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**Excesses over Voted Grants and
Charged Appropriations (2003-2004)**

**PUBLIC ACCOUNTS
COMMITTEE
2005-2006**

TWENTY-FIRST REPORT

FOURTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

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PUBLIC ACCOUNTS COMMITTEE (2005-2006)

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EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2003-2004)



*Presented to Lok Sabha on 08-12-2005
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LOK SABHA SECRETARIAT
NEW DELHI

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COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(2005-2006)

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1. Shri S.K. Sharma — *Additional Secretary*
2. Shri Ashok Sarin — *Director*
3. Smt. Anita B. Panda — *Under Secretary*

INTRODUCTION

I, the Chairman of Public Accounts Committee having been authorised by the Committee to submit this Report on their behalf, do present this Twenty-first Report (Fourteenth Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2003-2004)".

2. The Committee examined the cases of excess expenditure incurred by various Ministries/Departments of Union Government in 2003-2004 on the basis of relevant Appropriation Accounts; observations of Audit as contained in the Reports of the C&AG for the year ended 31 March, 2004; the explanatory notes and other relevant information furnished by the various Ministries/Departments concerned. The Committee considered and adopted the Report at their sitting held on 14th November, 2005. Minutes of the sitting form Part II of the Report.

3. 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 in Appendix-V to the Report.

4. The Committee would like to express their thanks to the Ministries/Departments concerned for the cooperation extended by them in furnishing information to the Committee.

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

NEW DELHI;
17 November, 2005
26 Kartika, 1927 (Saka)

PROF. VIJAY KUMAR MALHOTRA,
Chairman,
Public Accounts Committee.

REPORT

EXCESS EXPENDITURE OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2003-2004)

Introductory

I. Annual Appropriation Accounts of the Union Government

Appropriation Accounts are annual statements detailing grant-wise the sums expended by the Government in the reporting year compared with the several sums specified in the schedule appended to the Appropriation Acts passed under Articles 114 and 115 of the Constitution of India and also indicate unspent provisions/excess expenditure under each Voted Grant and Charged Appropriation as a whole during that financial year.

2. Presently, four Appropriation Accounts are presented to Parliament *viz.* Civil, Defence Services, Postal Services and Railways. The Appropriation Accounts in respect of Grants/Appropriations covered under Civil Sector are prepared by the Controller General of Accounts in the Ministry of Finance and the Non-Civil Ministries/Departments of Defence, Posts and Railways prepare their own annual Appropriation Accounts. These Appropriation Accounts are audited and certified by the Comptroller and Auditor General of India who also submits separate Audit Report thereon to the President who, in turn, causes them to be laid before each House of Parliament in terms of Article 151 of the Constitution of India.

3. After their presentation to Parliament, these annual Appropriation Accounts and Audit Reports thereon stand referred to the Public Accounts Committee for examination under the provisions of Rule 308* of Rules of Procedure and Conduct of Business in Lok Sabha.

4. In scrutinizing the Appropriation Accounts of the Government of India and the reports of the Comptroller and Auditor General of India thereon, it is the duty of the Committee to satisfy themselves:—

- (a) that the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which have been applied or charged;
- (b) that the expenditure conforms to the authority which governs it; and
- (c) that every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by competent authority.

5. If any money has been spent on any service during a financial year in excess of the amount granted by the House for that purpose, the Committee examine, with reference to the facts of each case, the circumstances leading to such an excess and make such recommendations as it may deem fit.

II. Union Government Appropriation Accounts for 2003-04

6. The following table indicates the results of the examination by Audit of the relevant Appropriation Accounts (2003-2004) have been brought out in the following Audit Reports:

Sl. No.	Appropriation Accounts	Report in which audit findings are highlighted
1.	Civil	Chapter 6 & 7 of C&AG's Report No. 1 of 2005
2.	Defence Services	Chapter 7 of C&AG's Report No. 1 of 2005
3.	Postal Service Railways	Chapter 7 of C&AG's Report No. 1 of 2005
4.	Railways	Chapter I, Para 1.8 of C&AG's Report No. 8 of 2005

7. The table given below indicates the number of demands for Grants/Appropriations obtained by various Ministries/Departments during 2003-2004:

Sector of activity	Number of demands for grants/appropriations
Civil	96
Defence Services	6
Postal Services	1
Railways	16
Total	119

8. In this Report, the Committee have examined the cases of those grants/appropriations where moneys have been spent in excess of the amount authorised by Parliament for specified services for the year 2003-04 and which required regularisation by Parliament under Article 115(1)(b) of the Constitution of India.

III. Rules laid down for Control of Expenditure

- (i) Article 114(3) of the Constitution provides that subject to the provisions of Articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article.
- (ii) Further, General Financial Rules (GFR) 71 stipulates that no disbursements be made which might have the effect of exceeding the total grant or appropriation authorised by Parliament for a financial year except after obtaining a supplementary grant or an advance from the Contingency Fund.
- (iii) Article 115(1) (b) of the Constitution stipulates that if any money had been spent on any service during a financial year in excess of the amount granted for that service and for that year, the president should cause to be presented to the House of people a demand for such excess.

- (iv) Annexure "A" to Rules 66 and 75 of the General Financial Rules lays down the detailed procedure to be followed by the Pay and Accounts Offices (PAOs) regarding check against provision of funds. This procedure prescribes that where a payment would lead to excess over the provision under any "unit of appropriation", the payment may be made by PAO only on receipt of an assurance in writing from the Ministry/head of Department controlling the grant that necessary funds to accommodate the expenditure will be provided for in time by issue of re-appropriation order etc. In cases of inevitable payments towards the close of the financial year where the grant as a whole is likely to get exceeded, the orders of the Financial Adviser on behalf of the Chief Accounting Authority would have to be sought.
- (v) Indian Railway Financial Code, Volume-I also addresses the issue of excesses over grants in so far as Railway finances are concerned. According to paragraph 371 of this code, the Railway administration shall be responsible to ensure that no expenditure is incurred in excess of the Budget allotments made to them. Similar provisions also exist under paragraphs 782 and 783 of P&T Manual, Volume II which, *inter-alia* prescribe that control in relation to budget allotments must secure that expenditure is not incurred under any head in excess of the funds allotted to that head.

IV. Procedure for regularisation of Excess Expenditure

9. According to the procedure laid down for the regularisation of excess expenditure, the Ministries and Departments of Government of India are required to furnish to the Public Accounts Committee explanatory notes containing the reasons for or circumstances leading to the excesses under each excess registering Grant/Appropriation alongwith the relevant Appropriation Accounts. Thereafter, the Public Accounts Committee proceed to examine, in the light of explanatory notes/evidence furnished by the Ministries, the circumstances leading to such excesses and present a Report thereon to Parliament recommending regularisation of the excesses subject to such observations/recommendations as they may choose to make. Pursuant to the Report of the Committee, Government initiate necessary action to have the excesses regularised by Parliament, under Article 115(1) (b) of the Constitution, either in the same Session in which the Committee present their Report or in the following Session.

V. Excess Expenditure over voted grants and charged appropriations (2003-2004)

(a) Summary of excess disbursements over Grants Appropriations

Excess disbursements over Grants/Appropriations

10. During the year 2003-2004 there was an excess disbursement of Rs. 42190.20 crore in seven Grants/Appropriations operated by the Civil Ministries/Departments, Rs.1175.28 crore under nine Grants/Appropriations pertaining to Ministry of Railways

and Rs. 37.50 crore in one Grant operated by Ministry of Defence. The following table indicates the number of excess registering Grants/Appropriations and the break-up of excess expenditure incurred during the year under review:

(In unit of Rs.)

Sl. No.	Name of Appropriation Accounts	No. of excess registering Grants/Appropriations	No. of cases involved	Amount of excess expenditure Incurred
1.	Civil	7	7	42190,19,76,292
2.	Defence Services	1	1	37,50,27,533
3.	Postal Services	-	-	-
4.	Railways	9	13	1175,28,31,713
	Total	17	21	43402,98,35,538

(b) Excess disbursements under Indian Railways Appropriation Accounts

11. The explanatory note furnished by the Ministry of Railways for regularisation of excess expenditure incurred by them over Voted Grants/Charged Appropriations during 2003-04 revealed that there was a misclassification of expenditure of Rs. 4,11,715/- under Appropriation No. 3—Working Expenses—General Superintendence and Services, Rs. 5,56,933/- under Appropriation No. 11—Working Expenses—Staff Welfare and Amenities, Rs. 126,96,531/- under Appropriation No. 16—Assets Acquisition, Construction and Replacement—Capital, (-) Rs. 43,65,04,707/- under Grant No. 16—Assets—Acquisition, Construction and Replacement—Capital and Rs. 3,92,42,866/- under Grant No. 16—Assets—Acquisition, Construction and Replacement—Special Railway Safety Fund.

12. Taking into account the effect of these cases of misclassification, the actual excess expenditure relating to Railways worked out to Rs. 1136,92,35,051/-—instead of Rs. 1175,28,31,713/- as indicated in the relevant Appropriation Accounts.

(c) Total excess expenditure requiring regularisation under Article 115(1) (b) of the Constitution

13. Thus, the amount of actual excess expenditure during the year 2003-04 which requires regularization by the Parliament under Article 115(1) (b) of the Constitution is of the order of Rs. 43364,62,38,876/- incurred in 21 cases of 17 excess registering Grants/Appropriations.

(d) Details of excess disbursement over Grants/Appropriations

(in unit of Rs.)

Sl. No.	No. & Name of Grant/Appropriation	Administrative/ Ministry/ Department	Final Grant	Actual Expenditure	Excess Expenditure
1	2	3	4	5	6

I. APPROPRIATION ACCOUNTS (CIVIL)

Revenue (Voted)

1.	15-Department of Telecommunications	Telecomm-unications	39,43,28,00,000	39,47,25,85,153	397,85,153
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Revenue (Charged)

2.	39-Pensions	Finance	1274,00,000	1473,58,401	199,58,401
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1	2	3	4	5	6
3.	52-Cabinet	Home Affairs	19,00,000	24,58,839	5,58,839
Capital (Voted)					
4.	16-Department of Information Technology	Information Technology	58,90,00,000	60,18,59,171	128,59,171
5.	27-Department of Development of North Eastern Region	Development of North Eastern Region	70,21,00,000	70,32,95,395	11,95,395
6.	67-Ministry of Personnel, Public Grievances and Pensions	Personnel, Public Grievances and Pensions	60,00,000	62,48,086	2,48,086
Capital (Charged)					
7.	37-Repayment of Debt	Finance	388780,32,00,000	43096,30,571,247	421,82,73,71,247
II. APPROPRIATION ACCOUNTS— (DEFENCE SERVICES)					
Revenue (Voted)					
8.	24-Defence Ordnance Factories	Defence	931,54,00,000	969,04,27,533	37,50,27,533
III. APPROPRIATION ACCOUNTS—(RAILWAYS)					
Revenue (Voted)					
9.	14-Appropriation to Funds—DRF, DF, Pension and CF	Railways	9897,00,00,000	10578,61,81,059	68161,81,059
10.	15-Dividend to General Revenues	Railways	3315.41,00,000	3387,07,71,479	71,66,71,479
Revenue (Charged)					
11.	3-General Superintendence and Services	Railways	5,23,000	19,47,035	18,35,750*
12.	7-Repairs and Maintenance of Plants and Equipment	Railways	71,000	92,996	21,996
13.	8-Operating Expenses—Rolling Stock and Equipment	Railways	11,64,000	12,86,059	1,22,059
14.	9-Operating Expenses—Traffic	Railways	10,67,000	15,52,568	4,85,568

* There was an excess expenditure of Rs. 14,24,035 under this appropriation. However, after taking into account the misclassification of expenditure of Rs. 4,11,715, the real excess expenditure under this appropriation requiring regularisation worked out to Rs. 18,35,750.

1	2	3	4	5	6
15.	10—Operating Expenses—Fuel	Railways	Nil	761,37,047	761,37,047
16.	11—Staff Welfare and Amenities	Railways	5,75,000	17,92,518	17,74,451@
Capital (Voted)					
17.	16—Assests—Acquisition, Construction and Replacement-special Railway Safety Fund	Railways	2790,0015,000	2918,61,51,856	132,53,79,722*
18.	16—Assets—Acquisition, Construction and Replacement—Capital	Railways	19176,60,90,000	19459,71,59,383	239,45,64,676**
Capital (Charged)					
19.	16—Assets—Acquisition, Construction and Replacement—Capital	Railways	800,00,000	963,45,841	290,42,372***
20.	16—Assets—Acquisition, Construction and Replacement—Railway Funds	Railways	99,26,000	1,69,44,381	70,18,381
21.	16—Assets—Acquisition, Construction and Replacement—O.I.W.R.	Railways	26,000	26,491	491

@ There was an excess expenditure of Rs. 12,17,518 under this appropriation. However, after taking into account the misclassification of expenditure of Rs. 5,56,933, the real excess expenditure under this appropriation requiring regularisation worked out to Rs. 17,74,451.

* There was an excess expenditure of Rs. 128,61,36,856/- under this Grant. However, after taking into account the misclassification of expenditure of Rs. 3,92,42,866/- the real excess expenditure under this grant requiring regularisation worked out to Rs. 132,53,79,722/-.

** There was an excess expenditure of Rs. 283,10,69,383/- under this Grant. However, after taking into account the misclassification of expenditure of Rs. (-) 43,65,04,707/- the real excess expenditure under this grant requiring regularisation worked out to Rs. 239,45,64,676/-.

*** There was an excess expenditure of Rs. 163,45,841/- under this appropriation. However, after taking into account the misclassification of expenditure of Rs. 126,96,531/- the real excess expenditure under this appropriation requiring regularisation worked out to Rs. 290,42,372/-.

14. The above statement reveals that out of seven cases of excess expenditure incurred under the Grants/Appropriations operated by Civil Ministries/Departments, the Ministry of Finance under Appropriation No. 37-Repayment of Debt only incurred excess expenditure of Rs. 42182.74 crore which is 97 percent of total excess expenditure incurred during the year 2003-2004. In case of Defence Services, Grant No. 24-Defence (Ordnance Factories) also incurred excess expenditure of Rs. 37.50 crore. In the case of grants/appropriations administered by the Ministry of Railways, an excess expenditure of Rs. 1136.92 crore. (inclusive of misclassification of expenditure) was incurred in 13 cases, out of which an excess expenditure of above Rs. 100 crore each was recorded in three cases with their Grant No. 14-Appropriation to Funds-DRF, DF, Pension and CF taking a lead with an excess of Rs. 681.62 crore followed by excess of Rs. 239.46 crore under Grant No.-16-Assets, Acquisition, Construction and Replacement-Capital and Rs. 132.54 crore under Grant No. 16-Assets, Acquisition, Construction and Replacement-Special Railway Safety Fund.

15. The complete text of explanatory notes furnished by the concerned Ministries/Departments for the regularisation of excess expenditure incurred during the year 2003-2004 is reproduced at Appendices I to IV of the Report.

(e) Excess expenditure despite having Supplementary Grant

16. A scrutiny of the relevant appropriation Accounts and explanatory notes reveals that the excess expenditure during 2003-2004 had occurred even after the Ministries/Departments obtained supplementary grants/appropriations in 8 cases to meet their additional requirements as is evident from the table given below:

Sl. No.	No. & Name of Grant/ Appropriation	Amount of Supplementary Grant/Appropriation obtained	Amount of Excess Expenditure incurred
Appropriation Accounts (Civil)			
1.	15-Deptt. of Telecommunications	2575.63	3.98
2.	16-Department of Information Technology	20.00	1.29
3.	27-Department of Development of North Eastern region	0.01	0.12
4.	37-Re-payment of Debt	21701.79	42182.74
5.	52-Cabinet	0.07	0.06
6.	67-Ministry of Personnel, Public Grievances & Pensions	0.60	0.02
Appropriation Accounts (Defence Services)			
7.	24-Defence Ordnance Factories	238.04	37.50
Appropriation Accounts (Railways)			
8.	Appropriation Nos. 3, 7, 8, 9, 11 & 16 (other expenditure-Capital, Railway Funds, and O.L.W.R.) and Grant Nos. 14, 15 & 16 (other Expenditure- (Capital and Special Railway Safety Fund)	1363.63	1126.41

17. It is evident from the above table that under Appropriation No. 37-Repayment of Debt, the excess expenditure incurred is much higher than the amount obtained as Supplementary provision.

(f) Recurring Phenomenon of excess expenditure

18. Article 114(3) of the constitution provides that no money be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article. Further, General Financial Rule (GFR) 71 stipulates that no disbursements be made which might have the effect of exceeding the total grant or appropriations authorised by Parliament for a financial year except after obtaining a supplementary grant or an advance from the CFI. Contrary to this, the incurrence of excess expenditure has been a recurring phenomenon in the past despite recommendations of the successive Public Accounts Committees and subsequent issuance of instructions by the Ministry of Finance from time to time. The table given below indicates the position regarding excess expenditure incurred by various Ministries/Departments during the last ten years.

Year	No. of Excess registering grants/ appropriations	Excess Expenditure incurred (Rs. in crore)
1994-1995	15	481.09
1995-1996	9	745.80
1996-1997	21	706.72
1997-1998	10	530.41
1998-1999	55	12,758.63
1999-2000	11	57.36
2000-2001	07	230.45
2001-2002	14	1089.54
2002-2003	18	2188.12
2003-2004	17	43364.62

19. The above table shows an increasing trend in excess expenditure during the past five years. It has increased from Rs. 57.36 crore during 1999-2000 to Rs. 43364.62 crore in 2003-2004. Such large scale excesses were commented upon in the Reports of the Committee during earlier years also. However, no concrete steps seem to have been taken by the concerned Ministries/Departments to arrest the ongoing trend.

(g) Delay in furnishing Explanatory Notes

20. As per the Committee's recommendation made in Para 8.3 of 23rd Report (13th Lok Sabha), the Ministries and Departments of Government of India are required to

submit the explanatory notes to PAC in respect of excess registering grants/ appropriations alongwith the Appropriation Accounts.

21. The dates on which the Appropriation Accounts of Union Government for the year 2003-2004 were laid on the Table of the House and the explanatory notes received by the Committee are given below:

Appropriation Accounts	Date on which laid on the Table of the House	No. & Name of excess registering grant/ Appropriation	Concerned Ministry/ Department	Date of explanatory notes furnished to the Committee	Delay
Civil	6.05.2005	15-Department of Telecommunications	Telecommu- nications	10.11.2004	—
		16-Department of Information Technology	Information Technology	7.07.2005	2 months
		27-Department of Development of North Eastern Region.	Department of North Eastern Region	13.06.2005	1 month (+)
		37-Repayment of debt	Finance and Company Affairs	10.08.2005	3 months (+)
		39-Pensions	-do-	21.07.2005	1½ months
		52-Cabinet	Home Affairs	06.06.2005	1 month
		67-Ministry of Personnel, Public Grievances and Pensions	Personnel, Public Grievances and Pensions	18.07.2005	1½ months
Defence Services	06.05.2005	24-Defence Ordinance Factories	Defence	02.03.2005	—
Railways	6.05.2005	Grant/Appropriation Nos. 3, 7, 8-11,14, 15 and 16 (Other expenditure-Capital, other Expenditure-Railway Funds, O.L.W.R., Capital and Special Railway Safety Fund)	Railways	05.05.2005	—

(h) Delay in furnishing Explanatory Notes by the Ministry of Finance

22. The following table indicates the position of receipt of explanatory notes under excess registering Grants/Appropriations operated by the Ministry of Finance during 1998-99 and 2001-02 to 2003-04:

Year	No. & Name of Grant/Appropriation	Delay
1998-99	28-Payment of Financial Institutions	1½ months
	29-Interest Payments	4 months (+)
	31-Loans to Government Servants	8 months (+)
2001-02	25-Payments to Financial Institutions	2½ months
	26-Interest Payments	4 months (+)
2002-03	29-Interest Payments	Not received till the finalisation of the Report
	30-Transfers to State and Union Territory Governments	4 months (+)
2003-04	37-Repayments of Debt	3 months (+)
	39-Pensions	1½ months

23. It is evident from the above table that whenever excess expenditure incurred was under the Grants/Appropriations operated by the Ministry of Finance, there was always delay in submission of explanatory notes to the Committee by them. There was also an instance when the said notes were not furnished to the Committee till the finalisation of the Report.

24. Taking note of the delay in submission of explanatory notes by the Ministry of Finance during the year 1998-99, the Committee in para 8.3 of the 23rd Report of PAC (13th Lok Sabha) had recommended as follows:

"The Committee are surprised to find that even the Ministry of Finance, despite being the nodal Ministry in the matter, delayed submission of the explanatory notes to the Committee. The Committee observe that their of repeated suggestions to make concerted efforts by the Administrative Ministries/ Departments to collect and compile timely the requisite information so as to submit the explanatory note to the Committee by the prescribed time schedule has not yielded any tangible result. With a view to put in place a speedy information accounting system and bring better financial management, the Committee recommend that from the financial year 2001-2002 onwards, the detailed explanatory notes in respect of each excess registering Grant/ Appropriation be prepared by the concerned Ministries/Departments and forwarded to the Ministry of Finance within such a time limit that these

explanatory notes are also made simultaneously available alongwith the Appropriation Accounts to the Public Accounts Committee. The Committee would like the Ministry of Finance to evolve a proper procedure in this regard and keep the Committee informed."

25. Similarly, while pointing out the delay in submission of explanatory notes during the year 2001-2002, the Committee in para 17.3 of 58th Report (13th Lok Sabha) had recommended:

"The Committee take a serious view of the delay despite the recommendations of the Committee and desire fixation of responsibility for appropriate action. The Committee need hardly point out that time and again it has been emphasized that any delay in the submission of these notes to the Committee thwart the process of expenditure finalization of the Report on Excesses over Voted Grants and Charged Appropriation, presentation thereof to Parliament and delaying the regularisation of the excess expenditure. The Committee would once again like to stress the need for making all out efforts by all concerned to eliminate the avoidable delays in future by ensuring strict adherence to schedule prescribed in this regard so that the excesses are expeditiously brought before Parliament and regularised accordingly."

26. Once again, during the year 2002-2003, the Committee had taken a serious view of such delays and recommended in para 68 of 10th Report (14th Lok Sabha) as follows:

"The Committee take a serious view of such delays on the part of the Ministries concerned in furnishing the explanatory notes and desire that responsibility be fixed for the laxity shown in this regard. The Committee, however, would like the Ministry of Finance, who is the coordinating Ministry in this regard, to look into the matter and take suitable measures to ensure timely submission of explanatory notes in future.

The Committee would further like to point out that whenever the excess expenditure is noticed under any Grant/Appropriation, no time should be lost by the concerned Ministry/Department in preparing and forwarding the explanatory notes to Audit for vetting. The Objections, if any, raised by Audit should be resolved on top priority basis. The Committee desire that a time schedule should be laid down for taking action at various stages involving finalisation/vetting of these explanatory notes, which would result in eliminating delay on this account. The Committee trust that necessary steps would be taken in this direction."

27. In pursuance of the recommendation made in Para 8.3 of the 23rd Report (13th Lok Sabha) the Ministry of Finance (Department of Expenditure-Monitoring Cell) in their Action Taken Note have stated:

"The recommendation of the Public Accounts Committee has been brought to the notice of all Ministries/Departments for guidance and follow up action *vide* this Ministry's O.M. No. 1/23/2001-MC dated 22.08.2001. Further, in pursuance of aforesaid recommendation, the office of Controller General of Accounts has

prescribed a procedure which will enable civil Ministries/Departments to furnish Explanatory notes alongwith the Appropriation Accounts to the Public Accounts Committee. Other non-Civil Ministries/Departments *Viz.* Railways, Defence, Posts and Telecommunications have also been requested to evolve a procedure in conformity with the recommendations".

In pursuance of the above recommendation of the PAC, following procedure is reitratred for implementation by the Principal Accounts Officers of departmentalised accounts organisation and Grant Controlling Authorities for ensuring timely submission of Explanatory Notes:

- (a) At the time of submission of Stage-II of the Headwise Appropriation Accounts to Audit and CGA's office, if any Grant or Appropriation is found to be registering an excess, the Principal Accounts Office will bring it to the notice of the grant controlling authority to prepare an Explanatory Note for obtaining approval of secretary of the administrative Department/Ministry through the Financial Adviser.
- (b) On receipt of intimation from the Principal Accounts Office, the Grant Controlling Authority would take immediate action to prepare an Explanatory Note and ensure that it gets finalised within one month, but not later than completion of audit of Stage-II of the Headwise Appropriation Accounts of the concerned Grant. After finalisation of Explanatory Notes, five copies thereof duly approved and signed by the competent authority should be sent to audit for their vetting and two copies sent to the concerned Pr. CCAs/CCAs/CAs.
- (c) The concerned Pr. CCAs/CCAs/CAs will forward one copy of the Explanatory Note alongwith Headwise Appropriation Accounts (Stage-III) to CGA's office. A confirmation that Explanatory Notes have been sent to audit for vetting should be included in the forwarding letter (quoting the letter No. and date through which it has been forwarded to Audit).
- (d) After submission of Stage-III of Audited Headwise Appropriation Accounts, effect of transfer entries/corrections (if any) in the Headwise Appropriation Accounts due to reconciliation, issue of corrigendum etc. should also be incorporated in the Explanatory Notes and revised Explanatory Notes submitted to Audit by the concerned Ministry, under intimation to CGA's office.
- (e) After Audit has vetted the Explanatory Note, one copy will be returned by Audit to the concerned Department/Ministry to enable them to furnish requisite number of copies of the Explanatory Notes (40 copies in English and 25 in Hindi) to the 'Monitoring Cell' (Department of Expenditure) for onward transmission to Lok Sabha Secretariat."

28. Further in response to the recommendation made in para 17.3 of 58th Report of PAC (13th Lok Sabha) the Ministry of Finance (Department of Economic Affairs) have stated:

".....the delay was on account of the procedure involved in the examination and preparation of the note, whereby it is mandatory to get such explanatory notes vetted by the Audit. The delay was not intentional but only procedural,

for which suitable instructions to all Heads of Divisions in the Department have been issued to avoid recurrence of such delays in future *vide* F.No. 2/1/2004-IFA dated 23rd August 2004. It may also be stated that it is always the endeavour of the Ministry to treat Parliamentary matters on top priority/urgent basis".

VI. Examination of Select Cases of excess Expenditure

29. In the succeeding paragraphs, the Committee have dealt with some of the prominent cases of excess expenditure during 2003-04 in the light of the facts brought out in the relevant Appropriation Accounts, Audit observations thereon and the explanatory notes furnished by the Ministries/Departments concerned.

(a) Appropriation Accounts (Civil)

30. The following table indicates the details of excess disbursements over Grants/Appropriations operated by the Civil Ministries/Departments during the year 2003-04 and the contributory reasons as stated by Government.

Sl. No.	No. & Name of Grant/Appropriation	Excess expenditure incurred (Rs. in crore)	Contributory reasons as stated by Government
1	2	3	4
1.	15-Department of Telecommunications (Revenue-Voted)	3.98	Due to Payment of commuted value of pension/gratuties to the employees absorbed in BSNL/Payment of compensation under Universal Service Obligation etc.
2.	16-Department of Information Technology (Capital-Voted)	1.29	Due to meeting expenditure for the benefit of North Eastern Region and Sikkim and also on account of fluctuation in conversion rate of foreign currency.
3.	27-Department of Development of North Eastern Region (Capital-Voted)	0.12	Due to meeting of committed liability towards Airport Authority of India and additional requirement of funds for housing for North Eastern Council Staff/ Guest
4.	37-Repayment of Debt (Capital-Charged)	42182.74	Due to pre-payment of loan and exchange rate fluctuation
5.	39-Pensions (Revenue-Charged)	1.99	Due to receipt of more claims than anticipated relating to Pensionary Charges in respect of High Court Judges

1	2	3	4
6.	52-Cabinet (Revenue-Charged)	0.06	Due to Payment made on a Court decree
7.	67-Ministry of Personnel, Public Grievances and Pensions (Capital Voted)	0.02	Due to increase in the rate of building material, after framing the estimates, for the construction of Lal Bahadur Shastri National Academy of Administration

31. It would be seen from the above statement that out of seven cases of excess expenditure incurred by the Civil Ministries/Departments, the excess expenditure in three cases was more than Rs. one crore, while Appropriation No.-37-Repayment of Debt (Capital-Charged) alone registered an excess expenditure of Rs. 42182.74 crore which is 99.98 percent of in total excess expenditure incurred by the Civil Ministries/Departments and 97 percent of the overall excess expenditure incurred during the year 2003-2004.

(b) Recurring excess expenditure in Civil Ministries/Departments

32. The following table indicates the total number of excess registering Grants/Appropriations under Appropriation Accounts (Civil) and the Amount of excess expenditure incurred during the last five years:

Year	No. of excess registering Grants/ Appropriations	Amount of excess expenditure incurred
1999-2000	2	0.57
2000-2001	1	0.44
2001-2002	5	878.67
2002-2003	8	1864.47
2003-2004 (year under review)	7	42190.20

33. It is evident from the above table that the excess expenditure incurred by the Civil Ministries/Departments is showing the rising trend since 2001-2002.

Grant No.-15 (Revenue-Voted)—Department of Telecommunications

34. Under Revenue Section (Voted) of Grant No.-15-Department of Telecommunications for 2003-2004, the total provisions was Rs. 1367.65 crore. This was augmented to Rs. 3943.28 crore by obtaining Supplementary Grant of Rs. 2575.63 crore in August 2003 and February, 2004. Against this, the expenditure of Rs. 3947.26 crore was incurred resulting in excess of Rs. 3.98 crore.

35. The explanatory note on the circumstances leading to excess expenditure during the year 2003-2004 as furnished by the Department of Telecommunications is reproduced at **Appendix-I**.

36. It reveals from the explanatory note furnished by the Department of Telecommunications that the excess of Rs. 3.98 crore was the net effect of total excesses of Rs. 150.74 crore and total unspent balance of Rs. 146.76 crore under various sub-heads of the Grants. The sub-heads under which excess of Rs. five lakhs and above occurred and reasons therefor are explained below:

Sl. No.	Sub-head	Excess (Rs. in lakhs)	Reasons for excess
1.	34510009103- C-DOT	900.04	Due to additional requirement of grant for C-DOT for procurement of new equipments for Operation Support System for converged solution for fixed and mobile networks.
2.	34510009105- Petty works	19.15	Due to purchase of more equipment.
3.	34510009107- Amenities to staff	13.18	Due to more amount required for welfare activities.
4.	207101102- Commuted Value of Pensions	4434.61	Due to payment of Commuted Value of Pension on Industrial Dearness Allowance Pay Scale to the employees absorbed in BSNL.
5.	207101104- Gratuities	6014.52	Due to payment of Gratuities on Industrial Dearness Allowance Pay Scale to the employees absorbed in BSNL.
6.	20711105- Family Pensions	1048.59	Due to more receipt of claim than anticipated as the payments are made through different agencies such as Banks, Post Offices.
7.	32750080040- Compensation to ITI	200.00	Due to requirement of funds to meet losses suffered by Srinagar Unit of ITI Ltd.
8.	32750080004- Compensation to Service Providers	2437.83	Due to receipt of more claims from Service Providers for payment of compensation under "Universal Service Obligation".

37. It may be pointed out that the excess expenditure under this Grant has been a recurring phenomenon since 2001-2002, as would be seen from the following table:—

(Rs. in crore)	
Year	Amount of Excess expenditure
2001-2002	114.36
2002-2003	15.89
2003-2004 (Year under review)	3.98

38. Expressing their displeasure over the excess expenditure incurred by the Department of Telecommunications during the year 2001-2002 and 2002-2003, the Committee in Para 72 of their 10th Report (14th Lok Sabha) had observed as follows:—

"The Committee recall that only last year, they had desired in Paragraph 17.5 of their 58th Report (13th Lok Sabha), to watch the impact of the steps taken by the Department of Telecommunications in this regard, in future Appropriation Accounts. The Committee have now been informed that after corporation of the DTS/DTO, the budgeting system of Department of Telecommunications has been completely revamped and efforts are being made to contain the expenditure within the Budget Allocation. The Committee hope that the Department of Telecommunications will be consistent in their efforts so that no expenditure is incurred in excess of the authorised limits under this Grant in future".

Appropriation No. 37—(Revenue-Charged)—Repayment of Debt

39. During the year, 2003-2004, in the appropriation, although supplementary appropriation of Rs. 21701.79 crore was obtained in February, 2004 and Rs. 7166.25 crore was surrendered, the expenditure exceeded the sanctioned appropriation by Rs. 42182.74 crore.

40. The complete text of the reasons for excess expenditure incurred under various heads of this Grant, as furnished by the Ministry of Finance is reproduced at **Appendix-II**.

41. In their explanatory note, the Ministry stated that the above mentioned excess expenditure was the net result of total excess of Rs. 106101.46 crore and total upspent provisions of Rs. 63918.72 crore under various sub-heads of the Appropriation.

The heads under which the excess of Rs. more than 100 crore occurred and reasons therefor are as follows:—

Sl. No.	Major/Minor heads	Amount of Excess expenditure incurred (Rs. in crore)	Contributory reasons as stated by the Ministry
Major Head 6001—Internal Debt of the Central Government			
1.	00.101-Market loans	14380.27	Premature repayment of Government stocks through buyback of high cost illiquid securities from banks and financial institutions.
2.	00.103-01-91 Days Treasury Bills	15998.00	More discharge of treasury bills on account of increase in notified amount.
3.	00.110-364 Days Treasury Bills	126.36	Higher investments by non-competitor bidders.
4.	00.115-14 Days Treasury Bills	32233.35	Higher investments in 14 days intermediate Treasury Bills by State Governments
5.	00.121-Special Central Government Securities issued against outstanding balances of Small Savings as on 31.3.1999	40182.84	Redemption of special securities issued to National Small Savings Fund through receipts under State Debt Swap Scheme against nil provision.
6.	00.152.02-International Monetary Fund	2600.68	Redemption of existing securities under Financial Transaction Plan against nil provision.
Major Head 6002—External Debt			Exchange rate fluctuation and pre-payment of loans
	00.207-209, 212, 217, 220, 230 and 251—Loans from Government of France, Germany, Italy, Japan, Netherlands, Russian Federation, Sweden, Australia, ADB and Spain	546.54	

42. The Ministry in their explanatory note have stated:—

"The excess expenditure in respect of aforesaid items were not anticipated at the time of framing of BE 2003-2004. Many of these estimates were however, available during the course of the year and were included at the revised Estimates

stage. Keeping in mind the possibility of savings under repayment of Ways and Means Advances from which it was proposed to re-appropriate to provide for expenditure as projected in RE, Supplementary provision for a lower amount was sought. However, due to lower actual availability of savings than anticipated by RBI in repayment of Ways and Means Advances, excess under the aforesaid items have occurred".

43. Regarding remedial steps taken to avoid recurrence of such instances, the Ministry in their explanatory note have stated:—

"The provision under 'Repayment of Debt' is kept according to the repayment schedule. In the year 2003-2004, Government of India decided to pre-pay high cost foreign loans and also offered scheme for buyback of high coupon, relatively liquid Government securities from banks and financial institutions, by re-issuing securities to RBI on private placement basis in lieu of securities bought back. The main purpose of these measures was to reduce the interest burden of the Government. Some of these estimates relate to cash balance position of Central Government (Ways and Means Advances/overdraft from RBI) and State Government (through investment in 14 days Intermediate Treasury Bills) which directly impact their redemption as also recourse to WMA/OD by Central Government RBI and Government has been taking steps to improve the quality of estimates in respect of these items, while admitting that their exact quantification may not be feasible. It is also not advisable for Central Government to default on its servicing liabilities. Hence, the excess, which need regularisation. In addition, exchange rate variation in respect of external debt which is governed by market forces plays a vital role to influence the estimates. In view of this, it may not be possible to forecast exactly discharge of Government liabilities".

Appropriation Accounts (Defence Services)

Grant No. 24—(Revenue-Voted)—Defence Ordnance Factories

44. The Appropriation Accounts of the Defence Services reveals that there was an overall excess of Rs. 37.50 crore over the authorised provisions in the Revenue Section (Voted) of Grant No. 24—Defence Ordnance Factories during the year 2003-2004.

45. The explanatory note on the circumstances leading to excess expenditure under this Grant as furnished by the Ministry of Defence is reproduced at **Appendix-III**.

46. It is seen from the explanatory note furnished by the Ministry that the excess under this section of the Grant is cumulative effect of total excesses of Rs. 2.99 crore under Minor head 054 (Manufacture) and Rs. 104.27 crore under Minor head 901-904 (Deduct recoveries) offset by unspent provisions of Rs. 69.75 crore in some other minor heads.

47. The sub-heads, under which excesses of Rs. five lakhs and above occurred and the reasons therefor are explained below:—

Sl. No.	Major/Minor head	Excess expenditure incurred	Contributory reasons
1.	054 (Manufacture)	299	Due to non-transfer of all Canteen employees salary from this head to other expenditure head.
2.	901-904 (Deduct-Recoveries)	10427	Due to shortfall in issues of Ammunition items to Army and Ordnance Equipment Factory items to Air Force.

48. Further in order to avoid large scale saving/excess in future following remedial action have also been taken by DGOF:—

- (i) Annual budget meeting has been held with all factories to assess/work out realistic requirement of fund against different heads keeping in view issue targets.
- (ii) During budget meeting mentioned above, importance of correct booking against new codes introduced have been recommended to all concerned and also been advised to ensure that it is strictly followed.
- (iii) All concerned have been advised to make all efforts to the extent possible to project budget requirement more realistically in BE stage and subsequent stages of budget projections.
- (iv) Monitoring of expenditure is being done at factory level in each month and
- (v) Monthly monitoring of expenditure is also being done at O.F. Board level.

Appropriation Accounts (Railways)

49. During the year 2003-2004, the Ministry of Railways incurred an excess expenditure of Rs. 1136.92 crore under 13 cases of Nine grants/appropriations. The details of these excess registering grants/appropriations have already been given in Paragraph 13 of this Report.

50. The complete text of the explanatory notes furnished by the Ministry of Railways for regularisation of excess expenditure incurred during 2003-2004 is enclosed at **Appendix-IV**.

51. The scrutiny of the excess registering Grants/Appropriations operated by the Ministry of Railways during the year 2003-2004 reveals that out of 9 excess registering grants/appropriations, the amount of excess expenditure under three Grants/Appropriations (Nos. 14, 16—Other expenditure Capital & SRSF) is more than Rs. 100 crore. The scrutiny of the Grants/Appropriations operated by the Ministry of Railways during the year 2003-2004 reveals that as in the last year, the original provisions were not available to spent under the Appropriation No. 3, 7, 8, 9, 10, 11, 16—O.L.W.R., only Supplementary Appropriations (except Appropriations No. 10) were obtained for this purpose. The excess expenditure has been incurred under these Appropriations despite having supplementary provisions. The expenditure under Appropriation No. 10 was incurred without any sanctioned provision.

52. During the course of scrutiny, it has also been observed that under all the Appropriations (Nos. 3, 7, 8, 9, 10, 11, 16—Capital, Railway Fund and O.L.W.R.) the excess expenditure was incurred mainly due to unanticipated decretal Payments at the fag end of the year.

53. While expressing their concern over repeated trend of excess expenditure due to same reasons the Committee in paragraph 75 of their 10th Report (14th Lok Sabha) had recommended:—

"Furthermore, under Appropriation Nos. 3, 4, 6, 7, 8, 9, 11 and 16—Capital, the excess expenditure was due to unanticipated decretal payments at the fag end of the year. Deploring this tendency, the Committee had, in Paragraph 17.9 of their 58th Report (13th Lok Sabha) expected the Ministry of Railways to ensure that in future, prompt action is taken to make the decretal payments and provide for it in the Original/Supplementary Budget. The fact that the Ministry has not taken due care despite the Committee's directive is regrettable. The Committee would, therefore, again like to emphasise that through proper control over expenditure and with more accurate estimation of liabilities, much of the excess expenditure can be avoided. If at all the requirement of more funds is felt after the budget estimates, additional provisions at the revised estimates should be made with more precision".

Grant No.-14—Working Expenses—Appropriation to Funds

54. The scrutiny of Indian Railways Appropriation Accounts for the year 2003-2004 revealed that Grant No. 14—Working Expenses—Appropriation to Funds alone accounted for highest excess expenditure (Rs. 681.62 crore) among all the cases of excess registering grants/Appropriations. It is also seen from the explanatory note furnished by the Ministry of Railways that the actual expenditure exceeded the total sanctioned provision under the following heads:

(a) Appropriation to Depreciation Reserve Fund (Rs. 400.55 crore)

Mainly to strengthening the fund balances in view of overall better financial performance of Indian Railways.

(b) Appropriation to Development Fund (Rs. 130.00 crore)

Mainly to strengthening the fund in view of overall better financial performance of Indian Railways.

(c) Appropriation to Special Railway Safety Fund (Rs. 282.98 crore)

As the higher appropriation to this fund was made to meet the higher plan requirements from the fund.

55. This excess was partly offset by the savings of Rs. 131.91 crore under the head "Appropriation to Pension Fund" due to decrease in Pension requirements than Projected from Pension Fund.

56. Incidentally, the Grant No. 14—Working Expenses—Appropriation to funds has also incurred excess expenditure of Rs. 211.15 crore during the last year (2002-2003) under the same heads and with the same contributory factors.

Grant No.16—Works Expenditure—Assets, Acquisition, Construction and Replacement

57. A scrutiny of the excess registering grants/appropriations operated by the Ministry of Railways reveals that two segments of the voted Grant and three segments of charged Appropriations of—Grant No. 16—Assets-Acquisition, Construction and replacement incurred excess expenditure during 2003-2004. The relevant details in this regard are given below:

Sl. No.	Name of Grant/ Appropriation	Excess expenditure incurred (in units of Rs.)	Contributory reasons as stated by the Ministry of Railways
1.	Assets-Acquisition, Construction and Replacement-Capital	283,10,69,383	Due to increase in activities under Restoration of Dismantled Lines, Gauge Conversion, Doubling, Signalling and Telecommunication Works, Electrification Projects, Passenger Amenities and Stores Suspence
2.	Assets-Acquisition, Construction and Replacement-Special Railway Safety Fund	128,61,36,856	Due to more activities under Rolling Stock, Track Renewals, Singnalling and Telecommunication Works and Machinery and Plants
3.	Assets-Acquisition, Construction and Replacement-Other Expenditure-Railway Fund	70,18,381	Due to more Payments of court decrees than anticipated
4.	Assets-Acquisition, Construction and Replacement-Other Expenditure-Capital	1,63,45,841	Due to more Payments of court decrees than anticipated
5.	Assets-Acquisition, Construction and Replacement-Open Line Works (Revenue)	491	Due to more Payments of court decrees than anticipated
Total		414,05,70,952	

58. It would reveal from the above table that out of five Grants/Appropriations under Works Expenditure—Assets-Acquisition, Construction and Replacement, the excess expenditure under two Grants namely Capital and Special Railway Safety Funds is more than Rs. 100 crore.

Persistent excess expenditure in Ministry of Railways

59. The excess expenditure in Ministry of Railways persists year after year as would be seen from the following figures:—

Financial Year	No. of excess registering Grants/Appropriations	Actual excess expenditure incurred (in crore of Rs.)
1999-2000	8	56.79
2000-2001	5	0.14

Financial Year	No. of excess registering Grants/Appropriations	Actual excess expenditure incurred (in crore of Rs.)
2001-2002	8	210.71
2002-2003	11	323.65
2003-2004 (year under review)	9	1136.92

60. It reveals from the above table that the excess expenditure under the Grants/Appropriations operated by the Ministry of Railways showed an increasing trend since the years 2001-2002 (Rs. 210.71 crore) to 2003-2004 (Rs. 1136.92 crore).

i. Persistent excess expenditure under specific Grants/Appropriations operated by Ministry of Railways

61. The Appropriation No.3—Working Expenses—General Superintendence and Services has been persistently recording excess expenditure from the year 1996-97 onwards as per the details given below:—

Year	Amount of Excess expenditure (in units of Rs.)
1996-97	5,59,900
1997-98	17,943
1998-99	25,520
1999-2000	1,37,852
2000-2001	4,942
2001-2002	6,55,479
2002-2003	42,583
2003-2004 (year under review)	18,35,750

ii. Appropriation No. 7—Working Expenses—Repairs and Maintenance of Plant and Equipment

62. Appropriation No. 7 has been showing recurring trend of excess expenditure since the year 1999-2000:—

Year	Amount of excess expenditure (in unit of Rs.)
1999-2000	72,277
2000-2001	33,182
2001-2002	3,83,181
2002-2003	4,23,077
2003-2004	21,996

iii. Appropriation No.16—Assets, Acquisition, Construction and Replacement-Capital

63. Similarly, under Appropriation No.16, the excess expenditure has been incurred since the past four years:—

Year	Amount of excess expenditure (in unit of Rs.)
2000-2001	13,27,548
2001-2002	33,84,815
2002-2003	339,49,633
2003-2004	290,42,372

64. The successive PACs have been deploring the tendency of incurrence of excess expenditure recurringly under these Appropriations only last year *i.e.* 2002-2003, the Committee in para 77 of their 10th Report (14th Lok Sabha) had recommended as follows:—

"The Committee are concerned to note that excess expenditure has become a recurring phenomenon in respect of Appropriation Nos. 3,7 and 16. The Committee's detailed analysis of these Grants/Appropriations revealed that under Appropriation No. 3—Working Expenses—General Superintendent and Services the excess expenditure has occurred recurringly for the past seven years *i.e.* from 1996-97 to 2002-2003, under Appropriation No. 7—Repairs and Maintenance of Plant and Equipment for the past four years *i.e.* from 1999-2000 to 2002-2003 and under Appropriation No. 16—Assets-Acquisition, Construction and Replacement-Capital for the past three years *i.e.* from 2000-2001 to 2002-2003. The excess expenditure under Appropriation No. 16 is also showing an increasing trend *i.e.* Rs. 0.13 crore in 2000-2001 to Rs. 3.39 crore in 2002-2003. While commenting on the recurrent excesses under Appropriation No. 3, the Committee, in their 58th Report, had desired the Ministry of Railways to critically re-examine and suitably revise the existing procedures. According to the Action Taken Note, the Ministry of Railways are stated to have issued instructions to the concerned Railways to arrest the trend of excess expenditure particularly in Appropriation No. 3 which however, has shown the excess expenditure this year also. Obviously these instructions have failed to yield desired results. The Committee would urge the Ministry to look into the matter and take suitable steps apart from monitoring the instructions issued with a view to tightening their budgetary control so as to leave little scope for excess expenditure being incurred under various Grants/Appropriations operated by them".

Misclassification of expenditure under excess registering Grants/Appropriations

65. The scrutiny of explanatory notes furnished by the Ministry of Railways revealed that during the year 2003-2004 there were five cases of misclassification of expenditure reported under the 13 cases of excess registering Grants/Appropriations during the

year under review. The comparative figures of misclassification for the last five years is as follows:—

Year	No. of cases of misclassification under the excess registering Grants/Appropriations
1999-2000	3
2000-2001	1
2001-2002	5
2002-2003	3
2003-2004 (year under review)	5

66. The recommendations of the Committee, in this regard during the last three years *i.e.* from 2000-2001 to 2002-2003 are as follows:—

i. Para 20.9 of 40th Report (13th Lok Sabha)

"The Committee note that there was misclassification of Rs. 3,10,410/- under Appropriation No. 16—Assets-Acquisition, Construction and Replacement-Capital on account of expenditure relating to charged Appropriation having been wrongly booked as voted. In their action taken notes on the 30th Report of the Committee (13th Lok Sabha), the Ministry of Railways have assured that the recommendation of PAC regarding misclassification of expenditure have been noted. The Committee also note that pursuant to their earlier recommendation, the measures suggested by the special study conducted by the Railways in this behalf, have been communicated as instructions to the General Managers of the Railways. While appreciating the efforts made by the Ministry of Railways to prevent misclassification of expenditure, the Committee hope that with the strict implementation of the proposed measures, the Ministry of Railways would be able to overcome the problem of misclassification of expenditure in future."

ii. Para 17.12 of 58th Report (13th Lok Sabha)

"While examining the excess expenditure in the Grants/Appropriations operated by the Ministry of Railways during the year 2001-02, the Committee had noticed the cases of misclassification/wrong booking of expenditure. The scrutiny of explanatory notes submitted by the Ministry of Railways revealed that taking into account the factor of misclassification of expenditure, the unspent provisions under Appropriation No. 8 turned into excess expenditure and excess expenditure under Grant No. 12 turned into unspent provisions. The Committee take a serious note of such errors which could have been detected if adequate attention had been paid to prompt checking and reconciliation of the accounts figures. Only last year, while appreciating the efforts made by the Ministry of Railway to prevent misclassification of expenditure the Committee had hoped that with the strict implementation of the proposed measures the Ministry of

Railways would be able to overcome the problem of misclassification of expenditure in future. Pursuant to the above recommendation of the Committee, the Ministry of Railways had issued further instructions/guidelines on the subject. It seems that the instructions issued have not had the desired results in the sense that there has been further deterioration in the position as witnessed in the Appropriation Accounts for the year 2001-02. The Committee, therefore, desire that responsibility for the lapses, particularly at the supervisory level should be fixed for appropriate action against the erring officials urgently. The Committee also expect that greater care would be exercised in future to avoid serious mistakes in the proper unkeep and maintenance of books of accounts so that misclassification/wrong booking of expenditure, if any, were detected well in time and rectified."

iii. Para 78 of 10th Report (14th Lok Sabha)

"The Committee are distressed to find that misclassification of expenditure in Railways has become almost a regular feature. During the year under review, there have been misclassification of expenditure in as many as three Grants/Appropriations which have recorded excess expenditure. The Ministry of Railways have attributed these cases of misclassification to lack of adequate attention being given at the time of preparation of vouchers. The Committee feel that these reasons are not enough to justify the regular occurrence of misclassification on the part of Ministry of Railways. Obviously the Committee are led to the inescapable conclusion that the Ministry of Railways have not taken effective steps to tackle the problem of misclassification of expenditure between various Grants/Appropriations and to devise fool-proof measures to obviate recurrence of misclassification that vitiates sound budgetary control. The Committee would also like the Ministry to identify and fix responsibility for such patent errors, as soon as they occur."

Observations/Recommendations

67. The Committee find that during the year 2003-2004, an expenditure of Rs. 43364.62 crore has been incurred by various Ministries/Departments of Union Government in excess of the provisions sanctioned under 21 cases of 17 Grants/Appropriations. There was an excess expenditure of Rs. 42190.20 crore in seven Grants/Appropriations operated by the Civil Ministries/Departments, Rs. 1136.92 crore under nine Grants/Appropriations pertaining to Ministry of Railways and Rs. 37.50 crore in one Grant operated by the Ministry of Defence. Out of seven cases of excess expenditure incurred under the Grants/Appropriations operated by Civil Ministries/Departments, the Ministry of Finance under Appropriation No. 37—Repayment of Debt alone incurred excess expenditure of Rs. 42182.74 crore which is 97 percent of total excess expenditure incurred during the year under review. Further, under the Grants/Appropriations operated by the Ministry of Railways, an excess expenditure of more than Rs. 100 crore each was recorded in three cases with Grant No. 14 taking a lead with an excess of Rs. 681.62 crore followed by excesses of Rs. 239.46 crore under Grant No. 16— Capital and Rs. 132.54 crore under Grant No. 16— Special Railway Safety Fund. It is surprising as to why such a huge excess expenditure to the tune of Rs. 43364.62 crore could not be anticipated. The Committee

desire that every Ministry/Department should carefully review their existing mechanism for framing of budget estimates and apply corrective measures, wherever required to make the budgetary exercise more realistic and meaningful in future.

The Committee further note that excess expenditure of Union Government is not only a regular phenomenon but, at the same time has grown up from Rs. 57.36 crore in 1999-2000 to a staggering Rs. 43364.62 crore in 2003-04. This clearly indicates that situation has been deteriorating despite issuance of elaborate instructions regularly by the Ministry of Finance at the instance of the Public Accounts Committee to contain the excess expenditure to the barest minimum. The Committee are inclined to conclude that the concerned authorities in the Ministries/Departments are not observing prescribed rules for containing the expenditure within the sanctioned provisions.

68. What is still more disconcerting is the fact that the excess expenditure of Rs. 43364.62 crore during the year 2003-04 had occurred despite obtaining the Supplementary provisions of Rs. 25899.77 crore in 18 cases of excess registering Grants/Appropriations. It is also evident that under Appropriation No. 37—Repayment of Debt, the excess expenditure incurred is much higher than the amount obtained as supplementary provision. Considering the fact that Supplementary funds in most of these cases were obtained in February, 2004, when the Ministries are in a position to estimate actual requirements of funds, the Committee find no plausible explanations for incurring substantial excess expenditure under these Grants or Appropriations. The Committee cannot but over emphasise the need to exercise optimum care by the concerned Ministries/Departments in assessing their requirements of funds.

69. With regard to submission of explanatory notes for 17 Grants/Appropriations, which registered excess expenditure during the year 2003-04, the Committee find that although the Ministries of Defence and Railways and Department of Telecommunications furnished the same within the prescribed time limit, there was inordinate delay in submission of explanatory notes by other Ministries/Departments ranging from one month of three months. It is pertinent to note in this regard that there is always delay on the part of Ministry of Finance in furnishing the explanatory notes on the excess expenditure. This delay usually range from one and half month to more than eight months. This year also, the explanatory notes on Appropriation No. 37—Repayment of debt were received from them after three months of the presentation of the Appropriation Accounts (Civil) to the House. Belated submission of explanatory notes by the Ministry of Finance always hamper timely finalisation of the Report of the Committee on excesses. Sometimes the said notes are not furnished to the Committee till the finalisation of the Report. This tendency on the part of Ministry of Finance is in no way justifiable particularly when they have been issuing instructions to other Ministries/Departments for timely submission of the explanatory notes to the Committee. The Committee place on record their displeasure over the persistent tendency on the part of Ministry of Finance in furnishing requisite explanatory notes. As it is desirable that excesses over Voted Grants and Charged Appropriations should be brought before Parliament for regularisation expeditiously, the Committee would like the Ministry of Finance to look into the matter and apprise them of

the precise reasons for persistent delay on their part in timely submission of explanatory notes. The responsibility should be fixed on the officials for any laxity in this regard. The Committee would also like to point out that there are other Ministries/ Departments also, who, at times submit explanatory notes quite late. These Ministries/ Departments such as Home Affairs, Information Technology, Development of North Eastern Regions and Personnel, Public Grievances and Pensions, are also requested to ensure timely submission of the requisite notes.

70. On scrutiny of Appropriation Accounts (Civil) for the year 2003-2004, the Committee have found that the Department of Telecommunications incurred an excess expenditure of Rs. 3.98 crore under Revenue Section (voted) of Grant No. 15 which was the net effect of total excess of Rs. 150.74 crore and total unspent balances of Rs. 146.76 crore under various sub-heads of the Grant. The explanatory notes have revealed that substantial excess expenditure was incurred in at least for sub-heads of the Grant, viz., sub-head—"commuted value of pensions" (Rs. 44.35 crore)— due to Payment of Commuted Value of Pension on Industrial Dearness Allowance Pay Scale to the employees absorbed in BSNL; Sub-head—"Gratuities" (Rs. 60.15 crore) — due to Payment of Gratuities on Industrial Dearness Allowance Pay Scale to the employees absorbed in BSNL; Sub-head—"Family Pensions" (Rs. 10.49 crore)— due to more receipt of claim than anticipated and Sub-head—"compensation to Service Providers" (Rs. 24.38 crore)— due to receipt of more claims from service providers for payment of compensation under "Universal Service Obligation." The Committee are of the view that the reasons attributed for such excesses could have easily been anticipated by the Department at the budget provision stage. A substantial part of the excess expenditure under this Grant could have been avoided by making adequate provisions to meet the anticipated liabilities. In this context, the Committee would like to point out that the Department of Telecommunications had been persistently registering excess expenditure under this Grant during the preceding three years. While expressing their unhappiness over the current state of affairs, the Committee desire the Department of Telecommunications to analyse the reasons for this recurring phenomenon of excess expenditure under this grant and take remedial measures to effect improvements for its proper management.

71. The scrutiny of Revenue Section (Charged) of Appropriation No. 37— Repayment of Debt has revealed that although the supplementary appropriation of Rs. 21701.79 crore was obtained in February, 2004 and Rs. 7166.25 crore was surrendered, the Ministry of Finance incurred an excess expenditure of Rs. 42182.74 crore during 2003-04. The various reasons advanced by the Ministry of Finance for excess expenditure under different sub-heads of this appropriation include pre-payment of high cost loan/illiquid securities from the banks and financial institution, exchange rate fluctuation and enhanced encashment demanded by World Bank which was not anticipated at the time of estimation. While attributing the reasons for excess expenditure under this appropriation, the Ministry of Finance have contended that the excess expenditure was not anticipated at the time of framing of Budget Estimates (2003-04). The Committee are not convinced by this argument as many of these estimates such as Market loans, 91 Days Treasury Bills, 364 Days Treasury Bills, 14 Days Treasury Bills and Special Central Government Securities issued against

outstanding balances of small savings as on 31.3.1999, were available during the course of the year and were included at the Revised Estimates stage. Another plea advanced by the Ministry in their defence is that keeping in view the possibility of unspent provisions under repayment of Wage and Means Advances, from which it was proposed to re-appropriate to provide for expenditure as projected in Revised Estimates, Supplementary provision for lower amount was sought. However, due to lower actual availability of unspent provisions than anticipated by RBI in repayment of Wages and Means Advances, excess under this appropriation had occurred. The Committee are however, not sure whether the savings anticipated on this account would have been sufficient to counter even a part of such a huge excess expenditure. They therefore, express their displeasure over the manner in which this particular appropriation was handled by the Minister of Finance. The Committee feel that major portion of this excesses could and should have been anticipated by the Ministry of provisions thereof provided in the revised Estimates, if not earlier. That, this was not done, is regrettable. The Committee expect that there would not be recurrence of excesses of such huge amount under this appropriation.

72. The scrutiny of Appropriation Accounts—Defence Services for the year 2003-04 has revealed that there was an overall excess of Rs. 37.50 crore over the authorised provisions in the Revenue Section (Voted) of Grant No. 24—Defence Ordnance Factories. The excess under this Grant is a cumulative effect of total excesses of Rs. 2.99 crore under minor head 054 (Manufacture) and Rs. 104.27 crore under minor head 901-904 (Deduct recoveries) offset by unspent provisions of Rs. 69.75 crore in some other minor heads. According to the explanatory notes furnished by the Ministry of Defence, the excess under this Grant occurred due to Non-transfer of the salary of canteen employees from minor head 054 to other expenditure head and shortfall in issuing of ammunition items to Army and Ordnance Equipment Factory items to Air Force. The Committee feel that the reasons adduced by the Ministry for the same are not such as could not have been foreseen at least at the Supplementary Grant stage. The Ministry have however, indicated that in order to avoid such excesses in future, remedial action has been taken by DGO. While taking note of the assurance given by the Ministry of Defence to prevent such excesses in future, the Committee hope that the Ministry of Defence would be able to overcome the problem of excess expenditure incurred under Grants operated by them in future.

73. The Committee note from the Indian Railways Appropriation Accounts for the year 2003-04 that the Ministry of Railways incurred an excess expenditure of Rs. 1136.92 crore under 13 cases of nine Grants/Appropriations. The Committee further note that out of nine excess registering Grants/Appropriations, the amount of excess expenditure under three Grants/Appropriations (Nos. 14, 16—other expenditure Capital and S.R.S.F.) is more than Rs. 100 crore. To the utter dismay of the Committee, as in the last year, the original provisions under Appropriation Nos. 3, 7, 8, 9, 10, 11, 16—O.L.W.R. were not available to be spent and thus only supplementary provisions (except Appropriation No. 10) were obtained for this purpose. The expenditure under Appropriation No. 10 was incurred without any sanctioned provision. What is more intriguing is the fact that under all the nine cases of Appropriations (Nos. 3, 7, 8, 9, 10, 11, 16—Capital, Railway Fund and O.L.W.R.), the excess expenditure was incurred

mainly due to unanticipated decretal payments at the fag end of the year. The Committee regret to point out that the Ministry of Railways have been incurring excess expenditure in the Grants/Appropriations operated by them since the year 2001-02 with the same contributory reasons. Consequently, the Committee in Paragraph 17.9 of their 58th Report (13th Lok Sabha) and Paragraph 75 of their 10th Report (14th Lok Sabha) had not only desired the Ministry of Railways to provide for the decretal payments in the Original/Supplementary Budget, but had also urged them to make additional provisions at the Revised Estimates with more precision. The Committee are unhappy to note at their earlier recommendations have not been taken seriously by the Ministry of Railways so as to bring about the desired result. They, therefore, desire that the recurrent lapses on this account may be carefully looked into, with a view to fixing responsibility at the appropriate level so that there is no recurrence of such excesses.

74. Analysis of the excess expenditure incurred by the Ministry of Railways reveal that excess to the tune of Rs. 681.62 crore had been incurred under a single Grant namely Grant No. 14—Working Expenses—Appropriation of Funds, which deals with appropriation to all Reserve Funds. As in the past, the Ministry have pleaded that the excess under this Grant was due to Appropriation to Depreciation Reserve Fund (Rs. 400.55 crore) and Appropriation to Development Fund (Rs. 130.00 crore) mainly to strengthening the fund balances in view of overall better financial performance of Indian Railways. Further, excess in Appropriation to Special Railway Safety Fund (Rs. 282.98 crore) had incurred in order to meet the higher plan requirements from the fund. Incidentally, this Grant has incurred excess expenditure of Rs. 211.15 crore during the last year (2002-03) under the same heads with the same contributory reasons. Obviously, the Ministry of Railways have not learnt any lessons from the past experience. The Committee are of the firm view that these excesses could have been avoided to a large extent had the Railway administration exercised stricter budgetary discipline. They therefore, desire that greater care needs to be exercised by the Railways through close watch over the flow of expenditure and better anticipation of requirements at the Ministry's level for making timely additional provision at least at the Revised Estimate stage.

75. The Ministry of Railways also incurred an excess expenditure of Rs. 414.06 crore under two segments of the voted grant and three segments of charged appropriation of Grant No. 16—Works Expenditure—Assets—Acquisition, Construction and Replacement *viz.* Capital (Rs. 283.11 crore), Special Railway Safety Fund (Rs. 128.61 crore) other expenditure—Railway Funds (Rs. 0.70 crore), Capital (Rs. 1.63 crore) and open line works (Revenue) (Rs. 491). Excess expenditure under Sections Capital and Special Railway Safety Fund has been attributed by Railways to increase in activities under restoration of dismantled lines, gauge conversion, doubling, signalling, telecommunication works, Electrification projects, passenger amenities, track, renewals and store suspense. The Committee feel that these activities undertaken by the Railways are routine in nature and the requirements for those could have been realistically planned/assessed and projected. Under other expenditure—Railway Funds, Capital & O.L.W.R, it was due to more payments of court decrees than anticipated. The Committee are distressed to find that out of five Grants/

Appropriations under works expenditure Assets—Acquisition, Construction and Replacement, the excess expenditure under two Grants namely Capital and Special Railway Safety Funds is more than Rs. 100 crore. In the opinion of the Committee, this state of affairs present a very dismal picture of the manner in which expenditure estimates are prepared in respect of Grant No. 16 by the Ministry of Railways. The Ministry should make earnest efforts to work out accurately the precise requirements of funds under different sections of this Grant. The Committee would also like the Ministry of Railways to build a sound accounting information system for keeping an unremitting vigil over the actual trend of expenditure *vis-a-vis* the sanctioned provisions under all the sections of this Grant so as to check the recurring feature of excess expenditure under this Grant. The Committee would like the Ministry of Railways to impress upon their Financial Advisors to take utmost care in reviewing and scrutinising the budget estimates and apply necessary corrective, measures wherever required.

76. The Committee observe that the excess expenditure incurred under the Grants/ Appropriations operated by the Ministry of Railways showed an increasing trend since the year 2001-2002 (Rs. 210.71 crore) to 2003-2004 (Rs. 1136.92 crore). Further, Appropriation No. 3—Working Expense—General Superintendence and Services has been persistently recording excess expenditure from the year 1996-97 onwards, Appropriation No. 7—Working Expenses—Repairs and Maintenance of Plant and Equipment from the year 1999-2000 onwards and Appropriation No. 16—Assets—Acquisition, Construction and Replacement—Capital from the year 2000-2001. While deploring this tendency, the Committee in their 10th Report (14th Lok Sabha) had urged the Ministry of Railways to look into the matter and take suitable steps to address the problem of excess expenditure. It was also emphasized that the Ministry should monitor the implementation of the instructions issued by them in this regard with a view to tightening their budgetary control. The Committee are led to the conclusion that the Ministry of Railways have not taken any suitable steps to address this problem of excess expenditure. The Committee strongly feel that the Ministry must analyse in depth the reasons for this recurring phenomenon with a view to initiate some concrete measures whereby budget estimates are prepared more precisely and the actual expenditure is incurred/contained within the funds authorised by Parliament.

77. Another disquieting feature noticed by the Committee is the extent of misclassification of expenditure in the compilation of accounts specially of the Railways. There have been misclassification of expenditure under five Grants/ Appropriations administered by the Ministry of Railways wherein excess expenditure is sought to be regularised. Taking a serious view of the recurrence of misclassifications, the Committee have persistently been recommending for greater care to be exercised to avoid serious mistakes in proper upkeep and maintenance of books of accounts. The Committee are however, constrained to observe that the instructions issued so far in this connection have not yielded the desired result. On the other hand there has been further deterioration in the situation, as the cases of the misclassification have increased from three in the year 2002-03 to five during 2003-04. Obviously, the instructions in this regard were either not comprehensive

or the concerned officials did not take utmost care to implement them properly. The Committee feel that one of the major reasons for misclassification is faulty reconciliation of the expenditure figures. The Committee, therefore, desire that suitable remedial measures should be taken to ensure that reconciliation of expenditure figures is conducted meticulously and annual certificate of reconciliation is furnished by the Financial Advisers after careful scrutiny. They hope that this would help in identifying the misclassifications well in time, thereby eliminating altogether chances of such mistakes.

78. Subject to the Observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in Para 13 of this Report be regularised in the manner prescribed in Article 115(1)(b) of the Constitution of India.

NEW DELHI;
17 November, 2005
26 Kartika, 1927 (Saka)

PROF. VIJAY KUMAR MALHOTRA,
Chairman,
Public Accounts Committee.

APPENDIX I
GOVERNMENT OF INDIA
MINISTRY OF COMMUNICATIONS & INFORMATION TECHNOLOGY
DEPARTMENT OF TELECOMMUNICATIONS

Excess Note:

Note for Public Accounts Committee for regularization of excess expenditure in respect of excess occurred under Revenue Section (Voted) of Grant No. 15— Ministry of Communications & Information Technology as disclosed in the Union Government Appropriation Accounts (Civil) for 2003-2004.

Revenue Section (Voted)	(Rs. in lakhs)
Original Grant	1367,65
Supplementary Grant	2575,63
Total Grant	3943,28
Actual expenditure	3947,26
Excess	3,98

2. Under Revenue Section (Voted) of Grant No. 15—Ministry of Communications & Information Technology/Department of Telecommunications for 2003-2004 the total provision was Rs. 1367,65,00 thousands. This was augmented to Rs. 3943,28,00 thousands by obtaining Supplementary Grant of Rs. 2575,63,00 thousands. Against this, the expenditure of Rs. 3947,25,85 thousands was incurred resulting in excess of Rs. 3,97,85 thousands.

3. The excess of Rs. 3,97,85 thousands was the net effect of total excesses of Rs. 150,74,09 thousands and total savings of Rs. 146,76,24 thousands under various sub- heads of the Grant. The sub-heads under which excess of Rs. five lakhs and above occurred and reasons therefor are explained in the Annexure.

4. This has been vetted by Audit *vide* their U.O.No. RR-III/1(b)400 App.A/cs/2003-04/393 dated 25-10-2004.

Enclosure: 1

Sd/-
(A.K. Sawhney)
Member (Finance)

File No. 1-15/2004 B

Date: 10-11-2004.

List of cases of involving excess of Rs. five lakhs or above under each sub-head under Revenue Section in Grant No. 15—Department of Telecommunications for the year 2003-04.

(Rs. in lakhs)

Sl. No.	Sub-head	Original Grant	Supplementary Grant	Total Grant	Actual Expenditure	Excess	Reasons for excess
1	2	3	4	5	6	7	8
1.	34510009103-C-DOT	3866.00	0.00	3866.00	4766.04	900.04	Excess mainly due to additional requirement of grant for C-DOT for procurement of new equipments for Operation Support System for converged solution for fixed and mobile networks.
2.	34510009105-Petty works	227.00	0.00	227.00	246.15	19.15	Excess was due to purchase of more equipment.
3.	34510009107-Amenities to staff	29.60	0.00	29.60	42.78	13.18	Excess was due to more amount required for welfare activities.
4.	207101102-Commutated Value of Pensions	16032.13	0.00	16032.13	20466.74	4434.61	Excess due to payment of Commuted Value of Pension on Industrial Dearness Allowance Pay Scale to the employees absorbed in BSNL.
5.	207101104-Gratuties	19142.07	0.00	19142.07	25156.59	6014.52	Excess mainly due to payment of Gratuties on Industrial Dearness Allowance Pay Scale to the employees absorbed in BSNL.

1	2	3	4	5	6	7	8
6.	20711105- Family Pensions	7334.70	0.00	7334.70	8383.29	1048.59	Excess due to more receipt of claim than anticipated as the payments are made through different agencies such as Banks, Post Offices.
7.	32750080040- Compensation to ITI.	150.00	0.00	150.00	350.00	200.00	Excess was due to requirement of funds to meet losses suffered by Srinagar Unit of ITI Ltd.
8.	32750080005- Transaction charges for dematerialisation of VSNL Shares	0.00	1.00	1.00	7.17	6.17	Token provision of Rs. 1 lakh was obtained as savings were available in the grant.
9.	32750080004- Compensation to Service Providers	0.00	17562.00	17562.00	19999.83	2437.83	Excess due to receipt of more claims from Service Providers for payment of compensation under "Universal Service Obligation".

APPENDIX II

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
(BUDGET DIVISION)

Explanatory Note for Public Accounts Committee in respect of excess expenditure occurred under Capital Section (Charged) of Appropriation No. 37-Repayment of Debt, Ministry of Finance for the year 2003-2004

(Rupees in thousand)

Capital Section (Charged)

Original Appropriation	3670785300
Supplementary Appropriation	217017900
Total Appropriation	3887803200
Actual Expenditure	4309630571
Excess Expenditure	421827371

2. Under Capital Section (Charged) of Appropriation No. 37-Repayment of Debt. Ministry of Finance, Department of Economic Affairs for 2003-04, the total provision was Rs. 367078,53,00 **thousand**. This was augmented to Rs. 388780,32,00 **thousand** by obtaining supplementary Grant of thousand resulting in excess expenditure of Rs. 42182,73,71 **thousand**.

3. The above mentioned excess expenditure was the net result of total excess of Rs. 106101,45,83 thousand and total savings of Rs. 63918,72,12 thousand under various sub-heads of the Appropriation. An Annexure indicating total provision, actual expenditure *vis-a-vis* savings/excesses under the various sub-heads of the Appropriation is enclosed. The heads under which the excess of Rs. Five Lakh and above occurred and reasons therefor are:—

(Rupees in lakh)

Major Head 6001-Internal Debt of the Central Govt.

(i) 00.101-Market Loans	
Original Provision	3269349.00
Supplementary Provision	0.00
Total Provision	3269349.00
Actual Expenditure	4707375.61
Excess	1438026.61

The excess was due to premature repayment of Government stocks through buybacks of high cost illiquid securities from banks and financial institutions. Para 5 may also be seen.

(ii) 00.103-01-91 Days Treasury Bills	
Original Provision	2327600.00
Supplementary Provision	0.00
Total Provision	2327600.00
Actual Expenditure	3927400.25
Excess	1599800.25
	Excess was due to more discharge of treasury bills on account of increase in notified amount. Para 5 may also be seen.
(iii) 00.110-364 Days Treasury Bills	
Original Provision	2600000.00
Supplementary Provision	0.00
Total Provision	2600000.00
Actual Expenditure	2612636.00
Excess	12636.00
	Excess was due to higher investments by non-competitor bidders. Para 5 may also be seen.
(iv) 00.115-14 Days Treasury Bills	
Original Provision	11092200.00
Supplementary Provision	0.00
Total Provision	11092200.00
Actual Expenditure	14315535.00
Excess	3223335.00
	Excess was due to higher investments in 14 days Intermediate Treasury Bills by State Governments. Para 5 may also be seen.
(v) 00.121-Special Central Government Securities issued against outstanding balances of small savings as on 31-3-1999	
Original Provision	0.00
Supplementary Provision	602831.00
Total Provision	602831.00
Actual Expenditure	4621115.00
Excess	4018284.00
	Excess was due to redemption of special securities issued to National Small Savings Fund through receipts under State Debt Swap Scheme against nil provision. Para 5 may also be seen.
(vi) 00.105-01-International Bank for Reconstruction and Development	
Original Provision	5320.00
Supplementary Provision	Nil
Total Provision	5320.00
Actual Expenditure	8650.00
Excess	3330.00

Excess was due to enhanced encashment demanded by the World Bank.

(vii) 00.105-02-International Monetary Fund	
Original Provision	0.00
Supplementary Provision	Nil
Total Provision	0.00
Actual Expenditure	260068.23
Excess	260068.23

Excess was due to redemption of existing securities under Financial Transaction Plan against nil provision.

(viii) 00.106.21-12.08% Government of India Compensation (Project to Iraq)	
Bonds, 2001	
Original Provision	0.00
Supplementary Provision	0.00
Total Provision	0.00
Actual Expenditure	12.00
Excess	12.00

Excess was due to belated claims of holder's against nil provision.

Major Head 6002-External Debt

(ix) 00.207-Loans from European Economic Commission (SAC)	
Original Provision	581.27
Supplementary Provision	0.00
Total Provision	581.27
Actual Expenditure	603.62
Excess	22.35

Excess was due to exchange rate variation.

(x) 00.208-Loans from Govt. of France	
Original Provision	19671.71
Supplementary Provision	936.64
Total Provision	20608.35
Actual Expenditure	22198.76
Excess	1590.41

Excess was due to Exchange Fluctuation (Euro) rates.

(xi) 00.209-Loans from Govt. of Germany	
Original Provision	46916.03
Supplementary Provision	0.00
Total Provision	46916.03
Actual Expenditure	53229.63
Excess	6313.60

Excess was due to exchange Fluctuation (Euro) rates.

(xii) 00.212-Loans from Govt. of Italy	
Original Provision	8987.03
Supplementary Provision	36542.26
Total Provision	45529.29
Actual Expenditure	47040.19
Excess	1510.90

Excess was due to exchange rate variation & prepayment of US Dollar loans which could be materialised after submission of RE of the year.

(xiii) 00.217-Loans from Govt. of Japan	
Original Provision	188102.86
Supplementary Provision	33611.18
Total Provision	221714.04
Actual Expenditure	224707.18
Excess	2993.14

Excess was due to exchange rate variation in JPY. The RE was prepared @ 0.418 per JPY whereas actual payment was made 0.432 and 0.431 per JPY between the months of Jan. & Feb. 2004.

(xiv) 00.220-Loans from Govts, of Netherlands	
Original Provision	21116.47
Supplementary Provision	195895.50
Total Provision	217011.97
Actual Expenditure	232714.65
Excess	15702.68

Excess was due to prepayment of loans which could be prepaid on 30.01.2004. The RE was prepared @ 53.04 per Euro whereas prepayment was materialised @ 57.27 per Euro.

(xv) 00.230-Loans from Govt. of Russian Federation	
Original Provision	23971.88
Supplementary Provision	0.00
Total Provision	23971.88
Actual Expenditure	24537.56
Excess	565.68

Excess was due to Exchange Fluctuation in SDR rates.

(xvi) 00.230-Loans from Govt. of Sweden	
Original Provision	18460.13
Supplementary Provision	32613.64
Total Provision	51073.77
Actual Expenditure	51668.61
Excess	594.84

Excess was due to Fluctuation in exchange rate Swiss Franc.

(xvii) 00.230-Loans from Govt. of Australia	
Original Provision	799.29
Supplementary Provision	0.00
Total Provision	799.29
Actual Expenditure	2916.00
Excess	2116.71
Excess was due to Prepayment of loan.	
(xviii) 00.250-Loans from ADB	
Original Provision	43172.42
Supplementary Provision	506008.20
Total Provision	549180.62
Actual Expenditure	562592.27
Excess	13411.65
Excess was due to revaluation of Pooled Multi Currency Loans (PMCL) and prepayment of multi currency loans as per GoI Policy.	
(xix) 00.250-Loans from Spain	
Original Provision	1978.12
Supplementary Provision	0.00
Total Provision	1978.12
Actual Expenditure	11809.90
Excess	9831.78
Excess was due to prepayment of loans under the donor as per GoI's decision.	

4. As may be seen from the above, the excess expenditure under "Appropriation - Repayment of Debt" was mainly due to prepayment of high cost loan/illiquid securities from the banks and financial institutions, exchange rate fluctuation and enhanced encashment demanded by World Bank which was not anticipated at the time of estimation.

5. The excess expenditure in respect of aforesaid items were not anticipated at the time of framing of BE 2003-2004. Many of these estimates [e.g. (i) - (v)] were however, available during the course of the year and were included at the Revised Estimates stage. A copy of SBE, showing RE 2003-04 is enclosed as Annexure 1. Keeping in mind the possibility of savings under repayment of Ways and Means Advances from which it was proposed to re-appropriate to provide for expenditure as projected in RE, Supplementary provision for a lower amount was sought. However, due to lower actual availability of savings than anticipated by RBI in repayment of Ways and Means Advances, excess under the aforesaid items have occurred.

6. As regards remedial action taken to avoid recurrence of such instance, it is stated that the provision under 'Repayment of Debt' is kept according to the repayment

schedule. In the year 2003-2004, Government of India decided to pre-pay high cost foreign loans and also offered scheme for buyback of high coupon, relatively illiquid Govt. securities from banks and financial institutions, by re-issuing securities to RBI on private placement basis in lieu of securities bought back. The main purpose of these measures was to reduce the interest burden of the Government. Some of these estimates relate to cash balance position of Central Government (Ways and Means Advances/overdraft from RBI) and State Governments (through investment in 14 days Intermediate Treasury Bills) which directly impact their redemption as also recourse to Ways and Means Advance/Over Draft by Central Government. RBI and Government has been taking steps to improve the quality of estimates in respect of these items, while admitting that their exact quantification may not be feasible. It is also not advisable for Central Government to default on its servicing liabilities. Hence, the excess, which needs regularisation. In addition, exchange rate variation in respect of external debt which is governed by market forces plays a vital role to influence the estimates. In view of this, it may not be possible to forecast exactly, discharge of Government liabilities.

7. This has been vetted by the Audit *vide* their U.O. No. RR/1-31/2004-05/861 dated 10.8.2005.

Sd/-

(L.M. Vas)
Joint Secretary (Budget)

F.No. 7(1)-W&M/2004 dated 12.8.2005.

ANNEXURE

GRANT NO. 37-REPAYMENT OF DEBT DURING 2003-2004

(Rs. in thousands)

Major Head 6001	Original Provision	Supple-mentary	Total Provi-sion	Actual Expen-diture	Saving (-)	Excess(+)
00.101-Market Loans	326934900	0	326934900	470737	561	143802661
00.103 01-91 days Treasury Bills	232760000	0	232760000	392740025		159980025
00.110-364 days Treasury Bills	260000000	0	260000000	261263600	0	1263600
00.112-10% Relief Bonds,1993	5000	0	5000	1564	-3436	
00.114-Ways and Means Advances	1600000000	0	1600000000	966150000-633850000		
00.115-14 days Treasury Bills	1109220000	0	1109220000	1431553500		322333500
00.121-Special Central Government Securities issued against outstanding balances of small savings on 31-3-1999		60283100	60283100	462111500		401828400
00.105.01-International Bank of Reconstruction and Development	532000	0	532000	865000	0	333000
00.105.02-International Monetary Fund	0	0	0	26006823		26006823
00.105.05-International Fund for Agril. Dev.	210000	0	210000	191975	-18025	
00.105.06-African Dev. Fund	35300	0	35300	35295	-5	
00.105.07-African Dev. Bank	8300	0	8300	7836	-464	
00.016.05-Special Bearer Bonds	10000	0	10000	7476	-2524	
00.106.07-7 Years National Rural Dev. Bonds	2500	0	2500	48	-2452	
00.106.08-7% Capital Investment Bonds	5000	0	5000	179	-4821	
00.106.09-National Rural Dev. Bonds-2nd issue.2500		0	2500	148	-2352	
00.016.14-Voluntary Disclosure of Income and Wealth 5 ³ / ₄ % Bonds, 1985	2500	0	2500	119	-2381	
00.106.15-9% Relief Bonds, 1987	100000	0	100000	12351	-87649	
00.106.18-9% Relief Bonds, 1993	75000	0	75000	66323	-8677	
00.106.19-10% Relief Bonds, 1995	36968200	0	36968200	35954143	-1014057	
00.106.21-12.08% GOI Compensation (Project to Iraq) Bonds, 200	0	0	0	1200		1200
00.106.23-9% Relief Bonds, 1999	5548800	0	5548800	5327645	-221155	
00.106.26-11.40% GOI Compensation (Project Exports to Iraq) Bonds, 2003	2157500	0	2157500	2156590	-910	
Total-Major Head 6001	3574577500	60283100	3634860600	4055190901	-635218908	10555492909

Major Head 6002	Original Provision	Supple- mentary	Total Provi- sion	Actual Expen- diture	Saving (-)	Excess (+)
Major Head 6002						
00.202-Loans from Govt. of Austria	114176	1311973	1426149	1419158	-6991	
00.203-Loans From Govt. of Belgium	238305	1411403	1649708	279134	-1370574	
00.204-Loans from Govt. of Canada	623845	14245516	14869361	14663590	-205771	
00.205-Loans from Govt. of Czech and Slovak	42771	0	42771	42771	0	0
00.206-Loans from the Govt. of Denmark	300895	3835770	4136665	4119179	-17486	
00.207-Loans from EEC (SAC)	58127	0	58127	60362		2235
00.207-Loans from Govt. of France	1967171	93664	2060835	2219876		159041
00.209-Loans from Govt. of Germany	4691603	0	4691603	5322963		631360
00.212-Loans from Govt. of Italy	89703	3654226	4552929	4704019		151090
00.213-Loans from the International Dev. Association	25221170	0	25221170	24266248	-954922	
00.214-Loans from IFAD	326543	0	326543	321657	-4886	
00.216-Loans from the International Bank for Reconstruction and Development	23612824	54807564	78420388	78357895	-62493	
00.217-Loans from Govt. of Japan	18810286	3361118	22171404	22470718		299314
00.218-Loans from Govt. of Kuwait	1349471	0	1349471	1260880	-88591	
00.220-Loans from Govt. of Netherlands	2111647	19589550	21701197	23271465		1570268
00.221-Loans from OPEC Special Fund	199949	561832	761781	186232	-575549	
00.223-Loans from Govt. of Switzerland & Swiss Banks	373726	0	373726	160944	-212782	
00.224-Loans from Saudi Fund for Development	342947	0	342947	316260	-26687	
00.226-Loans from the Agency for International Development, U.S.A.	4871718	0	4871718	4520884	-350834	
00.227-Loans from USA under PL 480	1040369	0	1040369	962797	-77572	
00.228-Other Misc. Loans from Govt. of USA	173370	0	173370	160204	-13166	
00.230-Loans from Govt. of Russian Federation	2397188	0	2397188	2453756		56568
00.233-Loans from Govt. of Sweden	1846013	3261364	5107377	5166861		59484
00.242-Loans from Govt. of Australia	79929	0	79929	291600		211671
00.250-Loans from ADB	4317242	50600820	54918062	56259227		1341165
00.251-Loans from Govt. of Spain	197812	0	197812	1180990		983178
Total - Major Head 6002	96207800	156734800	252942600	254439670	-3968304	5465374
Total Appropriation	3670785300	217017900	3887803200	4309630571	-639187212	1061014583
Total Net Savings					421827371	

Note on Demands for Grants, 2004-2005

MINISTRY OF FINANCE
NO. 38 (APPROPRIATION)**Repayment of Debt**

A. The Budget allocations, net of recoveries, are given below:—

(In crores of Rupees)

Major Head	Budget 2003-2004			Revised 2003-2004			Budget 2004-2005		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Revenue	...	...	...	...	...	...	...	...	...
Capital	...	...	...	...	46602.28	46602.28	...	...	...
Total	...	...	...	...	46602.28	46602.28	...	...	...
1. Internal Debt of Central Government									
1.01 Market Loans	6001	32693.49	32693.49	...	47127.49	47127.49	...	34315.97	34315.97
1.02 91 day Treasury Bills	6001	23276.00	23276.00	...	39274.00	39274.00	...	87500.00	87500.00
1.03 14 day Treasury Bills	6001	110922.00	110922.00	...	141034.00	141034.00	...	125000.00	125000.00
1.04 364 day Treasury Bills	6001	26000.00	26000.00	...	26126.00	26126.00	...	26136.00	26136.00
1.05 Ways and Means									
Advances	6001	160000.00	160000.00	...	53537.00	53537.00	...	55000.00	55000.00
1.06 Others	6001	4566.26	4566.26	...	56387.57	56387.57	...	7297.87	7297.87
Total-International Debt		357457.75	357457.75	...	363486.06	363486.06	...	335249.84	335249.84
2. External Debt	6002	9620.78	9620.78	...	25294.26	25294.26	...	6869.67	6869.67
Total		367078.53	367078.53	...	388780.32	388780.32	...	342119.51	342119.51
3. Less-Amount netted against Receipts	6001	-357457.75	-357457.75	...	-333790.78	-333790.78	...	-335249.84	335249.84
	6002	-9620.78	-9620.78	...	-8387.26	-8387.26	...	-6869.67	-6869.67
	<i>Total</i>	...	<i>-367078.53</i>	...	<i>-342178.04</i>	<i>-342178.04</i>	...	<i>-342119.51</i>	<i>-342119.51</i>
	<i>Net</i>	...	...	...	46602.28	46602.28	...	...	...

Note: The net expenditure under Repayment of Debt is met from non-debt capital receipts under State Debt Swap Scheme. Prepayment of External Debt has been met through receipts under Internal Debt.

This Appropriation includes provision for repayment of debt raised by Central Government, both internal and external, as well as for discharge of treasury bills of different maturities, Ways and Means Advances, etc.

APPENDIX III

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
EXCESS NOTE

Note for Public Accounts Committee for regularisation of excess expenditure in respect of excess occurred under Revenue Section (Voted) of Grant No. 24 - Defence Ordnance Factories, as disclosed in the Union Government Appropriation Accounts (Defence Services) for 2003-2004.

Grant No. 24— Defence Ordnance Factories

REVENUE SECTION (VOTED)

(Rupees in lakhs)

Original Grant	:	Rs. 6,93,50
Supplementary Grant	:	Rs. 2,38,04
Total Grant	:	Rs. 9,31,54
Actual Expenditure	:	Rs. 9,69,04
Excess	:	Rs. 3,750
		(Rs. 37,50,27,533)
Surrender during the year	:	Rs. Nil

2. Under Revenue Section (Voted) of Grant No. 24 - Defence Ordnance Factories for 2003-2004 the total provision was Rs. 931,54,00 thousands. Against this, an expenditure of Rs. 969,04,28 thousands was incurred resulting in an excess of Rs. 37,50,28 thousands (Rs. 37,50,27,533).

3. The excess of Rs. 37,50,28 thousands was the net effect of total excesses of Rs. 2,98,59 thousands occurred under Minor head 054 (Manufacture) and Rs. 104,27,11 thousands occurred under Minor head 901-904 (Deduct recoveries) due to shortfall in supply to the Services offset by savings of Rs. 69,75,42 thousands in some other minor heads. The sub-heads, under which excesses of Rs. five lakhs and above occurred, the reasons therefor are explained below:—

MAJOR HEAD 2079

(Rupees in lakhs)

(i) Minor Head-054

Original Grant	:	Rs. 189439
Supplementary Grant	:	NIL

(Rs. in lakhs)

Re-appropriation	:	(-)Rs. 4739
Total Grant	:	Rs. 184700
Actual Expenditure	:	Rs. 184999
Excess	:	Rs. 299

The excess of Rs. 299 lakh was due to Non-transfer of the salary of Canteen employees from this head to other expenditure head.

(ii) Minor Head—901-904

"(Deduct-Recoveries)"

(Rupees in lakhs)

Original Grant	:	(-)Rs. 605030
Supplementary Grant	:	Rs. 23804
Re-appropriation	:	(+)Rs. 984
Total Grant	:	(-)Rs. 580242
Actual Expenditure	:	(-)Rs. 569815
Excess	:	Rs. 10427

The excess of Rs. 10427 lakh was mainly due to shortfall in issues of Ammunition items to Army and Ordnance Equipment Factory items to Air Force.

4. In order to avoid recurrence of any excess in future, a letter in respect of Monitoring and control of defence expenditure 2004-05 has been issued *vide* MoD (Fin.) ID No. 17(1)/B-I/2004 dated 2.12.2004 (copy enclosed). Further in order to avoid large scale saving/excess in future following remedial action have also been taken by DGOF:—

- (i) Annual budget meeting has been held with all factories to assess/work out realistic requirement of fund against different heads keeping in view issue targets;
- (ii) During budget meeting mentioned above, importance of correct booking against new codes introduced have been recommended to all concerned and also been advised to ensure that it is strictly followed;
- (iii) All concerned have been advised to make all efforts to the extent possible to project budget requirement more realistically in BE stage and subsequent stages of budget projections;
- (iv) Monitoring of expenditure is being done at factory level in each month; and
- (v) Monthly monitoring of expenditure is also being done at O.F. Board level.

5. In the circumstances explained above, the excess of Rs. 375027533/- may kindly be recommended for regularisation by the Parliament under Article-115(1)(b) of the Constitution.

Sd/-

(A.K. CHOPRA)

Addl. FA & JS

MOST IMMEDIATE

MINISTRY OF DEFENCE (FINANCE)

(BUDGET-I)

SUBJECT: *Monitoring and control of Defence Expenditure, 2004-2005*

As per the instructions issued vide MoD ID No. 8737-S/Def. Secy./91 dated 27/12/91, Inter Departmental Monitoring Groups were constituted in the year 1991-92 to monitor the progress of expenditure and pending liabilities to ensure optimal use of resources. The Departmental Monitoring Groups would consist of FA (Acq)/the concerned Addl. FA as convenor, concerned Joint Secretary, concerned Flag rank officer from service HQrs. and representatives of CGDA/CDA.

2. The Standing Committee on Defence while examining the Demands for Grants of the years 2002-2003 and 2003-2004 have viewed seriously about the unspent funds and have recommended that the amounts allotted should be fully utilised for the purchase of new weapon systems, modernisation and upgradation of the existing system so as to ensure that no surrender of funds is made. Further, the C&AG in their Audit Reports have also commented adversely on the overall unspent provision during the last few years as the amount of surrender has increased manifold during the previous years. In this regard, necessary instructions have also been issued *vide* MoD ID No. 10(1)/B-I/2002 dated 8/10/2002 to all concerned to monitor the progress of expenditure constantly in a more vigilant/stricter manner. Services HQrs./Departments have also been requested to issue instructions in this regard to all the Budget Controlling Authorities under their administrative control to eliminate instances of large scale savings/excess.

3. It is also pertinent to mention that during a recent meeting with Financial Advisors of various Ministries of Govt. of India, Finance Minister has specified that each Ministry/Department should ensure progress of expenditure to the tune of 67% of the BE allocation by December 2004. He has also stated that if the progress of expenditure is slower than indicated, till December, 2004, the Ministry of Finance will be justified in reducing the budgetary allocation to the extent of shortfall. This would also mean that no Ministry/Department would be permitted to spend more than 1/3rd of their budgetary allocation after December, 2004 *i.e.* in that last quarter of this financial year. In this regard a letter No. 11(5)/B-I/2002 dt. 4/8/04 has already been issued.

4. The present trend of expenditure during the current financial year indicates that unless effective monitoring and control is exercised, large scale savings may result under various heads. With a view to ensure a constant and uniform pace of expenditure *vis-a-vis* the sanctioned provisions it is essential that the progress of expenditure is monitored at all levels and contained within the sanctioned allocations in order to avoid any large scale savings or excesses.

5. The Monitoring Groups headed by FA(Acq.) (in respect of acquisition heads) and Addl. FAs (in respect of rest of the heads) are therefore requested to hold regular meetings on a fortnightly basis during December, 2004 and January, 2004 and on weekly basis in February and March 2005 so as to prevent occurrence of excesses/savings under various Heads and bunching of Expenditure towards the year end, duly taking into account all factors like actual drawal from LCs status of contracted and uncontracted schemes, supply position in respect of contracts, progress of civil works, etc.

6. The minutes of the meetings, *inter alia*, dealing with the budgetary targets/deviations, if any, and corrective measures adopted, may please be put up to Secretary (Defence/Finance) and copy endorsed to Director (Fin./Budget).

Sd/-

(A.K. Chopra)

Addl. FA (A) & JS

FA(Acq.) for Acquisition cases of three Services & HQ IDS
 Addl.FA(V) for Air Force, Army (Q, AG & GS)
 Addl.FA(H) for DGOF
 Addl.FA(K) for DGQA, Army (Land & Works)
 Addl.FA(S) R&D {including ATVP, Dte of Std., DTD&P (Air)}
 Addl.FA(A) for Ordnance/Navy (Other than Acquisition Heads)
 IFA, CIDS & SFC

MoD ID NO. 17(1)/B-I/2004 dated 2.12.2004

Copy to : AS(Acq.), AS(I), AS(DP&S),
 JS&AM(MS), JS&AM(LS), JS&AM(Air),
 JS(O/N), JS(G/Air), JS(ESW),
 JS(PIC), CCR&D(R), IFA(Army).
 IFA(Navy), IFA(AF).
 Director(Fin./Acq.)
 Director(Fin./Navy)
 Director(Fin./AF/Eqpt.)
 DFA(Navy)

Copy also to: CGDA-for rendering fortnightly/weekly reports of Defence Expenditure for the remaining months of the financial year.

APPENDIX IV

EXPLANATORY NOTE FOR PUBLIC ACCOUNTS COMMITTEE FOR REGULARISATION OF EXCESS OVER VOTED/CHARGED PORTION OF GRANTS/APPROPRIATION DURING THE YEAR 2003-04

During the year 2003-04, there was an overall net saving of Rs. 1468.49 crore under all grants and Appropriations, which constitutes 1.90 percent of the total provision of Rs. 77205.21 crore.

The net saving was the result of gross saving of Rs. 2643.77 crore under 14 Voted Grants (*i.e.* 13 Revenue and 3 Segments of Works Grant No. 16 *i.e.* Raiway Funds, RSF and OLWR) and 6 Charged Appropriations (*i.e.* 5 Revenue and 1 segment of Works Appropriation No. 16 *i.e.* Capital and SRSF) and 7 Charged Appropriations (*i.e.* 6 revenue and two segments of Works Grant No. 16 *i.e.* Capital and SRSF) and 7 Charged Appropriations (*i.e.* Revenue and 3 Segments of Works Appropriation No. 16 *i.e.* Capital, Railway Funds and OLWR).

The Gross saving of Rs. 2643.77 crore was made up of Rs. 2639.21 crore under Voted Grants and Rs. 4.56 crore under Charged Appropriations constituting 6.06 per cent of the total provision of Rs. 43616.85 crore under those Grants/Appropriations where saving occurred.

The gross excess amounting to Rs. 1175.28 crore was made up of Rs. 1165.01 crore under Voted Grants and Rs. 10.27 crore under Charged Appropriations constituted 3.50 per cent of the total provision of Rs. 33588.36 crore under the excess registering Grants/Appropriations. (Reference Para. 26 to 29 - Excess/Saving over Voted Grants and Charged Appropriations of the Appropriation Accounts of Indian Railways for the year 2003-04-Part-I-Review).

All savings involving Rs. 100 crore and above under each Grant and all excesses grant-wise, are being explained in detail in the ensuing paras.

1.2 Excess under Charged Appropriation & Voted Grants

There is an excess under seven Charged Appropriations (3, 7, 8, 9, 10, 11 and three segments of Appropriation No. 16 *i.e.* Capital, Railway Funds and O.L.W.R.) and three

Grants (14, 15 and two segments of Grant No. 16 *i.e.* Capital and SRSF). These Appropriations/Grants are explained as under:-

(a) Charged Appropriations

(i) Appropriation No. 3 — Working Expenses—General Superintendence and Services

	Rupees
Original Appropriation	—
Supplementary Appropriation	5,23,000
Total Sanctioned Appropriation	5,23,000
Actual Expenditure	19,47,035
Excess	14,24,035
Misclassification	4,11,715
Excess requiring regularisation	18,35,750
Percentage of Excess	351.00

A Supplementary Charged Appropriation of Rs. 5.23 lakhs as obtained for payments towards satisfaction of court decrees, proved to be inadequate. The actual payments exceeded the provision as more decretal payments materialised at the fag end of the year.

There was a misclassification of Rs. 4,11,715/ on account of expenditure relating to Charged Appropriation having been wrongly booked as Voted. Thus taking into account the effect of misclassification the real excess requiring regularisation works out to Rs. 18,35,750/

(ii) Appropriation No. 7 — Working Expenses—Repairs & Maintenance of Plant & Equipment

	Rupees
Original Appropriation	—
Supplementary Appropriation	71,000
Total Sanctioned Appropriation	71,000
Actual Expenditure	92,996
Excess	21,996
Misclassification	---
Excess requiring regularisation	21,996
Percentage of Excess	30.98

A Supplementary Charged Appropriation of Rs. 0.71 lakhs as obtained for payments towards satisfaction of court decrees, proved to be inadequate. The actual expenditure exceeded the provision by Rs. 21,996 due to payments made on Court order, which could not be anticipated earlier.

The excess requiring regularisation is Rs. 21,996, which is the same as disclosed in the Appropriation Accounts.

(iii) Appropriation No. 8 — Working Expenses—Rolling Stock & Equipment

	Rupees
Original Appropriation	—
Supplementary Appropriation	11,64,000
Total Sanctioned Appropriation	11,64,000
Actual Expenditure	12,86,059
Excess	1,22,059
Misclassification	---
Excess requiring regularisation	1,22,059
Percentage of Excess	10.49

A Supplementary Charged Appropriation of Rs. 11.64 lakhs as obtained for payments towards satisfaction of court decrees, proved to be inadequate. The actual expenditure exceeded the provision by Rs. 1,22,059 due to unanticipated decretal payments at the fag end of the year.

The excess requiring regularisation is Rs. 1,22,059, which is the same as disclosed in the Appropriation Accounts.

(iv) Appropriation No. 9:—Working Expenses—Operating Expenses—Traffic

	Rupees
Original Appropriation	---
Supplementary Appropriation	10,67,000
Total Sanctioned Appropriation	10,67,000
Actual Expenditure	15,52,568
Excess	4,85,568
Misclassification	---
Excess requiring regularisation	4,85,568
Percentage of Excess	45.51

A Supplementary Charged Appropriation of Rs. 10.67 lakhs as obtained for payments towards satisfaction of court decrees, proved to be inadequate.

The actual expenditure exceeded the provision by Rs. 4,85,568 due to unanticipated decretal payments at the fag end of the year.

The excess requiring regularisation is Rs. 4,85,568, which is the same as disclosed in the Appropriation Accounts.

(v) Appropriation No.10:—Working Expenses—Operating Expenses—Fuel

	Rupees
Original Appropriation	---
Supplementary Appropriation	---

Total Sanctioned Appropriation	—
Actual Expenditure	761,37,047
Excess	761,37,047
Misclassification	—
Excess requiring regularisation	761,37,047
Percentage of Excess	—

The actual expenditure of Rs.761,37,047 incurred without any budget provision towards unanticipated decretal payments at the fag end of the year.

This excess of Rs. 761,37,047 requiring regularisation, is the same as disclosed in the Appropriation Accounts.

(vi) Appropriation No. 11:—Working Expenses—Staff Welfare and Amenities

	Rupees
Original Appropriation	—
Supplementary Appropriation	5,75,000
Total Sanctioned Appropriation	5,75,000
Actual Expenditure	17,92,518
Excess	12,17,518
Misclassification	5,56,933
Excess requiring regularisation	17,74,451
Percentage of Excess	308.60

A Supplementary Charged Appropriation of Rs. 5.75 lakhs as obtained for payments towards satisfaction of Court decess, proved to be inadequate. The actual expenditure exceeded the provision as more decretal payments materialised on Court order, which could not be anticipated earlier.

There was a misclassification of Rs. 5,56,933 on account of expenditure relating to Charged Appropriation having been wrongly booked as Voted. Thus taking into account the effect of misclassification the real excess requiring regularisation works out to Rs. 17,74,451.

(vii) Appropriation No. 16—Assets—Acquisition, Construction and Replacement—Capital

	Rupees
Original Appropriation	800,00,000
Supplementary Appropriation	—
Total Sanctioned Appropriation	800,00,000

Actual Expenditure	963,45,841
Excess	163,45,841
Misclassification	126,96,531
Excess requiring regularisation	290,42,372
Percentage of Excess	36.30

Charged Appropriation of Rs. 800.00 lakhs was obtained at the Budget Estimate Stage, which proved to be inadequate and the actual expenditure having exceeded the provision as more decretal payments materialised at the fag end of the year.

There was a net effect of misclassification of Rs. 12,96,531 on account of expenditure relating to Charged Appropriation having been wrongly booked as Voted. Thus taking into account this effect, the real excess requiring regularisation works out to Rs. 290,42,372.

(viii) Appropriation No. 16— Assets—Acquisiton, Construction and Replacement - Raliway Funds.

	Rupees
Original Appropriation	60,00,000
Supplementary Appropriation	39,26,000
Total Sanctioned Appropriation	99,26,000
Actual Expenditure	1,69,44,381
Excess	70,18,381
Misclassification	---
Excess requiring regularisation	70,18,381
Percentage of Excess	70.71

Charged Appropriation of Rs. 60.00 lakhs obtained at the Budget Estimate Stage. A Supplementary Appropriation of Rs. 39.26 lakhs was sanctioned for additional payments towards satisfaction of court decess. The Charged Appropriation, however, proved to be inadequate, the actual expenditure having exceeded the provision as more decretal payments materialised at the fag end of the year.

The excess, therefore requiring regularisation is Rs. 70,18,381, which is the same as disclosed in the Appropriation Accounts.

(ix) Appropriation No. 16 — Assets — Acquisition, Construction and Replacement— O.L.W.R

	Rupees
Original Appropriation	—
Supplementary Appropriation	26,000
Total Sanctioned Appropriation	26,000

Actual Expenditure	26,491
Excess	491
Misclassification	—
Excess requiring regularisation	491
Percentage of Excess	1.89

A supplementary Charged Appropriation of Rs. 0.26 lakhs as obtained for payments towards satisfaction of court decrees, proved to be inadequate. The actual expenditure exceeded the provision by Rs. 491, which is minor.

The excess requiring regularisation is Rs. 491, which is the same as disclosed in the Appropriation Accounts.

(b) *Voted Grants*

(i) **Grant No. 14 — Working Expenses — Appropriation to Funds**

	Rupees
Original Appropriation	9710,00,00,000
Supplementary Grant	187,00,00,000
Total Sanctioned Grant	9897,00,00,000
Actual (Expenditure) Appropriation	10578,61,81,059
Excess	681,61,81,059
Misclassification	—
Excess requiring regularisation	681,61,81,059
Percentage of Excess	6.89

This Grant deals with appropriation to all Reserve Funds. A Grant of Rs. 9710.00 crore was obtained at the Budget Estimate stage. A Supplementary Grant of Rs. 187.00 crore was obtained due to higher appropriation being made to Depreciation Reserve Fund, Development Fund and Special Railway Safety Fund. The actual (expenditure) appropriation of Rs. 10578.62 crore having exceeded the total sanctioned provision by Rs. 681.62 crore for the Grant as a whole, which is 6.89% of the total sanctioned provision.

Excess occurred mainly under the following funds:—

(a) **Appropriation to Depreciation Reserve Fund. (Rs. 400.55 crore)**, mainly to strengthening the fund balances in view of overall better financial performance of Indian Railways, (b) **Appropriation to Development fund (Rs. 130.00 crore)**, mainly to strengthening the fund in view of overall better financial performance of Indian Railways, (c) **Appropriation to Special Railway Safety Fund (Rs. 282.98 crore)**, as the higher appropriation to this fund was made to meet the higher plan requirements from the fund.

This **excess** was partly offset by the savings under the following funds:—

(a) **Appropriation to Pension Fund. (Rs. 131.91 crore)** mainly due to decrease in pension requirements from Pension Fund than projected.

Therefore, the excess of Rs. 681,61,81,059 requiring regularisation, which is the same as disclosed in the Appropriation Accounts.

(ii) Grant No. 15 — Dividend to General Revenues—Repayment of Loans taken from General Revenues and Amortisation of over-capitalisation.

	Rupees
Original Grant	2980,16,00,000
Supplementary Grant	335,25,00,000
Total Sanctioned Grant	3315,41,00,000
Actual Expenditure	3387,07,71,479
Excess	71,66,71,479
Misclassification	—
Excess requiring regularisation	71,66,71,479
Percentage of Excess	2.16

A Grant of Rs. 2980.16 crore was obtained at the Budget Estimate stage. A Supplementary Grant of Rs. 335.25 crore was obtained for clearing the deferred dividend liability and to provide for higher dividend worked out for the current year. The actual expenditure having exceeded the total sanctioned provision by Rs. 71.67 crore for the Grant as a whole, which is 2.16% of the total sanctioned provision.

The excess was mainly on account of partly due to higher capital-at-charge booked under New Lines and balance due to payment of deferred dividend on New Lines, which could not be anticipated earlier.

The excess of Rs. 71,66,71,479 requiring regularisation, which is the same as disclosed in the Appropriation Accounts.

(iii) Grant No. 16 — Assets — Acquisition, Construction and Replacement—Capital

	Rupees
Original Grant	18376,60,78,000*
Supplementary Grant	800,00,12,000
Total Sanctioned Grant	19176,60,90,000*
Actual Expenditure	19459,71,59,383*
Excess	283,10,69,383
Misclassification	-43,65,04,707
Excess requiring regularisation	239,45,64,676
Percentage of Excess	1.25%

*(The Budget Allotment and Actual Expenditure includes Rs. 1600 crore which were transferred to Special Railway Safety Fund)

A Grant of Rs. 18376.61 crore was obtained at the Budget Estimate stage, out of which Rs. 1600 crore was obtained as a budgetary support from Ministry of Finance for Special Railway Safety Fund. A Supplementary Grant of Rs. 800.00 crore was obtained during 2003-04, out of which Rs. 500.00 crore is for Udampur-Srinagar-Baramullah project and the remaining supplementary grant was obtained for accelerating the progress of various ongoing works and for taking up certain 'Out of turn' works which are regarded as "New Services/New Instruments of Service". The actual expenditure of Rs. 19459.72 crore was Rs. 283.11 crore more than the sanctioned provision of Rs. 19176.61 crore. There was a net effect of Rs. (-) 43,65,04,707/- on account of misclassification of expenditure between Grant No. 16 — Capital and Revenue Grants/ Works Grant. The excess thus worked out to Rs. 239.46 crore.

This excess was mainly under the following Plan heads (Minor heads) due to better progress of works;

(a) Restoration of dismantled Lines (Rs. 14.77 crore), (b) Gauge Conversion (Rs. 328.52 crore), (c) Doubling (Rs. 60.99 crore), (d) Signalling & Telecommunication Works (Rs. 6.19 crore), (e) Electrification Projects (Rs. 26.14 crore), (f) Passenger Amenities (Rs. 0.06 crore) and (g) Stores Suspense (Rs. 631.82 crore);

This excess was partly offset by savings under the following Plan heads (Minor heads) due to slow progress of works:—

(a) New Lines (Rs. 37.04 crore), (b) Traffic Facilities — Yard Remodelling and Others (Rs. 44.26 crore), (c) Computerisation (Rs. 57.13 crore), (d) Rolling Stock (Rs. 32.91 crore), (e) Bridge Works (Rs. 0.34 crore), (f) Other Electrical Works (Rs. 34.98 crore), (g) Machinery & Plant (Rs. 11.67 crore), (h) Workshops incld. Production Units (Rs. 39.66 crore), (i) Staff Quarters (Rs. 16.58 crore), (j) Amenities for staff (Rs. 9.28 crore), (k) Investment in Govt. Commercial Undertakings (Rs. 232.05 crore), (l) Other Specified Works (Rs. 1.45 crore), Manufacturing Suspense (Rs. 160.88 crore), Miscellaneous Advance (Rs. 15.79 crore) and Metropolitan Transport Projects (Rs. 91.36 crore).

The excess requiring regularisation from Parliament works out to Rs. 239,45,64,676/- (i.e. 1.25 per cent of the total sanctioned provision).

(iv) Grant No. 16 — Assets—Acquisition, Construction and Replacement—Special Railway Safety Fund.

	Rupees
Original Grant	2749,36,00,000*
Supplementary Grant	40,64,15,000
Total Sanctioned Grant	2790,00,15,000*
Actual Expenditure	2918,61,51,856*
Excess	128,61,36,856
Misclassification	3,92,42,866
Excess requiring regularisation	132,53,79,722
Percentage of Excess	4.75

*(The Budget Allotment and Actual Expenditure includes Rs. 1600 crore which has been transferred from Capital to Special Railway Safety Fund)

A Grant of Rs. 2749.36 crore was obtained at the Budget Estimate stage and a Supplementary Grant of Rs. 40.64 crore was obtained for accelerating the progress of various ongoing works and for taking up certain 'Out of turn' works which was regarded as 'New Services/New Instruments of Service'. The actual expenditure of Rs. 2918.61 crore was Rs. 128.61 crore more than the total sanctioned provision of Rs. 2790.00 crore. There was misclassification of Rs. 3.92 crore. The excess thus worked out to Rs. 132.54 crore.

This excess was mainly under the following Plan heads (Minor heads) due to better progress of works; Road Safety Works/LC (Rs. 0.03 crore), Rolling Stock (Rs. 85.90 crore), Track Renewals (Rs. 95.71 crore), Signalling and Telecommunication Works (Rs. 17.20 crore) and Machinery and Plant (Rs. 1.73 crore); partly offset by saving under the Plan heads (Minor heads); Bridge Works (Rs. 70.81 crore), Other Electrical Works (Rs. 0.20 crore) and Other Specified Works (Rs. 0.95 crore) mainly due to slow progress of works and lesser activities, than anticipated.

The excess requiring regularisation from Parliament works out to Rs. 132,53,79,722/- (i.e. 4.75% of the total sanctioned provision).

2. The Grantwise excesses are relatively small, considering the total volume of transactions spread over the entire Railway System. As a result, on overall basis there is a net saving of Rs. 1468.49 crore, consisting 1.90 per cent of the total provision of Rs. 77205.21 crore. It is submitted that every care has been taken (a) to assess the expenditure under various Appropriation/Grants as precisely as possible and (b) to obtain supplementary allotments where necessary so that excess is avoided to the maximum extent possible.

3. The excess over the Appropriation/Grant as brought out in Para 1.2 (a) & (b) may kindly be recommended for regularisation by Parliament under Article 115 (1) (b) of the Constitution of India.

4. This has been seen by the Audit.

Sd/-

(Sunita Awasthi)
Addl. Member (Budget)
Railway Board.

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

APPENDIX V

STATEMENT OF OBSERVATIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry/Dep.	Observations/Recommendations
1	2	3	4
1.	67	Finance (Economic Affairs), Home Affairs, Information Technology, Telecommunications, Development of North Eastern Region, Personnel, Public Grievances and Pensions, Defence & Railways.	<p>The Committee find that during the year 2003-2004, an expenditure of Rs. 43364.62 crore has been incurred by various Ministries/Departments of Union Government in excess of the provisions sanctioned under 21 cases of 17 Grants/Appropriations. There was an excess expenditure of Rs. 42190.20 crore in seven Grants/Appropriations operated by the Civil Ministries/Departments, Rs. 1136.92 crore under nine Grants/Appropriations pertaining to Ministry of Railways and Rs. 37.50 crore in one Grant operated by the Ministry of Defence. Out of seven cases of excess expenditure incurred under the Grants/Appropriations operated by Civil Ministries/Departments, the Ministry of Finance under Appropriation No. 37—Repayment of Debt alone incurred excess expenditure of rs. 42182.74 crore which is 97 per cent of total excess expenditure incurred during the year under review. Further, under the Grants/Appropriations operated by the Ministry of Railways, an excess expenditure of more than Rs. 100 crore each was recorded in three cases with Grant No. 14 taking a lead with an excess of Rs. 681.62 crore followed by excesses of Rs. 239.46 crore under Grant No. 16 — Capital and Rs. 132.54 crore under Grant No. 16 — Special Railway Safety Fund. It is surprising as to why such a huge excess expenditure to the tune of Rs. 43364.62 crore could not be anticipated. The Committee desire that every Ministry/Department should carefully review their existing mechanism for framing of budget estimates and apply corrective measures, wherever required to make the budgetary exercise more realistic and meaningful in future.</p>

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			<p>The Committee further note that excess expenditure of Union Government is not only a regular phenomenon but, at the same time has grown up from Rs. 57.36 crore in 1999-2000 to a staggering Rs. 43364.62 crore in 2003-04. This clearly indicates that situation has been deteriorating despite issuance of elaborate instructions regularly by the Ministry of Finance at the instance of the Public Accounts Committee to contain the excess expenditure to the barest minimum. The Committee are inclined to conclude that the concerned authorities in the Ministries/Departments are not observing prescribed rules for containing the expenditure within the sanctioned provisions.</p>
2.	68	<p>Finance (Economic Affairs), Home Affairs, Information Technology, Telecommunications, Development of North Eastern Region Personnel, Public Grievances and Pensions, Defence & Railways.</p>	<p>What is still more disconcerting is the fact that the excess expenditure of Rs. 43364.62 crore during the year 2003-04 had occurred despite obtaining the Supplementary provisions of Rs. 25899.77 crore in 18 cases of excess registering Grants/Appropriations. It is also evident that under Appropriation No. 37—Repayment of Debt., the excess expenditure incurred is much higher than the amount obtained as supplementary provision. Considering the fact that Supplementary funds in most of these cases were obtained in February, 2004 when the Ministries are in a position to estimate actual requirements of funds, the Committee find no plausible explanations for incurring substantial excess expenditure under these Grants or Appropriations. The Committee can not but over emphasise the need to exercise optimum care by the concerned Ministries/Departments in assessing their requirements of funds.</p>
3.	69	-do-	<p>With regard to sbmission of explanatory notes for 17 Grants/Appropriations, which registered excess expenditure during the year 2003-04, the Committee find that although the Ministries of Defence and Railways and Department of Telecommunications furnished the same within the prescribed time limit, there was inordinate delay in submission of explanatory notes by other Ministries/Departments ranging from one month to three months. It is pertinent to note in this regard that there is always delay on the part of Ministry of Finance in furnishing</p>

1	2	3	4
			<p>the explanatory notes on the excess expenditure. This delay usually range from one and half month to more than eight months. This year also, the explanatory notes on Appropriation No. 37— Repayment of debt were received from them after three months of the presentation of the Appropriation Accounts (Civil) to the House. Belated submission of explanatory notes by the Ministry of Finance always hamper timely finalisation of the report of the Committee on excesses. Sometimes the said notes are not furnished to the Committee till the finalisation of the Report. This tendency on the part of Ministry of Finance is in no way justifiable particularly when they have been issuing instructions to other Ministries/ Departments for timely submission of the explanatory notes to the Committee. The Committee place on record their displeasure over the persistent tendency on the part of Ministry of Finance in furnishing requisite explanatory notes. As it is desirable that excesses over Voted Grants and Charged Appropriations should be brought before Parliament for regularisation expeditiously, the Committee would like the Ministry of Finance to look into the matter and apprise them of the precise reasons for persistent delay on their part in timely submission of explanatory notes. The responsibility should be fixed on the officials for any laxity in this regard. The Committee would also like to point out that there are other Ministries/Departments also, who, at times submit explanatory notes quite late. These Ministries/ Departments such as Home Affairs, Information Technology, Development of North Eastern Regions and Personnel, Public Grievances and Pensions. are also requested to ensure timely submission of the requisite notes.</p>
4.	70	Telecommuni- cations	<p>On scrutiny of Appropriation Accounts (Civil) for the year 2003-04, the Committee have found that the Department of Telecommunications incurred an excess expenditure of Rs. 3.98 crore under Revenue Section (voted) of Grant No. 15 which was the net effect of total excess of Rs. 150.74 crore and total unspent balances of Rs. 146.76 crore under various sub-heads of the Grant. The explanatory notes have revealed that substantial excess expenditure was incurred in at least four sub-heads of the Grant. <i>viz.,</i></p>

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			<p>sub-head—"commuted value of pensions" (Rs. 44.35 crore)—due to Payment of Commuted Value of Pension on Industrial Dearness Allowance Pay Scale to the employees absorbed in BSNL; Sub-head—"Gratuities" (Rs. 60.15 crore)—due to Payment of Gratuities on Industrial Dearness Allowance Pay Scale to the employees absorbed in BSNL; Sub-head—"Family Pensions" (Rs. 10.49 crore)—due to more receipt of claim than anticipated and Sub-head—"compensation to Service Providers" (Rs. 24.38 crore)—due to receipt of more claims from service providers for payment of compensation under "Universal Service Obligation". The Committee are of the view that the reasons attributed for such excesses could have easily been anticipated by the Department at the budget provision stage. A substantial part of the excess expenditure under this Grant could have been avoided by making adequate provisions to meet the anticipated liabilities. In this context, the Committee would like to point out that the Department of Telecommunications had been persistently registering excess expenditure under this Grant during the preceding three years. While expressing their unhappiness over the current state of affairs, the Committee desire the Department of Telecommunications to analyse the reasons for this recurring phenomenon of excess expenditure under this grant and take remedial measures to effect improvements for its proper management.</p>
5.	71	Finance (Economic Affairs)	<p>The scrutiny of Revenue Section (Charged) of Appropriation No. 37—Repayment of Debt has revealed that although the supplementary appropriation of Rs. 21701.79 crore was obtained in February, 2004 and Rs. 7166.25 crore was surrendered, the Ministry of Finance incurred an excess expenditure of Rs. 42182.74 crore during 2003-04. The various reasons advanced by the Ministry of Finance for excess expenditure under different sub-heads of this appropriation include pre-payment of high cost loan/illiquid securities from the banks and financial institutions, exchange rate fluctuation and enhanced encashment demanded by World Bank which was not anticipated at the time of estimation. While attributing the reasons for excess expenditure under</p>

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			<p>this appropriation, the Ministry of Finance have contended that the excess expenditure was not anticipated at the time of framing of Budget Estimates (2003-04). The Committee are not convinced by this argument as many of these estimates such as Market loans, 91 Days Treasury Bills 364 Days Treasury Bills, 14 Days Treasury Bills and Special Central Government Securities issued against outstanding balances of small savings as on 31.3.1999, were available during the course of the year and were included at the Revised Estimates stage. Another plea advanced by the Ministry in their defence is that keeping in view the possibility of unspent provisions under repayment of Wage and Means Advances, from which it was proposed to re-appropriate to provide for expenditure as projected in Revised Estimates. Supplementary provision for lower amount was sought. However, due to lower actual availability of unspent provisions than anticipated by RBI in repayment of Wages and Means Advances, excess under this appropriation had occurred. The Committee are however, not sure whether the savings anticipated on this account would have been sufficient to counter even a part of such a huge excess expenditure. They therefore, express their displeasure over the manner in which this particular appropriation was handled by the Ministry of Finance. The Committee feel that major portion of this excesses could and should have been anticipated by the Ministry and provisions thereof provided in the revised Estimates, if not earlier. That, this was not done, is regrettable. The Committee expect that there would not be recurrence of excesses of such huge amount under this appropriation.</p>
6.	72	Defence	<p>The scrutiny of Appropriation Accounts — Defence Services for the year 2003-04 has revealed that there was an overall excess of Rs. 37.50 crore over the authorised provisions in the Revenue Section (Voted) of Grant no. 24 — Defence Ordnance Factories. The excess under this Grant is a cumulative effect of total excesses of Rs. 2.99 crore under minor head 054 (Manufacture) and Rs. 104.27 crore under minor head 901-904 (Deduct recoveries) offset by unspent</p>

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			<p>provisions of Rs 69.75 crore in some other minor heads. According to the explanatory notes furnished by the Ministry of Defence, the excess under this Grant occurred due to Non-transfer of the salary of canteen employees from minor head 054 to other expenditure head and shortfall in issuing of ammunition items to Army and Ordnance Equipment Factory items to Air Force. The Committee feel that the reasons adduced by the Ministry for the same are not such as could not have been foreseen at least at the Supplementary Grant stage. The Ministry have however, indicated that in order to avoid such excesses in future, remedial action has been taken by DGOF. While taking note of the assurance given by the Ministry of Defence to prevent such excesses in future, the Committee hope that the Ministry of Defence would be able to overcome the problem of excess expenditure incurred under Grants operated by them in future.</p>
7.	73	Railways	<p>The Committee note from the Indian Railways Appropriation Accounts for the year 2003-04 that the Ministry of Railways incurred an excess expenditure of Rs. 1136.92 crore under 13 cases of nine Grants/Appropriations. The Committee further note that out of nine excess registering Grants/Appropriations, the amount of excess expenditure under three Grants (Nos. 14, 16—other expenditure—Capital and S.R.S.F.) is more than Rs. 100 crore. To the utter dismay of the Committee, as in the last year, the original provisions under Appropriation Nos. 3,7,8,9,10,11, 16—O.L.W.R. were not available to be spent and thus only supplementary provisions (except Appropriation No. 10) were obtained for this purpose. The expenditure under Appropriation No. 10 was incurred without any sanctioned provisions. What is more intriguing is the fact that under all the nine cases of Appropriations (Nos. 3,7,8,9,10,11, 16—Capital, Railway Fund and O.L.W.R.), the excess expenditure was incurred mainly due to unanticipated decretal payments at the fag end of the year. The Committee regret to point out that the Ministry of Railways have been incurring excess expenditure in the Grants/Appropriations operated by them since</p>

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			<p>the year 2001-02 with the same contributory reasons. Consequently, the Committee in Paragraph 17.9 of their 58th Report (13th Lok Sabha) and Paragraph 75 of their 10t Report (14th Lok Sabha) had not only desired the Ministry of Railways to provide for the decretal payments in the Original/Supplementary Budget, but had also urged them to make additional provisions at the Revised Estimates with more precision. The Committee are unhappy to note that their earlier recommendations have not been taken seriously by the Ministry of Railways so as to bring about the desired result. They, therefore, desire that the recurrent lapses on this account may be carefully looked into, with a view to faxing responsibility at the appropriate level so that there is no recurrence of such excesses.</p>
8.	74	Railways	<p>Analysis of the excess expenditure incurred by the Ministry of Railways reveal that excess to the tune of Rs. 681.62 crore had been incurred under a single Grant namely Grant No. 14—working Expenses—Appropriation to Funds, which deals with appropriation to all Reserve Funds. As in the past, the Ministry have pleaded that the cxcess under this Grant was due to Appropriation to Depreciation Reserve Fund (Rs. 400.55 crore) and Appropriation to Development Fund (Rs. 130.00 crore) mainly to strengthening the fund balances in view of overall better financial performance of Indian Railways. Further, excess in Appropriation to Special Railway Safety Fund (Rs. 282.98 crore) had incurred in order to meet the higher plan requirements from the fund. Incidentally, this Grant has incurred excess expenditure of Rs. 211.15 crore during the last year (2002-03) under the same heads with the same contributory reasons. Obviously, the Ministry of Railways have not learnt any lessons from the past experience. The Committee are of the firm view that these excesses could have been avoided to a large extent had the Railway administration exercised stricter budgetary discipline. They therefore, desire that greater care needs to be exercised by the Railways through close watch over the flow of expenditure and better anticipation of requirements</p>

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9.	75	Railways	<p>at the Ministry's level for making timely additional provision at least at the Revised Estimate stage.</p> <p>The Ministry of Railways also incurred an excess expenditure of Rs. 414.06 crore under two segments of the Voted Grants and three segments of Charged Appropriations of Grant No. 16—Works Expenditure—Assets—Acquisition, Construction and Replacement <i>viz.</i> Capital (Rs. 283.11 crore) Special Railway Safety Fund (Rs. 128.61 crore) other expenditure—Railway Funds (Rs. 0.70 crore), Capital (Rs. 1.63 crore) and open line works (Revenue) Rs. 491). Excess expenditure under Sections Capital and Special Railway Safety Fund has been attributed by Railways to increase in activities under restoration of dismantled lines, gauge conversion, doubling, signalling, telecommunication works, Electrification projects, passenger amenities, track, renewals and store suspense. The Committee feel that these activities undertaken by the Railways are routine in nature and the requirements for those could have been realistically planned/assessed and projected. Under other expenditure—Railway Funds, Capital & O.L.W.R, it was due to more payments of court decrees than anticipated. The Committee are distressed to find that out of five Grants/Appropriations under works expenditure Assets—Acquisition, Construction and Replacement, the excess expenditure under two Grants namely Capital and Special Railway Safety Funds is more than Rs. 100 crore. In the opinion of the Committee, this state of affairs present a very dismal picture of the manner in which expenditure estimates are prepared in respect of Grant No. 16 by the Ministry of Railways. The Ministry should make earnest efforts to work out accurately the precise requirements of funds under different sections of this Grant. The Committee would also like the Ministry of Railways to build a sound accounting information system for keeping an unremitting vigil over the actual trend of expenditure <i>vis-a-vis</i> the sanctioned provisions under all the sections of this Grant so as to check the recurring feature of excess expenditure under this Grant. The Committee would like the Ministry of Railways to impress upon their Financial Advisors to take utmost</p>

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			care in reviewing and scrutinising the budget estimates and apply necessary corrective, measures wherever required.
10.	76	Railways	<p>The Committee observe that the excess expenditure incurred under the Grants/Appropriations operated by the Ministry of Railways showed an increasing trend since the year 2001-2002 (Rs. 210.71 crore) to 2003-2004 (Rs. 1136.92 crore). Further, Appropriation No. 3—Working Expense—General Superintendence and Services has been persistently recording excess expenditure from the year 1996-97 onwards, Appropriation No. 7—Working Expenses—Repairs and Maintenance of Plant and Equipment from the year 1999-2000 onwards and Appropriation No. 16—Assets-Acquisition. Construction and Replacement—Capital from the year 2000-2001. While deploring this tendency, the Committee in their 10th Report (14th Lok Sabha) had urged the Ministry of Railways to look into the matter and take suitable steps to address the problem of excess expenditure. It was also emphasized that the Ministry should monitor the implementation of the instructions issued by them in this regard with a view to tightening their budgetary control. The Committee are led to the conclusion that the Ministry of Railways have not taken any suitable steps to address this problem of excess expenditure. The Committee strongly feel that the Ministry must analyse in depth the reasons for this recurring phenomenon with a view to initiate some concrete measures whereby budget estimates are prepared more precisely and the actual expenditure is incurred/contained within the funds authorised by Parliament.</p>
11.	77	Railways	<p>Another disquieting feature noticed by the Committee is the extent of misclassification of expenditure in the compilation of accounts specially of the Railways. There have been misclassification of expenditure under five Grants/Appropriations administered by the Ministry of Railways wherein excess expenditure is sought to be regularised. Taking a serious view of the recurrence of misclassifications, the Committee have persistently been recommending for greater care to be exercised</p>

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12.	78	Finance (Economic Affairs), Defence, & Railways	<p>to avoid serious mistakes in proper upkeep and maintenance of books of accounts. The Committee are however, constrained to observe that the instructions issued so far in this connection have not yielded the desired result. On the other hand there has been further deterioration in the situation, as the cases of the misclassification have increased from three in the year 2002-03 to five during 2003-04. Obviously, the instructions in this regard were either not comprehensive or the concerned officials did not take utmost care to implement them properly. The Committee feel that one of the major reasons for misclassification is faulty reconciliation of the expenditure figures. The Committee, therefore, desire that suitable remedial measures should be taken to ensure that reconciliation of expenditure figures is conducted meticulously and annual certificate of reconciliation is furnished by the Financial Advisers after careful scrutiny. They hope that this would help in identifying the misclassifications well in time, thereby eliminating altogether chances of such mistakes.</p> <p>Subject to the Observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in Para 13 of this Report be regularised in the manner prescribed in Article 125 (1) (b) of the Constitution of India.</p>

PART-II

MINUTES OF THE THIRTEENTH SITTING OF PUBLIC ACCOUNTS COMMITTEE (2005-2006) HELD ON 14TH NOVEMBER, 2005

The Committee sat from 1600 hrs. to 1630 hrs. on 14th November, 2005 in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS *Lok Sabha*

2. Shri Khagen Das
3. Dr. M. Jagannath
4. Shri Tarit Baran Topdar

Rajya Sabha

5. Shri R.K. Dhawan
6. Dr. K. Malaisamy
7. Shri V. Narayanasamy
8. Shri C. Ramachandraiah
9. Shri Jairam Ramesh
10. Prof. R.B.S. Varma

SECRETARIAT

1. Shri S.K. Sharma — *Additional Secretary*
2. Shri Ashok Sarin — *Director*
3. Smt. Anita B. Panda — *Under Secretary*
4. Shri M.K. Madhusudhan — *Under Secretary*

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri U. Bhattacharya — *ADAI (RC)*
2. Dr. A.K. Banerjee — *DG of Audit*
3. Shri Roy Mathrani — *Pr. Director (AB)*

4. Shri R.K. Ghose — AG (Audit), Delhi

REPRESENTATIVES OF THE MINISTRY OF URBAN DEVELOPMENT

1. Shri Anil Baijal — Secretary
 2. Shri P.K. Pradhan — Joint Secretary
 3. Smt. Neena Garg — Joint Secretary & Financial Adviser

REPRESENTATIVES OF DELHI DEVELOPMENT AUTHORITY

1. Shri A.K. Patnaik — Finance Member
 2. Shri V.K. Sathoo — Pr. Commissioner

REPRESENTATIVES OF DEPARTMENT OF EDUCATION, GOVERNMENT OF
 NCT OF DELHI

1. Ms. Reena Ray — Secretary (Edu.)
 2. Shri Vijay Kumar — Director (Edu.)

2. At the outset, the Chairman, PAC welcomed the Members and Audit Officers to the sitting of the Committee.

3. The Committee observed silence for a minute in memory of Shri K.R. Narayanan, former President of India as a mark of respect to the departed soul.

4. Thereafter, the Committee took up for consideration the following Draft Reports:

- (i) "Pilgrimage to Sabarimala—Human Problems and Ecology".
 (ii) C&AG's Report No. 3 of 2004 relating to "National AIDS Control Programme".
 (iii) "Excesses Over Voted Grants and Charged Appropriations (2003-04)".
 (iv) Action Taken on 46th Report (13th Lok Sabha) relating to "Procurement of Defective Sleeping Bags".
 (v) Action Taken on 58th Report (13th Lok Sabha) relating to "Excesses Over Voted Grants and Charged Appropriations (2001-02)".

5. Barring Report on "National AIDS Control Programme", the Committee adopted all the Draft Reports without any changes. As regards, draft Report on "National AIDS Control Programme", the Committee after some deliberation adopted the same subject to some minor additions. The Committee, then authorised the Chairman to finalise these Draft Reports in the light of changes suggested by Audit through factual verification, if any, or otherwise and to present the same to Parliament.

6. xxx xxx xxx xxx
 7. xxx xxx xxx xxx
 8. xxx xxx xxx xxx

9. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.