifth Five Year Plan mentioned as follows:

> "While the pace of investment in some of the sectors like iron ore, petroleum and petrochemicals has generally been satisfactory this has not been so in respect of other sectors like iron and steel, non-ferrous metals, fertilizers and coal.
>
> A major reason for this has been the inadequate preparatory work. Feasibility studies in respect of several projects had not been completed well in time before the Fourth Plan commenced. Similarly, in the case of a number of schemes, sufficient detailed investigation had not been undertaken and as a result, the Ministries and the project authorities were engaged in the initial years of the Fourth Plan in formulating the new projects and their implementation was delayed."

2.2 Asked about the position in this regard in the Fifth Five Year Plan, the Secretary of the Ministry stated during evidence :

> "The position in the Fifth Plan is, in a sense better and in a sense worse. It is better inasmuch as all the Ministries which are responsible for large investments have now very adequately staffed technical cells for project preparation.
>
> These organisations may be in the public sector, as in the case of the Steel Ministry, where it is in SAIL, or it may be within the Ministry itself as in the case of the Coal Department. But the staff and funds required for project preparation in the Fifth Plan are, I think, much better than the position as stated in the document relating to the Fourth Plan. On the other hand, one must confess that the uncertainty about the size and scope of the Fifth Plan still remains. The draft has not been finalised. In the meantime, we had a severe economic crisis and set back.

The Ministries are not always sure whether a certain project will be executed within the Fifth Plan frame or it will have to be postponed to the Sixth. The Planning Commission has had to impose a new set of priorities at the beginning of each plan in the form of an annual plan. To that extent one could say the position about the quick approval of projects has been affected, since there has been some uncertainty as to which will go ahead and which will not go ahead."

2.3. As regards the preparation of shelf of projects, the Committee were informed that in certain sectors it had been possible to prepare a shelf of projects depending on the resources which happened to be available in the particular year and it had been possible to exercise a certain choice. For instance, this was true in the area of fertilizers. Similarly, in the steel sector there were many feasibility report ready.

2.4. Asked whether any shelf of projects has been prepared in respect of the drug industry, the Committee were informed as follows :

"By a 'Shelf of Projects' is generally meant Project Formulation Reports or preliminary Feasibility Reports on a number of projects which together involve a capital exenditure which far exceeds the financial provision likely to be made so that it becomes possible to select the most viable projects (from out of the much larger number of projects) that can be accommodated within such financial provision as is ultimately made. In these terms we do not have a shelf of projects for the public sector Durgs & Pharmaceutical Industry."

2.5. The Committee note that according to Government's own admission contained in the draft Fifth Five Year Plan, the slow progress in the pace of investment in the Fourth Five Year Plan in respect of some of the sectors had been due to inadequate preparatory work i.e., non-preparation of feasibility studies, etc. The Committee regret to observe that in spite of these observations, the administrative Ministries have not been able to prepare a shelf of projects in several sectors like Drugs and Pharmaceuticals etc. for expediting investment decisions during the Fifth Five Year Plan.

2.6. The Committee consider that with the devolution of powers to the administrative Ministries and the introduction of the scheme of Integrated Financial Adviser, it should be possible for the administrative Ministries to expedite the preparation of shelf of projects/schemes. In fact, the Committee expect that the administrative Ministries should carry their thinking beyond the formal preparation of schemes/projects and should have a more critical look at these projects/schemes, keeping in view the requirements of the developing economy, the constraint of resources both money and material, availability of expertise and know-how etc. so that cogent proposals are put forward for implementation.

(b) *'Forward looking' budget*

2.7. In their 24th Report, the Estimates Committee (1972-73) had observed that a more active role is required to be played by the Ministry of Finance and the Planning Commission to develop the concept of 'forward looking budgets' so that advanced planning of men and materials is taken up seriously at least in the Fifth Five Year Plan. The Government accepted the recommendation of the Committee and stated that the whole question of 'forward looking budget' for men and materials/effective implementation of projects in the Fifth Five Year Plan with a view to achieving the socio-economic objectives had been engaging the attention of the Planning Commission and the organisational framework was being worked out. The Committee reiterated their earlier recommendation in their 48th Report (1973-74).

2.8. The Committee enquired about the present position in regard to the introduction of 'forward looking budgets'. The Secretary of the Ministry stated during evidence as follows:—

> "I think the concept of forward looking budget formulated by the Estimates Committee in its 24th Report stemmed from the system of budgeting currently in vogue in U.K. In the U.K., they have essentially a five year rolling plan which is called the Public Expenditure Survey Committee Report. The idea of the PESC in Britain is that every year a forward look should be taken at the expenditure levels four years ahead. The planning then consists of some broad macro-economic projection for the long period together with estimation of the sectoral requirements of funds, but not in any great detail as to individual projects within these sectors. Our system is a quinquennial plan which is essentially different because we do not have a rolling plan system. We do normally have a mid-

plan review, and of course in the special case of the Fifth Plan and earlier again, partly in the Fourth Plan, the annual planning virtually superseded the Plan because of the problems of adjusting the plan to short term changes in the economy.

So the general proposition that every year we should look forward at least for five years is, I think sound, and its acceptance by us would involve some changes in the planning process. It would also involve if we were to go all the way with the U.K., a forward plan for what is called non-plan expenditure. This also might be a desirable change because there is a tendency in our country to assume that non-plan expenditure is all wasteful. Non-plan expenditure included a very substantial amount of development outlay.

Our planning system generally includes a kind of ceiling—it used to be 3 per cent, now it is 5 per cent per annum growth in this budget, and in making that assumption, we do not do the kind of exercise that the British PESC does on all sectors of expenditure. So I would accept the proposition that there is a case for forward planning of the non-plan expenditure to take account of inevitable growth in the requirements for administration, security, loan repayments etc. so that we take a more accurate view of the demand on resources that this part of expenditure will make, in order to plan the fresh investments instead of taking an *ad hoc* figure of 3.4 or 6 per cent growth in this total non-plan outlay."

2.9. The Committee understand that in UK, the broad processes which preceде the Public Expenditure Survey are as follows:—

In February, the Finance Division of the various Departments submit their 5-year expenditure forecasts to the Treasury, showing *inter alia*, the additional programmes to be undertaken if more resources become available.

The forecasts are discussed between the Treasury and invidual Departments and a draft report or public expenditure is submitted in May to the Public Expenditure Survey Committee (PESC), which consists of the Principal Finance Officers of the major spending Departments under a Treasury Chairman.

The PESC prepares a report to the Ministers showing the implications of the various proposals over the ensuing 5 years. The Treasury, in addition prepares a Medium Term Assessment of the economy. The PESC report and the Assessment are submitted to Ministers in June.

Between July and October, decisions are taken on the total public expenditure for the next 5 years and its broad allocations.

2.10. Cĕrtain main features of these surveys are as follows:—

(a) The forecasts of expenditure represent costings of existing policies.

(b) The Surveys cover all expenditure by the pubilc sector regardless of the way in which the expenditure is financed. But because payments are made from one part of the public sector to another, e.g., the Exchequer grants to local authorities, and the Exchequer contribution to the National Insurance Funds, it is necessary to ignore such internal transactions and only score the expenditure at the point at which it is disbursed by the recipient authority. It is thus not sufficient merely to add up all the expenditure by all parts of the public sector; overlaps must be eliminated to arrive at a valid total.

(c) The figures are analysed by functions that is to say by reference to the object of the expenditure. This enables comprehensive figures to be drawn up showing the relative amounts spent or proposed to be spent on, e.g. defence, health, education, social security, assistance to industry and so on. These are the main figures on which major decisions by Ministers on the size and pattern of future expenditure are normally taken.

(d) The figures are also analysed by economic category (current expenditure on goods and service, gross domestic capital formation, grants to persons and so on).

(e) The figures in each Survey cover a period of five years—that is to say, the 1961 survey covered the period up to and including the financial year 1965-66 and each following Survey rolled the figures forward a year.

2.11. The annual Surveys of expenditure have from 1961 onwards, linked for purposes of managing the economy with annual forward assessments of the economy, generally covering periods of five years. The objects have been, first, to explore the interaction of public sector demands, as they emerge in the Surveys, with other likely demands, and to enable the whole to be related to the resources likely to be available; and second, to do this in good time for any necessary adjustments in the public sector programmes to be made in an orderly manner.

2.12. The figures projected in the Public expenditure survey are presented to Parliament in annual command papers (White paper). This white paper is discussed for two days in the House of Commons, followed by detailed scrutiny by the Expenditure Committee and its various Sub-Committees.

2.13. The Committee consider that in order to enable the administrative ministries/public undertakings to undertake long term planning of men and materials, etc. in regard to their projects/schemes on a realistic basis, it is essential that they should have broad indications of the funds likely to be available over a reasonable period of time, say for the next five years. The Committee, had, therefore, stressed the need for preparing forward looking budgets in their 24th Report (1972-73) so that advance planning of schemes/projects both in financial and physical terms can be taken up seriously in time by the administrative Ministries and other authorities concerned. This recommendation was reiterated by the Committee in their 48th Report (1973-74) wherein they had urged Government to make every effort to improve the technique of forward planning of men and materials to obviate any shortfall in the achievement of targets in the Fifth Five Year Plan.

2.14. The Committee need hardly point out that the preparation of feasibility reports etc. is both a time consuming and money consuming process. It is, therefore, necessary that reasonable assurance of the projects going through should be available a few years in advance to facilitate the work regarding projects/ schemes being taken up in right earnest. The Committee find that though the Government accepted the recommendation of the Committee to have a forward looking budget, nothing substantial has been done in this behalf. This may well be due to the reason that economic difficulties of an unprecedented magnitude had overtaken the country in recent years. Now that conditions have been brought to near normalcy, the Committee would like the Ministry of Finance to pay earnest attention to the Committee's recommendation to frame a forward looking budget. It should give broad indication of the likely availability of resources and estimated expenditure for the next three to five years. The Committee consider that if this exercise is

done on an yearly basis, it would not only provide Government with basic data and material to refine their budget proposals but would also bridge the gap and the period of suspense which invariably intervenes between the cessation of one Plan and the commencement of the next Plan.

(c) *Sanctioning of Schemes|projects*

2.15. The Ministry of Finance controls the expenditure in three broad stages:—

(1) Pre-budget scrutiny of proposals made by various Ministries and acceptance thereof with such modifications as may be found necessary;

(2) inclusion of provision in the Budget;

(3) sanction for the incurring of expenditure after the Budget has been passed, subject to such powers as have been delegated to the administrative ministries.

2.16. The basis of arrangements in the existing scheme of Delegation of Financial Powers to the administrative Ministries is that once the scheme has been scrutinised and accepted by the Ministry of Finance in all its details and the budget provision has been made, the Ministries have full powers to sanction expenditure to the extent of estimates of a sanctioned scheme and also to sanction excess expenditure over the original estimates of the sanctioned scheme up to 15 per cent or Rs. 1 crore whichever is less, provided the scope of the scheme has not been substantially altered. This, however, also implies that unless a project has been scrutinised and accepted by the Ministry of Finance, even if the provision has been made in the Budget, the amount is not available for expenditure by the Administrative Ministries without consulting the Ministry of Finance.

2.17. With a view to avoiding delays in the commencement of projects, the Administrative Reforms Commission in their Report on 'Finance, Accounts and Audit' recommended that:

> "A definite time-limit, say, three months, should be prescribed for the consideration of schemes by the Finance Ministry. If the decision of that Ministry is not reached within the prescribed period, the case should automatically be put up to the Finance Minister who will decide upon the action to be taken and will communicate the decision to administrative Minister concerned."

2.18. Government accepted the above recommendation subject to the modification that in the case of schemes which are not complete in all respects (i.e., where additional information or clarifications has been sought by the Finance Ministry), the administrative Ministries will also have to observe a similar time limit in furnishing the additional information, etc. and that the proposed three months time-limit for Finance Ministry will be computed from the date complete information has been furnished by the administrative Ministries.

2.19. However, the delays in the sanctioning of the schemes by the Ministry of Finance continued. The matter was also considered by the Estimates Committee (1972-73) in their 24th Report on 'Revision of the Form and Contents of the Demands for Grants'. During evidence before the Committee (1972-73) the Secretary of the Ministry of Finance (Department of Expenditure) had admitted that they were not very much satisfied about the delays which were taking place in the administrative Ministries as well as in the Finance Ministry and were trying to improve the arrangement. It was stated that the Public Investment Board consisting of the concerned Secretaries which included the Planning Secretary and the Secretary of the Ministry concerned was being set up to look into cases which were pending for over two months in the Ministry and then take decision regarding the sanctioning of the schemes. This arrangement was expected to bring about considerable improvement.

2.20 The Public Investment Board was constituted on 30th September, 1972 and the main advantages expected from it were as follows:—

(a) To bring to bear on public investment proposals involving large funds and serious implications to the economy, the benefit of collective experience and wisdom of more than one Ministry on the premise that the responsibility for approving or rejecting the projects was too onerous to be shouldered by a single Secretary.

(b) The basic and critical issues involved in an investment proposal required to be separated from the mass of details and to be intensively examined at the highest official level prior to investment decision by Government.

(c) The establishment of a single fixed forum for investment decisions in the form of the PIB would, besides pinpointing responsibility, also help in cutting down the delay that took place in examination of projects, in eliminating the need for numerous inter-ministerial meetings which diluted responsibility for crucial decisions and in systematising project presentation.

2.21. Inspite of the constitution of the Public Investment Board, which was expected to cut down the delay that took place in the examination of projects, the delays in sanctioning of the projects have continued. The orders constituting the Public Investment Board provided that normally feasibility Report should be brought up before the Board alongwith the appraisal report within a period of three months of the receipt of the Report. However, from the information furnished to the Committee, it is noticed that in 88 cases pertaining to 10 Ministries/Department during the last three years, the feasibility Report was not brought before the PIB for approval within the stipulated period, and there was delay of more than one year in several cases from the date the Report was received in the Ministry of Finance.

2.22. From another statement furnished to the Committee regarding the delays in sanctioning of the schemes, it is seen that there was inordinate delay in sanctioning of not only those schemes which involved large outlay and merited close and detailed scrutiny but even comparatively modest schemes costing less than Rs. 1 crore. For example, one of the schemes costing Rs. 9.62 lakhs for the rehabilitation of displaced persons from East Pakistan squatting on Government and requisitioned properties in West Bengal remained under discussion between the Ministry of Finance and the administrative Ministry for years together. The Scheme which was referred to the Ministry of Finance on the 20th August, 1970 was ultimately cleared by the Ministry of Finance on the 29th May, 1973, i.e. after a period of 33 months. There were similarly five other schemes costing less than Rs. 1 crore for which sanction was issued after a period ranging from 12—25 months from the date the schemes were first referred to the Ministry of Finance. As the information furnished to the Committee did not cover all the Ministries, there was every likelihood of many other cases where the sanctioning of the schemes was inordinately delayed.

2.23. In this connection, the Committee were also informed that the Planning Commission had issued in January, 1975 an elaborate document called 'Guidelines for the preparation of feasibility Reports for industrial projects'. These guidelines had been brought out on the basis of experience gained in following the earlier guidelines that had been issued by Government in 1968. One main reason for the delay was that the type of data that was required to evaluate the proposals by different agencies in Government was never fully available. In the new guidelines they had put down all the data that was meaningful and would be required by one or the other agencies of the Government. The object being that once the project authority submitted the feasibility Report in the form laid out in the new guidelines, it should not really be necessary for the different agencies of Government to go back to the Project authority and ask more questions.

Reasons for Delays

2.24. Regarding the factors which delay the approval of the schemes, a retired eminent administrator stated in a memorandum to the Committee as follows:—

> "The present system is very dilatory and cumbersome. The case is examined in stages by the Expenditure side, the Establishment Division, if necessary by the Economic Affairs Department and also in some cases by the Bureau of Public Enterprises. Some cases also involve the Revenue Side. Each Branch and division considers the case afresh and raises querries repeatedly. Sometimes the same questions are asked by more than one officer. The time involved and the vexation are apparent. Questions are often asked which have no bearing on the functions of the Ministry of Finance. All this leads to killing of initiative and dampening of enthusiasm of the sponsors besides unnecessary waste of time.
>
> The responsibility of the Ministry of Finance and their role is important and is fully understood. Their scrutiny should however be more purposeful, less repetitive and much more speedy."

2.25. The Committee were also informed by the Ministry in a written note that the reasons for the delay in sanctioning of the schemes were that before a large project was presented to the Public Investment Board for investment decision, it had to be scrutinised and examined by various agencies like Planning Commission, Plan Finance, Bureau of Public. Enterprise, Department of Economic Affairs, etc. This processing of a case for presenting to the PIB was coordinated by the Financial Adviser concerned. Delays in placing the project proposal before the PIB and in taking a decision were generally due to delay in the receipt of comments of the scrutinising agencies and/or in the receipt of additional information/clarification from the administrative Ministry concerned in the light of the comments of the scrutinising agencies. To avoid undue delay, the Financial Advisers took inter-departmental meetings to ascertain the comments/views of the scrutinising agencies.

2.26. From the information furnished to the Committee, it was, however, seen that one of the reasons contributing to the delays in sanctioning of the schemes was that the number of back references, made to the administrative Ministries continued to be quite large. In some cases, the case was referred to the administrative Ministry as many as 8-9 times before the scheme was finally sanctioned.

2.27. The reasons for such large number of back references could be that either the schemes submitted by the Ministries were not properly planned and submitted to the Ministry of Finance with all the required details, or the Ministry of Finance called for the additional information piece-meal instead of raising all the points at a time.

2.28. The Committee enquired as to what extent the large number of back references were due to the schemes being received with incomplete details from the Ministries. In a written reply, it had been stated that in respect of schemes submitted by the Ministries of Works & Housing, Labour, Education, Health and Family Planning, the schemes were not always received by the Ministry of Finance with complete details. In such cases, further details had to be sought from the administrative Ministries. The Secretary of the Ministry, however, stated during evidence, in this connection, as follows:—

> "I would submit that our approach should be that this is an investment proposal of Government for investment of public funds. It is no part of our job to point out with glee that somebody has failed to see something and we send it back with wise advice. This is a composite endeavour. The Finance Ministry is as interested in the outcome of the investment as the administrative Ministry. I do not regard the Finance Ministry's job to be of finding fault with the other Ministry or to show that its officers are cleverer than the officers who prepared the projects. I do not believe any of my senior colleagues will differ from me. Our job is to get the thing done in the best possible way. So the other people not preparing their projects properly is no excuse because we are constantly working with them. We are very often in the same building. We attend the meetings. The effort should be to get

the material prepared in the best possible way for important decision by Government.

I would not like to pursue the question—do we find the proposals to be defective in many ways? They are bound to be defective in some way, it is not possible for anybody to be so wise. All defects should be overcome."

2.29. As regards back references to the Ministries due to calling of information by the Ministry of Finance piece-meal instead of raising all the points at a time, the Secretary of the Ministry stated during evidence that there had been cases where the Finance Ministry had made a second reference back to the Ministry on a point which should have occurred to them on the first occasion. This usually happened when the second reference was made by a higher officer. It was possible to have harassing and duplicating questions if the matter was dealt with at a low level in each of the Departments in the Ministry of Finance and the only way out of this was for the senior officers in these departments to make sure that time was not wasted by important matters being 'examined' by a Section Officer or at the Under-Secretary level. The Secretary of the Ministry also stated:

"I must confess that when I saw the list of cases annexed to our replies to your question (regarding number of back references) I myself was taken aback........I do not rule out the possibility that a number of these references were unnecessary or, harassing or effectively what is called 'disposal'. There is a certain tendency among officers to get rid of papers from their tables by pushing it back somewhere with a question so that they are no longer responsible for it for the time being."

2.30. The Committee were also informed that it had been decided to introduce a system of 'Integrated Financial Adviser' under which the post of Associate Financial Adviser in the Ministry of Finance (Department of Expenditure) and Internal Financial Adviser in the Administrative Ministry will be amalgamated and there will be a single 'Integrated' Financial Adviser of the rank of Joint Secretary/ Additional Secretary for the Ministry who will be a part of the Ministry itself. However, in matters beyond the powers delegated to the Ministry, the Integrated Financial Adviser shall be responsible to and have the right of access to the Ministry of Finance. It was stated during evidence that after the introduction of this system, there will be no question of any body outside the Ministry at a lower level criticising or commenting on the considered proposal of the Ministry. The Ministries themselves through their own financial Adviser would prepare a proposal and where it had to receive the Finance Ministry's approval would send it to the Additional Secretary or Secretary (Department of Expenditure).

2.31. It is however seen that even after the introduction of the system of Integrated Financial Adviser, in respect of the formulation of the Ministry's development plans, Plan Finance Division in the Department of Expenditure would have to be consulted. The procedure for taking approval from the Public Investment Board and Expenditure Finance Committee will also continue to be applicable, the Integrated Financial Adviser taking on the role at present discharged by Associate Financial Adviser.

2.32. The Committee note that no expenditure can be incurred on a new scheme/project at present, without the Ministry of Finance having scrutinised and accepted it. They regret to note that there have been inordinate delays in the scrutiny and sanctioning of the schemes by the Ministry of Finance resulting in delay in their implementation. Although the Administrative Reforms Commission suggested a time limit of three months for the approval of the schemes by the Ministry of Finance which was accepted by Government, the schemes have in several cases, remained under consideration of the Ministry of Finance for more than a year after their first submission. A large number of back references had been made by the Ministry of Finance at various levels to the administrative ministries. In some cases, these references had been made 8 to 9 times calling for additional information on various points instead of raising all points in one consolidated reference. It may be that some of these back references were due to the Ministry of Finance going into matters of details which could have been better left to the administrative ministries concerned.

2.33. The Committee would like Government to bring it home to all officers responsible for processing proposals/schemes that delays can prove very costly and can act as a drag to the development process. It is, therefore, imperative that all proposals are processed and finalised with due expedition and prudence.

2.34. The Committee have been informed that in regard to industrial projects, new detailed guidelines have been formulated for the preparation of feasibility Reports to reduce the large number of back references to administrative ministries calling for additional

information. The Committee consider that the introduction of the system of Integrated Financial Adviser will enable the Ministries to undertake themselves the detailed financial scrutiny that hither to had been done in the Department of Expenditure. The Committee need hardly point out that mere laying down of guidelines or introduction of the system of Integrated Financial Adviser are not by themselves going to achieve the objective of speedy processing and scrutiny of projects unless there is a purposeful and close sense of involvement by all concerned from the initial stages to work out meaningful details and finalise the projects which will be in the best national interest. The Committee hope that the revised system will expedite the process of formulation and implementation of the projects/schemes. They would, however, like to judge the revised system by the results achieved.

(d) *Consideration of Plan Schemes*

2.35. In so far the scrutiny of schemes and allocation of resources for development purposes are concerned, the Planning Commission has an important role and the Finance Ministry works in close consultation with the Planning Commission. The allocation of resources for Plan schemes is made in accordance with the Annual Plan finalised within the frame-work of the five year Plan. Therefore, the administrative Ministries have also to submit their Plan schemes to the Planning Commission. In regard to these schemes/projects, generally speaking the following details are required to be furnished to the Planning Commission:—

(i) total investment on the schemes/projects.

(ii) Foreign Exchange component.

(iii) Year-wise phasing of investment.

(iv) Capacity proposed to be created and phasing completion.

(v) Contribution in terms of increased production or increased benefits.

(vi) Contribution to exports.

(vii) Economic viability of the project.

(viii) Full justification for the project keeping in view plan targets and priorities.

2.36. In regard to the industrial projects, the details required by the Planning Commission are still more as set out in the guidelines of the programmes of feasibility Reports for industrial projects. At the time of sending the schemes to the Planning Commission, the Estimates of expenditure involved, are also made on a more or less realistic basis, although, it might not be possible at this stage for a

Ministry to furnish all the minutest details of the schemes or to furnish very precise estimates of expenditure involved.

2.37. On the basis of this information, and after taking into account the priority of the schemes, the Planning Commission accepts these schemes in principle and fixes the total outlay on these schemes. These schemes are discussed in the annual plan discussions at which the Ministry of Finance is also represented.

2.38. It has, however, been stated that acceptance, on in principle of a scheme by the Planning Commission does not mean that Government have sanctioned the scheme. Government sanction is issued only after the investment decision is taken. For taking the investment decision the scheme is submitted to the Expenditure Finance Committee/Public Investment Board and/or the Cabinet, in accordance with the orders issued by the Ministry of Finance. The Ministry of Finance initiates action for taking investment decisions only after the Feasibility Reports/Detailed Project Reports are ready. These reports are scrutinised thoroughly in consultation with the various scrutinising agencies including the Project Appraisal Division of the Planning Commission and only after it is established that these schemes are technically feasible and economically viable they are placed before EFC/PIB and/or the Cabinet for investment decisions.

2.39. In this connection, the Committee find that in U.K. the Select Committee on Estimates (1957-58) recommended a more generous relaxation of control by prior sanction and more use of 'control by Programmes'. Since that time the delegation of powers from the Treasury to Departments has been considerably extended although the Treasury does not yet control by programmes alone.

2.40. Similarly, in Canada, the Treasury Board determines in detail the funds to be made available for specific programmes administered by the various departments and fixes the personnel establishment to be allocated to them. Even in respect of capital projects, the Departments are not required to seek approval from the Treasury Board for:

(a) the acquisition by purchase of data processing equipment costing less than 1,00,000 dollars or;

(b) any other project costing less than 2,50,000 dollars provided that funds are available within approved estimates and provided also that Treasury Board approval has not been specifically reserved through a request in writing for a separate submission on a given project.

The authority to proceed with a capital project is no doubt subject to an allocation of funds required for a given project. Such allocation being made only by the actual inclusion of, or a specific commitment by the Board to include the necessary funds in Main or Supplementary Estimates or by the specific allotment or transfer of already appropriated funds for another project.

2.41. The Committee note that in the case of Plan schemes, the adminisrative Ministries are required to furnish to the Planning Commission the broad details of the schemes including the estimates for obtaining their approval. These schemes are discussed in the annual plan discussions at which the Ministry of Finance is also represented. On the basis of the information furnished by the Ministries and after taking into account the priority of the schemes, the Planning Commission accepts these schemes in principle and fixes the total outlay thereon. These schemes are also required to be submitted to the Ministry of Finance for sanction. The Committee consider that there should be an integrated examination of the broad details of the schemes, including the financial implications before these are approved and outlays fixed therefor by the Planning Commission. The detailed scrutiny and the sanctioning of expenditure on these schemes thereafter should be the responsibility of the administrative ministries concerned.

2.42. The Committee emphasise that there should be a meaningful and speedy scrutiny of the programmes/schemes. In undertaking the scrutiny the following aspects should be prominently kept in view:—

(a) the purposes/objectives which are proposed to be served by the schemes and their relative importance keeping in view the planned targets and priorities.

(b) whether the programmes/schemes serves best the objectives in view on the basis of the cost-benefit analysis or whether alternative programmes could serve the same objectives with less expenditure within the same time frame.

(c) whether suitable norms/standards or other performance indicators have been included as an integral part of the scheme to provide the basis for effective management control and evaluation of the programme/scheme after its completion.

2.43. In recent years it has come to be recognised that the ultimate responsibility for both economy and efficiency must be placed

squarely on the shoulders of administrative Ministries/Departments. Centralisation of authority in regard to detailed scrutiny and approval of individual schemes in the Ministry of Finance leads not only to delays but also results in escalation of costs of schemes/projects. The Committee, therefore, consider that the Ministry of Finance should retain functions in conformity with their responsibility for providing broad guidelines and overall financial control through sanctioning of funds and making budget allocations to the administrative ministries, taking into consideration the availability of resources, the competing demands of the various Ministries/Departments and plan priorities and the progress of the on going schemes/projects both in physical and financial terms.

2.44. The Committee have no doubt that the introduction of the system of Integrated Financial Adviser will provide the requisite expertise to the administrative ministries for detailed scrutiny of the projects. The Ministry of Finance, if necessary, could issue suitable guidelines to ensure proper approach in scrutinising and sanctioning of the schemes.

2.45. The Committee would suggest that the points about the feasibility and economics of the project which are taken into consideration at the time of scrutiny by the Public Investment Board may be specifically brought to the notice of the Ministries and Integrated Financial advisers, so that these are kept in view ab initio while projects schemes are being processed in the administrative Ministries. This would not only save time but would make for meaningful examination of the projects/schemes.

2.46. The Ministry of Finance should also develop suitable parametres for the evaluation of the programmes after their completion to determine the efficiency and economy in execution and to see how far the objectives have been fulfilled as envisaged. On the basis of such evaluation, useful points of general application could be called out which could be gainfully utilised to update the guidlines mentioned in the earlier paragraph.

CHAPTER III

FINANCIAL POWERS OF MINISTRIES|DEPARTMENTS IN VARIOUS FIELDS

(a) *Creation of Posts*

3.1. At present under the rules the Ministries have generally the powers to create temporary posts carrying pay scales not exceeding Rs. 2750/-. However, there is a temporary ban on the creation of new posts. The Committee were informed during evidence that the so called ban merely implied that a specific approval of the cabinet was required to undertake the appointment of new staff for any purpose. The ban did not cover plan schemes. Once a plan scheme was approved, the staff required for it was sanctioned and for that purpose no reference to the Cabinet was required. But if for implementing the plan schemes, the Central Ministries required to strengthen their staff, that came under the ban. That was done deliberately in an effort to maximise the utilisation of the potential that might exist with the Ministries for rationalisation.

3.2. In this connection it is seen that the orders issued by the Ministry of Finance (Department of Expenditure) in June, 1962 provided that each Ministry should set up internally a competent work study unit to assist the Ministry in laying down norms for particular types of work and also to examine such proposals as were referred to it by the Ministry for staff re-organisation or creation of posts (both in the Department and in offices under it). The special re-organisation unit of the Expenditure Department was prepared to assist the Ministries in setting up such units, if necessary.

3.3. The orders also provided that "in the case of the larger offices under the administrative Ministries it might be necessary to have trained personnel for conducting work studies. This will be without prejudice to the work study units in the Ministries themselves conducting such studies as they might like to undertake from time to time. The units in the Secretariat would also generally superintend and guide the working of the units in lower formation."

3.4. The order issued in October, 1968 again provided that a Work Study Unit should be set up in each Ministry|Department. The functions of the Internal Work Study Unit, which works directly under the Secretary are as follows:

(i) to study the organisational structure, methods of work, and procedure of the Ministry/Department with a view to suggest measures for reform so as to improve the efficiency of the organisation;

(ii) to study the staffing of the establishments under the Ministry/Department with a view to suggest economy in staff consistent with administrative efficiency; and

(iii) to evolve standards of performance and norms of work relating to jobs peculiar to the Ministry/Department.

3.5. Besides the studies to be made by the Internal Work Study Units of the Ministries, the Staff Inspection Unit of the Ministry of Finance can conduct its own studies in any Ministry|Department and is required to evolve standards for jobs common to several Ministries/Departments and to make them available to all the Ministries. Further, norms/studies evolved by the Work Study Units of the Ministries for jobs pertaining to their ministries are subject to review by the staff Inspection Unit. In suitable cases, other studies conducted by the Internal Work Study Units are also subject to test check by the Staff Inspection Unit.

3.6. The Committee enquired the action taken to evolve standards of performance and norms of work by the Staff Inspection Unit of the Ministry of Finance and the Internal Work Study Units in the Ministries. They were informed that so far as Staff Inspection Unit was concerned they had evolved 193 norms which had been circulated to the various Ministries/Departments for adoption in respect of their Staff working in the houses keeping sections. It covered nearly 4-5 lakhs of employees.

3.7. As regards the Internal Work Study Units in the Ministries the Committee have been informed that such units have been set up in 34 Ministries|Departments and 15 subordinate organisations However, since the task of evolution of work norms/standards of performance is a time consuming process, very little progress has been made by these units in this regard. In this connection the representative of the Ministry of Finance stated during evidence as follows:

"It is true that the internal work study units functioning in the various Ministries and attached Offices have not completed the norm studies, to the extent we would normally desire. But there have been some problems. In the first 3 or 4 years, they were building up cells.

Secondly, apart from doing this norm study, they have been doing method study as well. They were doing a double-function. We have to go first into the methods adopted by the various departments and rationalize them. On the rationalised basis, we could evolve a norm study which can be implemented for the purpose of staffing. In spite of this, in some areas where the work is of a repetitive nature and is more amenable to this sort of a study being conducted, *e.g.*, in P&T which comes under the SIU, they have conducted about 20 studies covering one lakh posts. Similarly, in the I & B Ministry, they have done it in respect of some Class III and IV posts. But in other Ministries, there are problems. The work is not repetitive and the posts are not many. In those cases, it may not be worthwhile spending time and energy in evolving suitable norms."

3.8. The delegation order of 1968 also provided that the Internal Work Study Units should draw up cyclical programmes for conducting studies. Copies of such programmes and the reports were required to be furnished to Staff Inspection unit of the Ministry of Finance which could issue separate instructions regarding the methodology to be adopted in conducting work studies and the form of reporting the result thereof.

3.9. Asked about the action taken by Staff Inspection Unit in this regard, the representative of the Ministry stated during evidence as follows:—

"Some Ministries have been sending their programmes regularly, and some not. But where they have sent such programmes, they were examined by the Staff Inspection Unit with a view to seeing that the areas taken up were suitable & guidance given. Where norms are being evolved, they are test-checked by the Staff Inspection Unit; and then an agreed norm is evolved, which is circulated and adopted for future pattern of staff."

3.10. It is also seen that for reorganising that internal pattern of work in Ministries/Deptt., in their Report on the Machinery of the Government of India and its procedures of work, the Administrative Reforms Commission recommended in September, 1968 as follows:—

"There should be only two levels of consideration and decision below the Minister, namely, (i) Under Secretary/Deputy Secretary, and (ii) Joint Secretary/Addl. Secretary/Secretary. Work should be assigned to each of these two levels on the lines of "desk-officer" system. Each level should be required and empowered to dispose of a substantial amount of work on its own, and be given the necessary staff assistance."

3.11. In pursuance of the recommendations of the ARC, Government accepted in principle in January, 1973 the introduction or the 'desk officer' system. It was, however, provided that the implementation of this decision would have to be selective and carried out in a phased manner. It was decided that the system should be effectively installed in at least one wing in 1973-74 *i.e.* by 31st March, 1974. A Committee consisting of senior officers of the Department of Administrative Reforms Commission and the Ministry of Finance (Department of Expenditure) was formed in January, 1974 to provide necessary guidance, take quick decisions on problems and supervise implementation of the system in Ministries/Departments.

3.12. The Committee of Secretaries on Internal Affairs which reviewed the position in August, 1975 took note of the fact that majority of Ministries/Departments had yet to instal the 'desk officer' system in the first phase while several had yet to commence effective action on implementation by selecting suitable areas and drawing up necessary scheme for re-organisation in accordance with the time-bound programme approved by it.

3.13. In reply to a question in Rajya Sabha (U.S.Q. 369 dt. 18-3-76), it has been stated that the 'desk officer' system has so far been implemented in some sections of 22 Ministries/Departments and action was being taken in other Ministries/Departments to introduce the system in a phased manner. The system was proposed to be introduced over a period of 5 years so that the introduction of the reform caused minimum dislocation of staff and ensured proper absorption of surplus staff, if any.

3.14. The Committee cannot over-emphasise the need for rationalisation of methods of work adopted by the various Ministries/Departments and of evolving scientific work norms. Rationalisation of methods and fixing of norms is essential not only for effecting economy and improving overall efficiency in the Departments but for setting targets and measuring performance also. Moreover it would be in the interest of Ministry/Department themselves to have such norms to dispel a general feeling that the Government Departments are over-staffed.

3.15. The Committee note that the staff Inspection Unit of the Ministry of Finance has evolved 193 norms, covering about 45 lakh employees working in house keeping sections which have been circulated for adoption to the various Ministries/Departments. The Committee are however concerned to note that although in pursuance of the delegation orders issued in June, 1962, Internal Work Study Units have been set up in 34 Ministries/Departments, progress made in regard to evolution of work norms by these units even after a lapse of thirteen years has been tardy. They further find that although these Internal Work Study Units were required to draw cyclical programmes for conducting such studies and were to send copies of such programmes as well as their study reports to the Staff Inspection Unit of the Ministry of Finance the programmes and reports are not being sent regularly by these Units. The Committee regret that the Ministry of Finance also did not keep a watch in regard to the receipt of such programmes and reports to ensure that suitable time bound programmes for work studies are actually drawn up by the Internal Work Study Units and that studies carried out are in accordance with such programmes. The Committee urge that scientific work norms studies should at least now be carried out according to a time bound programme by all the Ministries/Departments in respect of the various jobs. The Ministry of Finance and the Department of Administrative Reforms should help the Ministries in carrying out such studies by providing guidelines in regard to the methodology to be adopted and training the personnel for conducting such studies.

3.16. The Committee consider that evolution of norms is a prerequisite to the delegation of further powers to the Ministries/Departments for creation of posts as the existence of suitable work norms could serve as a parameter for judging the requirements of the Ministries/Departments for additional staff.

3.17. The Committee suggest that the O & M Unit in each Ministry should form an integral part of the Integrated Financial Adviser's division. This would help in developing norms/standards which would be objective and would fully take into account the cost-benefit factor.

3.18. The Committee also consider that there should be a standing Committee of representatives of the Ministry of Finance and Department of Administrative Reforms, not below the rank of Joint Secretary, which should review once in six months the progress made in the evolution of norms and standards and the rationalisation of

staff. The Committee also consider that the evolution of norms/standards would be an effective instrument for regulating staff strength of the Department/Ministry for dealing with any proposals for additional staff.

3.19. The Committee find that the Administrative Reforms Commission suggested in September, 1969 the introduction of the 'desk officer' system as a part of the scheme for re-organising the internal pattern of work in Ministries. They regret to note that it was only in January, 1973, i.e., after a lapse of five years that the Government accepted in principle the recommendation of the Commission and decided to introduce the scheme in a phased manner. The Committee also find that although it was decided that the 'desk officer' system should be effectively installed in at least one wing of a Ministry/Department by 31st March, 1974, the progress made in this regard has not been satisfactory. It is now proposed to introduce the system in various ministries/Departments in a phased manner in a period of five years during 1975-79. The Committee desire that the 'Desk Officer' system should be extended expeditiously to cover all the wing of the Secretariat that can be brought under it to effect rationalisation in staffing and to make the administration more action-oriented. The Committee suggest that this system should be particularly introduced in Departments having public dealings or where schemes/projects have to be executed with expedition and according to a time bound programme.

(b) *Powers to make purchases*

3.20. At present, the administrative ministries have to obtain generally the previous consent of the Finance Ministry if the value of any purchase or contract exceeds rupees fifty lakhs. In the case of purchases by the Central Purchasing Organisation, the Department of supply has powers upto Rs. two crores. In the case of negotiated or single tender contract the limit is still lower, i.e., Rs. 20 lakhs for all the administrative ministries except the Department of Supply, in whose case, the limit is upto Rs. one crore.

3.21. In 1973, as a result of the review of the financial delegations, the Group of Ministers recommended enhanced delegations in several respects including the direct purchase of stores by the indenting Departments. However, the consideration of the recommendations of the Group in this regard is stated to be awaiting recommendations of a high powered committee which was appointed in December, 1974. The Report of the Committee is still awaited.

3.22. The Committee are surprised to find that inspite of recommendations made by the Group of Ministers as early as 1973 no action has been taken by Government to enhance the powers of the indenting departments in respect of direct purchase of stores and the matter is awaiting consideration by another high powered Committee set up in December, 1974. The Committee regret to note the inordinate delay in this regard. If any discussion at high level was required, it should have been completed well in time and concrete proposals for delegation of enhanced powers in regard to direct purchase of stores etc. evolved by now.

The Committee would like to point out that genuine difficulties are being experienced by the Ministries/Departments due to lack of adequate powers in regard to purchase of stores and spare parts for machinery. For example, in Border Roads Organisation, vehicles and equipment of the value of Rs. 2.46 crores were lying unutilised as on 31st March, 1975 for want of spares. This is by no means an exceptional case. The Committee need hardly point out that the essential criteria in delegation of financial powers is the cost-benefit factor. It is obvious that if the Administrative Ministries/Departments have the authority to procure requisite stores, spares, etc. not only will they be able to maintain the equipment and machinery in fully operational condition but this would also greatly bring down the heavy inventories which are built up by the Government organisations due to a feeling of uncertainty about the timely availability of stores and spares. The Committee desire that with the introduction of the system of integrated Financial Adviser, suitable procedures should be evolved whereby it is possible for the Ministries/Departments to purchase expeditiously essential stores and spare parts for machinery and equipment as per the procedure to be prescribed in this behalf to safeguard public interest. The Committee would like to be informed of the concrete action taken in this regard.

(c) *Powers of re-appropriation*

3.23. According to the delegation orders of October, 1968 the administrative ministries have been given, in general, full powers of re-appropriation within a grant provided there is no diversion of funds intended for Plan schemes to non-plan activities, both under Revenue Heads and under Capital Heads and there is no augmentation of total provision made under a Grant for administrative costs (viz. pay, allowances and other charges).

3.24. In this connection one of the retired Secretaries of the

Government of India stated in his evidence before the Committee as follows:—

> "Some of the development Ministries like the Ministry of Agriculture come across a lot of development problems which might suddenly crop up in the light of the situation witnessed by their experts in India, in any State or any area. Then it should be possible for that Ministry to re-appropriate even from plan to non-plan schemes provided that the non-plan thing is for the development purposes and some safeguards are employed that this authority is not misused."

3.25. In its report submitted in October, 1971 the Team appointed by Government to consider certain matters relating to accounts and budget heads, observed that "a large chunk of expenditure which is now classified as 'non-Plan' is also developmental in character but is classified as 'non-plan' expenditure either because it is a committed expenditure on completed schemes of earlier plans or is a spill over from the earlier plan or is outside the plan allocation agreed to by the Planning Commission." It felt that this position had given rise to some misunderstanding about the nature of public expenditure and suggested laying down of suitable guidelines in this regard by the Ministry of Finance and the Planning Commission.

3.26. The matter was also considered by the Estimates Committee (1972-73) and in their 24th Report they observed as follows:—

> "The Committee are unable to appreciate how in the absence of clear guidelines expenditure could be classified as Plan and non-plan. The Committee would like the Planning Commission and Government to finalise the matter without further delay so that clear guidelines in this behalf are issued and observed in preparing the budget documents."

3.27. In their reply, furnished in September, 1973 the Government stated that the recommendation was being examined in consultation with the Planning Commission. In their 48th 'Action Taken' Report on the 24th Report, the Estimates Committee (1973-74) expressed their unhappiness about the inordinate delay and urged that it was a matter of great urgency and importance that the guidelines for classification of Plan and non-plan expenditure were finalised and issued at least before the commencement of the Fifth Five Year Plan in the interest of effective budgetary control.

3.28. During evidence the Committee enquired the reasons for the delay in laying down the guidelines for plan and non-plan expenditure. The representative of the Ministry of Finance stated as follows:—

> "Even though there are no formal orders issued, regarding the items to be included under Plan and Non-plan, there is a practical working arrangement. Each Ministry knows which items are to be included under each. This problem generally arises at the beginning of a Plan when a certain view has to be taken, particularly in the case of Social Services like Education, Health, etc. We have to see which item is to be treated as committed, and which as non-committed. In respect of security, administration and even industrial projects, there is no problem at all. The maintenance expenditure is automatically treated as non-plan. In the case of Social Services, it will have to be decided as to what level has already been reached by the economy in them. Only beyond that they are treated as a Plan expenditure. In regard to re-appropriation, there is no difficulty, because these are all indicated separately in the demands for grants."

3.29. The Committee were also informed that the question of issuing guidelines was under consideration with the Planning Commission.

3.30. The Committee are concerned at the inordinate delay in the issue of guidelines for the classification of expenditure as plan and non-plan. As early as October, 1971 the Team appointed by Government to consider certain matters relating to Accounts and Budget Heads suggested laying down of suitable guidelines in this regard. The Committee also in their 24th Report (1972-73) as well as in their 48th Report (1973-74) stressed the urgency of finalisation of these guidelines. It is unfortunate that these guidelines have not been finalised so far although the representative of the Planning Commission had informed the Committee in October, 1972 that these were expected to be finalised by the end of the financial year, 1972-73.

. . . .

3.31. The Committee are unable to appreciate the reasons for the prolonged delay in issuing the guidelines when according to the Secretary of the Ministry of Finance, there is a 'practical working arrangement' regarding the items to be included under plan and non-plan expenditure. They urge that the guidelines for classifi-

cation of expenditure as plan and non-plan should be finalised without any further delay and issued for the guidance of the Ministries/ Departments so that developmental work does not suffer because of the present embiguity regarding classification.

3.32. The Committee need hardly point out that a clear definition of plan and non-plan expenditure would also help in the proper classification for preparing the performance budgets and evaluation based thereon.

(d) *Powers in regard to write off of losses*

3.33. The administrative ministries have generally the powers to sanction write off losses of stores upto Rs. one lakh provided the loss is not due to theft, fraud or negligence. In other cases, they have powers to write off losses upto Rs. 25,000.

3.34. During evidence, the Committee enquired whether full powers should not be delegated to the administrative ministries to write off losses of stores etc. after a thorough investigation of the case. The representative of the Ministry of Finance stated as follows:—

> "Under our system, accounting of stores and accounting of money are governed by Central rules, the Stores Accounting Rules and General Financial Rules, under the administration of the Finance Ministry. Therefore, if any loss or theft of money or stores takes place, we will have first to see that there is no basic lacuna in the system itself. That is why it is brought to the notice of the Finance Ministry."

3.35. The Secretary of the Ministry, however, agreed that there was a strong argument for greater delegation of powers in the case of write off and stated as follows:—

> "Where losses have actually occurred, we should prevent delay in write off. If the write off procedure is too complex, people will simply carry on losses from year to year. I think we have to guard against that. Where the loss is irrecoverable, better accounting principles require that the write off should be as early as possible. We would be prepared to examine the present position."

3.36. The Committee note that at present the Administrative Ministries/Departments have generally the powers to sanction and

write off losses of stores upto Rs. one lakh provided the loss is not due to theft, fraud or negligence and upto Rs. 25,000 in other cases. All cases above these amounts are sent to the Ministry of Finance for sanction. The Committee feel that in the matter of loss of stores, the responsibility should be placed squarely on the administrative Ministries/Departments to make a thorough and searching investigation of such cases, to sanction write off of losses and to apply the lessons learnt therefrom to prevent the recurrence of such cases in future.

3.37. One of the reasons advanced for retaining powers by the Ministry of Finance in this regard is that they have to see whether such a loss was not due to any basic lacuna in the system itself. The Committee consider that this objective can be achieved by calling a periodical statement of losses together with reasons therefor and examining them to see if they reveal any defects in the system of work or any lacuna in the rules etc. Thereafter suitable action can be taken by the Ministry of Finance to devise remedial measures in the shape of issuing guidelines or the amending of rules etc.

3.38. The Committee recommend that in the light of the above and the introduction of the system of Integrated Financial Adviser, Government may consider the question of suitably enhancing the powers of the administrative ministries to write off losses of stores. This should, however, not preclude any thorough investigation or probe being conducted by Ministries/Departments, where there are heavy losses, to pin-point responsibility and to obviate the chances of their recurrence. A periodical statement should be submitted to the Ministry of Finance showing the reasons for the losses and the remedial measures taken to ensure that such losses do not recur.

(e) *Recommendations of Working Group of Administrative Reforms Commission on Financial Rules*

3.39. The Working Group of the Administrative Reforms Commission on Financial Rules examined the powers exercised by the various authorities in C.P.W.D., Directorate General of Supplies and Disposals and the Printing and Stationery Departments and suggested several changes. In their Report on Delegation of Financial Powers, the A.R.C. referred to some of these items and the observations made by the Working Group and stated that "while we are in general agreement with the approach of the Working Group in suggesting a large measures of delegation we do not propose to comment on each of the large number of suggestions*** We would leave it to Government to scrutinise the detailed suggestions of the Working Group and take decisions thereon."

3.40. The Committee enquired the action taken by Government on the recommondations of the Working Group. They were informed that as the suggestions concerned a variety of rules, they were examined in 1969 by a number of sub-Committees presided over by Joint Secretaries concerned with the respective subjects and a representative of the C & AG was also associated with the discussions. The recommendations made by the sub-Committees were then placed before a Committee of Secretaries. The Committee of Secretaries accepted the recommendations of the sub-Committees in November, 1971. The Cabinet was apprised of the position in May, 1974. While most of the recommendations of the Working Group have been accepted in some cases these have either not been accepted or have been accepted with some modifications.

3.41. From the three statements furnished by the Ministry in this regard, (Appendix II), it is seen that in respect of some of the recommendations which have been accepted by Government with or without modifications, action has not been taken so far for the actual implementation of those recommendations. Some of these recommendations in regard to delegation of powers are mentioned below:—

(i) Powers to sanction major works

3.42. The Working Group of Administrative Reforms Commission on Financial Rules pointed out that the administrative Ministries or even the Ministry of Works, Housing and Supply do not enjoy any powers of according approval and expenditure sanction to any major work, without the concurrence of the Finance Ministry. It suggested that it should be within the competence of the Ministry of Works and Housing and Supply/Administrative Ministry to sanction, on the basis of estimates prepared by the Central Public Works Department, works costing upto Rs. 5 lakhs to reduce the number of not so important reference at present made to the Finance Ministry. Asked about the action taken in this regard, the Committee were informed during evidence in December, 1975 that this recommendation was accepted by Government in 1974. However, the formal orders in this regard had not been issued so far. Subsequently, the Committee were informed in a written reply on 19th March, 1976 that orders empowering the administrative Ministries to issue expenditure sanction in respect of major works costing upto Rs. 5 lakhs without reference to the Ministry of Finance had since been issued.

(ii) Delegation of Powers in D.G.S. & D.

3.43. In pursuance of the recommendation of the Working Group of A.R.C. it was agreed that the powers of D.G.S. & D. for the purchase of proprietary articles by single tenders be raised from Rs. 5 lakhs to Rs. 8 lakhs. In the matter of waiver of liquidated damages for delays in supply and also for waiving of recovery in cases of losses arising out of risk purchases, the powers of the Director General and Deputy Director General proposed to be raised from Rs. 1000 to Rs. 2,500 and from Rs. 100 to Rs. 500 respectively.

It has been stated by Government that the purchase of powers of the Department of the Supply and other Ministries have been enhanced in July, 1975. Consequently, the entire delegation of powers, to the Director General and Deputy Director General and other officers in the D.G.S. & D. is under review in the Department of Supply and this includes the question of raising the powers of Director General to make purchases of proprietary stores on single tender basis. The review also includes the question of increasing the powers of Director General and Deputy Director General for waiving the recovery of losses arising out of risk purchases.

(iii) Delegation of Powers in the C.P.W.D.

3.44. In pursuance of the recommendations of the Working Group, the Government have agreed to raise the powers of officers of the C.P.W.D. at different levels in different types of cases. Thus in the case of acceptance of single tenders, the powers of the Executive Engineers are proposed to be raised from Rs. 5,000 to Rs. 10,000 and those of the Engineer-in-Chief Engineer from Rs. 15 lakhs to Rs. 25 lakhs. The powers of the Engineer-in-Chief/Chief Engineer for the award of work to the lowest tenderer, without the approval of the Central Works Advisory Board, are proposed to be raised from Rs. 25 lakhs to Rs. 40 lakhs. The Chief Engineer is also proposed to be given full powers to issue proprietary articles certificates wherever considered necessary and also to make direct purchase of articles required in cases of extreme urgency from whatever source they consider advisable so long as the rates are at par with or within the rates prescribed by D.G.S. & D. for the same articles or for articles of similar specifications.

3.45. Similarly, in the case of award of contract without calling tenders or by negotiations with a firm which has not submitted quotation, it was agreed that the powers of the officers in C.P.W.D. may be raised as follows:—

Executive Engineer	: Rs. 15,000
Superintending Engineer	: Rs. 25,000
Chief Engineer/Engineer-in-Chief	: Rs. 100,000

(iv) *Delegation of Powers in the Department of Printing and Stationery*

3.46. In pursuance of the recommendations of the Working Group Government have agreed to raise the powers of the various officers in the Department of Printing and Stationery for different categories of work. For instance, the powers of the Chief Controller of Printing and Stationery for execution of printing work on tender basis by accepting the lowest quotation, which are, at present, limited to cases not exceeding the scheduled rates by more than 50 per cent, are proposed to be increased to cover cases where the quotations do not exceed the scheduled rates by more than 100 per cent. His powers for execution of work without calling for tenders are proposed to be raised from Rs. 1,000/- to Rs. 5,000/-. Similar incrases are also proposed in respect of purchase of stationery stores, the powers of the Controller of Printing & Stationery are proposed to be raised from Rs. 2 lakhs per item to Rs. 5 lakhs per item on each occasion.

3.47. The Committee were informed in a written reply on 19th March, 1976 that in respect of some of the accepted recommendations concerning the Ministry of Works and Housing, the delegated powers of the authorities had since been enhanced, in respect of the remaining, the matter was being pursued vigorously and it was expected that it might be possible to issue necessary orders in the next two or three weeks.

3.48. The Committee note that it was in June 1969 that the Administrative Reforms Commission submitted its Report on Delegation of Financial Powers commending for consideration by Government the suggestions of the Working Group on Financial Rules. It is regrettable that even after the lapse of six years, no significant progress has been made to implement even those suggestions of the Working Group which had been accepted by them long ago, which include inter alia **the suggestions for delegating enhanced powers to tbe some of the Ministries/Departments like C.P.W.D., D.G.S.&D., Department of Printing and Stationery, etc. In the opinion of the Committee such inordinate delay in the actual implementation of**

their own decisions, do not speak well of the functioning of the administrative machinery. The Committee stress that the suggestions of the Working Group which have already been accepted by Government should at least now be implemented without any further delay and the action taken in this regard intimated to them.

3.49. The Committee would also like that the reasons for the delay in implementing the decisions should be investigated and the responsibility fixed.

3.50. The Committee expect that Government would extend the principle of delegation of enhanced powers to all executing agencies in the interest of speedy execution of schemes/projects.

(f) *Re-delegation of Financial Powers*

3.51. For the speedy implementation of plan projects, it is essential that there should be not only substantial devolution of powers to the administrative ministries/departments but also to the actual executing agencies which would have the primary responsibility of attaining plan targets within the financial limits set for them. The needs for this had been recognised by the Government and the orders, issued by the Ministry of Finance in June, 1962, delegating additional powers to the Ministries, mentioned that administrative ministries should in their turn delegate to the maximum extent administrative and financial powers to Heads of Department and also to other subordinate authorities with due regard to their respective levels of responsibilities. It emphasised that such delegations were an integral part of the present scheme and its purpose would be defeated if the additional powers were retained by the Ministries. The Ministries were given full powers to re-delegate in their own discretion all their powers, if necessary, to Heads of Departments/Heads of Offices, etc. under them and they were requested to take urgent steps to, delegate necessary powers and to inform the Finance Ministry of the action taken.

3.52. Again in October, 1968 when further powers were delegated to the Ministries, it was stated that Ministries having attached and subordinate offices should in each case review in consultation with the Internal Financial Adviser, the adequacy of the financial powers with the Heads of Departments/Offices under them and re-delegate their own powers to the extent necessary. It was also emphasised that self-contained schedules of powers of subordinate authorities be drawn up and/or brought uptodate.

3.53. The orders issued by the Ministry of Finance (Department of Expenditure) on the 10th April, 1975 which delegated further powers to the Ministries/Departments also provided in this connection as follows :—

"Ministries are now empowered to re-delegate their powers to subordinate authorities except powers for creation of posts, write off of losses and re-appropriation exceeding 10 per cent of the original budget provision.

A Ministry could now declare any officer under it satisfying the prescribed criteria as Head of Department.

Specific powers delegated to the Head of Department and Head of Office are only the floor level of delegation and the Ministries could make good the additional requirements at subordinate levels by further re-delegations.

In order to derive the benefit of these delegations optimally, the Ministries should not only make full use of the delegated powers but also further re-delegate powers to their subordinate organisations to match the latter's requirements. In any case, a complete review of such re-delegations should be undertaken at least once in three years."

3.54. However, the progress in actual implementation of these orders has not been satisfactory, as is evident from the letter sent by the Department of Personnel and Administrative Reforms to all the Ministries on 4th September, 1975 which stated as follows:—

"A series of decisions has been taken by the Government in the recent past and communicated to ministries/ departments laying down the principles that should govern delegation of financial and administrative powers and emphasising the need for delegation of adequate powers to subordinate formations as also to the decision making levels within the formations. In the financial field, the powers delegated to the different levels of administration have been enhanced from time to time and further re-delegation by administartive ministries/departments has been facilitated.

It is felt that, notwithstanding these measures, not enough has been done to delegate powers to subordinate formations/ levels. There is still excessive centralisation of authority, resulting in general delays in the disposal of work in ministries/departments. Therefore, it is imperative that ministries/departments bring about with the utmost expedition an optimal delegation of powers to their subordinate formations/levels. They should review the requirements, of their various sub-Ministry formations in regard to additional powers, financial as well as administrative and take steps to issue necessary instructions."

3.55. During evidence the Committee enquired the reasons for the unsatisfactory progress in this regard. The representative of the Ministry of Finance stated as follows :—

"We find that the progress of the Ministries have been uneven in this respect. Some of them have delegated (Powers) and some of them have not done that. There seems to be some reluctance on their part to re-delegate powers. They probably think that this may mean reduction of staff in the headquarters. Unless this is done, our other scheme of delegation of powers may not bear fruit."

3.56. From a written reply furnished subsequently, it is noticed that out of 53 Ministries/Departments only seven Ministries/Departments have completed the review of powers to subordinate authorities and reported this fact to the Department of Administrative Reform. Some of them have delegated additional powers as a result of such a review.

3.57. It is also seen that statements/schedules showing powers delegated to subordinate organisations were available only in the case of a few ministries/departments and there were several ministries/departments which had not prepared such schedules.

3.58. The ommittee need hardly emphasise that for a system of delegation of powers to be effective, there should not only be substantial devolution of financial powers from the Ministry of Finance to the administrative ministries but there should be further re-delegation of powers to the field agencies which have the primary responsibility for execution of schemes and attaining set targets. It is essential that they should have adequate powers, commensurated with the responsibility to be discharged by them.

3.59. Further, the powers once delegated need to be reviewed periodically to see that these suit the changed circumstances and

situations and are being exercised prudently. For instance financial powers delegated in regard to purchases, award of contracts, contingent expenditure, write off losses etc., may cease to be realistic after some time on account of changes in price level etc. Ignoring such changes means serious hinderance to prompt and effective administrative action.

3.60. The Committee regret to note that in spite of the emphasis laid down in the successive orders issued in 1962, 1968 and 1975 that the administrative ministries should delegate to the maximum extent administrative and financial powers to the heads of Departments and other subordinate authorities, there has not been adequate delgation of powers to these authorities. This is a sad state of affairs and calls for strict vigilance in ensuring actual implementation of the orders issued. The Committee recommend that a time-limit of not more than 6 months should be fixed for re-delegation of adequate powers to the subordinate/field authorities commensurate with the responsibility to be discharged by them. Complete and up-to-date schedules/statements of powers delegated to the subordinate/field organisations should also be prepared. The Committee also recommend that the powers delegated to subordinate organisations should be regularly reviewed once a year to see that these suit the changed circumstances.

3.61. The Committee further suggest that a comprehensive review should be carried out in the last year of the Five Year Plan to identify constraints and difficulties which may have come in the way of speedy implementation of the schemes/projects with a view to suitably enhance the powers so that these difficulties are not experienced in the ensuing plan period.

(g) *Exercise of Delegated Powers*

3.62. In their Report, on Delegation of Financial and Administrative Powers in 969, the Administrative Reforms Commission pointed out that there was a well marked tendency to push up decision making to higher levels with the result that there was too great an accumulation of work load at those levels. The very objective of delegating powers to subordinate authorities was thus frustrated. The Commission, therefore, recommended as follows :—

(i) Higher authorities should exercise restraint and discrimination in calling for information on matters which are the subject-matter of exercise of powers delegated to subordinate authorities.

(ii) The senior managers should organise their work in such a way that they do not handle tasks which should be left to those who are working under them.

(iii) Senior manager should make it a part of their duty consciously to encourage and train those functioning at lower levels to develop initiative and habits of decision-making on their own.

3.63. In a memorandum to the Committee, it was stated :—

"In all organisations in general and government organisations in particular, the tendency for centralisation is always strong........Equally widespread is the unwillingness to accept the responsibility which should go with authority. The fear of subsequent criticism and the troubles which it might bring along, often after a long lapse of time, drives the majority to seek protective cover at as many stages and in as many ways as possible. Therefore, even when powers are delegated, they are not exercised. Instead, the involvement of other authorities (sometimes only remotely concerned), and the approval of higher authority, is often gratuitously sought....The first requirement, therefore, is to create the correct atmosphere. People at all levels should have the feeling that methodical and conscientious carrying out of duties by the exercise of powers entrusted to them will bring recognition and even reward, they should be freed from the haunting fear that omissions and mistakes made *bonafide* in the normal course might bring disproportionate retribution long after the event. There is of course no simple way of bringing about such a change in atmosphere. But it need not take too long if all concerned are encouraged by example from higher up to act in such a spirit."

3.64. In another memorandum a view has been expressed that agencies at all levels to which authority is delegated should be encouraged to exercise such authority more fully and in the knowledge that they will have to render account and not be able to shift the burden on some financial advisers. They should be discouraged from referring up except upon their own initiative and then only in cases where they could show that such reference up was necessary to enable them to take up the right decision in the particular case.

3.65. During evidence, the Committee enquired as to what were the inhibiting factors to the exercise of delegated powers. The Secretary of the Ministry stated as follows :—

> "This kind of reaction is essentially a psychological reaction to the lack of responsibility in the past. Officers are unaccustomed at those levels to taking decisions and they find some reason for referring up the case so as to avoid taking decision......The whole concept of delegation is that it will help to create the final responsibility consciousness in the organisation or the institution itself and there should not be this dependence on any external consciousness. The Ministry should decide and it should have economic consciousness. There should not be any kind of feeling. 'If Finance agree, it is all right.' In the same way, within the Ministry the subordinate formations should be made more conscious of their responsibility and I think it would be fair to say that such a system already exists and has existed historically in the Defence Services where there have been well-established delegations of powers to the subordinate formations and it works perfectly well. There each subordinate formation exercises its powers to the maximum amount and one does not have this phenomenon of referring up in order to avoid responsibility."

3.66. The Committee emphasise that while it is essential that there should be adequate delegation of powers to avoid delays, it is equally necessary to ensure that the powers delegated to various Ministries/Departments and subordinate offices are actually exercised by the officers at various levels. The unwillingness among officers to accept responsibility and to refer up the cases should be discouraged by the higher officers refusing to entertain cases where the lower authorities have adequate powers to take decision. The officers at all levels should be made to realise that they will not be allowed to play safe and shift the responsibilities on others but would have to take decision on matters falling within their jurisdiction. The Committee would like to point out that one of the ways to ensure that the delegated powers are actually exercised is to create a proper atmosphere for it. The delegation of powers should be in clear and precise terms and the officers should be consciously encouraged to develop initiative and take

decisions. It is essential that the officers are instilled with confidence that methodical and conscientious carrying out of duties and exercise of powers entrusted to them, will bring recognition and omissions and mistakes made bonafide, in the normal course, would not be held against them.

3.67. The Committee need hardly suggest that proper training with the help of case studies would promote understanding and exercise of powers with due prudence in the larger public interest at all authorised levels.

3.68. The Committee also desire that specific mention should be made in the confidential reports of the officers about their capabilities and performance in the exercise of authority entrusted to them in the interest of timely and speedy disposal of work.

CHAPTER-IV

SYSTEM OF FINANCIAL ADVICE

4.1. In 1958, with the introduction of the scheme of delegation of financial powers it was decided to appoint Internal Financial Advisers in all Ministries to assist them in the proper exercise of their financial powers. Under this scheme, officers of the rank of Deputy Secretary and below were transferred to the administrative ministries but the Joint Secretary functioned in a dual capacity as a representative of the Ministry of Finance and as an Internal Financial Adviser of the concerned Ministry. It was provided that in case the financial advice offered by Internal Financial Advisers was not accepted the matter was to be referred to the Secretary of the Ministry for orders, and if the Secretary did not accept the advice, the matter was brought to the notice of the Miniser who alone could over-rule the Internal Financial Adviser. The cases of such over-ruling were moreover, to be reported to the Ministry of Finance and the Comptroller and Auditor General for information.

4.2. In September, 1961, when there was further delegation of powers to certain ministries as an experimental measure, the obligation to consult the financial adviser in all matters within the field of an enhanced delegation was removed. It was left to the discretion of the Secretaries of the administrative ministries to lay down procedures of consultation with the financial advisers and take a final decision after obtaining advice of the financial adviser. The Secretary could over-rule the financial adviser without the matter being reported to any outside authority. The Ministry of Finance emphasised that the ministries should undertake voluntarily the re-organisation of their finance, budget and account units.

4.3. Again in March, 1966 a more specific discretion was given to the Secretary to decide whether or not they would need an Internal Financial Adviser. It was reiterated that Secretaries could over-rule their internal Financial Advisers including the officers of the Finance Ministry when they were consulted on matters falling within the field of delegated powers.

4.4. The orders of 15th March, 1966 reaffirmed in unequivocal terms the duties and responsibilities of the administrative Ministries :—

> "Within the limits of the budget provisions and subject to observance of financial principles, standards and procedures prescribed under the various rules and standing orders, the administrative ministries are free to incur expenditure in the exercise of the powers delegated to them and no reference to the Finance Ministry is necessary. The Secretaries of the administrative Ministries can also over-rule the advice given by their internal Financial Advisers (including officials of the Finance Ministry where they are consulted in respect of the delegated powers). The Secretaries thus have complete discretion in sanctioning expenditure within the delegated field. It also follows from this that each Secretary must assume full responsibility for decisions taken in the exercise of delegated powers and for watching expenditure so that budgetary provisions are in no case exceeded."

4.5. The Secretary of the administrative Ministry was fully competent to take a decision in delegated matters after obtaining the advice of the Financial Adviser in such cases as he might deem necessary. Moreover, the procedure for consultation with the Financial Adviser had to be laid down by the Ministry itself in its own discretion. Thus, the Ministries were not under any obligation to consult their Internal Financial Advisers in all financial matters and it was open to them to prescribe the cases or types of cases in which they would consult the Financial Adviser. Further, it was not even obligatory for a Ministry to have an Internal Financial Adviser. In Ministries, where Internal Financial Advisers were not considered necessary, Officers of the concerned Expenditure Division of the Finance Ministry continued to be available for consultations and the Secretary of administrative Ministry had the power to over-rule such officers of the Finance Ministry also in the delegated field.

4.6. With a view to delegate larger financial powers to the administrative Ministries as also to ensure effective utilisation of delegated powers, orders were issued in October, 1968 which superseded the provisions contained in the O.M. of March, 1966.

These orders provided *inter alia* that competent financial advice should be available internally within the administrative Ministries. It provided that it was incumbent on each Ministry to have a whole-time Internal Financial Adviser for the proper exercise of delegated powers and to avoid unnecessary references to the Ministry of Finance. The Ministries were free to appoint Internal Financial Advisers of their choice but the selected officers were required to undergo a short course of training in the Finance Ministry except in cases where an experienced officer was drawn from the Finance Ministry itself.

4.7. The scheme provided that the Internal Financial Adviser should be consulted in all cases before the exercise of delegated powers although it was open to the Secretary of the Ministry to over-rule his advice by an order in writing. It also provided that the full responsibility for a decision taken in exercise of the delegated powers rested on the administrative Ministry irrespective of whether it was in accordance with the Internal Financial Advisers advice or not.

4.8. The items of work to be handled by the Internal Financial Adviser envisaged in this order were as given in Appendix III. The duties of the Internal Financial Adviser included *inter alia* scrutiny of budget proposals thoroughly before sending them to the Ministry of Finance, to see that complete departmental accounts are maintained in accordance with the requirements under the General Financial Rules, to watch and review progress of expenditure against sanctioned grants through maintenance of control registers and to issue timely warning to controlling authorities where the progress of expenditure was not even, to advise the administrative ministries in all matters falling within the delegated powers, to keep himself closed associated with the formulation of schemes and important expenditure proposals from their initial stages, to screen all expenditure proposals required to be referred to the Ministry of Finance for concurrence or comments, etc.

4.9. The orders also provided that the Ministries should take steps, where necessary, to organise Finance and Budget cells suitably with trained and qualified staff to facilitate efficient functioning of these cells under the Internal Financial Adviser. The Ministry of Finance offered to help in setting up/strengthening of these cells.

4.10. The Committeee are informed that the internal Finance Branches as envisaged in the delegation orders of 18th October, 1968, were set up by the administrative ministries and are headed generally by an officer of the level of Director/Deputy Secretary. As regards the training of the staff posted to these branches, it was stated that instructions were issued by the Ministries of Finance in May, 1969, to all the Ministries advising them to utilise where required the training facilities afforded by the Institute of Secretariat Training and Management and the Indian Institute of Public Administration etc. and where necessary to consult the Training Division of the Department of Personnel. From the information furnished to the Committee, it is however, seen that generally the staff in the internal finance branches do not have adequate experience or training in finance and accounts etc.

4.11. In a memorandum to the Committee it had been stated that "the system of Internal Financial Adviser, which was devised to expedite disposal of work, has not achieved the purpose. In a number of cases, if not in the majority of cases, the system results in a longer delay. The Internal Financial Adviser makes references to the Ministry of Finance when he has on paper the necessary authority to clear the case. Clear cut financial delegation without riders is necessary with the further instruction that authority where given must be exercised and not shelved and unnecessary reference from an Internal Financial Adviser to the Ministry should be considered to be a 'black mark' so far as efficiency of the Internal Financial Adviser is concerned."

4.12. As regards qualifications and experience of the Internal Financial Adviser, it has been stated in a memorandum to the Committee "the type of expertise required in the administrative ministries demands a very high familiarity with sophisticated techniques of Corporate Finance. This, in turn, necessitates the imparting of training to the Internal Financial Advisers in the administrative ministries in such areas as long range planning, capital budgeting, forecasting and demand analysis etc. In the absence of experts familiar with these techniques within their organisations, administrative ministries will not be able to fully utilise the powers delegated to them. These ministries will be looking forward, under the circumstances to the Finance Ministry for expertise and advice. Such a situation in other words, nullifies the very reason for delegating powers to administrative ministries for taking decisions on financial matters."

4.13. The Committee enquired about the actual experience of the working of the system of Internal Financial Adviser. They were informed by the representative of the Ministry of Finance during evidence as follows:—

"By and large what was observed was that this system worked reasonably well so far as the exercise of financial powers was concerned and also the formulation and scrutiny of the budget, but in regard to proposals which had to be screened by the Internal Financial Advisers for submission to the Finance Ministry, either Internal Financial Advisers was not associated at all with such proposals or his scrutiny apart from redundant, did not have any significance. Neither the Ministry concerned nor the Ministry of Finance nor perhaps for that matter the I.F.A. himself took it very seriously.

Another respect in which this system has not worked well is in regard to watching the progress of expenditure and keeping upto date accounts."

4.14. The Committee have been informed that it has now been decided to introduce a system of Integrated Financial Adviser. In the orders issued on 6th October, 1975 (Appendix IV) by the Ministry of Finance (Department of Expenditure) it has been stated that in pursuance of the policy to delegate enhanced financial powers to the administrative Ministries to match their responsibilities and to improve their competence in the field of financial management by developing appropriate internal attitudes and skills, the question whether the functions of the 'associate' Financial Adviser and the Internal Financial Adviser could, with advantage, be integrated in a single official, forming part of the administrative ministry, has been under consideration. It has been felt that the Financial Adviser should be associated with the administrative ministry in a larger measure than at present to enable him to play a more effective and constructive role in its developmental activities and should bring his financial expertise to bear in assisting the Secretary of the administrative ministry and other senior officers in the planning, programming, budgeting, monitoring and evaluation functions of the Ministry. It has, therefore, been decided to introduce the scheme of Integrated Financial Adviser combining into one functionary the functions of the Internal Financial Adviser in the Ministry and the Associate Financial Adviser based in the Department of Expenditure who is required to be consulted in matters, falling outside the delegated field.

4.15. It has also been stated that the Integrated Financial Adviser will assist in budget formulation, scrutiny of projects and programmes for approval by the Ministry of Finance and post-budget vigilance to ensure that there are neither considerable shortfalls in expenditure nor unforeseen excesses for which provision has not been made either in the original budget or in the revised estimates. The close association of integrated Financial Adviser and his staff with the formulation and implementation of all proposals involving expenditure would facilitate the more effective discharge of the Financial Advisers responsibility It has also been stressed that it is cardinal to the working of the new scheme that the Financial Adviser should be associated with the formulation of schemes from the initial stages The Financial advisers will also be responsible for the preparation of the Ministry's performance budget and the monitoring of progress of schemes against the budget. The maintenance of an efficient accounting system is necessary for this purpose.

4.16. From the salient features of the scheme annexed to the orders issued by the Ministry of Finance, it is seen that the Integrated Financial Adviser will be of the rank of Joint Secretary/Addl. Secretary and will be a part of the Ministry itself. He will be selected jointly by the administrative Ministry and the Finance Ministry although he will be under the control of the administrative Ministry which appoints him. The assessment of his performance (*i.e.* the writing of the annual confidential Reports) will be made jointly by the administrative Ministry and the Finance Ministry. The Integrated Financial Adviser would be consulted in all the cases before the exercise of the delegated powers. It will, however, be open to the administrative Secretary to over-rule his advice by an order in writing. In matters beyond the powers delegated to the Ministry, the Integrated Financial Adviser shall be responsible to and have the right of access to the Ministry of Finance and to the Finance Minister through the Secretary (Expenditure)/Finance Secretary.

4.17. During evidence, the Committee were informed in this connection, as follows:—

> "There has been a fairly widespread criticism of the Associated Financial Advisers on the ground that sometime they tend to be too rigid that they do not have a full sense of participation in the activities of the Ministry to which they are attached, and that possibly in an effort to be objective, they are so detached as to become unsympathetic and perhaps unrealistic. The criticism should be largely met by the Integrated Financial Adviser system because

he would be a part of the Ministry, he would be associated with the formulation of all proposals from the very beginning and he can influence decision-making in a much more direct and intimate way than has been possible hitherto.

Because the departmental accounts and the watching of expenditure will also become part of the Integrated Financial Adviser's show, it is expected that he will be able to keep better post-budgetary watch over expenditure."

4.18. The Committee were also informed that the introduction of the system of Integrated Financial Adviser would be in a sense mean that the financial conscience of the Government which was supposed to reside in the Department of Expenditure of the Ministry of Finance was being decentralised and they were assuming that within a short period the spending Ministries themselves by absorbing the Associate Finance Divisions of the Department of Expenditure would be enabled to undertake a detailed financial scrutiny that hitherto had been done in the Department of Expenditure. The Department of Expenditure would have no separate formations left to re-examine the proposals of the Ministry and the Ministries themselves through their own financial adviser will prepare a proposal and where it has to receive the Finance Ministry's approval will send it to the Additional Secretary or Secretary (Department of Expenditure).

4.19. From a note furnished to the Committee, it is seen that it has been decided to introduce the new scheme in the following Ministries/Departments in the first instance:—

1. Tourism and Civil Aviation
2. Industry and Civil Supplies
3. Food
4. Agriculture
5. Supply
6. Rehabilitation
7. Information and Broadcasting
8. Health and Family Planning
9. Works and Housing
10. External Affairs
11. Education and Social Welfare
12. Science and Technology.

4.20. It has been stated that action to select suitable officers to be posted as Integrated Financial Advisers in these Ministries/Departments has been already initiated. It is expected that the new system will start functioning in these Ministries/Departments by the 1st of April, 1976.

4.21. The Committee were also informed that discussions were simultaneously held with the Secretaries of the remaining Ministries and it was expected that the scheme would be extended to all the Ministries/Departments, during the course of the year 1976-77 except in case of the following miscellaneous group of Ministries/Departments where it had been felt that these were too small to have separate financial advisers.

1. Law, Justice and Company Affairs
2. Parliamentary Affairs
3. Planning Commission
4. Electronics
5. Statistics
6. Cabinet Affairs
7. President's Secretariat
8. Prime Minister's Secretariat
9. Vice-President's Secretariat.

The manner in which the financial advice work in these Departments should be handled would be considered separately.

4.22. As regards the training of the officers and staff of the integrated finance Division, the order* constituting the scheme provides that the officers and staff of the integrated Finance Division would be required to have a background and training in Finance and Accounts and would be appointed in consultation with the Financial Advisers.

4.23. The Committee were also informed during evidence that the Government would have to embark on a much larger course of training for the new staff of of the Integrated Finance Division's office,. Up till now, they had been relying on courses on financial and budgetary control offered by the Indian Institute of Public Administration. The institute might be asked to start more courses or these might be started in the Secretariat Training School. Government had, however, not really yet fully assessed he problem of training in the two schemes of reform *i.e.*, the Integrated Financial Adviser Scheme and the separation of audit from accounts making the Department responsible for maintaining their own departmental accounts.

4.24. As regards the qualifications and experience of the Integrated Financial Advisers, the Committee were informed during evidence as follows:—

> "Some of the officers who come as Joint Secretary and Financial Adviser may not have specific experience in State Finance Departments, if they come for instance from the administrative services. But at the level of Joint Secretary it is our experience that the requirements of budgetary work and of financial control are not such as require a number of years of experience in purely financial work. I myself hold the view that while a certain background knowledge of budgetary and financial work is desirable, experience in the State Finance Department is not particularly required for the Financial Adviser to a Central Ministry. A wider administrative and economic background and ability to understand technical and technological problems is often much more important than strict training in Finance. On the other hand, if we take officers from the financial services we would try to select them so that they would come back besides their financial background with an adequate administrative background. This problem quite essentially is of the calibre of the of the officer."

4.25. The Committee also enquired whether any additional financial powers would be delegated to the Ministries after the introduction of the system of Integrated Financial Adviser. They were informed that the powers of the administrative Ministries were proposed to be enhanced to match their responsibilities. However, no decision had yet been taken in this regard. As the requirements vary from Ministry to Ministry, this question would have to be examined on the merits of each case and initial suggestions would have to come from the Ministries themselves. As a general proposition, however, it was proposed that with the setting up of the system of Integrated Financial Advisers, the powers of the administrative ministries for scrutinising expenditure on approved schemes without reference to Finance will be enhanced from Rs. 50 lakhs to Rs. 1 crore except where the schemes have staffing complement costing Rs. 10 lakhs or more per annum in regard to plan schemes and Rs. 5 lakhs or more per annum in regard to non-plan schemes. In such cases, the matter will be left to be dealt with by the Integrated Financial Advisers on behalf of the Ministry of Finance.

4.26. The Committee note that with the introduction of the scheme of delegation of financial powers, it was decided in 1958 to appoint Internal Financial Advisers in all the Ministries to assist them in the proper exercise of their financial powers. In 1966 the Secretaries of the Ministries were given the discretion to decide about the need or otherwise of an Internal Financial Adviser. They were also given the power to overrule their Internal Financial Advisers including the officer of the Finance Ministry in matters falling within the field of delegated powers. In 1968 it was made incumbent on all the Ministries to appoint Internal Financial Advisers to ensure availability of competent financial advice internally within the administrative ministries for the proper exercise of delegated powers and to avoid unnecessary references to the Ministry of Finance. The Committee note that the scheme of Internal Financial Advisers has not fully subserved the objectives with which it was set up. For instance, in regard to the proposals for submission to the Finance Ministry "either the Internal Financial Adviser was not associated at all with such proposals or his scrutiny was redundant and did not have any significance". Similarly, this system has not worked well in regard to the maintenance of up-to-date accounts and watching the progress of expenditure against sanctioned grants.

4.27. The Committee consider that with their past experience of such schemes since 1958, the Ministry of Finance should have taken necessary measures to ensure that this scheme as amplified in 1968 with high hopes, was actually implemented in letter and spirit so as to achieve the objectives in view. It is unfortunate that neither the administrative ministries nor the Ministry of Finance kept a critical watch contemporaneously on the working of this scheme, and it is only now after a lapse of seven years, that the Ministry of Finance have revised it in order to introduce the system of Integrated Financial Adviser.

4.28. The Committee note that the new scheme of integrated financial adviser would be introduced in all the Ministries in a phased manner by amalgamating the post of Associate Financial Adviser in the Ministry of Finance and the Internal Financial Adviser in the administrative Ministry into a single functionary of the rank of Joint Secretary/Additional Secretary for the Ministry. The Integrated Financial Adviser will be a part of the Ministry itself and would be consulted in all cases before the exercise of delegated powers. It will however be open to the administrative Secretary to over-rule his advice by an order in writing. In matters beyond the powers delegated to the Ministry, the Integrated Financial Adviser shall be responsible to and have the right of access to the Ministry of Finance and to the Finance Ministry through the Secretary (Expenditure)/ Financial Secretary.

4.29. Under this new scheme, the Integrated Financial Adviser is expected to play a more effective and constructive role in the developmental activities of the Ministry. He is required to assist the administrative ministry in the planning, programming, budgeting, monitoring and evaluation functions of the Ministry. He will assist in the formulation of budget, scrutiny of projects and programmes and post-budget vigilance to ensure that there are neither considerable shortfalls in expenditure nor unforeseen excesses. He would be associated with the formulation of scheme from the initial stages and will be responsible for the preparation of the Ministries, performance budget and the monitoring of progress of schemes against the budget.

4.30. The Scheme of Integrated Financial Adviser is claimed to be an improvement on the earlier scheme of Internal Financial Adviser. The success of this scheme would, however, depend on the manner and the spirit in which it is implemented. The Committee need hardly point out that in the implementation of this scheme, the Secretary, Ministry of Finance, the Secretary, of the Administrative Ministry and the Integrated Financial Adviser have to play an important role. It is they who have to devise suitable measures for the implementation of the scheme in letter and spirit so as to achieve the desired results. The Committee stress that the Government should put to effective use the experience of the working of such schemes since 1958 and keep a contemporaneous and vigilant watch on the implementation of the new scheme of Integrated Financial Adviser so as to resolve speedily difficulties/problems which may be encountered in the interest of achieving the objectives, underlying it.

4.31. In this connection the Committee would like to make the following suggestions:—

(i) The success of the scheme would depend largely on the attitude, orientation and lead given by the officers selected as Integrated Financial Advisers. Such officers should have wide experience of administrative matters in the field as well as of finance and accounts so that they can really play an effective and constructive role and bring their expertise to bear in assisting the Secretaries of the Ministries in carrying out the developmental programmes with economy and efficiency. They have to assist the administrative Ministries in planning, budgeting and reviewing their schemes. In fact, these officers have to involve themselves fully in the activities of the Ministries concerned. They should help in removing the inhibiting factors to the full exercise of delegated powers by the administrative Ministries.

(ii) The Integrated Financial Adviser should help in selecting the best suited and most viable schemes out of various alternatives or shelf of schemes. He is not merely to point out the shortcomings and lacunae in the schemes but has to play a positive and constructive role in advising and assisting the administrative Ministries in the formulation and finalisation of their schemes expeditiously and on sound economic principles. His advice/suggestions should be based on objective criteria such as cost-benefit analysis. He should also help in development of management techniques based on evaluation of financial implications/effects.

(iii) Suitable accounting and reporting system should be devised in each administrative Ministry to ensure sound financial management. The reporting system should be such that delays are reported for immediate attention and adoption of remedial measures. There should be an effective organisation for monitoring the progress of schemes to see that the actual progress made is in accordance with the targets therefor. In cases of variations, the reasons should be analysed and bottlenecks, if any, removed. Performance appraisal techniques should also be devised to ensure that the results achieved are commensurate with the expenditure incurred.

(iv) Quarterly reports should be submitted to the Ministry of Finance regarding the progress made in the execution of major schemes and expenditure thereon vis-a-vis the targets/estimates originally fixed therefor so as to keep the Ministry of Finance informed about the progress of the schemes both in physical and financial terms to enable them inter alia to have an overall view of public expenditure.

(v) Suitable measures should be devised to see that the expenditure is evenly distributed throughout the year so that there is no rush of expenditure towards the end, which usually results in wasteful expenditure.

(vi) Comprehensive schemes should be drawn up for organising proper training and orientation courses for the Integrated Financial Adviser as well as the other officers and staff of the Division, particularly in areas like long range planning, capital budgeting, management accounting etc. Regular refresher courses should also be provided for them.

(vii) There may be periodical inter-change of officers between the financial wing and other wings of the administration. This will not only enrich the experience of those who are thus inter-changed but the financial advice given by persons having administrative experience, will be more practical as they will have necessary perspective to appreciate the difficulties of officers in charge of administering and executing programmes.

(viii) One of the criticism against Internal Financial Advisers was about making of references to the Ministry of Finance even where the Internal Financial Advisers had the necessary authority to clear the case. The Committee would like to stress that to make the new scheme of Integrated Financial Advisers a success, it should be ensured from the very beginning that the delegated powers are fully exercised and making of unnecessary references to the Ministry of Finance should be considered as a sign of unwillingness to shoulder the responsibility.

4.32. The Committee have been informed that the new system was expected to start functioning in 12 Ministries/Departments by the 1st April, 1976 and would be extended to all the Ministries/Departments during the course of the year 1976-77 except in the case of some miscellaneous group of Ministries/Departments where it is felt that these are too small to have separate financial advisers. The manner in which the financial advice work for these Departments/Ministries should be handled have not yet been decided. The Committee would stress that effective measures should be taken by the administrative Minisries/Minisry of Finance to ensure that the scheme is actually introduced in the 12 Ministries from the 1st April, 1976. They would also like that specific time schedules are fixed for introducing this scheme in the remaining major ministries/departments during the course of the year 1976-77. The Committee would also like Government to take an early decision regarding the manner in which the financial advice work in the smaller departments would be handled where the scheme of integrated financial adviser is not proposed to be introduced so as to remove uncertainty in this regard.

4.33. The Committee further desire that the Finance Secretary should hold a meeting with the Integrated Financial Advisers after three months of the introduction of the scheme i.e. in July, 1976 to review the progress of the working of the scheme and to remove bottlenecks, if any, experienced by the Integrated Financial Advisers in the implementation of the Scheme. Thereafter, such meetings may be held every quarter till such time that the scheme is successfully implemented.

4.34. The Committee would like to stress that the scheme of Integrated Financial Advisers poses a challenge as well as affords an opportunity to the Secretaries of the Administrative Ministries to implement their developmental programmes. They have to ensure that the schemes and projects are well formulated and implemented within stipulated time schedules as the plea for the delay in approving and sanctioning of the schemes on the part of the Ministry of Finance will no longer be tenable. It is for them to devise suitable management information system in consultation with their Integrated Fiancial Advisers, so as to keep a close watch on the progress in the implementation of major schemes in the field both in physical and financial terms, and resolve bottlenecks, if any, in their timely implementation. They may also undertake evaluation of the performance of schemes/projects to see that the benefits accruing from their execution are in accordance with the objectives aimed at and are commensurate with the expenditure incurred.

4.35. The Committee hope that the new scheme of Integrated Financial Advisers would make a qualitative difference in the functioning of the Ministries/Departments and would set in motion a new dynamism in the working of Ministries/Departments in the matter of expediting the formulation, approval and execution of schemes/programmes and their evaluation.

CHAPTER V

MONITORING AND EVALUATION

A (a) System of monitoring and evaluation

5.1. The orders of 18th October, 1968 regarding the arrangements for budgeting and financial control and delegation of financial powers to Ministries provide for submission of quarterly staff statements to the Associate Financial Advisers in a prescribed proforma indicating the increases, decreases of the staff strength over the previous returns, showing the activities for which the posts were created, and how the expenditure was met, etc. The Ministries are also required to furnish to the Ministry of Finance copies of sanction falling under the following categories:

(i) contingent expenditure and miscellaneous expenditure above the limit of Rs. 2500 recurring per annum in each case and Rs. 10,000 non-recurring in each case.

(ii) Excess expenditure over the estimates of a scheme as accepted by the Finance Ministry.

(iii) Re-appropriation of funds in exercise of the delegated powers.

(iv) Introduction of a new item in a scheme even if it does not result in substantial variation of the scheme as accepted by the Finance Ministry.

5.2. As regards the objective of submission of these returns, the Committee were informed that it was envisaged that the scrutiny of such returns and sanctions by the Ministry of Finance would help in assessing whether the delegated powers have been properly exercised by the authorities concerned. In view, however of the constraints on resources and the need for containing non-developmental expenditures instructions to effect economy were issued by Government from time to time and these had the effect of curtailing some of the powers of the Ministries especially in the matter of creation of posts. The elaborate reporting system which was prescribed for keeping a watch on staff growth has thus not served the purpose to the extent originally envisaged.

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5.3. The Committee were also informed that after the introduction of the scheme of Integrated Financial Adviser, the reporting in such manner as may be decided upon would be made to the Integrated Financial Advisers and not to the Ministry of Finance as such.

5.4. In this connection one of the non-officials stated in his evidence before the Committee as follows:—

> "The administrative Ministry after managing their affairs say for six months could prepare a short brief saying 'this is our performance within in the overall sanction of Parliament'. Alongwith that, they should be able to give a forecast that the total period to be taken hereafter for the implementation of the project would be so much and the remaining cost of implementation is likely to be this. With these reports it should be possible for the Finance Ministry to offer useful advice and discuss the matter if necessary with the administrative Ministry."

5.5. The Committee enquired whether the Ministry of Finance had considered the desirability of obtaining from the administrative Ministries periodical reports showing the progress of various schemes in physical as well as in financial terms and its comparison with the physical targets|financial outlays fixed at the beginning of the year. The Secretary of the Ministry of Finance stated during evidence as follows:—

> "This information essentially would amount to following up the performance budget which the Ministries had to maintain. The performance budget system has been introduced in all the Ministries and they are expected to make quarterly reviews of their permormance budget. My idea had been to associate the financial advisers with these reviews rather than ask Ministries to submit reports to the Finance Ministry because it would work better. There is no point in collecting a lot of statements centrally which we shall not be able to handle."

5.6. As regards the organisation for making such a periodical review, it is seen that the draft Fifth Five Year Plan pointed out that one of the factors that is hindering the implementation of the plans is the lack of adequate monitoring and evaluation inputs. It was proposed to build up an effective organisation for the purpose during the Fifth Plan Period.

5.7. The Committee enquired about the steps taken in this regard. The Secretary of the Ministry of Finance stated during evidence as follows:—

> "It is necessary for every spending Ministry to know how well its schemes are progressing. In one sense every Central Ministry is a monitoring unit, if it is to justify its existence. The Central Ministry is not doing any construction work by itself; it does not spend money directly in most cases, it spends the money through a subordinate agency. So it ought to know how much money has been allocated to any scheme and how much has been spent from month to month, quarter by quarter and how the total money is being applied for the achievement of the physical objectives. .... It has been the feeling that the specific job of monitoring the plan outlays should be centralised in each Ministry in a unit which could be called monitoring and implementation cell and corresponding to those monitoring units in the administrative Ministries there should be a centralised organisation in the Planning Commission to follow up the major sectors, power, irrigation, investment projects. In the first two years of the Fifth Plan monitoring units of this sort have been set up in the Department of Petroleum, Fertiliser, Department of Mines, Department of Steel and the Department of Energy. In the other ministries, Agriculture and Social Services, the creation of special units is still incomplete and I believe they will also be setting up similar units."

5.8. As regards setting up of monitoring cells in the States, the Secretary of the Ministry stated during evidence that "the State Governments generally have a Planning Department or a Planning Board which is the key point for collection information about the progress of schemes. In the States, as well as here, the time lag in collecting information is a minimum of three months and a maximum of a year."

5.9. The Committee were also informed in a written reply that a central scheme had been formulated which enables the State Governments to have the expenditure on creation of monitoring cells reimbursed to the extent of two-third of the actual expenditure. In response to the central scheme and the development needs, monitoring cells had been established in the Planning and development departments of a number of State Governments and administrations of union territories. However, there were several States where the monitoring activity was only in a formative proposed stage. It was also stated that the organisational pattern of the monitoring activity was not uniform in different States. While sanctions had been provided for posting suitable staff to man monitoring functions in the State Government, the details of staff actually in position were not available in regard to some State Governments. Apart from the economy measures, non-availability of suitably trained personnel had inhibited the rapid progress in organising these cells.

5.10. Asked whether there was any system of calling for periodical progress reports by the Ministry of Finance/Planning Commission from the State Governments, the Committee were informed that the details of the progress of the schemes and projects were examined by the Planning Commission at the stage of annual Plan discussion. Apart from this, there was no system of calling for periodical reports by the Planning Commission from State Governments regarding the progress of various schemes and projects. Some of the administrative ministries called for periodical progress reports from the States in regard to certain schemes. However these reports were not received regularly and in time or the information furnished was not complete.

5.11. The Committee note that under the existing system the Ministries are required to submit periodically to the Ministry of Finance staff returns and copies of certain financial sanctions in regard to re-appropriation of funds, contingent expenditure, etc. This elaborate reporting system does not appear to have served any useful purpose. The Committee have been informed that after the introduction of the scheme of Integrated Financial Advisers, the reporting in such matters would be made to the Integrated Financial Advisers and not to the Ministry of Finance. The Committee consider that if the reporting system is to serve any useful purpose it should be such that the essential data on the financial as well as physical progress of the schemes/programmes is contemporaneously available to the administrative ministries/Departments. The Ministries should evolve a system which would enable them to keep a special watch on crucial and strategic points and to take prompt remedial action.

5.12. The Committee further consider that a detailed review of the reports presently obtained from various tiers of management is called for so that standard formats as to the contents for reporting,

frequency of reports and their originating and destination points could be laid out to meet the requirements of a developing economy.

5.13. The Committee also stress that the implementing agencies should also periodically evaluate their programmes/schemes to see whether the results achieved and benefits accured are in accordance with the objectives aimed at and are commensurate with the expenditure incurred. With the introduction of Integrated Financial Advisers, it should be possible for the Secretary of the Ministry/Department to have periodical reviews, say once in a quarter but not less than once in six months, to see how far the physcial progress made is in consonance with the flow of expenditure. For example, it should be possible to prepare a meaningful memorandum to bring out how cash, draw back of duties and other incentives given in the interest of stepping up export of manufactured and semi-manufactured commodities have resulted in actual increase (in physical as well as monetary terms) and how far the contribution made from the Exchequer to earn more foreign exchange is justified. To take another example, the price of different types of fertilisers has been varied from time to time by Government with a view to encourage its off-take in the interest of increased agricultural production and for ensuring balanced nutrient inputs for the soil. It should be possible by suitable accounting methodology to produce a flow chart showing the actual off-take, the burden borne by the public exchequer by way of subsidy and the results achieved by way of increased agricultural production so as to apply "on course" correctives without loss of time. The Committee stress that important schemes and projects should be so prepared and finalised, with the assistance of Integrated Financial Advisers, as to throw up identifiable parameters to judge the effectiveness of regulated expenditure and direction and enable the management to meaningfully monitor the actual progress made in the field and apply "on Course" correctives, as required.

5.14. The Committee would further stress that for proper evaluation of schemes/programmes it is essential to have an effective organisation for monitoring and evaluation. They regret to note that inspite of stress laid in the draft Fifth Five Year Plan, the progress in this regard has not been satisfactory. Many of the Central Ministries have not yet set up these monitoring cells. Similarly, many of the State Governments have also not set up these cells although under a central scheme, the State Governments are reimbursed 2/3rd of the expenditure incurred on the setting up of these monitoring cells. The Committee recommend that urgent

steps should be taken for setting up effective cells staffed with suitably trained personnel for monitoring and evaluation of the schemes/projects at various levels.

5.15. The Committee also recommend that the Planning Commission should also make a regular periodical evaluation of the on-going programmes to see how far the planned targets have been achieved and served the desired objectives. The decisions in regard to further investment in these programmes/schemes should be taken on the basis of such evaluation.

(b) Performance Budgeting

5.16. As early as 1957-58, the Estimates Committee had recommended in their twentieth Report that performance-cum-programme system of budgeting would be ideal for a proper appreciation of the schemes and outlays included in the Budget especially in the case of large scale developmental activities. As pointed out in the Report, "such a budget is based on functions, activities and projects which focus attention on the accomplishments, the general character and the relative importance of the work to be done and the services to be rendered rather than upon the means of accomplishment such as personnel, services, supplies, equipment, etc. Under this system the functions of various organisational units would be split into programmes or activities, sub-programmes and component schemes, etc. and estimates would be presented for each. Before this is done, the schemes and programmes would have to be set in terms of measurable and products which may differ from scheme to scheme, costs would have to be carefully determined for each and targets in physical and monetary terms would have to be fixed. This would facilitate a review of the performance and of the proposed programme and consequently for decision making at a high level and is particularly suited to the requirements of overall budgetary planning."

5.17. The Administrative Reforms Commission also laid emphasis on the introduction of performance budgeting and recommended in January, 1968 that the process of introduction of performance budgeting might be completed by 1970-71 in all the Departments, the activities of which were developmental in character. The following observations of the Commission in this regard are pertinent:—

> "In the light of the sad experience in recent years with regard to the effective implementation of many development schemes and projects, we attach great importance

to an early introduction of performance budgeting for all development programmes. It would help create a built-in-mechanism for watching the progress in attaining programme targets and taking timely corrective action when things go away. It will also help reinforce the principle of accountability to Parliament."

5.18. The matter was again examined by the Estimates Committee (1972-73) and in their 24th Report, the Committee stressed the need for ensuring that all the stages for making performance budget a useful document are completed without further delay and that concrete action should be taken to see that performance budget is prepared by all ministries/Departments who are charged with developmental and other plan activities.

5.19. The Committee enquired about the progress made in the introduction of the performance budgeting. They were informed that performance budgets were first prepared for a few Departments in the year 1969-70. In pursuance of the recommendation made by the Administrative Reforms Commission certain major steps were taken to further the progress of performance budgeting. A team of officers was constituted to review the structure of Demands and the structure of accounts and to suggest changes to facilitate introduction of performance budgeting. In pursuance of the recommendations made by the team and with the approval of the Estimates Committee, the structure of Demands for Grants was revised with effect from 1973-74 to make the Demands compact and comprehensive, Demands were organised on functional basis and all expenditure pertaining to a function/programme was brought under a single Demand. The second major steps was taken in 1974-75 when the century old accounting system was completely revised and recost in terms of functions and programmes of Government. These steps provided the necessary basic support for preparation of performance budgets. In 1975-76, 32 Ministries/Departments prepared their performance budgets.

5.20. The performance budgets presented for the year 1975-76 showed a number of improvements. First, performance budgets had been brought out covering the entire activities of the Ministries/Departments instead of confining to the selected organisations as in the past. Secondly, the performance of public Sector undertakings under the various Ministries had also been integrated under the respective programmes shown in the performance budgets. Previsously this was excluded from the performance Budgets. Thirdly, performance budgets had been brought out in almost all the cases during the Budget Session of the Parliament. In the previous years, there was considerable delay in bringing out these documents.

5.21. As regards the contents of the performance budgets, the Committee were informed that performance budgets indicated the physical targets and achievements in respect of various programmes. The reasons for shortfall, escalation in costs, etc. wherever they were significant had also been explained in many cases. It was however admitted that there were certain gaps in presentation of data. It needed improvement in the following directions:—

1. Wherever possible a correlation should be established between inputs and outputs.

2. Unit cost data should be generated and exhibited in respect of important programmes where unit costing will contribute to efficiency.

3. Scientific norms and standards should be evolved which should be the basis both for setting targets and measuring performance.

4. Targets and achievements/likely achievements should be indicated for the previous year and current year in all cases. In some of the budgets the achievement figures are not shown on the plea that they are not available for the current year and the previous year.

5. The technique of performance budgeting has to be followed right down to each cost centre. Performance Budgets prepared on the basis of similar budgets of lower formations are more realistic and useful for serving management objectives.

6. In the case of large projects, the future year costs till the date of completion of project should also be projected.

7. The reasons for cost escalations or overruns should be elaborated in sufficient detail, explaining why correcting mechanism failed to arrest this trend.

8. An indication of how the individual schemes included in the Budget fit into the national objectives and priorities should be given and the continued relevance of the

schemes and even the objectives should be evaluated periodically and results indicated in the performance Budgets.

9. Though the Ministries/Departments may not be directly executing all the programmes, a total picture of achievement in the function areas for the country as a whole may be given wherever possible in the Performance Budgets of the concerned Ministries *e.g.* irrigated area, food production, health services, etc. This will enhance the usefulness of the document to Parliament.

5.22. The Committee were also informed that as this was a new field, the improvements that were desirable and which were actually feasible required detailed examination by each of the Ministries. A lot also depended on building up necessary accounting support and installation of effective reporting and review system. Three Ministries/Departments had been selected in August, 1975 to start with, for a study in depth of the problems of improving performance budgeting techniques. These were the Ministry of Health and Family Planning, Department of Agriculture and the Department of Power. They had been requested to form study groups to discuss and improve the methods now adopted for performance budgeting and also review the existing financial procedures within the Ministries/Departments.

5.23. As regards the progress made by these Study Groups, the Committee were informed during evidence as follows:—

> "One working group has already met and they have identified the areas in which improvements have to be brought about. But the working of these groups has to be more or less of a long term character, because various programmes have to be studied and what needs to be done in each case has to be identified. And then information system has to be built up, because the performance budget has to be first at the unit level and then at the macro level. We want to extend this system gradually to other Ministries also."

5.24. The Committee had recommended as early as 1957-58 that performance-cum-programme system of budget would be ideal for a proper appreciation of the schemes and outlays included in the budget especially in the case of large scale developmental activities as such a budget focuses attention on the accomplishment, the general

character and the relative importance of the work to be done rather than upon the means of accomplishments. Further, this system facilitates a review of the performance of the proposed programmes and is particularly suited to the requirements of overall budgetary planning. Again, in their 24th Report (1972-73), the Committee had stressed that all the stages for making performance budget a useful document should be completed without further delay and concrete action taken to see that performance budget is prepared by all Ministries/Departments which are charged with developmental and other plan activities. The Committee regret to note that a long time has been taken in introducing performance budgeting in the Ministries/ Departments.

Even though 32 Ministries/Departments have prepared and presented performance budgets during 1975-76, there are still large gaps in the presentation of useful data in these budgets as admitted by Government. The technique of performance budgeting is deficient in various vital matters as pointed out in Para 5.21 above. For example, there is no correlation between inputs and outputs, unit cost data had not been worked in respect of important programmes, Scientific norms and standards have not been evolved, targets and achievements have not been indicated, techniques of performance budgets have not been followed down to each cost centre, future year costs of projects have not been projected, reasons for cost escalations have not been elaborated and relevance of individual schemes to the national objectives have not been evaluated, etc.

5.25. The Committee note that it is only in August 1975 that working Groups have been set up in three Ministries to study in depth the problem of improving the techniques of performance budgeting. Even out of these, only one Working Group has met so far and identifield the areas in which improvements have to be brought about. The Committee desire that the performance budgets in the three Ministries should be recast expeditiously so that these may serve as a model for other Ministries.

5.26. The Committee need hardly stress that performance budget should be made a meaningful document to assist the management as a tool of administrative and financial control for evaluating performance and for implementation of developmental programmes efficiently and economically. Such a budget will not only enable the management to put the scarce financial resources to maximum use but would also be useful to Parliament in review-

ing and appraising activities and performance of various ministries/ Departments of Government in proper perspective and would thereby act as a means of accountability to Parliament.

The Committee strongly recommend that meaningful performance budgeting should be introduced in all other Ministries/Departments and lower formations charged with the execution of various programmes under a time bound programme. The Committee would like to be informed of the precise progress made in this regard.

(c) *Separation of accounts from audit*

5.27 The Minister of Finance in his speech in Lok Sabha on 15th March, 1976 presenting the Budget for 1976-77 stated as follows:

> "Government recognise that if the process of development is to be speeded up and plans and programmes are to be properly implemented, some basic changes are also necessary in the field of financial administration. 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 process of this separation is scheduled to be completed by 1st October, 1976 for all Central Ministries. Under the new scheme, administrative Ministries will take full responsibility for arranging payments, and timely compilation and rendering of accounts. This reform will facilitate the timely receipt of information on the progress of expenditure, and enable a proper analysis of expenditure trends to be effected. There can be little doubt that this flow of information will greatly facilitate the taking of correct decisions, and the adoption of remedial measures wherever called for. Since these changes are fundamental, and of a magnitude unprecedented in the annals of Indian Administration, care has to be taken to ensure that during the transitional phase, there is no dislocation either in payments or in accounting procedures. Hon'ble Members are doubtless aware that

the President has promulgated two Ordinances to achieve these objectives and to ensure that the necessary expert manpower is available to the Government for discharging the newly acquired responsibilities. In doing so every care will be taken to see that minimum hardship is caused to the employees, and that the comptroller and Auditor General is able to discharge his constitutional responsibilities effectively and without disruption. He is fully associated with the reforms and all measures have been taken in close consultation with him.

Government also attach great importance to the rationalisation and modernisation of procedures relating to the personal claims of Government servants and transactions with members of the public. The existing procedures in regard to pension, gratuity and drawal of salaries of Government officers have been reviewed in depth and a number of steps have been taken to eliminate existing delays in the preparation of pension papers and sanctioning of pension ad gratuity. Procedures for payment of salary and allowances of Gazetted Government servants have also been simplified. It is proposed to utilise nationalised banks for financial transactions between Government, its employees and private citizens. The new system will be a considerable improvement over the existing system where such transactions can today be made only at a limited number of treasuries or banks."

5.28. It is noticed that the two bills to give effect to the system of separation of accounts from audit namely (i) The Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Amendment Bill and (ii) The Departmentalisation of Union Accounts (Transfer of Personnel) Bill have also since been passed by Parliament.

5.29. The Committee need hardly point out that accounting at present is largly being done in the same historical maner as in pre-Independence days. The need for rationalisation has, however, been widely recognised and some advance in this behalf has been made with the revised classification of accounting heads and introduction of performance budgeting but this has not yet reached a stage where it could be said that the underlying objectives of accountability and management have been achieved. The Committee

consider that there is need to refine the technique of performance budgeting so as to develop it into a useful management tool by establishing units of output for each sub-head of Demand. For this it is necessary to identify responsibility centres so that each budgeted activity within a responsibility centre many have its corresponding units of performance. The Committee are of the view that with necessary delegation of authority to incur expenditure the officer concerned should be legitimately held accountable for the budget within his own control.

5.30. The Committee feel that this opportunity of separation of Accounts from Audit should be put to effective use by proceeding with the process of rationalisation, modernisation and mechanisation so as to make the accounting units result oriented and forward looking. In fact, the accounting units to be set up under administrative Ministries being the latest should be models of efficiency and compactness. These should be well-knit organisations were the accent right from the very beginning is on quality and minimum staff.

5.31. The Committee note the decision of the Government that each Ministry/Department should be made responsible for maintenance of its own accounts and for effecting payments which means the Secretary of each Ministry/Department would virtually be the Principal Accounting Officer also. The Committee attach great importance to the objective underlying the separation of accounts and audit and stress that this opportunity should be put to full use by rationalising the accounting heads so as to make performance budgeting meaningful as an aid to management to achieve best results for the money expended.

5.32. The Committee note that Government have recently rationalised to a considerable extent the procedure and modalities for determining and effecting payment of salaries, allowances, increments, pensions, gratuities, provident fund, etc. to the staff The Committee feel that there is scope for similar rationalisation in other accounting procedures so as to provide significant flow charts which correlate expenditure to the actual physical progress made in the field, facilitate monitoring and help application of "on course" correctives.

5.33. The Committee need hardly recall that the objective of Integrated Financial Advisers is to get the best value for the public money expended. It is therefore of the utmost importance that the modalities of work and procedures and accounting should be such as to subserve this objective by cutting out waste and effecting economies consistent with operational requirements.

5.34. It is imperative that the accounts are not only prepared and presented in time but that they are kept upto date and exhibit a meaningful correlation of expenditure with the units of performance. It is only then that the head of the Department/Ministry would be able to exercise effective check on performance by comparing the quantum of anticipated work output with the financial provision asked for in the budget and identify the weaker links of the chain which need to be strengthened.

5.35. In brief, accounting should become an effective aid to management of resources. The Committee would like to judge the success of the historical decision to separate the Accounts from Audit by the results achieved in better and more effective resource management and direction.

CHAPTER VI

SIMPLIFICATION OF RULES

6.1. The powers have been delegated to various administrative Ministries/Departments under the Delegation of Financial Powers. Rules 1958 as amended from time to time. These powers are, however, subject to provisions of general Financial Rules, 1963. Besides these rules, the Ministry of Finance has also issued executive orders from time to time regarding the powers available to the Ministries/Departments. Of these the orders dated 1st June, 1962, and 18th October, 1968 have been incorporated as such in the compilation of the Delegation of Financial Powers Rules 1958, without making any amendments to the rules.

6.2. In their Report in 1969 on Delegation of Financial and Administrative Powers, the Administrative Reforms Commission objected to amendments being made to delegations through executive orders. In pursuance of the recommendation made by A.R.C. Government decided that whenever any modification or changes had to be made in the delegations, these should be ordinarily done through amendments to the Rules themselves and not through executive instructions. It is, however, seen that inspite of this decision by Government, executive orders were issued by the Ministry of Finance in April and July 1975 making further amendments to the powers available to the administrative Ministries/Departments without making necessary amendments to the Rules.

6.3. In their Report on Delegation of Financial and Administrative Powers, the Administrative Reforms Commission also pointed out that there was lack of proper arrangements for keeping upto date the manuals and regulations regarding financial matters and service conditions. No single authority was charged with the duty of compiling and keeping upto date the existing rules and regulations, arranging for their periodical reprint and for the issue from time to time of correction slips for the use of officials administering these rules. The Commission recommended that the multifarious duties relating to all rules and regulations having a financial bearing might be entrusted to a cell in the Finance Ministry.

6.4. The Committee enquired about the action taken on the above recommendation of the Commission. They were informed that "the various Regulation Branches in the Department of Expenditure administering the rules and regulations are responsible for keeping them upto date and arranging for their periodical reprint and further issue from time to time of correction slips."

6.5. The Committee also enquired about the action taken for the amendment of the delegation of Financial Rules on the basis of orders issued by the Ministry of Finance in June 1962 and October, 1968. They were informed that the question of incorporating the additional powers into the rules was first examined in 1962 but since the question of further decentralisation of financial powers was being examined by the ministerial level Committee, amendment to the Rules was postponded. The Administrative Reforms Commission which was set up in 1966 was also seized of the matter and it was, therefore, considered advisable to await the recommendations of the Administrative Reforms Commission and Government's decision thereon before amendment to the Delegation of Financial Powers Rules were taken in hand. After considering the recommendations of the Administrative Reforms Commission and after a detailed review of the existing financial delegations, Government decided to enhance the powers of the verious administrative ministries and order were issued in April, 1975. Necessary steps to amend the Delegation of Financial Powers Rules to incorporate the enhanced powers delegated through the above mentioned orders, have now been taken up.

6.6. The Committee were also informed that the Sub-Group on Financial Administration (August 1973) recommended the codification of administrative and financial rules and regulations afresh in simple and precise language with a rational classification of subjects and under a time bound programme. The Group of Ministers had also agreed on the need for the setting up of a separate 'Expert Group for this work. However, as certain changes of a far reaching character in the matter of accounting and related matters were under contemplation, which would involve a thorough overhaul of the existing procedures, the 'Expert Group' was proposed to be set up and the work taken in hand later at the appropriate time.

6.7. The Committee find that besides the General Financial Rules and the Delegation of Financial Powers Rules which govern the powers available to the administrative ministries, executive orders have also been issued from time to time which have the effect of changing the financial powers available to the administrative ministries/Departments. This tendency to effect changes through exe-

cutive orders in the delegations conferred by rules instead of through amendments to the rules, was objected to by the Administrative Reforms Commission. In pursuance of the recommendation by A.R.C. Government decided that whenever any modifications or changes have to be made in the delegations, these should be ordinarily done through amendments to the Rules themselves and not through executive instructions. The Committee regret to note that inspite of this decision by the Government, changes have been made in the delegation of powers to the administrative ministries|Departments through executive orders issued by the Ministry of Finance without simultaneously making the necessary amendments to the Rules.

6.8. The Committee have been informed that necessary steps to amend the Delegation of Financial Powers Rules to incorporate the enhanced powers, delegated through executive orders, have now been taken up. However, as certain changes of a far reaching character in the matter of accounting and related matters like, changing the system of maintenance of accounts, introduction of the system of Integrated Financial Adviser, etc. are under contemplation, a through overhaul of the existing procedures would be required. The Committee, therefore, recommend that instead of merely amending the Rules, steps may be taken for the codification afresh of the rules and regulations governing delegation of Financial Powers, etc. in simple and precise language under a time bound programme.

6.9. The Committee would also like to point out that one of the factors which discourages the Ministries from using their powers is the multiplicity of rules and regulations which are changed so often that it is difficult for officers of the Ministries to keep a track of these rules and know them fully. Moreover, the rules and procedures have a tendency to grow in volume and complexity. It is, therefore, necessary that the rules and procedures are reviewed and updated periodically with a view to their simplification so that they do not become cumbersome in course of time, resulting in undue dalays.

6.10. The Committee regret to note that inspite of the recommendation of the Administrative Reforms Commission, no single cell has been constituted in the Ministry of Finance for looking after the multifarious duties regarding compiling and keeping up-to-date the existing rules and regulations having a financial bearing, arranging for their periodical reprint and for the issue from time to time of

correction slips etc. The various Regulation Branches in the Departmenet of Expenditure administering the Rules and Regulations are stated to be responsible for this work. The Committee desire that immediate steps should be taken for setting up of a cell as suggested by the Administrative Reforms Commission for keeping up-to-date the rules and regulations etc., having a financial bearing. Copies of manuals of such updated rules and regulations should also be made easily available to the officers concerned and the members of the public.

NEW DELHI;
April 21, 1976,
Vaisakha 1, 1898 (*S*)

R. K. SINHA,
Chairman,
Estimates Committee.

APPENDIX I

(*Reference*: Para 1.10 of the Report)

Salient Components of Delegation of Financial Powers Scheme, 1962

(1) Proper and detailed pre-budget scrutiny of schemes etc.

(2) Inclusion of lump-sum provision in the budget for schemes which are ready in their detail at the time of the preparation of the budget estimates but which have to be implemented urgently during the course of the financial year.

(3) Empowering Secretaries of the Administrative Ministries to over-rule the advice of the Financial Adviser in the sphere of the authority delegated to them.

(4) Organising finance, budget and accounts work of administrative Ministries on sound lines to enable them to watch the progress of expenditure and control it more effectively.

(5) Setting up of Internal Work Study Units in administrative Ministries to lay down norms for particular types of work and examine proposals for staff reorganisation or creation of posts (whether in Ministries proper or in their lower formations).

(6) Empowering Finance Ministry to carry out work studies of the Administrative Ministries or to undertake *ad hoc* examination of selected aspects to the extent the former considers necessary.

(7) Requiring administrative Ministries to furnish to the Finance Ministry half-yearly staff strength reports and copies of sanction relating to:—

(a) contingent expenditure and miscellaneous expenditure beyond Rs. 2500 recurring p.a. and Rs. 10,000 non-recurring in each case;

(b) excess expenditure over the estimates of schemes as accepted by the Finance Ministry;

(c) re-appropriation of funds in excess of additional powers delegated to Ministries;

(d) Introduction of a new item is a scheme even if it does not result in substantial variation of the scheme as accepted by the Finance Ministry.

APPENDIX II

(*Reference* : Para 3.41 of the Report)

STATEMENT I

The more important recommendations contained in Volume II of the Report of the Working Group on Financial Rules, which have been accepted with modification by the Committee of Joint Secretaries.

Sl. No.	Annexure of the Report & Sl. No. thereof	Recommendation in brief	Modification suggested	Action taken
1	2	3	4	5
1	Annexure I-A (Sl. No.I)	A revised definition of duty has been attempted by the Working Group in order to minimise the occasions for exercising discretionary powers for treating particular periods as "duty". It has been proposed *inter alia* that periods during which a person may not be formally posted on return from leave, foreign service or on the revocation of an order of suspension should automatically be classified as duty.	Periods during which a person may not be formally posted on return from leave, foreign service or on the revocation of an order of suspension should not be automatically treated as duty. Such cases should continue to be considered by Government on individual merits.	As decided in Column 4, such cases continue to be considered by Govt. on individual merits.
2	Annexure I-B (Sl. No. 19)	Supplementary Rule 59 provides for a competent authority prescribing the headquarters of a Govt. servant in its discretion. The power is at present given to certain specified Heads of Departments. Working Group has recommended that the power may be given to all Ministries and Heads of Departments and also to such other authorities to whom they may delegate the power.	The power should be vested in Ministries and Heads of Departments only.	Ministries & Heads of Departments enjoy full powers in this respect.

3	Annexure I-B (Sl.No.39-A)	Supplementary Rule 116 provides that when a Govt. servant is transferred, his family may be treated as accompanying him for purposes of travelling allowances if they follow him within 6 months from the date of his transfer or precedes him by not more than 1 month. These time limits can be extended by competent authorities individual cases in special circumstances. The powers are at present vested in Ministries. It has been recommended that Heads of Departments may also be given the power.	Heads of Departments should have power to extand the time limit only up to 1 Year and 3 months respectively instead of 6 months and 1 month.	Full powers have been delegated to Heads of Departments in August, 1974.
4	Annexure II-A (Govt. decision No. 2 below Revised Rule 18).	Revised powers for Administrators in Union Territories have been recommended in regard to sanctioning of works expenditure.	The powers have been accepted in some cases and reduced in some cases. For example for Administrators of Delhi, Manipur etc. against "full-powers" reeommended, a limit of Rs. 25 lakhs has been suggested.	Ministry of Home Affairs have issued orders in February, 1974 enhancing the powers of the Administrators of Delhi, Arunachal Pradesh and Chandigarh upto Rs. 25 lakhs. The whole question regarding delegating powers to the Union Territories, to the extent enjoyed by the administrative Ministries, is under review in the Min. of Home Affairs.
5	Annexure II-A (Revised Rule 19)	It has been recommended that Ministries should have the power to sanction reasonable expenditure on preliminary items in cases where the feasibility report for a project has been approved by Govt. pending the preparation and acceptance of the detailed project report. The power should be upto 5% of the estimated cost of the project as disclosed in the feasibility report or Rs. 25 lakhs whichever is less.	The powers should be restricted to 5% of the estimated cost or Rs. 5 lakhs whichever is less.	The implementation of this recommendation is in progress.

1	2	3	4	5
6	Annexure II-A (Revised Rule 22)	Revsied powers have been recommended for Ministries to sanction expenditure for purchases and execution of contracts. Thus, for normal purchases, the powers are proposed to be raised from Rs. 25 to Rs. 40 lakhs, for negotiated or single tender contracts from Rs. 10 to Rs. 20 lakhs, for proprietory stores from Rs. 5 to 10 lakhs and for emergency direct purchases from Rs. 5 to Rs. 10 lakhs.	While the increased powers as proposed may be accepted, it is not necessary to make them applicable to all Ministries uniformally. Selected Ministries, especially the servicing ones like the Ministry of Supply and Deptt. of WH & UD may be given these powers. The matter has to be examined in detail in consultation with the concerned Ministries.	Increased powers, as shown below have been delegated in July, 1975 :— 1. Administrative Ministries (other than Deptt. of Supply.) For normla purchases Rs. 50 lakhs. For negotiated or single tender contracts. Rs. 20 lakhs. For proprietory stores, Rs. 10 lakhs. 2. *Deptt. of Supply.* For normal purchases Rs. 2 crores. For negotiated or single tender contracts. Rs. 1 crore. For propreitory stores Rs. 1 crore. 3. *D.G.S.D.* For normall purchases Rs. 1 crore. For negotiated or single tender contract Rs. 50 lakhs. For proprietory stores Rs. 50 lakhs.

7. Annexure II-A (Revised Rule 23).	The powers of Ministries for the purchase of commodities not intended for Govt. consumption but for sale or issue to the public, State Govts. or any authority, and for the fixation of prices in respect of direct trading operations of the Governments are at present limited to Rs. 20 lakhs. It has been recommended that the limit should be raised to Rs. 50 lakhs.	The powers may be raised to Rs. 30 lakhs.	Increased powers have been delegated to the Ministries/Deptts. to make such purchases upto Rs. 50 lakhs in April, 1975.
8. Annexure II-B (Sl. No. 30).	Although some orders exist at present simplifying the procedure for the issue of pay authority by the Accountant General to Government servants for facilitating prompt receipt of thier salary in various circumstances, the Working Group took note of the persisting difficulties in certain circumstances e.g. on first appointment to Government service, on transfer to another post, or when even while continuing in the same post, the officer is unable to draw his pay for want of requisite authority for the continuance of the post. It has accordingly been recommended that provision should be made empowering the Heads of Offices to sanction advance of pay to gazetted officers under their administrative control in the above circumstances, pending receipt of the necessary authority from the A. G. Such advances will be admissible for not more than 2 months and will be adjusted in full in the first salary bill submitted after the drawal of the advance.	The new provision is accepted with the modification limited to one month's pay subject to usual deductions. It should be payable only if the officer does not get his pay in the normal course within one month of the event mentioned. It will be admissible only in the following circumstances: (i) In cases of first appointment where sanction for the post is available but pay slip has not been received. (ii) In cases of promotion; and (iii) In cases of continuing posts where the requisite authority for the continuance for the post is not forthcoming.	This recommendation is under processing. Since, however, the entire system of maintenance of accounts is proposed to be charged in the near future, as a result of which the service entitlements of employees, including those of Gazetted officers, will be decided by the administrative authorities themselves without the intervention of the Accountant General, it would not be necessary to go ahead with the implementation of this recommendation.

1	2	3	4	5
9.	Annexure II-E (Sl. No. 16)	At present, under the Treasury Rules, all bills in payment of claims against Government are to be presented at the Treasury, duly receipted and stamped where necessary. The Working Group, taking note of the criticism, that prereceipting of bills is not appropriate and is of doubtful legal validity, have recommended doing away with such prereceipting. Receipts are to be taken only at the time of payment.	Bills presented by a departmental officer or personal claims preferred by Govt. officers should be duly receipted for payments and stamped where necessary. For all other payments, receipts duly stamped, where necessary, should be taken at the time of payment.	The work of overall revision of the Central Treasury Rules, to bring them more in line with the current arrangements, which was undertaken some time ago, has been in progress. The accepted recommendations of the Working Group are being incorporated in the proposed revised rules.
				Considerable progress in drafting the revised Treasury Rules has been made and C&AG's concurrence is awaited for some of the revised rules. The work is expected to be completed soon.
10.	Annexure II-E (Sl. No. 17)	Arrear bills exceeding Rs. 100 and more than a year but less than 3 years old (except certain categories) cannot at present be paid at the Treasury without an authority from the A.G. In view of large number of arrear bills which the A. Gs. have to scrutinise for preaudit, it has been recommended that the limit of Rs. 100/- should be raised to Rs. 250/.	The limit of Rs. 250 may be raised to Rs. 500 (C&AG will be separately considering whether preaudit cannot itself be altogether dispensed with).	Do.

11	Annexure III-B (Sl. No. 5).	Increased powers as indicated below have been recommended to officers in CPWD in cases of award of work without calling tenders or by negotiations etc. where the approval of the CWA Board has not been obtained. The existing powers are shown within brackets :— Executive Engineer: Rs. 25,000 (Rs. 10,000). Superintending Engineer: Rs. 2½ lakhs for runway works and Rs. 1 lakh for other work (Rs. 15,000). Chief Engineer/ Engineer-in-Chief : Rs. 10 lakhs for runway works and Rs. 5 lakhs for other works (Rs. 50,000).	The powers may be raised as follows : Executive Engineer : Rs. 15,000. Superintending Engineer : Rs. 25,000, Chief Engineer/ Engineer-in-Chief : Rs. 1 lakh	Information awaited from Ministry of Works & Housing.

STATEMENT II

Some of the important recommendations contained in Vol. II of the Report of the Working Group on Financial Rules which have been accepted by the Committee of joint Secretaries,

1	2
Service rules covered by Annexures I-A and I-B:	
Increased powers have been recommended for Heads of Departments in certain cases. For example, the powers for the grant of special disability leave, which are at present confined to the Ministries are proposed to be given to Heads of Departments also. (S. No. 26, 26-A of Annexure I-A) the powers of Heads of Departments for sanctioning the undertaking of works for which a fee is offered, which are at present limited to Rs. 1200, are proposed to be raised to Rs. 3000. (S. No. 3 of Annexure I-B); the powers of Heads of Departments for permitting the grant of travelling allowance as for a journey on tour to a Government servant when he is required, while on leave, to undertake a journey to perform public duty at a place other than the one where he is spending his leave, which are at present confined to cases of non-gazetted employees, are proposed to be extended to cover all cases.	Under the C.C.S. (Leave) Rules, Ministries can delegate powers for sanction of special disability leave to any authority who is appointing authority. This recommendation has been processed and the orders proposed to be issued have been referred to the Department of Personnel/C&AG for concurrence. The orders will be issued as soon as their concurrence is received.
(Sl. Nos. 46-A and 46-B of Annexure I-B).	It has been decided to make a substantive provision in the rules regarding grant of T. A. for performing public duty while on leave. Action is being taken to incorporate the decision in the rules, along with a number of other amendments involvd in implementations of the recommendations of the Third Pay Commission.
Delegation of Financial Powers Rules (Annexure II-A)	
(i) Higher powers have been recommended for Union Territories Administrators in regard to expenditure on works as well as other schemes. For ex-	The recommendation in S. No. 4 of Appendix II and the action taken thereon may be seen.

ample, the powers of the Administrators of Delhi, Manipur, Tripura and Goa are proposed to be raised from Rs. 25 lakhs to Rs. 50 lakhs in respect of schemes other than works; similarly the powers of these Administrators for works expenditure are proposed to be raised from Rs. 15 lakhs to full powers.

The whole question regarding delegating powers to the Union Territories to the extent enjoyed by the administrative Ministries (except creation of posts, write off of losses, and reappropriation) is under review in the Ministry of Home Affairs).

(Government decisions 1 & 2 below revised Rules 18).

(*ii*) As an exception to the rule that charges of remittance of money by postal money order in payment of Government dues shall ordinarily be borne by the payee and not by Government, it has been recommended that remittance by money order of leave salary of Class IV Government servants should be made at Government expense.

Orders regarding remittance of net leave salary to class IV employees who proceeds on leave exceeding one month, by postal money order at Government expenses, have been issued in June, 1975, in April, 1975.

[Schedule IV—Item 13 (*ii*) (*a*)].

(*iii*) The powers of Ministries to write off losses of stores or public money, where the loss is not due to theft, fraud or negligence are proposed to be raised from Rs. 25,000/- to Rs. 40,000/-.

Powers of the Ministries/Departments have been enhanced from Rs. 25,000 to Rs. 1 lakh.

[Schedule VI—Item No. 1]

General Financial Rule (Annexure II-B)

The powers of Ministries to make ***ad hoc*** payments in cases pertaining to arrear claims on account of pay and allowances of employees, where the Accounts Officers are unable to investigate the claim due to limited period of preservation of records or otherwise, are proposed to be raised from Rs. 500/- to Rs. 1000/- and Heads of Departments who have no powers at present are proposed to be given powers upto Rs. 250/- (S.No. 6).

Under the provisions of Proviso to Rule 86 of GFRs, the Ministries/Deptts. have got powers to make payments upto Rs. 1000. The Ministries/Deptts. have also got powers to redelegate their powers to their subordinate authorities according to needs of the latter.

Central Treasury Rules (Annexure II-E)

(*i*) ***Simplification of payment procedures.***

It is proposed to allow the last payment of salary in respect of gazetted officers finally quitting service by retirement, resignation etc. to be made by the Head of the Office subject to the officer giving an undertaking that the outstanding dues, if any, may be recovered from the gratuity or other amounts payable by Government. At present such payment cannot be made except with the clearance of the A.G.

Heads of Offices have been allowed to make last payment of salary in respect of Gazetted Officers finally quitting service on retirement, resignation etc. subject to the officer giving an undertaking that the outstanding dues, if any, may be recovered from the gratuity or other amounts payable by Government.

1	2
Instead of the existing procedure under which Government servants have to make their own arrangements for getting their leave salary remitted to them at the station of their leave, it is proposed to make the remittance the responsibility of the administrative authorities. On a specific request being made, the net leave salary should be sent to the Government officials at the station of their leave through demand draft at par by registered posts in the case of Class IV persons, however, their net dues are to be remitted by money order at Government expense.	Orders regarding remittance of net leave salary to a class IV employee who proceeds on leave exceeding one month, by postal money order at Govt. expense, have been issued in June, 1975. Orders regarding sending net leave salary to Govt. officials at the station of their leave, through Demand Draft, at par, by registered post, wherever a specific request is made by the Govt. official, have been issued in November, 1971.
The requirement of production of life certificate when a gazetted officer takes leave is proposed to be done away with, where the leave is earned leave other than L.P.R.	Rule 245 of the Treasury Rules (Vol. I) was amended in November, 1971, to provide for dispensation with the requirement of production of life certificate when a gazetted officer takes leave, where the leave is earned leave, other than L.P.R.
The payment of pensions on the last working day before holidays, which is at present made only to pensioners drawing pensions upto Rs. 200/- and in cases where the first 4 days of the next month are holidays, is proposed to be extended to all pensioners and in cases where the first 2 days of the next month are holidays. This arrangement will, however, not apply to pensions relating to the month of March.	Rule 340 of the Treasury Rules has been amended in July 1975, providing for payment of pension on the last working day of a month to which the pension relates, to all pensioners, in cases where the first day of the following month (including Sunday) is a Public Holiday (except in the case of pension relating to the month of March).
It is proposed to authorise the officers in charge of Public Works Divisions, like their counterparts in the Forests Department, to obtain funds required for all departmental disbursements by drawing cheques from Treasuries with which they may be placed in account by A.G. instead of the present procedure under which the P.W.D. draws funds partly by means of presentation of bills and partly by means of cheques.	Rule 544 and 545 of the Treasury Rules have been amended in January 1972 to authorise the Officer-in-charge of the Public Works Division to obtain funds required for departmental disbursement by drawing cheques from Treasury with which they may be placed in account by A.G.
It is proposed to do away with the requirement of A.G.'s authority for the payment of deposits lying unclaimed in Treasuries for certain periods, except in cases where the Treasury does not maintain the detailed accounts of the deposits.	The requirement of authority for the payment of deposit lying unclaimed for certain periods, has been done away with, except in cases where the Treasury does not maintain the detailed accounts of the deposits.

(ii) *Enhancement of powers for faciliting Treasury Procedures.* The powers of the Treasury Officers for various purposes *e.g.* issue of receipts for amounts deposited, issue of receipts for supply of service stamps etc. are proposed to be raised. The limit upto which salary of deceased Govt. servants can be authorised for payment by Heads of Offices without the production of usual legal authority is proposed to be raised from Rs. 2500/- to Rs. 5,000/- and in other cases it is proposed to empower the Heads of Departments instead of the Ministries to authorise payment on production of indemnity bond. The limit upto which arrears of pension, remaining undream for more than one year can be paid without the previous sanction of the competent pension authority is proposed to be raised from Rs. 2,500/- to Rs. 5,000/-.	Please see action taken note against S. No. 9 of Appendix II.
Delegation of powers under the Account Code etc. (Annexure II-F). The powers of Audit Authorities at various levels on items like foregoing recovery of irregular expenditure, waiving of irrecoverable amounts etc. are proposed to be raised. (This annexure concerns the C&AG entirely. While commenting on the recommendations, he has accepted most of them and suggested a few modifications also. Details of these are not given in this summary).	So far as the recommendation relatin to the Account Code is concerned Article 53 of the Account Code (Vol. I) has been amended. Regarding recommendations relating to C&A.G.'s Manual of Standing Orders (Tech.) Vol. I, the information is being collected.
Delegation of powers in the CPWD. (Annexure III-B). The powers of officers of the CPWD at different level are proposed to be raised in different types of cases. Thus, in cases of acceptance of single tenders the powers of the Executive Engineer are proposed to be raised from Rs. 5,000/- to Rs. 10,000/- and those of the Engineer-in-Chief/Chief Engineer from Rs. 15 lakhs to Rs. 25 lakhs. The powers of the Engineer-in-Chief/Chief Engineer for the work to the lowest tenderer, without the approval of the Central Works Advisory Board, are proposed to be raised from Rs. 25 lakhs to 40 lakhs. The Chief Engineer is also proposed to be given full powers for direct purchase of articles required in cases of extreme urgeney from the whatever source they consider advisable so long as the rates are at par with or within the rates prescribed by DGS&D for the same articles oa for articles or similar specifications.	Information is awaited from Min. of W&H.

1	2
Delegation of powers in DGS & D (Annexure III-C). The powers of DGS&D for the purchase of proprietary articles by sealed tender are proposed to be raised from Rs. 5 lakhs to Rs. 8 lakhs in the matter of waiver of liquidated demages for delays in supply and also for waiving of recovery in cases of losses arising out of risk purchases, the powers of the DG and DDG are proposed to be raised from Rs, 1,000/- to Rs. 2,500/- and from Rs. 100/- to Rs. 500/- respectively.	The purchase powers of the Deptt. of Supply, and other Ministries have been enhanced in July 1975. Consequently, the entire delegation of powers to the D.G., D.D.G. and other officers in the DGS&D is under review in the Deptt. of Supply, and this includes the question of raising the powers of the D.G. to make purchases of proprietory stores on single tender basis. The review also includes the question of increasing the powers of D.G./D.D.G. for waiving the recovery of losses arising out of risk purchases.
Delegation of powers in the Deptt. of Priting and Stationery (Annexure III-D) The powers of the various officers in the Deptt. for different categories of work are proposed to be raised. For instance, the powers of the CCP&S for execution of printing work on tender basis by accepting the lowest quotation, which are, at present, limited to cases not exceeding the scheduled rates by more than 50% are proposed to be increased to cover cases where the quotations do not exceed the scheduled rates by more than 100% . His powers for execution of work without calling for tenders are proposed to be raised from Rs. 1,000/- to Rs. 5,000/-. Similar increases are also proposed in respect of purchase of stationery stores; the powers of the CCP&S are proposed to be raised from Rs. 2 lakhs per item to Rs. 5 lakhs per item on each occasion.	Information is awaited from Min. of W. & H.
Recommendations of ARC, in modification of those contained in Volume II of the Report of the Working Group on Financial Rules, which are proposed to be accepted.	The A.R.C.'s observations have been noted.
(i) *Delegation of Financial Powers Rules* (Annexure II-A). Ordinarily no Government property, movable or immovable, should be insured. Certain exceptions have, however, been prescribed. The Working Group recommended that cases of departmentally run commercial undertakings should also be exempted from the ban on insurance, and insurance of raw mate-	

rials, consumable stores, equipment and machinery in transit or in storage in respect of such undertakings may be undertaken at the discretion of the Head of the organisation'. A.R.C. do not agree with this recommendation and have observed that the prohibition on insurance should not be removed. (Para 19 of Chapter V of the Report).

(ii) *Delegation of powers in the CPWD* (Annexure III-B).

The Working Group have recommended higher powers for officers of the CPWD in various circumstances. In cases of acceptance of lowest tender, they have recommended no change in the existing powers which are Rs. 5,000/-for the Assistant Engineer/Assistant Executive Engineer, Rs. 1 lakh for the Executive Engineer and Rs. 10 lakhs for the Superintending Engineer. The A.R.C. have recommended the increase of the powers of the Assistant Engineer/Assistant Executive Engineer to Rs. 10,000/- (Para 19 of Chapter B of the Report).

STATEMENT III

Recommendations of the Working Group on Financial Rules contained in Volume I which are not covered in Volume II of their Report or in the A.R.C.'s Report on Delegation for Financial and Administrative Powers which are proposed to be accepted.

1	2	3
Recommendation No.		
5.	A comprehensive review and revision of those portions of the C.S.Rs. which are still extent *i.e.* mainly the rules relating to the pensions should be undertaken and they should be incorporated in a consolidated form in a Code.	The rules relating to pensions have been resvised and Central Civil Services (Pension) Rules have been issued.
6.	The procedural details relating to the payment of pensions should be kept at one place only, mainly the Central Treasury Rules.	Please see the action taken note against S.No. 9 of Appendix II.
7.	Whenever any new provident Fund is to be constituted, Government should consider whether the existing rules as they stand could with suitable adaptations be applied to that fund. The feasibility of reducing the number of the Provident Fund Rules should be examined.	The suggestion has been noted.
8.	In the Fifth Schedule to the G.P.F. Rules, the reference to a head of department should be to the list as provided for under 2(e) of Delegation of Financial Powers Rules and not to the list prescribed with reference to Supplementary Rules 2(10).	G.P.F. Rules have been amended accordingly.
15.	The existing Central Government Treasury Rules issued in 1941 have become out of date and they are not in their present form, in step with the present day constitutional and administrative set up. Our suggestions in respect of modifications/changes etc. therein are contained in Annexure II-E. *A Fuller and more comprehensive revision of the C.T.Rs. is called for in order to bring its provisions in line with the present day arrangements and the existing administrative systems.*	Please see the action taken note against S. No. 9 of Appendix II.

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16.	Some rules of the Central Treasury Rules called for substantial changes or deletion altogether. It has not been possible for the Group to suggest in their case the precise form of amendment in the absence of the relevant facts or date. In such cases Government might consider, the consultation with the appropriate authority in each case, the precise form or shape which these rules should take or their deletion altogether, as the case may be.	Please see the action taken note against S. No. 9 of Appendix II
17.	Some amendments or modifications to the C.T.Rs. as suggested by the Group might conceivably involve consequential amendments to, or changes in, other financial rules *e.g.* the Account Code Vol. II, the G.F.Rs., the C.P. W.A. Code etc. The authorities concerned should initiate appropriate steps in this matter in due course.	The suggestion has been noted for appropriate action.
27.	The administrative authorities should be empowered so as to be in a position to sanction minor works as now defined in the Central Public Works Account Code.	
28.	The powers should be delegated to the administrative Ministries (including Ministry of Works, Housing and Supply) to issue 'expenditure sanction' in respect of major works costing upto Rs. 5 lakhs without reference to Finance. The present scheme of 'expenditure sanction' should be modified to this extent.	

APPENDIX III

(Reference para 4.8 of the Report)

Items of work to be handled by Internal Financial Adviser

The Internal Financial Advisers will be in overall charge of Budget and Accounts Section in addition to the internal Finance Section. It will be his duty:—

(i) to ensure that the schedule for preparation of budget is adhered to by the Ministry and the Budget is drawn up according to the instrutcions issued by Finance Ministry from time to time;

(ii) to scrutinise budget proposals thoroughly before sending them to Ministry of Finance.

(iii) to see that complete departmental accounts are maintained in accordance with the requirements under the F.F.Rs. It should in particular, be ensured that the Ministry not only maintains account of expenditure against the Grants or Appropriations directly controlled by it but also obtains figures of the expenditure incurred by the subordinate offices so that the Ministry has a complete month to month picture of the entire expenditure falling within its jurisdiction;

(iv) to watch and review the progress of expenditure against sanctioned grants through maintenance of necessary control Registers and to issue timely warning to Controlling authorities where the progress of expenditure is not even;

(v) to ensure the proper maintenance of the Register of Liabilities and commitments as required under the F.F.Rs. to facilitate realistic preparation of budget estimates, watching of book debits and timely surrender of anticipated savings;

(vi) to screen the proposals for supplementary demands for grants;

(vii) to formulate the foreign exchange budget of the Ministry and to process individual cases for release of foreign exchange in accordance with the instructions issued by Department of Economic Affairs from time to time;

(viii) to advise the administrative Ministry on all matters falling within the field of delegated powers. This includes all powers other than those devolving on a Ministry in its capaicty as Head of office. It has to be ensured by Internal Financial Advisers that the sanction issued by administrative Ministry in exercise of delegated powers clearly indicate that they issue after consultation with Internal Financial Advisers.

(ix) to identify, in particular, specific savings in cases of creation of post and to maintain a Register for this purpose.

(x) to scrutinise proposals for re-delegation of powers to subordinate authorities.

(xi) to keep himself closely associated with the formulation of schemes and important expenditure proposals from their initial stages;

(xii) to associate himself with the evaluation of progress|performance in the case of projects and other continuing schemes, and to see that the results of such evaluations studies are taken into account in the budget formulation;

(xiii) to watch the settlement of audit|objections, Inspection Reports, draft audit paras etc;

(xiv) to ensure prompt action on Audit Reports and Appropriation Accounts, Reports of P.A.C., Estimates Committee and Committee on Public Undertakings;

(xv) to screen all expenditure proposals requiring to be referred to Finance Ministry for concurrence or comments;

(xvi) to ensure regular and timely submission to Finance Ministry of quarterly staff statements and other reports and returns required by Finance.

APPENDIX IV

(Reference para—4.14 of the Report)

No. F. 10(29)-E(Coord)|73

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

New Delhi, the 6*th October* 1975.

OFFICE MEMORANDUM

SUBJECT:—*Scheme of 'Integrated' Financial Advisers.*

Under the existing Scheme of budgetary and financial control and delegation of powers to Ministries as introduced *vide* this Ministry's O.M. No. F. 10(3)-E(Coord)|67 dated 18th October, 1968, the Ministries have an Internal Financial Adviser. who is in-charge of their Budget and Accounts Section and is required to be consulted in all cases of exercise of delegated financial powers, and an 'associate' Financial Adviser based in the Department of Expenditure, who is required to be consulted in matters falling outside the delegated field. The 'associate' Financial Adviser is attached to a group of Ministries. In pursuance of the policy to delegate enhanced financial powers to the administrative Ministries to match their responsibilities and to improve their competence in the field of financial management by developing appropriate internal attitudes and skills, the question whether the functions of the 'associate' Financial Adviser and the Internal Financial Adviser could, with advantage, be integrated in a single official, forming part of the administrative ministry, has been under consideration. It has been felt that the Financial Adviser should be associated with the administrative ministry in a large measure than at present to enable him to play a more effective and constructive role in its developmental activities and should bring his financial experties to bear in assisting the Secretary of the administrative ministry and other senior officers in the planning, programming, budgeting, monitoring and evaluation functions of the ministry. A scheme of 'Integrated' Financial Adviser has accordingly been drawn up in consultation with Department of Personnel and Administrative Reforms, the salient features of which are outlined in the Annexure.

2. In the new scheme, the Financial Adviser will be responsible both to the administrative Ministry and to the Ministry of Finance. With his assistance, the administrative Ministry will be able to freely exercise the enhanced powers delegated under the Department of Expenditure O.M. No. F. 10(13)/-E(Coord)|75 dated 10th April, 1975 and, outside the scope of the delegations, he will function under the general guidance of the Finance Ministry. He will assist in budget formulation, scrutiny of projects and programmes for approval by the Ministry of Finance and post-budget vigilance to ensure that there are neither considerable shortfall in expenditure nor unforeseen excesses for which provision has not been made either in the original budget or in the revised estimates. The close association of integrated Financial Adviser and his staff with the formulation and implementation of all proposals involving expenditure should facilitate the more effective discharge of the Financial Adviser's responsibility. It is cardinal to the working of the new scheme that the Financial Adviser should be associated with the formulation of schemes from the initial stages. The Financial Adviser will also be responsible for the preparation of the Ministry's performance budget and the monitoring of progress of schemes against the budget. The maintenance of an efficient accounting system is necessary for this purpose.

3. In matters involving any deviations from the budgeting and accounting procedures, consultation with the Budget Division of the Department of Economic Affairs will continue to be obligatory. Similarly, in respect of the formulation of the Ministry's development plans, Plan Finance Division in the Department of Expenditure would have to be consulted. The Public Investment Board (PIB) and Expenditure Finance Committee (EFC) procedure would also continue to be applicable, the integrated Financial Adviser taking on the role at present discharged by the associate Financial Adviser. The responsibilities of the Establishment Division and the Staff Inspection Unit of the Department of Expenditure would also not be affected by the proposed changes.

4. In the first instance, the scheme will be introduced in the following Ministires|Departments:

(1) Health & Family Planning;

(2) Works & Housing;

(3) External Affairs;

(4) Education & Social Welfare;

(5) Information & Broadcasting;

(6) Science & Technology; and

(7) Shipping & Transport (where the scheme has already, been introduced as an experimental measure).

It is proposed to extend the scheme to other Ministries|Departments soon thereafter.

5. Pending further consideration of the need for formation of centralised or decentralized, single or multiple level cadres of finance and accounts, and the scheme for absorption of the present associate finance staff in such cadres, in the initial stage, the Financial Adviser, the officers and staff working in the associate Finance Divisions in the Department of Expenditure will be transferred to the administrative Ministries as follows according to requirments:—

Officers of services other than the Central Secretariat Service will be treated as on deputation to the administrative Ministry instead of to the Finance Ministry;

Officers of the Central Secretariat Service including Grade I and selection grade will be treated as transferred to the administrative Ministry;

Members of the decentralized cadres of various grades of CSS will be transferred on loan basis from their present cadre to the cadre of the administrative Ministry on a purely temporary basis.

6. When the scheme is introduced, certain changes will be necessary in the organisational structure in the administrative Ministry and in the Department of Expenditure. Creation/abolition of some posts will be involved. The details of the revised organisational structure in the administrative Ministry out of the posts and personnel to be transfered from Department of Expenditure to the administrative ministry along with the work will be communicated to the respective Ministries separately.

7. The new scheme will be introduced in the Ministries|Departments mentioned in para 4 as soon as suitable officers to man the posts of Integrated Financial Adviser become available. A separate communication will be sent to them in this respect.

8. The administrative Ministries|Departments are also requested to make necessary arrangements for housing the additional staff

to be transferred from the associate Finance Divisions in the same building, as such arrangements are essential for the proper functioning of the scheme.

Sd./

N. N. K. NAIR,

Joint Secy. to the Govt. of India.

To

All Ministries|Departments of the Govt. of India.

No. F. 10(29)-*E (Coord)*|73.

1. Copy with 140 copies forwarded to the Comptroller & Auditor General of India for information and circulation to all Accountants General.

2. Copy forwarded also to:

(i) Deptt. of Economic Affairs (Budget Division).

(ii) Deptt. of Personnel & Administrative Reforms.

(iii) All Heads of Divisions and all officers and Branches in the Deptt. of Expenditure.

(iv) Defence Division.

Sd./

J. S. BAJAJ,

Deputy Secy. to the Govt. of India.

ANNEXURE

SALIENT FEATURES OF THE SCHEME OF 'INTEGRATED' FINANCIAL ADVISER

(I) The post of Associate Financial Adviser in the Ministry of Finance (Department of Expenditure) and Internal Financial Adviser in the administrative ministry will be amalgamated and there will be a single 'integrated' Financial Adviser of the rank of Joint Secretary|Additional Secretary for the ministry, who will be a part of the Ministry itself.

(II) The integrated FA will be selected jointly by the administartive Ministry and the Finance Ministry although he will be under the control of the administrative ministry which appoints him. The assessment of his performance (*i.e.* the writing of the annual confidential report) will be made jointly by the administartive Ministry and the Finance Ministry, for which suitable arrangement will be devised separately.

(III) The integrated Finance Division will be constituted out of the present complement of the staff sanctioned for the Internal Finance in the concerned Ministry and the associate Finance in the Department of Expenditure with some minor changes. Staff on the associate Finance side will also be borne on the establishment of the administrative ministry concerned.

(IV) The officers and staff of the integrated Finance Division would be required to have a background and training in Finance and Accounts and would be appointed in consultation with the FA.

(V) FA and his staff will function from the administrative Ministry and they shall, as far as possible have their office located in that Ministry's building.

(VI) The integrated FA would be consulted in all cases before the exercise of the delegated powers. It will, however, be open to the administrative Secretary to over-rule his advice by an order in writing, as provided at present under the scheme of Internal Financial Adviser. In matters beyond the powers delegated to the ministry, the integrated FA shall be responsible to and have right of access to the Ministry of Finance and to the Finance Minister through the Secretary (Expenditure)|Finance Secretary.

(VII) If any important change in the duties and functions of Integrated FA is contemplated, approval of the Ministry of Finance will be necessary.

(VIII) The scheme will be introduced in three phases viz.

FIRST PHASE:

The Associate Finance set up of the Deptt. of Expenditure will be placed under the Secretary of the administartive ministry along with the FA *i.e.* all the relevant posts new in the Department of Expenditure will be transferred to the administrative ministry. Simultaneously, Internal Financial Adviser of the administrative ministry with his staff hitherto working directly under the Secretary will be placed under the integrated FA.

SECOND PHASE:

After a brief period, not exceeding three months, of working of the transitional arrangements in the first phase, there will be complete integration of Associate Finance and Internal Finance wings under the integrated FA and the working of the Division, as a whole, will be streamlined and rationalised so as to avoid any overlapping of functions. The process of the same officers at the lower levels attending to both Associate and Internal Finance functions will start as early as possible and will be completed within a period not exceeding 3 months of the introduction of the first phase; and

THIRD PHASE:

The integrated Finance Division will switch over to the Desk Officer system as quickly as possible. This system will apply to financial advice functions. The accounts & budget work will continue to be handled under the conventional system with suitable adaptations.

(IX) On the introduction of the system, not only the Financial Adviser but also the next officer below him of the level of Director/ Deputy Secretary would simultaneously deal with both internal and associate finance functions.

APPENDIX V

Summary of recommendations/observations contained in the Report

S. No.	Reference to Para No. of the Report	Recommendation|observation
1	2	3
1	2.5-2.6	The Committee note that according to Government's own admission contained in the draft Fifth Five Year Plan, the slow progress in the pace of investment in the Fourth Five Year Plan in respect of some of the sectors had been due to inadequate preparatory work *i.e.*, non-preparation of feasibility studies, etc. The Committee regret to observe that in spite of these observations, the administrative Ministries have not been able to prepare a shelf of projects in several sectors like Drugs and Pharmaceuticals etc. for expediting investment decisions during the Fifth Five Year Plan. The Committee consider that with the devolution of powers to the administrative Ministries and the introduction of the scheme of Integrated Financial Adviser, it should be possible for the administrative Ministries to expedite the preparation of shelf of projects|schemes. In fact, the Committee expect that the administrative Ministries should carry their thinking beyond the formal preparation of schemes|projects and should have a more critical look at these projects| schemes, keeping in view the requirements of the developing economy, the constraint of resources both money and material, availability of expertise and know-how etc. so that cogent proposals are put forward for implementation.
2	2.13-2.14	The Committee consider that in order to enable the administrative ministries|public

1	2	3
		undertakings to undertake long term planning of men and materials, etc. in regard to their projects|schemes on a realistic basis, it is essential that they should have broad indications of the funds likely to be available over a reasonable period of time, say for the next five years. The Committee, had, therefore, stressed the need for preparing forward looking budgets in their 24th Report (1972-73) so that advance planning of schemes|projects both in financial and physical terms can be taken up seriously in time by the administrative Ministries and other authorities concerned. This recommendation was reiterated by the Committee in their 48th Report (1973-74) wherein they had urged Government to make every effort to improve the technique of forward planning of men and materials to obviate any shortfall in the achievement of targets in the Fifth Five Year Plan.
		The Committee need hardly point out that the preparation of feasibility reports etc. is both a time-consuming and money consuming process. It is, therefore, necessary that reasonable assurance of the projects going through should be available a few years in advance to facilitate the work regarding projects|schemes being taken up in right earnest. The Committee find that though the Government accepted the recommendation of the Committee to have a forward looking budget, nothing substantial has been done in this behalf. This may well be due to the reason that economic difficulties of an unprecedented magnitude had overtaken the country in recent years. Now that conditions have been brought to near normalcy, the Committee would like the Ministry of Finance to pay earnest attention to the Committee's recommendation to frame a forward looking budget. It should give broad indication of the likely availability of resources and estimated expenditure for the next three to five years. The Committee consider that if this

<table>
<tr><th>1</th><th>2</th><th>3</th></tr>
<tr><td></td><td></td><td>exercise is done on an yearly basis, it would not only provide Government with basic data and material to refine their budget proposals but would also bridge the gap and the period of suspense which invariably intervenes between the cessation of one Plan and the commencement of the next Plan.</td></tr>
<tr><td>3</td><td>2.32-2.33</td><td>The Committee note that no expenditure can be incurred on a new scheme|project at present without the Ministry of Finance having scrutinised and accepted it. They regret to note that there have been inordinate delays in the scrutiny and sanctioning of the schemes by the Ministry of Finance resulting in delay in their implementation. Although the Administrative Reforms Commission suggested a time limit of three months for the approval of the schemes by the Ministry of Finance which was accepted by Government, the schemes have in several cases, remained under consideration of the Ministry of Finance for more than a year after their first submission. A large number of back references had been made by the Ministry of Finance at various levels to the administrative ministries. In some cases, these references had been made 8 to 9 times calling for additional information on various points instead of raising all points in one consolidated reference. It may be that some of these back references were due to the Ministry of Finance going into matters of details which could have been better left to the admiinstrative ministries concerned.

The Committee would like Government to bring it home to all officers responsible for processing proposals|scheme that delays can prove very costly and can act as a drag to the development process. It is, therefore, imperative that all proposals are processed and finalised with due expedition and prudence.</td></tr>
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(1)	(2)	(3)
4	2.34	The Committee have been informed that in regard to industrial projects, new detailed guidelines have been formulated for the preparation of feasibility Reports to reduce the large number of back references to administrative ministries calling for additional information. The Committee consider that the introduction of the system of Integrated Financial Adviser will enable the Ministries to undertake themselves the detailed financial scrutiny that hitherto had been done in the Department of Expenditure. The Committee need hardly point out that mere laying down of guidelines or introduction of the system of Integrated Financial Adviser are not by themselves going to achieve the objective of speedy processing and scrutiny of projects unless there is a purposeful and close sense of involvement by all concerned from the initial stages to work out meaningful details and finalise the projects which will be in the best national interest. The Committee hope that the revised system will expedite the process of formulation and implementation of the projects|schemes. They would, however, like to judge the revised system by the results achieved.
5	2.41	The Committee note that in the case of Plan schemes, the administrative Ministries are required to furnish to the Planning Commission the broad details of the schemes including the estimates for obtaining their approval. These schemes are discussed in the annual plan discussions at which the Ministry of Finance is also represented. On the basis of the information furnished by the Ministries and after taking into account the priority of the schemes, the Planning Commission accepts these schemes in principle and fixes the total outlay thereon. These schemes are also required to be submitted to the Ministry of Finance for sanction. The Committee consider

(1)	(2)	(3)
		that there should be an integrated examination of the broad details of the schemes, including the financial implications before these are approved and outlays fixed therefor by the Planning Commission. The detailed scrutiny and the sanctioning of expenditure on these schemes thereafter should be the responsibility of the administrative ministries concerned.
6.	2.42	The Committee emphasise that there should be a meaningful and speedy scrutiny of the programmes|schemes. In undertaking the scrutiny the following aspects should be prominently kept in view:— (a) the purposes|objectives which are proposed to be served by the schemes and their relative importance keeping in view the planned targets and priorities. (b) whether the programme|scheme serves best the objectives in view on the basis of the cost-benefit analysis or whether alternative programmes could serve the same objectives with less expenditure within the same time frame. (c) whether suitable norms|standards or other performance indicators have been included as an integral part of the scheme to provide the basis for effective management control and evaluation of the programme|scheme after its completion.
7.	2.43	In recent years it has come to be recognised that the ultimate responsibility for both economy and efficiency must be placed squarely on the shoulders of administrative Ministries|Departments. Centralisation of authority in regard to

(1)	(2)	(3)
		detailed scrutiny and approval of individual schemes in the Ministry of Finance leads not only to delays but also results in escalation of costs of schemes|projects. The Committee, therefore, consider that the Ministry of Finance should retain functions in conformity with their responsibility for providing broad guidelines and overall financial control through sanctioning of funds and making budget allocations to the administrative ministries, taking into consideration the availability of resources, the competing demands of the various Ministries|Departments and plan priorities and the progress of the on going schemes|projects both in physical and financial terms.
8.	2.44	The Committee have no doubt that the introduction of the system of Integrated Financial Adviser will provide the requisite expertise to the administrative ministries for detailed scrutiny of the projects. The Ministry of Finance, if necessary, could issue suitable guidelines to ensure proper approach in scrutinising and sanctioning of the schemes.
9.	2.45	The Committee would suggest that the points about the feasibility and economics of the project which are taken into consideration at the time of scrutiny by the Public Investment Board may be specifically brought to the notice of the Ministries and Integrated Financial Advisers, so that these are kept in view *ab initio* while projects|schemes are being processed in the administrative Ministries. This would not only save time but would make for meaningful examination of the projects/schemes.
10.	2.46	The Ministry of Finance should also develop suitable parametres for the evaluation of the programmes after their completion to determine

(1)	(2)	(3)
		the efficiency and economy in execution and to see how far the objectives have been fulfilled as envisaged. On the basis of such evaluation, useful points of general application could be culled out which could be gainfully utilised to update the guidelines mentioned in the earlier paragraph.
11.	3.14	The Committee cannot over-emphasise the need for rationalisation of methods of work adopted by the various Ministries|Departments and of evolving scientific work norms. Rationalisation of methods and fixing of norms is essential not only for effecting economy and improving overall efficiency in the Departments but for setting targets and measuring performance also. Moreover it would be in the interest of Ministry/Department themselves to have such norms to dispel a general feeling that the Government Departments are over-staffed.
12.	3.15	The Committee note that the staff Inspection Unit of the Ministry of Finance has evolved 193 norms, covering about 4-5 lakh employees working in house keeping sections which have been circulated for adoption to the various Ministries|Departments. The Committee are however concerned to note that although in pursuance of the delegation orders issued in June, 1962. Internal Work Study Units have been set up in 34 Ministries/Departments, progress made in regard to evolution of work norms by these units even after a lapse of thirteen years has been tardy. They further find that although these Internal Work Sutdy Units were required to draw cyclical programmes for conducting such studies and were to send copies of such programmes as well as their study reports to the Staff Inspection Unit of the Ministry of Finance the programmes and reports are not being sent

(1)	(2)	(3)
		regularly by these Units. The Committee regret that the Ministry of Finance also did not keep a watch in regard to the receipt of such programmes and reports to ensure that suitable time bound programmes for work studies are actually drawn up by the Internal Work Study Units and that studies carried out are in accordance with such programmes. The Committee urge that scientific work norms studies should at least now be carried out according to a time bound programme by all the Ministries|Departments in respect of the various jobs. The Ministry of Finance and the Department of Administrative Reforms should help the Ministries in carrying out such studies by providing guidelines in regard to the methodology to be adopted and training the personnel for conducting such studies.
13	3.16	The Committee consider that evolution of norms is a pre-requisite to the delegation of further powers to the Ministries|Departments for creation of posts as the existence of suitable work norms could serve as a parameter for lodging the requirements of the Ministries/ Departments for additional staff.
14	3.17	The Committee suggest that the O & M Unit in each Ministry should form an integral part of the Integrated Financial Adviser's division. This would help in developing norms|standards which would be objective and would fully take into account the cost-benefit factor.
15	3.18	The Committee also consider that there should be a standing Committee of representatives of the Ministry of Finance and Department of Administrative Reforms, not below the rank of Joint Secretary, which should review once in six months the progress made in the evolution of norms and standards and the rationalisation

(1)	(2)	(3)
		of staff. The Committee also consider that the evolution of norms|standards would be an effective instrument for regulating staff strength of the Department|Ministry for dealing with any proposals for additional staff.
16	3.19	The Committee find that the Administrative Reforms Commission suggested in September, 1969 the introduction of the 'desk officer' system as a part of the scheme for re-organising the internal pattern of work in Ministries. They regret to note that it was only in January, 1973, *i.e.*, after a lapse of five years that the Government accepted in principle the recommendation of the Commission and decided to introduce the scheme in a phased manner. The Committee also find that although it was decided that the 'desk officer' system should be effectively installed in at least one wing of a Ministry|Department by 31st March, 1974, the progress made in this regard has not been satisfactory. It is now proposed to introduce the system in various ministries/ Departments in a phased manner in a period of five years during 1975—79. The Committee desire that the 'Desk Officer' system should be extended expeditiously to cover all the wings of the Secretariat that can be brought under it to effect rationalisation in staffing and to make the administration more action-oriented. The Committee suggest that this system should be particularly introduced in Departments having public dealings or where schemes/projects have to be executed with expedition and according to a time bound programme.
17	3.22	The Committee are surprised to find that inspite of recommendations made by the Group of Ministers as early as 1973 no action has been taken by Government to enhance the powers of the indenting departments in respect of direct

(1)	(2)	(3)
		purchase of stores and the matter is awaiting consideration by the another high powered Committee set up in December, 1974. The Committee regret to note the inordinate delay in this regard. If any discussion at high level was required, it should have been completed well in time and concrete proposals for delegation of enchanced powers in regard to direct purchase of stores etc. evolved by now.
		The Committee would like to point out that genuine difficulties are being experienced by the Ministries/Departments due to lack of adequate powers in regard to purchase of stores and spare parts for machinery. For example, in Border Roads Organisation, vehicles and equipment of the value of Rs. 2.46 crores were lying unutilised as on 31st March, 1975 for want of spares. This is by no means an exceptional case. The Committee need hardly point out that the essential criteria in delegation of financial powers is the cost-benefit factor. It is obvious that if the administrative Ministries/Departments have the authority to procure requisite stores, spares, etc. not only will they be able to maintain the equipment and machinery in fully operational condition but this would also greatly bring down the heavy inventories which are built up by the Government organisations due to a feeling of uncertainty about the timely availability of stores and spares. The Committee desire that with the introduction of the system of integrated Financial Adviser, suitable procedures should be evolved whereby it is possible for the Ministries/Departments to purchase expeditiously essential stores and spare parts for machinery and equipment as per the procedure to be prescribed in this behalf to safeguard public interest. The Committee would like to be informed of the concrete action taken in this regard.

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18	3.30—3.32	The Committee are concerned at the inordinate delay in the issue of guidelines for the classification of expenditure as plan and non-plan. As early as October, 1971 the Team appointed by Government to consider certain matters relating to Accounts and Budget Heads suggested laying down of suitable guidelines in this regard. The Committee also in their 24th Report (1972-73) as well as in their 48th Report (1973-74) stressed the urgency of finalisation of these guidelines. It is unfortunate that these guidelines have not been finalised so far although the representative of the Planning Commission had informed the Committee in October, 1972 that these were expected to be finalised by the end of the financial year, 1972-73. The Committee are unable to appreciate the reasons for the prolonged delay in issuing the guidelines when according to the Secretary of the Ministry of Finance, there is a 'practical working arrangement' regarding the items to be included under plan and non-plan expenditure. They urge that the guidelines for classification of expenditure as plan and non-plan should be finalised without any further delay and issued for the guidance of the Ministries/Departments so that developmental work does not suffer because of the present ambiguity regarding classification. The Committee need hardly point out that a clear definition of plan and non-plan expenditure would also help in the proper classification for preparing the performance budgets and evaluation based thereon.
19	3.36—3.38	The Committee note that at present the Administrative Ministries/Departments have generally the powers to sanction and write off losses of stores upto Rs. one lakh provided the loss is not due to theft, fraud or negligence and

(1)	(2)	(3)
		upto Rs. 25,000 in other cases. All cases above these amounts are sent to the Ministry of Finance for sanction. The Committee feel that in the matter of loss of stores, the responsibility should be placed squarely on the administrative Ministries/Departments to make a thorough and searching investigation of such cases, to sanction write off of losses and to apply the lessons learnt therefrom to prevent the recurrence of such cases in future. One of the reasons advanced for retaining powers by the Ministry of Finance in this regard is that they have to see whether such a loss was not due to any basic lacuna in the system itself. The Committee consider that this objective can be achieved by calling a periodical statement of losses together with reasons therefor and examining them to see if they reveal any defects in the system of work or any lacuna in the rules etc. Thereafter suitable action can be taken by the Ministry of Finance to devise remedial measures in the shape of issuing guidelines or the amending of rules etc. The Committee recommend that in the light of the above and the introduction of the system of Integrated Financial Adviser, Government may consider the question of suitably enhancing the powers of the Administrative Ministries to write-off losses of stores. This should, however, not preclude any thorough investigation or probe being conducted by Ministries/Departments, where there are heavy losses, to pinpoint responsibility and to obviate the chances of their recurrence. A periodical statement should be submitted to the Ministry of Finance showing the reasons for the losses and the remedial measures taken to ensure that such losses do not recur.

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		that the powers delegated to subordinate organnisations should be regularly reviewed once a year to see that these suit the changed circumstances.
24	3.61	The Committee further suggest that a comprehensive review should be carried out in the last year of the Five Year plan to identify constraints and difficulties which may have come in the way of speedy implementation of the schemes/projects with a view to suitably enhance the powers so that these difficulties are not experienced in the ensuing plan period.
25	3.66	The Committee emphasise that while it is essential that there should be adequate delegation of powers to avoid delays, it is equally necessary to ensure that the powers delegated to various Ministries|Department and subordinate offices are actually exercised by the officers at various levels. The unwillingness among officers to accept responsibility and to refer up the cases should be discourages by the higher officers refusing to entertain cases where the lower authorities have adequate powers to take decisions. The officers at all levels should be made to realise that they will not be allowed to play safe and shift the responsibilities on others but would have to take decision on matters falling within their jurisdiction. The Committee would like to point out that one of the ways to ensure that the delegated powers are actually exercised is to create a proper atmosphere for it. The delegation of powers should be in clear and precise terms and the officers should be consciously encouraged to develop initiative and take decisions. It is essential that the officers are instilled with confidence that methodical and conscientious carrying out of duties and exercise of

(1)	(2)	(3)
		powers entrusted to them, will bring recognition and ommissions and mistakes made bonafide, in the normal course, would not be held against them.
26	3.67	The Committee need hardly suggest that proper training with the help of case studies would promote understanding and exercise of powers with due prudence in the larger public interest at all authorised levels.
27	3.68	The Committee also desire that specific mention should be made in the confidential reports of the officers about their capabilities and performance in the exercise of authority entrusted to them in the interest of timely and speedy disposal of work.
28	4.26—4.27	The Committee note that the scheme of Internal Financial Advisers has not fully subserved the objectives with which it was set up. For instance, in regard to the proposals for submission to the Finance Ministry "either the Internal Financial Adviser was not associated at all with such proposals or his scrutiny was redundant and did not have any significance". Similarly, this system has not worked well in regard to the maintenance of up-to-date accounts and watching the progress of expenditure against sanctioned grants. The Committee consider that with their past experience of such schemes since 1958, the Ministry of Finance should have taken necessary measures to ensure that this scheme as amplified in 1968 with high hopes, was actually implemented in letter and spirit so as to achieve the objectives in view. It is unfortunate that neither the administrative ministries nor the Ministry of Finance kept a critical watch contemporaneously on the working of this scheme,

(1)	(2)	(3)
		and it is only now after a lapse of seven years, that the Ministry of Finance have revised it in order to introduce the system of Integrated Financial Adviser.
29	4.30	The Scheme of Integrated Financial Adviser is claimed to be an improvement on the earlier scheme of Internal Financial Adviser. The success of this scheme would, however, depend on the manner and the spirit in which it is implemented. The Committee need hardly point out that in the implementation of this scheme, the Secretary, Ministry of Finance, the Secretary of the administrative Ministry and the Integrated Financial Adviser have to play an important role. It is they who have to devise suitable measures for the implementation of the scheme in letter and spirit so as to achieve the desired results. The Committee stress that the Government should put to effective use the experience of the working of such schemes since 1958 and keep a contemporaneous and vigilant watch on the implementation of the new scheme of Integrated Financial Adviser so as to resolve speedily difficulties/problems which may be encountered in the interest of achieving the objectives underlying it.
30	4.31 (i)	The success of the scheme would depend largely on the attitude, orientation and lead given by the officers selected as Integrated Financial Advisers. Such officers should have wide experience of administrative matters in the field as well as of finance and accounts so that they can really play an effective and constructive role and bring their expertise to bear in assisting the Secretaries of the Ministries in carrying out the developmental programmes with economy and efficiency. They have to assist the administrative Ministries in planning,

(1)	(2)	(3)
		budgeting and reviewing their schemes. In fact, these officers have to involve themselves fully in the activities of the Ministries concerned. They should help in removing the inhibiting factors to the full exercise of delegated powers by the administrative Ministries.
31	4.31 (ii)	The Integrated Financial Adviser should help in selecting the best suited and most viable schemes out of various alternatives or shelf of schemes. He is not merely to point out the shortcomings and lacunae in the schemes but has to play a positive and constructive role in advising and assisting the administrative Ministries in the formulation and finalisation of their schemes expeditiously and on sound economic principles. His advice/suggestions should be based on objective criteria such as cost-benefit analysis. He should also help in development of management techniques based on evaluation of financial implications/effects.
32	4.31 (iii)	Suitable accounting and reporting system should be devised in each administrative Ministry to ensure sound financial management. The reporting system should be such that delays are reported for immediate attention and adoption of remedial measures. There should be an effective organisation for monitoring the progress of schemes to see that the actual progress made is in accordance with the targets therefore. In cases of variations, the reasons should be analysed and bottlenecks, if any, removed. Performance appraisal techniques should also be devised to ensure that the results achieved are commensurate with the expenditure incurred.
33	4.31 (iv)	Quarterly reports should be submitted to the Ministry of Finance regarding the progress made in the execution of major schemes and expenditure thereon *vis-a-vis* the targets/estimates origi-

(1)	(2)	(3)
		nally fixed therefor so as to keep the Ministry of Finance informed about the progress of the schemes both in physical and financial terms to enable them *inter alia* to have an overall view of public expenditure.
34	4.31 (v)	Suitable measures should be devised to see that the expenditure is evenly distributed throughout the year so that there is no rush of expenditure towards the end, which usually results in wasteful expenditure.
35	4.31 (vi)	Comprehensive schemes should be drawn up for organising proper training and orientation courses for the Integrated Financial Adviser as well as the other officers and staff of the Division, particularly in areas like long range planning, capital budgeting, management accounting etc. Regular refresher courses should also be provided for them.
36	4.31 (vii)	There may be periodical interchange of officers between the financial wing and other wings of the administration. This will not only enrich the experience of those who are thus interchanged but the financial advice given by persons having administrative experience, will be more practical as they will have necessary perspective to appreciate the difficulties of officers in charge of administering and executing programmes.
37	4.31 (viii)	One of the criticism against Internal Financial Advisers was about making of references to the Ministry of Finance even where the Internal Financial Advisers had the necessary authority to clear the case. The Committee would like to stress that to make the new scheme of Integrated Financial Advisers a success, it should be ensured from the very beginning that the delegated powers are fully exercised and making of

(1)	(2)	(3)
		unnecessary references to the Ministry of Finance should be considered as a sign of unwillingness to shoulder the responsibility.
38	4.32	The Committee have been informed that the new system of Integrated Financial Adviser was expected to start functioning in 12 Ministries/Departments by the 1st April, 1976 and would be extended to all the Ministries/Departments during the course of the year 1976-77 except in the case of some miscellaneous group of Ministries/Departments where it is felt that these are too small to have separate financial advisers. The manner in which the financial advice work for these Departments/Ministries should be handled have not yet been decided. The Committee would stress that effective measures should be taken by the administrative Ministries/Ministry of Finance to ensure that the scheme is actually introduced in the 12 ministries from the 1st April, 1976. They would also like that specific time schedules are fixed for introducing this scheme in the remaining major ministries/departments during the course of the year 1976-77. The Committee would also like Government to take an early decision regarding the manner in which the financial advice work in the smaller departments would be handled where the scheme of integrated financial adviser is not proposed to be introduced so as to remove uncertainty in this regard.
39	4.33	The Committee further desire that the Finance Secretary should hold a meeting with the Integrated Financial Advisers after three months of the introduction of the scheme *i.e.* in July, 1976 to review the progress of the working of the scheme and to remove bottlenecks, if any, experienced by the Integrated Financial Advisers in the implementation of the Scheme. There-

(1)	(2)	(3)
		after, such meetings may be held every quarter till such time that the scheme is successfully implemented.
40	4.34	The Committee would like to stress that the scheme of Integrated Financial Advisers poses a challenge as well as affords an opportunity to the Secretaries of the Administrative Ministries to implement their developmental programmes. They have to ensure that the schemes and projects are well formulated and implemented within stiplated time schedules as the plea for the delay in approving and sanctioning of the schemes on the part of the Ministry of Finance will no longer be tenable. It is for them to devise suitable management information system in consultation with their Integrated Financial Advisers, so as to keep a close watch on the progress in the implementation of major schemes in the field both in physical and financial terms, and resolve bottlenecks, if any, in their timely implementation. They may also undertake evaluation of the performance of schemes/projects to see that the benefits accruing from their execution are in accordance with the objectives aimed at and are commensurate with the expenditure incurred.
41	4.35	The Committee hope that the new scheme of Integrated Financial Advisers would make a qualitative difference in the functioning of the Ministries/Departments and would set in motion a new dynamism in the working of Ministries/Departments in the matter of expediting the formulation, approval and execution of schemes/programmes and their evaluation.
42	5.11	The Committee note that under the existing system the Ministries are required to submit periodically to the Ministry of Finance staff returns and copies of certain financial sanctions in

(1)	(2)	(3)
		regard to re-appropriation of funds, contingent expenditure, etc. This elaborate reporting system does not appear to have served any useful purpose. The Committee have been informed that after the introduction of the scheme of Integrated Financial Advisers, the reporting in such matters would be made to the Integrated Financial Advisers and not to the Ministry of Finance. The Committee consider that if the reporting system is to serve any useful purpose it should be such that the essential data on the financial as well as physical progress of the schemes/programmes is contemporaneously available to the administrative Ministries/Departments. The Ministries should evolve a system which would enable them to keep a special watch on crucial and strategic points and to take prompt remedial action.
43	5.12	The Committee further consider that a detailed review of the reports presently obtained from various tiers of management is called for so that standard formats as to the contents for reporting, frequency of reports and their originating and destination points could be laid out to meet the requirements of a developing economy.
44	5.13	The Committee also stress that the implementing agencies should also periodically evaluate their programmes/schemes to see whether the results achieved and benefits accrued are in accordance with the objectives aimed at and are commensurate with the expenditure incurred. With the introduction of Integrated Financial Advisers, it should be possible for the Secretary of the Ministry/Department to have periodical reviews, say once in a quarter but not less than once in six months, to see how far the physical progress made is in consonance with the flow of

(1)	(2)	(3)
		expenditure. For example, it should be possible to prepare a meaningful memorandum to bring out how cash, draw back of duties and other incentives given in the interest of stepping up export of manufactured and semi-manufactured commodities have resulted in actual increase (in physical as well as monetary terms) and how far the contribution made from the Exchequer to earn more foreign exchange is justified. To take another example, the price of different types of fertilisers has been varied from time to time by Government with a view to encourage its off-take in the interest of increased agricultural production and for ensuring balanced nutrient inputs for the soil. It should be possible by suitable accounting methodology to produce a flow chart showing the actual off-take, the burden borne by the public exchequer by way of subsidy and the results achieved by way of increased agricultural production so as to apply "on course" correctives without loss of time. The Committee stress that important schemes and projects should be so prepared and finalised, with the assistance of Integrated Financial Advisers, as to throw up identifiable parameters to judge the effectiveness of regulated expenditure and direction and enable the management to meaningfully monitor the actual progress made in the field and apply "on Course" correctives, as required.
45	5.14	The Committee would further stress that for proper evaluation of schemes/programmes it is essential to have an effective organisation for monitoring and evaluation. They regret to note that inspite of stress laid in the draft Fifth Five Year Plan, the progress in this regard has not been satisfactory. Many of the Central Ministries have not yet set up these monitoring cells. Similarly, many of the State Governments have also not set up these cells although under a

(1)	(2)	(3)
		central scheme, the State Governments are reimbursed two-third of the expenditure incurred on the setting up of these monitoring cells. The Committee recommend that urgent steps should be taken for setting up effective cells staffed with suitably trained personnel for monitoring and evaluation of the schemes|projects at various levels.
46	5.15	The Committee also recommend that the Planning Commission should also make a regular periodical evaluation of the on-going programmes to see how far the planned targets have been achieved and served the desired objectives. The decisions in regard to further investment in these programmes/schemes should be taken on the basis of such evaluation.
47	5.24—5.25	The Committee had recommended as early as 1957-58 that performance-*cum*-programme system of budget would be ideal for a proper appreciation of the schemes and outlay included in the budget especially in the case of large scale developmental activities as such a budget focusses attention on the accomplishment, the general character and the relative importance of the work to be done rather than upon the means of accomplishments. Further, this system facilitates a review of the performance of the proposed programmes and is particularly suited to the requirements of overall budgetary planning. Again, in their 24th Report (1972-73), the Committee had stressed that all the stages for making performance budget a useful document should be completed without further delay and concrete action taken to see that performance budget is prepared by all Ministries/Departments which are charged with developmental and other plan activities. The Committee regret to note that a long time has been taken in introducing performance budgeting in the Ministries/Departments.

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		Even though 32 Ministries/Departments have prepared and presented performance budgets during 1975-76, there are still large gaps in the presentation of useful data in these budgets as admitted by Government. The technique of performance budgeting is deficient in various vital matters as pointed in Para 5.21 above. For example, there is no correlation between inputs and outputs, unit cost data had not been worked in respect of important programmes, Scientific norms and standards have not been evolved, targets and achievements have not been indicated, techniques of performance budgets have not been followed down to each cost centre, future year costs of projects have not been projected, reasons for cost escalations have not been elaborated and relevance of individual schemes to the national objectives have not been evaluated, etc.
		The Committee note that it is only in August 1975 that working Groups have been set up in three Ministries to study in depth the problem of improving the techniques of performance budgeting. Even out of these, only one Working Group has met so far and identified the areas in which improvements have to be brought about. The Committee desire that the performance budgets in the three Ministries should be recast expeditiously so that these may serve as a model for other Ministries.
48	5.26	The Committee need hardly stress that performance budget should be made a meaningful document to assist the management as a tool of administrative and financial control for evaluating performance and for implementation of developmental programmes efficiently and economically. Such a budget will not only enable the management to put the scarce financial resources to maximum use but would also be useful to Parliament in reviewing and appraising

(1)	(2)	(3)
		acitivities and performance of various Ministries/ Departments of Government in proper perspective and would thereby act as a means of accountability to Parliament. The Committee strongly recommend that meaningful performance budgeting should be introduced in all other Ministries/Departments and lower formations charged with the execution of various programmes under a time-bound programme. The Committee would like to be informed of the precise progress made in this regard.
49	5.29	The Committee need hardly point out that accounting at present is largely being done in the same historical manner as in pre-Independence days. The need for rationalisation has, however, been widely recognised and some advance in this behalf has been made with the revised classification of accounting heads and introduction of performance budgeting but this has not yet reached a stage where it could be said that the underlying objectives of accountability and management have been achieved. The Committee consider that there is need to refine the technique of performance budgeting so as to develop it into a useful management tool by establishing units of output for each sub-head of Demand. For this it is necessary to identify responsibility centres so that each budgeted activity within a responsibility centre may have its corresponding units of performance. The Committee are of the view that with necessary delegation of authority to incur expenditure the officer concerned should be legitimately held accountable for the budget within his own control.
50	5.30	The Committee feel that this opportunity of separation of Accounts from Audit should be

(1)	(2)	(3)
		put to effective use by proceeding with the process of rationalisation, modernisation and mechanisation so as to make the accounting units result oriented and forward looking. In fact, the accounting units to be set up under administrative Ministries being the latest should be models of efficiency and compactness. These should be well-knit organisations where the accent right from the very beginning is on quality and minimum staff.
51	5.31	The Committee note the decision of the Government that each Ministry|Department should be made responsible for maintenance of its own accounts and for effecting payments which means that the Secretary of each Ministry|Department would virtually be the Principal Accounting Officer also. The Committee attach great importance to the objective underlying the separation of accounts and audit and stress that this opportunity should be put to full use by rationalising the accounting heads so as to make performance budgeting meaningful as an aid to management to achieve best results for the money expended.
52	5.32	The Committee note that Government have recently rationalised to a considerable extent the procedure and modalities for determining and effecting payment of salaries, allowances, increments, pensions, gratuities, provident fund, etc. to the staff. The Committee feel that there is scope for similar rationalisation in other accounting procedures so as to provide significant flow charts which correlate expenditure to the actual physical progress made in the field, facilitate monitoring and help application of "on course" correctives.
53	5.33	The Committee need hardly recall that the objective of Integrated Financial Advisers is to

(1)	(2)	(3)
		get the best value for the public money expended. It is therefore of the utmost importance that the modalities of work and procedures and accounting should be such as to subserve this objective by cutting out waste and effecting economies consistent with operational requirements.
54	5.34-5.35	It is imperative that the accounts are not only prepared and presented in time but that they are kept upto date and exhibit a meaningful correlation of expenditure with the units of performance. It is only then that the head of the Department|Ministry would be able to exercise effective check on performance by comparing the quantum of anticipated work output with the financial provision asked for in the budget and identify the weaker links of the chain which need to be strengthened. In brief, accounting should become an effective aid to management of resources. The Committee would like to judge the success of the historical decision to separate the Accounts from Audit by the results achieved in better and more effective resource management and direction.
55	6.7	The Committee find that besides the General Financial Rules and the Delegation of Financial Powers Rules which govern the powers available to the administrative ministries, executive orders have also been issued from time to time which have the effect of changing the financial powers available to the administrative ministries|Departments. This tendency to effect changes through executive orders in the delegations conferred by rules instead of through amendments to the rules, was objected to by the Administrative Reforms Commission. In pursuance of the recommendation by ARC Govern-

(1)	(2)	(3)
		ment decided that whenever any modifications or changes have to made in the delegations, these should be ordinarily done through amendments to the rules themselves and not through executive instructions. The Committee regret to note that in spite of this decision by the Government, changes have been made in the delegation of powers to the administrative ministries/Departments through executive orders issued by the Ministry of Finance without simultaneously making the necessary amendments to the Rules.
56	6.8	The Committee have been informed that necessary steps to amend the Delegation of Financial Powers Rules to incorporate the enhanced powers, delegated through executive orders, have now been taken up. However, as certain changes of a far reaching character in the matter of accounting and related matters like, changing the system of maintenance of accounts, introduction of the system of Integrated Financial Adviser, etc. are under contemplation, a thorough overhaul of the existing procedures would be required. The Committee, therefore, recommend that instead of merely amending the Rules, steps may be taken for the codification afresh of the rules and regulations governing delegation of Financial Powers, etc. in simple and precise language under a time bound programme.
57	6.9	The Committee would also like to point out that one of the factors which discourages the Ministries from using their powers is the multiplicity of rules and regulations which are changed so often that it is difficult for officers of the Ministries to keep a track of these rules and know them fully. Moreover, the rules and procedures have a tendency to grow in volume and

(1)	(2)	(3)
		complexity. It is, therefore, necessary that the rules and procedures are reviewed and updated periodically with a view to their simplification so that they do not become cumbersome in course of time, resulting in undue delays.
58	6.10	The Committee regret to note that in spite of the recommendation of the Administrative Reforms Commission, no single cell has been constituted in the Ministry of Finance for looking after the multifarious duties regarding compiling and keeping up-to-date the existing rules and regulations having a financial bearing, arranging for their periodical reprint and for the issue from time to time of correction slips etc. The various Regulation Branches in the Department of Expenditure administering the Rules and Regulations are stated to be responsible for this work. The Committee desire that immediate steps should be taken for setting up of a cell as suggested by the Administrative Reforms Commission for keeping up-to-date the rules and regulations etc., having a financial bearing. Copies of manuals of such updated rules and regulations should also be made easily available to the officers concerned and the members of the public.

APPENDIX VI

(*Vide* Introduction)

Analysis of Recommendations/Conclusions contained in the Report.

I. CLASSIFICATION OF RECOMMENDATIONS.

A—Recommendations for improving the organisation and working :
Sl. Nos. 1—10, 12, 14 to 54.

B—Recommendations for effecting economy. :
Sl. Nos. 11, 13.

C—*Miscellaneous Recommendations.* :
Sl. Nos. 55, 56, 57, 58.

II. ANALYSIS OF RECOMMENDATIONS DIRECTED TOWARDS ECONOMY.

S.No.	S.No. as per summary of Recommendations. (Appendix V).	Particulars
1.	11	Need for rationalisation of methods of work and fixing of norms not only for effecting economy and improving over-all efficiency but for setting targets and measuring performance also.
2.	13	Works norms to serve as a parameter for judging the requirements of the Ministries/Departments for additional Staff.

GMGIPMRND—LS II—204 LS—23-4-76—1100