

31

**EXCESSES OVER VOTED GRANTS
AND CHARGED APPROPRIATIONS
(2004-2005)**

**PUBLIC ACCOUNTS
COMMITTEE
2006-2007**

THIRTY-FIRST REPORT

FOURTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

THIRTY-FIRST REPORT
PUBLIC ACCOUNTS COMMITTEE
(2006-2007)

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EXCESSES OVER VOTED GRANTS AND CHARGED
APPROPRIATIONS (2004-2005)



Presented to Lok Sabha on 23.08.2006

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LOK SABHA SECRETARIAT
NEW DELHI

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2006-2007)

Prof. Vijay Kumar Malhotra—*Chairman*

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(iv)

SECRETARIAT

- | | | |
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| 4. Shri R.K. Suryanarayanan | — | <i>Assistant Director</i> |

INTRODUCTION

I, the Chairman, Public Accounts Committee, as authorised by the Committee, do present this 31st Report relating to "Excesses over Voted Grants and Charged Appropriations (2004-2005)".

2. The Committee examined the cases of excess expenditure incurred by various Ministries/Departments of Union Government in 2004-05 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, 2005; the explanatory notes and other information furnished by the various Ministries/Departments concerned. The Committee considered and finalised the Report at their sitting held on 17th August, 2006. 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;
18 August, 2006

27 Sravana, 1928 (Saka)

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

REPORT

EXCESS EXPENDITURE OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2004-2005)

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 Comptroller 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 they 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 2004-05

6. The table indicating the results of the examination by Audit of the relevant Appropriation Accounts (2004-2005) have been brought out in the following Audit Reports:—

Sl. No.	Appropriation Accounts	Report in which audit findings are highlighted
1.	Civil	Chapter 7 of C&AG's Report No. 1 of 2006
2.	Defence Services	Chapter 7 of C&AG's Report No. 1 of 2006
3.	Postal Services Railways	Chapter 7 of C&AG's Report No. 1 of 2006
4.	Railways	Chapter I, Para 1.9 of C&AG's Report No. 6 of 2006

7. The table given below indicates the number of demands for Grants/Appropriations obtained by various Ministries/Departments during 2004-2005:—

Sector of activity	Number of demands for grants/appropriations
Civil	98
Defence Services	6
Postal Services	1
Railways	16
Total	121

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 2004-05 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 along with 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 (2004-2005)

a. Summary of excess disbursement over Grants/Appropriations

10. During 2004-2005, there was an excess disbursement of Rs. 33784.53 crore in three segments of three Grants/Appropriations in Civil Ministries, Rs. 2104.61 crore under 15 segments of 10 Grants/Appropriations of Railways,

Rs. 41.99 crore in two segments of two grants in Defence and Rs. 0.05 crore in one segment of one Grant in Postal Services. These are detailed below:—

(in unit of Rs.)				
Sl. No.	Name of Appropriation Accounts	No. of excess registering Grants/Appropriations	No. of Cases Involved	Amount Excess Expenditure Incurred
1.	Civil	3	3	33784,52,61,673
2.	Defence Services	2	2	41,99,31,967
3.	Postal Services	1	1	4,98,909
4.	Railways	10	15	2104,61,03,021
Total		16	21	35931,17,95,570

b. Excess disbursements under Indian Railways Appropriation Accounts

11. It would reveal from the scrutiny of the explanatory notes furnished by the Ministry of Railways for explaining the reasons for excess expenditure incurred by them over voted Grants/Charged Appropriations during 2004-2005, that there was a misclassification of expenditure of Rs. 1,02,97,203 under Appropriation No. 16-Assets-Acquisition, Construction and Replacement-Capital, (-) Rs. 3,64,32,274 under Grant No. 3-Working Expenses-General Superintendence and Services, (-) Rs. 1,01,50,460 under Grant No.4-Working Expenses-Repairs and Maintenance of permanent Way and Works, (-) Rs. 21,65,87,573 under Grant No.5-Working Expenses-Repairs and Maintenance of Motive Powers, (-) Rs. 2,03,38,685 under Grant No.6-Working Expenses-Repairs and Maintenance of carriages and Wagons, Rs. 1,49,80,306 under Grant No.9-Working Expenses-Operating Expenses-Traffic, (-) Rs. 12,46,248 under Grant No.10-Working Expenses-Operating Expenses-Fuel, Rs.3,44,38,385 under Grant No.11-Working Expenses-Staff Welfare & Amenities and Rs. 69,88,03,025 under Grant No. 16-Assets-Acquisition, Construction and Replacement-Capital.

12. Taking into account the effect of these cases of Misclassification, the actual excess expenditure relating to Railways worked out to Rs. 2151,98,66,700 instead of Rs. 2104,61,03,021 as indicated in the relevant Appropriation Accounts.

c. Total excess expenditure requiring regularisation

13. Thus, the amount of actual excess expenditure incurred during the year 2004-05 which requires regularization by the Parliament under Article 115(1)(b) of the constitution is of the order of Rs. 35978,55,59,249 incurred in 21 cases of 16 excess registering Grants/Appropriations.

d. Details of excess disbursement over Grants/Appropriations

(in unit of Rs.)

Sl. No.	No. & Name of Grant/Appropriations	Administrative Ministry/Deptt.	Final Grant	Actual Expenditure	Excess Expenditure
1	2	3	4	5	6
I. Appropriation Accounts—Civil					
Revenue (Charged)					
1.	21-Ministry of Defence	Defence	86,00,000	1,57,43,011	71,43,011
2.	100-Deptt. of Urban Development	Urban Development	22,96,00,000	23,22,26,293	26,26,293
Capital (Charged)					
3.	38-Repayment of Debt	Finance	522485,23,00,000	556268,77,92,369	33783,54,92,369
II. Appropriation Accounts—Postal Services					
Revenue (Charged)					
4.	14-Posts	Posts	23,00,000	27,98,909	4,98,909
III. Appropriation Accounts—Defence Services					
Revenue (Voted)					
5.	26—Defence Ordnance Factories	Defence	1018,99,00,000	1058,99,08,594	40,00,08,594
6.	27-Defence Services Research and Development	Defence	2419,85,00,000	2421,84,23,373	199,23,373

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1	2	3	4	5	6
IV. Appropriation Accounts—Railways					
Revenue (Voted)					
7.	3—Working Expenses —General Superintendence & Services	Railways	1801,68,72,000	1811,33,11,447	6,00,07,173*
8.	4—Working Expenses —Repairs & Maintenance of Permanent Way and Works	-do-	3299,71,41,000	3323,36,61,623	22,63,70,163**
9.	5—Working Expenses— Repairs & Maintenance of Motive Powers	Railways	1669,19,65,000	1704,58,97,816	13,73,45,243***
10.	6—Working Expenses— Repairs & Maintenance of Carriages and Wagons	-do-	3460,62,34,000	3516,58,95,544	53,93,22,859****
11.	9—Working Expenses— Operating Expenses— Traffic	Railways	7122,01,28,000	7168,65,99,007	48,14,51,313#
12.	10-Working Expenses— Operating Expenses- Fuel	-do-	8759,07,56,000	8819,40,86,886	60,20,84,638\$
13.	11-Working Expenses— Staff Welfare & Amenities	Railways	1393,70,16,000	1397,52,92,567	7,27,14,952%
14.	14-Working Expenses Appropriation to Funds	-do-	11654,30,00,000	12133,39,54,060	479,09,54,060

Capital (Voted)

15.	16-Assets-Acquisition, Construction and Replacement-Capital	-do-	21614,52,71,000	23003,61,71,134	1458,97,03,159+
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Revenue (Charged)

16.	4-Working Expenses- Repairs & Maintenance of Permanent Way & Works	-do-	42,53,000	48,55,713	6,02,713
17.	5-Working Expenses- Repairs & Maintenance of Motive Powers	-do-	1,39,000	1,80,522	41,522

* There was an excess expenditure of Rs. 9,64,39,447 under this Grant. However, after taking into account the misclassification of expenditure of (-) Rs. 3,64,32,274, the real excess expenditure under this Grant requiring regularisation worked out to Rs. 6,00,07,173.

** There was an excess expenditure of Rs. 23,65,20,623 under this Grant. However, after taking into account the misclassification of expenditure of Rs (-) 1,01,50,460, the real excess expenditure under this Grant requiring regularisation worked out to Rs. 22,63,70,163.

*** There was an excess expenditure of Rs. 35,39,32,816 under this Grant. However, after taking into account the misclassification of expenditure of Rs (-) 21,65,87,573, the real excess expenditure under this Grant requiring regularisation worked out to Rs. 13,73,45,243.

**** There was an excess expenditure of Rs. 55,96,61,544 under this Grant. However, after taking into account the misclassification of expenditure of Rs (-) 2,03,38,685 the real excess expenditure under this Grant requiring regularisation worked out to Rs. 53,93,22,859.

There was an excess expenditure of Rs. 46,64,71,007 under this Grant. However, after taking into account the misclassification of expenditure of Rs. 1,49,80,306, the real excess expenditure under this Grant requiring regularisation worked out to Rs. 48,14,51,313.

\$ There was an excess expenditure of Rs. 60,33,30,886 under this Grant. However, after taking into account the misclassification of expenditure of Rs. (-) 12,46,248, the real excess expenditure under this Grant requiring regularisation worked out to Rs. 60,20,84,638.

% There was an excess expenditure of Rs. 3,82,76,567 under this Grant. However, after taking into account the misclassification of expenditure of Rs. 3,44,38,385, the real excess expenditure under this Grant requiring regularisation worked out to Rs. 7,27,14,952.

+ There was an excess expenditure of Rs. 1389,09,00,134 under this Grant. However, after taking into account the misclassification of expenditure of Rs. 69,88,03,025, the real excess expenditure under this Grant requiring regularisation worked out to Rs. 1458,97,03,159.

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1	2	3	4	5	6
18.	6-Working Expenses- Repairs & Maintenance of Carriages & Wagons	-do-	4,89,50,000	4,89,64,763	14,763
19.	10-Working Expenses Operating Expenses-Fuel	-do-	8,33,45,000	8,83,45,000	50,00,000
20.	13-Working Expenses- Provident Fund, Pension and Other Retirement Benefits	-do-	73,66,000	81,41,814	7,75,814
Capital (Charged)					
21.	16-Assets-Acquisition, Construction and Replacement-Capital	-do-	20,96,96,000	21,28,77,125	1,34,78,328##

∞

There was an excess expenditure of Rs. 31,81,125 under this Appropriation. However, after taking into account the misclassification of expenditure of Rs. 1,02,97,203, the real excess expenditure under this Appropriation requiring regularisation worked out to Rs. 1,34,78,328.

14. The above Statement reveals that out of 21 cases of excess over voted Grants/Charged Appropriations, the excess expenditure in three cases was more than Rs. 100 crore each and in six cases it was more than Rs. 10 crore each. In the case of Civil Appropriation Accounts, the excess expenditure of Rs. 33783.55 crore was incurred under charged portion of capital section of Appropriation No. 38-Repayment of Debt which is 93.90 percent of the total excess expenditure incurred during 2004-2005. In the case of Defence Services, the excess expenditure of more than Rs. 40 crore was incurred under Grant No. 26-Defence Ordnance Factories. In the case of Grants/Appropriations administered by the Ministry of Railways, an excess expenditure of Rs. 2151.99 crore was incurred in 15 cases out of which an excess of over Rs. 10 crore each was recorded in seven cases with their Grant No. 16-Assets-Acquisition, Construction and Replacement-Capital taking lead with an excess of Rs. 1458.97 crore followed by excess of Rs. 479.10 crore under Grant No. 14-Working Expenses-Appropriation to Funds.

15. The Complete text of explanatory notes furnished by the concerned Ministries/Departments for the regularization of excess expenditure incurred during the year 2004-05 is reproduced in Appendices I to IV of this Report.

e. Recurring Phenomenon of excess expenditure

16. The table given below indicates the position regarding excess expenditure incurred by various Ministries/Departments during the last ten years:—

(Rs. in crore)

Year	No. of Excess registering Grants/Appropriations	Excess Expenditure incurred
1995-96	9	745.80
1996-97	21	706.72
1997-98	10	530.41
1998-99	55	12,758.63
1999-2000	11	57.36
2000-01	07	230.45
2001-02	14	1089.54
2002-03	18	2188.12
2003-04	17	43364.62
2004-05 (year under review)	16	35978.56

f. Excess expenditure despite having Supplementary Grants

17. It would reveal from the following table that the excess expenditure during the year 2004-2005 was occurred even after obtaining Supplementary Grants/

Appropriations in the following cases:—

(Rs. in crore)			
Sl. No.	No. & Name of Grant/Appropriation	Amount of Supplementary Grant/Appropriation obtained	Amount of Excess Expenditure incurred
1	2	3	4
APPROPRIATION ACCOUNTS (CIVIL)			
1.	21-Ministry of Defence	0.60	0.71
2.	38-Repayment of Debt	180365.72	33783.55
3.	100-Department of Urban Development	0.90	0.26
APPROPRIATION ACCOUNTS (POSTAL SERVICES)			
4.	14-Postal Services	0.21	0.05
APPROPRIATION ACCOUNTS (DEFENCE SERVICES)			
5.	26-Defence Ordnance Factories	75.45	40.00
6.	27-Defence Services—Research and Development	66.91	1.99
APPROPRIATION ACCOUNTS (RAILWAYS)			
7.	4-Working Expenses—Repair & Maintenance of Permanent Way & Works	0.40	0.06
8.	5-Working Expenses—Repairs & Maintenance of Motive Power	0.009	0.004
9.	6-Working Expenses—Repairs & Maintenance of Carriages & Wagons	4.89	0.002
10.	10-Working Expenses—Operating Expenses—Fuel	8.33	0.50
11.	13-Working Expenses—Provident Fund, Pension and other Retirement Benefits	0.08	0.08
12.	16-Assets—Acquisition, Construction and Replacement—Capital	12.97	0.32

1	2	3	4
13.	3-Working Expenses— General Superintendence & Services	52.54	9.64
14.	4-Working Expenses—Repairs & Maintenance of Permanent Way and Works	46.73	23.65
15.	10-Working Expenses— Operating Expenses—Fuel	482.65	60.33
16.	11-Working Expenses—Staff Welfare & Amenities	13.86	3.83
17.	14-Working Expenses— Appropriation to Funds	1514.30	479.10
18.	16-Assets—Acquisition, Construction and Replcaement—Capital	1738.60	1389.09

VI. Examination of select cases of excess expenditure

18. In the succeeding Paragraphs, the Committee have dealt with some of the prominent cases involving excess expenditure during 2004-2005 in the light of the facts brought out in the relevant Appropriation Accounts and Audit observations thereon and the explanatory notes furnished by the concerned Ministries/Departments.

A. Appropriation Accounts (Civil)

19. During 2004-05, there was an excess disbursement of Rs. 33784.53 crore in three segments of three Grants/Appropriations in Civil Ministries. The following table indicates the details of excess disbursements over Grants/Appropriations operated by the Civil Ministries/Departments during the year 2004-05 and the contributory reasons as stated by Government:—

Sl. No.	No. & Name of Grant/Appropriation	Excess Expenditure incurred	Contributory reasons as stated by Government
1.	21-Ministry of Defence (Revenue Charged)	0.71	Due to finalisation of more number of court/central Administrative Tribunal cases in respect of Data Entry Operators.
2.	38-Repayment of Debt (Capital Charged)	33783.55	Due to more redemption of treasury bills than anticipated and more investment in treasury bills by State Governments than anticipated.
3.	100-Department of Urban Development (Revenue Charged)	0.26	Due to rising trend of increase in prices of raw material such as steel, cement etc. for maintenance work.

20. It reveals from the above table that as in the last year, the appropriation No. 28, Repayment of debt alone recorded the highest excess expenditure among the excess registering Grants/Appropriations in Civil Ministries/Departments which is 99.99 percent of the total excess expenditure incurred by the Civil Ministries/Departments and 93.90 percent of the overall excess expenditure incurred during the year 2004-05.

Recurring excess expenditure in Civil Ministries/Departments

21. The table given below indicates the position regarding excess expenditure incurred in Civil Ministries during the past five years:—

(Rs. in crore)

Year	No. of excess registering Grants/Appropriations	Amount of excess expenditure incurred
2000-2001	1	0.44
2001-2002	5	878.67
2002-2003	8	1864.47
2003-2004	7	42190.20
2004-2005 (Year under review)	3	33784.53

22. It would be seen from the above table that though the number of excess registering Grants/Appropriations operated by the Civil Ministries/Departments has reduced during the years under review, the amount of excess expenditure involved therein has not been reduced to the considerable extent.

Appropriation No. 38 (Capital-Charged)—Repayment of Debt

23. Under capital section (charged) of Appropriation No. 38-Repayment of Debt, the Ministry of Finance incurred an expenditure of Rs. 556268.78 crore against the total sanctioned provision of Rs. 522485.23 crore resulting in an excess expenditure of Rs. 33,783.55 crore although supplementary appropriation of Rs. 180365.72 crore was obtained in December, 2004 and March, 2005 and Rs. 7987.40 crore was surrendered.

24. The complete text of the reasons for excess expenditure incurred under various sub-heads of this appropriation, as furnished by the Ministry of Finance is reproduced at Appendix-I.

25. It is seen from the explanatory note furnished by the Ministry of Finance that the excess expenditure under this appropriation is net effect of total excess of Rs. 105807.41 crore and total savings of Rs. 72023.86 crore under various sub-heads

of this appropriation. Some of the prominent sub-heads under which the excess expenditure occurred and reasons therefor are stated below:—

Sl. No.	Major/Minor Head	Amount of Excess expenditure (Rs. in crore)	Contributory reasons as stated by the Ministry
1	2	3	4
Major Head 6001—Internal Debt of the Central Government			
1.	00.115-14 Days Treasury Bills	100633.82	Higher investments in 14 Days Treasury Bills by State Governments than anticipated.
2.	00.117-Marketable Securities issued in Conversion of Special Securities	5000.00	Initially the provision of Rs. 5000.00 crore for re-payment of marketable securities issued in conversion of special securities was clubbed under market loan. However, subsequently the expenditure was booked under a new separate minor head, resulting in the excess expenditure.
3.	00.121 - special Central Government Securities issued against outstanding balances of small savings as on 31-3-1999	10.00	Receipts on account of adjustment of Past high cost loans of the state Governments under Debt Swap Scheme during 2004- 2005 where more than the amount budgeted for issue of Special Government Securities against utilisation of such receipts.
4.	00.105-02 International Monetary Fund	139.74	More Encashment than anticipated.
Major Head 6002—External Debt			
5.	00.203, 208, 217 and 223—Loans from the Government of Belgium, France, Japan, Switzerland and Swiss Banks	23.85	Exchange rate variation

26. It is seen from the above that excess expenditure under this appropriation was mainly under sub-head 00.115-14 Days Treasury Bills (Rs. 100633.82 crore) which was due to higher investment in 14 Days Treasury Bills by state

Governments than anticipated. In this regard, the Ministry of Finance in their explanatory note submitted to the Committee have stated that supplementary provision for lower amount was sought under the aforesaid item in view of likely savings under repayment of ways and Means Advances and 91 Days Treasury Bills to be taken into account for re-appropriation.

27. As regards, remedial action taken to avoid recurrence of such instance, the Ministry stated as under:—

"The estimates of 'Repayment of Debt' are framed on the basis of inputs furnished by RBI, the Debt Manager of the Government of India. It is expected that estimations are made as accurately as possible, given the nature of these items of charged expenditure where non-payment of claimant in the absence of budgetary provision would amount to sovereign default. With a view to ensure that expenditure are contained within the sanctioned estimates, RBI and CCA (Finance) has been advised to keep concurrent internal checks, over discharge of payments and reconciliation of accounts to minimize/avoid under/over provisioning *vide* this Ministry's letter No. 9(7)-W&M/2004 dated 26.7.2005. In so far as remedial action in respect of External Debt is concerned, it may be stated that excess was mainly due to exchange rate variation which cannot be pre-assessed at the time of estimation. However, based on past experience, more care will be taken in formulation of realistic estimates in order to minimize the variation."

28. It has further been observed that excess expenditure of the order of Rs. 42182.74 crore was also incurred under capital—Charged portion of this appropriation during the year 2003-2004 with the same contributory reasons. While expressing their displeasure over the manner in which this particular appropriation was handled by the Ministry of Finance, the Committee in Para 71 of their 21st Report (14th LS) had recommended as follows:—

"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 this appropriation, the Ministry of Finance have contended that the excess expenditure was not anticipated at the time of framing of Budget Estimates (2003-2004). 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 Ways 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 Ways 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 excess 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."

29. In their ATN on the above recommendation, the Ministry submitted:—

"The excess expenditure was mainly under repayment of Ways and Means Advances (WMA), which was not intimated by RBI at the time of surrender. Under WMA, the revised estimates and final requirement as intimated by RBI was Rs. 53,537/- crore against BE 2003-04 of Rs. 160000.00 crore. As such, out of balance amount of Rs. 106463.00 crore (*i.e.* Rs. 160000.00 crore (-) Rs. 53537.00 crore), Rs. 99726.52 crore was re-appropriated from the minor head and Rs. 6736.48 crore was surrendered (copy of surrender/re-appropriation order is enclosed). However, the actual expenditure in respect of repayment of WMA including OD was Rs. 96615.00 crore against FR of Rs. 53537.00 crore, as a result of which an excess expenditure of Rs. 43078.00 crore occurred in respect of WMA alone. For the excess expenditure under WMA, RBI has now stated that while intimating final requirement in respect of WMA, the figures relating to overdraft (OD) was excluded erroneously and as such the excess was mainly due to non-inclusion of actual recourse to OD during the year. Had the figures relating to overdraft (OD) not been erroneously omitted by RBI, this Ministry would have obtained necessary supplementary and consequently Rs. 7166.25 crore would have also not been surrendered. The error in respect of non-inclusion of repayment of overdraft while furnishing the final requirement for repayment of WMA by RBI is regretted."

Recurring excess expenditure incurred by the Ministry of Finance

30. The scrutiny of Appropriation Accounts (civil) for the year 2001-2002 to 2004-05 indicates that the Ministry of Finance incurred the excess expenditure under the following Grants/Appropriations recurrently for the past four years.

(Rs. in crore)

Sl.No.	No. & Name of Grant/Appropriation	Years	Amount of Excess Expenditure
1	2	3	4
1.	25 - Payments to financial Institutions (Capital—Voted)	2001-02	731.36
2.	26 - Interest Payments (Revenue—Charged)	-do-	28.39
3.	29 - Interest Payments (Revenue—Charged)	2002-03	1792.90
4.	30—Transfers to State and Union Territory Governments, (Revenue—Voted)	-do-	0.36
5.	37—Repayment of Debt (Capital—Charged)	2003-04	42182.74
6.	39—Pensions (Revenue—Charged)	2003-04	1.99
7.	38—Repayment of Debt (Capital—Charged)	2004-05 (year under review)	33783.55

31. It would reveal from the above table that during the years 2003-04 and 2004-05, under Capital-Charged section of Appropriation No. 38—Repayment of Debt, the Ministry of Finance incurred excess expenditure of more than Rs. 30,000 crore.

B. Appropriation Accounts—Defence Services

32. The scrutiny of Appropriation Accounts—Defence Services reveals that during 2004-05, the Ministry of Defence incurred an excess expenditure of Rs. 41.99 crore under two Grants. The details of these excess registering Grants are given below:

(Rs. in crore)

Sl. No.	No. & Name of Grant	Amount of excess expenditure incurred	Contributory reasons as stated by the Govt.
1.	26—Defence Ordnance Factories	40.00	Due to Shortfall in issues by Ordnance Factories to the Services under "deduct" head.
2.	27—Defence Services—Research	1.99	Due to Payment against outstanding commitments, and Development higher booking than anticipated, more materialisation of certain commitments, more payment against electricity Tariff and Wages than anticipated.

33. The complete text of the explanatory notes furnished by the Ministry of Defence for regularisation of excess expenditure incurred during 2004-05 is enclosed at Appendix-II and III.

34. A scrutiny of explanatory note furnished by the Ministry of Defence reveals that Grant No. 26—Defence Ordnance Factories accounted for an excess of Rs. 40.00 crore which was the net effect of total excesses of Rs. 67.07 crore and total savings of Rs. 27.07 crore under various sub-heads of the Grant. A scrutiny of explanatory note reveals that bulk of the excess expenditure was registered under minor Head-901-904 "Deduct Recoveries" which alone accounted for an excess of Rs. 62.97 crore due to short fall in issues of various items by Ordnance Factories.

35. In this context it may be pointed out that excess expenditure of Rs. 37.50 crore over the sanctioned budget in this Grant has also been incurred during the year 2003-04 under the same minor-heads and with the same contributory reasons.

36. In order to avoid recurrence of any excess/savings in future, the Ministry of Defence informed in their explanatory notes that Inter Departmental Monitoring Groups were requested to hold regular meetings on a fortnightly basis during December, 2005 and January 2006 and on weekly basis in February and March 2006 so as to prevent occurrence of savings/excess under various heads duly taking into account all factors like status of contracted and uncontracted schemes, supply position in respect of contracts, progress of civil works and actual drawal from LCs etc. The services HQs have also been requested to ensure the progress of expenditure to the tune of 67% of the budget allocation by December as directed by Finance Minister in the meeting with Financial Advisers, so that the rush of expenditure at the fag end of the year may be avoided.

C. Appropriation Accounts—Railways

37. During 2004-05, the Ministry of Railways incurred a net excess expenditure of Rs. 2151.99 crore (that is after deducting the total savings under different Grants/Appropriations) under 15 cases of 10 excess registering Grants/Appropriations. The details of these excess registering Grants/Appropriations have already been given in paragraph-13 of this Report.

38. The complete text of explanatory notes furnished by the Ministry of Railways for regularisation of excess expenditure incurred during 2004-05 is enclosed at Appendix-IV.

39. A scrutiny of the explanatory notes furnished by the Ministry of Railways reveals that the amount of excess expenditure under two Grants (No. 3 & 11) is more than Rs. one crore, under 5 Grants (Nos. 4, 5, 6, 9, & 10) is more than Rs. 20 crore, Under Grant No.—14 "Working Expenses—Appropriation to Funds" is more than Rs. 400 crore under "Grants No. 16—capital" it is more than Rs. one thousand crore.

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

40. A scrutiny of the explanatory notes furnished by the Ministry of Railways reveals "Grant No. 14—Working Expenses—Appropriation to Funds" accounted for an excess of Rs. 479.10 crore. It is also seen from the explanatory note that actual expenditure exceeded the total sanctioned provisions under the following heads:—

"(a) Appropriation to Depreciation Reserve Fund (Rs. 38.00 crore), mainly to strengthen the fund balances in view of overall better financial performance of Indian Railways, **(b) Appropriation to Pension Fund (Rs. 130.00 crore)**, mainly due to higher appropriation made to the fund in view of increased pension requirements than projected, **(c) Appropriation to Development Fund (Rs. 304.97 crore)**, mainly due to higher appropriation to the fund in view of overall better financial performance of Indian Railways. **(d) Appropriation to Railway Safety Fund (Rs. 132.46 crore)**, the excess represents the unspent balance of Railway's share of the Central Road Fund, which has been transferred in actuals from Development Fund to this Fund at the behest of Audit".

41. This excess was partly offset by the savings under the following heads:—

"(a) Appropriation to Special Railway Safety Fund (Rs. 78.83 crore), mainly due to less appropriation to the fund from Railway Revenue in view of lesser collection of safety surcharge during the year, **(b) Appropriation to MUTP Loan Repayment Reserve Fund (Rs. 47.50 crore)**, entire budgeted amount remained unutilised due to non- finalisation of accounting heads and as a result the payment to Ministry of Finance has been made directly by the concerned Zonal Railways."

42. Incidentally, the "Grant No.—14 Working Expenses —Appropriation to Funds" has been persistently recording excess expenditure from the year 2002-03 onwards as per details given below:—

Year	Amount of Excess Expenditure (Rs. In crore)
2002-03	211.15
2003-04	681.62
2004-05 (year under review)	479.10

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

43. The scrutiny of this Grant has revealed that there was an overall excess expenditure of Rs. 1458.97 crore during the year 2004-05 against the sanctioned provision of Rs. 21614.53 crore.

44. It would also reveal from the scrutiny of this Grant that this excess was mainly under the plan heads *i.e.* New Lines (Rs. 2.11 crore), Restoration of dismantled Lines (Rs. 11.21 crore), Gauge Conversion (Rs. 270.38 crore), Passenger Amenities (Rs. 0.07 crore) and stores suspense (Rs. 1766.89 crore) due to better progress of

works. After setting off the saving of Rs. 661.57 crore under other minor Heads like—Doubling, Computerisation, Rolling Stocks, Bridge Works etc., The net excess under this Grant was Rs. 1389.09 crore. Further, there was a net effect of Rs. 69.88 crore on account of misclassification of expenditure between Grant No. 16 Capital and Revenue Grants/Works Grant. The excess thus worked out to Rs. 1458.97 crore.

45. It would be seen from the explanatory note furnished by the Ministry that a Supplementary Grants of Rs. 1738.60 crore was obtained during 2004-05 under this Grant. According to the Ministry this Supplementary Grant includes Rs. 900.00 crore as a Contribution to Special Railway Safety Fund, Rs. 400.00 crore for Udhampur-Srinagar-Baramullah New line Project, which is being contributed by Central Government, as dividend free budgetary support 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 Service/New Instrument of Service."

Persistent excess expenditure in Ministry of Railways

46. Incidentally, it may be pointed out that the Ministry of Railways had been persistently making excessive appropriation than the budgeted figures as per the details given below:—

(Rs. in crore)

Financial Year	No. of excess registering Grants/Appropriations	Actual excess expenditure incurred
2000-2001	5	0.14
2001-2002	8	210.71
2002-2003	11	323.65
2003-2004	9	1136.92
2004-2005 (Year under review)	10	2151.99

47. Particularly, the Appropriation No. 16—Assets, Acquisition, Construction and Replacement—Capital (Charged) has persistently excess expenditure for the past five years as per details given below:—

(Rs. in crore)

Year	Amount of Excess expenditure
2000-2001	0.13
2001-2002	0.34
2002-2003	3.39
2003-2004	2.90
2004-2005 (Year under review)	1.35

48. While expressing their displeasure over this the Committee, in Para 76 of their 21st Report (14 Lok Sabha) had desired the Ministry of Railways to analyse in depth the reasons for the recurring phenomenon with a view to initiating some concrete measures whereby budget estimates are prepared more precisely and the actual expenditure is incurred/contained within the funds authorised by the Parliament.

Misclassification of expenditure under excess Registering Grants/Appropriations

49. The scrutiny of the relevant Appropriation Accounts reveals that the misclassification of expenditure has become a recurring feature in the case of Railway Accounts and a large number of cases of misclassification of expenditure had again occurred during the year 2004-2005. During the year under review, there were nine cases of misclassification of expenditure reported under the 15 cases of excess registering Grants/Appropriations.

50. Taking a serious view of the recurring nature of misclassification of expenditure, the PAC in para 77 of their 21st report (14 Lok Sabha) had recommended as follows:—

"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 regularized. 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 2002-2003 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."

51. In their Action Taken Note, the Ministry of Railways stated that:—

"Recommendations of the Public Accounts Committee regarding misclassification of expenditure have been noted. Necessary instructions already exist for close and concurrent review of the booking of expenditure at various levels; text check of allocations recorded on vouchers; prompt reconciliation of the subsidiary books with the General Books and fixing up of responsibility for clear lapses at suitable levels. The instructions in this regard are also being reiterated when detailed instructions are communicated for compiling the

Appropriation Accounts with a view to ensure proper maintenance of accounts and more stringent scrutiny. However, the instructions for adhering to accounting procedures, correct interpretation of allocation rules have been again reiterated to all accounting units on 07-03-2005. Action against staff responsible for misclassification is being regularly taken. It is hoped, that, with the above measures, and with increasing computerization of accounting systems, the incidence of misclassification will come down."

Observations and Recommendations

52. The Committee find that an expenditure of unprecedented magnitude of Rs. 35978.56 crore has been incurred by various Ministries/Departments of Union Government in excess of the provisions sanctioned under 21 cases of 16 Grants/Appropriations during the year 2004-2005. The Committee are astonished to find that as in the preceding year bulk of the excess expenditure had been recorded under the Appropriation No. 38-Repayment of Debt, operated by the Ministry of Finance, which accounted for over 93 percent of the total excess expenditure incurred during that year. Out of the 21 cases, the excess expenditure in three cases was more than Rs. 100 crore each and in six cases it was more than Rs. 10 crore each, while in case of Appropriation No. 38, alone the excess expenditure was more than Rs. 30,000 crore. The total excess expenditure recorded was more than Rs. 1000 crore during the years 2001-2002 and 2002-2003 (Rs. 1089.54 crore and 2188.12 crore respectively) and it shot up to more than Rs. 30,000 crore during the years 2003-2004 and 2004-2005 (Rs. 43,364.62 crore and Rs. 35978.56 crore respectively). Thus, the Committee are perturbed to point out that the excess expenditure of the Union Government has not only been persistently occurring year after year but also showing a steep increase in the recent years. The situation has indeed been going from bad to worse despite issuance of elaborate instructions at regular intervals by the Ministry of Finance in pursuance of the oft-reiterated recommendations of the Public Accounts Committee to contain the excess expenditure to the barest minimum. In the opinion of the Committee, such gross negligence on the part of different Ministries particularly the Ministry of Finance, speaks volumes about the scant regard being shown by them towards prescribed financial discipline. Needless to say that excess expenditure is 'unauthorised expenditure' betraying lack of financial discipline as this fact ought to be kept in mind by all concerned Ministries/Departments. In view of the persistent trend of incurring of excess expenditure going unchecked, the Committee recommend that the Government should undertake a thorough study of the instances where expenditure had exceeded the budgetary allocations during the last five years in order to find out the precise reasons as to why the existing mechanism for control of expenditure has failed to effectively check the trend of excess expenditure. The Committee should be apprised of the outcome thereof.

53. Another disquieting aspect observed by the Committee is that out of 21 cases, the excess expenditure in 18 cases of excess registering Grants/Appropriations had occurred despite obtaining supplementary provisions of

Rs. 184385.14 crore, thereby revealing not only the failure of the Ministries/ Departments to assess requirement of additional funds but also the inadequacies in the institutional arrangements in the Ministries/Departments in monitoring the flow and trend of expenditure under various Grants/Appropriations. The Committee have repeatedly cautioned the Ministries, in the past, against incurring expenditure not authorized by Parliament. As the trend of incurring excess expenditure despite obtaining supplementary grants continues, the Committee are inclined to conclude estimation of requisite funds at the supplementary grant stage is not properly made. It is, therefore, essential that the Ministries/Departments should keep close watch over the trend of expenditure and when any need for additional funds arises they should assess realistically their requirement of funds in advance and approach Parliament by presenting Supplementary Demands for Grants in time. It is not expected of any Ministry/ Department to cross their financial limits after obtaining Supplementary Grants as has happened in many cases. The Committee also recommend that the Ministries should evolve an effective mechanism through which the progress of expenditure is strictly monitored and timely action taken to ensure that expenditure does not overshoot the limit authorized by Parliament.

54. The Committee find from their scrutiny of select cases of excess registering Grants/Appropriations that under Appropriation No. 38—Repayment of Debt, the Ministry of Finance had incurred an expenditure of Rs. 33783.55 crore over and above the total sanctioned provision of Rs. 522485.23 crore which included supplementary provisions of Rs. 180365.72 crore obtained in December, 2004 and March, 2005. The excess expenditure under this appropriation is the net effect to total excess of Rs. 105807.41 crore and total savings of Rs. 72023.86 crore under various sub-heads of this appropriation. The Committee note that but for the savings under various sub-heads, the overall excess expenditure under this appropriation would have been much more as an excess of Rs. 100633.82 crore alone had occurred under the sub-head "14 Days Treasury Bills" due to more than anticipated higher investments in 14 Days Treasury Bills by State Governments. In their explanatory note to the Committee, the Ministry of Finance have stated that supplementary provision for lower amount was sought under the aforesaid item in view of expected savings under repayment of "Ways and Means Advances" and "91 Days Treasury Bills". The Committee do not agree with the justification furnished by the Ministry because the excess expenditure of such large magnitude had occurred inspite of a huge amount of Supplementary Grants having been obtained on two occasions in this case. Significantly the Ministry of Finance had been persistently making appropriations in excess of the budgeted figures under this appropriation for the past two years with the same contributory reasons. Clearly, the Ministry of Finance have not drawn any lessons from their past experience and have once again failed to exercise adequate care in assessing their actual requirement of funds even while obtaining Supplmenetary Grants on two occasions. The Committee view this situation with grave concern and express their unhappiness over the lackadaisical attitude displayed by the Ministry of Finance while obtaining supplementary appropriations during the year 2004-2005.

The Committee consider it absolutely necessary that supplementary provisions should be obtained with more precision and the Ministry of Finance, being the nodal Ministry, should not be allowed to make indiscriminate use of this mechanism. They should frame their Budget estimates more accurately and should resort to supplementary Demands on a single occasion only, after a close scrutiny to ensure that they are realistic and meaningful. The Committee believe that better coordination with the Reserve Bank of India is also called for in this regard.

While expressing their displeasure over the manner in which this particular appropriation was handled by the Ministry of Finance, the Committee in Para 71 of their 21st Report (13th Lok Sabha) had felt that major portion of this excess expenditure could and should have been anticipated by the Ministry and provisions thereof provided in the revised estimates, if not done earlier, and had hoped that there would not be any recurrence of excess expenditure of such huge amounts under this appropriation. While taking a serious view of the continuing excess expenditure under this head due to unrealistic budgetary projections, the Committee now would like the Ministry of Finance to critically examine and analyse the reasons for the recurring phenomenon of excess expenditure of this nature and take corrective measures so that violations of budgetary ceilings of this nature are avoided in future.

55. From the scrutiny of Appropriation Accounts (Civil) for the years 2001-2002 to 2004-2005, the Committee observe that for the past four years, the Ministry of Finance repeatedly incurred excess expenditure under various Grants/Appropriations operated by them such as No. 25-Payments to Financial Institutions and 26-interest Payments during the year 2001-2002, No. 29-Interest payments and 30-Transfers to State and Union Territory Governments during 2002-2003, No. 37-Repayment of Debt and 39-Pensions during the year 2003-2004 and No. 38-Repayment of debt during 2004-2005. Further, excess expenditure under Appropriation No. 38-Repayment of Debt was more than Rs. 30,000 during the years 2003-2004 and 2004-2005. The Committee are constrained to record their displeasure over the persistent tendency on the part of the Ministry of Finance to exceed their budgetary ceilings year after year. Such a casual approach by the Ministry of Finance, which is supposed to be a model for other Ministries/Departments to emulate in the matter of framing not only the original budget estimates but also revised budget estimates could have been avoided.

In this regard, the Ministry of Finance are stated to have drawn the attention of RBI through a letter dated 26th July, 2005, about the adverse comments made by C&AG in respect of persistent excess expenditure under Appropriation No. 29—Interest payments and Appropriation No. 32—Repayment of Debt. Also, the need for providing accurate inputs for the Ministry by RBI has been emphasised to ensure that the expenditure is contained within the sanctioned estimates. The Committee are inclined to conclude that the RBI has not been able to adhere to the stipulated schedule/calendar with regard to management of internal debt during the year in question *i.e.* 2004-2005 as in the previous

years. At the same time, the role of Ministry of Finance itself, in advising RBI about its own requirements and decisions to retire public debt, may have vitiated the calendar of RBI. Therefore, the Ministry of Finance ought to go beyond issuing routine communications and should instead seek a factual Report from RBI for the precise reasons in respect of inaccurate inputs/estimations furnished by them to the Ministry for repayments/redemptions of internal debt and interest payments and the corrective measures being taken/to be taken by the RBI. The Ministry of Finance may impress upon RBI to have concurrent internal checks over discharge of internal debt/interest payments and proper reconciliation of accounts with CCA (Finance) to minimize/avoid under/over provisioning of funds.

56. The Ministry of Defence incurred an overall excess expenditure to the tune of Rs. 41.99 crore under two Grants namely No. 26-Defence Ordnance Factories and 27-Defence Services-Research and Development. Against the sanctioned provision of Rs. 1018.99 crore under Grant No. 26-Defence Ordnance Factories, the Ministry of Defence incurred expenditure of Rs. 1058.99 crore resulting in an excess of Rs. 40.00 crore. The excess of Rs. 40.00 crore was the net effect of total excess of Rs. 67.07 crore and total savings of Rs. 27.07 crore under various sub-heads of the Grant. The Ministry in their explanatory note have stated that the excess has occurred mainly under the Minor Head-105 (Rs. 2.28 crore) due to higher booking on movement of stores by sea for T-90 tanks than anticipated, under minor-head-106 (Rs. 1.67 crore) the excess was due to more withdrawal from Renewal and Replacement Fund and under minor head-901—904 "Deduct Recoveries" (Rs. 62.97 crore), it was due to shortfall in issues of various items by Ordnance Factories. In the opinion of the Committee, these reasons for excess expenditure clearly indicate lack of proper and timely review of anticipated expenditure and failure to provide for requirement of funds contributing to the excess under this Grant. It is further observed that excess expenditure of Rs. 37.50 crore was incurred during the year 2003-04 as well under this grant in the same Minor-heads with the same contributory reasons. The Ministry as usual have explained that the Services Head Quarters were requested to ensure the progress of expenditure to the tune of 67% of the budget allocation by December as directed by the Finance Minister in the meeting with Financial Advisers and further, the Inter Department Monitoring Groups were also requested by the Ministry to hold regular meetings on a fortnightly basis during December, 2005 and January 2006 and on weekly basis in February and March 2006 so as to prevent occurrence of savings/excess under various heads. Considering the reply of the Ministry of Defence as rather routine and due to the persistence of the problem, the Committee desire to be apprised of the follow-up action initiated after these meetings and the concrete measures taken by the Ministry of tighten their financial control over budgeted expenditure. The Committee need hardly emphasise that it is the Ministry's primary responsibility to oversee and monitor the flow of expenditure involving all the offices/units under them, particularly in the "excess-prone" heads so that it does not exceed the budgeted figure substantially.

57. The Committee note from the Appropriation Accounts of the Ministry of Railways for the year 2004-2005 that an expenditure aggregating Rs. 2104.61 crore had been incurred over and above the sanctioned provisions under 15 cases of 10 Grants/Appropriations operated by the Ministry of Railways. After taking into account the effect of misclassification, the actual excess expenditure requiring regularisation worked out to Rs. 2151.99 crore instead of Rs. 2104.61 crore as depicted in the relevant Appropriation Accounts. To utter dismay of the Committee, the amount of excess expenditure under two Grants (Nos. 3 & 11) is more than Rs. one crore, under five Grants (Nos. 4, 5, 6, 9 & 10) is more than Rs. 20 crore, under Grant No. 14 it is more than Rs. 400 crore and under Grant No. 16-Capital, it is more than Rs. one thousand crore. What is still more disturbing is the fact that this excess expenditure had occurred despite obtaining supplementary provisions of Rs. 3875.38 crore in 12 out of 15 cases of excess registering Grants/Appropriations. The Committee regret to observe that the Ministry of Railways have failed not only in keeping the required vigil over the trend of expenditure but also in assessing their actual requirement of funds even at the time of seeking supplementary provisions. The Committee take a serious view of this situation and strongly urge the Ministry to exercise greater care in assessing realistically their requirement of funds. Efforts should also be made to keep a close and constant watch over the trend of expenditure with a view to containing the same within the budgetary allocations.

58. The Committee note that "Grant No. 14-Working Expenses-Appropriation to Funds" relating to Railways accounted for an excess of Rs. 479.10 crore. Scrutiny of the explanatory notes revealed that the actual expenditure exceeded the total sanctioned provisions mainly under the four heads viz: "Appropriation to Depreciation Reserve Fund" (Rs. 38.00 crore), "Appropriation to Pension Fund" (Rs. 130.00 crore), "Appropriation to Development Fund" (304.97 crore), "Appropriation to Railway Safety Fund" (Rs. 132.46 crore). This excess was partly offset by the savings under two heads viz. "Appropriation to Special Railway Safety Fund" (Rs. 78.83 crore) and "Appropriation to MUTP Loan Repayment Reserve Fund" (Rs. 47.50 crore). What is still worse is the fact that this Grant has been persistently recording excess expenditure of more than Rs. 100 crore from the year 2002-2003 onwards. Clearly, the Ministry of Railways have not drawn any lessons from their past experience and oft-repeated assurance made by the Railway Administration to the oft-repeated criticism by the Committee. This is rather regrettable and indicative of the fact that corrective steps were not taken to check recurrence of such types of excess expenditure. Had the Railway administration exercised greater budgetary discipline and kept a closer watch over the expenditure under these vulnerable heads, the Committee are confident that excess could have been avoided to a large extent. The Committee would expect that at least now greater care will be exercised through sharper focus and closer watch over the flow of expenditure under these heads with better anticipation of requirements by making timely additional provisions at least at the revised estimates stage.

59. The Ministry of Railways also incurred an excess expenditure of Rs. 1458.97 crore under Grant No. 16-Assets-Acquisition, Construction and Replacement-Capital (Voted). As in the past, the Ministry have pleaded that the excess was mainly due to better progress of work under the plan heads that is, "New lines" (Rs. 2.11 crore), "Restoration of dismantled Lines" (Rs. 11.21 crore), "Gauge Conversion" (Rs. 270.38 crore) "Passenger Amenities" (Rs. 0.07 crore) and "Stores Suspense" (Rs. 1766.89 crore). However, the Committee find that the Ministry of Railways had procured supplementary grants of Rs. 1738.60 crore under this 'Grant' and most of the items were of such nature that timely action to obtain additional funds could have been taken at the revised estimate stage/or at supplementary grant stage and excess expenditure clearly avoided. The Committee consider this as another instance of unrealistic assessment of the additional funds on the part of the Ministry of Railways. The huge gap between the estimates and the actuals only reveals the utter failure of the Ministry of Railways to anticipate and plan out expenditure on a systematic basis. The Committee, therefore, desire that the Ministry in future will be careful and cautious both in estimation and in spending so that such variations are avoided as far as practicable. The Ministry of Railways should seize this opportunity to put in place an effective system to monitor the progress of railway works under various categories.

60. The Committee are perturbed to find that the misclassification of expenditure has become a recurring feature in the case of Indian Railways Appropriation Accounts and a large number of cases of misclassification of expenditure had again occurred during the year 2004-2005. During the year under review, there were nine cases of misclassification of expenditure reported under the 15 cases of excess registering Grants/Appropriations. While taking a serious view of the recurring nature of misclassification of expenditure, the Committee in their 21st Report (14th Lok Sabha) had desired 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". Pursuant to the above recommendation, the Ministry of Railways in their Action Taken Note had stated that "the instructions for adhering to accounting procedures, correct interpretation of allocation rules have been again reiterated to all accounting units. Action against staff responsible for misclassification is being regularly taken". The Ministry had hoped that with the above measures and with increasing computerization of accounting systems, the incidence of misclassification will come down. However, the recurring incidence of mis-classification of expenditure in Railways only seems to suggest that the measures taken by the Ministry so far in this regard have proved to be inadequate. The Committee, while expressing their dissatisfaction and concern over such misclassifications and erroneous reconciliation of expenditure figures, desire that procedures should be streamlined and timely action taken to reconcile the expenditure figures.

The Committee note with concern that the phenomenon of excess expenditure by Government over voted grants and charged appropriations is persisting without any sign of abatement. As the amount of such expenditure is very huge, this cannot be considered as a mere technical or procedural irregularity on the part of the Government. It is a serious issue warranting immediate attention and prompt action by the Government. Even though, the Government has taken some remedial measures to improve the situation, the Committee cannot but conclude that systematic flaws as well as human laxity have continued to contribute to this malaise. The Government should therefore look into the matter afresh and initiate credible action that will yield visible results in the forthcoming years for better planning and performance on the expenditure side.

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

NEW DELHI;
18 August, 2006
27 Sravana, 1928 (Saka)

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

APPENDIX-I

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. 38-Repayment of Debt, Ministry of Finance for the year 2004-2005.

Capital Section (Charged)	(Rupees in thousand)
Original Appropriation	3421195100
Supplementary Appropriation	1803657200
Total Appropriation	5224852300
Actual Expenditure	5562687792
Excess Expenditure	337835492

2. Under Capital Section (Charged) of Appropriation No. 38-Repayment of Debt, Ministry of Finance, Department of Economic Affairs for 2004-05, the total provision was Rs. 342119,51,00 thousand. This was augmented to Rs. 5224852300 thousand by obtaining supplementary Grant of Rs. 180365,72,00 thousand. Against this, the expenditure of Rs. 5562687792 thousand was incurred, resulting in excess expenditure of Rs. 33783,54,92 thousand.

3. The above mentioned excess expenditure was the net result of total excess of Rs. 105807,41,11 thousand and total savings of Rs. 72023,86,19 thousand under various sub-heads of the Appropriation. An Annex 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 lakhs)

Major Head 6001—Internal Debt of the Central Govt.

(i) 00.115-14 Days Treasury Bills	
Original Provision	12500000.00
Supplementary Provision	8326214.00
Total Provision	20826214.00
Actual Expenditure	30889596.00
Excess	10063382.00

Excess was due to higher investments in 14 days Treasury Bills by State Governments than anticipated. A consolidated reason for the excesses furnished vide para 5 below may also be seen.

(ii) 00.117-Marketable Securities issued in conversion of Special Securities	
Original Provision	0.00
Supplementary Provision	0.00
Total Provision	0.00
Actual Expenditure	500000.00
Excess	500000.00

Initially the provision of Rs. 5000.00 crore for repayment of marketable securities issued in conversion of special securities was clubbed under Market Loan. However, subsequently the expenditure was booked under a new separate minor head, resulting in the transaction being reflected as excess.

(iii) 00.121-Special Central Government Securities issued against outstanding balances of small savings as on 31-3-1999	
Original Provision	0.00
Supplementary Provision	3266500.00
Total Provision	3266500.00
Actual Expenditure	3266500.00
Excess	1000.00

Receipts on account of adjustment of past high cost loans of the state governments under Debt Swap Scheme during 2004-2005 were more than the amount budgeted for issue of Special Government Securities against utilisation of such receipts. Hence, the excess.

(iv) 00.105-02-International Monetary Fund	
Original Provision	0.00
Supplementary Provision	64827.00
Total Provision	64827.00
Actual Expenditure	78800.57
Excess	13973.57

Excess was due to more encashment than anticipated.

Major Head 6002-External Debt

(v) 00.203-Loans from the Govt. of Belgium	
Original Provision	0.00
Supplementary Provision	15275.96
Total Provision	15275.96
Actual Expenditure	15617.47
Excess	341.51

Excess was due to exchange rate variation of Euro.

(vi)	00.208-Loans from the Govt. of France	
	Original Provision	20558.27
	Supplementary Provision	1665.58
	Total Provision	22223.85
	Actual Expenditure	22520.27
	Excess	296.42
	Excess was due to Exchange rate variation of Euro.	
(vii)	00.217-Loans from the Govt. of Japan	
	Original Provision	216451.53
	Supplementary Provision	1306.42
	Total Provision	217757.95
	Actual Expenditure	219493.04
	Excess	1735.09
	Excess was due to exchange rate variation of Japanese Yen.	
(viii)	00.223-Loans from the Govt. of Switzerland & Swiss Banks	
	Original Provision	1218.86
	Supplementary Provision	299.76
	Total Provision	1518.62
	Actual Expenditure	1530.37
	Excess	11.75
	Excess was due to exchange rate variation.	

4. As may be seen from the above the excess expenditure under "Appropriation—Repayment of Debt" was mainly due to higher investment in 14 days Treasury Bills by State Governments, opening of new separate minor head for accounting of transactions enhanced encashment, prepayment of loan and exchange rate fluctuation which was not anticipated at the time of estimation.

5. The BE under 14 days Treasury Bills was Rs. 125000.00 crore and it was kept at Rs. 266000.00 crore at RE stage. The final requirement was also kept at Rs. 266000.00 crore. However, supplementary provision for a lower amount of Rs. 83262.14 crore was sought in view of likely savings under repayment of Ways and Means Advances and 91 Days Treasury Bills to be taken into account for re-appropriation. The actual expenditure was, however, Rs. 308895.96 crore against RE of Rs. 266000.00 crore, resulting in an excess expenditure of Rs. 42895.96 crore under the aforesaid item.

6. (i) As regard remedial action taken to avoid recurrence of such instance, it is stated that the estimates of 'Repayment of Debt' are framed on the basis of inputs furnished by RBI, the Debt Manager of the Government of India. It is expected that estimations are made as accurately as possible, given the nature of these items of charged expenditure where non-payment of claimant in the absence of budgetary provision would amount to sovereign default. With a view to ensure that expenditure are contained within the sanctioned estimates, RBI and CCA (Finance) has been advised to keep concurrent internal checks over discharge of payments and reconciliation of accounts to minimise/avoid under/over provisioning vide this Ministry's letter No. 9(7)-W&M/2004 dated 26.7.2005 (copy enclosed). In so far as remedial action in respect of External Debt is concerned, it may be stated that excess

was mainly due to exchange rate variation which cannot be pre-assessed at the time of estimation point. However, based on past experience, more care will be taken in formulation of realistic estimates in order to minimise the variation.

6. (ii) Vetting Comments of Audit

The matter in which this particular Appropriation was handled by the Ministry of Finance, is not satisfactory as the major portion of these excesses could have been anticipated by the Ministry at the revised estimation stage, if not earlier.

7. This has been vetted by the audit vide their U.O. No. RR/1-51/2005-06/191 dated 10.5.2006.

Sd/-
(L. M. VAS)
Joint Secretary (Budget)

Lok Sabha Secretariat (PAC Branch)
Parliament House Annexe, New Delhi.
F. No. 7(2)-W&M/2005 dated 18.5.2006.

ANNEX

Grant No. 38—Repayment of Debt during 2004-2005

(Rs. in thousands)

	Original Provision	Supple- mentary	Total Provision	Actual Expenditure	Saving(-)	Excess(+)
Major Head 6001						
00.101-Market Loans	343159700	0	343159700	293184578	49975124	
00. 103.01-91 days Treasury Bills	875000000	0	875000000	314837600	560162400	
00.110-364 days Treasury Bills	261360000	0	261360000	261355300	4700	
00.112-10% Relief Bonds, 1993	5000	18700	23700	1642	22058	
00.114-Ways and Means Advances	550000000	150000000	700000000	620800000	79200000	
00.115-14days Treasury Bills	1250000000	832621400	2082621400	3088959600		1006338200
00.117-Marketable Securities issued in conversion of Special Securities	0	0	0	50000000	0	50000000
00.121-Special Central Government Securities issued against outstanding balances of small savings on 31.3.1999	0	326650000	326650000	326750000		100000
00.122-Special Central Government Securities issued against share of net small savings collection on 1.4.1999	4500000	0	4500000	0	4500000	
00.123-Special Securities issued to RBI for MOV account in respect of Resurgent India Bonds	20787200	0	20787200	20787231		31
00.126-Market Stabilisation Bills/Bonds (Face Value)						

01-91 Days Treasury bills	0	484550000	484550000	478933468	5616532
00.105.01-International Bank of Reconstruction and Development	1000000	0	1000000	994037	5963
00.105.02-International Monetary Fund	0	6482700	6482700	7880057	1397357
00.105.04-Asian Development Bank	20000	59300	79300	50000	29300
00.105.05-International Fund for Agril. Dev.	227500	0	227500	4127	223373
00.105.06-African Dev. Fund	33500	21700	55200	55178	22
00.105.07-African Dev. Bank	7700	100	7800	7384	416
00.105.08-Multilateral Investment Guarantee Agency	0	211700	211700	211745	45
00.106.05-Special Bearer Bonds	10000	0	10000	3122	6878
00.106.07-7 Years National Rural Dev. Bonds	2500	0	2500	825	1675
00.106.08-7% Capital Investment Bonds	5000	0	5000	470	4530
00.106.09-National Rural Dev. Bonds-2nd Issue	2500	0	2500	270	2230
00.106.14-Voluntary Disclosure of Income and Wealth 5-3/4% Bonds, 1985	10000	0	10000	242	9758
00.106.15-9% Relief Bonds, 1987	50000	136700	186700	4700	182000
00.106.18-9% Relief Bonds, 1993	75000	17900	92900	7424	85476
00.106.19-10% Relief Bonds, 1995	15200000	0	15200000	637752	14562248
00.106.21-12.08% GOF Compensation (Project to Iraq) Bonds, 2001	0	1000	1000	700	300
00.106.23-9% Relief Bonds, 1999	31042800	0	31042800	26205022	4837778

	Original Provision	Supplementary	Total Provision	Actual Expenditure	Saving(-)	Excess(+)
00.106.26-11.40% GOI' Compensation (Project Exports to Iraq) Bonds, 2003		500	500	210	290	
Total-Major Head 6001	3352498400	1800771700	5153270100	5491672682	719433051	1057835633
Major Head 6002						
00.203-Loans from Govt. of Belgium	0	1527596	1527596	1561747		34151
00.205-Loans from Govt. of czech and Slovak	42771	0	42771	42771	0	0
00.207-Loans from European Economic Community (SAC)	62329	0	62329	61830	499	
00.208-Loans from Govt. of France	2055827	166558	2222385	2252027		29642
00.209-Loans from Govt. of Germany	5321256	0	5321256	5310904	10352	
00.213-Loans from the International Dev. Association	25891595	652479	26544074	26187919	356155	
00.214-Loans from IFAD	341433	15758	357191	352872	4319	
00.216-Loans from the International Bank for Reconstruction and Development	5025038	0	5025038	4849389	175649	
00.217-Loans from Govt. of Japan	21645153	130642	21775795	21949304		173509
00.221-Loans from OPEC Special Fund		182090	182090	162542	19548	
00.223-Loans from Govt. of Switzerland & Swiss Banks	121886	29976	151862	153037		1175
00.226-Loans from the Agency for International Development, U.S.A.	4084905	46175	4131080	4058665	72415	

00.227-Loans from USA under PL 480	953906	10174	964080	951963	12117
00.228-Other Misc. Loans from Govt. of USA	127131	0	127131	125754	1377
00.230-Loans from Govt. of Russian Federation	2209803	124052	2333855	2333856	1
00.250-Loans from ADB	813667	0	813667	660530	153137
Total-Major Head 6002	6866700	2885500	71582200	71015110	805568
Total-Major Head 6001	3352498400	1800771700	5153270100	5491672682	719433051
Total Appropriation	3421195100	1803657200	5224852300	556287792	720238619
Total Net Excess					337835492

No. 9 (7)-W&M/2004
Government of India
Ministry of Finance
Department of Economic Affairs
(Budget Division)

New Delhi, the 26th July, 2005

To

Shri Prabal Sen,
Chief General Manager,
DGBA,
Reserve Bank of India,
Mumbai (Fax No. 022-23000370/23010095)

Subject: Excess over Voted Grants/Charged Appropriation—Regarding

Sir,

The Comptroller & Auditor General of India in para 7.3 of his Report No. 1 of 2004 commented on deficient expenditure control by Pay and Accounts Offices of various Ministries/Departments, including Ministry of Finance (Extract of para 7.3 along with Appendix enclosed). In so far as Ministry of Finance is concerned the said para, *inter alia*, covers final excess expenditure under 'Appropriation 29—Interest Payments' and 'Appropriation 32—Repayment of Debt' for the year 2002-03. Excess expenditure over and above funds made available has been adversely commented upon by C&AG.

2. Since estimates of Repayment of Debt and Interest Payments are framed on the basis of inputs furnished by RBI, the Debt Manager of the Government of India, it is expected that estimations are made as accurately as possible given the nature of these items of charged expenditure where non-payment of claimant in the absence of budgetary provision would amount to sovereign default and to ensure that expenditure are contained within the sanctioned estimates. With a view to achieving a better estimation techniques and monitoring expenditures in a way that budgetary allocations are not exceeded without obtaining additional provision by way of supplementary demands or re-appropriation, as the case may be, RBI is advised to have concurrent internal checks over discharge/interest payments and reconciliation of accounts with CCA (Finance) to minimise/avoid under/over provisioning.

3. This issues with the approval of Joint Secretary (Budget).

Yours faithfully,

Sd/-

(V. S. CHAUHAN)

Deputy Secretary (Budget)

Tele No. 23094045

Fax No. 23093273

Encl: As above

Copy to Shri G. P. Gupta, CCA (Finance) for necessary remedial action.

APPENDIX-II

Government of India
Ministry of Defence
(Finance/Budget)

EXCESS NOTE

NOTE FOR PUBLIC ACCOUNTS COMMITTEE FOR REGULARISATION OF EXCESS EXPENDITURE IN RESPECT OF EXCESS OCCURRED UNDER REVENUE SECTION (VOTED) OF GRANT NO. 26—DEFENCE SERVICES—DEFENCE ORDNANCE FACTORIES, AS DISCLOSED IN THE UNION GOVERNMENT APPROPRIATION ACCOUNTS (DEFENCE SERVICES) FOR 2004-2005

Grant No. 26—Defence Services—Defence Ordnance Factories

(Rupees in lakhs)

Revenue Section (Voted)

Original Grant	:	Rs. 94354
Supplementary Grant	:	Rs. 7545
Total Grant	:	Rs. 101899
Actual expenditure	:	Rs. 105899
Excess	:	Rs. 4000

(Rs. 40,00,08,594)

Surrender during the year : NIL

2. Under Revenue Section (Voted) of Grant No. 26—Defence Services—Defence Ordnance Factories for 2004-2005 the total provision was Rs. 1018,99,00 thousands. Against this, the expenditure of Rs. 1058,99,09 thousands was incurred resulting in excess of Rs. 40,00,09 thousands (Rs. 40,00,08,594).

3. The excess of Rs. 40,00,09 thousands was the net effect of total excesses of Rs. 67,07,35 thousands and total savings of Rs. 27,07,26 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 as below:—

MAJOR HEAD—2079

(i) Minor Head—105

		(Rupees in lakhs)
Original Grant	:	Rs. 6200
Supplementary Grant	:	NIL
Re-appropriation	:	(-) Rs. 800
Total Grant	:	Rs. 5400
Actual expenditure	:	Rs. 5628
Excess	:	Rs. 228

The excess of Rs. 228 lakh in the Final Grant was mainly due to higher booking on Movement of Stores by Sea for T-90 tanks than anticipated.

(ii) Minor Head—106

Original Grant	:	Rs. 30000
Supplementary Grant	:	NIL
Re-appropriation	:	(-) Rs. 5000
Total Grant	:	Rs. 25000
Actual expenditure	:	Rs. 25167
Excess	:	Rs. 167

The excess of Rs. 167 lakh in the Final Grant was mainly due to more withdrawal from Renewal and Replacement Fund.

(iii) Minor Head—901—904

"(Deduct-Recoveries)"

Original Grant	:	(-) Rs. 592106
Supplementary Grant	:	Rs. 7545
Re-appropriation	:	(+) Rs. 45229
Total Grant	:	(-) Rs. 539332
Actual expenditure	:	(-) Rs. 533035
Excess	:	Rs. 6297

The excess of Rs. 6297 lakh in the Final Grant was mainly due to short fall in issues of various items by Ordnance Factories.

4. In order to avoid recurrence of any excess/saving in future, Inter Departmental Monitoring Groups have been requested *vide* ID No. 17(1)/B-1/1999 dated 13.12.2005 (copy enclosed) to hold regular meetings in the last quarter of the financial year so as to prevent occurrence of savings/excess under various heads, duly taking into account

all factors like status of contracted and uncontracted schemes, supply position in respect of contracts, progress of civil works and actual drawal from LCs etc.

5. The services HQrs. have also been requested *vide* MoD ID No. 11(23)/B.1/2004 dated 24.5.2005 (copy enclosed) to ensure the progress of expenditure to the tune of 67% of the BE allocation by December 2004 as directed by Finance Minister in the meeting with Financial Advisers, so that the rush of expenditure at the fag of the year may be avoided.

6. In the circumstances explained above, the excess of Rs. 40,00,08,594/- may kindly be recommended for regularization by the Parliament under Article 115(1)(b) of the Constitution.

Sd/-

(AMIT CHOWSHISH)
Addl. FA&JS

File No. 17(1)/B-I/2005

Ministry of Defence (Finance)

Subject: Monitoring of progress of expenditure.

It may be recalled that Finance Minister's directions regarding ensuring progress of expenditure to the tune of 67% of the BE allocation by December and expenditure in the last quarter not exceeding 1/3rd of the budgetary allocation were communicated *vide* MOD(Fin) ID No. 11(5)/B.I/2004 dated 4.8.2004.

2. During a recent meeting with Financial Advisors of various Ministries of Government of India, Finance Minister reviewed the implementation of the aforesaid directions. It was noticed that in some Demands for Grants the ceiling of 33% of expenditure in the last quarter had been breached due to various reasons. **Finance Minister has directed that in 2005-06, no explanation will be accepted for exceeding 33% in the last quarter. All concerned must plan right from now to ensure proper pace of expenditure. He has also directed that in case any Ministry/Deptt. is not able to spend 67% by December end, they will not be allowed to spend more than 33% in the last quarter.**

3. The Service HQrs./Deptts. are, therefore, requested to ensure that the foregoing directions of the Finance Minister are kept in view while processing its expenditure proposals and monitoring progress of expenditure. Further, in order to achieve the target of 67% by December end, it would be desirable to ensure that at least 40% of the budget allocation is spent by mid-year *i.e.* by end September 2005. It is also recommended that an action plan may be drawn up forthwith, in consultation with Integrated Finance to ensure requisite pace of expenditure in the next 27 months.

Sd/-
(A.K. CHOPRA)
Addl. FA & JS

Addl. DGFP, Army Hqrs., DNP, Naval Hqrs. DFP, Air Hqrs., DBF"&A, DRDO, DGQA(Budget), DGOF, Kolkata, Dte. of Standardisation, DGATVP, DGAQA, DGNCC, HIIDS, Cabinet Sectt. MOD (Fin.) ID No. 11(23)/B.I./2004 dated 24.5.2005.

Copy to:—FA (Acq.)

All JSs/AMs in MOD, All Addl. FAs in MOD (Fin.), FMs, IFAs
All Directors/DFAs in Ministry of Defence (Finance)
CGDA

Ministry of Defence (Finance)
(Budget-I)

Subject: Monitoring and Control of Defence Expenditure—2005-2006.

As per the instructions issued *vide* MoD ID No. 8737-S/Def. Secy./01 dated 27/12/91, (copy enclosed), Inter Departmental Monitoring Groups were constituted in the year 1991-92 to closely monitor the progress of expenditure and pending liabilities to ensure optimal use of resources. The Departmental Monitoring Groups would now consist of FA (Acq.)/the concerned Addl. FA as convenor, concerned Joint Secretary, FMs concerned, Flag rank officer from Service HQrs. and representatives of CGDA/CDA.

2. The Standing Committee on Defence while examining the Demands for Grants for the year 2002-2003 and 2003-04 had taken a serious view of the unspent funds and had recommended that the amounts allotted should be fully utilised for the purchase of new weapon systems, modernisation and upgradation of the existing systems so as to ensure that no surrender of funds is made. Further, the C&AG has also commented adversely in the past on the overall unspent provisions *vis-a-vis* the budgetary outlays. In this regard, necessary instructions were issued *vide* MOD IN No.10(1)/B-1/2002 dated 8/10/2002 to all concerned to monitor the progress of expenditure constantly in a more vigilant manner. Services HQrs./Departments had 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. During a recent meeting with Financial Advisors of various Ministries of Govt. of India, Finance Minister reviewed the implementation of his directions issued last year regarding expenditure of minimum 67% of BE allocation by December and emphasized that no Ministry/Department would be permitted to spend more than 1/3rd of their Budgetary allocation after December. Finance Minister has directed that in 2005-06, no explanation will be accepted for exceeding 33% in the last quarter. All concerned must plan right from now to ensure proper pace of expenditure. He has also directed that in case any Ministry/Deptt. is not able to spend 67% by December end, it will not be allowed to spend more than 33% in the last quarter. In this regard, a letter No: 11(23)/B-I/2004, dated 24-5-2005 may please be referred to.

4. The trend of expenditure during the current financial year indicates that unless effective monitoring and control is exercised, savings may result under various revenue and capital heads. With a view to ensuring 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, 2005 and January, 2006 and on weekly basis in February and March 2006 so as to prevent 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. It is pertinent to mention that CGDA now provides weekly compilation of expenditure from August, 2005 to this Ministry to enable us to monitor the progress of expenditure effectively.

6. The minutes of the meetings, explaining, *inter alia* the position regarding budgetary Targets/deviations, if any, and corrective measures adopted, may please be put up to FA(DS) regularly and copy endorsed to Director (Fin./Budget).

Sd/-
(AMIT CHOWSHISH)
Addl. FA(A)

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

MoD Fin. ID No. 17(1)/B-I/1999 dated 13-12-2005

Copy to : DG(Acq.), AS(I), AS(DP),
JS&AM(MS), JS&AM(LS), JS&AM(Air),
JS(O/N), JS(G/Air), JS(C&W),
JS(PIC), CCR&D(R), All FMs
IFA(Navy), IFA(AF), IFAs(ARMY)
Director(Fin./Acq.) Director(Fin./Navy)
Director(Fin./AF/Acq.) Dir.(Fin./O)
Dir.(Fin./AF/Org.)
DFA(Navy)

APPENDIX-III

Government of India
Ministry of Defence
(Finance/Budget)

EXCESS NOTE

NOTE FOR PUBLIC ACCOUNTS COMMITTEE FOR REGULARISATION OF EXCESS EXPENDITURE IN RESPECT OF EXCESS OCCURRED UNDER REVENUE SECTION (VOTED) OF GRANT NO. 27—DEFENCE SERVICES—RESEARCH AND DEVELOPMENT, AS DISCLOSED IN THE UNION GOVERNMENT APPROPRIATION ACCOUNTS (DEFENCE SERVICES) FOR 2004-05

Grant No. 27—Defence Services—Research and Development

(Rupees in Lakhs)

Revenue Section (Voted)

Original Grant	:	Rs. 235294
Supplementary Grant	:	Rs. 6691
Total Grant	:	Rs. 241985
Actual expenditure	:	Rs. 242184
Excess	:	Rs. 199

(Rs. 1,99,23,373)

Surrender during the year : NIL

2. Under Revenue Section (Voted) of Grant No. 27—Defence Services-Research and Development for 2004-05 the total provision was Rs. 2352,94,00 thousands. Against this, the expenditure of Rs. 2421,84,24 thousands was incurred resulting in excess of Rs. 1,99,24 thousands (Rs. 1,99,23,373).

3. The excess of Rs. 1,99,24 thousands was the effect of total excesses of Rs. 6,92,46 thousands and total savings of Rs. 4,93,22 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 as below:—

MAJOR HEAD—2080

(i) Minor Head—004

(Rupees in lakhs)

Original Grant	:	Rs. 54700
Supplementary Grant	:	NIL
Re-appropriation	:	(-) Rs. 6226
Total Grant	:	Rs. 48474
Actual expenditure	:	Rs. 48592
Excess	:	Rs. 118

The excess of Rs. 118 lakh in the Final Grant was mainly due to payment against an outstanding commitment.

(ii) Minor Head—101

Original Grant	:	Rs. 4844
Supplementary Grant	:	NIL
Re-appropriation	:	(+) Rs. 202
Total Grant	:	Rs. 5046
Actual expenditure	:	Rs. 5264
Excess	:	Rs. 218

The excess of Rs. 218 lakh in the Final Grant was mainly due to higher booking than anticipated.

(iii) Minor Head—110

Original Grant	:	Rs. 93414
Supplementary grant	:	Rs. 6691
Re-appropriation	:	(+) Rs. 1879
Total Grant	:	Rs. 101984
Actual expenditure	:	Rs. 102146
Excess	:	Rs. 162

The excess of Rs. 162 lakh in the Final Grant was mainly due to more materialisation of certain commitments.

(iv) Minor Head—111

Original Grant	:	Rs. 18529
Supplementary grant	:	NIL
Re-appropriation	:	(+) Rs. 3575
Total Grant	:	Rs. 22104
Actual expenditure	:	Rs. 22254
Excess	:	Rs. 150

The excess of Rs. 150 lakh in the Final Grant was mainly due to more payment against Electricity Tariff and Wages than anticipated.

3. In order to avoid occurrence of any excess/saving in future, Inter Departmental Monitoring Groups have been requested *vide* ID No. 17(1)/B-1/1999 dated 13.12.2005 (copy enclosed) to hold regular meetings in the last quarter of the financial year so as to prevent occurrence of savings/excess under various heads, duly taking into account all factors like status of contracted and uncontracted schemes, supply position in respect of contracts, progress of civil works and actual drawal from LCs etc.

4. The services HQrs have also been requested *vide* MoD ID No. 11(23)/B-1/2004 datd 24.05.2005 (copy enclosed) to ensure the progress of expenditure to the tune of 67% of the BE allocation by December 2004 as directed by Finance Minister in the meeting with Financial Advisers, so that the rush of expenditure at the fag of the year may be avoided.

5. In the circumstances explained above, the excess of Rs. 1,99,23,373/- may kindly be recommended for regularization by the Parliament under Article 115(1)(b) of the Constitution.

Sd/-
(AMIT CHOWSHISH)
Addl. FA &JS

File No. 17(1)/B-I/2005

Ministry of Defence (Finance)

Subject: Monitoring of progress of expenditure.

It may be recalled that Finance Minister's directions regarding ensuring progress of expenditure to the tune of 67% of the BE allocation by December and expenditure in the last quarter not exceeding 1/3rd of the budgetary allocation were communicated *vide* MOD (Fin.) ID No. 11(5)/B. I/2004 dated 4.8.2004.

2. During a recent meeting with Financial Advisors of various Ministries of Government of India, Finance Minister reviewed the implementation of the aforesaid directions. It was noticed that in some Demands for Grants the ceiling of 33% of expenditure in the last quarter had been breached due to various reasons. **Finance Minister has directed that in 2005-06, no explanation will be accepted for exceeding 33% in the last quarter. All concerned must plan right from now to ensure proper pace of expenditure. He has also directed that in case any Ministry/Deptt. is not able to spend 67% by December end, they will not be allowed to spend more than 33% in the last quarter.**

3. The Service HQrs/Deptts. are, therefore, requested to ensure that the foregoing directions of the Finance Minister are kept in view while processing its expenditure proposals and monitoring progress of expenditure. Further, in order to achieve the target of 67% by December end, it would be desirable to ensure that at least 40% of the budget allocation is spent by mid-year *i.e.* by end September 2005. It is also recommended that an action plan may be drawn up forthwith, in consultation with Integrated Finance to ensure requisite pace of expenditure in the next 27 months.

Sd/-
(A. K. CHOPRA)
Addl. FA & JS

Addl. DGFP, Army HQrs, DNP, Naval Hqrs DFP, Air HQrs,
DBF&A, DRDO, DGQA (Budget), DGOF, Kolkata, Dte. of Standardisation,
DGATVP, DGAQA, DGNCC, HOIDS, Cabinet Sectt.
MOD (Fin.) ID No. 11(23)/B.I/2004 dated 24.5.2005.

Copy to: FA (Acq)

All JSs/AMs in MOD, All Addl. FAs in MOD (Fin.), FMs, IFAs

All Directors/DFAs in Ministry of Defence (Finance)

CGDA

Ministry of Defence (Finance)
(Budget-I)

Subject: Monitoring and Control of Defence Expenditure—2005-2006.

As per the instructions issued *vide* MoD ID No. 8737-S/Def. Secy./91 dated 27.12.91, (copy enclosed), Inter Departmental Monitoring Groups were constituted in the year 1991-92 to closely monitor the progress of expenditure and pending liabilities to ensure optimal use of resources. The Departmental Monitoring Groups would now consist of FA (Acq)/the concerned Addl. FA as convenor, concerned Joint Secretary, FMs concerned, Flag rank officer from Service HQrs. and representatives of CGDA/CDA.

2. The Standing Committee on Defence while examining the Demands for Grants for the year 2002-2003 and 2003-04 had taken a serious view of the unspent funds and had recommended that the amounts allotted should be fully utilised for the purchase of new weapon systems, modernisation and upgradation of the existing systems so as to ensure that no surrender of funds is made. Further, the C&AG has also commented adversely in the past on the overall unspent provisions *vis-a-vis* the budgetary outlays. In this regard, necessary instructions were 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 manner. Service HQrs/Departments had 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. During a recent meeting with Financial Advisors of various Ministries of Govt. of India, Finance Minister reviewed the implementation of his directions issued last year regarding expenditure of minimum 67% of BE allocation by December and emphasized that no Ministry/Department would be permitted to spend more than 1/3rd of their Budgetary allocation after December. Finance Minister has directed that in 2005-06, no explanation will be accepted for exceeding 33% in the last quarter. All concerned must plan right from now to ensure proper pace of expenditure. He has also directed that in case any Ministry/Deptt. is not able to spend 67% by December end, it will not be allowed to spend more than 33% in the last quarter. In this regard, a letter No: 11(23)B-I/2004, dated 24.5.2005 may please be referred to.

4. The trend of expenditure during the current financial year indicates that unless effective monitoring and control is exercised, savings may result under various revenue and capital heads. With a view to ensuring 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, 2005 and January, 2006 and on weekly basis in February and March 2006 so as to prevent 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. It is pertinent to mention that CGDA now provides weekly compilation of expenditure from August, 2005 to this Ministry to enable us to monitor the progress of expenditure effectively.

6. The minutes of the meetings, explaining, *inter alia* the position regarding budgetary targets/deviations, if any, and corrective measures adopted, may please be put up to FA (DS) regularly and copy endorsed to Director (Fin./Budget).

Sd/-
(AMIT COWSHISH)
Addl. FA (A)

FA (Acq) for Acquisition cases of three Services & HQ IDS
Addl. FA (M) for Air Force, Army (Q, AG & GS)
Addl. FA (H) for DGOF
Addl. FA (AM) for DGQA, Army (Land & Works)
Addl. FA (J) 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/1999 dated 13.12.2005

Copy to : DG (Acq.) AS (I) AS (DP)
JS & AM (MS), JS & AM (LS) JS & AM (Air)
JS (O/N) JS (G/Air) JS (C&W),
JS (PIC) CCR&D (R), All FMs
IFA (Navy) IFA (AF). IFAs (ARMY)
Director (Fin./Acq.) Director (Fin./Navy)
Director (Fin./AF/Acq.) Dir (Fin./O)
Dir (Fin./AF/Org.)
DFA (Navy)

APPENDIX-IV

EXPLANATORY NOTE FOR PUBLIC ACCOUNTS COMMITTEE FOR REGULARISATION OF EXCESS OVER VOTED/CHARGED PORTION OF GRANTS/APPROPRIATION DURING THE YEAR 2004-05

During the year 2004-05, there was an overall net excess of Rs. 686.08 crore under all Grants and Appropriations, which constitutes 0.82 per cent of the total provision of Rs. 83542.83 crore.

The net excess was the result of gross excess of Rs. 2104.61 crore under 09 Voted Grants (*i.e.* 08 Revenue and 1 segment of Works Grants No. 61 *i.e.* Capital) and 06 Charged Appropriations (*i.e.* 5 Revenue and 1 segment of Works Appropriation No. 16 *i.e.* Capital) and gross saving of Rs. 1418.53 crore under 08 Voted Grants (*i.e.* 7 Revenue and four segments of Works Grant No. 16 *i.e.* Railway Funds, OLWR, RSF and SRSF) and 07 Charged Appropriations (*i.e.* 6 Revenue and 3 segments of Works Appropriation No. 16 *i.e.* Railway Funds, OLWR and SRSF).

The gross excess of Rs. 2104.61 crore was made up of Rs. 2103.65 crore under Voted Grants and Rs. 0.96 crore under Charged appropriations constituting 3.46 per cent of the total provision of Rs. 60810.21 crore under those Grants/Appropriations where excess occurred.

The gross saving amounting to Rs. 1418.53 crore was made up of Rs. 1411.91 crore under Voted Grants and Rs. 6.62 crore under Charged Appropriations constituted 6.24 per cent of the total provision of Rs. 22732.59 crore under the saving 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 2004-05—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 six Charged Appropriations (4, 5, 6, 10, 13 and one segment of Appropriation No. 16 *i.e.* Capital) and nine Grants (3, 4, 5, 6, 9, 10, 11, 14 and one segment of Grant No. 16 *i.e.* Capital). These Appropriations/Grants are explained as under:—

(a) Charged Appropriations**(i) Appropriation No. 4—Working Expenses—Repairs & Maintenance of Permanent Way & Works**

	Rupees
Original Appropriation	2,10,000
Supplementary Appropriation	40,43,000
Total Sanctioned Appropriation	42,53,000
Actual Expenditure	48,55,713
Excess	6,02,713
Misclassification	—
Excess requiring regularisation	6,02,713
Percentage of Excess	14.17

Charged Appropriation of Rs. 2.10 lakh was obtained at the Budget Estimate Stage. A Supplementary Charged Appropriation of Rs. 40.43 lakhs was sanctioned for additional payments towards satisfaction of court decrees, which proved to be inadequate. The actual payments exceeded the provision as more decretal payments made, which could not be anticipated earlier.

The excess requiring regularisation is Rs. 6,02,713/–, which is the same as disclosed in the Appropriation Accounts.

(ii) Appropriation No. 5—Working Expenses—Repairs & Maintenance of Motive Powers

	Rupees
Original Appropriation	50,000
Supplementary Appropriation	89,000
Total Sanctioned Appropriation	1,39,000
Actual Expenditure	1,80,522
Excess	41,522
Misclassification	—
Excess requiring regularisation	41,522
Percentage of Excess	29.87

Charged Appropriation of Rs. 0.50 lakh was obtained at the Budget Estimate Stage. A Supplementary Charged Appropriation of Rs. 0.89 lakh was sanctioned for additional payments towards satisfaction of court decrees, which proved to be inadequate. The actual payments exceeded the provision by Rs. 41,522/– due to payments made on Court order, which could not be anticipated earlier.

The excess requiring regularisation is Rs. 41,522/–, which is the same as disclosed in the Appropriation Accounts.

(iii) Appropriation No. 6—Working Expenses—Repairs & Maintenance of Carriages & Wagons

	Rupees
Original Appropriation	—
Supplementary Appropriation	4,89,50,000
Total Sanctioned Appropriation	4,89,50,000
Actual Expenditure	4,89,64,763
Excess	14,763
Misclassification	—
Excess requiring regularisation	14,763
Percentage of Excess	0.03

A Supplementary Charged Appropriation of Rs. 489.50 lakhs as obtained for payments towards satisfaction of court decrees, proved to be inadequate. The actual expenditure exceeded the provision by Rs. 14,763/- due to unanticipated decretal payments at the fag end of the year.

The excess requiring regularisation is Rs. 14,763/-, which is the same as disclosed in the Appropriation Accounts.

(iv) Appropriation No. 10—Working Expenses—Operating Expenses—Fuel

	Rupees
Original Appropriation	—
Supplementary Appropriation	8,33,45,000
Total Sanctioned Appropriation	8,33,45,000
Actual Expenditure	8,83,45,000
Excess	50,00,000
Misclassification	—
Excess requiring regularisation	50,00,000
Percentage of Excess	6.00

A Supplementary Charged Appropriation of Rs. 833.45 lakhs as obtained for payments towards satisfaction of court decrees, proved to be inadequate. The actual expenditure exceeded the provision by Rs. 50,00,000/- due to unanticipated decretal payments at the fag end of the year.

The excess requiring regularisation is Rs. 50,00,000/-, which is the same as disclosed in the Appropriation Accounts.

(v) Appropriation No. 13—Working Expenses—Provident Fund, Pension and Other Retirement Benefits

	Rupees
Original Appropriation	66,04,000
Supplementary Appropriation	7,62,000
Total Sanctioned Appropriation	73,66,000
Actual Expenditure	81,41,814
Excess	7,75,814
Misclassification	—
Excess requiring regularisation	7,75,814
Percentage of Excess	10.53

Charged Appropriation of Rs. 66.04 lakh was obtained at the Budget Estimate Stage. A Supplementary Charged Appropriation of Rs. 7.62 lakh was sanctioned for additional payments towards satisfaction of court decrees, which proved to be inadequate. The actual expenditure exceeded the provision by Rs. 7,75,814/- as more decretal payments materialised at the fag end of the year.

The excess requiring regularisation is Rs. 7,75,814/-, which is the same as disclosed in the Appropriation Accounts.

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

	Rupees
Original Appropriation	8,00,00,000
Supplementary Appropriation	12,96,96,000
Total Sanctioned Appropriation	20,96,96,000
Actual Expenditure	21,28,77,125
Excess	31,81,125
Misclassification	1,02,97,203
Excess requiring regularisation	1,34,78,328
Percentage of Excess	6.43

Charged Appropriation of Rs. 800.00 lakh was obtained at the Budget Estimate Stage. A Supplementary Charged Appropriation of Rs. 1296.96 lakh was sanctioned for additional payments towards satisfaction of court decrees, which proved to be inadequate and the actual expenditure exceeded the provision as more decretal payments materialised at the fag end of the year.

There was a net effect of misclassification of Rs. 1,02,97,203/- on account of expenditure relating to Charged Appropriation having been wrongly booked as Voted or *vice-versa*. Thus taking into account this effect, the real excess requiring regularisation works out to Rs. 1,34,78,382/- (*i.e* 6.43% of the total sanctioned provision).

(b) Voted Grants**(i) Grant No. 3—Working Expenses—General Superintendence & Services**

	Rupees
Original Grant	1749,14,50,000
Supplementary Grant	52,54,22,000
Total Sanctioned Grant	1801,68,72,000
Actual Expenditure	1811,33,11,447
Excess	9,64,39,447
Misclassification	-3,64,32,274
Excess requiring regularisation	6,00,07,173
Percentage of Excess	0.33

A Grant of Rs. 1749.14 crore was obtained at the Budget Estimate Stage and a Supplementary Grant of Rs. 52.54 crore was obtained in March' 2005 mainly on account of sanction of higher payment of Dearness Allowance, other staff cost, cost of Computers & Consumables and Other Miscellaneous Factors. The actual expenditure of Rs. 1811.33 crore was Rs. 9.64 crore more than the total sanctioned provision of Rs. 1801.69 crore. There was a net effect of Rs. (–) 3,64,32,274/– on account of misclassification of expenditure. The excess thus worked out to Rs. 6.00 crore.

The excess mainly occurred under the following Minor heads:—

(a) Way & Works Management (500) (Rs. 9.09 crore), mainly on account of more expenditure towards staff cost and office contingencies, (b) Rolling Stock Management (600) (Rs.0.66 crore), mainly towards staff cost and office contingencies, (c) Electrical Management (700) (Rs. 1.10 crore), mainly due to more expenditure towards Salary & Wages and D.A. and also under office contingencies, (d) Signal and Telecommunication Management (800) (Rs. 0.39 crore), mainly towards Pay & Allowance, contingencies and miscellaneous expenses, (e) Traffic Management (900) (Rs. 10.61 crore), mainly due to more expenditure under establishment and contingencies.

The excess was partly offset by savings under the following Minor heads:—

(a) General Management including General Management Service (100) (Rs. 2.00 crore), mainly due to less expenditure towards staff cost, contingencies and legal expenses, (b) Financial Management (200) (Rs. 0.59 crore), mainly towards staff cost due to non filling up of vacancies, (c) Personnel Management (300) (Rs. 6.09 crore), mainly due to non filling up of vacancies, (d) Materials Management (400) (Rs. 3.53 crore), mainly due to less expenditure under staff cost and contingencies.

The excess, therefore, requiring regulation from Parliament works out to Rs. 6,00,07,173/– (*i.e.* 0.33% of the total sanctioned provision).

(ii) Grant No. 4—Working Expenses—Repairs & Maintenance of Permanent Way and Works

	Rupees
Original Grant	32,52,97,94,000
Supplementary Grant	46,73,47,000
Total Sanctioned Grant	3299,71,41,000
Actual Expenditure	3323,36,61,623
Excess	23,65,20,623
Misclassification	-1,01,50,460
Excess requiring regularisation	22,63,70,163
Percentage of Excess	0.69

A Grant of Rs. 3252.98 crore was obtained at the Budget Estimate Stage and a Supplementary Grant of Rs. 46.73 crore was obtained in March' 2005 mainly on account of sanction of higher payment of Dearness Allowance, Other staff cost, cost of Materials, contractual payments etc. The actual expenditure of Rs. 3323.37 crore was Rs. 23.65 crore more than the total sanctioned provision of Rs. 3299.71 crore. There was a net effect of Rs. (-) 1,01,50,460/- on account of misclassification of expenditure. The excess thus worked out to Rs. 22.64 crore.

The excess mainly occurred under the following Minor heads:—

(a) Establishment in Offices (100) (Rs. 16.96 crore), mainly on account of more expenditure towards staff cost due to merger of 50% DA with basic pay (b) Maintenance of Service Buildings (Other than Staff Quarters and Welfare Buildings) (400) Rs. 16.56 crore), mainly towards staff cost, more drawal of stores from stock and more payment towards contractual obligations, (c) Water Supply, Sanitation and Roads (Other than Colonies, Staff Quarters and Welfare Buildings) (500) (Rs. 16.75 crore), mainly due to more expenditure towards Staff cost and more payments under contractual obligations and (d) Other Repairs and Maintenance (600) (Rs. 2.96 crore), mainly towards other expenses and more contractual payments.

The excess was partly offset by savings under the following Minor heads:—

(a) Maintenance of Permanent Way (200) (Rs. 1.31 crore), mainly due to less expenditure towards staff cost, materialisation of less contractual obligations etc., (b) Maintenance of Bridge Works and Tunnels including Road Over/Under Bridges (300) (Rs. 10.67 crore), mainly towards staff cost and less contractual payments and (c) Special Repairs pertaining to Breaches, Accidents etc. including special Revenue Works (700) (Rs. 17.60 crore), mainly due to less drawal of stores from stock, less direct purchases and incurrance of less other miscellaneous expenses.

The excess, therefore, requiring regularisation from Parliament works out to Rs. 22,63,70,163/- (*i.e.* 0.69% of the total sanctioned provision).

(iii) Grant No. 5—Working Expenses—Repairs & Maintenance of Motive Powers

	Rupees
Original Grant	1669,19,65,000
Supplementary Grant	—
Total Sanctioned Grant	1669,19,65,000
Actual Expenditure	1704,58,97,816
Excess	35,39,32,816
Misclassification	-21,65,87,573
Excess requiring regularisation	13,73,45,243
Percentage of Excess	0.82

A Grant of Rs. 1669.20 crore was obtained at the Budget Estimate Stage. The actual expenditure, however, exceeded the total sanctioned provision by Rs. 35.39 crore. There was a net effect of Rs. (-)21,65,87,573/- on account of misclassification of expenditure. The excess thus worked out to Rs. 13.73 crore.

The excess mainly occurred under the following Minor heads:—

(a) Steam Locomotives (200) (Rs. 056 crore), mainly on account of more expenditure towards establishment charges, more drawal of stores from stock and more adjustment of wages and materials on P.O.H. and (b) Diesel Locomotives (300) (Rs. 65.64 crore), mainly due to more adjustment of wages and materials on P.O.H. due to increase in P.O.H. activities.

The excess was partly offset by savings under the following Minor heads:—

(a) Establishment in offices (100) (Rs. 4.63 crore), mainly due to less expenditure towards staff cost due to non filling up of vacancies, (b) electric Locomotives (500) (Rs. 20.97 crore), mainly towards less drawal of materials from stock, less staff cost and less contractual payments etc. and (c) Rail Cars, Ferry Steamers and Other Maintenance Expenses (600) (Rs. 5.21 crore), mainly due to realisation of more credits and incurrence of less expenditure under freight charges etc.,

The excess, therefore, requiring regularisation from Parliament works out to Rs. 13,73,45,243/- (*i.e.* 0.82% of the total sanctioned provision).

(iv) Grant No. 6—Working Expenses—Repairs & Maintenance of Carriages and Wagons

	Rupees
Original Grant	3460,62,34,000
Supplementary Grant	—
Total Sanctioned Grant	3460,62,34,000
Actual Expenditure	3516,58,95,544
Excess	55,96,61,544
Misclassification	-2,03,38,685

Excess requiring regularisation	53,93,22,859
Percentage of Excess	1.56

A Grant of Rs. 3460.62 crore was obtained at the Budget Estimate stage. The actual expenditure, however, exceeded the total sanctioned provision by Rs. 55.97 crore. There was a net effect of Rs.(-) 2,03,38,685/- on account of misclassification of expenditure. The excess thus worked out to Rs. 53.93 crore.

The excess mainly occurred under the following Minor heads:—

(a) Establishment in offices (100) (Rs.10.60 crore), mainly due to more expenditure towards staff cost, (b) Carriages (200) (Rs.59.73 crore), mainly due to more adjustment of wages and materials on P.O.H. and adjustment of more stores debits, (c) Electric Multiple Unit Coaches (400) (Rs. 5.67 crore), mainly towards establishment charges, more drawal of stores from stock, more direct purchases and more adjustment of wages and materials for P.O.H. and (d) Electrical General Services—Train Lighting, Fans and Air-Conditioning (500) (Rs. 2.77 crore), mainly due to more expenditure towards staff cost and more drawal of stores from stock due to increase in repair activities etc.

The excess was partly offset by savings under the following Minor heads:—

(a) Wagons (300) (Rs. 16.50 crore), mainly due to incurrence of less expenditure towards staff cost, less drawal of stores from stock, less direct purchases and less adjustment of wages and materials for P.O.H, (b) Miscellaneous Repairs and Maintenance Expenses (600) (Rs. 1.28 crore), mainly due to more realisation of credits through Stock Adjustment Account, and (c) DMC Coaches (700) (Rs. 5.02 crore), mainly due to less drawal of stores from stock, less direct purchases and less adjustment of wages and materials on P.O.H. etc.

The excess therefore, requiring regularisation from Parliament works out to Rs. 53,93,22,859/- (*i.e.* 1.56% of the total sanctioned provision).

(v) Grant No. 9—Working Expenses—Operating Expenses—Traffic

	Rupees
Original Grant	71,22,01,28,000
Supplementary Grant	—
Total Sanctioned Grant	7122,01,28,000
Actual Expenditure	71,68,65,99,007
Excess	46,64,71,007
Misclassification	1,49,80,306
Excess requiring regularisation	48,14,51,313
Percentage of Excess	0.68

A Grant of Rs. 7122.01 crore was obtained at the Budget Estimate stage. The actual expenditure, however, exceeded the total sanctioned provision by Rs. 46.65 crore.

There was a net effect of Rs. 1,49,80,306/- on account of misclassification of expenditure. The excess thus worked out to Rs. 48.15. crore.

The **excess** mainly occurred under the following Minor heads:—

(a) Station Operations (200) (Rs. 31.49 crore), mainly due to more expenditure towards staff cost due to merger of 50% DA with basic pay, more drawal of stores from stock and more payments towards contractual obligations and (b) Trains Operations (500) (Rs. 44.80 crore), mainly due to more expenditure towards staff cost due to merger of 50% DA with basic pay.

The **excess** was partly offset by **savings** under the following Minor heads:—

(a) Establishment in Offices (100) (Rs.4.24 crore), mainly due to less expenditure under various staff costs and maintenance charges for PRS, (b) Yard Operations (300) (Rs. 11.58 crore), mainly due to less expenditure towards staff cost, (c) Transshipment and Repacking Operations (400) (Rs.0.08 crore), mainly due to incurrence of less expenditure under staff cost, (d) Safety (600) (Rs. 1.65 crore), mainly due to incurrence of less expenditure towards stock and non stock material for safety seminars and publicity expenditure during the year, (e) Other Miscellaneous Expenses (700) (Rs. 12.09 crore), mainly due to less adjustment of leasing charges other than IRFC and incurrence of less expenditure towards terminal charges etc.

The excess, therefore, requiring regularisation from Parliament works out to Rs. 48,14,51,313/-. (*i.e.* 0.68% of the total sanctioned provision).

(vi) Grant No. 10— Working Expenses—Operating Expenses—Fuel

	Rupees
Original Grant	8276,42,74,000
Supplementary Grant	482,64,82,000
Total Sanctioned Grant	8759,07,56,000
Actual Expenditure	8819,4086,886
Excess	60,33,30,886
Misclassification	-12,46,248
Excess requiring regularisation	60,20,84,638
Percentage of Excess	0.69

A Grant of Rs. 8276.43 crore was obtained at the Budget Estimate stage and a Supplementary Grant of Rs. 482.65 crore was obtained in March' 2005 mainly on account of higher staff costs and more expenditure on fuel due to increase in traffic/ prices of fuel under Diesel Traction and Electric Traction. The actual expenditure of Rs. 8819.41 crore was Rs. 60.33 crore more than the total sanctioned provision of Rs. 8759.08 crore. There was a net effect of Rs. (-) 12,46,248/- on account of misclassification of expenditure. The excess thus worked out to Rs. 60.21 crore.

The **excess** mainly occurred under the following Minor heads:—

(a) Steam Traction (100) (Rs. 0.19 crore), mainly due to more expenditure towards contractual payment and (b) Diesel Traction (200) (Rs. 86.74 crore), mainly due to increase in price hike of HSD oil more drawal of stores from stock and more expenditure under sales tax/excise duty on account of increase in consumption during the year.

The **excess** was partly offset by **savings** under the following Minor heads:—

(a) Electric Traction (300) (Rs. 26.60 crore), saving was mainly towards cost of electric energy used for traction services and also due to less adjustment of debits during the year.

The excess, therefore, requiring regularisation from Parliament works out to Rs. 60,20,84,638/-, (*i.e.* 0.69% of the total sanctioned provision).

(vii) Grant No. 11—Working Expenses—Staff Welfare & Amenities

	Rupees
Original Grant	1379,83,85,000
Supplementary Grant	13,86,31,000
Total Sanctioned Grant	1393,70,16,000
Actual Expenditure	1397,52,92,567
Excess	3,82,76,567
Misclassification	3,44,38,385
Excess requiring regularisation	7,27,14,952
Percentage of Excess	0.52

A Grant of Rs. 1379.84 crore was obtained at the Budget Estimate stage and a Supplementary Grant of Rs. 13.86 crore was obtained in March' 2005 mainly on account of higher payment of Dearness Allowance, Cost of Materials and Contractual payments etc. The actual expenditure of Rs. 1397.53 crore was Rs. 3.83 crore more than the total sanctioned provision of Rs. 1393.70 crore. There was a net effect of Rs 3,44,38,385/- on account of misclassification of expenditure. The excess thus worked out to Rs. 7.27 crore.

The **excess** mainly occurred under the following Minor heads:—

(a) Medical Services (200) (Rs. 5.00 crore), mainly due to more expenditure towards purchase of medical equipments in Railway Hospitals and Dispensaries and more reimbursement of medical expenses to Railway employees for referred cases to other hospitals (b) Residential and Welfare Buildings—Repairs and Maintenance (500) (Rs. 19.07 crore), mainly due to more drawal of stores from stock, more materialisation of contractual obligations and more expenditure on establishment charges.

The **excess** was partly offset by **savings** under the following Minor heads:—

(a) Educational facilities (100) (Rs. 11.82 crore), mainly towards staff cost due to non filling up of vacancies and receipt of less claims for reimbursement of tuition fees, (b) Health and Welfare Services (300) (Rs 6.32 crore), mainly due to less expenditure towards staff cost due to non filling up of vacancies, less drawal of

stores from stock and less contractual payments, (c) Canteen and Other Staff Amenities (400) (Rs. 1.78 crore), mainly due to less expenditure towards staff cost and others expenses, (d) Miscellaneous Expenses (600) (Rs. 0.32 crore), mainly due to incurrence of less Miscellaneous expenses and less adjustment of credit, than anticipated.

The excess, therefore, requiring regularisation from Parliament works out to Rs. 7,27,14,952/-. (*i.e.* 0.52% of the total sanctioned provision).

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

	Rupees
Original Grant	10140,00,00,000
Supplementary Grant	1514,30,00,000
Total Sanctioned Grant	11654,30,00,000
Actual (Expenditure) Appropriation	12133,39,54,060
Excess	479,09,54,060
Misclassification	—
Excess requiring regularisation	479,09,54,060
Percentage of Excess	4.11

This Grant deals with appropriation to all Reserve Funds. A Grant of Rs. 10140.00 crore was obtained at the Budget Estimate stage. A Supplementary Grant of Rs. 1514.30 crore was obtained due to higher appropriation being made to Depreciation Reserve Fund, Development Fund, Pension Fund and newly created "MOTP Loan Repayment Reserve Fund". The actual (expenditure) appropriation of Rs. 12133.40 crore having exceeded the total sanctioned provision by Rs. 479.10 crore for the Grant as a whole, which is 4.11% of the total sanctioned provision.

Excess occurred mainly under the following funds:—

(a) **Appropriation to Depreciation Reserve Fund (Rs. 38.00 crore)**, mainly to strengthen the fund balances in view of overall better financial performance of Indian Railways, (b) **Appropriation to Pension Fund (Rs. 130.00 crore)** mainly due to higher appropriation made to the fund in view of increased pension requirements than projected, (c) Appropriation to **Development Fund (Rs. 304.97 crore)**, mainly due to higher appropriation to the fund in view of overall better financial performance of Indian Railways, (d) **Appropriation to Railway Safety Fund (Rs. 132.46 crore)**, the excess represents the unspent balance of Railway's share of the Central Road Fund, which has been transferred in actuals from Development Fund to this Fund at the behest of Audit.

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

(a) **Appropriation to Special Railway Safety Fund (Rs. 78.83 crore)**, mainly due to less appropriation to the fund from Railway Revenue in view of lesser collection of Safety surcharge during the year, (b) **Appropriation to MUTP Loan Repayment Reserve Fund (Rs. 47.50 crore)**, entire budgeted amount remained unutilised due to non

finalisation of accounting heads and as a result the payment to Ministry of Finance has been made directly by the concerned Zonal Railways.

Therefore, the excess of Rs. 479,09,54,060/- requiring regularisation, which is the same as disclosed in the Appropriation Accounts.

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

	Rupees
Original Grant	19875,92,83,000
Supplementary Grant	1738,59,88,000
Total Sanctioned Grant	21614,52,71,000*
Actual Expenditure	23003,61,71,134*
Excess	1389,09,00,134
Misclassification	69,88,03,025
Excess requiring regularisation	1458,97,03,159
Percentage of Excess	6.75%

*(The Sanctioned Budget and Actual Expenditure included Rs. 2975.00 crore which were transferred to Special Railways Safety Fund)

A Grant of Rs. 19875.93 crore was obtained at the Budget Estimate stage, out of which Rs. 2075.00 crore was obtained as a budgetary support from Ministry of Finance for Special Railway Safety Fund. A Supplementary Grant of Rs. 1738.60 crore was obtained during 2004-05, which includes Rs. 900.00 crore as contribution to Special Railway Safety Fund, Rs. 400.00 crore for Udampur-Srinagar-Baramullah New Line project, which is being contributed by Central Government, as dividend free budgetary support 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. 23003.62 crore was Rs. 1389.09 crore more than the sanctioned provision of Rs. 21614.53 crore. There was a net effect of Rs. 69,8803,025/- on account of misclassification of expenditure between Grant No.- 16 Capital and Revenue Grants/Works Grant. The excess thus worked out to Rs. 1458.97 crore.

This **excess** was mainly under the following Plan heads (Minor Heads) due to better progress of works:—

(a) New Lines (Rs. 2.11 crore), (b) Restoration of dismantled Lines (Rs. 11.21 crore), (c) Gauge Conversion (Rs. 270.38 crore), (d) Passenger Amenities (Rs. 0.07 crore) and (g) Stores Suspense (Rs. 1766.89 crore);

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

(a) Doubling (Rs. 39.50 crore), (b) Traffic facilities—Yard Remodelling and Others (Rs. 30.58 crore), (c) Computerisation (Rs. 36.78 crore), (d) Rolling Stock (Rs. 40.07 crore), (e) Bridge Works (Rs. 1.01 crore), (f) Signalling & Telecommunication Works (Rs. 8.07 crore), (g) Electrification project (Rs. 9.80 crore), (h) Other Electrical Works (Rs. 9.13 crore), (i) Workshops incld. Production Units (Rs. 75.49 crore), (j) Staff Quarters (Rs. 15.70 crore), (k) Amenities for Staff Rs. 5.27 crore), (l) Investment in Govt. Commercial Undertakings (Rs. 267.00 crore), (m) Other Specified Works (Rs. 5.36 crore), (n) Manufacturing Suspense (Rs. 27.87 crore), (o) Miscellaneous Advance (Rs. 28.48 crore) and (p) Metropolitan Transport Project (Rs. 61.46 crore).

The excess, therefore requiring regularisation from Parliament works out to Rs. 1458,97,03,159/- (*i.e.* 6.75% of the total sanctioned provision).

2. The Grant-wise 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 excess of Rs. 686.08 crore, consisting 0.82 per cent of the total provision of Rs. 83542.82 crore. It is submitted that every care has been taken (a) to assess the expenditure under various Appropriation/Grants as percisely 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/-
(R. ASHOK)
Addl. Member (Finance)
Railway Board.

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

APPENDIX -V

STATEMENT OF OBSERVATIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry/Department	Observations/recommendations
1	2	3	4
1.	52	Ministry of Finance (Economic Affairs), Defence, Posts, Railways	The Committee find that an expenditure of unprecedented magnitude of Rs. 35978.56 crore has been incurred by various Ministries/Departments of Union Government in excess of the provisions sanctioned under 21 cases of 16 Grants/Appropriations during the year 2004-2005. The Committee are astonished to find that as in the preceding year bulk of the excess expenditure had been recorded under the Appropriation No. 38-Repayment of Debt, operated by the Ministry of Finance, which accounted for over 93 percent of the total excess expenditure incurred during that year. Out of the 21 cases, the excess expenditure in three cases was more than Rs. 100 crore each and in six cases it was more than Rs. 10 crore each, while in case of Appropriation No. 38, alone the excess expenditure was more than Rs. 30,000 crore. The total excess expenditure recorded was more than Rs. 1000 crore during the years 2001-2002 and 2002-2003 (Rs. 1089.54 crore and 2188.12 crore respectively) and it shot up to more than Rs. 30,000 crore during the years 2003-2004 and 2004-2005 (Rs. 43,364,62 crore and Rs. 35978.56 crore respectively). Thus, the Committee are perturbed to point out that the excess expenditure of the Union Government has not only been persistently occurring year after year but also showing a steep increase in the recent years. The situation has indeed been going from bad to worse despite issuance of elaborate instructions at regular intervals by the Ministry of Finance in pursuance of the oft-reiterated recommendations of the Public Accounts Committee to contain the

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			<p>excess expenditure to the barest minimum. In the opinion of the Committee, such gross negligence on the part of different Ministries particularly the Ministry of Finance, speaks volumes about the scant regard being shown by them towards prescribed financial discipline. Needless to say that excess expenditure is 'unauthorised expenditure' betraying lack of financial discipline as this fact ought to be kept in mind by all concerned Ministries/Departments. In view of the persistent trend of incurring of excess expenditure going unchecked, the Committee recommend that the Government should undertake a thorough study of the instances where expenditure had exceeded the budgetary allocations during the last five years in order to find out the precise reasons as to why the existing mechanism for control of expenditure has failed to effectively check the trend of excess expenditure. The Committee should be apprised of the outcome thereof.</p>
2.	53	Ministry of Finance (Economic Affairs), Defence, Posts, Railways	<p>Another disquieting aspect observed by the Committee is that out of 21 cases, the excess expenditure in 18 cases of excess registering Grants/Appropriations had occurred despite obtaining supplementary provisions of Rs. 184385.14 crore, thereby revealing not only the failure of the Ministries/Departments to assess requirement of additional funds but also the inadequacies in the institutional arrangements in the Ministries/Departments in monitoring the flow and trend of expenditure under various Grants/Appropriations. The Committee have repeatedly cautioned the Ministries, in the past, against incurring expenditure not authorized by Parliament. As the trend of incurring excess expenditure despite obtaining supplementary grants continues, the Committee are inclined to conclude estimation of requisite funds at the</p>

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			<p>supplementary grant stage is not properly made. It is, therefore, essential that the Ministries/Departments should keep close watch over the trend of expenditure and when any need for additional funds arises they should assess realistically their requirement of funds in advance and approach Parliament by presenting Supplementary Demands for Grants in time. It is not expected of any Ministry/Department to cross their financial limits after obtaining Supplementary Grants as has happened in many cases. The Committee also recommend that the Ministries should evolve an effective mechanism through which the progress of expenditure is strictly monitored and timely action taken to ensure that expenditure does not overshoot the limit authorized by Parliament.</p>
3.	54	Ministry of Finance (Economic Affairs)	<p>The Committee find from their scrutiny of select cases of excess registering Grants/appropriation that under Appropriation no. 38-Repayment of Debt. the Ministry of Finance had incurred an expenditure of Rs. 33783.55 crore over and above the total sanctioned provision of Rs. 522485.23 crore which included supplementary provisions of Rs. 180365.72 crore obtained in December, 2004 and March, 2005. The excess expenditure under this appropriation is the net effect of total excess of Rs. 105807.41 crore and total savings of Rs. 72023.86 crore under various sub-heads of this appropriation. The Committee note that but for the savings under various sub-heads, the overall excess expenditure under this appropriation would have been much more as an excess of Rs. 100633.82 crore alone had occurred under the sub-head "14 Days Treasury Bills" due to more than anticipated higher investments in 14 Day's Treasury Bills by State Governments. In their explanatory</p>

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note to the Committee, the Ministry of Finance have stated that supplementary provision for lower amount was sought under the aforesaid item in view of expected savings under repayment of "Ways and Means Advances" and "91 Days Treasury Bills". The Committee do not agree with the justification furnished by the Ministry because the excess expenditure of such large magnitude had occurred inspite of a huge amount of Supplementary Grants having been obtained on two occasions in this case. Significantly, the Ministry of Finance had been persistently making appropriations in excess of the budgeted figures under this appropriation for the past two years with the same contributory reasons. Clearly, the Ministry of Finance have not drawn any lessons from their past experience and have once again failed to exercise adequate care in assessing their actual requirement of funds even while obtaining Supplementary Grants on two occasions. The Committee view this situation with grave concern and express their unhappiness over the lackadaisical attitude displayed by the Ministry of Finance while obtaining supplementary appropriations during the year 2004-05. The Committee consider it absolutely necessary that supplementary provisions should be obtained with more precision and the Ministry of Finance, being the nodal Ministry, should not be allowed to make indiscriminate use of this mechanism. They should frame their Budget estimates more accurately and should resort to Supplementary Demands on a single occasion only, after a close scrutiny to ensure that they are realistic and meaningful. The Committee believe that better coordination with the Reserve Bank of India is also called for in this regard.

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4.	55	Ministry of Finance (Economic Affairs)	<p>While expressing their displeasure over the manner in which this particular appropriation was handled by the Ministry of Finance, the Committee in Para 71 of their 21st Report (13th Lok Sabha) had felt that major portion of this excess expenditure could and should have been anticipated by the Ministry and provisions thereof provided in the revised estimates, if not done earlier, and had hoped that there would not be any recurrence of excess expenditure of such huge amounts under this appropriation. While taking a serious view of the continuing excess expenditure under this head due to unrealistic budgetary projections, the Committee now would like the Ministry of Finance to critically examine and analyse the reasons for the recurring phenomenon of excess expenditure of this nature and take corrective measures so that violations of budgetary ceilings of this nature are avoided in future.</p> <p>From the scrutiny of Appropriation Accounts (Civil) for the year 2001-02 to 2004-05, the Committee observe that for the past four years, the Ministry of Finance repeatedly incurred excess expenditure under various Grants/Appropriations operated by them such as No. 25—Payments to Financial Institutions and 26—Interest Payments during the year 2001-02, No. 29—Interest payments and 30—Transfers to State and Union Territory Governments during 2002-03, No. 37—Repayment of Debt and 39—Pensions during the year 2003-04 and No. 38—Repayment of debt during 2004-05. Further, excess expenditure under Appropriation No. 38—Repayment of Debt was more than Rs. 30,000 during the years 2003-04 and 2004-05. The Committee are constrained to record their displeasure over the persistent tendency on the part of the Ministry of Finance to exceed</p>

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			<p>their budgetary ceilings year after year. Such a casual approach by the Ministry of Finance, which is supposed to be model for other Ministries/Departments to emulate in the matter of framing not only the original budget estimates but also revised budget estimates could have been avoided.</p> <p>In this regard, the Ministry of Finance are stated to have drawn the attention of RBI through a letter dated 26th July, 2005, about the adverse comments made by C&AG in respect of persistent excess expenditure under Appropriation No. 29—Interest Payments and Appropriation No. 32—Repayment of Debt. Also, the need for providing accurate inputs for the Ministry by RBI has been emphasised to ensure that the expenditure is contained within the sanctioned estimates. The Committee are inclined to conclude that the RBI has not been able to adhere to the stipulated schedule/calendar with regard to management of internal debt during the year in question <i>i.e.</i> 2004-05 as in the previous years. At the same time, the role of Ministry of Finance itself, in advising RBI about its own requirements and decisions to retire public debt, may have vitiated the calendar of RBI. Therefore, the Ministry of Finance ought to go beyond issuing routine communications and should instead seek a factual Report from RBI for the precise reasons in respect of inaccurate inputs/estimations furnished by them to the Ministry for repayments/redemptions of internal debt and interest payments and the corrective measures being taken/to be taken by the RBI. The Ministry of Finance may impress upon RBI to have concurrent internal checks over discharge of internal debt/interest payments and proper reconciliation of accounts with CCA (Finance) to minimize/avoid under/over provisioning of funds.</p>

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5.	56	Defence	<p>The Ministry of Defence incurred an overall excess expenditure to the tune of Rs. 41.99 crore under two Grants namely No. 26—Defence Ordnance Factories and 27—Defence Services—Research and Development. Against the sanctioned provision of Rs. 1018.99 crore under Grant No. 26—Defence Ordnance Factories, the Ministry of Defence incurred expenditure of Rs. 1058.99 crore resulting in an excess of Rs. 40.00 crore. The excess of Rs. 40.00 crore was the net effect of total excess of Rs. 67.07 crore and total savings of Rs. 27.07 crore under various sub-heads of the Grant. The Ministry in their explanatory note have stated that the excess has occurred mainly under the Minor Head-105 (Rs. 2.28 crore) due to higher booking on movement of stores by sea for T-90 tanks than anticipated, under minor-head-106 (Rs. 1.67 crore) the excess was due to more withdrawal from Renewal and Replacement Fund and under minor head 901-904 "Deduct Recoveries" (Rs. 62.97 crore), it was due to shortfall in issues of various items by Ordnance Factories. In the opinion of the Committee, these reasons for excess expenditure clearly indicate lack of proper and timely review of anticipated expenditure and failure to provide for requirement of funds contributing to the excess under this Grant. It is further observed that excess expenditure of Rs. 37.50 crore was incurred during the year 2003-04 as well under this grant in the same minor heads with the same contributory reasons. The Ministry as usual have explained that the Services Head Quarters were requested to ensure the progress of expenditure to the tune of 67% of the budget allocation by December as directed by the Finance Minister in the meeting with Financial Advisers and further, the Inter Department Monitoring Groups were also requested by</p>

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			<p>the Ministry to hold regular meetings on a fortnightly basis during December, 2005 and January 2006 and on weekly basis in February and March, 2006. So as to prevent occurrence of savings/excess under various heads. Considering the reply of the Ministry of Defence as rather routine and due to the persistence of the problem, the Committee desire to be apprised of the follow-up action initiated after these meetings and the concrete measures taken by the Ministry to tighten their financial control over budgeted expenditure. The Committee need hardly emphasise that it is the Ministry's primary responsibility to oversee and monitor the flow of expenditure involving all the offices/units under them, particularly in the "excess-prone" heads so that it does not exceed the budgeted figure substantially.</p>
6.	57	Railways	<p>The Committee note from the Appropriation Accounts of the Ministry of Railways for the year 2004-05 that an expenditure aggregating Rs. 2104.61 crore had been incurred over and above the sanctioned provisions under 15 cases of 10 Grants/Appropriations operated by the Ministry of Railways. After taking into account the effect of misclassification, the actual excess expenditure requiring regularisation worked out to Rs. 2151.99 crore instead of Rs. 2104.61 crore as depicted in the relevant Appropriation Accounts. To utter dismay of the Committee, the amount of excess expenditure under two Grants (Nos. 3 & 11) is more than Rs. One crore, under five Grants (Nos. 4, 5, 6, 9 & 10) is more than Rs. 20 crore, under Grant No. 14 it is more than Rs. 400 crore and under Grant No. 16-Capital, it is more than Rs. one thousand crore. What is still more disturbing is the fact that this excess expenditure had occurred despite obtaining supplementary provisions of Rs. 3875.38 crore in 12 out of 15 cases of excess registering</p>

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7.	58	Railways	<p>Grants/Appropriations. The Committee regret to observe that the Ministry of Railways have failed not only in keeping the required vigil over the trend of expenditure but also in assessing their actual requirement of funds even at the time of seeking supplementary provisions. The Committee take a serious view of this situation and strongly urge the Ministry to exercise greater care in assessing realistically their requirement of funds. Efforts should also be made to keep a close and constant watch over the trend of expenditure with a view to containing the same within the budgetary allocations.</p> <p>The Committee note that "Grant No. 14—Working Expenses—Appropriation to Funds" relating to Railways accounted for an excess of Rs. 479.10 crore. Scrutiny of the explanatory notes revealed that the actual expenditure exceeded the total sanctioned provisions mainly under the four heads <i>viz.</i> "Appropriation to Depreciation Reserve Fund" (Rs. 38.00 crore), "Appropriation to Pension Fund" (Rs. 130.00 crore), "Appropriation to Development Fund" (Rs. 304.97 crore), "Appropriation to Railway Safety Fund" (Rs. 132.46 crore). This excess was partly offset by the savings under two heads <i>viz.</i> "Appropriation to Special Railway Safety Fund" (Rs. 78.83 crore) and "Appropriation to MUTP Loan Repayment Reserve Fund" (Rs. 47.50 crore). What is still worse is the fact that this Grant has been persistently recording excess expenditure of more than Rs. 100 crore from the year 2002-03 onwards. Clearly, the Ministry of Railways have not drawn any lessons from their past experience and off-repeated assurance made by the Railway Administration to the off-repeated criticism by the Committee. This is rather regrettable and indicative of the fact that corrective steps were not taken to check recurrence of such</p>

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8.	59	Railways	<p>types of excess expenditure. Had the Railway administration exercised greater budgetary discipline and kept a closer watch over the expenditure under these vulnerable heads, the Committee are confident that excess could have been avoided to a large extent. The Committee would expect that at least now greater care will be exercised through sharper focus and closer watch over the flow of expenditure under these heads with better anticipation of requirements by making timely additional provisions at least at the revised estimates stage.</p> <p>The Ministry of Railways also incurred an excess expenditure of Rs. 1458.97 crore under Grant No. 16—Assets—Acquisition, Construction and Replacement—Capital (Voted). As in the past, the Ministry have pleaded that the excess was mainly due to better progress of work under the plan heads that is, "New lines" (Rs. 2.11 crore), "Restoration of Dismantled Lines" (Rs. 11.21 crore), "Gauge Conversion" (Rs. 270.38 crore) "Passenger Amenities" (Rs. 0.07 crore) and "Stores Suspense" (Rs. 1766.89 crore). However, the Committee find that the Ministry of Railways had procured supplementary grants of Rs. 1738.60 crore under this 'Grant' and most of the items were of such nature that timely action to obtain additional funds could have been taken at the revised estimate stage/or at supplementary grant stage and excess expenditure clearly avoided. The Committee consider this as another instance of unrealistic assessment of the additional funds on the part of the Ministry of Railways. The huge gap between the estimates and the actuals only reveals the utter failure of the Ministry of Railways to anticipate and plan out expenditure on a systematic basis. The Committee, therefore, desire that the Ministry in future will be careful and cautious both in estimation and in</p>

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			<p>spending so that such variations are avoided as far as practicable. The Ministry of Railways should seize this opportunity to put in place an effective system to monitor the progress of railway works under various categories.</p>
9.	60	Railways	<p>The Committee are perturbed to find that the misclassification of expenditure has become a recurring feature in the case of Indian Railways Appropriation Accounts and a large number of cases of misclassification of expenditure had again occurred during the year 2004-05. During the year under review, there were nine cases of misclassification of expenditure reported under the 15 cases of excess registering Grants/Appropriations. While taking a serious view of the recurring nature of misclassification of expenditure, the Committee in their 21st Report (14th Lok Sabha) had desired 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". Pursuant to the above recommendation, the Ministry of Railways in their Action Taken Note had stated that "the instructions for adhering to accounting procedures, correct interpretation of allocation rules have been again reiterated to all accounting units. Action against staff responsible for misclassification is being regularly taken". The Ministry had hoped that with the above measures and with increasing computerization of accounting systems, the incidence of misclassification will come down. However, the recurring incidence of misclassification of expenditure in Railways only seems to suggest that the measures taken by the Ministry so far in this regard have proved to be inadequate. The Committee, while expressing their dissatisfaction and concern</p>

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			<p>over such misclassifications and erroneous reconciliation of expenditure figures, desire that procedures should be streamlined and timely action taken to reconcile the expenditure figures.</p> <p>The Committee note with concern that the phenomenon of excess expenditure by Government over voted grants and charged appropriations is persisting without any sign of abatement. As the amount of such expenditure is very huge, this cannot be considered as a mere technical or procedural irregularity on the part of the Government. It is a serious issue warranting immediate attention and prompt action by the Government. Even though, the Government has taken some remedial measures to improve the situation, the Committee cannot but conclude that systemic flaws as well as human laxity have continued to contribute to this malaise. The Government should therefore look into the matter afresh and initiate credible action that will yield visible results in the forthcoming years for better planning and performance on the expenditure side.</p>
10.	61	Ministry of Finance (Economic Affairs), Defence, Posts, Railways	<p>Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in paragraph-13 of this Report be regularised in the manner prescribed in Article 115(1) (b) of the Constitution of India.</p>

PART II

MINUTES OF THE SEVENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2006-2007) HELD ON 17TH AUGUST, 2006

The Committee sat from 1600 hrs. to 1630 hrs. on 17th August, 2006 in Room No. "51" (Chairman's Chamber), Parliament House, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

2. Shri Khagen Das
3. Shri P. S. Gadhavi
4. Shri Raghunath Jha
5. Shri Bhartruhari Mahtab
6. Shri Brajesh Pathak
7. Prof. M. Ramdass
8. Shri Mohan Singh
9. Shri Rajiv Ranjan 'Lalan' Singh
10. Shri Kharabela Swain
11. Shri K. V. Thangka Balu

Rajya Sabha

12. Shri V. Narayanasamy
13. Shri Prasanta Chatterjee
14. Dr. K. Malaisamy
15. Shri Ravula Chandra Sekar Reddy

SECRETARIAT

1. Shri A. Mukhopadhyay — *Joint Secretary*
2. Shri Ashok Sarin — *Director*
3. Shri M.K. Madhusudhan — *Under Secretary*

Officers of the office of the Comptroller and Auditor General of India

1. Shri R. K. Ghose — *Accountant General (Audit)*
2. Shri A.N. Chatterjee — *Director General (Reports Central)*

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee. The Committee then took up for consideration the following draft Reports and adopted the same with minor modifications:

- (i) Draft Original Report on "Excesses over Voted Grants and Charged Appropriations (2004-2005)", and
- (ii) Draft Report on Action Taken on the recommendations contained in the 10th Report of PAC (14th Lok Sabha) relating to "Excesses over Voted Grants and Charged Appropriations (2002-2003)".

3. The Committee authorised the Chairman to finalise these Reports in the light of verbal and consequential changes arising out of factual verification by Audit or otherwise and to present the same to Parliament.

4. The Committee decided to hold their next sitting on 5th and 6th September, 2006. They also decided to undertake an on-the-spot study visit to Jaipur, Udaipur and Mumbai from 16 to 22 September, 2006.

The Committee then adjourned.