

**PUBLIC ACCOUNTS COMMITTEE**  
**(1976-77)**

(FIFTH LOK SABHA)

**TWO HUNDRED AND THIRTY-FOURTH REPORT**

**REGULARISATION OF CONTINGENCY FUND  
ADVANCES**

**MINISTRY OF FINANCE**  
**(DEPARTMENT OF ECONOMIC AFFAIRS)**

[Action taken by Government on the recommendations  
of the Public Accounts Committee contained in their  
222nd Report (Fifth Lok Sabha)]



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*October, 1976/Kartika, 1898 (Saka)*

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CORRIGENDA TO THE TWO HUNDRED AND  
THIRTY-FOURTH REPORT OF PUBLIC ACCOUNTS  
COMMITTEE (FIFTH LOK SABHA) PRESENTED  
TO LOK SABHA ON 1ST NOVEMBER, 1976.

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**PUBLIC ACCOUNTS COMMITTEE**

(1976-77)

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Shri H. N. Mukerjee

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3. Shri Dinen Bhattacharya
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21. Shri Omprakash Tyagi
22. Shri Zawar Husain

**SECRETARIAT**

Shri N. Sunder Rajan—*Officer on Special Duty.*

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Two Hundred and Thirty Fourth Report on the action taken by Government on the recommendations of the Public Accounts Committee contained in their Two Hundred and twenty second Report (5th Lok Sabha) on Regularisation of Contingency Fund Advances relating to the Ministry of Finance (Department of Economic Affairs).

2. On 5 June, 1976 an 'Action Taken Sub-Committee,' consisting of the following Members, was appointed to scrutinise the replies from Government in pursuance of the recommendations made by the Committee in their earlier Reports:

1. Shri H. N. Mukerjee—*Chairman*
  2. Shri N. K. Sanghi—*Convener*
  3. Shri Dinen Bhattacharya
  4. Shri Chandulal Chandrakar
  5. Shri Raja Kulkarni
  6. Shri Shyam Sunder Mohapatra
  7. Shri Priya Ranjan Das Munsi
  8. Shri Sardar Amjad Ali
  9. Shri Indradeep Sinha
  10. Shri Omprakash Tyagi
- } *Members*

3. The Action Taken Sub-Committee of the Public Accounts Committee (1976-77) considered and adopted the Report at their sitting held on 14th October, 1976. The Report was finally adopted by the Public Accounts Committee on 25 October, 1976.

4. For facility of reference the conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. For the sake of convenience, the conclusions/recommendations of the Committee have also been appended to the Report in a consolidated form.

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Comptroller and Auditor General of India.

NEW DELHI;  
October 26, 1976.  

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Kartika 4, 1898 (S).

H. N. MUKERJEE,  
*Chairman.*  
*Public Accounts Committee.*

## CHAPTER I

### REPORT

1.1. This Report of the Committee deals with the action taken by Government on the Committee's recommendations/observations contained in their 222nd Report (Fifth Lok Sabha) on 'Regularisation of Contingency Fund Advances', which was presented to the Lok Sabha on 30 April, 1976.

1.2. The 222nd Report contained 5 recommendations/observations. Action Taken Notes on all these recommendations/observations have been received from Government and these have been broadly categorised as follows:

(i) *Recommendations/observations that have been accepted by Government:*

Sl. Nos. 1, 4 and 5.

(ii) *Recommendations/observations which the Committee do not desire to pursue in the light of the replies of Government.*

NIL

(iii) *Recommendations/observations replies to which have not been accepted by the Committee and which require re-iteration:*

Sl. Nos. 2 and 3.

(iv) *Recommendations/observations in respect of which Government have furnished interim replies:*

NIL

1.3. The Committee will now deal with the action taken by Government on some of their recommendations/observations.

*Misclassification of an advance drawn from the Contingency Fund as an expenditure from the Consolidated Fund. (Paragraphs 1.8 and 1.9.—Sl. No. 1).*

1.4. Commenting on the misclassification of an advance drawn from the Contingency Fund of India as an item of expenditure from



the Consolidated Fund of India, the Committee, in paragraphs 1.8 and 1.9 of the Report had observed:

"1.8. The Committee note that an advance of Rs. 1304.20 sanctioned as an advance from the Contingency Fund of India on 13 March, 1974, for the payment of a decretal amount was wrongly booked in the accounts for the year 1973-74 by the Central Reserve Police, as an item of Voted expenditure in the Revenue Section of 'Grant No. 49-Police' instead of to the Contingency Fund. Had this amount been correctly booked in the accounts, it would have remained outstanding at the end of 1973-74. Following the normal practice and in accordance with Rule 8 of the Contingency Fund of India Rules, the advance drawn from the Contingency Fund was sought to be recouped through a Supplementary Demand for Grant in the next session of Parliament. During the course of discussions in the House on the first batch of Supplementary Demands for Grants for 1974-75, in which this item stood included, the Speaker gave the following ruling on 2 September, 1974:

"The other day I saw the objections raised by honourable members about certain expenditure of the previous year. I think that is a subject matter for excess grants. I hope the honourable Minister would come forward with Excess Demands for Grants."

The Speaker's ruling implies that if any advance from the Contingency Fund remained outstanding at the end of the year in which the advance was drawn such advances might not be regularised by placing Supplementary Demands in a subsequent year but would have to be regularised through an excess demand. Accordingly, this item was withdrawn from the Supplementary Demands and now the Ministry of Home Affairs have approached the Committee for the regularisation of this expenditure through an Excess Demand.

1.9. The Committee are unable to understand how an advance drawn from the Contingency Fund came to be booked wrongly by the department in the accounts for the year 1973-74 as an expenditure from the Consolidated Fund. What is worse, though expenditure incurred in satisfaction of court decrees, awards of arbitral tribunals, etc., is correctly debitable as a charged item of expenditure, the Department committed further mistake in booking the expenditure as a Vote item. This clearly indicates a gross lack of knowledge of the

basic principles of accounting and classification. The Committee would like the Ministry to examine this lapse and ensure that the supervision exercised over the accounting of expenditure is adequate and that responsibility for the lapse is located."

1.5. In their Action Taken Note dated 29 July, 1976, the Ministry of Home Affairs have replied as follows:

"The Government have examined the lapse pointed out by the PAC. The misclassification of expenditure occurred due to oversight which is regretted."

1.6. The Committee note that the misclassification of an advance drawn from the Contingency Fund as an expenditure from the Consolidated Fund as well as the further mistake in booking the expenditure, which had been incurred in satisfaction of a court decree, as a 'Voted' item of expenditure instead of a 'Charged' item have been attributed to oversight for which the Ministry have expressed regret. The Committee would, however, like to be reassured that the supervision exercised in the Ministry, over the accounting of expenditure is adequate. Since the Ministry's reply is silent on this aspect, the Committee would seek a more specific clarification in this regard.

1.7. Judging from the repetitive instances which have come to the Committee's notice of misclassification of expenditure incurred in satisfaction of court decrees, awards of arbitral tribunals, etc., the Committee have an impression that such mistakes are fairly widespread. In this context, they consider it pertinent to invite the Ministry's attention to their observations contained in paragraph 2.13 of their 227th Report (Fifth Lok Sabha) and trust that such patent misclassifications of expenditure would be altogether eliminated in future.

*Amendment of the Contingency Fund of India Rules and procedure for the regularisation of unrecouped advances from the Fund.*

*(Paragraphs 1.10 and 1.11—Sl. Nos. 2 and 3).*

1.8. In paragraphs 1.10 and 1.11 of the Report, the Committee had recommended as follows:

"1.10. Since the Speaker's ruling implies that the relevant rules for the recoupment of advance drawn from the Contingency Fund of India require suitable amendment, the

Committee trust that Government have taken adequate steps in this regard and will send an intimation accordingly.

1.11. Instances where advances drawn from the Contingency Fund remain outstanding at the end of the financial year may occur every year. Hitherto such amounts had been regularised and recouped by means of Supplementary Demands for Grants presented in the subsequent financial year. However, in view of the Speaker's specific ruling, such outstanding amounts will henceforth have to be regularised by means of Excess Demands. To enable the Committee to present a consolidated Report on Excesses over Voted Grants and Charged Appropriations, it is necessary that in future, along with the explanatory notes on Excesses over Voted Grants and Charged Appropriations reflected in the Appropriation Accounts, the concerned Ministries/Departments should also furnish, in accordance with the time schedule already prescribed in this regard, explanatory notes on cases of advances drawn from the Contingency Fund but remaining outstanding at the end of the Financial year. The Budget Division of the Ministry of Finance may issue necessary instructions in this regard."

1.9. With reference to the Committee's observations contained in paragraph 1.10, the Department of Economic Affairs (Budget Division) have, in their Action Taken Note dated 28 June, 1976, stated:

"The relevant Rule of the Contingency Fund of India will be suitably amended as soon as clarification, sought from the Attorney General, on certain aspects relating to Advances to meet 'New Service' expenditure is received."

1.10. The Action Taken Note furnished by the Department, on 28 June, 1976, on the recommendation contained in paragraph 1.11 is reproduced below:

"Suitable instructions will be issued as soon as the Contingency Fund of India Rules are amended, as per recommendation in paragraph 1.10 of the Report."

1.11. The Committee are unable to appreciate the rationale of the reply furnished by the Department of Economic Affairs on a fairly simple recommendation relating to the amendment of the Contingency Fund of India Rules which had its genesis in a specific ruling given by the Speaker in the House in regard to

advances drawn from the Contingency Fund of India and remaining outstanding at the end of the financial year. The scope of the reference stated to have been made to the Attorney General has also not been intimated to the Committee. However, since the reference apparently relates to expenditure on a 'New Service', its relevance in the present case is not very clear to the Committee. They would, therefore, like to be informed urgently, in some detail, of the reasons for the delay in initiating action on a ruling by the Speaker. Pending this clarification, the Committee would like to be told whether their recommendations contained in paragraphs 1.10 and 1.11 of the 222nd Report (Fifth Lok Sabha) have at least been accepted in principle by Government.

**CHAPTER II**  
**RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN**  
**ACCEPTED BY GOVERNMENT**

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**Recommendation**

“The Committee note that an advance of Rs. 1304.20 sanctioned as an advance from the Contingency Fund of India on 13 March 1974, for the payment of a decretal amount was wrongly booked in the accounts for the year 1973-74 by the Central Reserve Police, as an item of Voted expenditure in the Revenue Section of ‘Grant No. 49—Police’ instead of to the Contingency Fund. Had this amount been correctly booked in the accounts, it would have remained outstanding at the end of 1973-74. Following the normal practice and in accordance with Rule 8 of the Contingency Fund of India Rules, the advance drawn from the Contingency Fund was sought to be recouped through a Supplementary Demand for Grant in the next session of Parliament. During the course of discussions in the House on the first batch of Supplementary Demands for Grants for 1974-75, in which this item stood included, the Speaker gave the following ruling on 2 September 1974:

“The other day I saw the objections raised by honourable members about certain expenditure of the previous year. I think that is a subject matter for excess grants. I hope the honourable Minister would come forward with Excess Demands for Grants.”

The Speaker's ruling implies that if any advance from the Contingency Fund remained outstanding at the end of the year in which the advance was drawn such advances might not be regularised by placing Supplementary Demands in a subsequent year but would have to be regularised through an excess demand. Accordingly, this item was withdrawn from the Supplementary Demands and now the Ministry of Home Affairs have approached the Committee for the regularisation of this expenditure through an Excess Demand.

The Committee are unable to understand how an advance drawn from the Contingency Fund came to be booked wrongly by the department in the accounts for the year 1973-74 as an expenditure from the Consolidated Fund. What is worse, though expenditure incurred in satisfaction of court decrees, awards of arbitral tribunals, etc. is correctly debitible as a charged item of expenditure, the Department committed a further mistake in booking the expenditure as a Voted item. This clearly indicates a gross lack of knowledge of the basic principles of accounting and classification. The Committee would like the Ministry to examine this lapse and ensure that the supervision exercised over the accounting of expenditure is adequate and that responsibility for the lapse is located."

[S. No. 1, Paras 1.8 and 1.9 of Appendix II to 222nd Report of the Public Accounts Committee (5th Lok Sabha)].

#### **Action Taken**

The Government have examined the lapse pointed out by the PAC. The misclassification of expenditure occurred due to oversight which is regretted.

[Ministry of Home Affairs O.M. No. 34/2/76-AC I dated the 29th July, 1976].

#### **Recommendation**

Normally, the Public Accounts Committee go by the cases reported by the Comptroller & Auditor General of India, unless any instance of misclassification is brought before them at the time when they examine the excesses. Since, however, this item was specifically discussed in Parliament and the ruling of the Speaker also had its genesis in this particular item of misclassification, the Committee have considered it fit to recommend regularisation of the misclassified item as a special case.

Subject to their observations contained in the preceding paragraphs and in continuation of their recommendation contained in paragraph 2.66 of their 130th Report (Fifth Lok Sabha) the Committee recommend that the amount of Rs. 1304.20 which had been drawn from the Contingency Fund of India, in March 1974 and which would have remained outstanding at the end of 1973-74 but for its erroneous booking as an expenditure from the Consolidated Fund of India, be

regularised in the manner prescribed in Article 115 of the Constitution of India.

[S. No. 4 and 5, Paras 1.12 and 1.13 of the 222nd Report of the Public Accounts Committee (5th Lok Sabha)].

**Action Taken**

Necessary action is being taken to get the amount of Rs. 1304.20 regularised under Article 115 (1)(b) of the Constitution of India.

[Ministry of Finance (Department of Economic Affairs) O.M. No. E 8(8)-B(RA)/76 dated the 28th June, 1976].

### CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES OF GOVERNMENT.

NIL



## CHAPTER IV

### RECOMMENDATIONS/OBSERVATIONS WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION.

#### Recommendation

Since the Speaker's ruling implies that the relevant rules for the recoupment of advances drawn from the Contingency Fund of India require suitable amendment, the Committee trust that Government have taken adequate steps in this regard and will send an intimation accordingly.

[S. No. 2 para 1.10 of 222nd Report of Public Accounts Committee (5th Lok Sabha)].

#### Action Taken

The relevant Rule of the Contingency Fund of India will be suitably amended as soon as clarification, sought from the Attorney General, on certain aspects relating to Advances to meet 'New Service' expenditure is received.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F. 8(8)-B(RA)/76 dated the 28th June, 1976].

#### Recommendation

Instances where advances drawn from the Contingency Fund remain outstanding at the end of the financial year may occur every year. Hitherto such amounts had been regularised and recouped by means of Supplementary Demands for Grants presented in the subsequent financial year. However, in view of the Speaker's specific ruling, such outstanding amounts will henceforth have to be regularised by means of Excess Demands. To enable the Committee to present a consolidated Report on Excesses over Voted Grants and Charged Appropriations, it is necessary that in future, along with the explanatory notes on Excesses over Voted Grants and Charged Appropriations reflected in the Appropriation Accounts, the concerned Ministries/Departments should also furnish, in accordance with the time schedule already prescribed in this regard, explanatory notes on cases of advances drawn from the Contingency Fund but

remaining outstanding at the end of the Financial Year. The Budget Division of the Ministry of Finance may issue necessary instructions in this regard.

[S. No. 3 Para 1.11 of 222nd Report of P.A.C. (5th Lok Sabha)].

Suitable instructions will be issued as soon as the Contingency Fund of India Rules are amended, as per recommendation in paragraph 1.10 of the Report.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F. 8(8)-B(RAO)/76 dated the 28th June, 1976].

**CHAPTER V**

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF  
WHICH GOVERNMENT HAVE FURNISHED INTERIM  
REPLIES.**

NIL

NEW DELHI;  
October 26, 1976.  

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Kartika 4, 1898 (S).

H. N. MUKERJEE,  
Chairman,  
Public Accounts Committee.

## APPENDIX

### Conclusions/Recommendations

Sl. No.	Para No. of Report	Ministry/Department concerned	Conclusions/Recommendations
1	2	3	4
1	1.6	Home Affairs.	The Committee note that the misclassification of an advance drawn from the Contingency Fund as an expenditure from the Consolidated Fund as well as the further mistake in booking the expenditure, which had been incurred in satisfaction of a court decree, as a 'Voted' item of expenditure instead of a 'Charged' item have been attributed to overnight for which the Ministry have expressed regret. The Committee would, however, like to be reassured that the supervision exercised in the Ministry, over the accounting of expenditure is adequate. Since the Ministrys reply is silent on this aspect, the Committee would seek a more specific clarification in this regard.
2	1.7	Finance (Economic Affairs)	Judging from the repetitive instances which have come to the Committee's notice of misclassification of expenditure incurred in satisfaction of court decrees, awards of arbitral tribunals, etc., the Committee have an impression that such mistakes are fairly widespread. In this context, they consider it pertinent to invite the

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Ministry's attention to their observations contained in paragraph 2.13 of their 227th Report (Fifth Lok Sabha) and trust that such patent misclassifications of expenditure would be altogether eliminated in future.

3

1.11

Finance (Deptt. of Economic Affairs).

The Committee are unable to appreciate the rationale of the reply furnished by the Department of Economic Affairs on a fairly simple recommendation relating to the amendment of the Contingency Fund of India Rules which had its genesis in a specific ruling given by the Speaker in the House in regard to advances drawn from the Contingency Fund of India and remaining outstanding at the end of the financial year. The scope of the reference stated to have been made to the Attorney General has also not been intimated to the Committee. However, since the reference apparently relates to expenditure on a 'New Service', its relevance in the present case is not very clear to the Committee. They would, therefore, like to be informed urgently, in some detail, of the reasons for the delay in initiating action on a ruling by the Speaker. Pending this clarification, the Committee would like to be told whether their recommendations contained in paragraphs 1.10 and 1.11 of the 222nd Report (Fifth Lok Sabha) have at least been accepted in principle by Government.

