**Financial Administration in India:**

Meaning:

Financial administration implies the management of finance of the public authority of the government. In simple words, financial administration refers to such a system or method by which one can analyze the financial working of the public authority. Thus, financial administration focuses on the procedures which ensure the lawful use of public funds.

According to Prof. M.S Kenderic, “The financial administration refers to the financial measurement of govt. including the preparation of budget method of administering the various revenue resources the custody of the public fund, procedures in expending money, keeping the financial records and the like. These functions are important to the effective conduct of operation of public finance”

Thus, financial administration consists of a series of steps whereby funds and made available certain official under procedures which will ensure their lawful and efficient use.

Ingredients/ Tools of Financial Administration:

1. **Budget:** Budget is a balanced estimate of expenditure and receipts for a given period of time. In the hands of the administration, the budget is a record of part performance, a method of current control and a projection of future plans.
2. **Accounting:** Accounting is the record ingredient of financial administration. It is an art by which the financial effects of executive action are recorded, assembled and finally summarized in the form of the financial reports. A good accounting system is indispensable for adequate budgeting control. Therefore, there must be harmonious relationship between the goals in budget and financial statements prepared from accounts.
3. **Auditing:** Auditing is a considered the final stage. In fact, it is investigation of report and legally, efficiency and accuracy of the financial transactions. Audition is of two types i.e. internal and external. The Chief Motto of audit is only to supervise the manner in which expenditure has been made in order to ascertain whether the executive has spent in accordance with rules and regulations.
4. **Purchase and Supply:** As the name implies, it is the acquisition of the property. In other words, purchasing is a report of large category of supply which covers specialization traffic management, inspection, storage and proper utilization of different resources.

Principles of Financial Administration

1. Principle of Unity in the Organization**:** According to this principle, there must be control of central authority on financial administration. However, it does not mean that every work is done by superior authority. It simply means that there must be close coordination between different executives and higher executives should have full control over the activities of their subordinate executives.
2. Principle of Simplicity and Regularity:According to this principle, financial administration should have the quality of simplicity, regularity and promptness. Red- tapism should be totally eliminated and the work procedure should be quite simple, clear and easily understandable by the average person.
3. Principle of Compliance with the will of the Legislature: According to this principle, no expenditure out of public revenue is incurred unless it is sanctioned by Parliament. In the constitution of India, it has been mentioned as, “No money out of the consolidated fund of India or the consolidated fund of a state shall be appropriated except in accordance with the law and the purpose and the manner as passed by legislature.
4. Principle of Effective Control**:**According to this principle, it is essential to have effective control at every stage of financial administration. Generally the following agencies are involved in the control of financial administration of the government:
5. Executive
6. Legislature
7. Financial Department of Financial Ministry
8. Auditing Department
9. Parliamentary Committees
10. Principle of Uniformity**:**According to this principle, there must be uniformity in all departments or sections of the government as to policies of expenditure, revenue and loan etc.
11. Principle of Authority: According, to this principle, no tax shall be levied or collected unless it is approved by the representatives of the people. In the constitution of India has been mentioned as “No tax shall be levied or collected except by authority of laws.”
12. Principle of Accountability: According to this principle, Every Government is bound to spend the money granted by the parliament for no purpose other than it was sanctioned by the legislature or parliament.

Instruments of Financial Administration:

For the success of financial administration of the Government, different constitution play imperative role. These agencies can be grouped as:

**1.**Executive

**2.** Legislature

**3.**Financial Department of Financial Ministry

**4.**Auditing Department

1. Executive:According to Prof. H. M. Grover, “The executive is the best position to the view the financial problem as a whole ant to assume the responsibilities for the success and failure of a financial programme.” Executive is responsible for running the administration, thus it is in the best position to say what funds are required for it. No tax or expenditure can be made without the permission of the executive. It is therefore, the responsibility of the executive to prepare the budget which is stupendous task.
2. Legislature: In democratic parliamentary system, it is the legislature or parliament which is the time representation of the people. In India, under the constitution there is special provision to control the finances viz.-
3. Control over Taxation: Indian constitution under Article 265 provides that no tax shall be levied or collected except the permission of law. Thus, The Government has to present all tax proposals before parliament in the form of a Bill to be passed into law and unless no art is passed, no tax can be levied.
4. Control over Public Expenditure: Indian constitution states. “All revenues received of all loans by the union or state shall be paid into in the consolidated funds of the union or state, as case may be and that no money can be written out of  the fund except in accordance with the law and for the purpose and in the manner provided for in the constitution.”
5. Enforcement of Financial Accountability**:** Every Government is bound to spend the money granted by the parliament for no purpose other than it was sanctioned by the legislature or parliament. This function is performed by the Comptroller and Audit-General of India. In this way, one can say that Parliament is the supreme in Finance matters.
6. Finance Ministry: This Finance Ministry plays significant role in financial administration as it ensure that proper use of public funds. It controls the both before the presentation of budget to parliament to and in it executive after approval by the parliament. The Finance Ministry possesses the expert knowledge in financial matters. It considers all proposals to each ministry in the perspective of the government as whole. The ministry of finance has been divided into four departments, viz-
7. Department of Economic Affairs.
8. Department of Revenue and Insurance.
9. Department of Expenditure.
10. Department of Co-ordination.
11. Auditing: Auditing is the most important ingredients of parliamentary control over the finances of country as a whole. In a democratic form of government, the supreme authority with regard to financial policy is vested in legislature. This is ensured by the provision of audit of public expenditure by an independent statutory authority i.e. Comptroller and Auditor-General. Therefore, audit supplies an essential link between the executive and parliament and helps in interpreting the action in such a manner as to have a financial bearing of the former on the latter.

Classification of Government Accounts:

Main Divisions of Accounts Part XII of the Constitution of India (Articles 266 and 267) provide for the establishment of: a) The Consolidated Fund of India and the Consolidated Fund of each State; b) The Public Account of India and the Public Account of each State; and c)The Contingency Fund of India and Contingency Fund of each State. These are explained below-

1. Consolidated Fund of India and of the States:

Subject to the provisions of Article 267 of the Constitution (relating to Contingency Fund) and also subject to the provisions of the Constitution relating to the assignment of the whole or part of the net proceeds of certain taxes and duties to States, all revenue received by the Government of India, all loans raised by that Government by issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled ‘The Consolidated Fund of India’. Similarly all revenues raised by the Government of a State, all loans raised by that Government by issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled ‘The Consolidated Fund of the State’. (Refer to Article 266(1) of the Constitution).

 No money out of the Consolidated Fund of India or the Consolidated Fund of a State shall be appropriated except in accordance with the law and for the purposes and in the manner provided in the Constitution.

1. Public Account of India and of the States:

Apart from the money creditable to the Consolidated Fund of India or to the Consolidated Fund of a State, all other public moneys received by or on behalf of the Government of India or the Government of a State shall be credited to the Public Account of India or the Public Account of the State, as the case may be.

1. Contingency Fund:

Under article 267 of the Constitution, Parliament may by law establish a Contingency Fund in the nature of an imprest to be entitled ‘The Contingency Fund of India’ into which shall be paid from time to time sums (from Consolidated Fund of India) as may be determined by law, and such Fund shall be placed at the disposal of the President to enable advances to be made by him out of such fund for the purposes of meeting unforeseen expenditure pending authorization of such expenditure by Parliament by law under relevant articles of the Constitution (under Article 115 or under Article 116).

 Similarly, the Legislature of a State may by law establish a contingency fund in the nature of imprest into which shall be paid from time to time such sums as may be determined by such law, and the said Fund shall be placed at the disposal of the Governor of the State to enable advances to be made by him out of such fund for the purposes of meeting unforeseen expenditure pending authorization of such expenditure by the Legislature of the State by law under Article 205 or Article 206 of the Constitution.

**Government Accounting Standards Advisory Board (GASAB):**

Article 150 of the Constitution of India stipulates that “The accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor General of India, prescribe.” Accordingly, with the support of the Government of India, the Government Accounting Standards Advisory Board (GASAB) was constituted by the Comptroller & Auditor General of India on August 12, 2002 for the Union and States.

Composition of GASAB:

The following is the composition of the GASAB:

1. Deputy Comptroller and Auditor General as Chairperson
2. Controller General of Accounts, Ministry of Finance, Government of India
3. Financial Commissioner, Railways, Ministry of Railways, Government of India
4. Controller General of Defence Accounts, Ministry of Defence, Government of India
5. Secretary (Posts), Department of Posts vi. Member (Finance), Department of Telecommunications
6. Additional Secretary (Budget), Ministry of Finance, Government of India
7. Deputy Governor, Reserve Bank of India or his/ her nominee.
8. Director General, National Council of Applied Economic Research (NCAER), New Delhi
9. President, The Institute of Chartered Accountants of India (ICAI), or his/her nominee
10. President, The Institute of Cost and Works Accountants of India (ICWAI)
11. Principal Secretary (Finance)/ Secretary (Finance) of four States by annual rotation and
12. Director General (Accounts)/ Principal Director, Office of the Comptroller and Auditor General of India, as Member Secretary.

Objective:

The objective of the GASAB is to formulate Standards relating to accounting and financial reporting by the Union, the States and Union Territories with Legislature. The Standards so formulated by GASAB are recommended to the Government of India for notification in accordance with the provisions of the Constitution.

Responsibilities:

1. To establish and improve Standards of Government accounting and financial reporting in order to enhance accountability mechanisms
2. To formulate and propose Standards that improves the usefulness of financial reports based on the needs of the users;
3. To keep the Standards current and reflect change in the Governmental environment;
4. To provide guidance on implementation of Standards;
5. To consider significant areas of accounting and financial reporting that can be improved through the standard setting process; and
6. To improve the common understanding of the nature and purpose of information contained in the financial reports.

Authority, Scope and Applicability of IGASs and IGFRSs:

1. The Standards are notified by the Government as per the powers vested under Article 150 of the Constitution. The IGASs and IGFRSs, as notified by the Government, are applicable to the Union and the States.
2. The provisions of the Standards do not override the provisions of any existing or future Acts or Rules made there under by the Union or State Governments.
3. The Standards would be prospective in their application. The Standards are not applicable retrospectively and the Governments are not required to reframe their Financial Statements of previous periods to comply with the Standards.
4. Standards by their very nature are meant to apply to material items. Any other limitation on their applicability or otherwise is made clear by GASAB in the respective Standards.
5. The Standards have standard portions set in bold italic type which should be read in the context of explanatory paragraphs in the respective Standards set in plain type. Both have equal authority; portion in bold, italic type indicating main principles whereas those in plain type explain those principles

Standard-setting Procedure for Accounting Standards:

The following procedures are adopted by the GASAB for formulating Standards:

1. The GASAB Secretariat identifies areas for Standard formulation and places them before the GASAB for selection and approval. While doing so, the Secretariat places before the GASAB all important suggestions, references, proposals received from various sections of the Union and State Governments, members of GASAB, members of Civil Society, Professional Bodies and other stakeholders. The priorities, as approved by the GASAB, guide further functioning of the GASAB Secretariat.
2. The GASAB Secretariat thereafter prepares the discussion paper on the selected issues for consideration of the GASAB.
3. While doing so, the Secretariat studies the existing rules, codes and principles as internal sources, and documents/pronouncements/Standards issued by other national and international Standard setting and regulatory bodies. The Secretariat may also hold consultation with such other persons as are considered necessary for this purpose.
4. On consideration of the Discussion paper and the comments received thereon, the GASAB finalizes the Exposure Draft.
5. The GASAB may constitute Standing Committee and/or Task based Groups from amongst the Members or their representatives to consider specific areas before finalization.
6. The Exposure Draft, as approved for issue by the GASAB, are widely circulated in the public domain and forwarded to all stakeholders. The Exposure Draft is required to be hosted at the website of GASAB.
7. Based on the comments received on the Exposure Draft, the Standards are finalized by the GASAB. The Standards, as finalized, are forwarded to the Government for notification in accordance with the provisions of the Constitution of India.

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