

**HUNDRED AND FORTY-SEVENTH
REPORT**

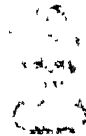
**PUBLIC ACCOUNTS COMMITTEE
(1988-89)**

(EIGHTH LOK SABHA)

**EXCESSES OVER VOTED GRANTS AND CHARGED
APPROPRIATIONS (1986-87)**

and

**ACTION TAKEN ON 106TH REPORT
(EIGHTH LOK SABHA)**



Presented to Lok Sabha on 10 April, 1989

Laid in Rajya Sabha on 24 April, 1989

**LOK SABHA SECRETARIAT
NEW DELHI**

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*Appointed as Chairman w.e.f. 5-9-1988 vice Shri C. Madhav Reddy resigned from Chairmanship of the Committee.

@Appointed w.e.f. 7-12-1988 vice Shri Kalpnath Rai ceased to be a member of the Committee on his appointment as a Minister of State.

INTRODUCTION

1. The Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf this 147th Report on excesses over voted grants/charged appropriation as disclosed in the Appropriation Accounts—Civil, Defence Services and Railways for the year 1986-87 and action taken by Government on the recommendations of the Public Accounts Committee in their 106th Report (8th Lok Sabha) on Excesses over Voted Grants and Charged Appropriations for the year 1985-86.

2. During the year 1986-87 the excess expenditure aggregating Rs. 384.39 crores that occurred under 25 grants and appropriations requires regularisation by Parliament. The excess expenditure had occurred despite the supplementary provision amounting to Rs. 2207.99 crores obtained under 21 out of 25 grants that registered excess expenditure. The grants operated by the Ministry of Defence recorded the maximum excess i.e. Rs. 190.48 crores followed by the grants operated by Ministry of Railways (Rs. 149.16 crores). The Committee have favoured an effective control over expenditure.

3. Apart from excess expenditure, the Committee have noticed rush of expenditure at the closing months of the year. It not only vitiates the budget control but also sometimes leads to excess expenditure. With a view to evening out the booking of expenditure during the year, the Committee have desired that an exercise be made to identify areas where schedules could be laid down for receipt of bills and their payment etc. during the year. Efforts are also required to be made to reduce the time-lag between the incurring of expenditure and its booking.

4. Observing that the reappropriation powers are used by the Ministries in such a manner as to modify the original budget estimates to a substantial extent resulting in either excess expenditure or large scale savings, the Committee feel that the Ministry of Finance could not be a silent spectator. There is thus need for undertaking a review of the reappropriation powers of the Ministries of the Government of India.

5. According to the Appropriation Accounts (Civil) for the year 1986-87, supplementary grants/appropriations were obtained in 143 items of expenditure out of which supplementary provision remained unutilised in 20 items. Not only that, the savings in certain cases were far excess in comparison to supplementary provision. This had happened despite the reviews of expenditure undertaken by Ministries from time to time during the year. The Committee have expressed the view that control mechanism in the Ministries needs to be geared up so that supplementary provision is made only in cases where it is really and genuinely required.

6. The Committee examined the excess expenditure in the light of explanatory notes and other information furnished by the Ministries/ Departments of Government of India at their sitting held on 25 January, 1989. The Committee considered and finalised the Report at their sitting held on the 6th April, 1989. Minutes of the sittings form Part II of the Report.

7. The Committee 106th Report (8th Lok Sabha) on excesses over voted granted and charged appropriations for the year 1985-86 was presented to the House on 7 March, 1988. The action taken notes furnished by Government in pursuance of the recommendations contained in that Report were also considered at the aforesaid sitting and have been dealt with in Chapter II of the Report.

8. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form at Appendix XXVIII to the Report.

9. The Committee would like to express their thanks to the various Ministries of Government of India for the cooperation extended by giving information to the Committee.

10. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the Office of the C&AG of India.

NEW DELHI;
6 April, 1989
16 Chaitra, 1911 (Saka)

AMAL DATTA,
Chairman,
Public Accounts Committee

REPORT
CHAPTER I
EXCESS EXPENDITURE OVER VOTED GRANTS AND CHARGED
APPROPRIATIONS (1986-87)

Introductory

This Report deals with the excess expenditure incurred by various Ministries and Departments of Government of India over the Voted Grants and Charged Appropriations as disclosed in the Appropriation Accounts for the year 1986-87.

1.2 The excess expenditure during the year 1986-87 which requires regularisation is of the order of Rs. 384.39 crores* incurred over the sanctioned provision of Rs. 18975.23 crores under 25 grants/Appropriations (Appendix-I). While the Appropriation Accounts—Civil, Defence Services and Railways for the year 1986-87 have disclosed excess expenditure, the Appropriation Accounts—Posts and Telecommunication Services did not report any such excess.

1.3 The break-up of excess expenditure as disclosed by the Appropriation Accounts for 1986-87 is as below :

Appropriation Accounts (Civil)—Rs. 44,75,61,012

Appropriation Accounts (Defence Services)—Rs. 197,47,65,874**

Appropriation Accounts (Railways)—Rs. 149,13,19,006@

1.4 The explanations given by the various Ministries for the excesses are given in Appendices II to XXII. In the succeeding paragraphs, the Committee would examine these with reference to the facts of each case and circumstances leading to such an excess and make appropriate comments/observations.

Excess Expenditure

1.5 The Committee note that during the year 1986-87, excess expenditure had occurred under 25 voted grants/charged appropriations and aggregated to Rs. 384.39 crores as against Rs. 64.87 crores (under 9 grants/appropriations) and Rs. 441.72 crores (under 29 grants/appropriations) during 1984-85 and 1985-86, respectively. The bulk of excess

*After taking into account erroneous booking under Grant No. 19 and Appropriation Nos. 19 and 22, and Grant No. 16 (Railways).

**After taking into account the erroneous booking under Grant No. 19 and Appropriation Nos. 19 and 22, the real excess works out to Rs. 190,48,42,944.

@After taking into account the erroneous booking under Grant No. 16 the real excess works out to Rs. 149,15,53,856.

expenditure during 1986-87 was contributed by the Grants/Appropriations operated by the Ministry of Defence (Rs. 190.48 crores). On the Civil side, 15 Grants/Appropriations recorded excess expenditure of Rs. 44.76 crores the major contributors being 3 Grants/Appropriations namely Grant Nos. 11—Foreign Trade and Export Production (Rs. 19.43 crores)*, Grant No. 54—Andaman and Nicobar Islands (Rs. 10.33 crores)@ and Grant No. 93—Public Works (Rs. 10.93 crores)£. The excess expenditure during 1986-87 had occurred even after obtaining supplementary grants of Rs. 2207.99 crores in 21 out of 25 grants/appropriations that registered excesses. The notable among these are tabulated below :

Grants/Appropriations	Ministry/Department	Amount of Supplementary Grants/Appropriation	Amount of Excess Expenditure
		(Rs. in Crores)	(Rs. in Crores)
11—Foreign Trade and Export Production	Commerce	235.47	19.43
54—Andaman & Nicobar Islands	Home Affairs	5.03	10.33
93—Public Works	Urban Development	10.36	10.94
Grant Nos. 18, 19, 20, 21 and 22	Defence	1744.13	198.84
Grants/Appropriations Nos. 5, 8, 13, 14, 16	Railways	334.70	149.13

The Committee now deal with some of the cases of excess expenditure incurred during 1986-87.

Excess in Grant No. 11—Foreign Trade and Export Production

1.6 In the case of Grant No. 11—Foreign Trade and Export Production (Capital Section) there is a whopping gap between the original estimate (Rs. 92.91 crores) and the actual expenditure (347.81 crores) incurred by the Ministry of Commerce during 1986-87. Even the huge amount of supplementary grant (Rs. 235.47 crores) could not fill the gap leading to the excess expenditure of Rs. 19.43 crores.

* Appendix-II

@ Appendix-XII

£ Appendix-XX

1.7 Major Head '765'—Advance to Foreign Governments, of Grant No. 11, was the main contributor to the excess expenditure during 1986-87. The following table shows the provisions made for loans to foreign Government as technical credits incorporated in Trade Agreements :

(in crores of Rupees)

	Budget Estimate	Revised Estimate	Final Grant	Actual Expenditure	(+) Excess (-) Savings
GDR	12.00	12.00	12.00	10.27	(—)1.73
Poland	21.00	NIL	Nil	Nil	Nil
Romania	12.00	NIL	Nil	Nil	Nil
Czechoslovakia	15.00	5.00	5.00	6.64	(—)1.64
USSR	235.47	235.47	282.43	302.13	(—)19.70

(Supplementary)

1.8 According to the Ministry of Commerce, although the Pay and Accounts Office (PAO) has to see that no payment in excess of Budget Estimates is made, it has no control over expenditure incurred under major head '765'. In respect of this major head, budget estimates are based on the available trends in the trade flows. However, foreign Governments when faced with temporary shortage of rupee funds in their Central Accounts with RBI, can draw money from RBI as a standing arrangement under rupee trade agreements without reference to budget availability. This facility is made available with a view to avoiding disruption in trade and to sustain the flow of exports from India.

1.9 While explaining the reasons for excess expenditure under the Grant, the Ministry of Commerce have, in a note, stated that at the time of making budget provisions for technical credit in October 1985 for the year 1986-87, the USSR had surplus balance of Rs. 348.14 crores in its account as on 30-9-1985. Keeping in view the substantial balance at its disposal, no provision was made for USSR in 1986-87. However, a sharp decline in the crude oil prices during 1986 led to sharp erosion of about Rs. 700 crores in the generation of rupee resources from import of crude oil and oil products necessitating technical credit. To meet their requirement a provision of Rs. 283 crores was made in February 1987 when revised estimates were finalised.

1.10 The Committee find from the statement^{*} of international price of Crude oil that from the very beginning of the financial year 1986-87, the prices of crude oil started falling considerably and the position did not reverse till the end of the year. Unfortunately, being aware of the

situation, the Ministry did not assess the impact of the fall in oil prices on Grant No. 11. Based on past experience of trade flows and the situation created by the fall in oil prices, as also the balance at the disposal of the USSR at the end of the year 1985-86, the Ministry should have been in a position to estimate the requirements of the USSR as precisely as possible. Besides, the weekly reports submitted by the Reserve Bank of India on the position of technical credit could go a long way in facilitating the assessment of the actual requirement of a country so as to make adequate provision therefor at least at the revised estimates stage. The Committee hope that the Ministry would keep close watch over the drawals by countries from their accounts so that timely action is taken to make available additional funds, if needed, under the grant to avoid excess expenditure.

Grant No. 54—Andaman and Nicobar Islands

1.11 In the Revenue Section (Voted) of Grant No. 54—Andaman and Nicobar Islands, the expenditure exceeded the Grant by Rs. 10.33 crores despite the supplementary grant. The excess expenditure was even more than double the amount of supplementary provision (Rs. 5.03 crores) obtained in March 1987. In the explanatory note for the excess furnished by the Ministry of Home Affairs to the Committee (Appendix XII), the main reasons for the excess have been stated to be increase in the requirement of funds for maintenance of buildings/jetties, rise in costs of labour and construction material, implementation of Fourth Pay Commission's recommendations, payment of medical claims etc.

1.12 From the Appropriation Accounts of the Grant, it is noticed that the provisions were far less than the actual expenditure as will be clear from the following instances :

Head of Accounts	Original Grant	Final Grant	Actuals	Excess
(Rs. in lakhs)				
259-A12(3)—Maintenance and Repairs	76.77	76.77	132.80	56.03
280-B4(1)(2)(1)—G. B. Pant Hospital	100.07	154.13	207.08	52.95
280-B4(1)(2)(2)—Other Hospitals	71.15	96.85	189.54	92.69
313-C9(4)(1)—Conservation & Development	493.00	562.88	651.96	89.08
334-C12(1)(1)—Power House at Chathan	31.88	41.10	86.33	45.23
334-C12(2)(2)(1)—Power Plant and Ancillary Works	173.72	198.10	286.67	88.57

1.13 During evidence, the Administration attributed the excesses and substantial variations in appropriations to communication problems, limited working season, remoteness of areas, transport bottlenecks etc. Clarifying further the Controller General of Accounts stated :

“...towards the end of year 1986—i.e. November and December 1986, a greater attention was paid to the development of Andaman & Nicobar Islands, which was not earlier anticipated. Island Development Authority was constituted and IDA under the Chairmanship of the Prime Minister had a meeting in Andaman & Nicobar and it was realised that Andaman & Nicobar Islands should be developed at a faster pace. On that account, the development work expenditure increased during the period November, December and January, which was not initially anticipated. Because of the thrust on development they started incurring expenditure and taking up development works in various Islands. There was a communication gap also. The Andaman Administration sitting in Port Blair took sometime to get information what these people are doing there. There is a failure to that extent. These people who were executing the works should have ensured either they had more money provided for or restrained the expenditure. Because of the greater thrust, they went ahead and did something.”

1.14 The Committee then expressed the desire to have a list of new works taken up in the Andaman & Nicobar Islands, their costs and the extent to which that costs contributed to excess expenditure. The Addl. Secretary in the Ministry of Home Affairs promised that “we will send it”.

The Ministry subsequently informed the Committee under their letters dated 21 March, 1989 and 3 April, 1989 that excesses had occurred in the revenue section of account under 23 sub-heads and not under Capital Section of account and that no new works had been taken up pursuant to sanction of new works as a result of Island Development Authority's meeting which took place only in the last week of December 1986. From the statement of excess expenditure furnished to the Committee it is noticed that :

- (i) excess of Rs. 4.78 crores has been attributed to accelerated progress of work, the requirement of stock having also increased;
- (ii) excess of Rs. 151.23 lakhs has been attributed to payment of pending bills of Medical Stores Depot relating to 1985-86 and implementation of recommendation of Fourth Pay Commission;

- (iii) excess of Rs. 89.08 lakhs has been attributed to increase in cost of maintenance of buildings etc. and also payment of additional dearness allowance and bonus;
- (iv) excess of Rs. 88.57 lakhs has been attributed to adjustment of bills of Director General of Supplies and Disposal relating to 1985-86.

1.15 The Committee note that at the time the evidence was taken, the Ministry attributed the excesses to works having been taken without provision. However, the Ministry could not furnish details of such works. The Committee are not satisfied with the explanation that excesses to the extent of Rs. 4.78 crores under 'Stock' had occurred due to accelerated progress of work, because in such an event, the debits would have been withdrawn from stock, contributing for less expenditure under that head. The other explanations such as payment of bills of 1985-86 in 1986-87, non-provision for implementation of Pay Commission's recommendations etc. are not convincing and indicate lack of financial control and inordinate delays in account settlement and timely booking. The Committee recommend that a full analysis of the reasons for excess expenditure may be examined by Audit and a report furnished to the Committee and the Ministry to report on action taken on the findings of Audit.

1.16 The Committee are not convinced with the pleas put forth during evidence by the representative of the Ministry of Home Affairs that extreme remoteness of the area, communication problems, transport bottlenecks and limited working season in the Andaman & Nicobar Islands were the factors coming in the way of accurate estimation of the fund requirements as these factors are not the ones that have cropped up suddenly. These types of problems were there in the past and would remain in the future also. The Committee are also not convinced of the reasons given for excess in the explanatory note because the factors mentioned therein do not fall in the category of "unforeseen" or "unanticipated". They could have been taken care of at revised estimates or supplementary grants stages. To overcome these problems, some device will have to be evolved so as to ensure regular flow of requisite information from various parts of the Islands to the Budget Division for the purpose of framing original Budget Estimates on realistic basis as also making subsequent revisions in the estimates, if necessary, with precision.

1.17 In a subsequent note, the Ministry of Home Affairs have informed that a Committee consisting of Joint Secretary (Administration) and Chief Controller of Accounts of the Ministry was constituted to review the functioning of the officers of the Andaman and Nicobar Islands Administration with a view to examining the shortcomings in the procedures and

peculiar circumstances, if any, under which budgetary irregularities were committed during 1986-87. According to that Committee 'there' appears to have been some slackness on the part of Administration in following the procedure as laid down under the Civil Accounts Manual and General Financial Rules'. That Committee recommended introduction of 'letter of credit' to cheque drawing DDOs so that under no circumstances the expenditure overshoots the sanctioned budget. It also instructed the Administration to strictly followed the prescribed procedures and closely monitor the progress of expenditure in order to keep it within the ceiling of sanctioned grant. The Committee trust that the Islands Administration would follow the instruction and recommendations of the Review Committee in their letter and spirit.

Excess in Grant No. 83—Department of Scientific and Industrial Research

1.18 In the capital section of this grant,* an excess of Rs. 2.10 crores occurred due to conversion of long outstanding interest charges on various loans sanctioned to Central Electronics Ltd. into fresh loan with effect from the date of sanction (20 February 1987). The conversion was made by carrying out a book adjustment in the accounts by debiting the loan account and crediting the interest account, though there was no provision for this capital expenditure in the budget. The excess has been justified by the Ministry, amongst other reasons, on the ground, that :

- (i) approval of Ministry of Finance for the conversion of outstanding interest into loan 'was mooted in August 1986 and was received on 20 February 1987 whereas last date for submission of supplementary grant proposals expired on 20 January 1987;
- (ii) the transaction did not involve cash outflow; and
- (iii) the only alternative available was giving effect to the transaction in 1987-88, after supplementary grants were obtained in August 1987 thereby resulting in financial loss to Government on account of non-realisation of interest for 6 months.

1.19 Asked to clarify whether the conversion of the outstanding interest into loan is a regular practice, the representative of the Ministry stated during evidence that this was the first time that such a course of action was taken in this case. Clarifying further, the Controller General of Accounts observed that the Ministry gets various

* Appendix—XV III.

proposals from various public sector undertakings for capital restructuring, including for conversion of outstanding interest into loan. The Controller General also observed that the Finance Ministry did not tell the concerned Ministry in this case to carry out the adjustment in 1986-87 itself and that "that was their local decision".

1.20 In the case of Capital Section (Voted) of Grant No. 83—Department of Scientific and Industrial Research, an excess of Rs. 2.10 crores occurred due to conversion of long outstanding interest charges as on 31 March, 1986 on various Government loans sanctioned to Central Electronics Limited into a fresh loan with effect from the date of sanction (20-2-1987). This is a case of serious irregularity committed by the Department who, without the sanction of Parliament, allowed the conversion of outstanding interest into loan, no matter the transaction involved no cash out-go. This type of unwarranted action, belated and post-budget decisions lead to dilution of Parliamentary control over the public purse. During evidence, it was explained to the Committee that the company was running into losses and the proposal for conversion of outstanding interest into loan was initiated in August 1986. This was also stated to have been discussed with the Ministry of Finance whose approval was received on 12-2-1987 and sanction issued on 20-2-1987. It was further explained that since the last date for despatch of Supplementary Demand proposals for 1986-87 was already over on 20-1-1987 the approval of Parliament could not be obtained. The Committee feel that under these circumstances the Department should have either waited for the next year to get the necessary supplementary provision or taken a decision sufficiently in advance of the presentation of the last batch of Supplementary Demand for grant to avoid any irregularity being committed. The Committee desire that the Department of Science and Technology should exercise due care in future so that such lapses do not recur.

1.21 The Committee also noticed from the Appropriation Accounts of Grant No. 83 instances of unutilised provision, excessive reappropriation, lack of adequate provision etc. and called for clarifications for the variation between original grant, final grant and the actual expenditure. The explanations given are mentioned in Appendix XXIV.

1.22 From the clarifications given for the substantial variations between original grant, final grant and actual expenditure under various sub-heads, the Committee note that the budgetary control and the process of forecasting requirements have not been adequate and the existing machinery needs to be revamped and made adequately responsible and accountable to avoid large variations. The Committee hope that appropriate action will be taken in future and such a situation, as was existing in 1986-87, would not be repeated.

Excess in Grant No. 93—Public Works

1.23 In the case of Revenue Section (voted) of Grant No. 93—Public Works,* the total sanctioned amount of Rs. 137.64 crores (including supplementary grant of Rs. 10.36 crores) could not prove sufficient to meet fully the requirements of Ministry of Urban Development under the Grant resulting in excess spending of Rs. 10.93 crores for various reasons like implementation of revised pay scale of certain categories of officers, purchases and maintenance of computer system, increase in rates of water and electricity charges, procurement of more quantity of materials for Housing and Public Works etc. The Committee, however, find from the Explanatory Note that under some of the sub-heads of the Grant, namely, sub-heads A. 7(1) stock and A. 7(2)—Miscellaneous Works Advances, lesser amount was sanctioned against the demand made by the Director General. The Appropriation Accounts in respect of Grant No. 93 disclosed that an amount of Rs. 56.33 crores as originally earmarked for the sub-head 'A.. 7(1) stock' was reduced to Rs. 53.33 crores by reappropriation while the actual expenditure turned out to be Rs. 62.25 crores. According to the Ministry of Urban Development, the reappropriation was made in compliance with the directive of the Ministry of Finance issued in November 1986 for reducing 5% of the sanctioned budget by effecting savings in non-developmental expenditure. However, the Ministry hopelessly failed in keeping the expenditure within the reduced financial limit.

1.24 The Committee are at a loss to understand as to what was the necessity of reducing the original budget provision under Grant No. 93 when there was no scope for the savings. The overzealousness displayed by the Ministry to effect economy without application of mind was totally uncalled for and the Committee desire that lessons be drawn from the experience.

1.25 The Appropriation Accounts of Grant No. 93 also revealed several instances wherein original estimates were far in excess or short of actuals and the reappropriations were either not called for, or excessive or defective; some instances are detailed in Appendix XXV. In their clarification, the Ministry have, *inter alia*, stated that detailed reasons for such situation are evident only in retrospect, that the defective provisions, reappropriation etc. occurred on account of non-receipt of administrative approval, rise in cost of material, labour, non-finalisation of tenders, non-materialisation of land acquisition. In concluding their clarification to the Committee, the Ministry has stated as under :

“The Re-appropriation orders which were issued on 31st March 1987 were carried out on the basis of the projections made by the Chief Engineer (who, in turn, depend upon the field forma-

*Appendix — XX.

tions) during the month of February on the basis of the anticipated progress of work and the occurrence of events. In a vast Organisation like the CPWD (9 Zones, 44 Circles and 193 Divisions), which is executing works throughout the length and breadth of the country, it must be appreciated that other outside agencies/extraneous factors like acquisition of land, court cases also contribute to increase in expenditure”.

1.26 The Committee note that even though the reappropriation orders were issued on the last day of the financial year (31 March 1987), they bring out a position which indicates that the reappropriation was either excessive or not called for. The Committee cannot help observing in this regard that the Appropriation Accounts of this Grant No. 93 reveal a lack of budgetary control as the various explanations given for reappropriation, excess, savings, etc. ought to have been within the knowledge when the planning was done, and when reappropriation proposals were considered and approved. The Committee recommend that the Ministry of Finance may conduct a study of the budgeting process adopted by the Ministry of Urban Development and place the same on a proper footing.

Excess in Grant Nos. 18, 19, 20, 21 and 22—Ministry of Defence

1.27 Out of the grants/appropriations operated by the Ministry of Defence, six grants/appropriations recorded excess expenditure totalling Rs. 198.84 crores during 1986-87. The excess under Grant No. 18—Defence Pensions,* occurred mainly due to revision of pensions at enhanced rates, payment of balance of gratuity and capitalised value of commuted portion of pension consequent on merger of DA/ADA, instalments of interim relief etc. The excess under Grant No. 19—Defence Services—Army,** was mainly under ‘Pay and Allowances of Army’ (Rs. 6.92 crores) due to more expenditure on leave travel concession in respect of officers and others; ‘Military Farms’ (Rs. 9 crores) due to purchase of fodder at higher rates owing to drought conditions in some States and extra expenditure on procurement of milk at higher rates; ‘Research and Development Organisation’ (Rs. 9.33 crores) due to more materialisation of receipts of stores and escalation in prices; ‘Inspection Organisation’ (Rs. 5.32 crores) due to more materialisation of supplies than anticipated; ‘Stores’ (Rs. 75.10 crores) due to more materialisation of Army Ordnance Corps stores and more materialisation of petrol, oil and Lubricants and Engineering stores; ‘Works’ (Rs 35.76 crores) due to steep rise in cost of stores and accelerated progress in execution of special repairs and buildings etc. The excess under voted portion of Grant No. 20—Defence Services—Navy@, occurred in all the

*Appendix — III

**Appendix — IV

sub-heads like pay and allowances of Navy and Civilians, Stores, Works etc. The excess under Grant No. 21—Defence services—Air Force £ was mainly under pay and allowances of Air Force (Rs. 17.89 crores), Stores (Rs. 1275 crores), Works (Rs. 10.87 crores), etc. The excess under Grant No. 22—Capital Outlay on Defence Services* was mainly under 'Land' (Army, Navy and Air Force), 'Construction Works' (Army and Navy) 'Naval Fleet', and 'Naval Dockyard'.

1.28 The Committee are concerned to note that the excess expenditure incurred by the Ministry of Defence during the year under review was the highest both in terms of quantum and the number of grants/appropriations registering excess expenditure during the last 5 years as is evident from the following table :—

Year	no. of grants/ appropriation	Excess (Rs. in crores)
1982-83	2	117.36
1983-84	3	59.21
1984-85	2	22.43
1985-86	4	116.59
1986-87	6	198.84

1.29 Obviously, the situation has gone from bad to worse. No lessons seem to have been drawn from the past experience. The oft-repeated observations of the Committee as also the instructions issued by the Ministry of Finance from time to time had little impact on the Budget Wings of the Ministry in framing budget estimates accurately or in checking the expenditure from crossing its limits. The Committee once again urge the Ministry of Defence to tighten their financial control over their spending units in order to avoid unauthorised expenditure being incurred in future.

1.30 Out of the excess registering grants operated by the Ministry of Defence, Grant No. 20 (Voted)—Navy recorded the highest percentage (i.e. 5.39%) of excess expenditure over final allocation. The

@Appendix VI

£ Appendix VII

* Appendix VIII

Appropriation Accounts in respect of the Grant bring the following picture :

(Rs. in Crores)

	Original Estimate	After adding Supplementary Grant	Final Grant	Actual Expenditure	Excess
Pay & Allowances—Navy	83.32	98.32	100.00	109.95	9.95
Pay and Allowances—Civilian	71.00	81.00	86.00	89.17	3.17
Transportation	14.00	14.00	19.00	19.21	0.21
Stores	443.00	443.00	405.74	436.54	30.80
Works	45.00	45.00	48.00	57.32	9.32
Other Expenditure	23.78	23.78	25.00	30.65	5.65
Surrender or with drawals with Grant/Appropriations	—	—	21.36	—	(—) 21.36
TOTAL	680.10	705.10	705.10	742.84	37.74

1.31 The above figures indicate steady increase in the provisions almost under every sub-head except in the case of 'Stores'. In the case of 'Pay and Allowances, Navy', the excess is stated to be mainly due to more payments on account of recommendations of 4th Pay Commission. However, the representative of the Ministry of Defence admitted during evidence that whatever was paid in October, November, and December 1986 as arrears had not been booked which led to incorrect estimates. Asked why accounts were not booked on monthly basis, the Ministry have informed in a note that the closing of accounts in respect of sailors is done on Quarterly basis in view of the time lag between the occurrence of casualty relating to pay and allowances and its recording by the Bureau of Sailors. There was also dearth of staff in the Pay Office and the compilation of records was done manually.

1.32 The Committee feel that there should be no reason for any excess being incurred under the head 'Pay and Allowances—Navy' as the Ministry, being in possession of the requisite data regarding the categories of employees, their number etc. can work out accurately the additional requirements, if any, for funds and provide for the same at the appropriate time. The work of the Ministry in compiling the accounts can also be made easy if the system is computerised. The Committee would like to be apprised of the reason why the Ministry could not compile the accounts under the head "Pay and Allowances—Navy" and what steps are being taken to prevent repetition of incurring excess expenditure under different heads mentioned above* in future.

*See Paragraphs 1.30.

1.33 As regards the excess under 'Stores', the expenditure exceeded its limits in the past also as will be clear from the following :

<i>Year</i>	<i>Excess (Rs. in crores)</i>
1981-82	6.96
1982-83	—
1983-84	12.7
1984-85	17.07
1985-86	11.23
1986-87	30.80

1.34 Only last year, the Committee had desired the Ministry of Defence to go into the matter with a view to evolving some device to ensure realistic assessment of the requirements under the sub-head 'Stores' which had been persistently registering excess expenditure year after year*.

1.35 In their action taken note, the Ministry of Defence have mentioned that the forecast of the expenditure on Stores is based on delivery Schedules intimated by suppliers/manufacturers which are generally not adhered to for some reason or the other. The forecast also do not take into account the exchange rate variations. Stores for the Defence Services are procured generally through various agencies like ISM, London/Washington. Public Sector Undertaking and through Central agencies and payments are also made through agencies. The Ministry have taken various measures to keep the expenditure under control. A computerised system of compilation of expenditure under various sub-heads has been introduced for some of the major agencies which incur expenditure on stores. Information on payments drawn against letter of credit is also being obtained from various sources on regular basis. Apart from this, the Naval Headquarters has entrusted to the Indian Institute of Management, Bangalore examination of Inventory management and purchase system and its recommendations are being implemented. The Indian Institute of Cost and Works Accountants, Calcutta also undertook study for introducing an EDP base system for costing of all activities in Navy and their according. Action to develop the system on the basis of proposal made by the institute is stated to be under way.

*Vide paragraph 2.4 of 106th Report (8th Lok Sabha).

1.36 The Committee trust that the steps now taken or being taken by the Ministry of Defence to control expenditure on stores would help in eliminating the excess expenditure which had been of recurring nature during the last 4/5 years. The Committee would watch the impact of these measures from the future Appropriation Accounts and Audit Reports on Defence Services.

1.37 In the case of grants No. 19—Defence Services—Army* and 21—Defence Services—Air Force**, also the sub-heads 'Pay and Allowances', 'Stores' and 'Works' were the major contributors to the excess expenditure during 1986-87. In order to contain the excess expenditure under these Grants it is all the more imperative that the measures similar to those taken in the case of Grant No. 20—Defence Services—Navy, are also taken, on urgent basis for these grants.

1.38 During the course of examination of the Grant No. 20—Defence Services—Navy, the Committee have noticed rush of expenditure during the closing months of the financial year 1986-87 as is evident from the following table :

(Rs. in Crores)

Sub-Head	Final Grant	Expenditure upto Feb., 1987	Expenditure upto March, 87 (Pre)
Pay and Allowances—Navy	100·00	72·57	107·90
Pay and Allowances—Civilians	86·00	80·12	88·77
Transportation	19·00	16·19	21·28
Stores	405·74	328·94	423·81
Works	48·00	43·81	54·24
Other Expenditure	25·00	22·52	29·68
TOTAL	683·74	563·85	725·68

1.39 The expenditure in March 1987 was nearly 25 per cent of the entire annual expenditure, the reasons, according to the Ministry of Defence, being :—

- (a) Late transmission of debits for payments made by other paying authorities.
- (b) Late arrival of advices relating to foreign payments.
- (c) Departmental charges and MES bookings at the end of the year.

* Appendix — IV

** Appendix — VI

- (d) Late presentation of bills by the Contractors/Suppliers, Port Trust and various undertakings such as Electricity Board etc. to clear their dues.

1.40 According to the Ministry of Finance rush of expenditure during the closing months of the year could be on account of the reasons like :

- (i) Late sanction of the schemes during the course of the year where expenditure can take place only after sanction.
- (ii) For implementation of the programmes/schemes, the working season starts usually after the monsoons are over.
- (iii) The process of making purchases and awarding of contracts takes time as procedure of preparing specifications, inviting tenders, selection of suppliers, contractors etc. are to be gone through.
- (iv) In case of organisations or autonomous bodies or State Governments where funds are provided as reimbursement of expenditure on the basis of utilisation of funds already available with them, such claims are received late and scrutiny takes time and the release of funds takes place in the later part of the year. In cases where on account payments are given in the early part of the year further release as a part of the control mechanism are made only after ensuring that funds already released are utilised.
- (v) The expenditure during closing months is also largely on account of clearance of adjustment of expenditure incurred by DGS&D and Public Works Department. Even though expenditure is incurred in the course of the year, the claim by various departments are cleared and debited at the close of the year.
- (vi) There are also book keeping adjustments that get reflected in March closing accounts e.g. interest payments.

1.41 While it is true that rush of expenditure by itself should not result in excess expenditure as the expenditure has to be contained within the provision made in the grant, instances have come to the notice of the Committee where the heavy booking during the closing month of the year led to excess expenditure. For example, under the minor-head—'Revenue works' of Grant No. 20—Defence Services—Navy, an amount of Rs. 17.88 crores constituting 31% of the total expenditure was booked during the last two months of the year. Of this amount, Rs. 13.8 crores was booked only in March 1987 resulting in excess expenditure.

1.42 The Committee are not happy with this type of rush of expenditure at the fag end of the year as it vitiates the budget control and also sometimes leads to excess expenditure. The Committee do appreciate certain difficulties being experienced by the Ministries in this regard but at the same time with a view to evening out the booking of expenditure during the year to avoid last moment booking of heavy expenditure, the Committee desire that an exercise be made to identify the areas where time schedules could be laid down for, say, receipt of bills, advices etc. and their payments during the year. Efforts should also be made to reduce the time lag between the incurring of expenditure and its booking.

Excess in Railway Budget Grant Nos. 5, 8, 13, 14 and 16

1.43 The Ministry of Railways incurred an excess expenditure of Rs. 149.13 crores under 4 Grants and one Appropriation during the year 1986-87. The excess expenditure incurred during the last 5 years upto 1986-87 is detailed below :

Year	No. Grants/ Appropriation	Excess expenditure (Rs. in crores)
1982-83	6	65.05
1983-84	4	34.67
1984-85	1	6.27
1985-86	15	193.39
1986-87	5	149.16

1.44 Evidently, compared to earlier year i.e. 1985-86, the aggregate excess expenditure during 1986-87 did not register decline in the same proportion as the number of excess registering grants. On an average the excess expenditure during 1985-86 was Rs. 12.89 crores per excess registering grant while it was as high as Rs. 29.83 crores per excess registering grant during 1986-87. The obvious conclusion is that the overall position, instead of showing improvement, has deteriorated.

1.45 The Committee find that the major contributors to the excess expenditure incurred by the Ministry of Railways during 1986-87 were three grants i.e. Grant No. 13 (Rs. 53.67 crores) Grant No. 14 (Rs. 31.91 crores) and Grant No. 16 (Rs. 57.49 crores). Among these, Grant No. 13—Provident Fund, Pensions and other Retirement Benefits recorded the highest percentage of excess expenditure i.e. 12.77% of the sanctioned grant, the percentage of excess expenditure to total provision in respect of Grant Nos. 14 and 16 being 1.87 and 1.44, respectively. Besides, the excess expenditure under Grant No. 13-

has persistently occurred year after year and it was the maximum in 1986-87 as is clear from the following table :

Year	Excess Expenditure (Rs. in Crores)
1982-82	22.57
1983-84	5.67
1984-85	6.27
1985-86	11.69
1986-87	53.67

1.46 The excess expenditure under Grant No. 13 occurred mainly under the following subheads :

Sub-heads	Original Estimates	After adding Supplementary Grants	Final Grant	Actuals	Excess
					(Rs. in lakhs)
Superannuation and Retiring Pensions .	153,72.67	180,62.60	181,87.74	215,20.86	33,33.12
Commuted Pensions .	66,84.90	82,33.10	84,54.50	97,97.52	13,43.02
Family Pension .	38,80.71	41,98.39	42,22.16	46,79.92	4,57.76
Death-cum-Retirement Garatuity .	75,83.69	94,18.35	97,07.01	101,56.79	4,49.78
TOTAL.	335,21.97	399,12.44	405,71.41	461,55.09	55,83.68

1.47 Considering the fact that the Ministry have all the figures about the retired and retiring persons whose entitlements the Ministry is definitely able to work out, the Committee do not find any reason why the estimates framed by the Ministry in respect of Grant No. 13 proved unrealistic not only at the Original Estimates Stage but also at the revised Estimates Stage. The Original Estimates and the Revised Estimates were lower to the extent of about 38% and 16%, respectively, compared to actual expenditure. The Committee recommend that the Ministry should allocate responsibility to the personnel responsible for such inaccuracies as well as the reasons therefor and take appropriate steps to caution the officers responsible as well as to prevent recurrence of such errors in future. The Committee further recommend that special efforts be made to collect and compile requisite data in time by the Budget cells of the Ministry so that budget estimates are made as accurately as possible leaving little scope for excess expenditure.

1.48 The Committee are unhappy to find that there was misclassification/erroneous booking of expenditure under two grants (No. 19 and 22) and one appropriation (No. 19) operated by the Ministry of Defence and one Grant (No. 16) operated by the Ministry of Railways. Only last year the Committee had taken strong exception to such misclassification noticed in the Railway accounts and had and desired that the matter be looked into and responsibility fixed for the lapses.* The Committee reiterate their earlier recommendation and hope that the Ministries of Defence and Railways would be more vigilant in future to check recurrence of such misclassification/erroneous booking in their accounts.

1.49 In Grant No. 16 of the Railways, the Appropriation Accounts revealed excesses under following sub-heads :—

Sub-head	Original Estimates	After adding Suppl. Grants	Final Grant	Actuals	Excess
(Rs. in lakhs)					
Doubling	1,10,43.33	1,10,43.33	93,44.51	99,47.94	6,03.43
Traffic Facilities—Yard Remodelling and Others	98,76.28	98,76.28	82,31.42	83,43.60	1,12.18
Computerisation	44,00.00	56,37.55	40,66.97	41,13.51	46.54
Track Renewals	7,10.47.86	7,10.57.86	6,81,33.68	6,91,02.09	9,68.41
Bridge Works	45,10.05	45,30.05	42,76.70	43,85.57	1,08.87
Electrification Projects	1,80,34.80	1,80,34.80	1,77,39.34	1,78,03.15	63.81

1.50 The above table would indicate that though the original estimates and subsequent provision through supplementary Grants were more than adequate to meet expenditure in these sub-heads, the defective reappropriation of funds from these sub-heads had resulted in excess expenditure in these sub-heads.

1.51 In reply the Ministry have stated that “such reappropriations done to enable best utilisation of plan outlay and take into account the individual urgency of the concerned works and reallocations of priorities . . . ,” and that “it is not possible to achieve cent per cent accuracy in respect of allocation and actual booking”.

1.52 The Committee are concerned to note that the exercise of absolute powers available with the Ministry for reappropriation within grant has resulted in a situation whereby the Parliament is being approached for grant of additional funds under certain heads of account wherein the provisions already allowed by Parliament have been more than adequate. The contention that reappropriations were done to enable best utilisation

*Vide paragraph 1.21 of 106th Report (8th Lok Sabha)

of plan outlay can at best be interpreted as inability to state accurately the reasons for, not being able to accurately estimate the requirements and incurring of expenses without budgetary control of the different heads. The Committee strongly recommend that appropriate restrictions may be placed on the powers of reappropriation so as to ensure that exercise thereof does not result in presentation of the defective financial position with reference to original estimates and also to compel the different Ministries to go through a vigorous exercise to estimate their expenditure before the budget is approved and at least by the time of the last supplementary budget.

1.53 The Committee consider it unfortunate that defects in budgetary control and consequent issues of defective reappropriation orders had resulted in a sorry state of budgetary spectacle in respect of those heads where the provisions were excessive or short. The Committee recommend that steps may be taken to ensure that the budgetary control measures are geared up so as to ensure that both initial appropriations and later reappropriations are carried out meaningfully and realistically.

Control over budget and reappropriation orders

1.54 In the context of the substantial variations between original estimates, revised estimates, final grant and actuals under various sub-heads within the Grants, the Committee during evidence, enquired whether before presentation of last Supplementary Grant in March, the Finance Ministry did not go into headwise analysis of the expenditure, though at the time of initial budgetting the Finance Ministry conducted an elaborate exercise and obtained sanction of Parliament on the basis of details. The Committee further asked that if that be so, the Ministry should spell out the utility of the initial exercise. In reply the Controller General of Accounts stated that the views of various departments had been that after giving amounts on the basis of major heads, flexibility should be left for the Ministries to execute their works and within the limitation of these funds, they should have the power of reappropriation. He added that if the Committee recommended, the Ministry of Finance would go into greater details at the time of final supplementary stage, by obtaining information about reappropriations being envisaged etc. and such a step, the witness observed, could take away the flexibility at present available to the Department of getting grant under one head and spending the funds under some other head through reappropriation.

1.55 A sample study of some of the Appropriation Accounts by the Committee, as revealed in the preceding paras relating to certain Grants, has indicated that—

- (a) the original estimates, in a number of cases were far in excess or short of actuals;

- (b) the modifications made through defective reappropriation orders have given a highly distorted picture of the final grants under some heads wherein final savings and excesses had actually taken place; and
- (c) the directives for economy in expenditure were blindly applied to the budgetted provisions without a conscious effort to implement the directives by application of selection and discrimination.

The Controller General of Accounts had observed in this connection during evidence that while a detailed exercise on major head provision was done at the time of original budget estimates, the flexibility to spend within the overall limitation of funds by exercise of powers of reappropriation was left to the various Departments and that in case the Ministry of Finance had to look into such matters, it would take away the flexibility, at present available. The Committee would observe in this connection that the Ministry of Finance cannot remain a silent spectator when the reappropriation powers are so used as to modify the original budget estimate to a substantial extent. The Committee consider it necessary that the present powers for reappropriation will have to be reviewed with a view to providing appropriate restrictions on their exercise, so that as far as possible, the original objectives for which the provisions are made under various sub-heads are not substantially altered by exercise of powers of reappropriation. The Committee hence recommend that an appropriate review may be done by Ministry of Finance and modified instructions issued in consultation with the Comptroller and Auditor General of India.

Supplementary Grants/Appropriations

1.56 The position of actual expenditure as disclosed in the Appropriation Accounts for 1986-87 against Grants/Appropriations incurred by the Civil Departments, Railways, Defence Services, Postal and Telecommunication Services is as follows :—

	(Rs. in Crores)			
	Original Grant/ Appropriation	Supplemen- tary	Total	Actual Expendi- ture
Civil	210226.18	6631.44	216857.62	212710.65
Defence	9112.00	1626.19	10738.19	10928.58
Railways	12886.35	969.29	13855.64	13853.25
Telecommunications	2390.00	*	2390.00	2223.51
Postal Services	911.83	124.40	1036.23	934.44
TOTAL	235526.36	9351.32	244877.68	240650.43

*The actual amount of supplementary grant is Rs 4,000.-.

1.57 In the administrative Ministries the Departmentalised accounts office working under them presents progress of expenditure month after month against estimates. The Financial Advisers and the administrative ministry are required to carry out the review of progress of expenditure on a monthly basis. In case where the available provisions prove to be inadequate, proposals for supplementary grant are sent by the concerned Ministry to the Ministry of Finance. The Ministry of Finance, in turn carry out total assessment of the progress of expenditure, availability of funds and the possibility of reappropriation under various budget heads within the grant and urgency of requirements before agreeing to the proposal of supplementary grant. Supplementary grants are taken in Monsoon Session, Winter Session and Budget Session of Parliament. Besides, the review of requirements at the time of supplementary grant, the detailed review is also carried out at the time of revised estimates.

1.58 During the year under review, supplementary grants/Appropriations were obtained under 143 items of expenditure included in the Appropriation Accounts (Civil). Out of these, supplementary provision in 20 items of expenditure remained unutilised.* In certain cases, the extent of savings was so great that supplementary provision sought by Ministry is beyond the comprehension of the Committee. A few glaring examples of such supplementary provision are given below :

(Rs. in lakhs)

Grant No.	Supplementary Provision	Supplementary Provision obtained in	Savings
90—Roads and inland water Transport	2.00	November, 1986	978.92
40—Other expenditure of Ministry of Finance	70.85	July, November 1986, March 1987	20188.72
89—(Capital)—Ports, Lighthouses and Shipping	22.05	Nov., 86, March 87	3887.49
89—(Revenue)—Ports, Lighthouses and Shipping	70.00	November, 86	3168.08
27—Environment	79.62	November 86	2806.16

In the above mentioned grants, the savings were 489 times, 284 times, 170 times, 45 times and 35 times of the supplementary provision, respectively.

1.59 The Ministry of Finance had in their circular Office Memorandum dated 27 March, 1986 issued strict instructions with the approval of the Cabinet that :

“Supplementary demands should be severely restricted to genuine, unforeseen expenditure which could not be envisaged at the time of preparing the annual budget or to meet the requirements of decision or developments taking place after the approval of the budget i.e. in respect of post budget decision and not for continuing schemes and programmes.”

1.60 The Committee would like to be apprised of the compelling circumstances that necessitated the supplementary grants despite savings. Each Ministry is supposed to undertake review of its requirements at various stages during the year and in spite of that the expenditure either exceeds its limits or results in savings. The control mechanism in the Ministries needs to be geared up so that supplementary provision is made only in cases where it is really and genuinely required.

1.61 Subject to observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in Appendix I of this Report be regularised in the manner prescribed in Article 115(1)(b) of the Constitution of India.

CHAPTER II

REVIEW OF ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THEIR 106TH REPORT (8TH LOK SABHA) ON EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS FOR THE YEAR 1985-86

2.1 106th Report (8th Lok Sabha) of the Public Accounts Committee (1987-88) on excesses over voted grants and charged appropriations for the year 1985-86 was presented to Lok Sabha on 7 March, 1988. The Report contained 10 recommendations/observations. Of these, 4 recommendations (Sl. No. 1, 2, 3, and 9) pertain to more than one Ministry.

2.2 Action taken Notes in respect of all the recommendations have been received from the Ministries concerned and are reproduced at Appendix—XXVII. The recommendations have been categorised as follows :

1. Recommendations or observations which have been accepted by Government :
Sl. Nos. 1—4, 6, 9 and 10.
2. Recommendations or observations which the Committee do not desire to pursue in the light of the replies of Government :
Sl. No. 7 and 8.
3. Recommendations or observations replies to which have not been accepted by the Committee and which require reiteration :
NIL
4. Recommendations or observations in respect of which Government have furnished interim replies.
Sl. No. 5

2.3 The Committee will now deal with action taken by Government on some of the recommendations contained in the Report.

Proposal to set-up 'National Pension Accounts Office' (Sl. No. 5, para 1.20)

2.4 While examining excess expenditure incurred by the Ministry of Finance (Department of Expenditure) under Grant No. 36—Pensions, the Committee, considering the difficulties expressed by the Ministry in making precise estimates for the grant, desired in their earlier report, the Ministry to examine the feasibility of decentralising the grant with a view to making each Ministry individually responsible for the provision made for pension. In their action taken note, the Ministry of Finance have informed that the proposal for decentralising the work relating to Pension Demand has been

deferred as another proposal for setting up a separate organisation called 'National Pension Accounts Office' for controlling the Pensions Demand is under examination at present. From the Appropriation Accounts (Civil) for the year 1986-87, the Committee have noticed that instead of excess expenditure, savings of the order of Rs. 24.13 crores under voted portion and Rs. 2.11 crores under the charged portion of the grant constituting 8.2% and 47% of the total grant/appropriation, respectively, occurred during the year.

2.5 In view of the data already available in the Ministries about the retired and retiring persons and their entitlements, there should be little scope for variation between the budgetted figure and the actual expenditure. Since the Ministry are examining a proposal for setting up 'National Pension Accounts Office' to overcome the problem of excess expenditure or savings, the Committee would like the Ministry to take a decision thereon expeditiously and apprise them of the same.

NEW DELHI;
6 April, 1989
16 Chaitra, 1911 (Saka)

AMAL DATTA,
Chairman,
Public Accounts Committee.

PART II

**Minutes of the Sitzings of the Public Accounts Committee held on
25 January and 6 April, 1989**

**MINUTES OF THE 35TH SITTING OF THE PUBLIC ACCOUNTS
COMMITTEE HELD ON 25 JANUARY, 1989 (FN)**

The Committee sat from 10.30 hrs. to 13.30 hrs.

PRESENT

Shri Amal Datta—Chairman

MEMBERS

2. **Shri Chhitubhai Gamit**
3. **Shri Dinesh Goswami**
4. **Shri Mohd. Ayub Khan**
5. **Maj. Gen. R. S. Sparrow**
6. **Smt. Usha Rani Tomar**
7. **Dr. Chandra Shekhar Tripathi**
8. **Shri Vir Sen**
9. **Shri Yalla Sesi Bhushana Rao**
10. **Shri T. Chandrasekhar Reddy**
11. **Shri Surender Singh.**

SECRETARIAT

1. **Shri G. L. Batra—Joint Secretary**
2. **Shri B. D. Duggal—Director**
3. **Shri A. Subramanian—Senior Financial Committee Officer.**

REPRESENTATIVES OF AUDIT

1. **Shri G. M. Mani—Addl. Dy. C&AG**
2. **Shri S. B. Krishnan—Director—Reports (Central)**
3. **Shri D. S. Iyer—Director of Audit (CW&M)-I**
4. **Shri Dharam Vira—Director of Audit, Central Revenue-I**
5. **Shri Baldev Rai—Director of Audit—Air Force/Navy**
6. **Shri Arjun Thapan—Jt. Director—Air Force/Navy**
7. **Shri K. Jayraman—Dy. Director (Railways)**

WITNESSES

MINISTRY OF FINANCE (DEPTT. OF EXPENDITURE)

1. **Shri S. R. Singh—Controller General of Accounts**
2. **Shri K. V. R. Nair—Additional Secretary (Budget)**

MINISTRY OF COMMERCE

1. **Shri A. N. Verma—Secretary**
2. **Shri P. K. Chaturvedi—Joint Secretary**

MINISTRY OF HOME AFFAIRS

1. Shri P. P. Shrivastav—*Additional Secretary*
2. Shri Virendra Singh—*Chief Secretary, Andaman & Nicobar Islands*
3. Shri K. M. Lal—*Financial Adviser*

MINISTRY OF SCIENCE & TECHNOLOGY
(DEPTT. OF SCIENTIFIC AND INDUSTRIAL RESEARCH)

1. Shri Ashok Parthasarathy—*Additional Secretary*
2. Shri B. K. Chaturvedi—*Joint Secretary & Financial Adviser*

MINISTRY OF URBAN DEVELOPMENT

1. Shri P. B. Saxena—*Joint Secretary & Financial Adviser*
2. Shri Harish Chandra—*DGW, Central PWD.*
3. Ms. Meera Saxena—*Chief Controller of Accounts*

MINISTRY OF DEFENCE

1. Shri P. Ray—*Joint Secretary*
2. Rear Admiral A. R. Tandon—*Asstt. Chief of Naval staff*
3. Shri Gian Swarup—*Adtl. Controller General of Defence Accounts (Audit)*
4. Shri C. K. Joseph—*Adtl. Financial Adviser and Joint Secretary*

MINISTRY OF RAILWAYS

1. Shri S. K. Mitra—*Financial Commissioner (Railways) and ex-officio Secretary to the Govt. of India*
2. Shri M. N. Prasad—*Member (Engineering) and ex-officio Secretary to the Government of India*

The Committee took evidence of the representatives of various Ministries which incurred excess expenditure over voted grants/charged appropriations during the year 1986-87.

In the context of substantial variations between the original estimates, revised estimates, final grants and actuals under various sub-heads of the grants the Committee desired to know the role of the Ministry of Finance. The Controller General of Accounts stated *inter alia* :

“...We have the first exercise in October. We sit down with the Financial Advisers and go through various Major Heads Programmes/Schemes to see what are the various schemes. When we look into all the details, we also see what sort of resource availability will be there. Then we look into the expenditure on various schemes—on-going schemes, new schemes, salary requirements, additional D. A. instalments, etc. that might have

to be paid. So, on that basis, Major Head-wise and for Programmes/Schemes we look into it and determine the reasonable amount. Having given that amount, the department prepare statement of accepted estimates with details—Major head-wise etc. and send it to the Finance Ministry. There is a view in the various Departments that after giving the amount on the basis of Major-heads, some flexibility should be left for the Ministries to execute their works and within the limitations of these funds, they should have the power of reappropriation. So, after the Budget is prepared with all this exercise, then it is left to the Ministries/Departments to do reappropriations. You have mentioned that at the time of Supplementary Grants, there should be a detailed exercise. At present our instructions to the Financial Advisers in the Ministries are that whenever a proposal for Supplementary Grant comes, they should have a total look at the Budget or the Grant and then determine what sort of additionalities are required in Supplementaries. So, if the Committee recommends, at the final Supplementary stage, we should really go into greater details we would require information about reappropriations they are envisaging then only we will be able to say whether it is the 'X' or 'Y' Head where more requirement would be there. It will take away the flexibility at present available to the Department”.

As regards the excess expenditure that occurred under Grant No.11—Foreign Trade and Export Production, the Commerce Secretary stated :—

“In the year that we are looking at, the prices of the oil and oil products suddenly fall. That is something which we did not anticipate and we could not anticipate because the oil prices globally crashed. As a result of that there was difference of almost Rs. 600 crores in the amount that was spent on this particular item. That is what necessitated, particularly for the Soviet Union, our requirement to give a technical credit of an order which we had not anticipated.”

The witness then agreed to furnish detailed note on the subject.

In regard to Grant No. 54—Andaman & Nicobar Islands, while explaining as to why the expenditure could not be anticipated the Additional Secretary, Ministries of Home Affairs stated *inter alia* :—

“..Firstly, we have the difficulty of the Communcation. Second is the difficulty of the limited working season. Thirdly, because of the transport bottleneck, stock have to be purchased as per the availability and also when the season is not too rough. These are broadly our difficulties.”

Clarifying further, the Controller General of Accounts stated :—

“..... towards the end of year 1986—i.e. November and December, 1986, a greater attention was paid to the development of Andaman & Nicobar Islands, which was not earlier anticipated. Island Development Authority was constituted and IDA under the Chairmanship of the Prime Minister had a meeting in Andaman & Nicobar and it was realised that Andaman & Nicobar Islands should be developed at a faster pace. On that account, the development work expenditure increased during the period November, December and January which was not initially anticipated. Because of the thrust on development, they started incurring expenditure and taking up development works in various Islands. There was communication gap also. The Andaman Administration sitting in Port Blair took sometime to get information what those people are doing there. There is a failure to that extent. Those people who were executing the works should have ensured either they had more money provided for or restrained the expenditure. Because of the greater thrust, they went ahead and did something.”

The Committee then desired the representatives of the Ministry of Home Affairs to supply a list of new works taken up alongwith their costs and the extent to which costs were responsible for the excess expenditure. The witness promised to send the same.

The Committee then examined the representatives of the Ministry of Science & Technology (Deptt. of Scientific and Industrial Research) on the excess expenditure occurred under Grant No. 83.

Asked as to whether the conversion of outstanding interest into loan under Grant No. 83 was a regular practice, the Financial Adviser to the Deptt. stated that this was done for the first time.

On a similar query, the Controller General of Accounts, Ministry of Finance stated *inter alia* :

“We get proposals from various Public Sector Companies for capital restructuring. . . . one is converting the loan into equity. Secondly, interest should be given as a fresh loan. . . .”

The witness further clarified that the conversion of outstanding interest into fresh loan during the year under review was the local decision of the Deptt. of Scientific & Industrial Research.

On a further enquiry, the Joint Secretary, Ministry of Science & Technology stated *inter alia* :

“The proposal relating to this was initiated by us in DSIR sometime in August, 1986 and it was discussed over the next two months with

our colleagues in the Finance Ministry after reviewing the history and the background of the company. This enterprise (CEL) was set up in 1974-75. The Company sustained losses all the way upto 1984-85."

As regards Grant No. 20—Defence Services—Navy, the Committee informed that the excess under the sub-head 'Pay and Allowances' Navy had occurred mainly on account of increase in the salaries as per recommendations of the Fourth Pay Commission. However on being asked why the expenditure could not be anticipated by the Ministry, the Additional Financial Adviser, Ministry of Defence admitted :

"We did not Sir, correlated the fact that whatever was paid in October, November and December as arrears had not been entered in the account. Normal procedure in the Naval Pay Office would have been to report every three months as to what was the total payment made. When the account is cast up, the Controller of Defence Accounts debits the Government at that stage. . . ."

The Committee also heard the representatives of the Ministry of Urban Development on grant No. 93—Public Works and the Ministry of Railways on their grants and desired them to furnish detailed notes for their consideration through the Ministry of Finance (Deptt. of Expenditure).

The Committee then adjourned.

APPENDICES

APPENDIX I

(Vide Paragraph 1·2 of the Report)

*Details of voted grants/charged appropriations under the actual expenditure
exceeded the budgetary provision during 1986-87*

Sl. No.	No. and name of Grant/Appropriation	Ministry/ Deptt.	Final Grant	Actual Expenditure	Excess Expenditure
1	2	3	4	5	6
I. APPROPRIATION ACCOUNTS (CIVIL) 1986-87					
<i>A. Voted Grant</i>					
			Rs.	Rs.	Rs.
Revenue Section					
1.	18—Defence Pensions	Defence	6,86,57,05,000	6,87,92,99,989	1,35,94,989
2.	54—Andaman & Nicobar Islands	Home Affairs	75,60,93,000	85,94,06,925	10,33,13,925
3.	56—Lakshawep	Home Affairs	21,42,85,000	21,49,11,116	6,26,116
4.	93—Public Works	Urban Development	1,37,63,88,000	1,48,56,57,099	10,92,69,099
5.	97—Ministry of Water Resources	Water Resources	2,95,61,37,000	2,96,06,97,517	45,60,517
Capital Section					
6.	11—Foreign Trade & Export Production	Commerce	3,28,38,00,000	3,47,81,16,651	19,43,16,651
7.	56A—Chandigarh	Home	35,56,65,000	35,59,45,186	2,80,186
8.	74—Tourism	Tourism	11,06,00,000	11,08,15,984	2,15,984
9.	83—Deptt. of Scientific and Industrial Research	Scientific & Industrial Research	3,30,00,000	5,40,00,000	2,10,00,000
<i>B. Charged Appropriations</i>					
Revenue Section					
10.	35—Audit	Finance	2,94,00,000	2,96,21,582	2,21,582

25

1	2	3	4	5	6
			Rs.	Rs.	Rs.
11.	56A—Chandigarh	Home Affairs	2,11,22,000	2,11,73,500	51,500
12.	81—Survey of India	Sc. & Tech.	48,000	48,510	510
13.	93—Public Works	Urban Development	42,000	1,50,503	1,08,503
	Capital Section				
14.	24—Deptt. of Power	Power	23,20,00,000	23,20,00,200	200
15.	43—Deptt. of Civil Supplies	Civil Supplies	2,67,00,000	2,67,01,250	1,250

II. APPROPRIATION ACCOUNTS (DEFENCE SERVICES) FOR 1986-87

Voted Grants

Revenue Section

16.	19—Defence Services —Army	Defence	65,75,42,00,000	66,75,77,85,223	1,00,35,85,223*
17.	20—Defence Services—Navy	Do.	7,05,10,00,000	7,42,84,07,521	37,74,07,521
18.	21—Defence Services— Air Force	Do.	21,63,70,50,000	22,08,39,54,894	44,69,04,894

Capital Section

19.	22—Capital Outlay on Defence Services	Do.	12,68,48,00,000	12,83,14,51,282	14,66,51,282**
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Charged Appropriations

20.	19—Defence Services—Army	Defence	1,70,00,000	1,72,16,954	2,16,954@
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III. APPROPRIATION ACCOUNTS (RAILWAYS) FOR 1986-87

Voted Grant

21. 5—Repairs & Maintenance of Motive Power	Railways	5,21,05,66,000	5,27,13,23,302	6,07,57,302
22. 13—Provident Fund, Pension & other retirement benefits	Do.	4,20,42,91,000	4,74,10,32,390	53,67,41,390
23. 14—Appropriation to Fund	Do.	17,05,00,00,000	17,36,91,17,640	31,91,17,640
24. 16—Asset—Acquisition, Construction and Replacements—other Expenditure (Capital)	Do.	39,88,17,53,000	40,45,64,38,857	57,46,85,857

Charged Appropriation

25. 8—Operating expenses Rolling, Stock & Equipment	Do.	6,53,000	6,69,817	16,817
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- * An excess expenditure of Rs. 100,35,85,223 had been reflected in the relevant Appropriation Accounts. After taking into account the erroneous booking of expenditure amounting to Rs. 2,65,616 the real excess to be regularised works out to Rs. 1,00,33,19,607.
- ** An excess expenditure of Rs. 14,66,51,282 has been reflected in the relevant Appropriation Accounts. After taking into account the erroneous booking of expenditure amounting to Rs. 6,99,22,930 the real excess to be regularised works out to Rs. 7,67,28,352.
- @ An excess expenditure of Rs. 2,16,954 has been reflected in the relevant Appropriation Accounts. After taking into account the erroneous booking of expenditure amounting to Rs. 2,65,616 the real excess to be regularised works out to Rs. 4,82,570.
- £After taking into account misclassification of Rs. 2,34,850 the real excess works out to Rs. 57,49,20,707.

APPENDIX II
GOVERNMENT OF INDIA
MINISTRY OF COMMERCE
FT (EE) DIVISION

Note for the Public Accounts Committee for regularisation of Excess under Grant No. 11 Foreign Trade and Export Production as disclosed in Union Government Appropriation Account (Civil) 1986-87.

Grant No. 11—Foreign Trade and Export Production

<i>Capital—Voted</i>	<i>Rs.</i>
Original Grant	92,91,14,000
Supplementary Grant	2,35,46,86,000
Total Grant	3,28,38,00,000
Actual expenditure	3,47,81,16,651
Excess	19,43,16,651

2. There was an excess of Rs. 66,66,14,000 under head FF-6 Loans to Government of USSR. FF6(1)—Technical credits incorporated in Trade Agreement out of which Rs. 46,95,98,000/- was met by re-appropriation within the Grant leaving an excess under this head to the tune of Rs. 19,70,16,000/-. Total overall excess expenditure under the Grant is Rs. 19,43,16,651/-.

3. Technical credits to foreign Governments are provided by way of temporary advances for use when these Governments face shortage of funds in their accounts. These are intended to assist them in meeting their payment obligations towards purchase of goods and services from India. The technical credits by their very nature are not a real expenditure but are short-term temporary advances and are intended to sustain the flow of exports of Indian goods and services to these countries in the face of temporary shortage of rupee funds in their accounts in India. The Technical Credits are thus in the nature of an export promotion measure to assist the Foreign Governments concerned to maintain the tempo of their purchases from India notwithstanding seasonal gaps in the payments situation. These technical credit advances are automatically returned by the Foreign Governments as soon as sufficient funds are generated in their accounts.

4. The budget Provisions for technical credits during a year are worked out well in advance, in consultation with the Ministry of Finance (Dept. of Economic Affairs) duly taking into account relevant factors such as the past pattern of drawals, anticipated trade turnover, likely pace of contracting, deliveries of the commodities concerned, etc. The drawals of advances by the Foreign Governments depend on a number of factors such as availability of commodities planned for procurement in the trade plan, pace of contracting, prices, delivery schedules, etc., for the various items involved. Estimation or forecast of drawals under the technical credit arrangements by the Foreign Governments is a difficult exercise as this is essentially anticipatory in nature. At times, despite best efforts to estimate as accurately as possible the flow of payments, the actual payments, turn out to be different due to various imponderable factors. The Government of India closely tries to monitor the matter and make corrections in the revised estimate. It may be appreciated that even after the revised estimates get drawn up, changes do take place in the subsequent remaining periods, as compared to the assumption made. It may also be noted that while the technical credit facility is provided to the rupee payment countries of East Europe i.e. the USSR, Poland, Czechoslovakia, German Democratic Republic and Romania with a view to enable them to avail of the same in order to sustain the tempo of purchases from India, it is finally up to them to utilise fully the technical credits and sustain the tempo of exports from India or reduce the level of purchases from India with a view to reducing the technical credit outstanding in a substantial manner. In other words, while the technical credit is a facility made available, the extent of utilisation of the same is a matter for decision by the rupee payment countries concerned with reference to their overall situation.

5. Upto the end of March, 1984, the procedure of 'Cross Budgeting' was in vogue for the technical credit arrangements. According to this procedure, the 'repayments' and 'drawals' in respect of 'Technical credits' were accounted for under the 'receipt' and 'expenditure' heads respectively. Such a procedure resulted in showing the cumulative amount of drawals under the major head "765" and often gave an inflated picture of actual utilisation of technical credits by the rupee payment countries. As per this procedure, even though the net outstanding amount at any given time would be within modest limits, the gross drawals of technical credits (without taking into account the repayments) could add up to a huge amount depending upon the number of occasions during the year in which the rupee payment countries resorted to drawals under the technical credit arrangement. Correct assessment of gross receipt and expenditure in this system was found to be very difficult.

6. In order to reduce the magnitude of the problem of 'excess' or 'saving' the procedure of 'Net' budgeting was introduced w.e.f. 1st April,

1984 replacing the gross budgeting system. According to the new procedure of net budgeting, the outstanding technical credit amount at the end of the preceeding financial year would be first set off against the repayment from the rupee payment countries, treated as receipts. The balance amount repaid would go towards reduction of the technical credit advanced during the current financial year and only the net amount outstanding at the end of the year would be debitable to the budget. It was realised that with the introduction of this system of 'net' budgeting, the dimension of the problem regarding 'excess' or 'savings' would be minimised considerably for the future, although the problem could continue.

7. During the first half of 1986-87, there was a sharp-fall in the prices of crude oil and oil products with the result that the USSR had to rely heavily on technical credits to sustain the flow of purchases from India. In the case of USSR, the imports of crude and oil products account for a sizeable portion of the funds generated in its favour and a drastic reduction in prices of crude and oil products meant considerably lesser generation of rupee funds. Accordingly as it became clear that the USSR would have to resort to technical credit in a big way, the Government moved in time for substantial supplementary grant funds to meet the situation. Accordingly the original budget provision of Rs. 60 crores under head FF—Advances to Foreign Governments for 1986-87 was stepped up to Rs. 2,95,46,86,000 by obtaining supplementary grants of the order of Rs. 2,35,46,86,000/-. However, the actual expenditure by the end of the financial year 1986-87 under the head proved to be higher by Rs. 23,57,11,358/- as compared to the enhanced provisions because the USSR and Czechoslovakia draw much larger amounts than anticipated. This excess was counter balanced by savings under other heads leaving the overall excess expenditure of Rs. 19,43,16,651/- under the grant which could not be avoided as it was impossible to foresee precisely as to what amounts would be eventually drawn.

However, in terms of the prescribed procedures, the repayments of technical credit in the subsequent year would go first towards the return of the net outstanding technical credit carried forward from the previous year.

8. In view of the circumstances, explained above the excess of Rs. 19,43,16,651/- which represents 5.9% of the total grant may kindly be recommended for regularisation by Parliament under Article 115(1)(b) of the Constitution.

9. This has been vetted by Audit.

B. K. CHATURVEDI
Joint Secretary
to the Govt. of India
Telephone : 3014660

File No. 92(1)/88-FT(EE)

APPENDIX III

Government of India Ministry of Defence (Finance)

Note for the Public Accounts Committee for regularisation of excess over voted portion of Grant No. 18—Defence Pensions as disclosed in the Appropriation Accounts (Civil) for the year 1986-87.

Grant No. 18—Defence Pensions

<i>Revenue (Voted)</i>	<i>Rs</i>
Original Grant	550,49,25,000
Supplementary Grant	136,07,08,000
Total Grant	686,57,05,000
Actual Expenditure	687,92,99,989
Excess	1,35,94,989

2. Against the total Grant of Rs. 686,57,05,000 an expenditure of Rs. 687,92,99,989 has been incurred resulting in an excess of Rs. 1,35,94,989 (Voted) as per enclosed statement 'A'. The service-wise break up of the excesses and savings is shown in the statement 'B' enclosed.

3. There was an excess of Rs. 5,64,51,694 against the head A1(3)-(1)(1)—Air Force, Normal Pension and other Retirement Benefits, out of which Rs. 3,90,79,000 was met by reappropriation within the Grant leaving excess of Rs. 173,72,694 against the total grant of Rs. 35,85,40,000 against normal Pensions and other retirement benefits. This excess was due to revision of pension at enhanced rates, payment of balance of gratuity and capitalised value of commuted portion of pension consequent on merger of DA/ADA upto the price index of 568 and both instalments of interim relief as well as the payment of Family Pension in respect of Pre-1964 retirees. The actual quantum of benefit accruing to the various categories of pensioners concerned could not be assessed accurately due to policy decisions taken by the Govt. from time to time during the year in respect of Pre and Post-1964 retirees and Post/Pre 1st January 1986 pensioners. The excess is however, partially offset by, savings to the tune of Rs. 4,06,54,030 over the final grant of Rs. 6,54,30,42,000 (Navy & Army) against normal pensions and other retirement Benefits and also the savings of Rs. 22,02,675 (Navy, Army and Air Force) under "Rewards" thus leaving a net excess of Rs. 135,94,989 under Voted portion of Grant No. 18, Defence Pensions in the year 1986-87.

4. Even with all the care taken in projecting the requirements of funds and despite keeping a scrupulous watch over the trend of expenditure vis-a-vis sanctioned grant, the variation resulting in excess expenditure over grant may be viewed as circumstantial and unavoidable.

5. In view of the circumstances, explained above, the excess of Rs. 1,35,94,989 which is less than 0.2% of the total Grant may kindly be recommended for regularisation by Parliament under Article 115(1)-(b) of the Constitution.

6. This has been vetted by Audit.

A. K. GHOSH
Addl. FA(G)

F. No. 17(5)/88/B-I dated 16-5-1988

STATEMENT-A

STATEMENT SHOWING THE EXCESS OF EXPENDITURE OVER TOTAL
GRANT OF APPROPRIATION FOR 1986-87.

GRANT NO. 18—DEFENCE SERVICES
Major Head "266"

A—Pensions & other Retirement Benefits (including Rewards)

		VOTED		
		Total Grant	Actual Expenditure	Excess (+) Saving (—)
A 1(1) Army				
A1(2) Navy				
A1(3) Air Force				
A1(1) Army				
O	509,54,25,000	6,39,11,55,000	6,39,24,85,701	(+)13,30,701
S	131,56,27,000			
R(—)	1,98,97,000			
A1(2) Navy				
O	13,50,00,000	11,60,00,000	11,07,77,464	(—)52,22,536
R(—)	1,90,00,000			
A1(3) Air Force				
O	27,45,00,000	35,85,50,000	37,60,36,824	(+)1,74,86,824
S	4,51,53,000			
R(+)	3,88,97,000			
		6,86,57,05,000	6,87,92,99,989	(+)1,35,94,989

STATEMENT-B
SHOWING ARM OF SERVICE-WISE BREAK UP OF THE EXCESS OF
EXPENDITURE OVER ALLOTMENT AND SAVING IN ACCOUNT OF
EXPENDITURE AGAINST THE ALLOTMENT.

Sl. No.	Arms of Service	Head of Account	Total Grant	Actual Expenditure	Excess/Saving of Expdr. Over allotment
Major Head '266'					
A-Excess of Expenditure					
A-Army					
A(1)(1)(1) Normal Pension and other Retirement					
VOTED					
O	509,24,25,000		6,38,81,55,000	6,39,16,19,214	(+)34,64,214
S	131,56,27,000				
R	(-)1,98,97,000				
A1 (2) Navy					
A1 (2) (2)—Rewards					
O	10,000		2,000	8,708	(+)6,708
R	(-) 8,000				
A. 1 (3) Air Force					
A (1) (3) (1) (1)					
Normal pensions and other retirement benefits					
O	27,43,08,000		35,85,40,000	37,59,12,694	(+)1,75,72,694
S	4,51,53,000				
R	(+)3,90,79,000				
A. 1. (3) (2)—Rewards					
O	1,92,000		10,000	1,24,130	(-) 1,14,130
R (1)	1,82,000				
Total Excess			6,74,67,07,000	6,76,76,64,746	(+)209,57,746
B-Saving Major Head '266'					
in Ex- A. 1 (—) Army					
penditure					
1(1)(2) Rewards					
O	30,00,000		30,00,000	8,66,487	(-)21,33,513
A. 1(2) Navy					
A. 1 (2) (1) (1)					
Normal Pension and other Benefits					
O	13,49,90,000		11,59,98,000	11,07,68,756	(-) 52,29,244
R (—)	1,89,92,000				
Total savings			11,89,98,000	11,16,35,243	(-)73,62,757
Total excess				2,09,57,746	
Total saving				73,62,757	
Net excess				1,35,94,989	

APPENDIX IV

Ministry of Defence (Finance)

Budget-I.

Note for the Public Accounts Committee for regularisation of excess over voted portion of Grant No. 19 Defence Services—Army as disclosed in the Appropriation accounts (Defence Services) for the year 1986-87.

Grant No. 19—Defence Services—Army

Original Grants	5465,77,22,000
Supplementary Grants	1109,64,78,000
Total Sanctioned Grant	6575,42,00,000
Actual Expenditure	6675,77,85,223
Excess Expenditure	100,35,85,223

2. Against the Original Grant of Rs. 5465,77,22,000 augmented to Rs. 6575,42,00,000 by obtaining three Supplementary Grants of Rs. 245,00,00,000, Rs. 642,98,00,000 and Rs. 221,66,78,000 in July 1986, November 1986 and March 1987 respectively an expenditure of Rs. 6675,77,85,223 has been incurred during 1986-87 resulting in an uncovered excess of Rs. 100,35,85,223. A sum of Rs. 2,65,616 was inadvertently booked to Voted instead of Charged under Sub-Heads A-7-R&D Organisation (Rs. 116,754) and A-11-Other Expenditure (Rs. 148,862).

3. The excess of Rs. 100,33,19,607 under Army Grant was mainly under the following Sub-Heads :—

(a) A. 1—*Pay & Allowances of Army* (Rs. 6.92 crores)

The original provision made under this sub head was Rs. 1664,10,17,000/- which was enhanced to Rs. 20,26,05,96,000/- by Supplementary grant (Rs. 410.37 crores) and subsequently reduced by re-appropriation (Rs. 48.42 crores) The actual expenditure however was Rs. 2032, 97,52,657/- resulting in an excess of Rs. 691,56,657/- The excess was mainly due to higher expenditure on leave Travel concession in respect of Officers and Other Ranks.

(b) A. 4—*Transportation*—(Rs. 2.32 crores)

The original provision under the sub-head was Rs. 100,00,00,000/- which was enhance to Rs. 191,07,15,000/- by supplementary grant (Rs. 41.00 crores) and reappropriation (Rs. 50.07 crores). The actual

expenditure, however, was Rs. 193,38,86,170 resulting in an excess of Rs. 231,71,170/-. The excess was mainly under (i) Travelling and Outstation Allowance, due to increased rates in Air fare/ACC fare & (ii) Rail Charges, due to heavy movement of stores and maintenance/ depreciation of Rolling Stock due to payment of certain claims.

(c) *A. 5—Military Farms—(Rs. 9.00 crores)*

The Original provision under this head was Rs. 28,40,00,000/- which was enhanced to Rs. 30,00,00,000/- by reappropriation. The actual expenditure was, however, Rs. 39,00,33,393/- resulting in an excess of Rs. 9,00,33,939/-. The excess was mainly under (i) Purchase of Fodder at higher rates owing to drought conditions in some states, (ii) Miscellaneous Charges, due to increase in charges for building maintenance and also due to increase in water and electricity charges, (iii) Transportation Charges, due to hike in transportation charges and (iv) Production Charges, due to extra expenditure on procurement of milk at higher rates.

(d) *A. 7—Research and Development Organisation (Rs. 9.33 crores)*

The Original provision under this sub-head was Rs. 360,37,50,000/- which was enhanced to Rs. 379,75,50,000/- by supplementary grant (Rs. 1938 crores) and subsequently reduced to Rs 351,79,00,000/- by reappropriation (Rs. 27.97 crores). The actual expenditure, however, was Rs. 361,11,57,173/-. A sum of Rs. 1,16,754/- was wrongly booked as Voted instead of Charged. Thus the net excess was Rs. 9,31,40,419/-. The excess was mainly under (i) Purchase of materials due to more materialisation of stores and payment of customs Duty, (ii) Revenue Works due to escalation in price and execution of urgent Revenue/Minor Works and (iii) Movement of Stores.

(e) *A. 8—Inspection Organisation (Rs. 5.32 crores)*

The original provision under this sub-head was Rs. 60,62,72,000/- which was enhanced to Rs. 68,80,00,000/- by supplementary grant (Rs. 6 crores) and reappropriation (Rs. 2.17 crores). The actual expenditure, however, was Rs. 74,11,82,987/- resulting in an excess of Rs. 5,31,82,987/-. The excess was under Army Ordnance Corps Stores due to more materialisation of supplied than anticipated.

(f) *A. 9—Stores (Rs. 75.10 crores)*

The original provision under this sub-head was Rs. 1565,81,90,000/- which was enhanced to Rs. 1902,61,75,000/- by supplementary grant (Rs. 342 crores) and subsequently reduced by reappropriation (Rs. 5.20 crores). The actual expenditure, however, was Rs. 1977,71,32,681/- resulting in an excess of Rs. 75,09,57,681/-. The excess was under

(i) Army Ordnance Corps Stores, due to more materialisation, (ii) Army Service Corps stores, due to price escalation of various stores and more materialisation of Petrol, Oil & Lubricant on account of certain operational requirements and (iii) Engineer stores.

(g) A. 10—Works (Rs. 35.76 crores)

The original provision under this sub-head was Rs. 319,98,75,000/- which was enhanced to Rs. 332,00,00,000/- by reappropriation. The actual expenditure was, however, Rs. 367,76,05,150/- resulting in an excess of Rs. 35,76,05,150/-. The excess was due to grant of Additional Dearness Allowance and Bonus to work-charged establishment, steep rise in the cost of stores, accelerated progress in execution of special repairs and buildings and increase in tariff rates of water and electricity.

(h) A. 11—Other expenditure (Rs. 1.69 crores)

The original provision under this sub-head was Rs. 114,95,55,000/- which was enhanced to Rs. 125,23,25,000/- by reappropriation. The actual expenditure incurred was, however, Rs. 126,92,56,543/- resulting in excess of Rs. 1,69,31,543/-. A sum of Rs. 148,862/- was inadvertently booked to voted instead of charged. The net excess was Rs. 1,67,82,681. The excess was under (i) Conservancy and Hot Weather Establishment Charges, due to more expenditure and (ii) Miscellaneous Charges, due to more expenditure on office contingencies and Telephones, due to unavoidable requirements.

4. The above excesses were partly offset by savings under other sub-heads leaving a net excess of Rs. 100,33,19,607/.

5. Instructions already exist for framing the Defence Budget Estimates on realistic basis depending on the requirement and to exercise a close and constant watch over the trend of expenditure with reference to the sanctioned grant. In addition, the progress of Defence expenditure is analysed periodically and instructions issued to Service Hqs. e.g. UO No. 1033/B-I/87 dated 6-2-1987 (copy enclosed) to contain the expenditure within the allocated budget. Also instructions have been issued by Defence Secretary to all the Chiefs of Staff to exercise utmost possible care in regard to control of expenditure vide our ID No. 7127/B-I/86 dated 18-8-1986 (copy enclosed). The excess has taken place despite various steps taken to control the expenditure due to unavoidable reasons as brought out in the preceding para.

6. In view of the circumstances explained above, the excess of Rs. 100,33,19,607 may kindly be recommended for regularisation by the Parliament under Article 115(1)(b) of the Constitution.

7. D.A.D.S. has seen.

Sd/-
A. K. GHOSH
Addl. FA(S)

Ministry of Defence (Finance)

Budget-I

SUBJECT :—Progress of Defence Expenditure upto Dec. 1986.

It is observed from the All India Compilation of Defence Receipts and Charges showing the bookings upto December, 1986 that the trend of expenditure under Stores, Transportation and Miscellaneous is very high as compared to that for the corresponding period last year particularly under Army, DGOF, R&D, DGI, Navy and Air Force. The comparative figures are as under —

(In crores of rupees)

Service	Nature of Expenditure	Actuals upto Dec. '86	% w.r.t. BE 86-87 +I+II Supplementary less savings	Actuals upto Dec. '85	% w.r.t. Actuals 1985-86
Army	Stores	1329.53	70.82	669.14	54.82
	Transportation	95.67	76.04	49.98	41.57
	Misc.	75.54	57.66	62.57	55.91
DGOF	Stores	476.77	75.32	364.33	60.30
	Transportation	9.06	75.50	5.14	53.99
	Misc.	33.72	82.24	30.96	73.75
R&D	Stores	117.06	54.17	81.22	48.77
	Transport	4.48	73.93	2.77	61.97
	Misc.	17.76	41.58	6.22	30.55
DGI	Stores	6.72	44.80	5.93	35.15
	Transport.	1.07	82.95	0.79	71.77
Navy	Stores	250.91	61.30	150.33	42.88
	Transport.	11.79	69.35	7.65	48.39
	Misc.	17.22	70.75	15.96	55.09
A.F.	Stores	1083.59	67.50	773.92	56.13
	Transportation	14.35	61.59	12.31	54.11

DFFs/Directors/DFAs are requested to analyse the reasons for this high trend of bookings and intimate the reasons. It may also be

ensured that the overall expenditure this year does not exceed the sanctioned budget.

Sd/-
K. PADMANABHAN
A. F. A. (Budget)

DFPs (Army, Navy, Air Force), DP&RM,
P.O. (P&E), DGI/Admn.
U.O.No. 1033/BI/87 dated 6-2-87
Copy to DFA(N), DFA(DP&R), Dir (Air), Dir(O)

CGDA RK Puram, West Block V, New Delhi for N.A.

MOST IMMEDIATE

Ministry of Defence (Finance)
Budget-I

SUBJECT :—Control of Expenditure during 1986-87.

A copy of Defence Secretary's note dated 4-8-1986, addressed to chief of the Army Staff etc., on the above subject, is reproduced below for information and strict compliance.

Sd/-
A. K. GHOSH
Addl. FA(G)

All JSs in the Min. of Defence including
Deptt. of Defence Production & Supplies,
DRDO & Integrated Finance, All Addl. FAs, DFAs & OSD (Fin. RCPO
M/D I.D. No. 7127/BI/86 dated 18-8-1986.

COPY

Ministry of Defence

As you are aware the country's economy is at present critically poised. The 2% cut in the budget drawn up for the current year had been imposed following the Cabinet decision. In view of the large amounts which would be required for meeting Govt.'s decisions on the recommendations of the Fourth Pay Commission, there is little likelihood of extra funds being available at the Revised Estimates stage. I would, therefore, request that the expenditure control may be exercised with utmost possible care to ensure that the essential requirements for the year are fully met.

Sd/-
S. K. BHATNAGAR
Defence Secretary
4-8-1986

Chief of the Army Staff
Chief of the Air Staff
Chief of the Naval Staff
Secretary (DP&S)
Scientific Adviser to R.M.

APPENDIX V

Ministry of Defence (Finance)

Budget-I

Note for the Public Accounts Committee for regularisation of excess over the sanctioned 'Charged' Appropriation of Grant No. 19—Army, as disclosed in Appropriation Accounts (Defence Services) for the year 1986-87.

Grant No. 19—Defence Services—Army

	Charged Rs.
Original Appropriation	60,78,000
Supplementary Appropriation	1,09,22,000
Total Appropriation	1,70,00,000
Actual Expenditure	1,72,16,954
Excess Expenditure	2,16,954

2. Against the original 'Charged' Appropriation of Rs. 60,78,000/- augmented to Rs. 1,70,00,000/- by obtaining Supplementary Appropriation of Rs. 1,09,22,000/- an expenditure of Rs. 1,72,16,954/- has been incurred during 1986-87. A sum of Rs. 2,65,616/- was inadvertently booked to Voted instead of Charged under Sub-Heads A-7 R&D Orgn. (Rs. 1,16,754/-) & A. 11—Other Expenditure—Army (Rs. 1,48,862/-). This has resulted in an uncovered excess of Rs. 4,82,570/-.

The excess of Rs. 4,82,570 under Army was mainly under the following main Sub-Head :—

(a) A. 1—Pay & Allowances of Army (Rs. 19 lakhs)

In spite of obtaining Supplementary appropriation of Rs. 66 lakhs and re-appropriation of Rs. 2.50 lakhs to this head, there was an excess of Rs. 19 lakhs. The excess expenditure was mainly under Pay and Allowances of Army due to finalisation of more court cases than anticipated.

3. The above excess was partly off set by saving under other Sub-heads leaving a net excess of Rs. 4,82,570/-.

4. Instructions already exist in regard to framing the Defence Budget Estimates on realistic basis depending on the pendency/expectation of all the Court cases and to exercise a close and constant watch over the trend of expenditure with regard to sanctioned appropriation. To have a proper control over the charged appropriation, a record of the payments involved is also maintained centrally. The excess has taken place

despite various steps taken to control the expenditure due to unavoidable reasons and finalisation of more court cases than anticipated.

5. In view of the position explained above the excess of Rs. 4,82,570/- under charged may kindly be recommended for regularisation by the Parliament under Article 115(1)(b) of the Constitution.

6. Pr. D.A.D.S. has seen.

Sd/-
A. K. GHOSH
Addl. Financial Adviser (G)

APPENDIX VI

MINISTRY OF DEFENCE (FINANCE)

Budget-I

Note for the Public Accounts Committee for regularisation of excess over Voted portion of Grant No. 20—Defence Services—Navy as disclosed in the Appropriation Accounts (Defence Services) for the year 1986-87.

Grant No. 20—Defence Services—Navy

	Voted Rs.
Original Grant	680,10,00,000
Supplementary Grant	25,00,00,000
Total Sanctioned Grant	705,10,00,000
Actual Expenditure	742,84,07,521
Excess Expenditure	37,74,07,521

2. Against the original grant of Rs. 680,10,00,00/-, augmented to Rs. 705,10,00,000/- through Supplementary Grant and surrender, an expenditure of Rs. 742,84,07,521/- has been incurred during 1986-87 resulting in an uncovered excess of Rs. 37,74,07,521/-.

3. The excess of Rs. 37,74,07,521/- under Navy Grant was mainly under the following sub-heads :—

(a) *A. 1—Pay & Allowances of Navy* (Rs. 9.95 crores)

The original provision under this sub-head was Rs. 83,32,00,000/- which was enhanced to Rs. 100,00,00,000/- through Supplementary grant and reappropriation. The actual expenditure was, however, Rs. 109,95,04,041/- resulting in an excess of Rs. 9,95,04,041/-. The excess was mainly due to more payments on account of recommendations of 4th Pay Commission, than anticipated.

(b) *A. 3—Pay and Allowances of Civilians* (Rs. 3.17 crores)

The original provision under this head was Rs. 71,00,00,000/- which was enhanced to Rs. 85,99,98,000/- through Supplementary Grant and reappropriation. The actual expenditure was, however, Rs. 89,17,07,423/- resulting in an excess of Rs. 3,17,09,423/-. The excess was due to more expenditure on Pay and Allowances of Civilians on the basis of recommendations of 4th Pay Commission, than anticipated.

(c) A. 5—Stores (Rs. 30.80 crores)

The original provision under this head was Rs. 443,00,00,000/- which was reduced to Rs. 405,74,00,000/- by surrender and reappropriation mainly due to the slippages in the programme of Air Craft contracting and deliveries. The actual expenditure however, was Rs. 436,54,34,133/- resulting in an excess of Rs. 30,80,34,133/-. The excess was mainly under (i) Naval Stores, (ii) Petrol, Oil and Lubricants due to operational exercises and (iii) Aircraft, due to increase in exchange rates.

(d) A. 6—Works (Rs. 9.32 crores)

The original provision under this head was Rs. 45,00,00,000/- which was enhanced to Rs. 48,00,00,000/- through Supplementary Grant. The actual expenditure was however Rs. 57,31,56,236/- resulting in an excess of Rs. 9,31,56,236/-. The excess under this head was mainly due to (i) Steep rise in the cost of materials/stores under "Major works", (ii) Clearance of pending accumulated bills, (iii) Departmental charges on works services due to payment of Additional Dearness Allowances and Bonus to employees in work charged establishment and (iv) increase in the tariff rates of water and electricity.

(e) A. 7—Other expenditure (Rs. 5.65 crores)

The excess was under (i) Repairs & Refits for which there was more expenditure on account of certain unforeseen operational exercises and (ii) other miscellaneous charges.

4. Instructions already exist for framing the Defence Budget Estimates on realistic basis depending on the requirement and to exercise a close and constant watch over the trend of expenditure with reference to the sanctioned grant. Defence Secretary's instructions to all the Services Chiefs etc. to exercise utmost possible care on control of expenditure were circulated to all estimating authorities for compliance. Also, the progress of Defence expenditure is analysed periodically and instructions are issued to Service Headquarters etc. to contain the expenditure within the allocated budget. The excess has taken place despite various steps taken to control expenditure due to unavoidable reasons as brought out in the preceding para.

5. In view of circumstances explained above, the excess of Rs. 37,74,07,521 may kindly be recommended for regularisation by Parliament under Article 115(1)(b) of the Constitution.

6. D.A.D.S. (A.F./Navy) has seen.

Sd/-

(A. K. GHOSH)
Addl. FA (G)

APPENDIX VII
MINISTRY OF DEFENCE (FINANCE)

Budget-1

Note for the Public Accounts Committee for regularisation of excess over Voted portion of Grant No. 21, Defence Services—Air Force, as discussor in the Appropriation Accounts (Defence Services) for the year 1986-87.

Grant No. 21, Defence Services—Air Force

	Voted Rs.
Original Grant	1867,38,50,000
Supplementary	296,32,00,000
Total Sanctioned Grant	2163,70,50,000
Actual Expenditure	2208,39,54,000
Excess Expenditure	44,69,04,894

2. Against the Original grant of Rs. 1867,38,50,000 augmented to Rs. 2163,70,50,000 by obtaining three Supplementaries of Rs. 100.00 crores, Rs. 136.00 crores and Rs. 60.32 crores in July, 1986, November, 1986 and March, 1987 respectively, an expenditure of Rs. 2208,39,54,894 has been incurred during 1986-87 resulting in an uncovered excess of Rs. 44,69,04,894.

3. The excess of Rs. 44,69,04,894/- under the Air Force Grant was mainly under the following heads :—

(a) *A. 1—Pay and Allowances of Air Force (Rs. 17.89 crores) :*

Against the Original grant of Rs. 262.50.00,000/-, augmented to Rs. 297,00,00,000/- through Supplementary Grant and reappropriation, the actual expenditure during the year was, however, Rs. 3,14,89,39,000/- resulting in an excess of Rs. 17,89,39,000/-. The excess was mainly due to lower assessment of 4th Pay Commission's arrears in respect of Airmen as it could not be quantified accurately.

(b) *A. 3—Pay and Allowances of Civilians (Rs. 1.98 crores) :*

Against the original grant of Rs. 45,14,50,000/- augmented to Rs. 48,25,50,000/- through Supplementary Grant and reappropriation, and expenditure of Rs. 50,23,74,174/- has been incurred resulting in an uncovered excess of Rs. 1,98,24,174/-. The excess was mainly due to lower assessment of 4th Pay Commission's arrears in respect of non-gazetted civilians which could not be quantified accurately.

(c) *A. 5—Stores (Rs. 12.75 crores) :*

The excess was mainly under (i) Aviation Stores, (ii) Provisions, (iii) Coal and Firewood, (iv) Medical Stores, and (v) Petrol, Oil & Lubricants due to increase in rates of rations articles, more materialisation of supplies

than anticipated and higher consumption of POL as a result of induction of new aircraft, which could not be accurately assessed.

(d) A. 6—Works (Rs. 10.87 crores) :

The excess was mainly under (i) Maintenance of Building and Communications, (ii) Maintenance of Operations and Installations and (iii) Departmental Charges on Works Services which are obligatory and could not be assessed accurately and also due to steep rise in the cost of materials, (iv) Execution of inescapable Special repairs to buildings, roads and runways and also (v) impact of 4th Pay Commission's arrears, etc. which could not be assessed accurately.

(e) A. 7—Special Projects (Rs. 1.43 crores)

The excess was mainly under "Communication Set up" due to better performance of the PSUs to meet the time schedule for supply of equipment/stores than anticipated.

The above excesses were partly offset by savings under other Sub-heads leaving a net excess of Rs. 44,69,04,894.

4. Instructions already exist for framing the Defence Budget Estimates on a realistic basis depending on the requirement and to exercise a close and constant watch over the trend of expenditure with reference to the Sanctioned grant. In addition, the progress of Defence expenditure is analysed periodically and instructions are issued to Services HQrs., etc. to contain the expenditure within the allocated budget. Also, Defence Secretary had issued instructions to all the Services Chiefs, etc. to exercise utmost possible care on control of expenditure. The excess has taken place despite various steps taken to control expenditure due to unavoidable reasons as brought out in the preceding para.

5. In view of the position explained above, the excess of Rs. 44,69,04,894 may kindly be recommended for regularisation by the Parliament under Article 115(1)(b) of the Constitution.

6. Director of Audit (AF & N) has seen.

Sd/-
(A. K. GHOSH)
Addl. F. A. (G)

No. F.17(4)/(BI)/88 dated 25th May, 1988

APPENDIX VIII

MINISTRY OF DEFENCE (FINANCE)

Budget—1

Note for the Public Accounts Committee for regularisation of excess over 'Voted' portion of Grant No. 22—Capital Outlay on Defence Services as disclosed in the Appropriation Accounts (Defence Services).

Grant No. 22—Capital Outlay on Defence Services

	<i>Voted</i>
Original Grant	Rs. 1092,48,00,000
Supplementary Grants	Rs. 176,00,00,000
Total Sanctioned Grant	Rs. 1268,40,00,000
Actual Expenditure	Rs. 1283,14,51,282
Excess Expenditure	Rs. 14,66,51,282

2. Against the Original Grant of Rs. 10,92,48,00,000 augmented by the Supplementary Grants of Rs. 55,00,00,000 and Rs. 121,00,00,000 obtained in July '86 and November '86 respectively, an expenditure of Rs. 12,83,14,51,282 has been incurred during the year 1986-87 resulting in an uncovered excess of Rs. 14,66,51,282. The actual excess would have been Rs. 7,67,28,352.00 only but for the fact that a sum of Rs. 6,99,22,930.00 which was actually to be compiled to Sub-Head A-1 (1)-Army Land, A. 1(2)-Army Construction Works and A. 3(1)-Air Force Land, under 'Charged' was inadvertently compiled to the same sub-heads under 'Voted'. Since the erroneous booking came to notice after the close of the Accounts for the year 1986-87, readjustments could not be carried out.

3. The excess of Rs. 7,67,28,352 under Capital Outlay on Defence Services was mainly under the following Sub-Heads :—

A.1(1) Army

(a) A. 1(1)—Land—Rs. 6.73 crores

Against the Original Grant of Rs. 22.02 crores augmented to Rs. 82 crores through Supplementary grant (Rs. 80 crores) and subsequently reduced through re-appropriation (Rs. 20.02 crores) the actual expenditure during the year was Rs. 88,72,76,624 resulting in an excess of Rs. 6,72,76,624. The excess was mainly due to inadvertent booking of Rs. 6,82,61,966 under voted instead of charged as explained in para 2 above.

(b) A. 1(2)—Construction Works—Rs. 20.05 crores

The original provision under this Head was Rs. 229.20 crores which was reduced to Rs. 220.45 crores by re-appropriation. The expenditure

under this head was however, Rs. 240,50,08,217 resulting in an excess of Rs. 20,05,08,217. A sum of Rs. 4,59,598 was inadvertently booked under 'Voted' instead of 'Charged' as explained in para 2 above. The excess expenditure under this head (Rs. 20,00,48,619) was due to accelerated progress of works.

(c) A.1(3)—*Stock Suspense*—Rs. 4.15 crores

The excess was mainly due to more expenditure on account of stock-piles of steel for Military Engineer Services.

(d) A.1(4)—*Military Farms*—Rs. 0.30 crore

Against the provision of Rs. 0.80 crore an expenditure of Rs. 1,09,55,451 has been incurred resulting in an excess of Rs. 29,55,451. The excess was due to more expenditure on works.

A.2—*Navy*

(e) A.2(1)—*Land*—Rs. 3.33 crores

Against the original provision of Rs. 1.5 crores, augmented to Rs. 6.00 crores by reappropriation of Rs. 4.5 crores an expenditure of Rs. 9,33,02,735 has been incurred resulting in an excess of Rs. 3,33,02,735. The excess expenditure was due to certain obligatory payments made to State Governments for land acquisition compensation.

(f) A.2(2)—*Construction Works*—Rs. 11.78 crores

Against the original provision of Rs. 95.00 crores enhanced to Rs. 102.00 crores by reappropriation an expenditure of Rs. 1,13,77,83,173 has been incurred resulting in an excess of Rs. 11,77,83,173. The excess was mainly due to more expenditure on construction works than anticipated.

(g) A.2(3)—*Naval Fleet*—Rs. 48.40 crores

The original provision under this head was Rs. 328.00 crores which was enhanced to Rs. 346.50 crores through supplementary grant (Rs. 40 crores) subsequently reduced by re-appropriation (Rs. 21.50 crores). The actual expenditure was however, Rs. 394,89,61,147 resulting in an excess of Rs. 48,39,61,147. The excess was mainly due to (i) increased payment on account of exchange rate variation and (ii) certain contractual payments which could not be accurately anticipated.

(h) A.2(4)—*Naval Dockyards*—Rs. 3.70 crores

Against the original provision of Rs. 54.58 crores augmented to Rs. 61.00 crores by re-appropriation, an expenditure of Rs. 64,70,10,151 has been in resulting in an excess of Rs. 3,70,10,151. The excess was mainly due to payment of customs duty on equipment for certain projects which could not be foreseen earlier.

A. 3—Air Force**(i) A. 3(1)—Land—Rs. 1.89 crores**

Against the original provision of Rs. 23.53 crores reduced to Rs. 14.53 crores by re-appropriation, an expenditure of Rs. 16,41,54,929 has been incurred resulting in an excess of Rs. 1,88,54,929. This includes Rs. 12,01,366 Charged expenditure inadvertently booked to voted expenditure as explained in para 2 above. The actual excess of Rs. 1,76,53,563 was due to finalisation of more land acquisition cases than anticipated.

(j) A. 6—Inspection Organisation—Rs. 0.28 crores

Against the budget provision of Rs. 5.00 crores an expenditure of Rs. 5,28,44,034 has been incurred resulting in an excess of Rs. 28,44,034. The excess was due to good progress on carry-over works

The above excesses were partly offset by the savings/surrenders under various sub-heads leaving a net excess of Rs. 7,67,28,352.

5 Instructions already exist for framing the Defence Budget Estimates on a realistic basis depending on the requirement and to exercise a close and constant watch over the trend of expenditure with reference to the sanctioned grant. In addition, the progress of Defence expenditure is analysed periodically and instructions are issued to Services Headquarters to contain the expenditure within the allocated Budget. Also, Defence Secretary had issued instructions to all the Services Chiefs etc. to exercise utmost possible care on control of expenditure. The excess has taken place despite various steps taken to control expenditure due to unavoidable reasons as brought out in the preceding paras.

6. In view of the position explained above the excess of Rs. 7,67,28,352 may kindly be recommended for regularisation by the Parliament under Article 115(1)(b) of the constitution.

7. DDS has seen.

Sd/-
(A. K. GHOSH)
Addl. Financial Adviser (G)

APPENDIX IX
GOVERNMENT OF INDIA
MINISTRY OF ENERGY
DEPARTMENT OF POWER

**NOTE FOR THE REGULARISATION OF EXCESS EXPENDITURE
(CAPITAL SECTION) (CHARGED) UNDER DEMAND NO. 24—
DEPARTMENT OF POWDER DURING 1986-87**

GRANT No. 24 CAPITAL SECTION (CHARGED)

Original Appropriation	23,20,00,000
Supplementary Appropriation	NIL
Total Appropriation	23,20,00,000
Total Expenditure	23,20,00,200
Excess (Rs.)	200

Towards the end of the financial year, based on the requirement of the State Government of Orissa, an amount of Rs. 88.41 lakhs was released to the State Government for construction of 220KV Korba-Rourkela D/C Inter-State transmission line. Due to a calculation error the total release under the "Charged" Head exceeded the annual provision of Rs. 23.20 crores by Rs. 200/-. However, the total release for the programme of Inter-State transmission lines was restricted to the budget provision of Rs. 24 crores provided for the inter-State transmission lines during the year 1986-87. It is regretted that due to a calculation error, an excess release of Rs. 200/- occurred under Capital Section, Charged in Demand No. 24 for the year 1986-87. Necessary instructions have been issued (copy enclosed) to avoid recurrence of such error in future.

In the circumstances explained above, the excess of Rs. 200 may kindly be recommended for regularisation by Parliament under Article 115(1)(b) of the Constitution.

This has been vetted by the Audit.

Sd/-
(S. C. JAIN)
Joint Secretary to the Govt. of India

File No. 12/1/88-Trans.

IMMEDIATE

No. G-23011/1/86-Bud.
GOVERNMENT OF INDIA
MINISTRY OF ENERGY
DEPARTMENT OF POWER

New Delhi, the 13th May 1988

To

(All the Controlling Officers)

SUBJECT : Avoidance of excess expenditure over the sanctioned grant—
Instructions regarding.

Sir,

I am directed to say that some excess expenditure has been incurred in one case over the approved Budget Estimates (1986-87). The matter has now to be placed before the Public Accounts Committee.

It is, therefore, requested that utmost care should be taken while releasing funds to avoid such mistakes in future. The Controlling Desks/Section should maintain registers and strictly follow the extant instructions on the subject. Care should also be taken to ensure that provision for charged expenditure is not appropriated to other uses.

Yours faithfully,
Sd/-
(M. N. PRASAD)
Director (Finance)

To

1. All Directors/Dy. Secretary/Under Secretary, Department of Power.
2. Controller of Accounts, Department of Power.
3. All Desks/Sections, Department of Power.

APPENDIX X
COMPTROLLER AND AUDITOR GENERAL OF INDIA
NEW DELHI

NOTE FOR REGULARISATION OF EXCESS UNDER GRANT NO. 35-AUDIT AS DISCLOSED IN THE UNION GOVERNMENT APPROPRIATION ACCOUNTS (CIVIL) 1986-87

<i>Revenue Section (Charged)</i>	<i>Rupees</i>
Original Appropriation	2,56,69,000
Supplementary Appropriation	37,31,000
	<hr/>
Total Appropriation	2,94,00,000
Actual Expenditure	2,96,21,582
	<hr/>
Excess	2,21,582
	<hr/>

Orders relating to the implementation of the recommendations of the Fourth Pay Commission, in so far as they related to Group 'A' Officers were issued by the Government of India in March 1987. The actual expenditure, however, exceeded the provision because of drawal of arrears on account of salaries and allowances by some of the Group 'A' Officers in the Office of the Comptroller and Auditor General of India in March, 1987. This resulted in an over-all excess of Rs. 2,21,582. There was no time for obtaining further Supplementary Grant.

In the circumstances explained above, the excess of Rs. 2,21,582 (Charged) in the Revenue Section under Grant No. 35-Audit may kindly be recommended for regularisation by Parliament under Article 115(1)(b) of the Constitution.

Sd/-
(C. P. MITTAL)
Deputy Comptroller & Auditor General of India

File No. 600-BRS/87

APPENDIX XI

GOVERNMENT OF INDIA
MINISTRY OF FOOD AND CIVIL SUPPLIES
DEPARTMENT OF CIVIL SUPPLIES

*NOTE FOR THE REGULARISATION OF EXCESS EXPENDITURE
UNDER GRANT NO. 43—DEPARTMENT OF CIVIL SUPPLIES AS
DISCLOSED IN THE APPROPRIATION ACCOUNT*

UNION GOVERNMENT (CIVIL) FOR 1986-87

Capital Section (Charged)

Original Appropriation	Rs. 2,67,00,000
Actual Expenditure	Rs. 2,67,01,250
Excess	Rs. 1,250

The excess expenditure relates to the following detailed Heads of Accounts :—

(a) Major Head '760'

Detailed Head HH-1(2)(2)—Loans for construction of go-downs by Civil Supplies Corporation in North Eastern Region.

The original appropriation under this head was Rs. 9.00 lakhs. The total expenditure booked against this head was Rs. 71.01 lakhs, showing total excess Rs. 62.01 lakhs, out of which Rs. 62.00 lakhs was met by re-appropriation from savings under other heads to augment the provision under this head leaving net excess of Rs. 0.01 lakh. As per the pattern of assistance, the amount is released as loan (75%) and subsidy (25%) while approving the sanctions, the amount was taken in lakhs of rupees and as such Rs. 1000/- (Rs. 500/- each in the case of Nagaland and Bihar) got omitted due to rounding off, resulting in an excess expenditure of Rs. 1000/- against this head.

(b) Major Head '760'

Detailed Head HH-2(1)(1)(3)—Loans to Urban Consumer Co-operatives for Development.

The original appropriation available against this head was Rs. 45,00,000 which was augmented to Rs. 67,76,000/- by re-appropriation of savings under other heads. The total expenditure booked against this Head is Rs. 69,51,250/- showing an excess of Rs. 1,75,250/- A saving of Rs. 1,75,000/- was available under this Major Head. Thus, there is an excess of Rs. 250/-.

However in the grant the net excess works out to be Rs. 1250/- after offsetting savings under other heads. Steps are being taken to monitor the expenditure to avoid the recurrence of such a situation in future.

In the circumstances explained above. The excess of Rs. 1250/- mentioned above may kindly be recommended for regularisation by Parliament under Article 115(1)(B) of the Constitution.

This has been vetted by the Audit.

Sd/-

B. M. VOHRA,
Joint Secretary to the Govt. of India.

APPENDIX XII

GOVERNMENT OF INDIA MINISTRY OF HOME AFFAIRS

Note for Public Accounts Committee for regularisation of excess expenditure under Revenue Section (Voted) in Grant No. 54—Andaman & Nicobar Islands as disclosed in Union Government Appropriation Accounts (Civil) for 1986-87.

Grant No. 54—Andaman & Nicobar Islands

Revenue Section (Voted)

	Rs.
Original Grant	70,58,02,000
Supplementary Grant	5,02,91,000
Final Grant	75,60,93,000
Actual Expenditure	85,94,06,925
Excess	10,33,13,925

2. Under the Revenue Section of Grant No. 54—Andaman & Nicobar Islands for the year 1986-87 against the final Grant of Rs. 75,60,93,000/- (Voted) the actual expenditure amounting to Rs. 85,94,06,925/- resulted in an excess of Rs. 10,33,13,925/-.

3. The above excess occurred mainly under the following Heads :—

(i) Major Head '259'

A.12—Public Works

	Rs.
A.12(3)—Maintenance and Repairs	56,03,209
A.12(3)(1)—Maintenance	
A.12(5)—Suspense	
A.12(5)(1)—Stock	4,77,85,033

The excesses shown under the above Sub-Head were mainly due to increase in the requirement of maintenance of building and increase in costs of labour and materials, accelerated progress of work and the requirement of stock also increased, more demand from other departments for subsidy on other materials, increase in wages of majdoors.

(ii) Major Head '277'

B.1—Education

	Rs.
B.1(1)—Primary Education	
B.1(1)—Government Primary Schools	
B.1(1)(1)—Salaries	70,50,601

Excess was mainly due to implementation of recommendations of Fourth Pay Commission.

(iii) *Major Head '280'*

	Rs.
<i>B.4—Medical</i>	°
B.4(1)—Allopathy	
B.4(1)(2)—Medical Relief	
B.4(1)(2)(1)—G. B. Pant Hospital Port Blair	
B.4(1)(2)(1)(1)—Salaries etc.	1,07,00,724
B. 4(1)(2)(2)—Other Hospitals	1,18,39,039

The above excesses under the above sub-heads were mainly due to payment of pending claims of Medical Stores, Depot, Calcutta, for the year 1985-86 and implementation of recommendations of Fourth Pay Commission.

(iv) *Major Head '313'*

<i>C.9—Forest</i>	
C. 9(4)— <i>Forest conservation and Development</i>	
C.9(4)(1)—Conservation and Development	Rs. 1,58,95,976

The excess under the above mentioned sub-head was due to implementation of recommendations of Fourth Pay Commission, creation of posts, increases in the cost of maintenance of building and also in payment of Additional Dearness Allowance and Bonus.

(v) *Major Head '334'*

<i>C.12—Power Projects</i>	
C.12(1)— <i>Thermo Electric Schemes</i>	
C.12(1)(1)—Power House at Chatham	
C.12(1)(1)(1)—Power House and Ancillary	Rs. 54,45,318
<i>C.12(2)—Diesel Schemes</i>	
C.12(2)(2)— <i>Power House at Phoenix Bay</i>	
C.12(2)(2)(1)—Power Plant and Ancillary work	
C.12(2)(2)(1)(1)—Salaries	Rs. 1,12,94,857

The excesses under the above sub-heads were mainly due to continued function of Thermal Power House at Chatham, beyond December, 1986 owing to non-receipt of Diesel Generating Set from Directorate General of Supplies and Disposal implementation of recommendations of Fourth Pay Commission and adjustments of bills received from Directorate General of Supplies and Disposal, relating to 1985-86.

(vi) Major Head '335'

	Rs.
C.13—Ports, Light Houses and Shipping	
C.13(1)—Ports and Pilotage	
C.13(1)(1)—Construction and Repairs	
C.13(1)(1)(1)—Maintenance of Jetties	50,38,613
C.13(2)—Shipping Service	
C.13(2)(1)—Payment to Shipping Corporation of India	1,50,00,000

Excess was due to receipt of more claims from Andaman Harbour works towards maintenance charges of Jetties than anticipated and also excess was due to receipt of more claims from the Shipping Corporation of India.

(vii) Major Head '337'

	Rs.
C.14—Roads and Bridges	
C.14(1)—District and other Roads	
C.14(1)(2)—District Roads	
C.14(1)(2)(1)—Maintenance	56,37,578

Excess was due to increase in the minimum wages of labourers and also progress of work more than anticipated.

The total of the excess expenditure explained above comes to Rs. 14,12,90,948/-. Besides the above there were excess expenditure below Rs. 50 lakhs under some other heads also. Overall excess was partly offset by savings in other heads.

The U.T. Administration incurred the expenditure to the tune of Rs. 85,94,06,925/- against the Final Grant of Rs. 75,60,93,000/-, leading to a net excess of Rs. 10,33,13,925/- which is required to be regularised. In the circumstances explained above the excess of Rs.10,33,13,925/- (13.7%) of the total Grant in Revenue Section (Voted), under Grant No. 54—Andaman & Nicobar Administration may kindly be recommended for regularisation by Parliament under Article 115(1) of the Constitution.

The U.T. Administration has been instructed to avoid recurrence of such lapses in future. A copy of this instruction is attached herewith.

This has been vetted by Audit.

Sd/-
ASHOK NATH,

Joint Secretary to the Govt. of India.

Lok Sabha Sectt. (PAC Branch), New Delhi.

MOST IMMEDIATE

No. U. 15020/1/88-Bgt. II

Government of India/Bharat Sarkar
Ministry of Home Affairs/Grih Mantralaya

To

The Finance Secretary,
Andaman & Nicobar Islands,
Port Blair.

New Delhi, the 27th May, 1988

**SUBJECT : Appropriation Accounts in respect of Grant No. 54—Andaman
& Nicobar Islands for the year 1986-87.**

Sir,

It is observed from the Appropriation Accounts in respect of Grant No. 54—Andaman & Nicobar Islands for the year 1986-87 that there is an excess of Rs. 10,33,13,925/- over the sanctioned budget Grant for that year. The excess in expenditure is an indication to the point that either the budget estimates were not properly formulated or that the expenditure was not effectively controlled. In either case the very purpose of preparation of budget is defeated. Instructions had been issued on various occasions that the actual expenditure should be kept well within the approved limits. Keeping in view the utmost need for economy in Govt. expenditure Ministry of Finance had issued comprehensive economy instructions which are to serve as guidelines while incurring expenditure. It is a matter of concern and embarrassment for this Ministry to face the Public Accounts Committee to explain reasons about excess expenditure. In view of the above, it is requested that all out efforts be made to keep the expenditure within the sanctioned Budget in future. Periodical review of expenditure may be steered up and performance of various Departments be watched closely to ensure that under no circumstances the sanctioned budget be allowed to exceed. It is, therefore, requested that these instructions and economy instructions issued by Ministry of Finance be followed scrupulously and all the Departments under the control of the U.T. Administration be instructed suitably and the Ministry informed in the matter.

Yours faithfully,

Sd/-

ASHOK NATH,

Joint Secretary to the Govt. of India.

APPENDIX XIII
GOVERNMENT OF INDIA
MINISTRY OF HOME AFFAIRS

Note for Public Accounts Committee for regularisation of excess expenditure under Revenue Section (Voted) in Grant No. 56—Lakshadweep as disclosed in the Appropriation Accounts (Civil) for 1986-87.

Grant No. 56—Lakshadweep

Revenue Section (Voted)

	<i>Rupees</i>
Original Grant	20,83,58,000
Supplementary Grant	59,27,000
Final Grant	21,42,85,000
Actual Expenditure	21,49,11,116
Excess	6,26,116

2. Under the Revenue Section of Grant No. 56—Lakshadweep for the year 1986-87, against the total grant of Rs. 21,42,85,000/- (Voted) the actual expenditure amounted to Rs. 21,49,11,116/- (Voted) resulting in an excess of Rs. 6,26,116/- (Voted).

3. The above excess occurred under the following Major Head :—

Major Head '255'

A.8—Police

A.8(2)—District Police (+) 9,88,445

4. There was an excess of Rs. 55.25 lakhs under this Head which was partly met by re-appropriation of Rs. 45.37 lakhs from other Heads leaving the excess of Rs. 9,88,445. The excess was due to payment of charges for professional and special services to Madhya Pradesh Government based on audited statements, implementation of recommendations of Fourth Pay Commission, payment of dearness allowance sanctioned in July, 1984 and bonus and adjustment of 1st and 2nd stages payment towards the cost of one Steel Hull Speed Launch under construction for Lakshadweep Police Department. The Director General Supplies & Disposal, New Delhi, had

placed an order against M/s Unique Enterprises, Cochin, for the construction and supply of one Steel Hull Speed Launch for Lakshadweep Police Department. The payment was to be made stage by stage. The total estimated cost of launch was Rs. 34,60,000 including delivery charges. The Deputy Controller of Accounts (Department of Supply), Madras intimated the first stage payment of Rs. 4,98,435. It was expected that this payment would be made in 1985-86 and accordingly the budget provision was made. But it was not adjusted during the year 1985-86 because the firm on which supply order was placed by Director General Supplies and Disposal did not complete the prescribed stage of work in 1985-86 and as per terms and conditions of payment, the payment could not be effected due to non-completion of prescribed stage. The second stage payment of Rs. 4,98,435 was also paid by the Deputy Controller of Accounts (Department of Supply), Madras. It was expected that the entire cost of construction of the boat amounting to Rs. 34,60,000 would be adjusted during 1986-87, and necessary provision was proposed on RE 1986-87. At the time of finalisation of eight monthly estimates, the adjustment of payment of Rs. 9,96,879 was not made in the accounts. It was thought that the adjustment would not be made during 1986-87 and as such the provision was not included in eight monthly estimates for obtaining the Supplementary Grant and also in the ten monthly estimates by the Administration. However, the payment made in two stages was adjusted in the accounts in March, 1987 resulting an excess of Rs. 9,98,445 which have been offset by a saving of Re. 3,62,329 occurred under the other head. Thus, there is an excess of Rs. 6,26,116.

Necessary instructions to the U.T. of Lakshadweep have since been issued vide this Ministry's letter No. U.15026/2/87-Bgt.II, dated 21-6-1988 (Copy enclosed).

5. In the circumstances explained above, the excess of Rs. 6,26,116 (Voted) in Revenue Section under Grant No. 56 Lakshadweep may kindly be recommended for regularisation by Parliament under Article 115 (1) (b) of the Constitution.

This has been vetted by Audit.

K. M. LAL
Financial Adviser (Home)

Lok Sabha Sectt. (PAC Branch)

MHA I.D. No. U.15026/2-87-Bgt.II Dated 8th August, 1988

MOST IMMEDIATE

No. U.15026/2/87-Bgt.II

GOVERNMENT OF INDIA/BHARAT SARKAR

MINISTRY OF HOME AFFAIRS/GRIH MANTRALAYA

New Delhi, the 21st June, 1988

To

The Administrator,
Lakshadweep Administration,
KAVARATTI

SUBJECT : *Appropriation Accounts (Civil) in respect of Grant No. 56-Lakshadweep for the year 1986-87.*

Sir,

It is observed from the Appropriation Accounts in respect of Grant No. 56-Lakshadweep for the year 1986-87 that there is an excess of Rs. 6,26,116 over the sanctioned budget Grant for that year. The excess in expenditure is an indication to the point that either the budget estimates were not properly formulated or that the expenditure was not effectively controlled. In either case the very purpose of preparation of budget is defeated. Instructions had been issued on various occasions that the actual expenditure should be kept well within the approved limits. Keeping in view the utmost need for economy in Govt. expenditure, Ministry of Finance had issued comprehensive economy instructions which are to serve as guidelines while incurring expenditure. It is a matter of concern and embarrassment for this Ministry to face the Public Account Committee to explain reasons about excess expenditure. In view of the above, it is requested that all-out efforts be made to keep the expenditure within the sanctioned budget in future. Periodical review of expenditure may be steered up and performance of various departments be watched closely to ensure that under no circumstances the sanctioned budget be allowed to exceed. It is, therefore, requested that these instructions and economy instructions issued by Ministry of Finance be followed scrupulously and all the departments under the control of the U.T. Administration be instructed suitably and this Ministry informed in the matter.

Yours faithfully

(R. K. KANWAL)

Under Secretary to the Govt. of India.

APPENDIX XIV
GOVERNMENT OF INDIA
MINISTRY OF HOME AFFAIRS

Note for Public Accounts Committee for regularisation of excess expenditure under Capital Section (Voted) in Grant No. 56-A Chandigarh as disclosed in the Union Government Appropriation Account (Civil) for 1986-87 :

Grant No. 56-A Chandigarh	
(b) <i>Capital Section (Voted)</i>	Rs.
Original Grant	16,36,31,000
Supplementary Grant	19,20,34,000
Total Grant	35,56,65,000
Actual Expenditure	35,59,45,186
Excess	2,80,186

Under the capital section (voted) of Grant No. 56-A Chandigarh for the year 1986-87 against the total Grant of Rs. 35,56,65,000 (Voted) the actual expenditure amounted to Rs. 35,59,45,186 resulting in excess of Rs. 2,80,186.

The excess occurred under the following heads :—

Sl. No.	Head	Excess Expenditure (Lakhs of Rupees)
1.	AAI (1) (1)-Police	74.45
2.	BBI (2)-Other Expenditure	171.47
3.	BB2 (1) (1) (1)-Buildings	53.73
4.	BB3 (1) (1)-Augmentation of Chandigarh Water Supply	172.11
5.	BB4 (1) (1) (1)-Accommodation for Govt. Employees	94.44
6.	CC (7) (1) (2)-Permanent Electrification of Chandigarh	298.80
7.	CC (9) (1) (2) (1)-Chandigarh Transport Undertaking	137.09
8.	DD (2) (3) (1)-Housing Board Chandigarh	121.71

Reasons for the excess expenditure are given below seriatim :—

1. Excess expenditure was due to provision of Group Housing to the Police personnel to ensure safety under the peculiar law and order situation in this area and to the construction of buildings for Home Guards. Construction of Police Stations and boundary walls in Police lines.
2. Excess expenditure was due to completion of school buildings and college buildings on schedule otherwise it would have led to escalation.
3. Excess was due to completion of buildings for new dispensaries on schedule to avoid cost escalation.
4. Excess expenditure was due to provision of relief to the increasing population of Chandigarh from water scarcity in coming summer season. It was, therefore, decided to complete second phase of augmentation of Water Supply Scheme by bringing water from Bhakra main line. The excess expenditure is also partly due to increase in the cost of steel pipes and other charges.
5. The reasons for excess expenditure is that the Housing project which was started in the earlier year was completed in the year 1986-87. The excess expenditure is also due to increase in the cost of construction material and rise in labour charges.
6. The reasons for excess expenditure are for completion of 66 KW single circuit lines on D/C Towers and elevation of 33 KW sub-stations to 66 KW level and also for providing 1 × 12.5 MBA 66/11 KW sub-stations. The amount had to be deposited with the Bhakra-Beas Management Board and Punjab State Electricity Board. This was unavoidable as spilled over payment was to be made to these Institutions.
7. The reasons for excess expenditure are to cope up with the increasing traffic requirements, the funds for the replacement of condemned buses and augmentation of existing strength of the fleet had to be provided during 1986-87.
8. The reasons for excess expenditure was due to providing financial assistance to Chandigarh Housing Board for the execution of a number of Housing Schemes.

As regards the remedial/corrective measures the Administration have taken the necessary steps to get the expenditure within the sanctioned budget grant in future.

The above excess were partly offset by saving under other heads leaving over all excess of Rs. 2,80,186.

In the circumstances explained above, the excess of Rs. 2,80,186 (Voted) in Capital Section under Grant No. 56-A Chandigarh may kindly be recommended for regularisation by Parliament under Article 115 (1)(b) of the Constitution of India.

The Note has been cleared provisionally due to urgency of time and further comments will be furnished on receipt of information from the Finance Secretary, Chandigarh Administration, Chandigarh and Auditor General, Chandigarh.

Sd/-
K. M. LAL,
Financial Adviser
(Home)

LOK SABHA SECTT. (PAC BRANCH)

M.H.A.I.D. No. U. 15022/1/87-Bgt. II Dated 30-5-88

APPENDIX XV

GOVERNMENT OF INDIA

MINISTRY OF HOME AFFAIRS

Note for Public Accounts Committee for regularisation of excess expenditure under Revenue Section (Charged) in Grant No. 56-A Chandigarh as disclosed in the Union Government Appropriation Accounts (Civil) for 1986-87.

*Grant No. 56-A Chandigarh
Revenue Section (Charged)*

	Rs.
Original Appropriation	1,04,87,000
Supplementary Appropriation	1,06,35,000
Total Appropriation	2,11,22,000
Actual Expenditure	2,11,73,500
Excess	51,500

2. Under the Revenue Section (Charged) of Grant No. 56-A Chandigarh for the year 1986-87 against the final Appropriation of Rs. 2,11,22,000 the actual expenditure amounted to Rs. 2,11,73,500 resulting in an excess of Rs. 51,500.

3. The above excess occurred under the following Major Head :—

Major Head '338'

	Rs.
C.15—Road & Water Transport Services	
C.15—(1)(1)(2)—Operation	1,27,792

The excess expenditure amounting to Rs. 1,27,792 is due to the payment of decretal amount unanticipatedly awarded by various Courts in Bus accident cases during the year 1986-87. This excess was partly offset to the extent of Rs. 76,292 through savings under other major heads leaving an overall excess of Rs. 51,500.

4. In view of the circumstances explained above, the excess of Rs. 51,500 may kindly be recommended for regularisation by Parliament under Article 115(1)(b) of the Constitution.

5. This Note has been vetted by the Audit.

Sd/-
(ASHOK NATH)

Joint Secretary to the Govt. of India.

LOK SABHA SECTT. (PAC BRANCH)

M.H.A.I.D. No. U.15022/1/87—Dated 27-5-1988

APPENDIX XVI

GOVERNMENT OF INDIA MINISTRY OF TOURISM

Note for Public Accounts Committee for regularisation of excess expenditure under Capital Section (Voted) as disclosed in the Union Government Appropriation Accounts (Civil) for 1986-87

In the year 1986-87, excess expenditure has occurred under Grant No. 74—Department of Tourism in the Capital Section (Voted) as given below :—

<i>Capital Section (Voted)</i>	Rs.
Original Grant	11,06,00,000
Supplementary Grant	—
Total Grant	11,06,00,000
Actual Expenditure	11,08,15,984
Excess	<u>2,15,984</u>

2. As per the condensed Appropriation Accounts 1986-87, the total excess expenditure was Rs. 2,15,984 mainly due to excess under the head AA-Capital Outlay on other Transport and Communication Services : AA1-Tourism AA1(2)-Development of Tourist Services (Rs. 2,76,539). This excess was partly offset by savings under Other head leaving overall excess of Rs. 2,15,984. The excess expenditure occurred due to accelerated progress on Resort Development Scheme which include these schemes :—

- (a) Mountain Resorts & Winter Sports.
- (b) Adventure & Sports Tourism.
- (c) Sound and Light Show/Floodlighting of monuments.
- (d) Travel Circuits.
- (e) Beach Tourism.
- (f) Institute of Water Sports.
- (g) Andamans & Lakshadweep.

3. Detailed instructions are being issued to the Administrative Sections, including the Budget and Accounts Section and Pay and Accounts Officers

stressing the necessity to take all possible steps to ensure that the actual expenditure recorded under the various heads is within the limits permitted, taking into account the supplementaries, if any.

4. In view of the circumstances explained above, the excess expenditure of Rs. 2,15,984 in Capital Section (Voted) under Grant No. 74—Tourism recommended for regularisation under Article 115(1)(b) of the Constitution.

5. This has been vetted by Audit.

D. K. SINGH
Financial Adviser
Ministry of Tourism.

File No. F1(4)/86-F.II(T)

APPENDIX XVII

MINISTRY OF SCIENCE & TECHNOLOGY

Note for regularisation of excess under Grant No. 81—Survey of India as disclosed in Appropriation Account (Civil) for 1986-87

Revenue Section

<i>Charged</i>	Rupces
Original appropriation	—
Supplementary appropriation	48,000
	<hr/>
Total Appropriation	48,000
Actual Expenditure	48,510
	<hr/>
Excess	510
	<hr/>

Grant No. 81—Survey of India

2. A Supplementary Grant of Rs. 48,000/- under Revenue Section—Charged was obtained in November, 1986 in connection with payment of compensation in two different cases of motor accidents. Out of Rs. 48,000, a sum of Rs. 33,000 was provided in one of the two cases by taking into account interest payment upto 27th June, 1986. The Directorate of Map Publications, however, actually drew a sum of Rs. 33,509.65 by taking into account the likely payment of interest upto 14th November, 1986. Out of the money actually drawn, a sum of Rs. 30,367.25 only was actually paid vide Sanction No. C2309/17-K (Umed Singh), dated 13th November, 1986 (copy enclosed) and the balance amount of Rs. 3,142.40 was not deposited with the court as this payment was in doubt. This resulted in excess since the unspent balance was not deposited/refunded to Government Account during the same financial year. The money has since been refunded/deposited to Government Account in April, 1988 vide Challan No. 1, dated 19th April, 1988. In the second court case of motor accident, compensation for an amount of Rs. 15,000 was paid vide Sanction No. SM/30/008/85, dated 24th March, 1987 (copy enclosed) during 1986-87 as provided for in the Supplementary Grant.

3. In view of the circumstances explained in para 2 above, the excess of Rs. 510 may kindly be recommended for regularisation by the Parliament under Article 115(1)(b) of the Constitution.

4. The Note has been vetted by Audit vide U.O. No. RR/11-8/88-89/191, dated May, 1988.

(B. K. CHATURVEDI)
*Joint Secretary & Financial Adviser,
 Department of Science and Technology,
 New Delhi-110016.*

C-2309/17-K(U. Singh)

Dated 13th November, 1986

To

Shri S. M. Jain,
 District Govt. Counsel (Civil),
 DEHRA DUN.

SUBJECT : MACT CASE NO. 197 OF 1983 AND MISC. CASE NO. 21 OF 1984 ARISING OUT THEREOF BETWEEN SHRI YASHPAL SINGH CHAUHAN V/S (1) SHRI UMED SINGH, M. T. DRIVER OF M.P.O. AND (2) THE UNION OF INDIA THROUGH THE SURVEYOR GENERAL OF INDIA.

Dear Sir,

In the above matter a crossed Bank Draft No. 010883, dated 13-11-86 for Rs. 30,367.25, drawn by the Union Bank of India, Dehra Dun, in favour of Shri Yashpal Singh Chauhan (Award/Decree Holder), is sent herewith. The said draft may kindly be deposited in the concerned Court of Motor Accident Claims Tribunal (Additional District Judge) Dehra Dun. The details of the amount of draft are as under :—

(i) Amount of Award	—	Rs. 25,000.00
(ii) Interest on Rs. 25,000/- @ 6% P.A. from 22-11-83 to 14-11-86, the date of payment (i.e. for 2 years 11 months 24 days).	—	Rs. 4,471.25
(iii) Cost as per decree	—	Rs. 896.00
		<hr/>
Total		Rs. 30,367.25
		<hr/>

2. The Motor Accident Claims Tribunal may kindly be requested to withdraw its Recovery Certificate sent to the Collector/Tehsildar, Dehra Dun.

3. The said Tribunal may also be further requested to withhold payment of the above draft to Shri Yashpal Singh Chauhan (Award/Decree Holder) pending disposal of our stay application which had been moved by us alongwith the appeal on behalf of the Union of India against the aforesaid award of the M.A.C. Tribunal, Dehra Dun, before the Hon'ble High Court of Judicature at Allahabad.

4. A receipt of the above said Bank Draft may also kindly be obtained from the concerned Court and sent to this office for our record and reference.

Yours faithfully
(M. C. ANAND)
Estt. & Accounts Officer
for Director, MAP Publication DTE.

Encls : One Bank Draft as stated above.

Copy to : M.P.O. Accounts.

GOVERNMENT OF INDIA
MINISTRY OF SCIENCE & TECHNOLOGY
DEPTT. OF SCIENCE & TECHNOLOGY
No. SM/30/008/85

24 March 1987

To,

The Surveyor General of India,
Block No. 8,
Hathibarkala Estate,
Dehra Dun-248 001.

SUBJECT : Filing of revision petition in the Hon'ble High Court Ranchi Bench against the order dated 23-7-86 of the District Judge in Motor case II/86.

Sir,

I am directed to refer to your letter No. E2-5132/1196-B(U. S. Sahay) dated 5th February, 1987 on the above subject and to convey the sanction of the President to the payment of Rs. 15,000/- (Rupees fifteen thousand only) to the applicants as interim compensation, as per the verdict of the District Judge Palamau dated 23-9-86 subject to the condition that suitable legal advice should be obtained by the Survey of India before making the payment.

This sanction issues with the concurrence of the I.F. Division vide their Dy. No. 1034/US(F)/87 dated 9-3-87.

Yours faithfully,
(R. P. SNGH)
Desk Officer

APPENDIX XVIII

DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH

Note for regularisation of Excess expenditure under Grant No. 83-Department of Scientific and Industrial Research as disclosed in Appropriation Account—Union Government (Civil) for 1986-87.

Grant No. 83-Department of Scientific and Industrial Research 1986-87.

Voted

Capital	Rupees
Original Grant	3,30,000
Supplementary Grants	—
	<hr/>
Total Capital Grant	3,30,00,000
Actual Expenditure	5,40,00,000
	<hr/>
Excess	2,10,00,000
	<hr/>

Excess was due to conversion of long outstanding interest charges as on 31st March, 1986 on various Government Loans sanctioned to Central Electronics Limited into a fresh Loan with effect from the date of sanction (20th February, 1987). The last date of the projection of last batch of Supplementary Grant was 20th January, 1987. Consequently the Supplementary Grant could not be obtained during 1986-87.

2. In view of the circumstances explained above the excess of Rs. 2,10,00,000 may kindly be recommended for regularisation by Parliament under Article 115(1)(b) of the Constitution.

3. This Note has been vetted by the Audit vide U.O. No. RR/11-4/88-89/189, dated May, 1988.

Sd/-

(B. K. CHATURVEDI)

*Joint Secretary & Financial Adviser,
Department of Science and Technology,
New Delhi-110016.*

APPENDIX XIX
GOVERNMENT OF INDIA
MINISTRY OF URBAN DEVELOPMENT
(SHAHARI VIKAS MANTRALAYA)

Note for regularisation of excess under revenue section (charged) Grant No. 93—Public Works as disclosed in appropriation Account Union Government (Civil)—for the year 1986-87.

REVENUE SECTION (CHARGED)

Original Appropriation	NIL
Supplementary Appropriation	42,000
Total Appropriation	42,000
Actual Expenditure	1,50,503
	1,08,503
Excess	1,08,503

Against nil original appropriation, a Supplementary Appropriation of Rs. 42,000 was obtained in March, 1987. The actual expenditure during the year was, however, Rs. 1,50,503 resulting in an excess of Rs. 1,08,503. The excess was due to excess expenditure of Rs. 1.50 lakhs under sub-head A.3-Maintenance and Repairs. A.3(1)-Repairs of buildings which was reduced by saving under other heads in the Revenue Section (Charged) of Grant.

The main reasons leading to the excess are given below :—

- (a) The excess was due to the receipt of arbitration awards, not anticipated earlier during the year.
- (b) The payment being interest bearing, could not be postponed for the next few months.

Due to the above mentioned reasons, the expenditure under the above head could not be avoided, as the payments were interest bearing.

In view of the circumstances explained above, the excess expenditure of Rs. 1,08,503 in Revenue Section (Charged) under Grant No. 93-Public Works is recommended for regularisation under Article 115(1)(b) of the Constitution.

Sd/-
(P. B. SAXENA)
Joint Secretary to the Government of India.

APPENDIX XX

GOVERNMENT OF INDIA MINISTRY OF URBAN DEVELOPMENT (SHAHARI VIKAS MANTRALAYA)

Note for Regularisation of Excess under Revenue Section (Voted) of Grant No. 93-Public Works as disclosed in Union Government Appropriation Account (Civil) for the year 1986-87.

<i>REVENUE SECTION (VOTED)</i>	Rupees
Original Grant	127,27,45,000
Supplementary Grant	10,36,43,000
Total Grant	137,63,88,000
Actual Expenditure	148,56,57,099
Excess	10,92,69,099

The original grant of Rs. 127,27,45,000 was augmented to Rs. 137,63,88,000 by obtaining supplementary grant of Rs. 10,36,43,000 in November, 1986 and March, 1987. The actual expenditure during the year however amounted to Rs. 148,56,57,099 resulting in an excess of Rs. 10,92,69,099 in Revenue Section (Voted).

This excess was mainly under the following heads :—

<i>Sl. No. Head of Account</i>	<i>Amount</i> (In crores of Rs.)
(i) A.1(2) Execution	4.40
(ii) A.1(4) Structural Planning (Design)	1.14
(iii) A.3(2) Rent, Rates & Taxes	2.36
(iv) A.7(1) Stock	5.92
(v) A.7(2) Misc. Works Advances	3.88

(i) *A.1(2)—Execution*

Against allotment of Rs. 22,99,22,000 under this head, an expenditure of Rs. 27,38,86,137 was incurred resulting in an excess of Rs. 4,39,64,137. However, this excess was due to the implementation of the revised scales for Group 'B', 'C' and 'D' officers on account of the recommendations of the Fourth Pay Commission (ii) Payment of Government pleaders for

defending various court and tribunal cases, increase in telephone/postage charges, etc. & (iii) purchase and maintenance of computer system.

(ii) *A.1(4)—Structural Planning (Design)*

An allotment of Rs. 4,90,19,000 was made under this head. An expenditure of Rs. 6,04,47,096 was incurred resulting in an excess of Rs. 1.14 crores. This excess was mainly due to implementation of the revised scales for Group 'B', 'C' & 'D' officers on account of the recommendations of the Fourth Pay Commission (ii) payment for purchase and maintenance of computer and (iii) increase in telephone, postage charges, etc.

(iii) *A.3(2)—Rent, Rates and Taxes*

The excess expenditure of Rs. 2.36 crores under this sub-head was due to increase in the rates of water and electricity charges and receipt of more bills than anticipated.

(iv) *A.7(1)—Stock*

Rs. 56.33 crores were allotted to the Directorate General of Works under sub-head "Stock" for the year 1986-87, against their demand of Rs. 67.10 crores in the Budget Estimates and Rs. 56.33 crores against their demand of Rs. 62.80 crores in the Revised Estimates for 1986-87. In spite of all out efforts by DG(W), to restrict the expenditure, the excess of Rs. 5.92 crores under this sub-head could not be avoided mainly due to the following reasons :—

- (a) Procurement of more quantity of material like cement, steel, billets, etc. for the work under execution not only under Major Head 459—Capital Outlay on Public Works and 483—Capital Outlay on Housing, but also other works under execution and falling under the category of Cash Settlement basis, deposit works, minor works, maintenance and repairs. Materials for these works were also required to be booked under the Suspense Head "Stock" for want of Budget Grant and allotment from the agencies/departments for the works.
- (b) Procurement of steel/other materials for projects which were very urgent. Otherwise, the progress of works would have been hampered very badly. Due to the procurement of stock materials for which supply orders were placed earlier, the adjustment of pending claims could not be foreseen.
- (c) Payment of freight charges in respect of wagons of cement which were received in the second week of March, 1987 unexpectedly. Payment of freight charges in respect of these wagons was not foreseen during the financial year 1986-87. The payment was unavoidable because the Railway did not agree for the postponement of payment and also because of revised procedure laid down in C.G.A. O.M. No. 9(3)/83/TA/35 dated 7-1-85 (copy enclosed).

(v) *A.7(2)—Miscellaneous Works Advances*

Rs. 2.95 crores were allotted for the year 1986-87 against revised demand of Rs. 4.56 crores. Despite all out efforts, to restrict the expenditure, the excess of Rs. 3.88 crores under this head could not be avoided due to the following reasons :—

- (a) Heavy allotment of steel and advance payment made to SAI/TATA for procurement of steel for major urgent works of top priority projects. The advance payment was made in order to avoid the allotment of steel by the suppliers from being lapsed.

This has however, been cleared subsequently on receipt of steel from the suppliers.

- (b) Unavoidable expenditure on certain important deposit works, pending receipt of funds from client departments, though anticipated before the end of 1986-87.

- (c) Initial adjustment on computer.

The over-all excess was partly offset by savings in other heads of Accounts leaving a net excess of Rs. 10,92,69,099 under the grant.

In this regard, instructions have been issued to Chief Engineers to ensure that every possible effort should be made to avoid excess over sanctioned budget grant (copy enclosed).

In view of the circumstances explained above, the excess expenditure of Rs. 10,92,69,099 (constituting 7.9% of total grant) in Revenue Section (Voted) under Grant No. 93-Public Works is recommended for regularisation under Article 115(1)(b) of the Constitution.

Sd/-

(P. B. SAXENA)

Joint Secretary to the Govt. of India.

No. 9(3)/83/TA/35

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

CONTROLLER GENERAL OF ACCOUNTS

8th Floor, Lok Nayak Bhavan, Khan Market, New Delhi-110003

Dated the 7th January, 1985

OFFICE MEMORANDUM

SUBJECT : Revised procedure for prompt payment against Civil Credit Notes/Railway Warrants and Railway freight Credit Notes by Central Ministries/Departments and State Governments.

Under the existing procedure, debits are required to be raised by the F.A. & C.A.O. of the Zonal Railway concerned against relevant

Pay and Accounts Officers in connection with Civil Credit Notes used by Central Government Ministries/Departments/Offices/U.T. Governments with separated accounts; and against State A. G. concerned in connection with these used by State Government Offices/U. T. Governments having treasury system. Considerable time alapses in the process of obtaining reimbursement in this manner, which cannot be afforded by the Railways which are a commercial department.

2. In order to ensure prompt settlement of dues of Railways, it has been decided by this Ministry, after consultation with the Railway Board and Office of the Comptroller and Auditor General of India to introduce the following revised procedure for payment of credit notes used on or after 1st April, 1985. This procedure will be followed for Civil Credit notes tendered by all the Departments of the Central Government, State Governments, U. T. Governments and U. T. Administrations except those tendered by the following para-military Organisations of the Central Government functioning under the Ministry of Home Affairs :

- (a) Border Security Force
- (b) Central Reserve Police Force
- (c) Central Industrial Security Force
- (d) Indo-Tibetan Border Police
- (e) Assam Rifles
- (f) National Security Guard

In the case of the above para-military organisations, the existing procedure for use and settlement of Civil Credit notes shall be followed till a revised procedure is evolved in consultation with the Ministries of Home Affairs and the Railways. A State Government may also, in consultation with the Railways concerned, obtain special exemption from the revised provisions in respect of any particular company of the State Police which is liable to be ordered to move at short notice, using Railways as a means of transport, and for which it would not be possible to follow the revised procedure indicated below :—

3. Revised Procedure

(a) A new series of the printed credit notes having one office copy foil, a booking acknowledgement foil and a booking foil (which will bear machine Serial Number) will be introduced in place of the existing form containing one counterfoil and one main foil. The Head of the Office of the Ministry, Department etc. availing of the credit note facility should obtain the new credit Note Form Books from their existing source of supply and be responsible for the safe custody and issue.

(b) A Ministry/Department/Office authorised to avail of the facility of credit notes at present, shall continue to avail of the facility subject to

(c) and (d) et seq. After retaining the office copy foil, which will serve as office copy, the user will tender the booking acknowledgement foil and booking foil in connection with the booking of freight, clearance of consignment etc. as the case may be, to the Station Master concerned. The Station Master will retain the booking foil and return the booking acknowledgement foil to the tenderer after recording the booking particularly including weight, destination, date etc. and amount of charges due thereon.

(c) A Head of Office of such a Ministry/Department/Office shall prefer separate consolidated claims relating to credit notes used between 1st to 15th of the month and between 16th to end of the month against his PAO or under cheque drawing powers conferred on his office and against Treasury in the case of a State Government or Union Territory having Treasury system duly supported by the counterfoil of the credit note received back from the Station Master of the Railway Station concerned. The head of Office functioning under Central Government shall request for issue of (or will draw under the cheque drawing powers), cheque of category III only, namely, "not negotiable and not payable in cash, but creditable to Government Account". In the case of a Head of Office functioning under a State Government and the bill is to be paid by a Treasury Officer, the cheque or demand draft should, without exception bear the endorsement "Account payee only". The cheque/Demand draft shall be drawn in favour of the F.A. & C.A.O. of the Railway rendering service, as per indication given by the Station Master in the booking acknowledgement foil. While every effort shall be made to deliver the cheque to the Station Master at the earliest, the cheque relating to the credit notes used during the first fortnight should be submitted to the Station Master at the earliest, the cheque relating to the credit notes used during the first fortnight should be submitted to the Station Master latest by the 25th of the month and that relating to the second fortnight by the 10th of the following month. A statement in duplicate indicating the number, date of the credit notes used during the relevant fortnight, and amount thereof and the total amount involved for the fortnight shall be prepared by the Head of Office at the time of preparing the bill so as to be submitted to the Station Master alongwith the cheque. The Station Master concerned shall return one copy of the Statement duly enfaced with the words "cheque received" (using a rubber stamp or otherwise) in acknowledgement of the cheque received in payment towards the credit notes. This enfaced statement shall be retained by the Head of the Office as a record of acquittance of the cheque delivered to the Station Master. As separate Balance Sheets are prepared by the Railways for Coaching (i.e., Passenger, Parcel, Luggage and H. C. Dogs Traffic) and for goods traffic, separate cheques/demand drafts should be obtained for tendering to the Station Master and to Goods Supervisor for respective transactions and also separate statements prepared relating thereto for obtaining the said acknowledgement.

(d) On demand from the Station Master, the user Departments of the Central Ministries/State Governments/U. T. Governments shall also pay within one month either in cash or through Supplementary Credit note, the amount of under-charges, if any, detected during the course of internal check of the Credit Notes/Transactions in the Railway Accounts office by the Audit or otherwise.

It shall be the responsibility of the Officer authorised to sign the credit notes in each Ministry/Department/Office to ensure prompt payment as above to the Station Master of the Railway Station concerned, failing which the Railways will be at liberty to refuse to book/clear goods or to book against warrants for personal movement thereafter under the credit note system, in favour of the Department etc. concerned.

4. Pending issue of the new series of credit notes comprising three foils as mentioned in para 3. (a) above, Departmental Officer using credit notes shall, instead of preferring a bill claim against his Accounts Officer duly supported by the booking acknowledgement foil referred to above, attach the bill, a statement indicating the No. and date of the credit note used, the official designation and the station of the consignee to whom (or from whom) the goods have been booked (or received and cleared), amount thereof, and a certificate to the effect that the credit notes/warrants have been used in connection with legitimate Government work. Also, on receipt of the crossed cheque demand draft, as the case may be, he shall present it to the Station Master concerned, duly supported by triplicate copies of the State referred to above. Two copies of the Statement (marked duplicate and Triplicate) with the endorsement "Cheque received" shall be returned by the Station Master to the user Department which shall send the duplicate copy to Accounts Officer immediately thereafter, in support of the payment earlier obtained.

Sd/-

(TARA BAI S. KUTTY)

Joint Controller General of Accounts

GOVERNMENT OF INDIA
DIRECTORATE GENERAL OF WORKS
CENTRAL PUBLIC WORKS DEPARTMENT

No. 10 (1)/87-B (DGW)

New Delhi, dated the 30-5-1988

SUBJECT : Note for regulation of excess over the Grant Final Appropriation during the year 1986-87 under Grant No. 93—Revenue portion.

In spite of specific instructions issued by this Directorate for keeping the expenditure within the allotment made, some of the Chief Engineers had incurred expenditure in excess of their allotment, particularly in r/o sub head "Suspense". A note for regularisation of excess over the Grant/Final Appropriation has been sent to Ministry of Urban Development.

Now, the Ministry of Finance have taken a serious view and desired to take remedial/corrective action to avoid such excess in future. In this connection, it is stated that projecting a higher demand in the Revised Estimates, Budget Estimates and Final Budget Estimates does not mean that the Chief Engineer is at liberty to spend the amount as desired by ignoring the instructions of higher authorities. In case of unavoidable expenditure, timely action should be taken for obtaining supplementary grants or assurance of funds from this Directorate.

All the Chief Engineers are requested to ensure that such excesses should not occur in future. They are also requested to take timely action for making out a case for Supplementary Grants where it is not possible to meet any liability by re-appropriation.

Sd/-
(P. C. SUD)
F. O. to D.G. (Works)

APPENDIX XXI
GOVERNMENT OF INDIA
MINISTRY OF WATER RESOURCES

*Note for Regularisation of Excess Expenditure under Grant No. 97,
 Ministry of Water Resources as disclosed in Appropriation Account 1986-87*

Union Govt. (Civil)	
Revenue Section (Voted)	Rs.
Original Grant	162,56,21,000
Supplementary Grant	133,05,16,000
Total Grant	295,61,37,000
Actual Expenditure	296,06,97,517
Excess	45,60,517

Original Grant of Rs. 162,56,21,000 was augmented by obtaining Supplementary Grant of Rs. 133,05,16,000/- in July 86, November 1986 and March 1987. The Supplementary Grant was taken by this Ministry primarily to implement the decision of the Cabinet to fully fund the expenditure on Sutlej Yamuna Link Canal (Rs. 126 crores-Supplementary Grant, March 1987). The actual expenditure during 1986-87 was Rs. 296,06,97,517/-, leading to an overall excess expenditure of Rs. 45,60,517/-. The excess was the net result of excesses and savings under various Heads in the Grant.

2. The reasons for excess under various Major Heads are given below :—

(I) Major Head '306'

C. 1—Major Irrigation

(a) C. 1(1)—Central Ground Water Board : (Head quarters)

The original Grant under this Head was Rs. 24,97,99,000/- which was augmented by Supplementary Grant of Rs. 3,82,96,000/-. The actual expenditure against the final sanctioned grant of Rs. 28,80,95,000/- was Rs. 37,32,56,337/- resulting in excess expenditure of Rs. 18,51,61,337/-. The excess expenditure was due to the following reasons :—

(i) Receipt of 4 (four) imported Rigs with spares, bulk receipt of pipes, bits and other spares and payment of Custom

Duty at enhanced rates on Rigs and spares not anticipated earlier.

- (ii) The difference due to anticipated expenditure and actual payment made as a result of implementation of revised pay scales for Group B, C & D categories. The number of employees involved is quite large.
 - (iii) Revision of Group 'A' scales of pay and payment of arrears during March, 1987 not anticipated earlier.
 - (iv) Payment of House Rent Allowance and City Compensatory Allowance at higher rates.
 - (v) Enhancement of Daily Allowance rates as a result of implementation of IVth Pay Commission Report.
 - (vi) Drilling of more wells during last quarter than anticipated.
- (b) C. 1(2)(2)—*Ground Water Studies in Coastal Kerala* :

The Original Grant for this sub-head was Rs. 34 lakhs and the actual expenditure was Rs. 53,49,257/- resulting in excess of Rs. 19,49,257/-. The excess was substantially due to increase in Custom Duty rates on Mineral logging system logger unit, Mudswivel kit and other ancillary equipments received during last quarter and also due to the difference between anticipated and actual expenditure for implementation of recommendations of IVth Pay Commission.

(II) Major Head '331'

E-Water & Power Development Services

E. 1—Water Development

(a) The excess expenditure under the following Sub-heads was exclusively due to implementation of IVth Pay Commission's recommendations, payment of Bonus, Additional Dearness Allowance, Revision of TA/DA rates and adjustment of Bills.

(in Rs.)					
Sub-Head	Original Grant	Supple- mentary Grant	Total	Actual Expenditure	Excess
1	2	3	4	5	6
E.1(2)(1)- Central Water Commission (Head quarters)	85,07,000	—	85,07,000	96,20,456	11,13,456
E.1(2)(3)- Key Hydrological Stations in River Basins excluding Ganga & Indus	1,84,58,000	—	1,84,58,000	2,12,93,002	28,35,002

1	2	3	4	5	6
E.1(3)(1)- Central Water Commission (H. Qrs.)	27,00,000	—	27,00,000	27,35,970	35,970
E.1(5)(1)- Hydrological Observations & Water Studies in Ganga Basin.	3,27,18,000	—	3,27,18,000	3,86,93,927	59,75,927
E.1(5)(2)- Hydrological Observations in Krishna Godavari Basin.	1,46,57,000	—	1,46,57,000	1,64,59,894	18,02,894
E.1(5)(9)- Other Schemes	25,00,000	—	25,00,000	32,48,211	7,48,211
E.1(5)(10)- Sone & Sunkh Divn.	21,32,000	—	21,32,000	28,17,355	6,85,355
E.1(6)(1) Central Water Commission (H. Qrs.)	1,38,54,000	—	1,38,54,000	1,77,87,415	39,33,415
E.1(7)(1)-CWC (H. Qrs.)	23,00,000	—	23,00,000	24,44,463	1,44,463
E.1(9)(1)(5)(1)- Design & Research Wing.	67,70,000	—	67,70,000	69,64,459	1,94,459

(b) E. 1(5)(6)—*Sone River Commission*

The excess expenditure of Rs. 30,86,829/- was due to implementation of IVth Pay Commission's recommendations, Payment of Bonus, Additional Dearness Allowance and Payment to Central Water Commission for deposit works.

(c) E. (1)(7)(5)—*Research and Development*

Under this head small Research Projects are got done through State Research Institutions and other autonomous bodies. The excess expenditure of Rs. 15,33,601/- was due to taking up of more new schemes than anticipated at the time of preparation of budget estimates.

(d) E. 1(9)(2)(1)—*Exhibition and Trade Fair :*

Excess expenditure of Rs. 6,07,441 was mainly due to procurement of additional display material.

(III) Major Head '333'

F.—Irrigation, Navigation, Drainage, Flood Control Projects.

F.1—Navigation Projects (Non Commercial)

F.1(1)(4)—Financial Adviser and Chief Accounts Officer.

The excess expenditure of Rs. 1,42,798/- was due to implementation of IVth Pay Commission's Report, Payment of Bonus, Additional Dearness Allowance and some other unforeseen items.

(IV) Major Head '360'

G—Grants in Aid to State Governments

(a) G.2(2)(1)—*Command Area Development Programme :*

In the budget Rs. 58 Crores were provided for release to State Governments under this Head. The releases under this Scheme are based on demands from State Governments. During the year Rs. 65,42,35,000/- were released to State Governments, resulting in an excess of Rs. 7,42,35,000/- due to more demands from State Governments.

(b) G.3(1)(1)—*Strengthening of Ground and Surface Water :*

Against the original grant of Rs. 4 Crores, the actual releases to State Governments based on their demand was Rs. 4,01,49,500/- resulting in excess of Rs. 1,49,500/-.

3. It will be seen from the above that the excess expenditure was incurred primarily on account of implementation of the IVth Pay Commission's recommendations, the impact of which could not be assessed fully due to large number of employees involved in Central Water Commission and Central Ground Water Board. The expenditure was of obligatory nature and could not be avoided. Action is being taken to ensure that excess over the voted grants do not occur in future. It is requested that excess expenditure of Rs. 45,60,517/- (Voted) in Revenue Section of Grant No. 97, Ministry of Water Resources may kindly be recommended for regularisation by Parliament under Article 115(1)(b) of the Constitution.

This Note has been vetted by Audit.

(File No. 8/5/88-FD)

D. K. SINGH,
Joint Secretary & Financial Adviser

APPENDIX XXII

Explanatory Note for Public Accounts Committee for regularisation of the Excess Over Voted Portion of Grants/Appropriation during 1986-87.

During the year 1986-87 there was an overall saving of Rs. 2.38 crores over the final grants and Appropriation resulting from an aggregate savings of Rs. 151.51 crores under 12 Grants (1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12 & 15) and 12 Appropriations (3, 4, 5, 6, 7, 9, 10, 11, 12, 13 & 16) and excess of Rs. 149.13 crores under 4 Grants (5, 13, 14 & 16) and one Appropriation (No. 8) (Reference Para 2.11.4, 2.11.5 & 2.11.6 of the Report of Comptroller and Auditor General of India for the year 1986-87—Union Government (Railways) Para 25 & 27—Excess Over Voted Grants and Charged Appropriation and Paras 26 & 28—Saving under Voted Grants and Charged Appropriation of the Appropriation Accounts of Railways in India for the year 1986-87 (Part I—Review).

1.2 The excess under 4 Grants and One Appropriation is explained as under :—

(i) Appropriation No. 8—Operating Expenses—Rolling Stock and Equipment.

Original Appropriation—2,35,000
Supplementary Appropriation—4,18,000
Total sanctioned Appropriation—6,53,000
Actual Expenditure—6,69,817
Excess—16,817
Misclassification—NIL
Excess requiring regularisations—16,817
Percentage of Excess—2.58%.

Charged Appropriation of Rs. 2, 35 thousand was sanctioned at the Budget-Estimate State. A supplementary charged appropriation of Rs. 4,18 thousand was sanctioned in March 87, on account of more payments anticipated in satisfaction of court decrees.

The excess of about Rs. 17 thousand was due to more materialisation of decretal payments at the fag end of the year than anticipated.

The excess requiring regularisation is Rs. 16,817 *i.e.*, the same as disclosed in the Appropriation Accounts. Audit while vetting this excess under this appropriation have drawn the attention to their comments in Para 2.11.5 Grant No. 8.

(ii) Grant No. 5—Working Expenses—Repairs & Maintenance of Motive Power.

Original Grant—	431,66,98,000
Supplementary Grant—	89,38,68,000
Total sanctioned Grant—	521,05,66,000
Actual Expenditure—	527,13,23,302
Excess—	6,07,57,302
Misclassification—	NIL
Excess requiring regularisation—	6,07,57,302
Percentage of Excess—	1.16%.

A grant of Rs. 431.67 crores was obtained at the Budget Estimate Stage. Supplementary grants of Rs. 43.75 crores and Rs. 45.64 crores were obtained in November, 86 and March, 87 respectively, on account of increase in expenditure under material from stock and more payments to staff as a result of implementation of 4th Pay Commission Report and contractual payments and increase in maintenance activities, other expenses etc.

The Grant, however, proved to be inadequate, the actual expenditure having exceeded the provision by Rs. 6.08 crores. The excess was mainly under sub-heads—Diesel Locomotive (Rs. 5.12 crores) and Electric Locomotive (Rs. 1.34 crores) offset by aggregate of savings under other remaining sub-heads (Rs. 0.38 crore).

Primary Unitwise, the excess of Rs. 6.08 crores was mainly due to more expenditure under material from stock (Rs. 6.54 crores), periodical over-hauling owing to increase in wages and material (Rs. 1.49 crores), other expenses (Rs. 1.21 crores), Material purchased directly (Rs. 0.72 crores) contractual payments (Rs. 0.22 crore) and fluctuation in adjustment under transfer of debit/credit (0.07 crore), partly offset by less payment of arrears of salaries and wages (3.25 crores), other allowances (0.73 crore), expenditure under overtime allowance, (Rs. 0.12 crore) and aggregate of minor variations (saving) under other heads (Rs. 0.07 crore).

Of the total excess, the highest excess occurred on N. F. & S..E. Rlys. (Rs. 2.04 crores each) followed by N. F. Rly (Rs. 2.03 crores) and aggregate of excesses and savings on other Rlys.

There was no misclassification under this grant and therefore, the excess requiring regularisation by Parliament works out to Rs. 6,07,57,302/- (1.16%) *i.e.*, the same as disclosed in the appropriation Accounts. Audit while vetting the excess under this Grant have drawn the attention to their comments in para 2.11.4 Grant No. 5.

(iii) Grant No. 13—Provident Fund, Pension and other Retirement Benefits.

Original Grant—349,20,84,000

Supplementary Grant—71,22,07,000

Total sanctioned Grant—420,42,91,000

Actual Expenditure—474,10,32,390

Excess—53,67,41,390

Misclassification—NIL

Excess requiring regularisation—53,67,41,390

Percentage of Excess—12.77%.

A Grant of Rs. 349.21 crores was obtained at the Budget Stage. A supplementary grant of Rs. 71.22 crores was obtained in March, 87, on account of steady increase in the number of Railway Employees opting for Pension, more Superannuation and Retiring Pension Commuted Pension, Family Pension and D. C. R. G. and increase in rate of relief to Pensioners etc.

The grant, however, proved to be inadequate as the actual expenditure exceeded the provision by Rs. 53.67 crores. The excess of Rs. 53.67 crores mainly accrued under (a) Superannuation & Retiring Pension (Rs. 33.32 crores) (b) Commuted Pension (Rs. 13.43 crores) (d) Family Pension (Rs. 4.55 crores), (e) Death-cum-Retirement Gratuity (Rs. 4.50 crores) and aggregate of excesses under other heads (Rs. 0.38 crore) offset by saving under (g) Gratuities and special contribution to Provident Fund (Rs. 2.12 crores) & (h) Contribution to P. F. (0.42 crore).

Of the total excess, the highest excess occurred on Northern Railway (Rs. 21.21 crores) followed by C. Rly (Rs. 12.56 crores), E. Rly (Rs. 12.22 crores), Western Rly (Rs. 4.18 crores), Southern Railway (Rs. 2.33 crores) and SC Railway (Rs. 1.52 crores) offset by aggregate of excesses/savings on remaining railways/Units (Rs. 0.35 crore).

The excess on N. E. Rly was shown as Rs. 0.53 crore under this grant. In fact debits amounting to Rs. 19.48 crores received from other Accounts Officers responsible for payment of pension to retired Railway Employees were retained by the Railway Administration under a suspense head at the end of the year. If the said amount is transferred to the final head the excess in this Grant on N. E. Railway would have been Rs. 20.01 crores.

There is no misclassification under this grant and therefore, the excess requiring regularisation is Rs. 53,67,41,390 (12.77%) i.e., the same as disclosed in the appropriation Accounts. Audit while vetting the excess under this Grant have drawn the attention to the comments in Para 2.11.4 Grant No. 13.

(iv) Grant No. 14—Appropriation to Funds.

Original Grant—1635,00,00,000

Supplementary Grant—70,00,00,000

Total sanctioned Grant—1705,00,00,000

Actual Expenditure—1736,91,17,640

Excess—31,91,17,640

Misclassification—NIL

Excesss requiring regularisation—31,91,17,640

Percentage of Excess—1.87%

At the Budget Estimate Stage, Appropriation to the Funds was estimated at Rs. 1635.00 crores. A supplementary grant of Rs. 70.00 crores was obtained in November, 86 to meet the expenditure chargeable to Pension Fund on account of Pensionary liabilities for retired Railway Employees.

The excess of Rs. 31.91 crores was due to more Appropriation to Development Fund (Rs. 90.99 crores) partly offset by loss appropriation to Accident Compensation Safety and Passenger Amenities Funds (Rs. 0.58 crore) and surrender of funds at the final modification stage (Rs. 58.50 crores).

The excess was due to more Appropriation to DF as the actual surplus turned out being Rs. 101.99 crores for in excess of Rs. 69.00 crores anticipated at the Budget Estimate Stage and Rs. 11 crores at the Revised Estimates.

There is no misclassification under this grant and therefore, the excess requiring regularisation is Rs. 31,91,17,640/- (1.87%) i.e. the same as disclosed in the Appropriation Accounts. Audit while vetting the excess under this Grant have drawn attention to the comments in para 2.11.4 Grant No. 14.

(iv) Grant No. 16—Assets—Acquisition, Construction & Replacement—Other Expenditure.

While regularising the excess over Grant No. 16 in the Appropriation Accounts for 1984-85, the PAC, *vide* para 2.30 of their 57th Report 8th Lok Sabha (August/86) has recommended that the Ministry of Railways has no powers of Re-appropriation between Capital, Railway Funds & Revenue under this Grant. While there was a net excess of Rs. 23.95 crores with reference to Final Grant (No. 16), there was an excess of Rs. 57.47 crores under Capital and Saving of Rs. 31.99 crores,

and Rs. 1.53 crores under Railway Funds and OLWR vide the details given below :—

Revenue	Capital	Funds	Total	
(Rupees)				
Original Grant	249950000	38841285000	14817450000	53908685000
Supplementary Grant	—	1040468000	—	1040468000
Final Grant	249950000	39881753000	14817450000	54949153000
Actual Expenditure	234664447	40456438857	14497500278	55188603582
Excess(+) Savings (—)	(—)15285553	(+)574685857	(—)319949722	(+)239450582
Misclassification (within the Grant between capital & DRF)				Rs. 2,34,850
Excess				Rs. 57,46,85,857
Excess requiring regularisation				Rs. 57,49,20,707
Percentage				1.44%

A Grant of Rs. 5390.87 crores was obtained at the Budget Estimate Stage. A Supplementary Grant of Rs. 104.05 crores i.e. Rs. 0.42 crore in November, 1986 and Rs. 103.63 crores in March, 1987, was obtained to meet the increased expenditure mainly under Inventories, Rolling stock, Computerisation, Investment in Indian Railway Finance Corporation etc.

This Grant however, proved inadequate, the actual expenditure having exceeded the provision by Rs. 23.95 crores. Audit while vetting the excess under this grant have drawn the attention to their comments vide para 2.11.4. Grant No. 16.

1. In the circumstances explained above, the excess on the above grants may kindly be recommended for regularisation by Parliament under Article 115 (I) (b) of the Constitution of India.

2. It may be submitted that every care is taken (a) to assess the expenditure under various Grants/Appropriations as precisely as possible and (b) to obtain supplementary allotments, where necessary, so that excesses are avoided to the maximum extent possible.

3. This has been vetted by Audit.

The Chairman & Members of the Public Accounts Committee, New Delhi.

S. K. N. NAIR,
Executive Director (A/Cs.),
Ministry of Railways,
Railway Board.

APPENDIX XXIII

(Vide Para 1.10 of the Report)

Short-term trend in weighted @average Official Prices of OPEC CRUDE Vs. their Spot Assessment since June, 1980(Contd.)

Week Ending	OPEC'S WEIGHTED			Difference (+) Premium (-)Discount
	Average Official Price	Spot Assessment		
1	2	3	4	
4-4-85	27.53	27.00		-0.53
12-4-85	27.53	26.98		-0.55
19-4-85	27.53	26.93		-0.61
26-4-85	27.49	26.81		-0.68
2-5-85	27.49	26.61		-0.88
10-5-85	27.48	26.38		-1.10
17-5-85	27.40	25.94		-1.46
24-5-85	27.40	25.84		-1.56
19-7-85	27.40	25.88		-1.52
2-8-85	27.21	25.99		-1.22
9-8-85	27.24	26.03		-1.21
16-8-85	27.35	26.22		-1.13
23-8-85	27.39	26.31		-1.08
30-8-85	27.42	26.57		-0.85
6-9-85	27.42	26.69		-0.73
13-9-85	27.37	26.50		-0.87
20-9-85	27.37	26.50		-0.87
27-9-85	27.37	26.76		-0.61
4-10-85	27.41	26.52		-0.49
11-10-85	27.41	26.88		-0.53
18-10-85	27.43	26.89		-0.54
25-10-85	27.35	26.79		-0.56
1-11-85	27.32	29.79		-0.52
8-11-85	27.33	26.85		-0.48
15-11-85	27.33	27.02		-0.31
22-11-85	27.31	27.19		-0.12
29-11-85	27.00	27.02		-0.32
6-12-85	27.34	26.32		-0.95
13-12-85	27.28	26.28		-0.98

Source : Petroleum Intelligence Weekly.

1	2	3	4
20-12-85	27·26	26·32	-0·94
27-12-85	27·26	26·33	-0·93
3-1-86	27·26	26·16	-1·02
10-1-86	27·18	25·12	-1·89
24-1-86	27·01	20·27	-5·98
31-3-86	26·25	19·01	-6·90
7-2-86	25·91	17·80	-8·01
14-2-86	25·81	16·86	-8·60
21-2-86	25·46	16·25	-9·00
28-2-86	24·25	13·94	-10·40
7-3-86	24·34	13·18	-11·06
14-3-86	24·24	13·27	-11·02
21-3-86	24·20	12·11	-11·96
28-3-86	27·07	27·03	-0·56
4-4-1986			
11-4-1986	22·74	11·62	-11·12
18-4-1986	22·61	10·96	-11·65
25-4-1986	22·56	10·86	-11·70
2-5-1986	22·59	11·00	-11·59
9-5-1986	22·93	12·28	-11·65
16-5-1986	22·52	12·54	-9·98
23-5-1986	22·59	12·90	-9·68
30-5-1986	22·54	12·18	-10·36
6-6-1986	22·45	11·30	-11·15
13-6-1986	22·43	11·15	-11·28
20-6-1986	22·39	10·91	-11·48
27-6-1986	22·33	10·51	-11·82
3-7-1986	22·05	9·87	-12·18
11-7-1986	21·71	8·73	-12·98
18-7-1986	21·62	8·23	-13·39
25-7-1986	21·68	8·15	-13·53
1-8-1986	21·52	8·16	-13·36
8-8-1986	22·24	11·97	-10·27
15-8-1986	22·52	12·42	-10·10
22-8-1986	22·44	12·32	-10·12
29-8-1986	22·59	12·77	-9·82
5-9-1986	23·05	13·79	-9·26
12-9-1986	23·02	13·56	-9·46
19-9-1986	22·86	12·96	-9·93
26-9-1986	22·93	13·02	-9·91
3-10-1986	23·00	13·36	-9·64
10-10-1986	22·80	13·36	-9·44

1	2	3	4
17-10-1986	22·80	13·26	-9·54
24-10-1986	22·83	13·32	-9·51
30-10-1986	22·56	12·71	-9·85
7-11-1986	22·58	13·82	-8·76
14-11-1986	22·84	13·85	-8·98
21-11-1986			
28-11-1986	22·77	13·80	-8·97
5-12-1986	22·78	13·80	-8·98
12-12-1986	22·77	13·80	-8·97
19-12-1986	22·77	14·83	-7·94
26-12-1986	23·30	15·91	-7·40
2-1-1987	17·58	16·98	-0·59
9-1-1987	18·01	17·28	-0·73
16-1-1987	18·15	17·67	-0·48
23-1-1987	18·15	17·64	-0·52
30-1-1987	18·15	17·54	-0·61
6-2-1987	18·15	17·44	-0·71
13-2-1987			
20-2-1987	18·15	16·73	-1·42
27-2-1987	17·94	16·41	-1·53
6-3-1987	17·94	16·98	-0·96
13-3-1987	17·94	16·86	-1·08
20-3-1987	17·83	17·41	-0·42
27-3-1987	17·83	17·48	-0·35

APPENDIX XXIV

(Vide Para 1.21 of the Report)

EXPLANATION GIVEN BY THE DEPTT. OF SCIENTIFIC AND INDUSTRIAL RESEARCH ON INSTANCES OF UNUTILISED PROVISION, EXCESSIVE REAPPROPRIATION, LACK OF ADEQUATE PROVISION ETC. UNDER GRANT NO. 83

I. Explanation given on the need for provisions made in sub-heads at Sr. Nos. 2(i), 2(ii), 2(iii), 2(iv) and 2(v) of the Appropriation Accounts for 1986-87 which were substantially underutilised.

The budget provision under "Original Estimates" for sub-heads mentioned at Sr. Nos. 2(i), 2(ii), 2(iii), 2(iv), and 2(v) relate to plan budget—The "Original Estimates" for the plan budget are decided by the Planning Commission on the basis of the assessment of the physical and financial progress made by the various schemes in the past and the progress likely to be made during the ensuing financial year as reflected in the Annual Plan proposals. The budget provisions are decided 14-15 months before the end of the financial year for which the budget provisions are made. In the case of 5 budget heads referred to here, an amount of Rs. 80 lakhs was provided under "Original Estimates" by the Planning Commission on the basis of need, relevance and objectives of the scheme, on going commitments and the likely progress of the schemes with reference to the indications given in the Annual Plan proposals.

During actual operations, however, various uncertainties develop due to which it has not always been possible to make accurate forecast of the budget provision. On the basis of physical and financial progress made during the financial year, an assessment about the "Final Grant" figure is made in the first week of March. In the case of grant-in-aid schemes such assessment is made on the basis of number of grant-in-aid proposals received and those which are likely to be finalised after the observance of the prescribed procedure for their sanction. It may be mentioned here that all the budget heads referred to here are grant-in-aid schemes. In all these cases the number of cases finalised was less than the anticipated on account of which the total amount of "Final Grant" of Rs. 50 lakhs could not be spent and there was a saving of Rs. 16 lakhs approximately.

11. Explanation given on the question as to how funds were reappropriated at the time of determining final grants from the sub-heads mentioned at Sr. Nos. 2(vi), (3), (5) and (6) when the actuals were to the extent of original and revised estimates, and how the excess reappropriation of funds from sub-heads mentioned at Sr. No. 4 are justifiable.

In para (3) of the Annexure-V instances have been brought to notice where there is difference as between final grants and actuals and also as between provisions shown in BE and RE. Under Scientists' Pool the difference is shown as Rs. 30 lakhs, under "Research Schemes. . . ." as Rs. 30 lakhs, under "Industrial Research Association" as Rs. 55 lakhs and under "Pilot Plants" it is Rs. 10 lakhs. These figures add upto a sum of Rs. 1.25 crore. It needs to be pointed out that since the grant to CSIR is an amount which is somewhat fixed it becomes necessary to make adjustments as between various sub-heads depending on the actual flow of expenditure. When there is an excess of expenditure (i.e. excess over and above the grant given by Government). CSIR has only two ways of covering the deficit; one by requesting for additional amount as grant from Government under RE; and the other is to meet out of external cash flow/internal receipts. It may be mentioned that while deciding the grant Government takes into account the 'external cash flow receipts' and provide only the net amount. The gross expenditure of CSIR is thus comprising of Government grant and external cash flow.

APPENDIX XXV

(Vide Para 25 of the Report)

Extracts from Appropriation Accounts for 1986-87 in respect of Grant No. 93—public Works

	Original	After adding Suppl. Grant	Final Grant	Actual	Excess/ Savings + —
(Rs. in Lakhs)					
Major Head : 229					
A1(1) Direction	710.34	1395.57	767.35	675.69	(—)91.66
A2(1) Buildings	235.00	235.00	351.00	259.06	(—)91.94
A3(1) Repairs of Buildings—					
Charged	0.42	0.42	Nil	1.51	(+)1.51
Voted	1949.82	2218.82	2200.00	2126.86	(—)73.14
A3(2) Rent, Rates and Taxes	600.00	679.00	307.00	914.70	(+)113.13
A5 Public Works Workshop	28.00	28.00	29.90	34.86	(+)4.96
A7(1) Stock Suspense	5633.45	5633.45	5333.45	6225.25	(+)891.80
Major Head : 459					
AA1(1)(3) Home Affairs	750.00	750.01	1623.30	1535.02	(—)88.28
AA1(1)(8) Science and Technology	39.06	39.06	6.09	3.27	(—)2.82
AA1(1)(9) Mines	101.00	101.00	744.13	688.55	(—)55.58
AA1(1)(10) Agriculture	6.00	6.00	0.33	0.13	(—)0.20
AA1(1)(11) Supply	63.00	63.00	39.10	22.47	(—)16.63
AA1(1)(12) Communication	28.00	28.00	33.96	20.63	(—)13.33
AA1(1)(13) Statistics (Planning)	33.53	33.53	36.61	31.74	(—)4.87
AA1(1)(16) Non-conventional Energy sources	80.00	80.00	31.36	26.03	(—)5.33
AA(1)(17) Personnel and Admn. Reforms	30.00	30.00	35.51	27.56	(—)7.95

	Original	After adding suppl. Grant.	Final Grant	Actual	Excess(+) Savings(-)
Major Head : 477					
BB1(2) Culture . . .	1301.12	1301.12	186.00	143.79	(-)42.21
Major Head : 479					
CC1(1) Survey of India . . .	230.00	230.00	101.40	81.33	(-)20.07
CC1(2) Meteorology . . .	158.08	158.08	172.71	106.45	(-)66.26
CC1(3)(1) Environment . . .	172.00	172.00	65.43	89.09	(+)23.66
Major Head : 480					
DD(1) Central Govt. Health Scheme . . .	621.50	621.50	328.81	208.17	(-)120.64
Major Head : 495					
GG2 Labour . . .	25.40	25.40	61.86	49.47	(-)12.39
GG3 Employment . . .	102.16	102.16	135.91	85.31	(-)50.60
Major Head : 510					
II. 1 Cattle Development . . .	76.00	76.00	163.41	105.93	(-)57.48
Major Head : 511					
JJ.1 Other expenditure . . .	28.00	28.00	21.37	10.20	(-)11.17
Major Head : 535					
NN1(1) Other Expenditure . . .	177.19	177.19	68.70	93.53	(+)24.83

APPENDIX—XXVI

(Vide Para I.58 of the Report)

Cases whose supplementary grants/appropriations proved unnecessary

Sl. No.	Grant/Appropriation	Original	Amount of Grant/Appropriation		
			Supplementary	Actual Expenditure	Saving
1	2	3	4	5	6
Revenue-Voted					
(Lakhs of rupees)					
Ministry of Agriculture					
1.	9-Department of Fertilizers	173497.72	3600.00	173412.53	3685.19
Ministry of Environment and Forests					
2.	27-Environment.	7981.92	79.62	5255.38	2806.16
3.	28-Forests and Wild Life	7303.99	40.82	6199.99	1144.82
Ministry of Finance					
4.	36-Currency, Coinage and Mint	22777.35	1190.86	22583.61	1384.60
5.	38-Opium and Alkaloid Factories	4423.92	62.05	3546.59	939.38
6.	40-Other Expenditure of Ministry of Finance	114705.23	70.85	94587.36	20188.72
Ministry of Health and Family Welfare					
7.	45-Medical and Public Health	32026.54	1000.07	31084.08	1942.53
8.	46-Family Welfare	57381.45	1151.30	56419.22	2113.53
Ministry of Planning					
9.	77-Planning	880.32	67.00	856.64	90.68
Ministry of Science and Technology					
10.	80-Department of Science and Technology	8302.60	122.86	7337.08	1088.38
11.	82-Meteorology	2733.03	88.00	2703.99	117.04
Ministry of Transport					
12.	89-Ports, Lighthouses and Shipping	13643.68	70.00	10545.60	3168.08
13.	90-Road and Inland Water Transport	1418.52	2.00	441.60	978.92

1	2	3	4	5	6
Department of Atomic Energy		(Lakhs of Rupees)			
14. 99-Department of Atomic Energy .		149.80	4.20	148.59	5.44
15. 100-Atomic Energy Research Development of Industrial Projects .		21814.47	267.36	21218.10	863.73
Capital-Voted					
Ministry of External Affairs					
16. 29-Ministry of External Affairs .		6555.00	1512.00	6401.60	1665.40
Ministry of Transport					
17. 88-Roads		33743.43	2207.79	33677.14	2274.08
18. 89-Ports, Lighthouses and Shipping		30672.11	22.05	26806.67	3887.49
Ministry of Urban Development					
19. 93-Public Works		7511.06	142.92	6621.59	1032.39
Revenue-Charged					
Ministry of Transport					
20. 88-Roads		—	3.29	—	3.29

APPENDIX XXVII

(Vide Para 2.2 of the Report)

Action Taken by Govt. on recommendations continued in 106th Report of PAC (8th Lok Sabha)

(i) OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendations

The Committee note that during the year 1985-86 excess expenditure amounting to Rs. 441.72 crores had occurred under 29 Grants/Appropriations as against the excess expenditure of Rs. 64.87 crores incurred under 9 Grants/Appropriations during 1984-85. While examining the excess expenditure incurred during 1984-85, the Committee had in their 57th Report (8th Lok Sabha) expressed satisfaction over the declining trend of excess expenditure and had hoped that the declining trend would be sustained. The Committee, however, are surprised to find that the position has deteriorated so soon. The excess expenditure during 1985-86 registered an increase by 581% over that incurred during 1984-85. The Committee feel that the Budget estimates were made without examination of fund requirements by the Ministries giving rise to excess expenditure. Neither at the revised estimates stage nor at the supplementary grant stage could the Ministries assess their actual needs under various grants operated by them. Normally, bulk of supplementary provisions are made at the fag end of the year and the Ministries have sufficient time, before presentation of the Supplementary Demands to the House, to collect necessary data for accurately estimating their actual requirements. There should, therefore, be no reason for any significant excess expenditure being incurred. The problem of excess expenditure can be tackled effectively only by keeping close watch over the trend of expenditure through continuous and effective monitoring of the spending vis-a-vis budgetary allocations.

[Sl. No. 1—Appendix XIX—Para 1.16 of the 106th Report of the Public Accounts Committee (8th Lok Sabha)]

Action taken by Ministry of Finance

Observations made by the Public Accounts Committee have been circulated amongst Ministries/Departments/Financial Advisers for compliance vide this Ministry's O.M. No. 12(3)—(Coord)/88(i) dated 26th July, 1988 (Copy enclosed).

This has been vetted by audit.

[Ministry of Finance Department of Expenditure, F. No. 12(3)-E (Coord)/88 dated 31st August, 1988].

COPY,

No. 12(3)-E. Coord/88-(i)

Government of India

Ministry of Finance

Department of Expenditure

New Delhi, the 26th July, 1988

OFFICE MEMORANDUM

Subject : 106th Report of PAC (8th Lok Sabha) relating to excesses over voted grants/charged appropriations (1985-86) and action taken on 57th Report (8th Lok Sabha) on excesses over voted grants/charged appropriation (1984-85)—recommendations made in Para 1.16 of Appendix XIX.

The undersigned is directed to forward herewith for information and necessary action an extract of recommendation* No. 1.16 (Appendix XIX) of the Report of Public Accounts Committee mentioned above.

2. It would be seen therefrom that the Committee has expressed their surprise and concern over the deteriorating position as regards the excess expenditure over the voted grants/charged appropriations and has once again emphasised the need for strict remedial measures. These may please be noted for compliance.

Attention in this connection is invited to this Ministry's O.M. No. 12 (17)-E(Coord)/78, dated 31st March, 1979 (copy enclosed for ready reference) wherein the Ministries/Departments were asked to ensure that the aggregate amount of expenditure is confined to the amount authorised by Parliament under various voted grants/charged appropriations so as to avoid excess over such amounts. Attention is also drawn to this Ministry's O.M. No. 12(4)-E(Coord)/86-(i), dated 7th January, 1987 (copy enclosed for ready reference) wherein Ministries and Departments were asked to tighten their financial control and ensure that the declining trend is sustained and that the excess expenditure is eliminated altogether.

3. As directed by the Committee, all the Ministries/Depts. etc. are once again requested to tackle the problem of excess expenditure effectively by keeping close watch over the trend of expenditure through continuous and effective monitoring of the spendings vis-a-vis the budgetary allocations and not to allow this phenomenon to recur.

M. S. MATHUR,
Director (Coord.)

All the Ministries/Depts. of the
Govt. of India.

All Financial Advisers including Finance Commission.

*Reproduced above.

No. 12(7)-E(Coord)/78

Government of India

Ministry of Finance

Department of Expenditure

New Delhi, the 31st March, 1979

OFFICE MEMORANDUM

Subject : 104th Report of the Public Accounts Committee (6th Lok Sabha) (1978-79) regarding excess over voted Grants and Charged Appropriations.

The undersigned is directed to forward herewith for information and necessary action the extracts of Para 2.4 (Recommendation No. 2) in Appendix XVII of the report of the Public Accounts Committee mentioned above. It will be seen that the Committee have expressed satisfaction that there was a noticeable reduction in the excess expenditure disclosed in the Appropriation Accounts (Civil) during the year under review, viz., 1976-77 as compared to the previous two years. The Committee desire that sustained endeavours would be made by the Ministries/Departments to ensure that the position is not allowed to deteriorate. The Committee also expect that with the introduction of the Scheme of Inegrated Financial Advisers and Separation of Accounts from Audit, the position would improve further.

2. In view of the observation made by the Public Accounts Committee, the Ministries/Departments are requested to ensure that the aggregate amount of expenditure is confined to the amounts authorised by the Parliament under various Voted Grants and Charged Appropriations, so as to avoid any excess over such amounts.

Sd/-

(G. S. RATHIE)

Deputy Secretary to the Govt. of India

To

All Ministries/Departments of the Government of India.

All Financial Advisers including FA (Defence) and

Financial Commissioner (Railways).

Extracts of Para 2.4 (Recommendation No. 2) in Appendix XVII of the Public Accounts Committee (1978-79) (Sixth Lok Sabha)-104th Report—regarding Excess over voted Grants and Charged Appropriations.

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2.4 The Committee note with satisfaction that there was a noticeable reduction in the excess expenditure disclosed in the Appropriation Accounts

(Civil) during the year under review, viz., 1976-77 as compared to the previous two years. The aggregate amount of expenditure incurred in excess of the amounts authorised by Parliament under various Voted Grants and Charged Appropriations has shown a downward trend in that it aggregated Rs. 230.32 crores in 1974-75, Rs. 59.39 crores in 1975-76 and Rs. 20.65 crores in 1976-77. The Committee trust that sustained endeavours would be made by the Ministries/Departments to ensure that the position is not allowed to deteriorate. The Committee also expect that with the introduction of the Scheme of Integrated Financial Advisers and Separation of Accounts from Audit in stages during April, July and October, 1976, the position would improve further.

** ** ** ** **

No. F.12(4)-E.(Coord)/86-(i)

Government of India

Ministry of Finance

Department of Expenditure

New Delhi, the 7th January, 1987

OFFICE MEMORANDUM

Subject : 57th Report of the Public Accounts Committee (8th Lok Sabha) (1986-87) regarding excess over voted grants and Charged Appropriations (1984-85)—Recommendation made in Para 2.6 of the Report.

The undersigned is directed to forward herewith for information and necessary action an extract of Para 2.6 (recommendation No. I in Appendix-X) of the Report of the Public Accounts Committee mentioned above. It will be seen that the Committee have expressed satisfaction that there was a noticeable decline in the aggregate amount of excess expenditure as well as in the number of Grants/Charged Appropriations that recorded excess expenditure during the year 1984-85 as compared to the previous years. The Committee expect that the Ministries/Departments would further tighten their financial control and see that the declining trend is sustained and that the excess expenditure being eliminated altogether.

Sd/-

(M. S. MATHUR)

Director.

To
 All Ministries/Departments of the Govt. of India
 All Financial Advisers including Financial Commissioner,
 Railways.

Extract of Para 2.6 (Recommendation No. I in Appendix-X) of the 57th Report of the Public Accounts Committee (8th Lok Sabha) (1986-87).

The Committee are glad to observe that during the last five years, i.e., 1980-81 to 1984-85, there was noticeable decline in the aggregate amount of excess expenditure as well as in the number of Grants/Charged Appropriations that recorded excess expenditure during the year 1984-85. The excess expenditure of Rs. 462.69 crores was at its peak during 1981-82 and it was reduced to Rs. 64.87 crores during 1984-85. The number of grants which registered excess expenditure during the years 1980-81, 1981-82, 1982-83 and 1983-84 were 27, 20, 21 and 12 respectively, while the number of grants which registered excess expenditure during 1984-85 were 9. It would seem that the Ministries/Departments of Govt. of India have begun to realise that excess expenditure is tantamount to unauthorised expenditure and lack of financial discipline. The Committee hope that the Ministries would further tighten their financial control and see that the declining trend is sustained. The Committee of course would like to see excess expenditure being eliminated altogether.

II. Action taken by Ministry of Defence

In so far as Defence Services are concerned, the Appropriation Accounts for 1985-86 reveals excess of Rs. 104.58 crores. This has mainly under Army (Rs. 22.91 crores), Air Force (Rs. 57.37 crores) and Capital Outlay on Defence Services (Rs. 24.30 crores).

2. Instructions already exist for framing the Defence Budget Estimates on realistic basis depending on the requirement and to exercise a close and constant watch over the trend of expenditure with reference to the sanctioned grant. Further, to overcome the shortcomings in the control of expenditure, instructions of Secretary 'E' were also circulated to all concerned under our U.O. No. 4073/BI/86 dated 6-4-86 (copy enclosed) for strict compliance. In addition the progress of Defence expenditure is analysed periodically in order to keep a close watch on the trend of expenditure. Also instruction have been issued by Defence Secretary to all the three Chiefs of Staff, SA to RM to exercise utmost possible care to control the expenditure.

3. In addition to above, recommendations contained in 106th report of the PAC (8th Lok Sabha) Sl. No. 2, Para 1.17, in the context of effective monitoring of expenditure have been circulated to all concerned. Specific instructions based on the recommendations of PAC for regular and surprise check of Senior Officers to watch the compliance of instructions regarding Preparation/Monitoring/Review of Defence Expenditure have been issued vide our UO No. 2786/BI/88 dated 15-7-1988 (Copy enclosed) to various estimating/controlling authorities for strict compliance.

4. DADs has seen.

[File No. 10(1)/BI/88-PC-I]

COPY

Ministry of Defence (Finance)

Budget-I

Subjects :—Instructions regarding Budgetary control and restrictions in respect of proposals for Supplementary Demands.

A copy of Ministry of Finance, Department of Expenditure OM No. 10(4)-E(Coord)/85, dated 27-3-1986 on the above subject is circulated herewith. Your kind attention is drawn to para 7 of the above Office Memorandum to strictly conform to those instructions.

Sd/- (KRISHAN LAL)
A. F. A. (Budget)

All. Jt. Secretaries, C.G.D.A.

All. Addl. FAS.

Directors of Financial Planning (Army, Navy & A.F.)

Director of R&D (RD Budget)

Director (P&C), Department of Defence Production

PO (P&F)

DG-I (Adm. 14)

All, DFAs.

U.O. No. 4073/B-I/86, dated 6-4-1986.

No. 10(4)-E(Coord)/85

Government of India

Ministry of Finance

(Department of Expenditure)

New Delhi, the 27th March 1986

OFFICE MEMORANDUM

Subject :—Instructions regarding Budgetary control and—restrictions in respect of proposals for Supplementary Demands.

The Ministries/Departments are aware that regulations of expenditure is achieved basically through the instrumentality of the Budget. The annual budget exercises determine the areas and quantum of Government expenditure as also the areas and quanta of resources to be raised for meeting such expenditure. The budget as significant effects on the economy including through the size of the uncovered deficit if any. Resources raising to meet the expenditure requirements is normally an annual exercise and taxation measures are taken only once a year.

2. The requirements of funds for expenditure in the ensuing year are prepared by the Subordinate/Attached Offices and the Government Departments in accordance with the general instructions issued by the Ministry of Finance from time to time. Non-Plan requirements are required to be scrutinized by the administrative Ministries/Departments and by the Finance Wings before the estimates are finalised. In regard to plan expenditure, administrative Ministries make their projections for development needs/schemes to the Planning Commission. Such projections are usually of a very large magnitude. The Planning Commission carry out a detailed examination of the proposals, considering the needs of the development and spending capabilities of the Department and make final allocations with reference to the available resources. It has, however, been generally noticed that in preparation of the budget estimates, the administrative Departments do not always subject the requirements of non-plan expenditure and that of schemes/projects to detailed examination.

3. Another feature noticed is that non infrequently token provisions are included in the budget for the schemes which have not been formulated or considered in detail. Such provisions are made to provide for an entry in the budget pending detailed thinking and formulation of the schemes. This practice leads to large provisions of funds being asked for during the course of the year.

4. The shortcoming in the process of preparing budget result in inadequate provisions being made at the time of preparing annual budget and year after year supplementary demands for large amounts becomes necessary. The administrative Ministries/Departments have come to consider the annual budget as the first projections of the requirements of funds to be supplemented later by Supplementary Demands. Such proposals are made shortly after the budget is passed by the Parliament. This practice makes it difficult to make a reasonably correct assessment of the expenditure requirements for the year with reference to the available resources. It also militates against the budget being treated as an instrument of control and regulation of expenditure.

5. The annual budget is prepared and allocations made taking into account the available resources and the extent to which the Government is prepared to provide the deficit. The additional demands at the supplementary stage go to add to the deficit and is an indicator of the budget not being framed carefully. Therefore, once the budget is framed, the Ministries/Departments should regard the provision in the budget whether plan or non-plan as the maximum amount of resources available to them and manage their affairs within those limits. In case where owing to the constraint of resources reduced allocations are made in the budget, the administrative Ministries/Departments should critically examine the programmes, contents and activities and reorder priorities to manage within the allocations rather than come up with proposals for supplementary demands. Hard decisions in this regard need to be taken rather than opting for the soft option of asking for the supplementary demands.

6. Another area of concern has been large time and cost over runs in the implementation of schemes/projects. The preparation of estimates of the schemes/projects does not always get the attention it should. Preliminary details like investigation of soil conditions, precise know-how needs, technical and design requirements, provision of all the necessary facilities including plant and machinery to achieve the targeted capacities are not fully worked out. The tie up with consultants, where necessary, is not done in advance nor detailed planning carried out to finalise the design, civil and structural and plant and machinery requirements. Changes in the various parameters of the project are continued along with the progress of the implementation of the project. The estimates are also sometimes deliberately kept at reduced levels to obtain an investment decision and proposals are made for increase in the estimates after having made commitments, leaving no option to the sanctioning authorities. The revised cost estimates of the projects presented to PXB indicate that time and cost over runs are largely due to the defects in preparation of the estimates involving under-estimation, under-provisioning and omissions. Instructions have been issued from time to time about framing of the estimates on a realistic basis. A system of two stage clearance of projects has also been introduced so that the final investment decisions are taken on the basis of detailed estimates, after technical and design parameters are firmed up, the requirements of civil and structural works, plant and machinery are assessed with reasonable degree of accuracy. Instructions also exist that in case where it appears that the projects costs are to exceed the sanctioned estimates, the proposals for revised estimates should be submitted to the appropriate sanctioning authority for sanction soon after the possibility of excess over sanctioned costs comes to notice so that the cases of revised estimates are considered much in advance of the commitments being made and various options are examined. However in actual practice, the proposals for provision of cost estimates are inordinately delayed and expenditure is continued in an irregular manner beyond the sanctioned cost of the project. Quite often, the revised cost estimates are submitted to the sanctioning authority-EEC/PIB/Cabinet after the completion of the project or when most of the commitments have already been made. The commitment of resources not originally envisaged with charges in scope of the project deprives other essential projects/schemes of the resources, adversely affecting the entire development effort in a planned manner according to laid down priorities.

7. To overcome these shortcomings in the control of expenditure, it has been decided with the approval of the Cabinet that :—

(i) Supplementary demands should be severely restricted and confined to genuine unforeseen expenditure which could not be envisaged at the time of preparing the annual budget or to meet the requirements of decisions or developments taking place after the approval of the budget i.e.

in respect of post budget decisions and not for continuing schemes and programmes.

(ii) Funds for projects/schemes beyond the sanctioned estimates should not be released till the revised estimates are considered and sanctioned by the sanctioning authority.

8. Ministries/Departments are requested to strictly conform to these instructions.

Sd/-

(R. GANAPATI)

Secretary to the Govt. of India.

To :

All Ministries/Departments of the Government of India
Etc., etc.

Ministry of Defence (Finance)
Budget-1

Subject :—Preparation/Monitoring/review of Defence expenditure

All the estimating authorities/Services Headquarters etc. are aware that the annual budget is prepared and allocation made taking into account the available resources. The annual budget is sometimes regarded as the first projection of the requirement of funds to be supplemented later by Supplementary Demands. Such proposals are made shortly after the budget is passed by the Parliament. This practice militates against proper budgetary control and control of expenditure. The annual budget exercises determine the areas and quantum of Government expenditure as also the areas and quantum of resources to be raised for meeting such expenditure. As such the necessity of projecting the budgetary requirement on a realistic basis periodically by all concerned and the need for constant monitoring of the trend of expenditure with a view to review/revise the requirement of funds during various stages of the year has already been emphasized time and again and necessary instructions also issued from time to time all concerned to scrupulously conform to the budgetary provisions and formulating the budget estimates most realistically.

2. The Public Accounts Committee vide para 1.17 of their 106th Report have observed that mere issue of instructions is not enough if there is no effective monitoring machinery to ensure their strict implementation. In this connection attention is invited to our UO No. 1964/BI/88 dated 27-4-1988. The Committee has desired that regular and sometimes surprise checks by Senior Officers are essential to ensure that instructions are strictly followed and the relevant registers/records are also maintained properly by the Offices concerned. No slackness on the part of the staff in this matter should be tolerated. The Departmental heads must, therefore, ensure that checks of both types mentioned above

are carried out and regular assessment on trend of expenditure made and corrective action taken with promptitude.

3. It is once again impressed upon all concerned that budgetary estimates both under 'Charged' and 'Voted' Heads should be prepared with utmost care taking into account the past trend and existing factors. The trend of actual expenditure under both heads during the financial year should also be monitored closely and reflected in the Supplementary Demands/Modified appropriation and other budgetary exercises so that there are no excesses/surrenders subsequently.

4. Once budget has been approved it is necessary to contain expenditure within it for which adequate control measure must be there. Argument that expenditure is "Mandatory" and has to be incurred irrespective of budget provision is not valid. It is, therefore, requested that utmost care should be taken while formulating budget proposal/estimates and reviewing the progress of expenditure *vis-a-vis* sanctioned budget grants. The expenditure should also be carefully monitored from time to time and the instructions in this regard should be strictly followed.

A. K. GHOSH
Addl. F.A. (G)

All Joint Secretaries

DFP (Army, Navy and Air Force)

DP&RM, Dir. P&C/PO (PP&BE), DGOA (Admn. 14)

U.O. No. 2786/B-I/88 dated 15-7-1988

Copy to all Dirs./DFAs.

III. Action taken by Deptt. of Telecommunications

As far as the Department of Telecommunications is concerned the declining trend in regard to excess over grants continued during 1985-86 also, and, in fact, there was no excess during the subsequent year 1986-87, as will be seen from the table below :

	(Amount in crores of Rs.)
1984-85	20.23
1985-86	2.17
1986-87	NIL

This has been vetted by Director of Audit, P & T vide their U.O. RR-III/1(b) 400/85-86 Telecom/95 dated 13-6-88.

[File No. 6-2/88-CB]

IV. Action taken by Ministry of Railways

The observations of the Committee have been noted and conveyed to the General Managers of the Zonal Railways to be carefully noted and reiterated to all Budget units under their control.

The General Managers have been instructed to properly utilize the Expenditure Control Machinery to see that no expenditure that is

not covered by Budget allotment is allowed to be incurred. They are also required to ensure that the savings expected under various heads are more accurately forecast and advised to proper authorities well in time to avoid lapse of funds and to allow its diversion to other important and needy sectors.

This has been seen by Audit.

[Ministry of Railways (Rly. Bd)'s case No. 87-B-342/1]

Recommendation

The Committee are informed that instructions have been issued to all concerned for framing budget estimates on realistic basis. But mere issue of instructions is not enough if there is no effective monitoring machinery to ensure their strict implementation. Regular and sometimes surprise checks by senior officers are essential to ensure that the instructions are strictly followed and the relevant registers/records maintained properly by the offices, sub-offices, etc., of the Ministries. No slackness on the part of the staff, in this matter, should be tolerated. The Departmental heads must ensure that checks of both types mentioned above are carried out and regular assessment on trend of expenditure made and corrective action taken with due promptitude.

[S. No. 2—Appendix XIX—Para 1.17 of the 106th Report of the Public Accounts Committee (8th Lok Sabha)]

(i) *Action taken by Ministry of Finance*

Observations made by the Public Accounts Committee have been circulated amongst Ministries/Departments/Financial Advisers for compliance vide this Ministry's O.M. No. 12(3)E-Coord/88(ii), dated 26th July, 1988 (Copy enclosed).

This has been vetted by audit.

[Ministry of Finance, Department of Expenditure F. No. 12(3)-E(Coord)/88 dated 31st August, 1988)]

No. 12(3) E. (Coord)/88-(ii)

Government of India/Bharat Sarkar
Ministry of Finance/Vitta Mantralaya
Department of Expenditure/Vyaya Vibhag

New Delhi, the 26th July 1988

OFFICE MEMORANDUM

Subject : 106th Report of PAC (8th Lok Sabha) relating to excesses over voted grants/charged appropriations (1985-86) and action taken on 57th Report (8th Lok Sabha) on excesses over voted grants/Charged appropriations (1984-85)—recommmendation made in para 1.17 of Appendix XIX.

The undersigned is directed to send herewith for information and necessary action an extract of recommendation No. 1.17 (Appendix XIX) of the Report of the PAC mentioned above.

2. It would be observed therefrom that the PAC have taken an adverse note of the functioning of monitoring machinery as regards framing of budget estimates on realistic basis. Attention in this connection is invited to para 2 of this Ministry's O.M. No. 12(4)E-Coord./86(ii) dated 8th June, 1987 wherein all concerned were asked to ensure that there is neither considerable shortfalls in expenditure nor unforeseen excesses devolved. Further, for achieving the objective of framing budget estimates on realistic basis, the Financial Advisers were to ensure that prescribed rules and procedure and such other steps, as may be considered necessary be followed by the Ministries/Departments with which they are concerned.

3. As observed by the Committee, all the Ministries/Departments and Financial Advisers are requested to strictly follow the system of checks and balances to regulate the expenditure *vis-a-vis* the budget grants.

Relevantly, attention is also drawn to the following communications with the request that action may be taken to control and contain the expenditure within the budget allocations :—

- (i) Secretary 'E's D.O. letter No. 16(9)-B(CDN) 88 dated 24th March, 1988, (copy enclosed).
- (ii) Cabinet Secretary's D.O. letter No. 16(18)-B(CDN)/88 dated the 4th May, 1988, (copy enclosed).

Sd/-
(M. S. MATHUR)
Director

To

All the Ministries/Departments.

All the Financial Advisers including Financial Commissioner, Railways.

No. F. 12(4)E(Coord)/86-(ii)
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE

New Delhi, the 8th January 1987

OFFICE MEMORANDUM

Subject : 57th Report of the Public Accounts Committee (8th Lok Sabha) (1986-87) regarding excess over voted Grants and Charged Appropriations (1984-85)—Recommendation made in Para 2.9 of the Report.

The undersigned is directed to say that the Public Accounts Committee had been commenting on the tendency of under-utilisation of

funds ear-marked for some of the vital sectors of the economy thereby not only slowing down development in these sectors but also depriving the other important sectors of the much needed resources for development. Attention in this connection is invited to this Department's O.M. No. F. 12(7)E (Coord)/85 Vol. II dated 25th Feb., 1986. The Committee have again expressed their unhappiness over large scale savings in some of the vital sectors of the economy vide Para 2.9 of the recommendation contained in the above Report.

2. With the introduction of the Scheme of Integrated Financial Advisers, the responsibility of framing Budget Estimates on a realistic basis as also post-budget vigilance to ensure that there is neither considerable short falls in expenditure nor unforeseen excesses devolve on the Financial Advisers. For achieving this objective, the Financial Advisers may ensure that the prescribed rules and procedures and such other steps as may be considered necessary are followed by the Ministries/Departments with which they are concerned.

3. Ministries/Departments/Financial Advisers are requested to note the observations made by the Public Accounts Committee for compliance. Financial Advisers are also requested to send Action Taken Notes to the Public Accounts Committee apprising of the measures proposed to be taken in the matter.

Sd/-

(M. S. MATHUR)

Director

To

1. All Ministries/Departments of the Govt. of India.
2. All Financial Advisers including Financial Commissioner for Railways.

D.O. No. F.16(9)-B(CDN)/88

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

New Delhi, the 24th March, 1988

R. R. GUPTA

Secretary (Expenditure)

Subject : Measures to effect economy in expenditure.

Dear Shri

I am writing this in pursuance of the letter from the Minister of Finance to your Minister on the need to continue measures to effect

economy in expenditure and contain budget deficit in the next year. As Minister of Finance has stated the Ministries will have to contain the expenditure within the Budget allotments for 1988-89 and requests for additional funds will not be entertained.

In this context it is considered that special attention should be paid to the following areas :

Travel

Budget provision for travel should be split into external travel and internal travel and expenditure under each should be regularly monitored. The recent increase in Railway fares should be kept in view and travel programmes should be adjusted. The provision under this head should not be augmented by diversion of funds from other heads.

Office Expenses

The provision for office expenses should not also be allowed to be exceeded on the grounds of increase in postal, railway rates and other increases in costs.

Fixtures and Furnishings

New fixtures and furnishings should not be purchased solely because of change in incumbents. The approved scales for furnishings should be strictly adhered to.

Telephones

The instructions contained in this Ministry's OM No. 7(12)E-(Coord)/87 dated 28th October, 1987 should be scrupulously observed. Further, in view of the recent increase in telephone rentals and call charges, Ministries/Departments should effect a reduction of 20% in the number of telephones paid for by them by installing PB exchanges and thereby reducing direct lines.

Staff Cars

In view of the increase in cost of fuel the use of staff car should be regulated to conserve fuel and also the life of the car. The expenditure on P.O.L. should not exceed the level of expenditure in 1987-88. Purchase of new vehicles will not be permitted unless they are in replacement. In respect of officers who are permitted to use the staff car for journeys to and from residence, pooling arrangements should be made so that frequent trips in the same direction are avoided.

Casual Labour

The existing instructions in regard to engagement of casual labour should be strictly followed and casual labour should not be employed to do continuing work. Normally, the employment should not exceed 6 months.

Where the work is of limited duration feasibility of its being given out on contract basis should be considered.

Official Lunches and Dinners

Official dinners and lunches should be generally avoided. In exceptional cases where these have to be hosted they should not be lavish and the expenditure should be kept to the minimum.

Publicity and Publications

The various publications brought out and publicity programmes should be reviewed and suitably readjusted taking into account the increase in costs. Government departments and public sector undertakings should not incur expenditure on bringing out diaries and calendars.

Festivals, Fairs and Exhibitions

Ostentatious expenditure on festivals, fairs and exhibitions should not be permitted. The normal programme of fairs, festivals and exhibitions should be reviewed and only those of high priority should be continued. Expenditure should be carefully scrutinised and all in-essential items should be cut out.

Training Seminars and Conferences

While training programmes organised according to cadre training plans or on subjects like training of trainers, for upgradation of skills like use of computers, project formulation, etc. may continue, the desirability of discontinuing other training programmes should be considered, specially in view of the increase in travel costs. This will equally apply to internal seminars and conferences.

International Conferences

Unless there is an international commitment, hosting of international conferences should be avoided. No international conferences should be held without specific approval of the Minister-in-charge and the Cabinet Secretary.

Maintenance

While essential maintenance of Government buildings may be undertaking in 1988-89, improvements to existing flooring, walls, panelling etc. to cater to personal preferences are prohibited.

Creation of Posts and Revision of Pay Scales

The existing orders on ban on creation of posts and filling up of vacancies should be strictly followed. Ministries/Departments should not sponsor proposals for revision of pay scales or increase in salaries unless these are matched by increased earning or savings by reduction in posts.

Releases to State Governments, Public Enterprises, Autonomous bodies etc.

The releases of funds to State Governments, Public Enterprises, Autonomous Bodies etc. should be strictly according to budget provision and immediate needs, and after full justification of release with reference to existing instructions on the subject.

Grant-in-aid Institutions

All the Grant-in-aid institutions should be instructed to increase their receipts and reduce their man-power and other costs. No additional funds over the budget allocation should be provided to them under any circumstances. This may be made clear to the various institutions/bodies now itself.

Re-appropriations

All the extant instructions regarding re-appropriation of funds including the restrictions imposed in the current year will continue next year also.

Prioritisation of programmes and activities

The reports received from various Ministries/Departments in response to my letter No. 11(5)-W&M/87 dated 2nd July, 1987 have by and large shown that the Ministries/Departments have either not prioritised their programmes or even after prioritising have not given up any existing programme or activity. As it will not be possible to provide any additional funds next year, some re-adjustments will be inevitable and the Ministries/Departments are advised to plan their areas of expenditure accordingly so as to avoid any mid-year embarrassment.

Receipts

Ministries/Departments should carefully monitor the receipts which have been budgeted for 1988-89 and ensure that defaults do not take place. Any default in payment of interest or repayment of loan by public sector enterprises should be promptly reported to the Ministry of Finance. Where the scales of fees/receipts have not been revised for some time these should be revised immediately, taking into account the increase in costs.

Scientific Departments

These instructions apply to Scientific Departments as well.

Public Enterprises

These instructions should be, *mutatis mutandis*, observed by Public Enterprises especially in areas like increase in wages, increase in operating expenses, travel, expenses on guest-houses, regional offices etc.

The Public Enterprises should specially review the existing size of administrative offices located outside their places of production and bring about a substantial reduction in the expenses of these offices.

Autonomous Bodies

These instructions apply to Autonomous Bodies substantially financed by Government.

The above instructions which have been approved by Finance Minister may kindly be noted for strict compliance and I may kindly be kept informed of the action taken.

Yours sincerely,
Sd/-
(R. R. GUPTA)

Shri
Secretary,
Ministry/Department

D. O. No. F. 16(18)-B(CON/88)
CABINET SECRETARY
NEW DELHI, May 4, 1988

Dear Shri

As you are aware, the overall deficit of Rs. 7484 crores in the current year's budget has been left as uncovered. Prime Minister has desired that the budgetary deficit should be contained, and towards this end, the expenditure of the various Ministries/Departments should not be allowed to exceed the budgeted level. Finance Minister has already written to your Minister on the need to keep a strict vigil on the expenditure. Secretary (Expenditure) has also indicated to you the areas which require special attention to achieve economy in expenditure. I hope that you would have taken by now necessary steps to comply with these instructions.

2. No requests for supplementary demands will be entertained in the current year unless these are *matched by savings or improved receipts*. It has been observed in this connection that, in the past, the matching savings against additional revenue expenditure were usually located by the Ministries in the provisions made for capital expenditure. This practice only adds to revenue deficit and should not be encouraged. In fact, our endeavour from now on should be to reduce the revenue deficit in Central Government's Budget. This will require that the Ministries/Departments

should made a serious attempt to prioritise their revenue programmes and schemes and draw up a phased programme for eliminating, by 1989-90, schemes of lower priority so that the revenue expenditure of the Department does not grow from the current year's level.

3. Another area which deserves urgent attention is the scales of fees/charges for various services especially in the social services sector. These should be reviewed to ensure that the cost of services are adequately covered. In cases where it is considered necessary to continue subsidised rates for weaker sections of society, the cost should as far as possible be met by cross subsidisation within the sector. There need not be any apprehension that if receipts are improved by Departments, the budgetary provisions for them will be correspondingly cut from the existing levels. In fact, it is only by improving receipts that the Departments will from now on be able to meet the cost increases that may arise from time to time.

4. I shall be thankful if necessary action in regard to paragraphs 2 & 3 which apply equally to autonomous bodies substantially funded by Government and also Scientific Departments in Government is initiated immediately. The progress made in controlling expenditure, improving receipts and identifying low priority areas of expenditure may be reported to me on a monthly basis. The first report should reach me by 15th June, 1988.

Yours sincerely,

Sd/-

(B. G. DESHMUKH)

To

The Secretaries and officers
as per the list with Secretary
(Expenditure)

(ii) *Action taken by Ministry of Railways*

The observations of the Committee have been noted and conveyed to the General Managers of the Zonal Railways to be carefully noted and reiterated to all Budget units under their control.

The General Managers have been instructed to properly utilize the Expenditure Control Machinery to see that no expenditure that is not covered by Budget allotment is allowed to be incurred. They are also required to ensure that the savings expected under various heads are more accurately forecast and advised to proper authorities well in time to avoid lapse of funds and to allow its diversion to other important and needy sectors.

This has been seen by Audit.

[Ministry of Railways (Rly.Bd)'s case No. 87-B-342/1]

COPY
GOVERNMENT OF INDIA
MINISTRIES OF RAILWAYS
(RAILWAY BOARD)

No. 87-B-342/1

New Delhi, dated 5th May, 1988

The General Managers,
 All Indian Railways.

Sub : Excess/Savings in Actuals over Budget Estimates, 1985-86.

Attention is invited to this Ministry's letter No. 86-B-342/1 dated 8-6-1987 regarding Public Accounts Committee's observations contained in their Fifty Seventh Report for the year 1984-85 relating to excess/saving under different Grants and various instructions issued by this Ministry in this regard.

In their One Hundred and Sixth Report, for the year 1985-86, the Public Accounts Committee have observed as under.

“mere issue of instructions is not enough if there is no effective monitoring machinery to ensure their strict implementation. Regular and sometimes surprise checks by senior officers are essential to ensure that the instructions are strictly followed and the relevant registers/records maintained properly by the offices and sub-offices etc., of the Ministries. No slackness on the part of the staff, in this matter should be tolerated. The Departmental heads must ensure that checks of both types mentioned above are carried out and regular assessment on trend of expenditure made and corrective action taken with due promptitude.”

The above observation of the Public Accounts Committee may be carefully noted & reiterated to all Budget units under your control.

The Board desire that the Expenditure Control Machinery working on your Railway should be properly utilized to see that no expenditure that is not covered by Budget allotment is allowed to be incurred. It should be ensured that the savings expected under various heads are more accurately forecast and advised to proper authorities well in time to avoid lapse of funds and to allow its diversion to other important and needy sectors.

Please acknowledge receipt.

Sd/-
 (P. V. VASUDEVAN)
 Executive Director, Finance (Budget)
 Railway Board.

(iii) *Action taken by Deptt. of Telecommunications*

The position of budgetary control is continuously monitored in the Department and the position in individual units is reviewed during inspections by Senior Officers of the Telecom. Directorate.

This has been vetted by Director of Audit, P&T Delhi vide their U.O. No. RR III/1(b)400/85-86/Telecom/95 dated 13-6-88.

[FILE No. 6-2/88-CB]

Action taken by the Ministry of Defence

The recommendations contained at Sl. No. 1, Appendix XIX, Para 1.17 of the 106 Report of the PAC (8th Lok Sabha) have been circulated under our UO No. 1964/BI/88 dated 27-4-1988 (Copy enclosed). However, specific instructions based on the recommendations of PAC for regular and surprise check by Senior Officers to watch the compliance of instructions regarding Preparation/Monitoring/Review of Defence Expenditure have been issued vide our UO No. 2786/BI/88 dated 15-7-88 to all the estimating/controlling authorities for strict compliance.

2. DADS has seen.

[F. No. 10(1)/BI/88/PC-II dt.]

IMMEDIATE
PAC MATTER

Ministry of Defence (Finance)

Budget-I

Subject :—106th Report of the Public Accounts Committee (8th Lok Sabha) relating to Excesses over Voted Grants/Charged Appropriations 1985-86.

The recommendation contained in Para 1.17 (Appendix XIX) of the 106th Report of PAC regarding strict compliance of the instructions for framing the Budget Estimates on realistic basis are forwarded herewith for information/necessary actions :—

Para 1.71

The Committee are informed that instruction have been issued to all concerned for framing budget estimates on realistic basis. But mere issue of instructions is not enough if there is no effective monitoring machinery to ensure their strict implementation. Regular and sometimes surprise checks by senior officers are essential to ensure that the instructions are strictly followed and the relevant registers/records maintained properly by the officers and sub-officers etc., of the Ministries. No slackness on the part of the staff, in this matter, should be tolerated. The Departmental heads must ensure that checks of both types mentioned above are carried out and regular assessment on trend of expenditure made and corrective action taken with due promptitude.

2. It is requested that the observations/recommendations of the Committee may be kept in view while formulating budget proposals/estimates and reviewing the progress of expenditure vis-a-vis sanctioned budget grants. The expenditure should be carefully monitored from time to time and instructions issued in this regard should be strictly followed.

Sd/-
(D. LARIHI)
DFA (Budget)

Copy to :—

- (1) Army HQrs/DFP
- (2) Naval HQrs./DNP
- (3) Air HQrs/DFP
- (4) DP&PM
- (5) DGQA (Admn. 14)
- (6) Dte. of Ply. & Coord.
- (7) PO (P&E)

Copy also to :—

C.G.D.A. & D.A.D.S.
and All Directors/DPAs

Recommendation

The Committee hope that with the introduction of computers for recording of expenditure and preparation of connected compilations in the Ministries of Defence, Railways and Communications which have large number of spending units spread all over the country, there will be little scope for excess expenditure being incurred. They desire that urgent steps should be taken to computerise the system fully, if not already done. [Sl. No. 3, Appendix XIX, Para 1.18 of 106th Report of PAC (8th Lok Sabha) 1987-88]

(i) Action taken by the Ministry of Defence

In so far as Defence Services are concerned, the system of recording and compilation of expenditure is already computerised. Under the existing system the entire expenditure of Defence Services is being compiled mechanically and the data are electronically processed at various EDP Centres mainly Pune, Bombay, Calcutta and Meerut. A consolidated computer print out showing detailed headwise expenditure, as per classification in the Defence Services Estimates, received in analysed periodically and expenditure found abnormally high or unusually low is being brought to the notice of the authorities concerned to ensure that Budgetary allocations are not exceeded. Instructions have also been issued to all the estimating authorities concerned vide our UO No. 2786/BI/88 dated 15-7-1988 (Copy enclosed) for formulating budget proposal/Estimates most realistically and for close monitoring and reviewing of expenditure vis-a-vis sanctioned budget grants.

2. DADS has seen.

[File No. 10(1)/BI/88-PC-III]

(ii) Action taken by Ministry of Railways

The computerised Financial Management Information System which covers all aspects of Financial Management and Accounting including Financial Review of expenditure, vis-a-vis budgetary allotment has been developed and is in advance stage of implementation on all the Zonal Railways/Production Nnits. The system will be fully implemented in all respects by 31-3-1990.

This has been seen by Audit.

[Ministry of Railways (Rly.Bd.)'s case No. 88/ACII(CC)/37/4].

(iii) Action taken by the Deptt. of Telecommunication

The job of computerisation of accounts (consolidation in the Directorate to begin with) has already been taken up. Various programmes have since been written and initial trial runs are in progress.

This has been vetted by Director of Audit, P&T Delhi vide their U.O. No. RR III/1(b) 400/85-86/Telecom/95 dt. 13-6-88.

[FILE No. 6-2/88-CB]

RECOMMENDATION

Under the Revenue Section (Voted) of Grant No. 19-Defence Pensions, the Ministry of Defence incurred an excess expenditure amounting to Rs. 12.02 crores against the total provision of Rs. 512.87 crores during 1985-86. The overall excess expenditure under the Grant was 2.3% of the total provision. But in the case of one of the Constituents of the grant namely, AI(3) Air Force, the variation between the sanctioned funds and the actual expenditure was as high as 15.95%. The Committee can not view such a large excess with equanimity and take a serious view of this variation especially taking note of the fact that Air Force has a relatively lesser number of pensioners and feel that had a little more care been taken while framing budget estimates, the variation could not have been of such magnitude. The committee hope that sufficient care would be taken in this regard in future to ensure that the excess expenditure is reduced to the barest minimum, if not eliminated altogether.

[Sl. No. 4 of Appendix XIX, Para 1.19 of 106th Report of PAC 8th (Lok Sabha 1987-88)]

Action Taken by the Government

1. The responsibility for formulating budget estimates has since been entrusted to the Controller General of Defence Accounts so that more effective coordination among the various Controllers responsible for compiling expenditure on Pension could be ensured.

2. The budget estimates are now being formulated by evaluating the impact of each Govt. order on pension as realistically as possible depending on the number of pensioners to whom the benefits will accrue within a financial year.

3. Office of the CGDA has directed the CDA (Pensions), Allahabad, (vide their No. A/II/9130-PC VI dated 21-6-88) to intensify the review of compilation for each head of account separately to facilitate correction of wrong compilation, if any, and also to carry out suitable adjustment in the periodical budget estimates for each head of account. They have also been asked to educate Pension Disbursing Agencies to facilitate correct compilation. A comprehensive system for disbursement of pension and compilation through computerised process has been developed for implementation in all Defence Pension Disbursing offices. In this

system, compilation will be done through Computerised process ensuring greater accuracy in regard to classification.

4. In the light of the steps taken above, it is considered that in future the possibility of excess expenditure under this grant will be reduced to the minimum, if not eliminated altogether.

5. DACR has seen.

[File No. 10(2)/BI/88 dated 17-8-1988].

Recommendation

The Committee take a serious view of the mis-classification of expenditure in Compilation of Railway accounts which is indicative of faulty budget control, violation of allocation rules and lack of vigilance on the part of Zonal Railways where misclassification escaped notice and could not be rectified in time. The Committee desire that the matter be looked into and responsibility fixed for the lapses. The committee also desire that instructions to all the Zonal Railways be reiterated to eliminate the scope of recurrence of misclassification of expenditure in the accounts maintained by them.

[Para No. 1.21, Sl. 6 of 106th Report of PAC (1985-86)—(8th Lok Sabha)].

Action taken by the Government

The Public Accounts Committee's recommendations have been noted. Further instructions to all Railways/Units have been issued vide Railway Board's Letter No. 86 App/7-2/85-86/Para 1.21 dated 9-9-88 reiterating the earlier instructions and also to take suitable action against erring staff. The position will also be monitored as usual by the Board through the Reports called for from the Railways/Units.

This has been seen by Audit.

[Ministry of Railways (Railway Board)'s Case No. 86 App/7-2/85-86/Para 1.21].

Government of India (Bharat Sarkar)

Ministry of Railways (Rail Mantralaya)

(Railway Board)

No. 86 App/7-2/85-86/Para 1.21 New Delhi, dated 9-9-1988

The General Managers,

All Indian Railways,

Production Units etc.

Sub. : Appropriation Accounts of Indian Railways for the year 1985-86—
Misclassification of Expenditure in Compilation of Railway Accounts.

The Public Accounts Committee—Eighth Lok Sabha while examining the excess over 'Voted Grants' and 'Charged Appropriation' relating to the year 1985-86 have made the following observations in Para 1.21 of their 106th Report on misclassification of expenditure which occurred during the year 1985-86 :—

Para 1.21

“The Committee take a serious view to the misclassification of expenditure in compilation of Railway Accounts which is indicative of faulty budget control, violation of allocation of rules and lack of vigilance on the part of Zonal Railways where misclassification escaped notice and could not be rectified in time. The Committee desire that the matter be looked into and responsibility fixed for the lapses. The Committee also desire that instructions to all Zonal Railways be reiterated to eliminate the scope of recurrence of misclassification of expenditure in the accounts maintained by them”.

2.1. There have been misclassification of expenditure in 4 Grants involving an aggregate amount of Rs. 3.83 crores. North-east Frontier Railway and Central Railway account for the major misclassifications. This number and amount of misclassification are disconcerting especially because the Railways had a “Clean” record in this respect in the previous two financial years.

2.2 In this connection reference may be made to the instructions issued in the previous years vide Board's letters No. (i) 80 App/7-2/79-80 Para 2.7 dated 21-10-81, (ii) 81 App/7-2/81-82 Para 2.65 and 2.66 dated 4-5-83, and (iii) 83 App/7-2/82-83 para 2.29 dt. 6-2-85, which outlined the requisite measures for eliminating the scope of misclassifications. If these instructions were scrupulously followed, Railways would not have attracted adverse comments from the P. A. C.

2.3. As recommended by PAC, Board desire to reiterate the earlier directives that the allocation of expenditure is effectively “Test—Checked” concurrently from month to month at various levels in both executive and Accounts Department to ensure that misclassification/erroneous adjustments do not remain undetected for rectification during the course of the year. Staff responsibility for errors and omissions in allocation should be fixed invariably in all the cases and suitable action taken for such lapses. With a view to eliminate any scope of misclassification/erroneous adjustments. Board desire that the existing machinery for supply of Journal Vouchers and other connected records to Audit may be geared up further for their “Test Audit” to enable them to complete their audit concurrently from month to month in time. Prompt action to rectify the errors and

omissions advised by Audit may also be ensured before the close of the Annual Accounts, after due verification.

2.4. All cases of misclassification during 1986-87 may be reviewed and suitable action taken against the erring staff to avoid such misclassification in future.

Please acknowledge receipt.

Sd/-
(S. K. N. NAIR)
Executive Director (Accounts),
Railway Board.

Recommendation

Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in Appendix I of this Report be regularised in the manner prescribed in Article 115(1)(b) of the Constitution of India.

[Serial No. 9 Appendix XIX para 1.25 of 106th Report of the Public Accounts Committee (8th Lok Sabha)].

(i) Action taken by Ministry of Finance

The Demands for Excess Grants (excluding Railways) for 1985-86 were passed by the Lok Sabha on 2-5-1988. The connected Appropriation Bill, as passed by the Lok Sabha on 2-5-88 and returned by the Rajya Sabha on 10-5-88 was assented to by the president on 18-5-88.

[Ministry of Finance (DEA) O. M. No. E.7(4)-B(R)/86 dated 20th June, 1988].

(ii) Action taken by Ministry of Railways

The recommendations of the Committee have been implemented with the presentation of Excess Demands for Grants before Parliament and its approval has been obtained in March, 1988.

This has been seen by Audit.

[Ministry of Railways (Rly. Bd.)'s case No. 87-B-342/1].

Recommendation

While examining excess expenditure over Grant No. 20—Defence Services—Navy incurred during the year 1984-85, the Committee had noticed that more expenditure under the sub-head—Stores, led to excess expenditure continuously during the years 1983-84 and 1984-85. The Committee had desired the Ministry of Defence to take concrete steps to ensure realistic assessment of the extent of supplies of stores likely to materialise. In their action taken note, the Ministry of Defence, without spelling out the

specific action taken by them to contain the excess expenditure under the sub-head 'Stores', have stated in general terms about the instructions issued, which they in the normal course do, for framing budget estimates on realistic basis. However, the Committee again find from the Appropriation Accounts (Defence Services) for 1985-86 that excess expenditure of Rs. 11.2 crores was incurred under sub-head—Stores, though it was offset by savings in other sub-heads of the main Grant (No. 21—Defence Services—Navy). The Committee desire that the matter be gone into in detail and some system evolved to ensure realistic assessment of the extent of supplies of stores likely to materialise so that the provision for the purchase of stores and raising debits thereto is made accurately.

[Para 2.4—Chapter II of 106th Report of PAC (8th Lok Sabha) 1987-88].

Action taken by Government

1. Stores for the Defence Services are procured generally through various agencies like, ISM, London/Washington, Public Sector undertakings and through Central agencies and payments are also made and compiled through various agencies. To avoid the rush of expenditure in the last months of the financial year various remedial measures have been initiated by Naval HQs to improve the existing procedure and to ensure financial and budgetary control over the expenditure against the budgetary allocations made for 'Stores'.

2. A computerised system of compilation of expenditure under the various sub-heads has been introduced for some of the major agencies which incur expenditure on stores. All efforts are being made to ensure that bills/invoices are not kept pending till the end of the year. A close watch is also being kept on the trend of expenditure received from the CDA, Meerut, every month.

Booking of expenditure during the last three months of the financial year is being vary closely monitored on weekly basis. Information on payments drawn against letters of credit is also being obtained from various sources of regular basis. Greater liaison and closer monitoring has been established between Ministry of Defence/Naval HQs and CDAs through regular meetings to take stock of the expenditure. The frequency of the meetings is increased towards the end of the financial year. An officer from NHO is also deputed to the office of the CDA (N), Bombay, during the last week of March for closer liaison.

3. In this connection it may be mentioned that forecast of the expenditure on stores is *inter-alia* based on delivery schedule intimated by suppliers/manufactures. More often than not, these are not adhered to for some reason or other. The forecasts also do not take into account the exchange

rate variation. NHQ has instituted studies by outside agencies to go into the matter of making accurate forecast of various expenditure, specially pertaining to stores. The Indian Institute of Management, Bangalore, has examined the inventory management and Purchase system followed by the Navy and has made several recommendations. These are being implemented.

4. Further, Tata Consultancy Services are at present engaged in developing the necessary software for a computerised inventory control system. Once this system comes on stream, it is appreciated that it would be very much easier to accurately forecast the various activities such as, indenting, receipt of stores, location of vouchers/bills, etc. These activities, in turn, will lead to better financial control and management.

5. In addition to above, the Indian Institute of Cost and Works Accountants, Calcutta, have recently carried out a feasibility study for introducing an EDP base system for costing of all activities in the Navy including those pertaining to stores and their accounting. The proposals made by the Study group are being examined and necessary action to develop the system is being taken.

6. With the introduction of the system, mentioned above, it is considered that the excesses under 'Stores' of Naval HQs would be reduced to a greater extent, if not altogether eliminated.

7. Director of Audit, Air Force & Navy has seen.
[F. No. 10(1)/B-I/88/PC-IV].

(ii) OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendations

While the overall savings as disclosed by various Appropriation Accounts was Rs. 19621.43 crores during 1985-86, the Appropriation Accounts (Civil) alone reported aggregate savings of Rs. 19419.10 crores under both Voted Grants and Charged Appropriations. These savings occurred in 230 items (of both Revenue and Capital Sections of Voted Grants and Charged Appropriations) out of 244 items contained in the Appropriation Accounts (Civil) for 1985-86. Out of these, 27 items (23 Voted Grants and 4 Charged Appropriations) accounted for savings of Rs. 1886.68 crores. The Committee further find that supplementary provisions were obtained in 129 items of both Revenue and Capital Sections of Voted Grants and Charged Appropriations. Out of these, in 24 cases not only the whole amount of supplementary Grants Appropriations remained unutilised, but the savings under these cases also exceeded the amount of supplementary provision. To quote a few glaring examples,

the saving (Rs. 2800.24 lakhs) under Revenue Section (Voted) of Grant No. 11—Foreign Trade and Export Production was nearly 280 times of the supplementary grant (Rs. 10.12 lakhs). Similarly, the savings (Rs. 8204.21 lakhs) under Capital Section of the above said grant was 23 times of the Supplementary Grant (Rs. 345.80 lakhs). In yet another case, i.e. Revenue Section (Voted) of Grant No. 57—Ministry of Industry, the savings (Rs. 86.93 lakhs) was 29 times of the supplementary grant (Rs. 3.00 lakhs). This is clearly indicative of the sorry state of affairs in the Budget Cells of the Ministries which failed to scrutinise properly and estimate realistically their fund requirements even at the supplementary grants stage resulting in large scale savings and depriving some other important sectors of much needed resources. Savings are also index of shortfall in performance. It is unfortunate that savings should have occurred in welfare and developmental areas of economy such as Agriculture, Education, Village and Small Industries, Labour and Employment, Medical and Public Health, etc.

The Committee feel that the Financial Advisers of the Ministries have not been able to discharge their responsibilities properly. Budget provisions are made keeping in view the resources available or likely to be available during the year and each Ministry is expected to keep its expenditure within the budgetary limit. Resort to supplementary grants should be in rare and emergent cases. To obtain additional funds without utilising them is a very serious matter. The Committee desire that the circumstances that led to provisioning of supplementary grants in excess of the actual requirements of the Ministries should be examined and responsibility for making faulty estimation fixed and the Committee apprised of the results of such an examination.

[Sl. Nos.7 & 8—Appendix XIX—Paras 1.23 & 1.24 of the 106th Report of the Public Accounts Committee (8th Lok Sabha)].

Action taken by Government

All the Ministries/Departments/Financial Advisers have been asked to carefully note the above observations of the Public Accounts Committee so that situations of the types referred to therein do not recur.

They have also been asked to follow scrupulously the provisions of the relevant rules in General Financial Rules and Civil Accounts Manual, governing the control on expenditure and checks against provisions of funds respectively. They have also been advised to take such other steps which may be considered necessary to ensure that there is neither considerable shortfalls in expenditure nor unforeseen excesses.

This Ministry's O.M. No. 12(3)-E.Coord/88, dated 1-9-88 refers in this connection (Copy enclosed-Annexure I)

2. (i) The position, with regard to the excesses over Voted Grants/Appropriations/Savings and non-utilisation of supplementary grants, as pointed out in the recommendations of the Public Accounts Committee, has been examined by the Budget Division of this Ministry, in consultation with the Financial Advisers. The statement indicating the gist of replies so received from them, relevant Demand No., Original Grant, Supplementary Grant, Actual Expenditure and Savings in each case, is enclosed (Annexure II)

(ii) Scrutiny of these replies and the relevant facts reveal that basically there have been no loopholes or lacuna in procedure and wherever extra provisions had to be taken and ultimately there has been surrender in the demand, this has been due to our considering this aspect purely from global aspect of demand as a whole. They have noted these observations of the Public Accounts Committee for corrective action. They have indicated that there would now be a greater degree of coordination to ensure that cases of this type are minimised. But, it may not be correct to conclude that the system of Financial Advisers in the Ministries/Departments has failed or proved defective. Any system can reveal scope for improvement and betterment especially over a period of time, and perhaps, this system is no exception. Hence, it is not possible to pin-point the responsibility on any particular individual in this regard. However, the Financial Advisers concerned have been advised to take lesson from the savings reflected and improve budgetary exercise and be more circumspect in coming up for supplementary demands vide this Ministry's D.O.No.7(4)-B(R)/88, dated 16-9-1988 (Annexure III).

3. This has been vetted by audit.

[Ministry of Finance, Deptt. of Expenditure F. No. 12(3)-E.Coord/88, dated the 6th December, 1988].

ANNEXURE—I

F.No.12(3)-E.Coord/88

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

New Delhi, the 1st September 1988

SUBJECT : 106th Report of PAC (8th Lok Sabha) relating to excesses over voted grants/charged appropriations (1985-86) and action taken on 57th report (8th Lok Sabha) on excesses over voted grants/charged appropriation (1984-85)—Recommendations made in Paras 1.23 and 1.24 (Appendix XIX).

The Public Accounts Committee have commented adversely on the state of affairs in the Ministries for their failure to scrutinise properly and estimate realistically their fund requirements even at the supplementary grants stage. Extracts* from their recommendations contained in paragraphs 1.23 & 1.24 (Sl. No. 7 & 8 respectively of Annexure XIX) of the above mentioned Report, are forwarded in this connection for information and appropriate action. It may also please be observed therefrom that a number of grants/appropriations under which supplementary grants, appropriations that were obtained, remained unutilised during 1985-86. The Committee have taken a serious view of additional funds being provided without being utilised and have desired that the circumstances that led to provisioning of supplementary grants in excess of the actual requirements of the Ministries should be examined and responsibility for making faulty estimation, fixed. This aspect is being looked into in consultation with the concerned Financial Advisers/Ministries separately. However, it is requested that the observations of the PAC as contained in their above recommendations may be carefully noted so that the situation of the types referred to above do not recur.

2. In this connection, attention is drawn to Rules 65 and 66 and Annexure 'A' & 'B' to Chapter V of General Financial Rules and Rule 4.2 of the Civil Accounts Manual, relating to the Control on expenditure and check against provision of funds respectively. All the Ministries/Depts./FAs are requested to follow these rules scrupulously. The undersigned is

***Reproduced above.**

also directed to invite attention to this Ministry's O.M. No. 12(7)-E. Coord/85 (Vol. II), dated 25th February, 1986, wherein FAs/Ministries etc., were asked to ensure that the prescribed rules and procedure and such other steps, as may be considered necessary, are followed to ensure that there is neither considerable shortfalls in expenditure nor unforeseen excesses.

Sd/-

(ANJALI DEVASHER)

Deputy Secretary to the Govt. of India

To

All the Ministries/Depts. to the Govt. of India.

All the FAs including Financial Commissioner for Railways (By name).

(Rs. in Lakhs)					
Demand No.	Original Grant	Supplementary	Actual Expenditure	Savings	List of explanation of Financial Adviser
79-Roads	27299.69	411.82	24566.91	3144.60	The saving of Rs. 3144.60 lakhs could not be reappropriated as on 31-3-86 to meet the requirement of additional funds under AA.1(1)(3)-Works financed from National Highways Permanent Bridges Fee Fund because there were savings to the extent of Rs. 30.36 crores under the heads AA.1(1)(1)-Works under Roads Wing and AA.1(1)(2)-Works under Border Roads Development Board meant to meet expenditure on national highways. Savings under these heads could not be anticipated or surrendered or reappropriated because of the special procedure of booking of expenditure on receipt of claims from State Accountants General and Controllers of Defence Accounts even beyond 31 March in terms of instructions issued by the Controller General of Accounts, Department of Expenditure.
105-Rajya Sabha	398.98	22.50	385.67	35.81	Consequent upon an increase in the salary and allowances of the Chairman and Deputy Chairman of Rajya Sabha and Members of Parliament, Rajya Sabha asked for a Supplementary Grant of Rs. 2.50 lakhs in January 1986. This was not utilised. Budget proposals of the Rajya Sabha Secretariat are not examined very closely as they do not accept cuts in their demand. Public Accounts Committee's observations have been communicated to the Rajya Sabha Secretariat with a request to ensure that Supplementary Grants are asked for only when they are unavoidable. The estimates of Rajya Sabha Secretariat are proposed to be scrutinised closely in future.

(Rs. in Lakhs)				
Demand No.	Original Grant	Supplementary	Actual Expenditure	Savings
1-Department of Agriculture and Cooperation	471.42	6.43	451.87	25.98
2-Agriculture	24915.42	859.61	21940.06	3834.97
4. Animal Husbandary and Dairy Development	13643.61	557.00	13495.20	705.41
11-Foreign Trade and Export Production				
Revenue	82185.07	10.12	79394.35	2800.24
Capital	10973.51	345.80	3115.80	8204.21

List of explanation of Financial Adviser

Demand No. 1

A supplementary grant for Rs. 6.43 lakhs taken under Non-Plan for payment of interim relief, ad hoc bonus etc. but eventually, there were enough savings in the Grant due to shortfall in the Plan expenditure which was not envisaged earlier.

Demand No. 2

The supplementary grant of Rs. 8.60 crores was obtained mainly for adjustment of commodity assistance (gift fertilizers) which was expected to be received during the year from Norway (Rs. 2.60 crores) and Japan (Rs. 6 crores). The assistance from Japan was eventually received in cash which was credited to revenue receipt. This resulted in a saving of Rs. 6 crores out of the supplementary grant. There were also further savings of Rs. 32 crores due to shortfall in the expenditure which could not be anticipated earlier.

The supplementary grant of Rs. 5.57 crores was obtained for non-plan grant assistance to Mother Dairy to cover its operational losses. As this attracted the limitation of New Service/New Instrument of Service rules prior parliamentary sanction was essential for incurring the expenditure. Eventually, due to unforeseen reasons the savings in the grant as a whole, exceeded the amount of supplementary grant obtained owing to shortfall in plan expenditure.

Savings occurred under Reveue Head for the following reasons : (i) Non-utilisation of funds for reimbursement of losses on import/export of sugar. (ii) payment of less cash compensatory support to exporters and grants-in-aid to Export Promotion Councils : (iii) less receipt of debits from

10-82 LSS 89

57-Ministry of Industry and Company Affairs	1115.51	3.00	1031.58
101-Department of Personnel and Administrative Reforms	0.05	0.05	0.05

Commercial Missions abroad; and (iv) less/non-payment of contributions to international Organisations of which India is a member.

Capital Section

Savings occurred mainly under MH 765 pertaining to Technical Credits extended to Governments of the Rupee payment countries of East Europe and were due to larger repayment and lower fresh drawals under Technical Credits than anticipated earlier, which in turn, depends upon the movement of trade that cannot be accurately predicted.

In view of the reasons stated above, it is not proper to draw the inference that the provisions had been excessive or that the making of these provisions indicated any failure of system, lack of system or human failures.

86·93 Saving was mainly in the field offices of the Department of Industrial Development and Department of Company Affairs and was due to : (i) non-filling up of vacant posts, (ii) postponement of expenditure on purchase of furniture, jeep (iii) non-receipt of bills from Govt. of India presses and (iv) non-finalisation of estimates for the construction of office buildings of Patent Information System, Nagpur. Such types of savings in field offices are known generally towards the end of the financial year.

0·05 A supplementary provision of Rs. 5000 only was obtained to avoid embarrassment leading to contempt of court due to non-payment of decrees likely to be passed against the Department. Although many cases were pending against the Department in the courts, no decree was received from any court during the said period as a result of which the supplementary provision remained unutilised. However it is not proper to say that there was failure of system or lack of proper scrutiny and assessment at any level.

Demand No.	Original Grant	Supplementary	Actual Expenditure
44-Medical and Public Health	31607.29	300.06	30285.21
99-Department of Electronics	5730.00	277.67	5664.80
28-Ministry of External Affairs	0.25	0.08	0.00

Savings**Gist of explanation of Financial Adviser**

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- 1622·14 Savings were due to : (i) less receipt of assistance from United Nations International Children Emergency Fund, United Nations Development Programme, Danish Agency for International Development and Swedish International Development Agency and (ii) less supply of Diethyle DiMethyle Trichloro Ethane by Hindustan Insecticide Limited under the National Malaria Eradication Programme. Besides there were also savings on account of slow progress in the implementation of the various schemes by the different states. Due care was exercised by the Ministry before presenting Supplementary Demands for inescapable items of expenditure.
- 342·87 Out of the total saving of Rs. 342·87 lakhs the provision of Rs. 76·75 lakhs was surrendered to the Ministry of Finance and the balance amount of Rs 266·12 lakhs (spread over 36 programmes) was not utilised due to different unforeseen reasons and as a measure of economy. The reasons for the major savings are : (i) delay in receipt of project proposals from the executing institutions, (ii) less expenditure on office expenses, travel expenses etc., (iii) less release of funds owing to delay in placement of some orders for purchase of equipments and (iv) non-participation by Department of Electronics in foreign exhibitions and in permanent Science & Technology Exhibition at Trade Development Authority of India.
- 0·33 A supplementary grant of Rs. 800 was obtained in addition to existing provision of Rs. 25000 for meeting the obligatory

76-Department of Scientific and Industrial Research	15823 ·50	36 ·00	15752 ·37
48-Police	501 ·00	2 ·56	500 ·74
51-Other Expenditure of the Ministry of Home Affairs	18698 ·54	1027 ·23	18486 ·68
52-Information and Publicity	4633 ·19	32 ·95	4408 ·05

payment on account of award by Motor Accident Tribunal, Shillong in which an officer of the Ministry was involved. It appears that the payment of Rs. 33,882 had been made to the Tribunal in 1985-86 but the bills were classified as voted expenditure at the compilation stage. The Ministry has regretted that this amount could not be reflected in the charged amount though it was utilised. They have initiated steps to ensure that such a situation does not recur in the future.

107·13 In a meeting held as late as August, 1986, it was assessed that aid materials and equipments for Rs. 50 lakhs would be received during 1985-86 from United Kingdom. However, due to procedural bottlenecks the actual receipt was much lower and the entire amount of Rs. 50 lakhs remained unutilised. Funds remained unused due to delay in receipt of proposals and technical difficulties. Savings arose not due to either system failure or human failure.

2·82 A saving of Rs. 2·56 lakhs was there because some of the cases pending in various courts were not decided. There was no lack of proper scrutiny at different stages. An amount of Rs. 37,000 given as grant/loan to the Government of Andhra Pradesh for modernisation of police forces was not utilised.

1239·09 Savings mainly on account of delay in implementing various schemes in Union Territories.

258·09 Shortfall occurred due to the late decision not to make further payments to State Trading Corporation following a Supreme Court Judgement to reduce the rate of customs duty on supply of imported newsprint to small and medium newspapers. Shortfall was also due to the delay in the re-organisation of the Media Units on account of which new

Demand No.	Original Grant	Supple-	Actual ture
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73-Department of Science & Technology	0·00	3·50	0·00
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90-Public Works	12·00	13·00	10·66
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Plan Schemes could not be taken up. Both these developments were unanticipated. The shortfall was certainly not due to either faulty estimation or not monitoring the expenditure closely. All possible care was taken in assessing the requirements as accurately as possible but the deviation took place due to subsequent unforeseen and unanticipated developments.

- 3·50 A supplementary appropriation of Rs. 3·50 lakhs was obtained by the Director, National Atlas and thematic Mapping Organisation (NATMO) in order to meet Payment of arrear of pay to Junior Research Assistants and Library Staff. Later on, NATMO intimated that the above payment was erroneously sanctioned under Revenue Voted instead of under 'Charged'. Consequently, the actual expenditure (Rs. 90·19 lakhs) under the head 'Salaries' exceeded the budget provision (Rs. 87 lakhs) by Rs. 3·19 lakhs resulting in the charged appropriation of Rs. 3·50 lakhs remaining unutilised.

Director, NATMO, has been instructed to fix responsibility for the issue of the erroneous sanction and non-reconciliation of expenditure.

- 14·34 A Supplementary Demand was taken on a specific request from the Director General (Works) Central Public Works Department for payment of certain Arbitration awards. This amount (Rs. 14·34 lakhs) was not utilised because the High Court did not pass orders within the stipulated period as anticipated by the Director General. The Arbitration awards are time-bound payments and their deferment would

**92-Housing and
Urban Deve-
lopment**

8681.03

1500.03

8173.17

**13-Supplies and
Disposals**

1524.33

35.00

1448.71

cause acute embarrassment to Government. the drawal was therefore, justified. The Director General, Central Public Works Department is being cautioned separately to be more careful in future while framing proposals for supplementary demands.

2007-94

Against the original Ways & Means Advance of Rs. 1500 lakhs to Delhi Development Authority, only Rs. 1000 lakh was utilised. There was no demand from Delhi Development Authority for the balance of Rs. 500 lakhs which was surrendered. A loan provision of Rs. 6 crores for Housing Urban Development Corporation was not utilised as they were not in a position to utilise these loans. An amount of Rs. 100 lakhs provided for loans and advances to the Union Territories (with legislature) for integrated development of small and medium towns was not utilised due to less demands from them. Because of slow progress of works non-receipt of sanction etc. Rs. 1.25 crores was surrendered from the Capital Outlay on Housing. There was an additional surrender of Rs. 682 lakhs due to non-utilisation of funds by Central Public Works Department. This is due to non-availability of suitable sites, slow progress of work delay in supply of shutters, non-receipt of administrative approval and expenditure sanction. The Director General (Works) is being advised separately to ensure timely action in these spheres so that funds are not allowed to lapse.

143

110-62

The final estimates for 1985-86 were reviewed in March 1986 resulting in a savings of Rs. 80 lakhs under Plan. This was due to non-availability of foreign exchange for the import of equipments and non-execution of orders already placed, contrary to anticipation. Further savings were reported due to non-finalisation of encashment of leave cases and other arrears payment, lesser expenditure under LTC

(Rs. in lakhs)

Demand No.	Original Grant	Supplementary	Actual Expenditure	Savings	
43-Ministry of Health & Family Welfare	199.89	1.76	197.44	4.20	
36-Pensions	546.10	24.96	571.06	349.00	222.06

Gist of explanation of Financial Adviser

non-execution/placing of orders. These circumstances leading to the surrenders could not be foreseen at the time of obtaining Supplementary Grant. The Department has devised measures for proper utilisation of plan funds especially relating to the procurement of machinery and equipment. Procurement action has been streamlined and the progress of expenditure has been quite satisfactory in the subsequent years, with the result that surrenders have been avoided during 1986-87 and 1987-88.

During the year 1985-86, at the time of finalising revised estimates an ad-hoc provision of Rs. 4.35 lakhs was made towards anticipated release of additional dearness allowance. However, taking into account some likely savings under other Heads, only a Supplementary Grant of Rs. 1.75 lakhs was taken. However, no instalment of additional Dearness Allowance was sanctioned by the Government after November, 1985, with the result that the ad-hoc provision made for the additional DA remained unutilised. Unfortunately, this amount was not surrendered due to an oversight.

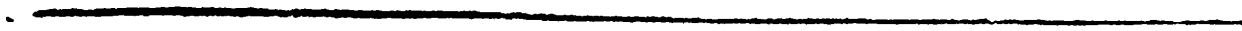
Supplementary Grant was obtained to meet extra expenditure expected on account of payments or Commuted Value of Pension, Gratuity, Family Pension, Pensionary Charges in respect of High Court Judges, arrears of Family Pension and Pensionary Charges due to Supreme Court Judgement and Contributions to Pension Gratuity and Provident Funds.

30-Customs

4150.00

29.50

3936.49



But cases received during the year for revision of pension cases were less than anticipated, which resulted in savings. It may be mentioned that while the Grant is controlled by the Ministry of Finance, pension payment are made through large number of treasuries spread all over the country, the public sector banks and the Pay & Accounts Officer under the Departmentalised accounting set up. However, efforts are being made to make budget estimates more precise in future.

243·01 The detailed reasons for savings of Rs. 249·92 lakhs under sub-head 'AA.1(1)(2)-Acquisition of Ships & Vessels' as reported by the Ministry of Defence (Finance) (Navy) are as under :—

"Negotiations were going on for quite some time with M/s. Singapore Ship Builders and Engineers Ltd., Singapore for purchase of two builtup ships (IPVs 8 and 9) and 4 material packages (IPVs 10 to 13) and a contract was expected to be concluded by the end of February or early March, 1986. Accordingly, first instalment of cost of ships/material packages was anticipated to be paid to the ship builders before close of financial year 1985-86. Therefore, funds for the purpose were kept in reserve till the end of the financial year 1985-86. However, due to unavoidable circumstances the contract could be concluded only on 7th April, 1986 and initial payment to Singapore Ship Builders & Engineers Ltd., Singapore was made on 1st May, 1986. Hence the funds kept for purpose lapsed."

Demand No.	Original Grant	Supple- mentary	Actual Expenditure	Savings
30 Customs	4150.00	29.60	3936.39	243.01

Gist of explanation of Financial Advisor

The detailed reasons for savings under sub-head 'AA. (2)(1)-Major Works' as reported by Ministry of Finance, Department of Revenue (CBEC) are as under :—

"A sum of Rs. 29.50 lakhs was included in RE 1985.86 for the construction of prefabricated units for the Customs Border Check Posts in the jurisdiction of Collector of Central Excise, Shillong, Collector of Customs (Preventive) Patna and Collector of Customs (Preventive), West Bengal Calcutta.

but due to insufficient time left for execution of construction works, Rs. 23.50 lakhs remained unutilised. The information regarding this provision of funds was communicated to the Collectors only on 9-1-1986 which was received by Director of Preventive Operations on 17-1-86. As only little more than two months time was left during the financial year 1985-86, the work under reference could not be completed. The main reason was the non-availability of suitable sites/land. The other constraints were the inadequacy of financial limit (the financial limit was Rs. 50,000,- per unit whereas the actual cost of construction was much higher) and the stipulation that site should be within 50 kms of the border. Most of the sites were far away from the border. In order to implement the scheme, it may be necessary to relax the existing conditions." The savings was partly offset by excess of Rs. 29.50 lakhs under another Head within this grant leaving not savings of Rs. 243.01 lakhs.

ANNEXURE III

D.O. No. F. 7(4)-B(R)/88

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

New Delhi, the 16th September 1988

S.R. SINGH

Addl. Secy. (Exp.)

Tele : 3011919

My dear

SUBJECT : 106th Report of PAC (8th Lok Sabha)—Recommendations contained in paragraphs 1.23 and 1.24.

The Public Accounts Committee (8th Lok Sabha) in their 106th Report have referred to instances of savings effected by Ministries/Departments under both revenue and capital sections of Grants/Appropriations after obtaining Supplementary Demand/Appropriation. These savings also exceeded the amount of supplementary provisions obtained in a number of cases. Extracts of the relevant recommendations of the PAC in this respect (paragraphs 1.23 & 1.24) are enclosed herewith for your ready reference.

2. It may be seen there from that the Committee have expressed their concern that "the Financial Advisers of the Ministries have not been able to discharge their responsibility properly. Budget provisions are made keeping in view the resources available or likely to be available during the year and each Ministry is expected to keep its expenditure within the budgetary limit. Resort to supplementary grants should be in rather emergent cases. To obtain additional funds without utilising them is a very serious matter".

3. While no doubt the need for Ministries/Departments having to go in for certain supplementary in the course of the year to meet expenditure on contingent and additional unforeseen items is appreciated, it is very essential that while processing a case for supplementary the Financial Advisers review the performance of the entire Department/Ministry as a whole particularly with a view to identifying the economies/savings that could be achieved within the demand and which could be suitably reappropriated after obtaining necessary approvals. A greater degree of coordination and control in budgetary matters is called for to be exercised at the level of Financial Advisers so that the situation of the type referred to by the PAC in their Report does not recur. The fact that resources are scarce and have opportunity costs should be kept in view while seeking additional amounts through supplementaries and there should be no occasion for the

Ministry/Department leaving unutilised additional provision sought for by them through supplementaries.

4. Please ensure that this is kept in view and the machinery at your command is properly geared up.

5. I shall be grateful if you could arrange to have this letter acknowledged.

Yours sincerely,
Sd/-
(S. R. SINGH)

Copy forwarded for information to Department of Expenditure, E. Coord. Branch.

Sd/-
(T. K. SUBRAMANIAN)
Under Secretary to the Govt. of India

(iii) OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

The Public Accounts Committee in Para 1.20 of its 106th Report (8th Lok Sabha) has desired the Ministry of Finance to examine the feasibility of decentralising the Grant (No. 36—Pensions) with a view to making each Ministry responsible for the provisions made for disbursement of Pensions. The Committee has desired to be apprised of this position.

Action by Government

At present Budget Division in the Ministry of Finance compiles the estimates of Pension Demand for all Ministries excluding Defence, Railways and Communications. The Detailed Demands for Grants of Pension of all the Ministries/Departments excluding the three Ministries detailed above are compiled on the basis of the details/requirements furnished by the Accountants General, Chief Controller of Accounts, Ministry of Finance and Director of Audit, Central Revenues.

After setting up of the separate Ministry of Pensions and Pensioners' Welfare, the arrangements for disbursal and accounting of the pension have been under constant review. A need has been felt for centralising the work relating to disbursement and accounting of pensions and a proposal to set up a separate organisation called 'National Pension Accounts Office' under the Controller General of Accounts is under examination in the Ministry of Pensions. The compilation of pension estimates depends upon the accounting arrangements. Even after decentralisation, the different Ministries will have to depend on the accounts offices for purpose of estimates. It has, therefore, been decided to defer the proposal for decentralising the work regarding compilation of estimates for the Pension Demand among Ministries/Departments till a decision has been taken for setting up of separate accounts body, or other arrangements for accounting of Pension disbursements are finalised. {No. F. 7(10)-B(D)/88.}

APPENDIX XXVIII

Statement of Conclusions and Recommendations

Sl. No.	Para No.	Ministry/ Deptt.	Recommendations
1	2	3	4
1.	1.10	Finance (Expenditure/ Commerce)	<p>The Committee find from the Statement of international price of crude oil (Appendix XXIII) that from the very beginning of the financial year 1986-87, the prices of crude oil started falling considerably and the position did not reverse till the end of the year. Unfortunately, being aware of the situation, the Ministry did not assess the impact of the fall in oil prices on Grant No. 11. Based on past experience of trade flows and the situation created by the fall in oil prices, as also the balance at the disposal of the USSR at the end of the year 1985-86, the Ministry should have been in a position to estimate the requirements of the USSR as precisely as possible. Besides, the weekly reports submitted by the Reserve Bank of India on the position of technical credit could go a long way in facilitating the assessment of the actual requirement of a country so as to make adequate provision therefor at least at the revised estimates stage. The Committee hope that the Ministry would keep close watch over the drawals by countries from their accounts so that timely action is taken to make available additional funds, if needed under the grant to avoid excess expenditure.</p>
2.	1.15	Finance (Expenditure/ Home Affairs)	<p>The Committee note that at the time the evidence was taken, the Ministry of Home Affairs attributed the excesses to works having been taken without provision. However, the Ministry could not furnish details of such works.</p>

The Committee are not satisfied with the explanation that excesses to the extent of Rs. 4.78 crores under 'stock' had occurred due to accelerated progress of work, because in such an event, the debits would have been withdrawn from stock, contributing for less expenditure under that head. The other explanations such as payment of bills of 1985-86 in 1986-87, non-provision for implementation of Pay Commission's recommendations etc. are not convincing and indicate lack of financial control and inordinate delays in account settlement and timely booking. The Committee recommend that a full analysis of the reasons for excess expenditure may be examined by Audit and a report furnished to the Committee and the Ministry to report on action taken on the findings of Audit.

3. 1.16 Finance
(Expenditure/
Home Affairs)

The Committee are not convinced with the pleas put forth during evidence by the representative of the Ministry of Home Affairs that extreme remoteness of the area, communication problems, transport bottlenecks and limited working season in the Andaman & Nicobar Islands were the factors coming in the way of accurate estimation of the fund requirements as these factors are not the ones that have cropped up suddenly. These types of problems were there in the past and would remain in the future also. The Committee are also not convinced of the reasons given for excess in the explanatory note because the factors mentioned therein do not fall in the category of "unforeseen" or "unanticipated". They could have been taken care of at revised estimates or supplementary grants stages. To overcome these problems, some device will have to be evolved so as to ensure regular flow of requisite information from various parts of the Islands to the Budget Division for the purpose of framing original Budget Estimates on realistic basis as also making subsequent revisions in the estimates, if necessary, with precision.

4. 1.17 **Finance**
(Expenditure/
Home Affairs

In a subsequent note, the Ministry of Home Affairs have informed that a Committee consisting of Joint Secretary (Administration) and Chief Controller of Accounts of the Ministry was constituted to review the functioning of the offices of the Andaman and Nicobar Islands Administration with a view to examining the shortcomings in the procedures and peculiar circumstances, if any, under which budgetary irregularities were committed during 1986-87. According to that Committee "there appears to have been some slackness on the part of Administration in following the procedure as laid down under the Civil Accounts Manual and General Finance Rules." That Committee recommended introduction of 'letter of credit' to cheque drawing DDOs so that under no circumstances the expenditure overshoots the sanctioned budget. It also instructed the Administration to strictly follow the prescribed procedures and closely monitor the progress of expenditure in order to keep it within the ceiling of sanctioned grant. The Committee trust that the Islands Administration would follow the instruction and recommendations of the Review Committee in their letter and spirit.

5. 1.20 **Finance**
(Expenditure/
Science &
Technology

In the case of Capital Section (Voted) of grant No. 83—Department of Scientific and Industrial Research, an excess of Rs. 2.10 crores occurred due to conversion of long outstanding interest charges as on 31 March, 1986 on various Government loans sanctioned to Central Electronics Limited into a fresh loan with effect from the date of sanction (20-2-1987). This is a case of serious irregularity committed by the Department who, without the sanction of Parliament, allowed the conversion of outstanding interest into loan, no matter the transaction involved no cash out-go. This type of unwarranted action, belated and post-budget decisions lead to dilution of Parliamentary control over the public purse. During evidence, it was explained to the Committee that the company was running into losses and the proposal for conversion of outstanding interest into loan was initiated in August, 1986. This was

also stated to have been discussed with the Ministry of Finance whose approval was received on 12-2-1987 and sanction issued on 20-2-1987. It was further explained that since the last date for despatch of Supplementary Demand proposals for 1986-87 was already over on 20-1-1987 the approval of Parliament could not be obtained. The Committee feel that under these circumstances the Department should have either waited for the next year to get the necessary supplementary provision or taken a decision sufficiently in advance of the presentation of the last batch of Supplementary Demand for grant to avoid any irregularity being committed. The Committee desire that the Department of Science and Technology should exercise due care in future so that such lapses do not recur.

6. 1.21 Finance
(Expenditure)
Science &
Technology

The Committee also noticed from the Appropriation Accounts of Grant No. 83 instances of unutilised provision, excessive reappropriation, lack of adequate provision etc. and called for clarifications for the variation between original grant, final grant and the actual expenditure. The explanations given are mentioned in Appendix XXIV.

7. 1.22 Finance
(Expenditure)
Science &
Technology

From the clarifications given for the substantial variations between original grant, final grant and actual expenditure under various sub-heads, the Committee note that the budgetary control and the process of forecasting requirements have not been adequate and the existing machinery needs to be revamped and made adequately responsible and accountable to avoid large variations. The Committee hope that appropriate action will be taken in future and such a situation, as was existing in 1986-87, would not be repeated.

8. 1.24 Finance
(Expenditure)

The Committee are at a loss to understand as to what was the necessity of reducing the original budget provision under Grant No. 93 when there was

Urban
Development

no scope for the savings. The over-zealousness displayed by the Ministry to effect economy without application of mind was totally uncalled for and the Committee desire that lessons be drawn from the experience.

9. 1.26 Finance
(Expenditure)
Urban
Development

The Committee note that even though the reappropriation orders were issued on the last day of the financial year (31 March 1987), they bring out a position which indicates that the reappropriation was either excessive or not called for. The Committee cannot help observing in this regard that the Appropriation Accounts of this Grant No. 93 reveal a lack of budgetary control as the various explanations given for reappropriation, excess, savings, etc. ought to have been within the knowledge when the planning was done, and when reappropriation proposals were considered and approved. The Committee recommend that the Ministry of Finance may conduct a study of the budgeting process adopted by the Ministry of Urban Development and place the same on a proper footing.

10. 1.28 Defence

The Committee are concerned to note that the excess expenditure incurred by the Ministry of Defence during the year under review was the highest both in terms of quantum and the number of grants/appropriations registering excess expenditure during the last 5 years as is evident from the following table :

Year	No. of grants/ appropriation	Excess
		(Rs. in crores)
1982-83	2	117.36
1983-84	3	59.21
1984-85	2	22.43
1985-86	4	116.59
1986-87	6	198.84

11. 1.29 Defence

Obviously, the situation has gone from bad to worse. No lessons seem to have been drawn from the past experience. The oft-repeated observations of the Committee as also the instructions issued by the Ministry of Finance from time to time had little impact on the Budget Wings of the Ministry in framing budget estimates accurately or in checking the expenditure from crossing its limits. The Committee once again urge the Ministry of Defence to tighten their financial control over their spending units in order to avoid unauthorised expenditure being incurred in future.

12. 1.32 -do-

The Committee feel that there should be no reason for any excess being incurred under the head 'Pay and Allowances—Navy' as the Ministry, being in possession of the requisite data regarding the categories of employees, their number etc. can work out accurately the additional requirements, if any, for funds and provide for the same at the appropriate time. The work of the Ministry in compiling the accounts can also be made easy if the system is computerised. The Committee would like to be apprised of the reason why the Ministry could not comply the accounts under the head "Pay and Allowances—Navy" and what steps are being taken to prevent repetition of incurring excess expenditure under different heads mentioned above (See para 1.30) in future.

13. 1.36 -do-

The Committee trust that the steps now taken or being taken by the Ministry of Defence to control expenditure on stores would help in eliminating the excess expenditure which had been of recurring nature during the last 4/5 years. The Committee would watch the impact of these measures from the future Appropriation Accounts and Audit Reports on Defence Services.

14. 1.37 -do-

In the case of Grant No. 19—Defence Services—Army and 21—Defence Services —Air Force, also the sub-heads 'Pay and Allowances', 'Stores' and

'Works' were the major contributors to the excess expenditure during 1986-87. In order to contain the excess expenditure under these Grants it is all the more imperative that the measures similar to those taken in the case of Grant No. 20—Defence Services—Navy, are also taken, on urgent basis, for these grants.

15. 1.41 Finance
(Expenditure/
Defence
Railways

While it is true that rush of expenditure by itself should not result in excess expenditure as the expenditure has to be contained within the provision made in the grant, instances have come to the notice of the Committee where the heavy booking during the closing month of the year led to excess expenditure. For example, under the minor-head—'Revenue works' of Grant No. 20—Defence Services—Navy, an amount of Rs. 17.88 crores constituting 31% of the total expenditure was booked during the last two months of the year. Of this amount, Rs. 13.8 crores was booked only in March 1987 resulting in excess expenditure.

16. 1.42 -do-

The Committee are not happy with this type of rush of expenditure at the fag end of the year as it vitiates the budget control and also sometimes leads to excess expenditure. The Committee do appreciate certain difficulties being experienced by the Ministries in this regard but at the same time with a view to evening out the booking of expenditure during the year to avoid last moment booking of heavy expenditure, the Committee desire that an exercise be made to identify the areas where time schedules could be laid down for, say, receipt of bills, advices etc. and their payments during the year. Efforts should also be made to reduce the time lag between the incurring of expenditure and its booking.

17. 1.43 Railways

The Ministry of Railways incurred an excess expenditure of Rs. 149.16 crores under 4 Grants and one Appropriation during the year 1986-87. The

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excess expenditure incurred during the last 5 years upto 1986-87 is detailed below :—

Year	No. of Grants/ Appropriation	Excess Expenditure (Rs. in crores)
1982-83	6	65.05
1983-84	4	34.67
1984-85	1	6.27
1985-86	15	193.39
1986-87	5	149.16

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18. 1.44 Railways

Evidently, compared to earlier year i.e. 1985-86, the aggregate excess expenditure during 1986-87 did not register decline in the same proportion as the number of excess registering grants. On an average the excess expenditure during 1985-86 was Rs. 12.89 crores per excess registering grant while it was as high as Rs. 29.83 crores per excess registering grant during 1986-87. The obvious conclusion is that the overall position, instead of showing improvement, has deteriorated.

19. 1.47 -do-

Considering the fact that the Ministry have all the figures about the retired and retiring persons whose entitlements the Ministry is definitely able to work out, the Committee do not find any reason why the estimates framed

by the Ministry in respect of Grant No. 13 proved unrealistic not only at the Original Estimates Stage but also at the revised Estimates Stage. The original Estimates and the Revised Estimates were lower to the extent of about 38% and 16%, respectively, compared to actual expenditure. The Committee recommend that the Ministry should allocate responsibility to the personnel responsible for such inaccuracies as well as the reasons therefor and take appropriate steps to caution the officers responsible as well as to prevent recurrence of such errors in future. The Committee further recommend that special efforts be made to collect and compile requisite data in time by the Budget calls of the Ministry so that budget estimates are made as accurately as possible leaving little scope for excess expenditure.

20. 1:48 Railways/
Defence

The Committee are unhappy to find that there was misclassification/erroneous booking of expenditure under two grants (Nos. 19 and 22) and one appropriation (No. 19) operated by the Ministry of Defence and one Grant (No. 16) operated by the Ministry of Railways. Only last year the Committee had taken strong exception to such misclassification noticed in the Railway accounts and had desired that the matter be looked into and responsibility fixed for the lapses.* The Committee reiterate their earlier recommendation and hope that the Ministries of Defence and Railways would be more vigilant in future to check recurrence of such misclassification/erroneous booking in their accounts.

21. 1:52 Finance
(Expenditure)/
Railways

The Committee are concerned to note that the exercise of absolute powers available with the Ministry for reappropriation within grant has resulted in a situation whereby the Parliament is being approached for grant of additional funds under certain heads of account wherein the provisions

*Vide paragraph 1.21 of 106 th Report (8th Lok Sabha)

already allowed by Parliament have been more than adequate. The contention that reappropriations were done to enable best utilisation of plan outlay can at best be interpreted as inability to state accurately the reasons for not being able to accurately estimate the requirements and incurring of expenses without budgetary control of the different heads. The Committee strongly recommend that appropriate restrictions may be placed on the powers of reappropriation so as to ensure that exercise thereof does not result in presentation of the defective financial position with reference to original estimates and also to compel the different Ministries to go through a vigorous exercise to estimate their expenditure before the budget is approved and at least by the time of the last supplementary budget.

22. 1.53 Finance
(Expenditure)/
Railways/
Defence

The Committee consider it unfortunate that defects in budgetary control and consequent issues of defective reappropriation orders had resulted in a sorry state of budgetary spectacle in respect of those heads where the provisions were excessive or short. The Committee recommend that steps may be taken to ensure that the budgetary control measures are geared up so as to ensure that both initial appropriations and later reappropriations are carried out meaningfully and realistically.

23. 1.55 Finance
(Expenditure)

A sample study of some of the Appropriation Accounts by the Committee, as revealed in the preceding paras relating to certain Grants, has indicated that—

- (a) the original estimates, in a number of cases, were far in excess or short of actuals;
- (b) the modifications made through defective reappropriation orders have given a highly distorted picture of the final grants under some

heads wherein final savings and excesses had actually taken place;
and

- (c) the directives for economy in expenditure were blindly applied to the budgetted provisions without a conscious effort to implement the directives by application of selection and discrimination.

The Controller General of Accounts had observed in this connection during evidence that while a detailed exercise on major head provision was done at the time of original budget estimates, the flexibility to spend within the overall limitation of funds by exercise of powers of reappropriation was left to the various Departments and that in case the Ministry of Finance had to look into such matters, it would take away the flexibility, at present available. The Committee would observe in this connection that the Ministry of Finance cannot remain a silent spectator when the reappropriation powers are so used as to modify the original budget estimate to a substantial extent. The Committee consider it necessary that the present powers for reappropriation will have to be reviewed with a view to providing appropriate restrictions on their exercise, so that as far as possible, the original objectives for which the provisions are made under various sub-heads are not substantially altered by exercise of powers of reappropriation. The Committee hence recommend that and appropriate review may be done by Ministry of Finance and modify instructions issued in consultation with the Comptroller and Auditor General of India.

24. 1.58 Finance
(Expenditure)

During the year under review, supplementary grants/Appropriations were obtained under 143 items of expenditure included in the Appropriation Accounts (Civil). Out of these, supplementary provision in 20 items of expenditure remained unutilised (Appendix-XXVI). In certain cases, the extent of savings

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was so great that supplementary provision sought by Ministry is beyond the comprehension of the Committee. A few glaring examples of such supplementary provision are given below :

Grant No.	Suppl. provision	Suppl. Provision obtained in	Savings
(Rs. in lakhs)			
90-Roads and Inland Water Transport	2.00	Nov. 86	978.92
40-Other expenditure of Ministry of Finance	70.85	July, Nov. 86 March 87	20188.72
89-(Capital)-Ports, Light houses and Shipping	22.05	Nov. 86 Mar. 87	3887.49
89-(Revenue)-Ports Lighthouses and Shipping	70.00	Nov. 86	3168.08
27-Environment	79.62	Nov. 86	2806.16

In the above mentioned grants, the savings were 489 times, 284 times, 176 times, 45 times and 35 times of the supplementary provision, respectively.

25. 1.59 **Fināncē**
(Expenditure)

The Ministry of Finance had in their circular Office Memorandum dated 27 March, 1986 issued strict instructions with the approval of the Cabinet that :—

Supplementary demands should be severely restricted to genuine unforeseen expenditure which could not be envisaged at the time of preparing the annual budget or to meet the requirements of decision or developments taking place after the approval of the budget i.e. in respect of post budget decision and not for continuing schemes and programmes.”

26. 1.60 -do-

The Committee would like to be apprised of the compelling circumstances that necessitated the supplementary grants despite savings. Each Ministry is supposed to undertake review of its requirements at various stages during the year and in spite of that the expenditure either exceeds its limits or results in savings. The control mechanism in the Ministries needs to be geared up so that supplementary provision is made only in cases where it is really and genuinely required.

27. 1.61 **Finance**
(Expenditure)
Railways

Subject to observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in Appendix I of this Report be regularised in the manner prescribed in Article 115(1)(b) of the Constitution of India.

28. 2.4 **Finance**
(Expenditure)

While examining excess expenditure incurred by the Ministry of Finance (Deptt. of Expenditure) under Grant No. 36—Pensions, the Committee, considering the difficulties expressed by the Ministry in making precise estimates for the grant, desired in their earlier report, the Ministry to examine the feasibility of decentralising the grant with a view to making each Ministry individually responsible for the provision made for pension. In their action taken note, the

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Ministry of Finance have informed that the proposal for decentralising the work relating to pension Demand has been deferred as another proposal for setting up a separate organisation called 'National Pension Accounts Office' for controlling the Pensions Demand is under examination at present. From the Appropriation Accounts (Civil) for the year 1986-87, the Committee have noticed that instead of excess expenditure, savings of the order of Rs. 24.13 crores under voted portion and Rs. 2.11 crores under the charged portion of the grant constituting 8.2% and 47% of the total grant/appropriation, respectively, occurred during the year.

29. 2.5 Finance
(Expenditure)

In view of the data already available in the Ministries about the retired and retiring persons and their entitlements, there should be little scope for variation between the budgetted figure and the actual expenditure. Since the Ministry are examining a proposal for setting up 'National Pension Accounts Office' to overcome the problem of excess expenditure or savings, the Committee would like the Ministry to take a decision thereon expeditiously and apprise them of the same.

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