

Suggestions on Administrative Reforms in Financial Management Systems

(From Higher and State Audit & Accounts Services Association)

The '**Conclusion**' part of the "**Report of the Expert Committee on Administrative Reforms**" of the Government of West Bengal runs as follows:

"Conclusion

The Expert Committee on Administrative Reforms in its present report has dealt with some of the most important issues on improving service delivery. Such reforms are a continuous process. **It is recommended that this exercise should continue with the other important areas** involving public service delivery such as effective district administration, **financial management systems**, ethics and values in administration etc."

Taking a cue from this observation of the 'Expert Committee on Administrative Reforms' our Association offers to submit the following suggestions in the area of "Administrative Reforms in the Financial Management System of the State Government" for kind consideration of the Government:

1.0 Effective Management of Public Finance

In our quest to present our deliberated views on the aspect of proper and effective management of public finance in the state of West Bengal we would like to submit the following dissertation based on the Fourteenth Report of the Second Administrative Reforms Commission of the Government of India on 'Strengthening Financial Management Systems Public Finance Management - Concepts and Core' published in April 2009.

Public Finance Management entails the entire gamut of

- (a) resource mobilization and collection of revenue,
- (b) expenditure management,
- (c) debt and cash management,
- (d) establishing *sound* principles for deficit funding,
- (e) introduction of proper risk management procedures,
- (f) proper management of the government's borrowing program for reduction of cost of funding,
- (g) effective planning and allocation of resources is key and government should develop,
- (h) institutionalization of planning processes at all levels of government,
- (i) bringing in transparency in budgeting, focusing on outputs rather than on mere expenditure and related inputs, with strong accounting and reporting procedures,

(j) building up a system for effective supervision and monitoring through internal and budgetary control as well as internal audit mechanisms. Keeping the above broad principles in sight we would like to delve upon the key areas that demand immediate attention of the Government for upgrading and bolstering the State's finance.

2.0 Planning and Budgeting

"Budgeting is the process of estimating the availability of resources and then allocating them to various activities of an organization according to a pre-determined priority. In most cases, approval of a budget also means the approval to various spending units to utilize the allocated resources.

"The World Bank after analyzing the budgetary processes of several countries came to the conclusion that government budgets generally have the following shortcomings:

- i. Poor planning;*
- ii. No links between policy making, planning and budgeting;*
- iii. Poor expenditure control;*
- iv. Inadequate funding of operations and maintenance;*
- v. Little relationship between budget as formulated and budget as executed;*
- vi. Inadequate accounting systems;*
- vii. Unreliability in the flow of budgeted funds to agencies and to lower levels of government;*
- viii. Poor management of external aid;*
- ix. Poor cash management;*
- x. Inadequate reporting of financial performance; and*
- xi. Poorly motivated staff.*

"Many of the weaknesses in budgeting reflect the failure to address linkages between the various functions of budgeting.

"Deviations from the forecast of the key economic assumption underlying the budget are the government's key fiscal risk. There is no single factor more responsible for "derailing" fiscal consolidation programmes than the use of incorrect economic assumptions. Great care must be taken in making them and all key economic assumptions should be disclosed explicitly. Sensitivity analysis should be made of what impact changes in the key economic assumptions would have on the budget. Furthermore, a comparison should be made between the economic assumptions used in the budget and what private sector forecasters are applying for the same time period where practicable. The establishment of an independent body to recommend the economic assumptions to be used in the budget may be considered as well. All this serves to place safeguards against the use of unrealistic, or "optimistic," economic assumptions.

2.0.1 Top-down budgeting techniques

"Budgeting has traditionally operated on a bottom-up principle. This means that all agencies and all ministries send requests for funding to the finance ministry. These requests greatly exceed what they realistically believe they will get. Budgeting then consists of the Finance Ministry negotiating with these ministries and agencies until some common point is found. This bottom-up system has several disadvantages to it. First, it is very time consuming and it is essentially a game; all participants know that the initial requests are not realistic. Second, this process has an inherent bias for increasing expenditures; all new programs, or expansion of existing programs, are financed by new requests; there was no system for reallocation within spending ministries and there were no pre-set spending limits. Third, it was difficult to reflect political priorities in this system as it was a bottom-up exercise with the budget 'emerging' at the end of this process. This manner of budgeting is now being abandoned and replaced with a new top-down approach to budget formulation. This has been of great assistance in achieving fiscal consolidation.

2.0.2 Accruals

"Cash and accruals represent two end points on a spectrum of possible accounting and budgeting bases. The cash end of the spectrum has traditionally been applied by Member-countries for their public sector activities. In recent years, there has been a major trend towards accruals end of the spectrum in Member-countries. About half of Member-countries have now adopted accruals to one degree or another. This is a very rapid migration; it was only in the early 1990s that the world's first accrual basis financial statements and budget were produced by a government (New Zealand). The objective of moving to accruals is to make the true cost of government more transparent. For example, accruals attributes the pension costs of government employees to the time period when they are employed and accumulating their pension rights rather than having this as an unrelated (and uncontrollable) expenditure once they have retired. Instead of spikes in expenditures when individual capital projects are undertaken, accruals incorporate them into the annual operating expenditures through an allowance for depreciation. Treating loans and guarantee programs on an accrual basis fosters more attention to the risks of default by those who have been granted them, especially if there is a requirement for such default risks to be pre-funded. In a cash system, outstanding government debts can be designed in such a way that all interest expenditure is paid in a lump-sum at the end of the loan rather than being spread through the years when the loan was outstanding as would be the case under accruals. All of these examples show how a focus on cash only, can distort the true cost of government.

"A further objective for adopting accruals is to improve decision-making in government by using this enhanced information. This needs to be seen in a wider context. The countries that have adopted accruals have generally been at the forefront of public management reforms in general. These reforms have been highlighted in this paper. A key aim is to hold managers responsible for

outcomes and/or outputs while reducing controls on inputs. In this context, it is expected that managers should be responsible for all costs associated with the outcomes and/or outputs produced, not just the immediate cash outlays. Only accruals allow for the capture of these full costs, thereby supporting effective and efficient decision-making by managers. In short, when managers are given flexibility to manage their own resources (inputs), they need to have the necessary information to do this. The adoption of accruals is therefore an inherent part of these wider reforms...

2.0.3 Capital charges

"Capital has tended to be viewed as a free good in the public sector. Once an asset was in place, there was no mechanism to track and charge for the cost of capital tied up in the asset. A number of Member-countries have been making headway in this regard.

"Capital charging regimes generally operate as follows. The government decides to levy a charge on the cost of capital tied up in all assets in an agency. For example, if an agency has \$10 million in assets, the government will levy a charge (often equivalent to the long-term government bond rate), of 10%. This means that the agency will have to pay the finance ministry 1 million dollars annually. When the system is first introduced, the appropriations to all agencies will be increased by the amount of their capital charge, so there's no net impact on agencies or for the government as a whole. However, agencies will in future be allowed to dispose of the assets and thus relieving themselves of the capital charge while retaining the original appropriation to cover it (or part thereof). This creates the incentive. Thus, they could decide to sell excess assets or move from high-priced areas to lower-priced areas and use the amount of the capital charge they save for other purposes. This has had a great impact on asset management in government, a field that was simply neglected previously.

2.0.4 Carry-overs

"All countries operate on the principle of an annual budget. Previously, this meant that all appropriations lapsed at the end of the fiscal year thus creating a great and irrational rush to spend moneys before the end of the fiscal year. Not only because they would otherwise lose the money this year, but also because future years appropriations would take account of this underspending as well. You were losing what you did not spend in one year, permanently. This has now changed with operating expenditures generally being freely transferable (sometimes up to a certain limit) from one year to the next. Only in cases where an agency continuously, yearon- year, builds up carry-overs does the Ministry of Finance intervene. The advent of medium-term expenditure frameworks also gives a benchmark for agencies to see hat their appropriations are in fact being carried-over.

2.0.5 Interest-bearing accounts

"Some countries have also introduced interest-bearing accounts for agencies. This means, for example, that the appropriation of an agency is divided into twelfths (representing each month) and deposited into an agency's account (either within the finance ministry or with a commercial bank.) If an agency spends at less than this rate, they will receive interest on the difference. If they spend at a faster rate, they will pay interest on the difference. The ability of individual agencies to vary their spending patterns, does of course vary significantly but they are now much more aware of cash management practices.

"All of these practices – accruals, capital charges, carry-overs of unused appropriations and interest-bearing accounts – serve to improve the information available for agency heads and giving them increased freedom to act on that information. Although a very technical area, the impact on the government's finances is great given the sheer size of government."

2.1 Reviving the role of the State Planning Board

From the Report of the Expert Committee on Administrative Reforms submitted to the Government of West Bengal in December, 2008 it has been observed that the Committee is in favour of 'reviving the role of the State Planning Board.'

The report states, 'A plan should be a composite whole that consists of several programmes of the departments (Sectoral Plans) in a mutually interdependent way. For this purpose, the State Planning Board (SPB) may be assigned the task of finalising the plan of each department in the context of the Eleventh Five Year Plan based on decentralised approach. The seven Additional Chief Secretaries will assist the State Planning Board in coordinating the plans for the sectors under their supervision.

'There should be a Planning-cum-Budget Cell for each department consisting of senior officials of the department who should be suitably trained in the planning process by the Planning and Plan Co-ordination Department/SPB. The State Planning Board will integrate the District Plans with departmental plans. There is a need to create a separate cell to service the District Planning Committee headed by the District Planning Officer. The Cell could have five separate sections, dealing with Municipal Plans, Zilla Parishad Plans, Panchayat Samiti Plans, GP Plans and one for maintenance of data and undertaking research, with the necessary support in terms of IT and qualified research assistants. *There must be full time professionally qualified persons in these cells. If such persons are unavailable in the government, appointments of professionals on contract or outsourcing are options to be considered as is being done under the West Bengal Strengthening Rural Decentralisation Programme (SRD). Special efforts ought to be made to ensure that the best talent and the most motivated are invited to participate as experts.* Institutional support through universities and research institutions, both at the District and State

level, and by the Area Development Authorities under the UD Department etc. should be identified for assisting the DPC in planning, monitoring and evaluation.'

The Higher and State Audit & Accounts Services Association, it may kindly be recalled, has had on a number of occasions in the past, emphasized on the need of better financial management of the State Government. Not only in the sector of planning and budget where the Expert Committee on Administrative Reforms has suggested the appointment of experts who should be *full time professionally qualified persons*, the Higher and State Audit & Accounts Services Association feels that there is an urgent need to professionally manage both finance and accounts of the State Government and the Association asserts with confidence that the job can be done most professionally and competently by the members of the Audit & Accounts Service who possess the requisite academic background and who, having been groomed to deliver such work, form the most capable in-house force to aid the State Government in this respect.

The Association also lauds the proposition for a Planning-cum-Budget Cell for each department mooted by the Expert Committee on Administrative Reforms. It also endorses the idea of creation of a separate cell to service the District Planning Committee headed by the District Planning Officer. It, however, feels that the work of the District Planning Officer should not be entrusted upon any person without the requisite expertise. Rather, the job should be treated as a part of the District Magistrate's responsibilities who should be assisted in this job by a set of experts in the field like the District Agricultural Officer, CMOH, District Engineer of the Zilla Parishad, the Executive Engineers of the PWD/ Minor Irrigation / PHE, etc., District Employment Officer, Deputy / Assistant Labour Commissioner, DI of Schools, DPRDO, AEO of the Zilla Parishad, PD of the DRDC and such other officers who would be able to put in the right input for the preparation of a holistic development plan for a district. The inputs should basically be gathered at the Gram Sansad level, statistically compiled with the help of Statistical experts at every block-level and submitted to the district officials named hereinbefore for formulating the sectoral annual plans for the district.

It is rather commonplace knowledge that the District Administration now days has to remain involved in various financial activities with huge volume of fund available from MPLADS, PMGSY, BEUP, and other developmental schemes, different Registered Societies like Leprosy Society, Aids Control Society, Sarva Shiksha Avijan, Sishu Shiksha Mission etc. under decentralised plans directly at the district level. Apart from these, a lot of other funds like Election, Disaster Management etc. are received at the district level. These funds have to be efficiently looked after by the District Magistrate without any technical assistance from any financial expert and it is hardly possible amidst his busy schedule to look after the detail financial modalities for proper utilisation of fund as well as maintenance of their proper accounts. Apart from this a very common feature is a huge lots of Audit paragraphs remaining unsettled for ages in absence of proper review and implementing of corrective measures on

various observations of the Accountant General upon the multifarious activities of the district. Settlement of these paragraphs requires thorough and specialised knowledge in financial and accounting rules and continuous persuasion.

The Higher and State Audit & Accounts Services Association has always maintained that all these financial management activities call for efficient assistance from a financial expert under the direct control of the District Magistrate so that the management of these financial activities can be performed by the District Magistrate in a proper and appropriate manner within his busy work schedule. The post may be given a nomenclature like Additional District Collector [Treasury] for proper discharge of his duties.

The Planning and Budget process allows the Government to plan for the period ahead and allocate resources in line with policy priorities. The Planning, Programming, and Budgeting System (PPBS) is in effect the combination and integration of a number of techniques in a planning and budgeting process to identify the core areas that need attention, ascertain the cost and appropriately assign the requisite resources according to priorities and strategies to achieve the desired objectives within the immediate financial year or over a longer period.

Hence, budget and plan are merely two facets of a single process and need to be carried on simultaneously along with the adoption of proper budgetary controls for measuring deviations and taking appropriate corrective actions for restricting digression from the slated objectives.

The Association is of the view that the present post of District Planning Officer may be dispensed with and the nodal activity of coordinating the entire planning process in the district as well as the responsibility for drawing up the consolidated annual development and reformatory plan for the district be entrusted upon the Additional District Collector [Treasury]. Since plan is directly linkable to the annual budget it appears merely logical and appropriate that this job is entrusted to a financial expert.

The Higher and State Audit & Accounts Services Association strongly believes that this would obviously help the District Administration in ensuring proper financial planning of the District, monitoring proper utilisation of fund, maximising State Revenue, minimising wasteful expenditure, maintaining proper accounts, reviewing timely Audit observations and taking appropriate action on the same, submitting proper 'Utilisation Certificates' of Development Fund to the funding authorities, namely, GOI, DFID, World Bank, etc. and thereby expediting the execution of time bound projects – an essential parameter to evaluate the effectiveness of a revamped State Administration.

2.2 Budgetary Allocation

Budget is a quantitative statement of income and expenditure for a specific period in future. Budget estimates the probable income and expenditure to achieve the definite goal of the Organization in the coming financial year.

Under Article 202(1) of the Constitution of India, the responsibility for the preparation of the annual statement of the estimated receipts and expenditure of the State and its presentation to the Legislature lies with the Finance Department.

Normally budgeted fund is released by the Finance (Budget) Department in three parts to the Administrative Departments, the first on 1st April [25%], the second on 1st July [50%] and the balance [25%] on 1st January of each Financial Year.

Administrative Departments in turn allot the fund to the Directorates as per budget provision indicating therein the Demand Number, Department Code, Detailed classification of the head of account up to the detailed & sub-detailed head for proper booking and classification of the expenditure.

2.3 Present Position

In actual practice the Finance Department has to allow passing of the Bills of various items without allotment of fund from the first day of the financial year to the last day of the financial year. The treasuries have to pass the bills of all most all the DDOs with huge negative balances. This is not a sound system of financial management of the State. The CAG has criticized the system in their audit observation. Naturally budget provisions are being exceeded in many cases. In most of the other States, no bill is passed by the Treasury without allotment of Fund except during the first two or three months, i.e., only during the period preceding the passing of the Budget by the Legislative Assembly. This system should be followed in our State too for proper Budgetary Control. For this purpose it is required to prepare the Budget based on the actual requirement of the Department. The Department should know the actual expenditure of the current year and the estimate for the next year. But as of now the Departments have no mechanism and expertise to ascertain the current year's expenditure and to assess future requirement. It is also necessary that appropriate techniques of budgetary control are exerted to measure not only expenditure but above all the performance, because, as has been uttered time and again in the context of measurement of the economic progress of a nation – every rupee counts.

2.4 Budgetary Control

2.4.1 Zero-Base Budgeting

“Zero-Base Budgeting (ZBB) is based on the concept that all programmes of the Department were to be reviewed afresh from the base zero and not merely in terms of incremental changes proposed for the budget year.

“In India, the first application of Zero-Base Budgeting was in the Department of Science and Technology, which through its Memorandum⁵⁰ of December 1983 conveyed Government’s acceptance in principle that the budgets of all S&T Departments / Agencies/ Institutions should be formulated each year on the principles of Zero-Base Budgeting. The Seventh Five Year Plan also emphasized the need for introducing Zero-Base Budgeting.

“The Ministry of Finance formally introduced Zero-Base Budgeting through their letter of 10th July, 1986, addressed to all Ministries and Departments of the Government, asking them to adopt Zero-Base Budgeting approach with effect from the budget for 1987-88. The letter also emphasized the need for applying Zero-Base budgeting approach in Public Sector Enterprises, Departmental Undertakings and Autonomous Bodies under the administrative control of Ministries / Departments, adopting such methodology in each case as would suit the culture and requirements of each organisation.

“The methodology employed in applying Zero-Base Budgeting involves

- (i) Identification of Decision Units,
- (ii) Formulation and Development of Decision Packages,
- (iii) Evaluating and ranking Decision Packages in order of priority, and
- (iv) Preparation of budget by allocating resources to activities or decision packages by utilising hierarchical funding cut-off levels.”

Although due to lack of capability building the ZBB has not yet found takers among the officials involved in decision making in the State this still remains, along with the Outcome Budget and Variance Analysis the foremost and effective tool for the overall budgetary control mechanism. “Ideally, prioritisation should be done among all items of expenditure whether on-going or new, Non-Plan or Plan. But the system in which Plan and Non-Plan expenditure are treated differently and assigned varying priorities, ZBB would have to be applied separately to Plan and Non-Plan expenditure.”

2.4.2 Outcome Budget

“Due to the realisation that ‘certain weaknesses ... have crept in the performance budget documents such as lack of clear one-to-one relationship between the Financial Budget and the Performance Budget and inadequate target-setting in physical terms for ensuing years’...⁵² it was felt that there was need for tracking ‘outcomes’ and not the readily measurable ‘outputs’. This found mention in the Budget speech of the Finance Minister (Budget 2005-06) which was re-emphasised by the Prime Minister in his letter to all Union Ministers in March 2005. The first outcome budget was passed in the Parliament on August 25, 2005. The guidelines for the 2006-07 outcome budget provided that each

Ministry/Department will separately prepare the outcome budget documents in respect of 'all Demands/ Appropriations controlled by them'. These contained:

- i. Details about the mandate, goals and objectives as well as the policy framework and vision statement of the Ministry/Department
- ii. Details in indicated tabular format comprising financial outlays, projected physical outputs and projected/budgeted outcomes.

"The key words used here are 'Outlays', 'Outputs' and 'Outcomes'. It has been recognised in the guidelines that converting 'outlays' into 'outcomes' is a complex process addressing "value for money" concerns; being more a management process than merely a financial process and admitting possibilities of different approaches and modalities, which may differ from Ministry to Ministry and programme to programme. It has also been stated that preparation of the Outcome Budget is an evolving and dynamic process, which will require detailed scrutiny and examination on yearly basis, with value addition based on the preceding year's experience."

2.5 Suggestions

The Higher and State Audit & Accounts Services Association places the following suggestions before the Government for due perusal and consideration in the interest of the State:

The Finance (Budget) Department has to change the present procedure of heads of Accounts allocation. Though Budget Branch has introduced the concept of 'One Department-One Demand', but they have not followed the same principle for the P.W. Department. Moreover, there is a huge number of heads of accounts in the Budget Publications where the Major heads, Sub-Major heads, Minor heads and Scheme heads are the same and identical with different scheme descriptions. Even there are 24 such heads of accounts where the Major heads, Sub-Major heads, Minor heads, Scheme heads, Plan Status and Department Code are the same and identical with different Scheme Description. Such concept is not acceptable under computerized environment. The Finance (Budget) Department should adopt steps to maintain uniqueness in the heads of accounts up to detailed head and allot the same scheme-code for the same Scheme/Project under different Departments as suggested by the 'Working Group of Treasuries' constituted by the GOI & RBI and also recommended by the 12th Finance Commission.

All the Directorates may allot funds to the Drawing & Disbursing Officers [DDOs] directly [where there is no Directorate, the Department can allot the fund to the DDOs directly] through Computer software package 'Fund Flow' and sent the Allotment Orders under unique allotment reference numbers to the DDOs directly through leased line or web-based technology. The copies may also be sent to the linked treasuries. The Department /Directorate shall send those Allotment Orders to Directorate of Treasuries & Accounts, West

Bengal [DTA] through mail or through electronic mode. The DTA, after validating the data, can send it to respective treasury database directly.

Recently the Government of West Bengal has decentralized the procedure for according approval to plan projects / schemes at the Departmental level. The Finance Department vide Memorandum No.1880-F dated 08-03-2007 constituted a 'Departmental Approval Committee' [DAC] for each Department. The Special Secretary or the Joint Secretary, as the case may be, of the Finance Department, being a member of the DAC, is to perform the function of Financial Adviser (F.A.) of the Administrative Department. The F.A. shall play a key role in the committee and in his absence no meeting of the DAC shall be held.

Introduction of the Zero-based and other budgetary control techniques in the State through persons who possess the knowledge base and know the job will definitely prove to be a step in the right direction by the Government of West Bengal as envisaged by the Second Administrative Reforms Commission of the Government of India.

In most of the other States and also in the Central Government the posts of F.A. are being manned by the respective Finance & Accounts Service Officers being financial experts by profession. But, unfortunately, in our State the financial experts, i.e., the officers of West Bengal Audit & Accounts Service are overlooked while appointing Financial Advisers. Their expertise and specialized knowledge are not being utilized by the Government for proper financial evaluation of the project/scheme. It is, therefore, suggested that the Committee may consider recommending the Government to appoint the officers West Bengal Audit & Accounts Service as Financial Advisers in each Department for proper financial evaluation of the project/scheme in the best interest of the public.

2.6 Reforming the Accounting System

At present no accounting system is maintained by the State Government. The Accountant General maintains the accounts of the State Government. The 'Working Group on Treasuries', constituted by the Government of India and RBI, in its report recommended that the State Government should compile the whole of the State Government Accounts at its own level.

2.6.1 Recommendations of the 12th Finance Commission

Incidentally, the 12th Finance Commission for the first time recommended certain accounting procedures for the Central Government as well as the State Governments. While recommending the accounting procedure to be followed by the Central and State Governments, the 12th Finance Commission observed

that the present cash based system of accounting does not provide a comprehensive picture of the financial activities of the Government. It lacks in pointing out the required financial information on accrued asset and outstanding liabilities held by the Government at a particular point of time. It does not provide information on the services rendered by the Government Department on various counts. It does not depict the commitments made by the Government regarding repayment of loans and advances in future years. This system of accounting also provides room for fiscal opportunism. In order to overcome these shortcomings, the commission recommended switching over from existing cash basis of accounting to the accrual basis of accounting both at the level of Union Government and at the level of State Governments.

2.6.1.1 Accrual System of Accounting

The cash-based system of Government accounting follows from the provisions of the General Accounting Rules, 1990 and General Financial Rules, 2005. The basic reasons for maintaining accounts of the Government on cash basis and its 'fundamental' difference with commercial accounting has been analysed 'Introduction to Indian Government Accounts and Audit' issued by the Comptroller and Auditor General of India explains that *"the principles of Commercial and Government Accounting differ in certain essential points. The difference is due to the fact that, while the main function of a commercial concern is to take part in the production, manufacture or inter-change of goods or commodities between different groups or individuals and thereby to make profit, Government is to govern a country and, in connection therewith, to administer the several departments of its activities in the best way possible."*

"The mass of the Government accounts being on cash basis is kept on Single Entry. There is, however, a portion of the accounts which is kept on the Double Entry System, the main purpose of which is to bring out by a more scientific method the balance of accounts in regard to which Government acts as banker or remitter, or borrower or lender. Such balances are, of course, worked out in the subsidiary accounts of single entry compilations as well but their accuracy can be guaranteed only by a periodical verification with the balance brought out in the double entry accounts."

After carefully going through the entire accounting system the Twelfth Finance Commission (2005-10) in its Report has summed up the benefits arising out of adoption of the accrual system of accounting as follows:

"The cash-based system of accounting lays emphasis on transactions vis-à-vis the budget. It does not record and report complete financial information required for management of resources. It does not provide a full picture of the government's financial position at any given point and the changes that take place over time as a result of government policy. The system fails to reflect government's liabilities such as accrued liabilities arising due to unfunded pensions and superannuation benefits and current liabilities arising from a disconnect between commitments and payments. Similarly, the present system is unable to track current assets as well as non-financial assets. It does not

provide information on the assets held by the government, much less the cost of holding and operating these assets and the impact of current consumption on the stock of assets. Another major limitation is its inability to record the full cost of providing services by the government's departments or the commitments made by the government regarding payment in future years. The cash-based accounting provides room for fiscal opportunism, as tax revenues can be collected in excess during a period followed by high incidence of refunds, payments can easily be deferred and passed on to future periods, revenues due in the future could be compromised by providing for one-time payments, etc. To quote some other examples, it takes no note of transformation of indebted government agencies into autonomous legal entities outside government through suitable state guarantees, and on the expenditure side, omit existing net liabilities of public enterprises and agencies outside the government, though the latter cannot escape such liabilities.

"Compared to the cash-based system, the system of accrual accounting recognizes financial flows at the time economic value is created, transformed, exchanged, transferred or extinguished, whether or not cash is exchanged at that time. It is different from cash-based system in that it records flow of resources. Expenses are recorded when the resources (labour, goods and services and capital) are consumed, and income when it is earned, i.e. when the goods are sold or the services rendered. The associated cash flows generally follow the event after some time and may or may not take place during the same accounting period. Thus, in addition to cash flow, unpaid consumptions (payables) and unrealized income (receivables) are also recorded. Resources acquired but not fully consumed during an accounting period are treated as assets (inventory and fixed assets). Payments made for acquisition of inventory are included in the operating cost for the period in which it is consumed. Payments made for acquisition of physical assets, that have future service potential, are amortized over the entire useful life of the asset by charging depreciation.

"The system of accrual accounting, thus, inter alia, allows better cost – price calculations, records capital use properly, distinguishes between current and capital expenditures, presents a complete picture of debt and other liabilities and focuses policy attention on financial position, as shown in the whole balance sheet not just cash flows or debts. It gives a complete measure of cost of various services, takes care of disinvestment receipts and provides adequate information of both fiscal balance and net worth and their changes over time. Information, as would be available under accrual accounts, constitutes an essential input for bodies like finance commissions, not only in assessing the revenue requirements of the centre and states vis-à-vis the available resources, but also in appraising their fiscal performance with a view to assigning due credit to the governments, which have performed well and providing disincentives to those, which fail to measure up-to expectations. ..."

2.6.2 Government Accounting Standard Advisory Board

Government Accounting Standard Advisory Board (GASAB) has been set up under the initiative of the Comptroller and Auditor General of India to formulate the Indian Government Accounting Standard with a view to improve governmental accounting and financial reporting which will enhance the quality of decision making and public accountability. The Comptroller and Auditor General of India has prescribed the 'Roadmap for Transition to Accrual Basis of Accounting in Government'.

2.6.3 Changes on this account in Local Bodies

Urban Local Bodies (ULBs) in our state are in a process of switch over from the present system of cash basis to accrual basis of accounts either at the instance of foreign donors or on their own initiative. Most of these changes are effected under the leadership of our service members posted in those organizations (e.g. KUSP for 40 ULBs in KMD area, KMC etc.). These changes have been recognized to be pioneer in the area.

2.6.4 Need of the hour:

Switching over from cash based accounting system to accrual based accounting system is of great importance at this stage as the need for this has become a global phenomenon. Adopting the accrual basis of accounting provides transparency as well as scope of better information for planning and management and all these are likely to ensure that –

1. to have an idea of proper asset base;
2. better fund management of government;
3. present a complete picture of debt and liabilities.

As we see, the different international funding agencies like DFID, World Bank, EEC, ADB etc. are continuously insisting upon the Government for maintenance of accrual basis of accounting. The Government of West Bengal should be prepared to keep pace with the development on this account.

2.6.5 The Government's tryst with IFRS

India is among the 150-odd countries that have decided to adopt the International Financial Reporting Standards (IFRS) in 2011. From 2011 there should be drastic changes in the way financial statements are reported with the adoption of the IFRS.

IFRS, previously known as International Accounting Standards (IAS), are standards and interpretations adopted by the International Accounting Standards Board (IASB). IASB adopted IAS in April 2001, and renamed it IFRS.

However, the question remains how long, in this global economic scenario would the Government of India itself, to be followed by the State Governments in toe, will be able to insulate itself from the IFRS which, having been started in the United States, is being rapidly adopted by both the private and public

sectors across the world? EU, Australia, Singapore, and Sri Lanka are already among the 100 IFRS-compliant countries and our country needs to stay abreast if it has to stay in reckoning in the global economy.

IFRS compliance would require changes right from the grassroots level, beginning with academic inputs and training. And this is not going to be an easy task, given the limited time frame before the new standards come into force.

The transition will be a tough challenge for the country as it requires a shift in the academic approach, along with regulatory challenges. The Institute of Chartered Accountants of India (ICAI) and the government will have to play a stellar role in ushering in the country in a totally new accounting age.

As has already been stated, the Government of India is on the threshold of a change from the cash basis of accounting to the double entry and accrual system of accounting. This will have to be integrated with the IFRS now. Government departments, local bodies, boards, corporations, etc. will have to become conversant not only with new standards but also with information technology to support the new financial reporting architecture. In all likelihood modifications will be required in the Income-tax Act as well as the Companies Act to complement the changes arising from the new standards.

According to the existing policy, the convergence of Indian accounting standards with the IFRS is expected to be enabled by April 2011," Mr Salman Khurshid, Minister for Corporate Affairs, has recently told the Rajya Sabha in a written reply. The Rajya Sabha was also informed that the Government has adopted this approach, keeping in view the requirements relevant to Indian conditions and to enable Indian companies, including public sector undertakings, and regulatory bodies to move into the new system smoothly.

The Higher and State Audit & Accounts Services Association reiterates that this transition in all likelihood would not be able to get the proper head start unless Financial Advisers from the West Bengal Audit & Accounts Service are posted in key areas, viz., the Departments and also in the Directorate of Treasuries and Accounts and provided with proper manpower and infrastructure, the State is bound to acquire a propensity to fall behind other States and the Centre. If necessary, a separate Directorate with meticulously chosen officers from the Service and elsewhere should be posted and entrusted with the responsibility of reforming the entire system of Government accounting in line with the rest of the country and the world.

2.6.6 Change Management

As the conversion is a huge exercise as can be gathered from experiences of different countries who have implemented these changes we should be prepared to face the challenges through following:

1. Existing personnel should be trained in a continual and systematic manner not in the headquarters only but also in different unit offices

too. Prior training will help to adopt the changes quickly and properly.

2. Many departments are using different software on different platform. An agency may be identified to collect and collate all these and we should be ready with almost similar platform so that uniform packages can be run through departments. This will help to formulate relatively less complex program and give ease in operation.
3. Employees of the State Government should be ready and competent to take over from different consultants engaged for the implementation of the changes. Consultants are costly propositions and many consultants tend to continue their engagements for their business interest. Moreover, if employees are not competent enough to lead the consultants, effective result will not come.

2.6.6.1 Pre-requisites

In fact, change over from the existing system to the proposed accrual system involves multifarious steps along with different follow up actions. Adequate infrastructure and database should be built up prior to implementation of accrual accounting which will be tool for switching over to the Accrual-based Accounting.

2.6.6.2 Initialization should be done through following

- Formation of separate Budget & Accounting wing headed by the Financial Adviser-cum- Joint Secretary under each Administrative Department is of prime important. The post of Financial Adviser [F.A.] should be manned by an Officer of the West Bengal Audit & Accounts Service, having expertise and specialised in finance and accounts administration.
- The F.A. of the department will function as the Chief Accounting Officer and will remain responsible for all accounting works within the sphere of his departmental budget.
- Each Department should, in the first phase, prepare Department-wise 'Cash-based Accounts' and maintain separate registers for (i) Assets, (ii) Loans & Advances (iii) Outstanding Liabilities on account of interest and others, (iv) Accrued Income, (v) Work-in-progress, (vi) Liabilities for Retirement Benefits, etc.
- Finance Department will centrally collect the information at fixed intervals from the respective Administrative Departments, reconcile with the expenditure booked by the treasuries and will centrally co-ordinate the matter.

2.6.6.3 Suggestion:

As such, it is our strong suggestion that the Government of West Bengal should immediately move for initiation of the process of departmental accounting system for ultimate switching over to the accrual and IFRS based system of accounting to avail of the overall benefit for the State. It is high time that the State Government converts this initial advantage into real one. Our Association will extend all supportive hands to the Government for this purpose. It is expected that the Government would give due consideration to this suggestion.

2.7 Improvement of Financial Management in the State Government

The economic reform process initiated in different States of India has posed fresh challenges of governance. In the light of the changing domestic and global situation, the role of the States in the coming decade has to be clearly defined. The assumption that market is the answer to all our challenges is a dangerous and irrational one. The State needs to focus on the irreducible role of government that is required to fulfill human potentiality and promote rapid economic growth. Abdication of the State or its inefficiency in these critical sectors will spell disaster in future.

The non-negotiable role of the State in the broad area needs to be clearly recognized and reemphasized. The broad area is infrastructure and sustainable natural resource development. While the economic aspects of these are well-recognized, the governance challenges are not always adequately addressed. Urban management involves much more than resource allocation for infrastructure and poses formidable challenges of governance. We need to create innovative modes of governance in dealing with many such growing challenges.

Social security is a relatively new and growing area of state activity to which the administrative system must respond with alacrity, sensitivity and efficacy. The recent enactment of the employment guarantee law, the efforts in the pipeline to provide a measure of social security to the unorganized sector workers, and many healthcare risk-pooling mechanisms contemplated require effective delivery system, which can address the special challenges posed in this emerging sector of state activity.

All these and other governance and administrative challenges have to be addressed in the context of serious resource constraints. We need to raise resources, reduce unproductive subsidies, and get better outcomes for every rupee utilized. Past experience shows that revenue cannot be increased by enhancing tax rates in a centralized administration. The administration must become far more accountable and effective in delivering results with the same expenditure. In order to accomplish these goals, there should be conscious efforts to establish the links between the citizen's vote and public good, and taxes and services, and fuse authority with accountability at every level.

Therefore, effective empowerment of local governments and stakeholders, and reform to ensure effective and sufficient delegation with accountability at every level to deliver should be the cornerstone of governance reform. **The Fiscal Responsibility and Budget Maintenance [FRBM] Act** enacted in 2001 is a useful tool for control of fiscal deficit of a State, as acknowledged by the Second Administrative Commission in its approach paper. The Government of India and many other States have already implemented the FRBM Act. Our State may consider implementing the Act in near future for better financial management.

2.7.1 Ushering in Professionalism in the Finance Department:

Finance Department is to concur, reject or suggest modification of `proposals put forth by other departments in respect of various service matters, matters concerning Financial Rules, Treasury Rules, Liberalized Pension Rules and many other financial issues. Apart from this, in the present day administration the government has to participate in different financial economic and commercial activities for all-round development of the state. Thus the persons working in the Finance Department need to be well conversant with the government Rules and Regulations as well as have some knowledge in subjects like Finance, Accounts, Cost Accounting, Business Management, Company Law, Commercial Law, Economics etc.

At present the Finance Department is run by officers mostly deputed from P & A R Department. These officers are required to work in different departments at different points of time and most of them having no previous experience in the matter and obviously lack the desired depth in the subjects. Again their back-up support is also missing with the introduction of a common cadre system for the secretariat employees which has resulted in clerical staff and junior level officers moving from department to department getting little chance to develop expertise in the matter. Recently the Government of West Bengal has decentralized the procedure for according approval to plan projects / schemes at the Departmental level. The Finance Department vide Memorandum No.1880-F dated 08-03-2007 has constituted a `Departmental Approval Committee' [DAC] for each Department. The Special Secretary or the Joint Secretary, as the case may be, of the Finance Department, being a member of the DAC, is to perform the function of Financial Adviser (F.A.) of the Administrative Department. The F.A. shall play a key role in the committee and in his absence no meeting of the DAC shall be held.

The WBA&AS officers who have undisputed expertise in government rules and regulations and in treasury and financial management are denied any berth in the system. Financial Administration is the most important and major part of the Administration and they can give invaluable service to the government in this field. Essentially the role of the government is to collect revenue and to channelize it effectively and fruitfully for the welfare and developmental activities of the state. Thus better financial administration is the key to improved and better governance of the state. Government could have

introduced much better administration by placing the right persons in the right places. **Our Association, therefore, demands in genuine public interest that some of the posts of the rank of Deputy Secretary and above in the Finance Department be immediately created for WBA&AS to give proper thrust to the financial management of the State.**

2.7.2 **Speedier Delivery of services by the State through Delegation of Financial Powers to the Departments:**

The crux of the problem to the speedier delivery of the services by the state is over-centralization of the financial power in the Finance Department. The administrative departments be given greater say in the financial decision making process of their respective departments. This does not necessarily mean that orders are to be issued without financial scrutiny. The need of the hour is the decentralization of financial power in favour of the administrative departments along with financial specialization and functionalisation. To cope with this situation at least one member of the WBA&AS may be placed in each Department to function as (i) Representative of the Finance Department, (ii) Financial Advisor, (iii) Controller of Budget and (iv) Chief Accounting Authority to the respective departments. This will combine decentralization along with the specialization resulting in overall efficiency in Government activities. It may be noted that this not a new idea and the Government of India and many state governments have been gainfully utilizing their Finance and/or Accounts Services in this way with very effective and better results. Relevant Order [G.O.] of the Government of Rajasthan, regarding the role of the Officers of Rajasthan Accounts Service in various Departments of Rajasthan Government, as defined by the Finance Department, Government of Rajasthan vide their Memorandum No. F1(4)FD/ DF&AR/93 dated 12-08-1994 **[Copy attached]**

With the increasing mass awareness, democratic aspiration of the people, the necessity of development of specialization, expertise and professionalism in specific areas of public service was at the root of creation of most of the State Services. The concept of running administration by a single Civil Service was gradually replaced by a combination of State Services in response to the changing needs of the society. To strike a balance among the needs of the emerging situations the administration had to opt for a perfect blending of general service and specialized service for better governance.

All these State Services taken together are the mainstay of the administration. All the constituted State Services interact with the people in their respective spheres and fields of activity. It is needless to mention here that no Government policy can be meaningfully formulated without the active role of different Constituted State Services. It is, therefore, required to involve the Officers of these specialised services in the decision and policy making process for its fruitful implementation.

In this context we reproduce the relevant portion (Page 34) of the recommendation of the First Pay Committee formed by the Government of West Bengal:

"Posts of Assistant Secretary and Deputy Secretary in certain secretariat Departments may also be thrown open to members of the appropriate regularly constituted state services. A member of West Bengal Labour Service may make a better Deputy Secretary of Labour Department and a Commercial Tax Officer that of the Finance (Taxation) Department, than a member of the West Bengal Civil Service or Indian Administrative Service having no background of technicalities involved."

2.7.3 Provisions made in the revised Secretariat Manual, 2005

It will also be evident from the revised Secretariat Manual published by the Chief Secretary, Government of West Bengal in the year 2005 that most of activities of the Secretary of a Department involve finance and accounts related matters, but in most of the Departments there is no officer having expertise/specialisation in either finance or accounts.

Section 4.7 of Chapter I of the revised Secretariat Manual published by the Chief Secretary Government of West Bengal in the year 2005 enjoins "The Secretary of the department shall implement the provisions contained in sub-section (i) to (xiv) of section 4.6." And out of those sub-section (i) to (xiv), sub-section (i) to (x) [except sub-section (vii)] are of financial matters. The paras 4.6 & 4.7 of the West Bengal Secretariat Manual, 2005 is re-produced below:

"4.6 Secretary or Special Secretary or Joint Secretary in charge of the department shall see that:

- (i) The Department prepares receipts and payments accounts and submits the same to the Pr. A.G., W.B.
- (ii) Audit Reports; Audit queries, Draft paras of the CAG are attended to promptly and replied to.
- (iii) Annual Accounts of the undertakings and organisations are submitted to the Pr. A.G, WB.
- (iv) Annual plans are finalised in time obtaining reports from all spending units. Budgeting forecast in respect of the department both for the Plan and Non-Plan are sent to the Finance Department in time.
- (v) Economy in expenditure is ensured.
- (vi) The controlling officers place funds to the DDOs sufficiently in advance and ensure that there is no lapse of the grant.
- (vii) Ensure regular attendance of subordinates.
- (viii) Complete record of funds, investments, valuables; land and properties of the Government which are at the disposal of the department, the directorate, subordinate offices/organisations receiving grants or assistance or loans above Rs. 50 lakhs in a

year are prepared and updated quarterly.

- (ix) Records of the department Including Service Books, Leave Accounts and GPF Accounts of the Group D employees are maintained properly.
- (x) Cash in the departmental chest is verified on the first working day of each month. During inspection of offices, this should be looked into.
- (xi) Parliamentary and Assembly Questions, Motions etc. are attended to promptly.
- (xii) Court cases involving the Government are pursued diligently and monitored to avoid Contempt of Court.
- (xiii) Recommendations of statutory Commissions are implemented without delay.
- (xiv) Letters from MPs and MLAs are promptly acknowledged and acted upon.

“4.7 The Secretary of the department shall implement the provisions contained in sub-section (i) to (xiv) of section 4.6. For this purpose he will assign specific responsibilities to officers to effect periodical test checks of the work to his satisfaction. The Secretary would also ensure monthly reconciliation and review of expenses on the feedback received from the Finance Department of monthly accounts received from the office of the Accountant General. The Secretary is to ensure the regular meeting of the departmental Audit Committee.”

The WBA&AS officers with their specialization and domain knowledge in the area of finance, Accounts and Audit are most suited to assist the Secretary of the department in a very meaningful way. The departments, by utilizing the services of WBA&AS, can discharge the responsibilities assigned to it in the revised Secretarial Manual more effectively.

In fact, the following excerpts from the Fourteenth Report of the Second Administrative Reforms Commission of the Government of India on 'Strengthening Financial Management Systems Public Finance Management - Concepts and Core' published in April 2009 would underline our modest suggestion further:

“3.4 New Charter for the Integrated Financial Adviser (IFA)

“3.4.1 A scheme of Integrated Financial Advisers was put in place in 1975.²³ In general, the IFAs were made responsible for:

- 1) Preparation of the budget of the Department/ Ministry, distribution of budget allocations to the various wings, departments/ formations;*

- 2) Arranging payments directly to the bodies, corporations and authorities of grant-in-aid, loans, etc., as may be sanctioned by the Department;
- 3) Arranging payments through Pay and Accounts Offices under him in various regions of the country, all pay and allowances, office contingencies, miscellaneous payments, all admissible loans and advances to government servants including provident funds claims in accordance with prescribed financial and treasury procedures;
- 4) Compilation and consolidation of the accounts of the Department/Ministry in accordance with the instructions issued by the Union Government and/ or the Comptroller and Auditor General and rendering the appropriation of accounts;
- 5) Introduction of a system of management accountings suited to the functions and requirements of the Department/Ministry;
- 6) Installation of a sound system of internal inspection within the department to ensure both accuracy in accounts and efficiency in operations as a part of the management.

“3.4.1 This scheme was reviewed in 2006. The new charter of the Integrated Financial Advisers is analysed in Chapter 7. In brief, it redefines the role of the IFAs in financial management within Ministries/Departments ranging from formulation of the Budget Estimate to cash management and internal audit.”

In the above backdrop, the Government should consider recommending the State Government for the placement of the officers of the West Bengal Audit & Accounts Service in the State Secretariat with the status of Deputy Secretary/Joint Secretary in the interest of good governance.

2.7.4 Better financial management in the District Administration:

With the advent of Planned Economic Development in post-Independence India colonial traits in administration began to show signs of decay. Centralised administration, typically characteristic of the post-colonial era, gradually and steadily came to be replaced by separate specialised services at all levels of administration. This was more keenly felt with the adoption of the concept of welfare state.

The result was evident as the Government in the course of all-round development of the country indulged in creating separate Constituted State Cadre Services in the branches of Finance, Labour, Cooperation, Food & Supplies, Employment, etc. from time to time. A direct fall-out of the same process, the West Bengal Audit & Accounts Service was constituted as a State Service in the early seventies. The aim of designing this specialised service, having domain knowledge in Finance, Accounts and Audit, was to streamline the financial management of the State Government at different spheres.

With time the Government, in almost all the Departments including the Treasuries, inducted the Officers of this Service for better and specialised financial upkeep.

We are all aware that the District Administration too, now days, has to remain

involved in various financial activities with huge volume of fund available from MPLADS, PMGSY, BEUP, and other developmental schemes, different Registered Societies like Leprosy Society, Aids Control Society, Sarva Shiksha Avijan, Sishu Shiksha Mission etc. under decentralised plans directly at the district level. Apart from these, a lot of other funds like Election, Disaster Management etc. are received at the district level. These funds have to be efficiently looked after by the District Magistrate without any technical assistance from any financial expert and it is hardly possible amidst his busy schedule to look after the detail financial modalities for proper utilisation of fund as well as maintenance of their proper accounts. Apart from this a very common feature is a huge lots of Audit paragraphs remaining unsettled for ages in absence of proper review and implementing of corrective measures on various observations of the Accountant General upon the multifarious activities of the district. Settlement of these paragraphs requires thorough and specialised knowledge in financial and accounting rules and continuous persuasion.

We feel that all these financial management activities call for efficient assistance from a financial expert under the direct control of the District Magistrate. We strongly sense that only the senior officers from WBA&AS [in the present scale of Rs.12000-18000] can render such services efficiently so that the management of these financial activities can be performed by the District Magistrate in a proper and appropriate manner within his busy work schedule. The post may be given a nomenclature like Additional District Collector [Treasury] for proper discharge of his duties.

The Higher and State Audit & Accounts Services Association strongly believes that this would obviously help the District Administration in monitoring the proper utilisation of fund, maximise the State Revenues, minimise the wasteful expenditure, proper financial planning of the District, maintenance of proper accounts, timely review and action taken against Audit observations, submission of proper 'Utilisation Certificates' of Development Fund to the funding authorities, namely, GOI, DFID, World Bank, etc. and thereby expediting the execution of time bound projects – an essential parameter to evaluate the effectiveness of a revamped State Administration.

2.7.5 Better and professional Management of various Government Companies, Corporations, Undertakings

Departments like Transport, Power, Fisheries, Commerce & Industries etc. have number Companies / Corporations / Undertakings under them which run on commercial basis. It is a very well known fact that the performances of these organizations are very dismal and almost all of them are incurring loss and accumulated loss in respect of some of these have exceeded the paid up capital. This simply proves that the present policy of manning the posts of Managing Directors of these organizations by the generalists, i.e., by the WBCS (Exe) has miserably failed and this is taking a heavy toll on public money as well. Time has come to change this policy and officers of the WBA&AS having the much needed financial expertise for running commercial

undertakings may be utilized for managing these companies in the capacity of Managing Director. **We propose that the post of Managing Director of various Govt. Companies, Corporations, Undertakings be manned from the WBA&AS.**

2.7.6 Internal Audit

Presently, 'internal audit' is recognized as an aid to the management for monitoring the financial performance and effectiveness of various programmes, schemes and activities. In West Bengal internal audit is conducted through the Internal Audit Wing of the Finance Department and because of dearth of adequate and trained personnel the work of internal audit results in a mere repetition of transaction audit. It is being increasingly felt that the internal audit wing should move beyond the existing system of compliance/regulatory audit and should train its eyes on:

- The appraisal, monitoring and evaluation of individual schemes;
- Assessment of adequacy and effectiveness of internal controls in general, and soundness of financial systems and reliability of financial and accounting reports in particular;
- Identification and monitoring of risk factors (including those contained in the Outcome Budget); critical assessment of economy, efficiency and effectiveness of service delivery mechanism to ensure value for money; and
- Providing an effective monitoring system to facilitate mid-course corrections.

Besides, it is also felt that Internal Audit Units should be established in every department under the Financial Adviser.

2.7.7 Internal Control

"The Internal Control System is a management control system with a view to ensuring compliance with rules and regulations, reliability of financial data and reports and to facilitate efficiency of government operations. A sound internal control framework, of which internal audit is an important element, is required to assure that government operations attain some basic fiduciary standards in guarding against misuse and inefficient use of resources; for safeguarding government assets; countering fraud and error; checking maintenance of satisfactory accounting records; and whether budgetary objectives set out in the government policies are being achieved."

Though internal audit is also a part of internal control system, it has a distinct role in that it is one of the tools for evaluating and improving the internal con-

trol system. Internal audit in government also involves audit on the basis of standards of financial propriety (as does the external audit) and, therefore, is required to observe upon cases of improprieties in financial operations.

In a department the overall responsibility of should remain with the concerned Financial Adviser of the Department who should be delegated adequate power and independence in conducting his work. The Internal Audit Unit comprising adequately trained staff, will work directly under an officer from the cadre of WBA&AS who should be reporting to the Financial Adviser. It will be responsibility of the departmental Internal Audit Unit to exert budgetary control over the expenditure and income of the particular department and to bring out periodic reports for consumption of the concerned M-I-C as well as the departmental secretary and Financial Adviser.

2.8 The Rajasthan Initiative

It could well have been said that the Government of Rajasthan appear just to have taken a leaf out of the recommendations of the 2nd ARC of the Government of India but the facts depict otherwise. In fact, it was way back in 1994, years before the publication of the Fourteenth Report of the Second Administrative Reforms Commission of the Government of India on 'Strengthening Financial Management Systems Public Finance Management - Concepts and Core', that the State Government had issued a memorandum prescribing the "Roles, Functions and Responsibilities of Accounts and Finance Personnel", the latest **[copy attached]** in a series of memoranda starting from 07.01.1977 delineating the role and responsibilities of these officers.

Comprehending what is best needed in the interest of economic and financial development of the State, the Government of Rajasthan in the stated memorandum has declared that " in order to ensure financial propriety and proper accounts keeping, the position of the FA/CAO (Financial Adviser / Chief Accounts Officer of a department or a Govt. undertaking) shall be analogous to that of the senior most member of the Department / Undertaking next to the Principal Head of Department – irrespective of the pay drawn by them. He will directly report to the Principal Head of the Department and shall be completely independent in discharge of his functions. These officers shall function as

- I Representative of the Finance Department
- II Financial Adviser
- Iii Controller of Budget
- IV Chief Accounting Authority
- V Chief Internal Auditor.

The Government Order (Memorandum) then goes ahead explaining the specific powers and duties of the Accounts and Finance Officers of the State.

Not only delineation of the responsibilities and authority of the Accounts and

Finance Officers of the State, the Government of Rajasthan has also surged ahead in the direction of introducing the Rajasthan Fiscal Responsibilities and Budget Management Act, 2005 on 2nd May 2005 **[copy attached]** for introducing well-judged decisiveness in fiscal management and ensuring fiscal stability by progressive reduction of revenue deficit, prudent debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium-term fiscal framework and for matters connected therewith or incidental thereto.

Time is tickling by with every fleeting moment. It is urgently necessary that the Government of West Bengal considers and gives due importance to the need of a proper and professionally managed finance and accounting system in the State in line with what states like Rajasthan have already achieved for greater benefit of our State and its people.

2.9 Epilogue

While concluding the Higher and State Audit & Accounts Services Association restates its commitments to the all-round development of the State. As always it sincerely seeks the opportunity to serve the State in a manner so as to bring it up among the foremost in the country through an improved accounting and financial module which is internationally acceptable and which in today's world is very basic requirement for etching out the locus for wholesome growth of a country's economy. The Association believes that through its battery of trained professionals the State can have the opportunity of drafting a proper planning and budgeting policy that can form the edifice of a growth and development-oriented economy by laying emphasis on the sectors, particularly the rural sector where it is needed most. The Association feels that it is only economic and financial reforms that can shape the basic path and trigger the mechanism of ultimate holistic growth of our State's economy.