

22. Finance Commission

Article 280 of the Constitution of India provides for a Finance Commission as a quasi judicial body. It is constituted by the president of India every fifth year or at such earlier time as he considers necessary.

COMPOSITION

The Finance Commission consists of a chairman and four other members to be appointed by the president. They hold office for such period as specified by the president in his order. They are eligible for reappointment.

The Constitution authorizes the parliament to determine the qualifications of members of the commission and the manner in which they should be selected. Accordingly, the Parliament has specified the qualifications of the chairman and members of the commission. The chairman should be a person having experience in public affairs and the four other members should be selected from amongst the following :

- A person who has special knowledge of economics.
- A person who has specialized knowledge of finance and accounts of the government.
- A judge of high court or one qualified to be appointed as one.
- A person who has wide experience in financial matters and in administration.

FUNCTIONS

The Finance Commission is required to make recommendations to the president of India on the following matters :

- Any other matter referred to it by the president in the interest of sound finance.
- The principles that should govern the grants-in-aid to the states by the Centre (i.e., out of the consolidated fund of India).
- The measures needed to augment the consolidated fund of a state to supplement the resources of the panchayats and the municipalities in the state on the basis of the recommendations made by the state finance commission.
- The distribution of the net proceeds of taxes to be shared between the Centre and the states, and the allocation between the states of the respective shares of such proceeds.

The commission submits its report to the president. He lays it before both the Houses of Parliament along with an explanatory memorandum as to the action taken on its recommendations.

ADVISORY ROLE

It must be clarified here that the recommendations made by the Finance Commission are only of advisory nature and hence, not binding on the government. It is up to the Union government to implement its recommendations on granting money to the states.

FINANCE COMMISSIONS APPOINTED SO FAR

<i>Finance implementation Commission</i>	<i>Chairman</i>	<i>Appointed in</i>	<i>Submitted Report in</i>	<i>Period of Report</i>	<i>of</i>
First	K.C.Neogy	1951	1952	1952-57	
Second	K. Santhanam	1956	1957	1957-62	
Third	A.K. Chanda	1960	1961	1962-66	
Fourth	Dr. P.V. Rajamannar	1964	1965	1966-69	
Fifth	Mahavir Tyagi	1968	1969	1969-74	
Sixth	Brahmananda Reddy	1972	1973	1974-79	
Seventh	J.M. Shelat	1977	1978	1979-84	
Eighth	Y.B. Shelat	1982	1984	1984-89	
Ninth	N.K.P. Salve	1987	1989	1989-95	
Tenth	K.C. Pant	1992	1994	1995-2000	
Eleventh	A.M.Khusro	1998	2000	2000-2005	
Twelfth	Dr. C. Rangarajan	2002	2004	2005-2010	



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+91-9350679141

Thirteenth
2009

Dr. Vijay Kelkar
2010-2015

2007

COMPTROLLER AND AUDITOR GENERAL OF INDIA

The Constitution of India (Article 148) provides for an independent office of the Comptroller and Auditor General of India (CAG). He is the head of the Indian Audit and Accounts Department. He is the guardian of the public purse and controls the entire financial system of the country at both the levels – the centre and the state. His duty is to uphold the Constitution of India and laws of Parliament in the field of financial administration. This is the reason why Dr. B.R. Ambedkar said that the CAG shall be the most important Officer under the Constitution of India. He is one of the bulwarks of the democratic system of government in India; the other being the Supreme Court, the Election Commission and the Union Public Service Commission.

APPOINTMENT AND TERM

The CAG is appointed by the president of India by a warrant under his hand and seal. The CAG, before taking over his office, makes and subscribes before the president an oath or affirmation :

- To duly and faithfully and to the best of his ability, knowledge and judgement perform the duties of his office without fear or favour, affection or ill-will; and
- To uphold the sovereignty and integrity of India;
- To uphold the Constitution and the laws.
- To bear true faith and allegiance to the Constitution of India;

He holds office for a period of six years or upto the age of 65 years, whichever is earlier. He can resign any time from his office by addressing the resignation letter to the president. He can also be removed by the president on same grounds and in the same manner as a judge of the Supreme Court. In other words, he can be removed by the president on the basis of a resolution passed to that effect by both the Houses of Parliament with special majority, either on the ground of proved misbehavior or incapacity.

INDEPENDENCE

The Constitution has made the following provisions to safeguard and ensure the independence of CAG :-

- Neither his salary nor his rights in respect of leave

of absence, pension or age of retirement can be altered to his disadvantage after his appointment.

- The conditions of service of persons serving in the Indian Audit and Accounts Department and the administrative powers of the CAG are prescribed by the president after consultation with the CAG.
- He is not eligible for further officer, either under the Government of India or of any state, after he ceases to hold his office.
- His salary and other service conditions are determined by the Parliament. His salary is equal to that of a judge of the Supreme Court.
- The administrative expenses of the office of the CAG, including all salaries, allowances and pensions of persons serving in that office are charged upon the Consolidated Fund of India. Thus, they are not subject to the vote of Parliament.
- He is provided with the security of tenure. He can be removed by the president only in accordance with the procedure mentioned in the Constitution. Thus, he does not hold his office till the pleasure of the president though he is appointed by him.

Further, no minister can represent the CAG in Parliament (both Houses) and no minister can be called upon to take any responsibility for any actions done by him.

DUTIES AND POWERS

The Constitution (Article 149) authorises the Parliament to prescribe the duties and powers of the CAG in relation to the accounts of the Union and of the states and of any other authority or body. Accordingly, the Parliament enacted the CAG's (Duties, Powers and Conditions of Service) act, 1971. This Act was amended in 1976 to separate accounts from audit in the Central government.

The duties and functions of the CAG as laid down by the Parliament and the Constitution are;

- He audits all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts kept by any department of the Central Government and state governments.
- He audits all expenditure from the Contingency Fund of India and the Public Account of India as well as the contingency fund of each state and the public account of each state.



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- He audits the accounts related to all expenditure from the Consolidated Fund of India, consolidated fund of each state and consolidated fund of each union territory having a Legislative Assembly.
 - He audits the accounts of any other authority when requested by the President or Governor. For example, the audit of local bodies.
 - He audits the receipts and expenditure of the Centre and each state to satisfy him self that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue:
 - He audits all transactions of the Central and state governments related to debt sinking funds, deposits, advances, suspense accounts and remittance business. He also audits receipts, stock accounts and others, with approval of the President, or when required by the President.
 - He advises the President with regard to prescription of the form in which the accounts of the Centre and the states shall to be kept (Article 150).
 - He submits his audit reports relating to the accounts of the Centre to President, who shall, in turn, place them before both the Houses of Parliament (Article 151).
 - He submits his audit reports relating to the accounts of a state to governor, who shall, in turn, place them before the state legislature (Article 151).
 - He compiles and maintains the accounts of state governments. In 1976, he was relieved of his responsibilities with regard to the compilation and maintenance of accounts of the Central Government due to the separation of accounts from audit, that is, departmentalization of accounts.
 - He ascertains and certifies the net proceeds of any tax or duty (Article 279). His certificate is final. The net proceeds means to proceeds of a tax or a duty minus the cost of collection.
 - He acts as a guide, friend and philosopher of the Public Accounts Committee of the Parliament.
- The CAG submits three audit reports to the President – audit report on appropriation accounts, audit report on finance accounts, and audit report on public undertakings. The President lays these reports before both the Houses of Parliament. After this, the Public Accounts Committee examines them and reports its

