

**REVIEW OF NORMS FOR
RE-APPROPRIATION
OF FUNDS**

**MINISTRY OF FINANCE
(DEPARTMENT OF EXPENDITURE)**

**PUBLIC ACCOUNTS
COMMITTEE
2005-2006**

TWENTY-THIRD REPORT

FOURTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

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PUBLIC ACCOUNTS COMMITTEE
(2005-2006)

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(DEPARTMENT OF EXPENDITURE)



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LOK SABHA SECRETARIAT
NEW DELHI

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COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(2005-2006)

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4. 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-third Report (Fourteenth Lok Sabha) on "Review of norms for Re-Appropriation of funds".

2. Pursuant to Fiscal Policy strategy statement laid by Finance Minister before Parliament under Fiscal Responsibility and Budget Management Act, 2003, the Ministry of Finance (Department of Expenditure) had submitted proposals seeking approval of the Public Accounts Committee for review of norms for re-appropriation of funds.

3. According to the Ministry, these proposals were finalized in consultation with the Office of the Comptroller and Auditor General of India.

4. The Committee considered and approved the proposals submitted by the Ministry of Finance (Department of Expenditure) at their sitting held on 12th December, 2005. Minutes of the sitting form Part II of the Report.

5. 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-III to the Report.

6. The Committee would like to 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;
13 December, 2005
22 Agrahayana, 1927 (Saka)

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

REPORT

REVIEW OF NORMS FOR RE-APPROPRIATION OF FUNDS

Re-appropriation of funds

A grant or appropriation for disbursements is distributed by Sub-heads or standard objects under which it is accounted. The competent executive authorities can approve re-appropriation of funds between primary units of appropriation within a grant or appropriation before the close of the financial year to which such grant or appropriation relates. Re-appropriation of funds should be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilized in full or that unspent provision can be affected in the unit of appropriation.

2. All re-appropriations which would have the effect of increasing the budget provision by Rs. 1 crore or more under a sub-head should be made only with the prior approval of Secretary (Expenditure) even if the amount re-appropriated is within 25 percent of the provision covered under the limit governing re-appropriation.

Expenditure on "New Service/New Instrument of Service"

3. Government have prescribed financial limits for different categories of expenditure beyond which any additional expenditure constitutes "New Service/New Instrument of Service" and requires prior approval of Parliament. The term New Service refers to the expenditure arising out of a new policy decision not brought to the notice of Parliament earlier, including a new activity or a new form of investment. Likewise, relatively large expenditure arising out of an important expansion of an existing activity has been termed as a New Instrument of Service.

4. Under the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 and Fiscal Responsibility and Budget Management Rules, 2004, a Fiscal Policy Strategy Statement was laid in the Parliament by Finance Minister on 26th February, 2005 wherein several initiatives in Public Expenditure Administration were proposed to be implemented. One of the initiatives proposed is as under:—

"A review of norms governing re-appropriation will be carried out and specific proposal will be placed before the Public Accounts Committee for consideration with a view to giving the Ministries/Departments greater flexibility in managing their departmental budgets with concomitant incentives and disincentives".

5. Accordingly, the Ministry of Finance (Department of Expenditure) submitted a note seeking approval of the PAC for the proposals to review the norms for re-appropriation of funds pursuant to Fiscal Policy strategy statement laid by FM before Parliament under Fiscal Responsibility and Budget Management Act, 2003. The Note is reproduced in Appendix- I of this Report.

6. In their note, the Ministry of Finance (Department of Expenditure) have stated that the provisions of the Rule 10 and Government of India Decisions (GIDs) issued there under have been revisited and the following proposals have been made in this regard:—

- “(i) According to the existing provisions, all re-appropriations, which have the effect of increasing budget provision under a sub-head by Rs. 1 crore and more, require approval of Secretary (Expenditure), Ministry of Finance. It is proposed that this limit of Rs. 1 crore or more, which was delegated way back in 1990, may be enhanced to Rs. 5 crore or more. This would in effect mean that re-appropriation of funds under a sub-head below Rs. 5 crore can be made by the Administrative Ministries/Departments without the approval of this Ministry (*i.e.* M/o Finance).
- (ii) In view of their committed nature of expenditure, it is proposed to give full powers to Administrative Ministries/Departments for augmenting the provisions for the heads, Salary, Wages, Pensionary Expenses, Medical Expenses and Rent, rate and Taxes through re-appropriation, provided the approved ceiling of the Grant is not exceeded and re-appropriation does not involve transfer of funds from Capital to Revenue and Plan to Non-Plan sections of the Grant or vice-versa. It is also proposed to delegate full powers to Ministries/Departments to re-appropriate funds from the head salary for augmentation of head salary across the schemes (sub-heads) within a grant, which under extant orders require approval of this Ministry [Presently, any re-appropriation from the head Salary (even to the head salary) requires prior approval of this Ministry].
- (iii) Budget Division, Department of Economic Affairs *vide* its OM No. 7(15)-B (RA)/82 dated 13.4.1982 had laid down guidelines for New Service(NS) Service refers to the expenditure arising out of a new policy decision, not brought to the notice of Parliament earlier, including a new activity or a new form of investment. Likewise, relatively large expenditure arising out of an important expansion of an existing activity has been termed as a New Instrument of Service (A copy of OM is enclosed). Annexure to this OM prescribes the financial limits for NS/NIS in two categories *viz.* (a) limits upto which expenditure can be met by re-appropriation of savings in a Grant subject to it being reported to Parliament (b) limits beyond which prior approval of Parliament is required for the expenditure. As it was felt that the flexibility on re-appropriation of funds to be delegated under the revised norms may not in actual practice, be available to the Administrative Ministries unless the financial limits for obtaining approval of Parliament under NS/NIS are revised, it is proposed to enhance/revise these limits as per column 2a and 3a of the Statement enclosed herewith at Flag ‘A’ ”.

7. According to the Ministry, existing limit in case of re-appropriations and New service/New Instrument of Servicement upward revision in the light of normal increase in price index and inflation.

Justification for the review

8. At the instance of the Committee, the Ministry have explained as under as to why the need for such a review arose:—

"Presently, though the administrative Ministries have been given full powers for re-appropriation under Schedule IV of delegation of Financial Power Rules (DFPRs), 1978, exercise of these powers by the Administrative Departments is subject to the various restrictions imposed under Rule 10 of these Rules and the Government of India Decisions (GIDs) issued thereunder. Some of these limits/restrictions imposed under the above rule-like the existing limit of 'Rs. 1 crore or more' for proposals requiring approval of Secretary (Expenditure) [mentioned in para 2(i) of our OM *ibid*], and the norms for "New Service (NS)/New Instrument of Service (NIS)" [mentioned in para 2 (iii) of our letter] were delegated/framed way back in 1990 and in 1982 respectively. These limits merit upward revision in the light of normal increase in price index and inflation since then.

While, the upward revision of limits of NS/NIS, as recommended, would ensure that Administrative Ministries have greater flexibility/accountability in the delegation of powers for re-appropriation, dicipline of meaningful and realistic budgeting would be maintained, and the original objective of the budgeted scheme would not be substantially altered by the exercise of delegated powers without prior approval of the Parliament. In the revised limits, powers of administrative Ministries have been rationalized and recast as per contemporary requirements.

Furthermore, it has been observed that with the imposition of various restrictions under Rule 10 *ibid* and GIDs issued thereunder, Ministries are required to seek approval of this Department even for re-appropriation of funds for their 'committed' liabilities *viz.* expenditure towards Salary, Wages, Pensionary Charges, Medical Expenses and Rent Rate and Taxes. As the expenditure on these heads is of 'committed' nature, it has been proposed to give full powers of re-appropriation to Administrative Departments for expenditure towards these heads, within the budgeted amount placed at their disposal."

9. In their subsequent note, (**Appendix-II**) submitted to the Committee, the Ministry have justified the proposed norms by stating that these are intended to give greater delegation of authority and flexibility to the Administrative Ministries in managing their departmental budgets and their financial affairs.

Proposed benefits of the proposal

10. According to the Ministry, the delegation through the proposed revised norms is not in view of any irregularities noticed under the existing norms, but is in fact

aimed at enabling Administrative Department in having efficient management of their departmental budgets with a view to improving the quality of implementation, and enhancing the 'efficiency' and 'accountability' of delivery mechanism through quicker decision making. It is also intended to reduce references to the Ministry of Finance on matters affecting day to day routine affairs so that expenditure control is enforced through scales of expenses and budgetary ceilings rather than getting involved in micromanagement of the departmental affairs. Greater delegation would also imply greater responsibility to manage the affairs within the budget with consequent greater accountability.

11. According to the Ministry of Finance (Department of Expenditure), the proposed revised norms, have been finalized after consulting various Ministries, and after obtaining the concurrence of Office of C & AG.

12. The proposal of the Ministry of Finance (Department of Expenditure) was considered by the Committee at their sitting held on 12th December, 2005. The Committee also heard the views of the officers of the C&AG on the subject. The ADAI informed the Committee that while formulating the said proposals, their views on the subjects were sought by the Ministry of Finance (Department of Expenditure) which have been suitably incorporated therein. The Committee then considered and approved the proposals.

OBSERVATIONS/RECOMMENDATIONS

13. The Committee have been given to understand that a Fiscal Policy Strategy Statement was laid before the Parliament by the Finance Minister on 26th February, 2005 under Fiscal Policy Strategy Statement Responsibility and Budget Management Act, 2003. Pursuant to this, the Ministry of Finance (Department of Expenditure) have sought approval of the PAC for revision of norms for re-appropriations of funds. The proposals *inter-alia* include that the limit of Rs. 1 crore or those for re-appropriation of funds under various sub-heads of the Grant, which require approval of Secretary (Expenditure), may be enhanced to Rs. 5 crore or more. Also, full powers are sought to be delegated to the Ministries/ Departments to re-appropriate funds from the head 'Salary' for augmentation of head 'Salary' across the schemes (sub-heads) within a grant. It is further proposed that financial limits for obtaining approval of Parliament under New Service/New Instrument of Service may be enhanced/ revised.

14. The Ministry have explained that there is an imperative need for such a review in view of inflation and price rise since 1990s. According to the Ministry, the proposed norms are intended to give greater delegation of authority and flexibility to the Administrative Ministries in managing their departmental budgets and their financial affairs. The revised norms are stated to be aimed at enabling Administrative Departments in having efficient management of their departmental budgets with a view to improving the quality of implementation, and enhancing the 'efficiency' and 'accountability' of delivery mechanism through quicker decision making. It is also intended to reduce references to the Ministry of Finance on matters affecting day to day routine affairs so that expenditure control is enforced through scales of expenses and budgetary ceilings rather than getting involved in micro-management of the departmental affairs. Greater delegation would also imply greater responsibility to manage the affairs within the budget with consequent greater accountability.

15. As these proposals have been finalized after consulting various Ministries and obtaining the concurrence of the Office of the Comptroller & Auditor General of India, and there is adequate justification and need therefor, the Committee are in agreement with the proposed revision in the norms for re-appropriation of funds. At the same time, the Committee would like to impress upon the Ministry of Finance (Department of Expenditure) to devise an effective mechanism for proper and continuous monitoring of the revised norms in order to ensure strict adherence to the same by each and every Ministry/Department. The Committee also expect the Financial Advisors of all the Ministries/Departments to ensure that there is no violation in implementation of the said revised norms for re-appropriation of funds and any slackness in complying with the said norms is strictly dealt with.

NEW DELHI;
13 December, 2005
22 Agrahayana 1927 (Saka)

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

APPENDIX I

Note received from m/o Finance (Deptt. of Exp.)

F.No. 1(4)/E.II(A)/05
Ministry of Finance
Department of Expenditure

New Delhi dated 30th August, 2005

OFFICE MEMORANDUM

SUBJECT: Review of norms for re-appropriation of funds pursuant to Fiscal Policy Strategy Statement laid before Parliament under Fiscal Responsibility and Budget Management Act, 2003.

Under the **Fiscal Responsibility and Budget Management (FRBM) Act, 2003 and Fiscal Responsibility and Budget Management Rules, 2004**, a Fiscal Policy Strategy Statement was laid in the Parliament by FM on 26th February, 2005 wherein several initiatives in Public Expenditure Administration were proposed to be implemented (reference para 13 of the Statement). One of the initiatives proposed is as under:

"A review of norms governing re-appropriation will be carried out and specific proposal will be placed before the Public Accounts Committee by Sept., 2005 for consideration with a view to giving the Ministries/Departments greater flexibility in managing their departmental budgets with concomitant incentives and disincentives."

2. The norms regulating re-appropriation (i.e. transfer of funds from one primary unit of appropriation to another such unit) are given in Rule 10 and Government of India Decisions (GIDs) issued there under, of **Delegation of Financial Power Rules (DFPRs), 1978**. Pursuant to the Statement mentioned in para 1 above, the provisions of the above Rule and GIDs have been re-visited and the following proposals are now submitted for consideration of the PAC:—

- (i) According to the existing provisions, all re-appropriations, which have the effect of increasing budget provision under a sub-head by **Rs. 1 crore and more**, require approval of Secretary (Expenditure), Ministry of Finance. It is proposed that this limit of **Rs. 1 crore or more**, which was delegated way back in 1990, may be enhanced to **Rs. 5 crore or more**. This would in effect mean that re-appropriation of funds under a sub-head below Rs.5 crore can be made by the Administrative Ministries/Departments without the approval of this Ministry (*i.e.* MoF).

- (ii) In view of their committed nature of expenditure, it is proposed to give **full** powers to Administrative Ministries/Departments for augmenting the provisions for the heads, **Salary, Wages, Pensionary Expenses, Medical Expenses and Rent rate and Taxes** through re-appropriation, provided that approved ceiling of the Grant is not exceeded and re-appropriation does not involve transfer of funds from **Capital to Revenue** and **Plan to Non-Plan** sections of the Grant or *vice-versa*. It is also proposed to delegate full powers to Ministries/Departments to re-appropriate funds from the head **salary** for augmentation of head salary across the schemes (sub-heads) within a grant, which under extant orders require approval of this Ministry [Presently, any re-appropriation from the head **Salary** (even to the head salary) requires prior approval of this Ministry].
- (iii) Budget Division, Department of Economic Affairs *vide* its OM No. 7(15)-B(RA)82 dated 13.4.1982 had laid down guidelines for **New Service(NS)/ New Instrument of Service(NIS)**. As per the OM, the term **New Service** refers to the expenditure arising out of a new policy decision, not brought to the notice of Parliament earlier, including a new activity or a new form of investment. Likewise, relatively large expenditure arising out of a important expansion of an existing activity has been termed as a **New Instrument of Service** (A copy of OM is enclosed). Annexure to this OM prescribes the financial limits for **NS/NIS** in two categories *viz* (a) limits upto which expenditure can be met by re-appropriation of savings in a Grant subject to it being reported to Parliament (b) limits beyond which prior approval of Parliament is required for the expenditure. As it was felt that the flexibility on re-appropriation of funds to be delegated under the revised norms may not, in actual practice, be available to the administrative Ministries unless the financial limits for obtaining approval of Parliament under **NS/NIS** are revised, it is proposed to enhance/revise these limits as per column **2a** and **3a** of the statement enclosed herewith at Flag 'A'.

3. The above proposals have been framed in consultation with O/o Comptroller & Auditor General of India (C&AG) and have been approved by the **Finance Minister**. It is requested that these proposals as stated in para 3(i), (ii) and in columns **2a** and **3a** of the statement placed at Flag 'A' be placed before the PAC for its consideration and approval.

sd/-

(Rubina Ali)

Under Secretary to the Govt. of India

Shri Ashok Sarin,
Director (PAC),
Room No. 415,
Parliament House Annexe,
New Delhi.

IMMEDIATE

**No. F. 7 (15)-B (RA)/82
Ministry of Finance
Department of Economic Affairs**

New Delhi, the 13th April, 1982

OFFICE MEMORANDUM

SUBJECT: Revised guidelines on 'New Service'/'New Instrument of Service'

The financial limits to be observed in determining cases relating to 'New Service'/'New Instrument of Service' prescribed in this Ministry's O.M.No. F. 8(60)-B/69 dated the 27th July, 1970 have been reviewed in pursuance of the recommendations of the Public Accounts Committee (Seventh Lok Sabha) in their 41st report. The revised limits, which have been drawn up in consultation with the Comptroller and Auditor General of India and have been approved by the Public Accounts Committee in their 70th report are annexed.

2. As the Ministry of Agriculture, etc. are aware, the term 'New Service', appearing in article 115(I)(a) of the Constitution, has been held as referring to expenditure arising out of a new policy decision, not brought to the notice of Parliament earlier, including a new activity or a new form of investment. Like-wise, relatively large expenditure arising out of important expansion of an existing activity is treated as a 'New Instrument of service' which is a slight variant of the term 'New Service'. The basic principle is that no expenditure can be incurred from the Consolidated Fund of India on a 'New Service'/'New Instrument of Service' without prior approval of Parliament through a Supplementary Grant. That is to say, the powers of Ministries/Departments to re-appropriate savings available under some sub-head(s) in a Grant for meeting additional requirements under other sub-head (s) within that Grant are subject to the aforesaid limits. As any non-observance of these limits reflects laxity in financial control, Ministries/Departments are requested to ensure strict adherence of these instructions in examining proposals for augmentation of sanctioned provisions.

3. Where in an emergent case of 'New Service'/'New Instrument of Service' it is not possible to wait for prior approval of Parliament, the Contingency Fund of India can be drawn upon for meeting the expenditure pending its authorisation by Parliament. Recourse to this arrangement should normally be taken only when Parliament is not in session. Such advances are required to be recouped to the Fund by obtaining a supplementary. Grant in the immediately next session of Parliament. However, when a Parliament is in session, a Supplementary Grant should preferably be obtained before incurring any expenditure on a 'New Service'/'New Instrument of Service'. That is to say, recourse to Contingency Fund of India should be taken only in cases of extreme urgency; in such cases the following procedure recommended by the Sixth Lok Sabha Committee on Papers Laid on the Table in their 4th Report should be observed:

"As far as possible, before such withdrawal is made, the concerned Ministry may make a statement on the floor of the Lok Sabha for information giving details of the amount and the scheme for which the money is needed. In emergent cases, however, where it is not possible to inform the Members in advance, the withdrawal may be made from the Contingency Fund and soon thereafter a statement may be laid on the Table of the Lok Sabha for the information of the Members".

It has been suggested by the Rajya Sabha Secretariat that the above procedure may also be observed in Rajya Sabha.

4. The following checks may be observed by the Ministries/Departments to ensure that any expenditure likely to attract limits of 'New Service'/'New Instrument of Service' is not incurred by re-appropriation.

- (i) A specific certificate should be recorded in each case involving augmentation of sanctioned provision by the IF/Budget Section of the Ministry/Department on receipt of related proposals, to the effect that the proposed augmentation attracts/does not attract limits of 'New Service'/'New Instrument of Service'. Where the proposal is held to attract these limits the procedure indicated in paragraphs 2 or 3 above depending upon the circumstances of the case, have to be followed.
- (ii) Subject to Paragraph 5 below, the Pay and Accounts Officers should examine each expenditure sanction from the 'New Service'/'New Instrument of Service' angle, especially those involving investments, loans, grants-in-aid, subsidies, new works, etc. All doubtful cases should be put up to the Controllers of Accounts/Financial Advisers.

If in any exceptional cases, the expenditure, whether partly or fully on a 'New service'/'New Instrument of Service' has been incurred inadvertently and this fact comes to notice within the financial year, an advance from the Contingency Fund should be obtained during the year itself to cover the expenditure already incurred as also for the expenditure likely to be incurred before a Supplementary Grant for that service becomes available.

5. Having regard to the volume of Government transactions it is not possible to list out those which are not attracted by 'New Service'/'New Instrument of Service' limits. Broadly, however expenditure on normal activities of Government (such as normal administrative expenditure—including that resulting from reorganisation of Ministries/Departments, holding of conferences, seminars, exhibitions, surveys, feasibility studies etc., assistance to foreign Governments, contributions to international bodies and transfers to State and Union Territory Governments) is not attracted by the limits of 'New Service'/'New Instrument of Service'. Further, these limits are applicable only to expenditure which is subject to Vote of Parliament.

6. It should be noted that additional expenditure to the extent mentioned in column 2 of the annexed statement can be met by re-appropriation, subject to report to Parliament, only if savings are available in the relevant Grant; otherwise a Supplementary Grant has to be obtained.

Report to Parliament should ordinarily be made through the ensuing batch of Supplementary Demands and failing this by adding an Annexure in the Detailed Demands of Ministry/Department for the ensuing year. Where possible a suitable mention of such cases may be made in the Notes on Demands for Grants of the Ministry/Department. Mere exhibition of augmented provisions in the Revised Estimates included in the Demands for Grants will not be adequate to meet the requirement.

7. Where a doubt arises about the application of limits of 'New Service/'New Instrument of Service', a reference may be made to the Budget Division for clarification.

8. A mention may also be made here about the 'New Service' Annexure which is appended to the main Demands for Grants. The purpose of this Annexure is somewhat different. It is intended to bring to the notice of Parliament the details of new schemes *i.e.* schemes for which the Budget includes provision for the first time so that these can receive special attention of Parliament. These schemes are normally to be taken up after the passing of Budget; the Vote on Account provisions are not intended to be utilised therefor. In cases of urgency, expenditure on a 'New Service' during Vote on Account period can, therefore, be incurred only by obtaining an advance from the Contingency Fund in the manner recommended by the Sixth Lok Sabha Committee on the Papers Laid on the Table, mentioned in paragraph 3 above. Such advances will be resumed to the Contingency Fund on enactment of Appropriation Act in respect of expenditure for the whole year.

Hindi version will follow.

(M.D. PAL)
DIRECTOR (BUDGET)

To

- (1) All Ministries/Departments of the Government of India.
- (2) Financial Commissioner (Railways), Financial Advisor (Defence), Financial Adviser (Communications) and all other Financial Advisers.
- (3) Finance Secretaries of Union Territory Administrations (Delhi, Chandigarh, Andaman and Nicobar Islands, Dadra and Nagar Haveli and Lakshadweep).
- (4) Controller General of Accounts, Controller General of Defence Accounts and Chief Controllers/Controllers of Accounts.

No. F. 7 (15)-B (RA)/82

Copy forwarded for information to:—

1. Lok Sabha Secretariat (PAC Branch)/Rajya Sabha Secretariat.
2. Comptroller and Auditor General of India and all Directors of Audit/Accountants General.
3. Finance Secretaries of all State and Union Territory Governments.

sd/-

(O.P. KAPUR)
DEPUTY DIRECTOR (BUDGET)

Incorporated as GOI Decision No. 1 below Rule 10 of the DFA

ANNEXURE to O.M. No. F. 7(15)-B(RA)/82 dated 13.4.1982

Financial limits to be observed in determining cases relating to
'NEW SERVICE'/'NEW INSTRUMENT OF SERVICE'

Nature of Transaction	Limits upto which expenditure can be met by re-appropriation of savings in a Grant subject to Report to Parliament	Limits beyond which prior approval of Parliament is required for expenditure from the Consolidated Fund
1	2	3
I. CAPITAL EXPENDITURE		
A: Departmental Undertakings.		
(i) Setting up a new undertaking, or taking up a new activity by an existing undertaking		All cases
(ii) Additional investment in an existing undertaking	Above Rs. 50 lakhs but not exceeding Rs. 1 crore	Above Rs. 1 crore
B: Public Sector Companies/Corporations		
(i) Setting up of a new Company, or splitting up of an existing Company, or amalgamation of two or more Companies, or taking up a new activity by an existing Company		All cases
(ii) Additional investment in/loans to an existing company		
(a) Where there is no Budget Provision but not exceeding Rs. 20 lakhs	Above Rs. 10 lakhs	Above Rs. 20 lakhs
(b) Where Budget Provision exists for investment and/or loans		
Paid up Capital of the Company		
Upto Rs. 1 crore	Above Rs. 10 lakhs but not exceeding Rs. 20 lakhs	Above Rs. 20 lakhs
Above Rs. 1 crore and upto Rs. 25 crore	Above Rs. 1 crore but not exceeding Rs. 2 crore.	Above Rs. 2 crore.
Above Rs. 25 crore and upto Rs. 100 crore	Above Rs. 5 crore but not exceeding Rs. 10 crore.	Above Rs. 10 crore
Above Rs. 100 crore	Above Rs. 7.5 crore but not exceeding Rs. 15 crore.	Above Rs. 15 crores

1	2	3
Note 1:	In computing additional requirements for applying the above limits, loan and capital investments, over and above the budget provisions therefor, should be taken together.	
Note 2:	For additional fund requirements of term lending institutions which are under the audit of the Comptroller and Auditor General of India, the limits will be twice those specified above. Where an institution does not have paid up capital, the limits will be applied with reference to Central loans outstanding against it at the end of the previous financial year.	
Note 3:	For financing projects under construction, within the approved cost estimates already brought to the notice of Parliament, augmentation of budget provisions beyond the monetary limits prescribed above will be permissible subject to availability of savings in the Grant. A report of such cases to Parliament will, however, be necessary.	
Note 4:	Short term (working capital) loans, repayable within five years, will not be treated as 'New Instrument of Service' but will require to be reported to Parliament.	
C: Port Trusts, Delhi Municipal Corporation, Khadi and Village Industries Commission, Tea Board and Coffee Board.		
Loans:	The limits prescribed for public sector companies will apply with reference to central loans outstanding against them at the end of the previous financial year.	
D: Private sector Companies/Private Institutions:		
(i) Investments to be made for the first time except in Units coming under Government Management with the approval of Parliament.	All cases.	
(ii) Additional investments in or loans to an existing company/institution including private sector units coming under Government Management with the approval of Parliament:	Above Rs. 50 lakhs but not exceeding Rs. 1 crore.	Above Rs. 1 crore.
Note 1:	While applying these limits loans and capital investments are to be taken together.	
Note 2:	In the case of loans to statutory and other public institutions (other than those mentioned under item C above) substantially financed by grants-in-aid from Government e.g. University Grants Commission to Indian Institute of Technology and joint sector enterprises, limits as applicable to private sector companies/institutions should be applied.	
Note 3:	Where there is no Budget provision for investment/loans to a company/institution, prior approval of Parliament will be necessary for investment/loans exceeding Rs. 10 lakhs except in the case of units brought under Government Management.	

1	2	3
E: Expenditure on new Works (Land, Buildings and/or Machinery)	Above Rs. 10 lakhs but not exceeding Rs. 50 lakhs.	Above Rs. 50 lakhs

II. REVENUE EXPENDITURE

F: Grants-in-aid to statutory and other public institutions:

- | | | |
|--|----|--|
| (i) Institutions in receipt of grant-in-aid upto Rs. 1 crore | .. | Rs. 10 lakhs |
| (ii) Institutions in receipt of grant-in-aid of more than Rs. 1 crore. | .. | 10% of the Budget provision or Rs. 2 crores, whichever less. |

Note 1: These limits will apply with reference to moneys disbursed by an individual Ministry/Department and not by the Government as a whole.

Note 2: The above limits will also apply to institutions which are substantially financed by grants-in-aid from Government and to public sector undertakings in receipt of grants-in-aid.

Note 3: Where a lumpsum provision is made for providing grant-in-aid under a particular scheme in the absence of institution-wise break up at the time the provision is made, the aforesaid limits will not apply to releases to such institutions within the budgeted provision. The details will, however, be reported to Parliament.

G: Grants-in-aid to Private institutions other than for export promotion Schemes

- | | | |
|--------------------|----|--------------------|
| (i) Recurring | .. | Above Rs. 5 lakhs |
| (ii) Non-recurring | .. | Above Rs. 10 lakhs |

Note 1: In the case of recurring grants exceeding Rs. 5 lakhs per annum the financial implications should be reported to Parliament where the grant is to be made for 2 years or more.

Note 2: The limits for non-recurring and recurring grants-in-aid will apply with reference to moneys disbursed by an individual Ministry/Department and not Government as a whole.

Note 3: Where a lumpsum provision is made for providing grant-in-aid under a particular scheme in the absence of institution-wise break up at the time the provision is made, the aforesaid limits will not apply to releases to such institutions within the budgeted provision. The details will, however, be reported to Parliament.

H: Subsidies and Grants under Export Promotionless Schemes. The budget provision should be split up as under:—

- (i) Product Promotion and Commodity Development (this sub-head will accommodate payments of cash compensatory support on all items of exports including textiles).
- (ii) Grants-in-aid to Export Promotion and Market Development Organisations (this sub-head would accommodate grants to Export

1	2	3
	Promotion Councils and other organisations like Trade Development Authority, Indian Institute of Foreign Trade, etc. for their establishment expenditure as well as developmental activities and also to recognised export houses for specified export promotion activities).	
	(iii) Export Credit Development (This sub-head will cover payments made to commercial banks towards interest subsidy under the Export Credit subsidy Scheme).	
	Limits for augmentation of total provision under the Export Promotion Schemes:	
	Above Rs. 50 lakhs but not exceeding Rs. 2 crores.	Above Rs. 2 crores
I: Food subsidy	Above Rs. 50 lakhs but not exceeding Rs. 2 crores.	Above Rs. 2 crores.
J: Other subsidies	..	Above Rs. 10 lakhs.
K: Payments against cess collections	Limits as applicable to grants-in-aid to statutory or public institutions will apply.	
L: New Commissions or Committees of Enquiry	..	Above Rs. 4 lakhs (total expenditure)
M: Write off of Government loans	Above Rs. 50,000 but not exceeding Rs. 1 lakh (individual cases)	Above Rs. 1 lakh (individual cases)
	Note: This limit will also apply where it is decided to sanction grant to a private institution/individual for repayment of loan.	
N: Other Cases of Government expenditure	Each case to be considered on merits.	
O: P & T Railways Defence	The aforesaid limits, including those relating to Works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence.	
	Note 1: For investment in Ordnance Factories, the limit of Rs. 1 crore mentioned in item A (ii) will be applicable with reference to investment in all the factories as a whole.	
	Note 2: Civil Works, which do not form part of any project of the departmental undertakings (Ordnance factories) should be treated as ordinary Defence works. As such, prior approval of Parliament will be necessary if the cost of individual works exceeds Rs. 50 lakhs and in cases where the individual works cost Rs. 10 lakhs or more but not exceeding Rs. 50 lakhs, a report to Parliament will be required. A list of such works should, however, be supplied to Director of Audit, Defence Services.	

Nature of transaction	Limits upto which expenditure can be met by reappropriation of savings in a Grant subject to report to Parliament		Limits beyond which prior approval of Parliament is required for expenditure from the Consolidated Fund		Remarks w.r.t. proposals in columns 2a and 3a.
	(Existing)	Limits proposed after taking into views of C&AG	(Existing)	Limits proposed after taking into account views of C&AG	
1	2	2a	3	3a	4
I. CAPITAL EXPENDITURE					
A. Department Undertakings					
(i) Setting up a new undertaking taking up a new activity by an existing undertaking	...	...	All cases	All cases	No change from existing provision
(ii) Additional investment in existing Undertaking	Above Rs. 50 lakhs but not exceeding Rs. 1 crore	Above Rs. 2.50 crore but not exceeding Rs. 5 crore.	Above Rs. 1 crore	Above Rs. 5 crore	Limits being enhanced to five times the existing limits as per O/o C&AG's views.
B. Public Sector Companies/Corporations					
(i) Setting up of a new Company, or splitting up of an existing Company, or amalgamation of two or more Companies, or taking up a new activity by an existing Company	...	...	All cases	All cases	No change from existing provision.
(iii) Additional investment in/loans to an existing company					
(a) Where there is no Budget Provision	Above Rs. 10 lakhs but not exceeding Rs. 20 lakhs	Above Rs. 50 lakhs but not exceeding Rs. 1 crore	Above Rs. 20 lakhs	Above Rs. 1 crore	Limits being enhanced to five times the existing limits as per O/o C&AG's views.

1	2	2a	3	3a	4
(b) Where Budget Provision exists for investment and/ or loans	Paid up Capital of the Company Upto Rs. 1 crore	Above Rs. 10 lakhs but not exceeding Rs. 20 lakhs	Above Rs. 20 lakhs	Above 20% of appropriation already voted or Rs. 10 crore, which ever is less	Rationalisation proposed Budget Division by reducing the number of categories from 4 to 2 is proposed to be accepted. Proposal also conforms to C&AG's views (being within 5 times)
<u>(Proposed) Upto Rs. 50 crore</u>	Above Rs. 1 crore and upto Rs. 20 crore	Above Rs. 1 crore but not exceeding Rs. 2 crore	Above Rs.. 2 crore	Above Rs.. 2 crore	
Above Rs. 25 crore and upto Rs. 100 crore	Above Rs. 5 crore but not exceeding Rs. 10 crore	Above Rs.. 10 crore	Above Rs.. 10 crore		
Above Rs. 100 crore	Above Rs. 7.5 crore but not exceeding Rs. 15 crore	Above Rs. 15 crore	Above Rs. 15 crore	Above 20% of appropriation already voted or Rs. 20 crore, which ever is less	Rationalisation proposed Budget Division by reducing the number of categories from 4 to 2 is proposed to be accepted. Proposal also conforms to C&AG's views (being within 5 times).
<u>(Proposed) Above Rs. 50 crore</u>	20% of the appropriation already voted or Rs. 20 crore, which ever is less	Above 20% of appropriation already voted or Rs. 20 crore, which ever is less			

C. All bodies or authorities within the administrative control/ management of Central Government or substantially financed by the Central Government.

Loans:

Upto 10% of the appropriation already voted or Rs. 10 crore which-ever is less

More than 10% over the Ceiling of Rs. 10 crore has proposed as per O/o C&AG views.

Note: Where a lumpsum provision is made for providing 'Loans' under a particular scheme, the details of substantial apportionment (10% of lumpsum or Rs. 1 crore, whichever is higher) should be reported to Parliament. In the case of lumpsum provision of loans to States, the State-wise distribution should be reported to Parliament.

D. Expenditure on new Works, (land, Buildings and/or Machinery)	Above Rs. 10 lakhs but not exceeding Rs. 50 lakhs	Above Rs. 50 lakhs but not exceeding Rs. 2.5 crore or not exceeding 10% of the appropriation already voted, whichever is less	Above Rs. 50 lakhs or above 10% of the appropriation already voted	Budget Division's proposal which conforms to O/o C&AG views is proposed to be accepted.
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1	2	2a	3	3a	4
II. REVENUE EXPENDITURE					
E. Grants in aid to anybody or authority					
All cases					
Note: Where a lumpsum provision is made for providing "grants-in-aid" under a particular scheme, the details of substantial apportionment (10% of lumpsum of Rs. 1 crore, whichever is higher) should be reported to Parliament. In the case of lumpsum provision of grants to States, the State-wise distribution should be reported to Parliament.					
F. Subsidies					
(i) New Cases	<i>NEW ITEM</i>	—	<i>NEW ITEM</i>	All cases	Ceiling of Rs. 10 crore has been imposed according to O/o C&AG's views.
(ii) Enhancement of provision in the existing appropriation	<i>NEW ITEM</i>	Upto 10% of the appropriation already approved by the Parliament or Rs. 10 crore whichever is less	<i>NEW ITEM</i>	More than 10% of the appropriation already voted by Parliament or Rs. 10 crore whichever is less	
Payments against cess collections		Limits as applicable to grants-in-aid to statutory or public institutions will apply		All cases	
New Commissions or Committees of Enquiry	—	—	Above Rs. 4 lakhs (total expenditure)	Above Rs. 20 lakhs (total expenditure)	

G. Write off of Government expenditure	Above Rs. 50,000 but not exceeding Rs. 1 lakhs (individual cases)	Above Rs. 50,000 but not exceeding Rs. 1 lakhs (individual cases)	Above Rs. 1 lakhs (individual cases)	Above Rs. 1 lakhs (individual cases)	No change from existing provision.
H. Other Cases of Government expenditure	Each case to be considered on merits.				
I. P & T Railways Defence	The aforesaid limits, including those relating to Works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence.	The aforesaid limits, including those relating to Works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence.	The aforesaid limits, including those relating to Works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence.	The aforesaid limits, including those relating to Works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence.	The aforesaid limits, including those relating to Works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence.

(Existing)	Limits proposed after taking into account views of C&AG
<p><u>Note 1:</u> For investment in Ordnance Factories, the limit of Rs. 1 crore mentioned in Item A (ii) will be applicable with reference to investment in all the factories as a whole.</p> <p><u>Note 2:</u> Civil Works, which do not form part of any project of the departmental undertakings (Ordnance Factories) should be treated as ordinary Defence works. As such, prior approval of Parliament will be necessary if the cost of individual works exceeds Rs. 50 lakhs and in cases where the individual works cost Rs. 10 lakhs or more but not exceeding Rs. 50 lakhs, a report to Parliament will be required. A list of such works should, however, be supplied to Director of Audit, Defence Services.</p>	<p><u>Note 1:</u> For investment in Ordnance Factories, the limit of Rs. 5 crore mentioned in Item A (ii) will be applicable with reference to investment in all the factories as a whole.</p> <p><u>Note 2:</u> Civil Works, which do not form part of any project of the departmental undertakings (Ordnance Factories) should be treated as ordinary Defence works. As such, prior approval of Parliament will be necessary if the cost of individual works exceeds Rs. 2.5 crore and in cases where the individual works cost Rs. 50 lakhs or more but not exceeding Rs. 2.5 crore, a report to Parliament will be required. A list of such works should, however, be supplied to Director of Audit, Defence Services.</p>

APPENDIX II

F.No. 1(4) E.II(A)/05
Ministry of Finance
Department of Expenditure
E.II (A) Branch

New Delhi, dated 9th November, 2005

OFFICE MEMORANDUM

SUBJECT: Revision of norms of re-appropriation pursuant to the Fiscal Policy Strategy Statement presented to the Parliament under the FRBM Act, 2003 and the Fiscal Responsibility and Budget Management Rules of 2004.

The undersigned is directed to refer to Lok Sabha Secretariat's O.M. No. 24/1/1/2005/PAC dated 28.9.2005 on the above subject, and to furnish the following information.

2. With regard to the *justification* for review of norms of re-appropriation, it is stated that the proposed norms are intended to give **greater delegation of authority and flexibility to the administrative Ministries in managing their departmental budgets and their financial affairs.**

Presently, though the administrative Ministries have been given **full powers** for re-appropriation under **Schedule IV of Delegation of Financial Power Rules (DFPRs), 1978**, exercise of these powers by the administrative departments is subject to the various **restrictions** imposed under **Rule 10** of these Rules and the Government of India decisions (GIDs) issued thereunder. Some of these limits/restrictions imposed under the above rule—like the existing limit of '**Rs 1 crore or more**' for proposals requiring approval of Secretary (Exp.) [mentioned in para 2(i) of our OM *ibid*], and the norms for "**New Service (NS)/New Instrument of Service (NIS)**" [mentioned in para 2 (iii) of our letter] were delegated/framed way back in **1990** and in **1982** respectively. These limits merit upward revision in the light of normal increase in price index and inflation since then.

While, the upward revision of limits of NS/NIS, as recommended, would ensure that administrative Ministries have greater **flexibility/accountability** in the **delegation** of powers for re-appropriation, **discipline of meaningful and realistic budgeting** would be maintained, and the original objective of the budgeted scheme would not be substantially altered by the exercise of delegated powers without prior approval of the Parliament. In the revised limits, powers of administrative Ministries have been rationalized and recast as per contemporary requirements.

Furthermore, it has been observed that with the imposition of various restrictions under Rule 10 *ibid* and GIDs issued thereunder, Ministries are required to seek approval of this Department even for re-appropriation of funds for their '**committed**' liabilities *viz.* expenditure towards **Salary, wages, Pensionary Charges, Medical Expenses** and

Rent Rate and Rent Rate and Taxes. As the expenditure on these heads is of '**committed**' nature, it has been proposed to give **full powers** of re-appropriation to administrative departments for expenditure towards these heads, within the budgeted amount placed at their disposal.

3. It may also be clarified here that the delegation through the proposed revised norms is not in view of any irregularities noticed under the existing norms, but is in fact aimed at enabling administrative departments in having **efficient management** of their departmental budgets with a view to improving the quality of implementation, and enhancing the '**efficiency**' and '**accountability**' of delivery mechanism through **quicker decision making**. It is also intended to reduce references to the Ministry of Finance on matters affecting day to day routine affairs so that expenditure control is enforced through scales of expenses and budgetary ceilings rather than getting involved in micro-management of the departmental affairs. Greater delegation would also imply greater responsibility to manage the affairs within the budget with consequent greater accountability.

4. As regards the issue of **financial control** (point iii), it is stated that as per the Scheme of 'Integrated' Financial Adviser of the Department of Expenditure, the Financial Adviser is responsible both to the administrative Ministry and to the Ministry of Finance, and functions under the general guidance of the Finance Ministry. Therefore, the procedure, guidelines and rules etc., issued from time to time by the Ministry of Finance are required to be observed by him/her, while examining the re-appropriation proposals/other proposals of the administrative Ministry/Department concerned. The proposal to be considered under the revised norms also, as recommended by us, would require the concurrence of the Financial Advisers of the administrative Department concerned.

5. It may also be stated that the proposed revised norms, have been finalized after consulting various Ministries, and after obtaining the concurrence of O/o C&AG.

6. This issue with the approval of Secretary (Expenditure)

sd/-

(RUBINA ALI)

Under Secretary to the Govt. of India.

Lok Sabha Secretariat,
[Kind attention: Ms. Anita B. Panda, Under Secretary]
Parliament House Annexe, New Delhi.

APPENDIX III

OBSERVATIONS AND RECOMMENDATIONS

SI. No.	Para No.	Ministry/ (Department)	Observations/Recommendations
1	2	3	4
1.	13	Finance (Department of Expenditure)	The Committee have been given to understand that a Fiscal Policy Strategy Statement was laid before the Parliament by the Finance Ministry on 26th February, 2005 under Fiscal Policy Strategy Statement Responsibility and Budget Management Act, 2003. Pursuant to this, the Ministry of Finance (Department of expenditure) have sought approval of the PAC for revision of norms for re-appropriation of funds. The proposals <i>inter-alia</i> include that the limit of Rs. 1 crore or those for re-appropriations of funds under various sub-heads of the Grant, which require approval of Secretary (Expenditure), may be enhanced to Rs. 5 crore or more. Also, full powers are sought to be delegated to the Ministries/Department to re-appropriate funds from the head 'Salary' for augmentation of head 'Salary' across the schemes (sub-heads) within a grant. It is further proposed that financial limits for obtaining approval of Parliament under New Service/New Instrument of Service may be enhanced/ revised.
2.	14	Finance (Department of Expenditure)	The Ministry have explained that there is an imperative need for such a review in view of inflation and price rise since 1990s. According to the Ministry, the proposed norms are intended to give greater delegation of authority and flexibility to the Administrative Ministries in managing their departmental budgets and their financial affairs. The revised norms are stated to be aimed at enabling Administrative Departments in having efficient management of their departmental budgets with a view to improving the quality of implementation,

1	2	3	4
			and enhancing the 'efficiency' and 'accountability' of delivery mechanism through quicker decision making. It is also intended to reduce references to the Ministry of Finance on matters affecting day to day routine affairs so that expenditure control is enforced through scales of expenses and budgetary ceilings rather than getting involved in micro-management of the departmental affairs. Greater delegation would also imply greater responsibility to manage the affairs within the budget with consequent greater accountability.
3.	15	Finance (Department of Expenditure)	As these proposals have been finalized after consulting various Ministries and obtaining the concurrence of the Office of the Comptroller & Auditor General of India, and there is adequate justification and need therefor, the Committee are in agreement with the proposed revision in the norms for re-appropriation of funds. At the same time, the Committee would like to impress upon the Ministry of Finance (Department of Expenditure) to devise an effective mechanism for proper and continuous monitoring of the revised norms in order to ensure strict adherence to the same by each and every Ministry/Department. The Committee also expect the Financial Advisors of all the Ministries/Departments to ensure that there is no violation in implementation of the said revised norms for re-appropriation of funds and any slackness in complying with the said norms is strictly dealt with.

MINUTES OF THE FIFTEENTH SITTING OF THE PUBLIC ACCOUNTS
COMMITTEE (2005-2006) HELD ON 12TH DECEMBER, 2005

The Committee sat from 1630 hrs. to 1735 hrs. on 12th December, 2005 in Room No."139", Parliament House Annexe, New Delhi.

PRESENT

Dr. K. Malaisamy — *in the Chair*

MEMBERS

Lok Sabha

2. Shri Ramesh Bais
3. Shri Madan Lal Sharma
4. Shri Brijbhushan Sharan Singh
5. Dr. Ramlakhan Singh
6. Kunwar Rewati Raman Singh
7. Shri Tarit Baran Topdar

Rajya Sabha

8. Shri Prasanta Chatterjee

SECRETARIAT

- | | | |
|--------------------------|---|-----------------------------|
| 1. Shri S.K. Sharma | — | <i>Additional Secretary</i> |
| 2. Shri A. Mukhopadhyay | — | <i>Joint Secretary</i> |
| 3. Shri Ashok Sarin | — | <i>Director</i> |
| 4. Smt. Anita B. Panda | — | <i>Under Secretary</i> |
| 5. Shri M.K. Madhusudhan | — | <i>Under Secretary</i> |

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

- | | | |
|-------------------------|---|-------------------|
| 1. Shri U. Bhattacharya | — | ADAI (RC) |
| 2. Shri A.K. Thakur | — | DG of Audit |
| 3. Shri Roy S. Mathrani | — | Pr. Director (AB) |
| 4. Shri R.K. Ghose | — | AG(Audit), Delhi |

REPRESENTATIVES OF THE MINISTRY OF URBAN DEVELOPMENT

REPRESENTATIVES OF DELHI DEVELOPMENT AUTHORITY

REPRESENTATIVES OF DEPARTMENT OF EDUCATION, GOVERNMENT OF NCT OF DELHI

2. As the Chairman (PAC) was unwell and could not attend the sitting, the Committee chose Dr. K. Malaisamy to act Chairman for the sitting.

3. At the outset, the acting Chairman, welcomed the Members and the Audit Officers to the sitting of the Committee. The Chairman informed the Members that pursuant to Fiscal Policy strategy statement laid by FM before Parliament under Fiscal Responsibility and Budget Management Act, 2003 the Ministry of Finance (Department of Expenditure) has submitted a note seeking approval of the PAC which included proposals for review of norms for re-appropriation of funds. The Chairman further informed that these proposals were finalised by the Ministry in consultation with the Office of C&AG of India. ADAI (RC) informed that Office of C&AG had already examined aforesaid proposals for review of norms for re-appropriation of funds and their comments/views had been incorporated in the Ministry's proposal.

The Committee then took up for consideration the Memorandum prepared by the Secretariat explaining *inter-alia* the proposals submitted by the Ministry as also need and justification therefor. After some deliberations the Committee approved the proposals submitted by Ministry of Finance (Department of Expenditure).

4. ****

5. ****

6. ****

(The Committee then adjourned.)