

**EXCESSES OVER VOTED GRANTS AND  
CHARGED APPROPRIATIONS  
(1999-2000)**

**PUBLIC ACCOUNTS COMMITTEE  
2004 - 2005**

**FOURTH REPORT  
FOURTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

FOURTH REPORT

PUBLIC ACCOUNTS COMMITTEE  
(2004-2005)

(FOURTEENTH LOK SABHA)

EXCESSES OVER VOTED GRANTS AND  
CHARGED APPROPRIATIONS  
(1999-2000)

*[Action Taken on 30th Report of Public Accounts Committee (13th Lok Sabha)]*



*Presented to Lok Sabha on \_\_\_\_\_  
Laid in Rajya Sabha on \_\_\_\_\_*

LOK SABHA SECRETARIAT  
NEW DELHI

*December, 2004/ Agrahayana, 1926 (Saka)*

**PAC No. 1755**

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2004-2005)

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

*Lok Sabha*

2. Vacant\*
3. Shri Ramesh Bais
4. Shri Khagen Das
5. Dr. M. Jagannath
6. Shri Raghunath Jha
7. Shri Ashok Kumar Rawat
8. Shri Magunta Sreenivasulu Reddy
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22. Prof. R.B.S. Varma

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Shri S.K. Sharma — *Joint Secretary*
3. Shri Ashok Sarin — *Director*
4. Smt. Anita B. Panda — *Under Secretary*

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\*Shri A.R. Antulay, MP has resigned from the membership of the Committee *w.e.f.* 27th August, 2004.

## INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present this Report on their behalf, do present the Fourth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 30th Report (13th Lok Sabha) on “Excesses Over Voted Grants and Charged Appropriations (1999-2000).”

2. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 13th October, 2004. Minutes of the sittings 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* to the Report.

4. 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;  
27 October, 2004  
5 Kartika, 1926 (*Saka*)

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

## CHAPTER I

### REPORT

This Report of the Committee deals with the action taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Thirtieth Report (13th Lok Sabha) on “Excesses over Voted Grants and Charged Appropriations (1999-2000).”

1.2 The Thirtieth Report (13th Lok Sabha) which was presented to Lok Sabha on 21st March, 2002 contained eleven Observations/Recommendations. The Action Taken Notes on all the Observations/Recommendations have been received from the concerned Ministries/Departments and are categorized as under:—

- (i) Observations/Recommendations that have been accepted by Government;  
Paragraph Nos. 7.1.1, 7.1.2, 7.2.1, 7.2.2, 7.2.3, 7.3.2, 7.3.3, 7.3.4 & 7.4.1
- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from Government:  
Paragraph Nos. 7.1.3 & 7.3.1
- (iii) Observations/Recommendations replies to which have not been accepted by the Committee and which require reiteration:

-NIL-

- (iv) Observations/Recommendations in respect of which Government have furnished interim replies:

-NIL-

1.3 The Committee will now deal with the action taken by the Government on some of the Observations/Recommendations made by the Committee in their Original Report, which need reiteration or merit comments.

#### **Need to undertake vigorous monitoring of outflow of funds Recommendations (Para Nos. 7.1.2, 7.1.3, 7.2.1 & 7.2.3)**

1.4 An analysis for excess expenditure during 1999-2000 as disclosed in relevant Appropriation Accounts for that year, revealed cases of (i) persistent aggregate excess expenditure incurred by various Ministries/Departments over the Voted Grants and Charged Appropriations during the last five years, (ii) excess expenditure despite obtaining supplementary Grants/Appropriations, (iii) recurring excess expenditure in Civil Ministries/Departments; and (iv) erroneous surrender of funds and some prominent cases of excess expenditure. In the aforesaid paragraphs the Committee had pointed out that this clearly indicated once again, defective estimation of requirement of funds, lack of proper and timely

review and monitoring of funds which were the main contributory factors for the expenditure exceeding the amount sanctioned by Parliament. Accordingly, the Committee had *inter-alia* recommended the concerned Ministries/Departments to undertake vigorous monitoring of outflow of funds even at the fag end of the financial year and to make sustained efforts for effective budgetary control to achieve better results in the succeeding years.

1.5 In their reply, the Ministry of Finance [Department of Economic Affairs (Budget Division)] have stated as follows:—

“The Recommendations of the Committee made in paragraphs 7.1.1, 7.1.2., 7.1.3 and 7.2.3 above, with regard to the proper assessment of the expenditure to be incurred as also strict monitoring and control over the expenditure authorised by the Parliament so as to avoid expenditure in excess of the sanctioned Grants/Appropriations, have been noted for guidance and compliance. Instructions have also been issued to all the Ministries/Departments for keeping a strict watch over flow of expenditure so that the expenditure does not exceed the amount of Grants/Appropriations authorised by the Parliament. Ministries and Departments have also been advised to meticulously scrutinise the proposals for the Supplementary Demand for Grants so that the amount of Supplementary Grant neither falls short of the actual requirement necessitating excess expenditure nor the amount is drawn in excess of the requirement resulting finally in surrender of funds.”

**1.6 In their Original Report, while examining the cases of excess expenditure of Rs. 57.36 crore incurred by various Ministries/Departments during the year 1999-2000, the Committee had observed that once again sheer lack of farsightedness on the part of the concerned Ministries/Departments to anticipate their actual requirement of funds at the budget formulation stage or even at the stage of Supplementary Demands, lack of proper and timely review and monitoring of funds had contributed to most of the excesses. While apprehending continuation of the tendency of incurring excess expenditure the Committee had recommended the concerned Ministries/Departments to undertake vigorous monitoring of outflow of funds even at the fag end of the financial year and to make sustained efforts for effective budgetary control to achieve better results in the succeeding years. From the Action Taken Notes furnished by the Ministry of Finance (Department of Economic Affairs-Budget Division), the Committee find that the Ministry have not initiated any concrete measures in this regard except issuing routine instructions emphasising the Ministries/Departments to keep a strict watch over the expenditure to be incurred so that it does not exceed the amount of Grants/Appropriations authorised by the Parliament. The Committee feel that such instructions have not yielded the desired results and therefore, an effective monitoring mechanism should be put in place in the Ministry of Finance [Deptt. of Economic Affairs (Budget Division)] which should ensure that a proper check is exercised on the flow of expenditure under every Grant/Appropriation of all the Ministries/Departments.**



**Excess expenditure under Grants/Appropriations operated by Ministry of Railways  
(Railway Board)  
Recommendations (Para Nos. 7.3.1 & 7.3.3)**

1.7 While taking note of the fact that the actual expenditure under the Grants/Appropriations administered by the Ministry of Railways exceeded the sanctioned provision by Rs. 56.79 crore in three Grants (Nos. 2, 6 & 10) and five Appropriations (Nos. 3, 4, 6, 7 & 9) constituting about 99% of the total excess expenditure incurred during 1999-2000, the Committee in paragraph 7.3.1 of their original Report had desired the Ministry of Railways to evolve an effective mechanism to bring continual and progressive systematic improvement in accurate estimation of budget requirements under various Grants/Appropriations and take necessary steps to eliminate the possibility of excess expenditure.

1.8 In paragraph 7.3.3 the Committee had adversely commented upon the recurring phenomenon of excess expenditure during the years 1997-98 and 1999-2000 in respect of "Appropriation No. 3—General Superintendence and Services", "Appropriation No. 4 — Operating Expenses - Traffic". It was also observed by the Committee that there was progressive increase in the excess expenditure under Appropriation Nos. 3 and 4 during the past three years. On the other hand, there was erroneous surrender of funds to the tune of Rs. 122.86 lakh and Rs. 774.16 lakh under Grant Nos. 2 and 6 while there had already been excess expenditure of Rs. 94.05 lakh and Rs. 210.99 lakh respectively under these Grants. The Committee had, therefore, recommended the Ministry of Railways to carefully examine their existing system of preparation of Budget Estimates and also the system of monitoring with a view to replacing the same by new mechanism, pragmatic enough to ensure not only preparation of realistic and meaningful Budget but also timely initiation of corrective steps in case of aberrations during the Financial Year.

1.9 In their Action Taken Note, the Ministry of Railways have stated that the Railways have a well set mechanism of monitoring and control and the present mechanism and procedures have no inherent defects. However, to strengthen the system, the Ministry have circulated the Committee's observations to the Railways.

1.10 In this connection, it is pertinent to note that the scrutiny of Appropriation Accounts (Railways) for the next two subsequent years *i.e.* 2000-2001 and 2001-02 has revealed that the excess expenditure which witnessed significant decline during the year 2000-2001 (Rs. 0.14 crore) again showed sharp increase in excess expenditure as well as the number of excess registering grants/appropriations during the year 2001-2002 (Rs. 210.71 crore).

**1.11 The Committee note with concern that inspite of repeated exhortations by them, proper accounting and control of expenditure in the Ministry of Railways has not improved with the result that excess over authorised provisions continues to occur year after year. In their Original Report the Committee had observed that Ministry of Railways exceeded the sanctioned provision by Rs. 56.79 crore in three Grants (Nos. 2, 6 & 10) and five Appropriations (Nos. 3, 4, 6, 7 & 9) during the year 1999-2000. They had also observed that Appropriation Nos. 3, 4 and 9 incurred the**

excess expenditure during the years 1997-98 and 1999-2000 and there was erroneous surrender of funds under grant Nos. 2 & 6 while there had already been excess expenditure under these grants. Expressing their unhappiness over the same, the Committee wanted the Ministry of Railways to carefully examine their existing system of preparation of Budget Estimates and also the system of monitoring with a view to replacing the same by new mechanism. The Committee are not satisfied with the contention of the Ministry of Railways that they have a well set mechanism of monitoring and control which has no inherent defects. This assertion of the Railways does not sound convincing as there was another instance of sharp increase in the excess expenditure as well as in the excess registering Grants/Appropriations during the year 2001-02. The Committee would, therefore, desire that the Ministry of Railways should undertake a thorough review of their existing system of monitoring and identify the weaknesses in their accounting information and exchequer control system and plugging lacunae therein to ensure that their expenditure does not over-shoot its limits. The Committee would like to be apprised of the results of these efforts.

**Excess expenditure under Grant No. 10 — “Operating Expenses Fuel” operated by Ministry of Railways  
Recommendation (Para No. 7.3.2)**

1.12 The Committee, in their Original Report, had observed that out of the excess expenditure of Rs. 56.79 crore incurred by the Ministry of Railways during 1999-2000, Grant No. 10— “Operating Expenses - fuel” alone accounted for an excess expenditure of Rs. 54.87 crore. In response to an earlier recommendation made by the Committee in their 6th Report (13th Lok Sabha) commenting on the excess expenditure under the same Grant during 1997-98, the Ministry of Railways had informed the Committee that the implementation of a new computer-based Financial Management Information System (FMIS) on different Zonal Railways was expected to enable them to improve the assessment of fund requirements more realistically. On examination of excess expenditure during the year 1999-2000, the Committee had observed that implementation of new computer based FMIS have had hardly any effect in improving the budgetary procedures and control in the Ministry. The Committee had, therefore, in para 7.3.2 of their 30th Report desired that the existing procedures should be thoroughly re-examined and suitably revised on an urgent footing, so as to eliminate the recurring excess under this Grant.

1.13 In their action taken note, the Ministry of Railways have stated that FMIS is still under the evolving stages and its fruitfulness in assessment, monitoring and expenditure control can be evaluated only after it is fully implemented.

**1.14 Taking a serious view of the recurring expenditure under Grant No. 10— Operating Expenses-Fuel the Committee had in para 7.3.2 of their 30th Report (13th Lok Sabha) desired the Ministry of Railways to thoroughly re-examine and suitably revise the existing procedures on an urgent footing so as to eliminate the recurring excess under this Grant. The Committee note that in response to an earlier recommendation on the same issue made by them in their 6th Report (13th Lok Sabha), the Ministry of Railways had informed the Committee that implementation of a new**

**Computer based Financial Management Information System (FMIS) on different Zonal Railways was expected to enable them to improve the position of assessment of fund requirements more realistically. However, the Ministry of Railways have now stated that FMIS is still under the evolving stages and its usefulness in assessment, monitoring and expenditure control can be evaluated only after it is fully implemented. The Committee are constrained to point out that even though a period of over four years has elapsed since the presentation of the Sixth Report (13th Lok Sabha) i.e. on 27.04.2000, the implementation of FMIS on different Zonal Railways is still at the nascent stage. The Committee is quite unhappy about the slow pace of completion of the FMIS and desire that the Ministry of Railways should expedite implementation of the FMIS so that the assessment of requirement of funds and monitoring of expenditure is streamlined and excess expenditure is avoided in other Grants/Appropriations operated by them. The Committee would also like to be informed of the approximate period by which FMIS would be fully implemented in Railways.**

## CHAPTER II

### OBSERVATIONS/RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation

The Committee are pleased to note that excess expenditure of Rs. 57.36 crore was incurred during 1999-2000 as compared to Rs. 12758.63 crore in 1998-99, Rs. 530.41 crore in 1997-98 and Rs. 706.72 crore in 1996-97. The Committee also view with some relief that the number of excess registering Grants/Appropriations has also come down from 55 in 1998-99 to 11 in 1999-2000 and that the "Postal Services" and "Telecommunication Services" have not registered any excess expenditure under the Grants/Appropriations operated by them during 1999-2000. While complimenting the Ministries and Departments for their endeavour to substantially arrest, and in some cases totally eliminate the growing tendency of excess expenditure, the Committee are optimistic that with effective monitoring of the flow of expenditure the Government would completely wipe out the practice of incurring excess expenditure rendering it a relic of the past.

[Sl. No. 1, Paragraph 7.1.1 Appendix V of Thirtieth Report of PAC (13th Lok Sabha)]

The Committee's scrutiny has revealed that Grants/Appropriations numbering two in Appropriation Accounts (Civil), one in Appropriations Accounts (Defence Services) and eight in Appropriations Accounts (Railways) have registered excess expenditure of Rs. 58.80 crore during the year 1999-2000 which after taking into account the amount of misclassification of expenditure by Railways to the tune of Rs. (+) 0.25 crore and Rs. (-) 1.69 crore actually works out to Rs. 57.36 crore under all the 11 excess registering Grants/Appropriations. Distressingly, the bulk of the excess expenditures was recorded under the Grants/Appropriations operated by the Ministry of Railways which accounted for about 99% of the total excess expenditure incurred during 1999-2000. What has caused serious concern to the Committee is the fact that out of total excess expenditure of Rs. 58.23 crore in 1999-2000 by the Railways excess expenditure of Rs. 54.87 crore was incurred under a lone Grant *viz.*, "Grant No. 10—Operating Expenses - Fuel". The Committee would like to caution the Ministries specially the Railways that excess expenditure is 'unauthorised expenditure' and it betrays lack of financial discipline on the part of defaulter Ministry. The only contingency in which such expenditure is understandable is when a need for unavoidable expenditure had arisen suddenly which could not have been anticipated or foreseen and there was no time left for the Ministry to approach Parliament for a Supplementary Grant/Appropriation. The Committee would like the Ministry of Railways to undertake vigorous monitoring to outflow of funds under various Grants/Appropriations so that the chances of incurrance of excess expenditure are eliminated altogether in near future.

[Sl. No. 2, Paragraph 7.1.2 Appendix V of Thirtieth Report of PAC (13th Lok Sabha)]

Yet another disquieting aspect, noticed by the Committee during their examination of Appropriation Accounts (Civil) is that excess expenditure under Civil Ministries has been a recurring phenomenon. Amazingly, the Committee have found that from 1992-93 onward the improvement shown in one year has deteriorated in the subsequent year as is evident from the fact the excess of Rs. 6.72 crore in 1993-1994 gone up to Rs.47.05 crore in 1994-95. Similarly, excess of Rs. 8.44 crore in 1995-96 had gone up to Rs. 67.79 crore in 1996-97 and from Rs. 13.66 crore in 1997-98 to Rs. 11112.77 crore in 1999-2000. Apprehending continuation of such a tendency, the Committee recommend that sustained efforts for effective budgetary control should be made to achieve better results in the succeeding years.

[Sl. No. 6, Paragraph 7.2.3 Appendix V of Thirtieth Report of PAC (13th Lok Sabha)]

#### **Action Taken by the Ministry of Finance (Deptt. of Economic Affairs)**

The recommendations of the Committee made in paragraphs 7.1.1, 7.1.2, 7.2.3 and 7.2.3 above, with regard to the proper assessment of the expenditure to be incurred as also strict monitoring and control over the expenditure authorised by the Parliament so as to avoid expenditure in excess of the sanctioned Grants/Appropriations, have been noted for guidance and compliance. Instructions have also been issued to all the Ministries/Departments for keeping a strict watch over flow of expenditure so that the expenditure does not exceed the amount of Grants/Appropriations authorised by the Parliament. Ministries and Departments have also been advised to meticulously scrutinise the proposals for the Supplementary Demands for Grants so that the amount of Supplementary Grant neither falls short of the actual requirement necessitating excess expenditure nor the amount is drawn in excess of the requirement resulting finally in surrender of funds. A copy of the instructions dated 26th August, 2002 issued to all Financial Advisers is enclosed herewith for reference.

The note has been vetted by the Audit *vide* their U.O. No. DGACR/RR/1-26/2002-03/533 dated 11th November 2002.

[Ministry of Finance and Company Affairs, Department of Economic Affairs  
(Budget Division) U.O. No. 4(10)-B (SD)/2002 dated 15.11.2002]

#### **Recommendation**

The Committee are pleased to note that excess expenditure of Rs. 57.36 crore was incurred during 1999-2000 as compared to Rs. 12758.63 crore in 1998-99, Rs. 530.41 crore in 1997-98 and Rs. 706.72 crore in 1996-97. The Committee also view with some relief that the number of excess registering Grants/Appropriations has also come down from 55 in 1998-99 to 11 in 1999-2000 and that the "Postal Services" and "Telecommunication Services" have not registered any excess expenditure under the Grants/Appropriations operated by them during 1999-2000. While complementing the Ministries and Departments for their endeavour to substantially arrest, and in some cases totally eliminate the growing tendency of excess expenditure, the Committee are optimistic that with effective

monitoring of the flow of expenditure the Government would completely wipe out the practice of incurring excess expenditure rendering it a relic of the past.

[Sl. No. 1, Para 7.1.1 Appendix-V, 30th Report of PAC (13th Lok Sabha)]

#### **Recommendation**

Yet another disquieting aspect noticed by the Committee during their examination of Appropriation Accounts (Civil) is that excess expenditure under Civil Ministries has been a recurring phenomenon. Amazingly, the Committee have found that from 1992-93 onward the improvement shown in one year has deteriorated in the subsequent year as is evident from the fact that the excess of Rs. 6.72 crore in 1993-94 gone up to Rs. 47.05 crore in 1994-95. Similarly, excess of Rs. 8.44 crore in 1995-96 had gone up to Rs. 67.79 crore in 1996-97 and from Rs. 13.66 crore in 1997-98 to Rs. 1112.77 crore in 1998-99. Apprehending continuation of such a tendency, the Committee recommend that sustained efforts for effective budgetary control should be made to achieve better results in the succeeding years.

[Sl. No. 6, Para 7.2.3 Appendix-V, 30th Report of PAC (13th Lok Sabha)]

#### **Action Taken by the Ministry of Finance (Deptt. of Expenditure)**

While there are adequate provisions prescribed under Rules 65 and 66 of the General Financial Rules along with various Government of India decisions thereunder providing for effective monitoring and control of expenditure with a view, *inter-alia*, to avoiding cases of excess over charged/voted appropriations, as also the provisions contained in Rule 71 providing that no expenditure to be incurred in excess of sanctioned grant or appropriation, instructions have further been issued by this Department in the recent past keeping in view the recommendations of the Public Accounts Committee on a similar issue, especially, Para 48 of the First Report (12th Lok Sabha) and Para 9 of their Eighth Report (13th Lok Sabha), providing for an effective mechanism to be followed by Controlling Officers/Chief Controller of Accounts/Principal Chief Controller of Accounts as also the concerned Financial Advisors to keep periodical checks on flow of expenditure to avoid cases of excess. These instructions have been issued recently and, it is expected that the cases of excess would be avoided by following these instructions scrupulously. Accordingly, all the Ministries/Departments have again been advised to keep in view the instant recommendations of the Public Accounts Committee to effectively monitor the flow of expenditure and make sustained efforts for effective budgetary control so as to avoid occurrence of excesses in future. A copy of the orders issued by this Department in this regard No. 12(1)/E. Coord./2002 dated 27.9.2002 is enclosed.

This has been vetted by Audit *vide* their U.O. Note No. RR/1-2/2002-03/S/3 dated 17.9.2002

[Ministry of Finance Department of Expenditure E. Coord. Branch U.O. No. 12(1)/E. Coord./2002 dated 10-10-2002]

No. 12(1)/E. Coord./2002  
GOVERNMENT OF INDIA  
DEPARTMENT OF EXPENDITURE  
MINISTRY OF FINANCE

New Delhi, the 27th September, 2002

OFFICE MEMORANDUM

SUBJECT: *Effective monitoring of the flow of expenditure and effective budgetary Control to avoid excess over voted grants/charged appropriations—30th Report of the Public Accounts Committee (13th Lok Sabha).*

The undersigned is directed to invite attention to the recommendations made by the Public Accounts Committee in Paras 7.1.1 and 7.2.3 of their 30th Report (13th Lok Sabha) regarding excesses over voted grants and charged appropriations (1999-2000) and to say that taking adverse note of occurrence of excess over voted grants/charged appropriations, the Committee has recommended for an effective monitoring of the flow of expenditure as also for sustained efforts for effective budgetary control to wipe out the excesses of such cases.

2. In this connection, attention is invited to the provisions contained in Rules 65 & 66 of the General Financial Rules along with the Government of India decisions thereunder providing for a detailed procedure for effective monitoring and control of expenditure as also to the provisions contained in the D.O. letter no. 12(1)/E.Coord./99 dated 17.2.2002 from Secretary (E) addressed to all Secretaries to the Government of India and to the Ministry of Finance, Department of Expenditure's O.M. No. 12(3)/E/Coord/2000 dated 13.8.2001, where instructions have been issued to put in place an effective mechanism for exercising monthly review of flow of expenditure so as to avoid cases of excess. These instructions would, no doubt, have been followed and effective steps taken for control of expenditure. If the steps envisaged therein are followed, there should be no occasion for excess expenditure.

3. All the Ministries/Departments are, therefore, advised to follow the instructions mentioned above and to ensure that no case of excess takes place in respect of any of the grants under their control.

(USHA MATHUR)

Joint Secretary to the Government of India

1. All the Ministries/Departments as per the standard mailing list.
2. All Secretaries to the Government of India.
3. All Financial Advisers.

**Recommendation**

The Committee are pleased to note that excess expenditure of Rs. 57.36 crore was incurred during 1999-2000 as compared to Rs. 12758.63 crore in 1998-99, Rs. 530.41 crore in 1997-98 and Rs. 706.72 crore in 1996-97. The Committee also view with some relief that the number of excess registering Grants/Appropriations has also come down from 55 in 1998-99 to 11 in 1999-2000 and that the "Postal Services" and "Telecommunication Services" have not registered any excess expenditure under the Grants/Appropriations operated by them during 1999-2000. While complimenting the Ministries and Departments for their endeavour to substantially arrest, and in some cases totally eliminate the growing tendency of excess expenditure, the Committee are optimistic that with effective monitoring of the flow of expenditure the Government would completely wipe out the practice of incurring excess expenditure rendering it a relic of the past.

[Sl. No. 1 of Appendix-V, Para 7.1.1 of 30th Report of PAC 2001-2002  
(13th Lok Sabha)]

**Action Taken by the Ministry of Defence**

In order to avoid recurrence of any excess in future, the observations contained in Paras-45 & 46 of the 6th report of PAC(13th Lok Sabha), have been circulated to all the estimating authorities for strict compliance *vide* MOD(Fin) I D No. 10(5)/Bud-I/2000 dated 20.11.2000 (copy enclosed).

[Ministry of Defence, File No. 10(1)/B-I/2002 dated 03-7-2002]



**MINISTRY OF DEFENCE (FINANCE)**  
**(BUDGET -I)**

SUBJECT: *Action taken on the recommendations contained in Paras-45 & 46 of the 6th Report of PAC (13th Lok Sabha) Explanatory notes on Excess expenditure—regarding.*

A Copy each of Ministry of Finance (Deptt. of Expenditure) DO. No. 12(2)/E.Coord./2000 dt. 2/11/2000 from Secretary (Expenditure) to the Defence Secretary and Ministry of Finance (Deptt. of Expenditure) O.M No. 1/6/2000-MC dt. 11.10.2000, on the above subject, forwarding the recommendations contained in Paras-45 & 46 of the 6th Report of the PAC (13th Lok Sabha) are enclosed.

2. It has been intimated in the above said DO that the excess expenditure is “unauthorised” expenditure and the authority administering a grant/appropriation would be held personally responsible for the control of expenditure against the sanctioned provisions in terms of the various instructions issued by Department of Expenditure from time to time. Further, the explanatory notes on excess expenditure, wherever incurred during the year 2000-01 and onwards, should invariably be furnished to the Committee giving explicit details of the circumstances which led to overall excess indicating specific action taken to obtain additional funds or an advance from the Contingency Fund wherever the existing provisions were not found sufficient. It has also been mentioned that steps should be taken to deal sternly with cases where any slackness is noticed and action should also be taken to fix responsibility in case of default in observance of prescribed financial rules.

3. In this connection attention is also invited to MoD(Fin.) ID. No. 10(3)/B-I/2000 dated 22-3-2000 under which the latest instructions issued by Ministry of Finance, Deptt. of Expenditure *vide* their OM. No. 12(1)E-Coord/99 dated 17-2-2000 on this subject were circulated to all concerned.

3. It is requested that the above mentioned recommendations contained in Paras 45 & 46 of the 6th Report of PAC (13th Lok Sabha) may be communicated to all concerned for information/strict compliance.

Sd  
(A.K. Chopra)  
Addl. FA(A)

All Joint Secretaries/All Addl. FAs/IFAs.  
Addl. DGFP Army Hqrs., DNP Naval Hqrs., D Fin P. Air Hqrs. DGNCC, CCR & D (R),  
Dte of Std., ATVP, DGAQA, DGQA, DGOF-Calcutta, DG Mily Farms

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MoD (Fin) ID No. 10(5)/B-I/2000 dated 20-11-2000.

Copy to : AS(M), AS(P), AS (DP&S)

Copy also to CGDA: for information and compliance.

C.M. VASUDEV

D.O.No. 12(2)/E.Coord./2000

सचिव

व्यय विभाग

वित्त मंत्रालय

भारत सरकार

SECRETARY

DEPARTMENT OF EXPENDITURE

MINISTRY OF FINANCE

GOVERNMENT OF INDIA

नई दिल्ली/NEW DELHI

Tel. : 3012929

3011003

Fax. : 3017546

2.11.2000

**FACDS**

Dear Shri Prasad,

I am writing this in the context of the recommendations of the Public Accounts Committee contained in Para 45 of their 6th Report (13th Lok Sabha) relating to excess over voted grants and charged appropriations (1997-98).

2. In the past, a number of instructions have been issued by the Ministry of Finance in the context of the previous recommendations of the PAC regarding the need to avoid excess expenditure. In this connection, you may like to refer to my previous letter of 17.2.2000 issued in the context of the recommendations of the PAC in Para 48 of their First Report (12th Lok Sabha).

3. It is seen that inspite of the repeated instructions from this Department and the financial instructions contained in the General Financial Rules, the instances of excess expenditure has remained unabated.

4. I, therefore, take this opportunity to draw your personal attention to bear in mind that excess expenditure is "unauthorised" expenditure and that the authority administering a grant/appropriation would be held personally responsible for the control of expenditure against the sanctioned provisions in terms of the instructions issued by Department of Expenditure on 17-10-94 in pursuance of the recommendation made by the Committee in Paragraph 1.20 of their 60th Report (10th Lok Sabha). I also request you to ensure that rigid enforcement of prescribed financial rules and procedures so as

to contain the instances of excess expenditure only to genuine and inavitable payments. Steps should also be taken to deal sternly with cases where any slackness is noticed in observance of prescribed financial rules.

Yours sincerely  
(C.M. VASUDEV)

Shri T. Ramachandra Prasad,  
Secretary,  
Department of Defence,  
New Delhi.

#### **Recommendation**

The Committee are pleased to note that excess expenditure of Rs. 57.36 crore was incurred during 1999-2000 as compared to Rs. 12758.63 crore in 1998-99, Rs. 530.41 crore in 1997-98 and Rs. 706.72 crore in 1996-97. The Committee also view with some relief that the number of excess registering Grants/Appropriations has also come down from 55 in 1998-99 to 11 in 1999-2000 and that the "Postal Services" and "Telecommunication Services" have not registered any excess expenditure under the Grants/Appropriations operated by them during 1999-2000. While complimenting the Ministries and Departments for their endeavour to substantially arrest, and in some cases totally eliminate the growing tendency of excess expenditure, the Committee are optimistic that with effective monitoring of the flow of expenditure the Government would completely wipe out the practice of incurring excess expenditure rendering it a relic of the past.

[Sl. No. 1 Appendix V Para 7.1.1 of 30th Report of PAC (13th Lok Sabha)]

#### **Action Taken by the Ministry of Railways**

Observations of the Public Accounts Committee are noted.

[Ministry of Railways' O.M. No. 2002-BC-PAC/XIII/30 dated 30-9-2002.]

#### **Recommendation**

The Committee's scrutiny has revealed that Grants/Appropriations numbering two in Appropriation Accounts (Civil), one in Appropriations Accounts (Defence Services) and eight in Appropriations Accounts (Railways) have registered excess expenditure of Rs. 58.80 crore during the year 1999-2000 which after taking into account the amount of misclassification of expenditure by Railways to the tune of Rs. (+) 0.25 crore and Rs. (-) 1.69 crore actually works out to Rs. 57.36 crore under all the 11 excess registering Grants/Appropriations. Distressingly, the bulk of the excess expenditure was recorded under the Grants/Appropriations operated by the Ministry of Railways which accounted for about 99% of the total excess expenditure incurred during 1999-2000. What has caused serious concern to the Committee is the fact that out of total excess expenditure of Rs. 58.23 crore in 1999-2000 by the Railways, excess

expenditure of Rs. 54.87 crore was incurred under a lone Grant *viz.*, “Grant No. 10 Operating Expenses—Fuel”. The Committee would like to caution the Ministries specially the Railways that excess expenditure is ‘unauthorised expenditure’ and it betrays lack of financial discipline on the part of defaulter Ministry. The only contingency in which such expenditure is understandable is when a need for unavoidable expenditure had arisen suddenly which could not have been anticipated or foreseen and there was no time left for the Ministry to approach Parliament for Supplementary Grant/Appropriation. The Committee would like the Ministry of Railways to undertake vigorous monitoring of outflow of funds under various Grants/Appropriations so that the chances of incurrence of excess expenditure are eliminated altogether in near future.

[Sl. No. 2 of Appendix-V, Para 7.1.2 of 30th Report of PAC 2001-2002  
(13th Lok Sabha)]

**Action Taken by the Ministry of Defence**

In order to avoid recurrence of any excess in future, the observations contained in Paras-45&46 of the 6th report of PAC (13th Lok Sabha), have been circulated to all the estimating authorities for strict compliance *vide* MoD (Fin.) ID No. 10(5)/Bud-I/2000 dated 20.11.2000 (copy enclosed).

[Ministry of Defence File No. 10(1)/B-I/2002. 03-7-2002]

**MINISTRY OF DEFENCE (FINANCE)**  
**(BUDGET -I)**

SUBJECT : *Action taken on the recommendations contained in Paras-45&46 of the 6th Report of PAC (13th Lok Sabha) Explanatory notes on Excess expenditure—regarding.*

A Copy each of Ministry of Finance (Deptt. of Expenditure) DO. No. 12(2)/E.Coord./2000 dt. 2/11/2000 from Secretary (Expenditure) to the Defence Secretary and Ministry of Finance (Deptt. of Expenditure) O.M. No. 1/6/2000-MC dt. 11.10.2000, on the above subject, forwarding the recommendations contained in Paras-45&46 of the 6th Report of the PAC (13th Lok Sabha) are enclosed.

2. It has been intimated in the above said DO that the excess expenditure is “unauthorised” expenditure and the authority administering a grant/appropriation would be held personal terms of the various instructions issued by Department of Expenditure from time to time. Further, the explanatory notes on excess expenditure, wherever incurred during the year 2000-01 and onwards, should invariably be furnished to the Committee giving explicit details of the circumstances which led to overall excess indicating specific action taken to obtain additional funds or an advance from the Contingency Fund wherever the existing provisions were not found sufficient. It has also been mentioned that steps should be taken to deal sternly with cases where any slackness is noticed and action should also be taken to fix responsibility in case of default in observance of prescribed financial rules.

3. In this connection attention is also invited to MoD(Fin.) ID. No. 10(3)/B-I/2000 dated 22-3-2000 under which the latest instructions issued by Ministry of Finance, Deptt. of Expenditure *vide* their OM. No. 12(1)E-Coord./99 dated 17-2-2000 on this subject were circulated to all concerned.

4. It is requested that the above mentioned recommendations contained in Paras 45 & 46 of the 6th Report of PAC (13th Lok Sabha) may be communicated to all concerned for information/strict compliance.

Sd/-  
(A.K. Chopra)  
Addl. FA(A)

All Joint Secretaries/All Addl. FAs/IFAs.  
Addl. DGFP Army Hqrs., DNP Naval Hqrs., D Fin P. Air Hqrs. DGNCC, CCR & D (R),  
Dte of Std., ATVP, DGAQA, DGQA, DGOF-Calcutta, DG Mily Farms

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MoD (Fin) ID No. 10(5)/B-I/2000 dated 20-11-2000.  
Copy to : AS(M), AS(P), AS (DP&S)  
Copy also to CGDA: for information and compliance.

C.M. VASUDEV

D.O.No. 12(2)/E.Coord./2000

सचिव

व्यय विभाग

वित्त मंत्रालय

भारत सरकार

SECRETARY

DEPARTMENT OF EXPENDITURE

MINISTRY OF FINANCE

GOVERNMENT OF INDIA

नई दिल्ली/NEW DELHI

Tel. : 3012929

3011003

Fax. : 3017546

2.11.2000

Dear Shri Prasad,

I am writing this in the context of the recommendations of the Public Accounts Committee contained in Para 45 of their 6th Report (13th Lok Sabha) relating to excess over voted grants and charged appropriations (1997-98).

2. In the past, a number of instructions have been issued by the Ministry of Finance in the context of the previous recommendations of the PAC regarding the need to avoid excess expenditure. In this connection, you may like to refer to my previous letter of 17.2.2000 issued in the context of the recommendations of the PAC in Para 48 of their First Report (12th Lok Sabha).

3. It is seen that in spite of the repeated instructions from this Department and the financial instructions contained in the General Financial Rules, the instances of excess expenditure has remained unabated.

4. I, therefore, take this opportunity to draw your personal attention to bear in mind that excess expenditure is "unauthorised" expenditure and that the authority administering a grant/appropriation would be held personally responsible for the control of expenditure against the sanctioned provisions in terms of the instructions issued by Department of Expenditure on 17-10-94 in pursuance of the recommendations made by the Committee in Paragraph 1.20 of their 60th Report (10th Lok Sabha). I also request you to ensure that rigid enforcement of prescribed financial rules and procedures so as to contain the instances of excess expenditure only to genuine and inevitable payments. Steps should also be taken to deal

sternly with cases where any slackness is noticed in observance of prescribed financial rules.

Yours sincerely

Sd/-  
(C.M. VASUDEV)

Shri T. Ramachandra Prasad,  
Secretary,  
Department of Defence,  
New Delhi.

#### **Action Taken by the M/o Railways**

This Ministry is constantly striving to control the incidence of excess expenditure. As is seen from the table given below the incidence of excess expenditure on Railways has been declining over the years and in 1999-2000, it has reached its minimum.

(Rs. in Cr.)

Year	Total Expenditure on Railways	Total Excess	% of (3) to (2)
1992-93	28399	539	1.90
1993-94	31393	1217	3.88
1994-95	33951	391	1.15
1995-96	37324	603	1.62
1996-97	40833	191	0.47
1997-98	47720	160	0.34
1998-99	52770	349	0.66
1999-2000	55875	58	0.10

Out of the total excess of Rs. 58.23 cr, Rs. 54.87 cr. is accounted for in Grant No. 10 alone. If this is discounted, the excess registered in 1999-2000 works out to merely Rs. 3.36 cr which has occurred in Grant No. 2 & 6 and a few charged appropriations. The excess expenditure works out to 0.52% and 0.01% of the sanctioned provision of Grant Nos. 2 & 6 respectively and is quite 'minor' both in absolute and percentage terms. In Demand No. 10 also, the excess works out to less than 1% of the sanctioned grant and may be regarded as 'minor'.

The concern of the Committee are nonetheless noted for observance and are being reiterated to the Railways.

[Ministry of Railways' O.M. No. 2002-BC-PAC/XIII/30, dated 30-09-2002.]

### **Recommendation**

The Committee find that against the total provision of Rs. 22.47 crore sanctioned under Grant No. 26—Currency, Coinage and Stamps, the Ministry of Finance incurred expenditure of Rs. 22.99 crore resulting in excess expenditure of Rs. 0.52 crore in spite of the fact that a supplementary grant of Rs. 15.89 crore was taken by the Ministry in March, 2000. In their explanatory note to the Committee, the Ministry submitted that excess expenditure was incurred as the directive of the Court was to be complied with and also advance taken from the Contingency Fund of India was to be recouped. Surprisingly, the Ministry also surrendered Rs. 33.94 lakh without availability of any balance with them as the actual expenditure had already exceeded the sanctioned provisions by Rs. 51.58 lakh. The Committee observe that the manner in which the Grant No. 26 was operated reflect the sheer lack of foresightedness on the part of the Ministry of Finance as the Ministry not only failed to anticipate and make provisions for the liabilities at the budget formulation stage but also failed to monitor the flow of expenditure resulting in excess expenditure on one side and erroneous surrender of funds on the other. The Committee would also like to impress upon that the Contingency Fund is meant to cover only unforeseen expenditure and not to meet known liabilities that arise in the course of a year which have to be provided for by reappropriations or supplementary demands for grants.

The Committee, therefore, recommend that the progress of expenditure be closely monitored to ensure smooth flow of expenditure within the provisions sanctioned by Parliament and to ensure that liabilities are anticipated and taken into account at appropriate stages of budget formulation including Addl./Supplementary Demands.

[Sl. No. 4, Para 7.2.1, Appendix-V, 30th Report of PAC (13th Lok Sabha)]

#### **Action Taken by the Ministry of Finance (Department of Expenditure)**

The instructions contained in the General Financial Rule 53 read with provisions contained in Appendix-3 thereof already provide for proper expenditure estimates after full scrutiny of all factors. The instructions contained in Rule 73 of the General Financial Rules further provide for the procedure to be followed in case of Supplementary Grants and the provisions contained in the General Financial Rule 74 lay down the procedure to be followed in case of advances from the Contingency Fund, which clearly provides that no advances from Contingency Fund be made in case where Supplementary Demands could be raised. The fact that excess expenditure has taken place in spite of these instructions indicates that proper estimation and realistic assessment of funds was not made by the concerned Ministries/Departments and, therefore, having regard to the recommendations of the Public Accounts Committee, fresh instructions have been issued to all the Ministries/Departments, impressing upon them to make careful and realistic assessment of funds, to avoid taking recourse to advances from the Contingency Fund where the purpose could be served by Supplementary Demands and also to effectively monitor the flow of expenditure. A copy of the order dated 27-9-2002 is enclosed.



This has been vetted by Audit *vide* their U.O. Note No. RR/1-2/2002-03/S/3 dated 17-9-2002.

[Ministry of Finance, Department of Expenditure, E.Coord. Branch U.O. No. 12(1)/E. Coord./2002, dated: 10-10-2002]

No. 12(1)/E. Coord./2002]  
GOVERNMENT OF INDIA  
DEPARTMENT OF EXPENDITURE  
MINISTRY OF FINANCE

New Delhi, the 27th September, 2002.

OFFICE MEMORANDUM

*SUBJECT : Realistic budget assessment—cases where Supplementary Grant is taken not to result in excess expenditure—resort to Contingency Fund—recommendations of the Public Accounts Committee in the 30th Report (13th Lok Sabha) regarding excesses over voted/charged appropriations.*

\*\*\*\*\*

The undersigned is directed to invite the attention to the recommendations made by the Public Accounts Committee in Para 7.1.3 and 7.2.1 of their 30th Report (13th Lok Sabha) where the Committee has viewed with serious concern the cases of excess expenditure even in those grants/appropriations where supplementary provisions had been obtained. The Report has also mentioned that the Contingency Fund is meant only to cover unforeseen expenditure and not to meet the known liabilities that arise in the course of the year. The Committee has further mentioned that this constitutes a telling reflection on the approach of the Ministries/Departments and their inability to assess the actual requirement of funds even at the fag end of the financial year and has, therefore, recommended that the progress of expenditure should be clearly monitored to ensure smooth flow of expenditure within the provisions sanctioned by Parliament and to ensure that liabilities are anticipated and taken into account at appropriate stages of budget formulation including Addl./Supplementary Demands.

2. It is needless to mention that making a realistic assessment of funds required for various expenditure at various stages in a financial year is the basic cornerstone of the budget formulation and estimation. Detailed guidelines have already been provided for in Rule 53 of the General Financial Rules read with the provisions contained in the Appendix-3 thereof relating to expenditure estimates on both plan and non-plan sides and as per these instruction, estimations should be made only after appropriate scrutiny at various levels and as such there should not normally be any occasion for expenditure going in excess of such estimation. Adequate provisions also exist under Rule 73 read with provisions contained in Appendix-6 of the General Financial Rules relating to circumstances under which Supplementary Grants may be raised and in cases where Supplementary Grants are taken, the occurrence of excesses reveals lack of proper scrutiny and assessment of expenditure.

3. So far as the advances from the Contingency Fund is concerned, provisions contained in the Sub-Rule 1, 2 & 3 of the Rule 74 of the General Financial Rules clearly provide for circumstances under which such advances be made, if there is no sufficient time for Supplementary Demand and, therefore, if the expenditure as envisaged is able to be met by the Supplementary Grant, there should be no occasion for advances from the Contingency Fund.

4. The instances brought out by the Public Accounts Committee clearly indicate that Budget estimations were not made after proper scrutiny, as required under the existing provisions and, therefore, having regard to the recommendations made by the Public Accounts Committee, all the Ministries/Departments are advised that expenditure estimate should be made after proper scrutiny and after careful assessment of all relevant factors by scrupulously following the provisions contained in the General Financial Rules and recourse to the advances from the Contingency Fund should not be made where the purpose could be served by Supplementary Grants. Further, in order to avoid any excesses over voted/charged appropriations, careful monitoring of expenditure should be made as per the provisions contained in the General Financial Rules and this Ministry's O.M. no. 12(3)/E.Coord./2000 dated 13.8.2001.

Sd/-

(USHA MATHUR)

Joint Secretary to the Government of India.

1. All the Ministries/Departments as per the standard mailing list.
2. All Secretaries to the Government of India.
3. All Financial Advisers.

**Action Taken by the Ministry of Finance (Deptt. of Economic Affairs)**

The facts regarding the excess expenditure of Rs. 51.58 lakhs on one side and erroneous surrender of Rs. 33.94 lakhs on the other may be explained as follows:—

Statement showing Headwise Appropriation Account for 1999-2000—Revenue (Charged)

	(Rs. in Thousand)		
	B.E.& Supplementary	Actual	Excess/saving
CNP Management	4000	-	-4000
Operation and maintenance	500 } 10000(S)}10500	10476	-24
BNP Management	11000		-11000
SPM Management	47200 } 148900(S) } 196100	(200113)* 219381=200113+19268	(+4013)** +23281
Mint Management	200	(CFI)	-200
ISP Management	2900	1	-2899
<b>Total</b>	<b>224700</b>	<b>229858</b>	<b>+5158</b>

S-Supplementary Grant. \*Expr. for 1999-00. \*\*Excess in r.t. total grant & expr. CFI-contingency Fund of India

It is clear from the statement above that in Revenue Section (Charged) of Grant No. 26—Currency, Coinage and Stamps for the year 1999-00, the original grant was Rs. 6,58,00 thousands where as supplementary grant was Rs. 15,89,00 thousands (fully spent) which resulted in Rs. 22,47,00 thousands as total grant against which the actual expenditure of Rs. 22,98,58 thousands was incurred resulting in excess of Rs. 51.58 thousands.

The excess of Rs. 51.58 thousands was the net result of total excess of Rs. 2,32,81 thousands and total savings of Rs. 1,81,23 thousands under various sub-heads of the Grant. The sub-head under which excess occurred and reasons therefor are as under:—

Major Head '2046'

Currency, Coinage and Stamps:

00.103-Security Paper Mill

01-Management	(Rs. in lakhs)
Original Grant	4,72.00
Supplementary Grant	14,89.00
Total Grant	19,61.00
Actual Expenditure	21,93.81 (Expr. 20,01.13+192.68 Ad. C.F.I)
Excess	2,32.81

It may thus be seen that if only the expenditure for the financial year is taken into account the excess required by SPM would have been Rs. 40.13 lakhs after adjusting it to the total saving of Rs. 181.23 lakhs under the various sub-heads of the Grant, there would have been saving Rs. 141.10 lakhs and therefore surrender of Rs 33.94 lakhs at FE stage was in order.

The excess of Rs. 51.58 lakh is only due to the adjustment of Rs. 192.68 lakhs, advance from 'Contingency Fund of India' at the stage of Appropriation Account during the month of March, to comply with the directive of the High Court, Jabalpur.

The advance from Contingency Fund of India was withdrawn during 1998-99 to meet the expenditure towards the payment of Incentive Scheme as per the direction of the High Court, Jabalpur. The said advance amount was to be recouped to the Contingency Fund of India after providing for it in the 2nd and final batch of Supplementary Demands for Grants 1998-99 was to be presented in March, 1999. Accordingly, Supplementary Demands for Grants was also proposed in the last batch of Supplementary. However, due to some technical reasons the supplementary Demands could not be passed in the Financial year 1998-99 (it seems that the Grants were approved in April, 1999 only). Therefore, the amount of advance drawn from the Contingency Fund of India did remain outstanding as an advance in 1998-99. During Financial Year 1999-2000 as per the D.O. letter No. 4(1)/B(SD)/2000 dated 31.1.2000 to FA supplementary Demand was proposed. However, after discussions with ADdl. CAG and Dy. CAG it was decided that no supplementary was required for Contingency Fund advance drawn during 1998-99. The said advance amount was adjusted in the Head-wise

Appropriation of Accounts for 1999-00 as Journal Entry as per D.O. letter no. G-25018/25-2000/MF-CGA/FA/Culture/278 dated 18.7.2000 from Addl. Controller General of Accounts to CCA. Thus the expenditure of SPM for the year 1999-00 was accounted for Rs. 21,93,81,395 and it resulted in net excess expenditure of 51.58 lakhs which was inescapable.

Regarding the observation that the Contingency Fund is meant to cover only unforeseen expenditure and not to meet known liabilities. In this regard it may be mentioned the Advance from Contingency Fund of India was drawn during financial year 1998-99 to meet the unforeseen expenditure towards payment for Incentive Schemes during 1998-99 expenditure as per the sanction order No. 4(21)-B(SD)/98 dated 9.2.1999 of Budget Division for incurring the expenditure to settle the claims of the employees of SPM as per the orders of High Court of Jabalpur. The verdict of court during 1998-99 could not be anticipated at the stage of budget formulation, which led to drawal of advance from Contingency Fund of India.

To ensure smooth flow of expenditure within the provisions sanctioned by Parliament and to ensure that liabilities are anticipated and taken into account at appropriate stages of budget formulation including Addl./Supplementary Demands Currency and Coinage Division, Department of Economic Affairs, Ministry of Finance has taken the following steps:—

- (1) During the financial year 2001-02 with a view to review & monitor the expenditure, meetings were conducted on 7th August, 11th & 12th December 2001 and again on 20th February 2002. In the first two meetings all GMs/HoDs were cautioned to ensure timely expenditure and it was also suggested that funds which are not likely to be utilised should be surrendered at RE stage itself so that the funds are not blocked and can be utilised for some other useful purpose by the Govt. The objective of the meeting held in February 2002, just before the finalisation of the FE was to minimise savings and ensure optimum utilisation at the Final Estimate stage.
- (2) From current financial year monthly progress of expenditure is being monitored more closely by calling the information from the Units and quarterly expenditure review meeting is being held at JS level.
- (3) All GMs have been advised that they should review the progress of expenditure and likely expenditure for the remaining period of the Financial year quarterly at their level.
- (4) With a view to avoid large savings, excess expenditure and rust of expenditure at the fag end of the financial year the GMs have also been advised to prepare the Estimate of the Budget more realistically and incur timely expenditure for the approved purpose. It has, therefore, been suggested that the preparation of Budget should be supervised by GM/FA&CAO.
- (5) All GMs/HoDs have been requested to ensure that no expenditure is incurred without necessary appropriation/re-appropriation/sanction. To bridge the gap between PAO and Administration, the information regarding

expenditure incurred may be sent to the Ministry after reconciling the figure with PAO.

- (6) In the month of March, expenditure incurred and unspent amount may be sent with the reconciliation certificate from respective PAO to enable the Ministry to prepare Reappropriation Order and Surrender/Saving statement. This will ensure adequate checks on expenditure on one side and surrenders of fund on the other under the same Unit of appropriation.

[Ministry of Finance, Department of Economic Affairs F.No. C&C/JAO-01/2001-02  
Dated 14.8.2002]

### **Recommendation**

On close scrutiny of Grant No. 100 (Capital-Voted,) Chandigarh operated by the Ministry of Home Affairs during the year 1999-2000, the Committee observe that although the net excess expenditure of Rs. 4.92 lakh is not substantial but the management of the grant leaves much to be desired. The Committee note that the excess of Rs. 4.92 lakh was the net effect of total excess of Rs. 547.95 lakh and total unspent balance of Rs. 543.03 lakh. The explanatory notes reveal that excess expenditure was incurred in 21 sub-heads of the Grant on construction of boundary wall, link roads, cycle/scooter shed, secondary schools, computer hall etc. and due to increase in the scope of maintenance work in a number of other heads besides similar petty reasons on the remaining sub-heads. The Committee are unable to accept the explanation of the Ministry as the items on which excess expenditure was incurred were not of such nature as could not be anticipated at the budget formulation stage or at least at the stage of supplementary demands. Taking note of the fact that there was not only wide spread diversion of funds but also unbridled flouting of financial disciplines in operation of this Grant, The Committee recommend that the matter be looked into to pinpoint the responsibility and to drive home the need for strictly adhering the principles of financial propriety and discipline.

[Sl. No. 5, Appendix V, Para 7.2.2. of Thirtieth Report of PAC (Thirteenth Lok Sabha)]

### **Action Taken by the Ministry of Home Affairs**

There has been an excess of Rs. 7.8 lakhs as mentioned against item (d) of Para 6.23 of the Report which has been incurred by the Engineering Department of the UT Administration under Major Head "4851—Capital Outlay on Village & Small Industries". However, after adjusting savings in other objects/heads the net excess has been to the tune of Rs.4.92 lakh. This excess has been incurred for the construction of boundary wall around Exhibition Ground, Sector 31, Chandigarh. The administrative approval for an amount of Rs. 6.09 lac was given by Department of Industries, Chandigarh Administration on 24.12.1998. The expenditure was to be met from allocation under Plan Head "4851—Capital Outlay on Village and Small Industries".

Accordingly, a Demand Draft for Rs. 6.09 lac was also forwarded to the Executive Engineer C.P. Division No. 1 on 31.3.99 but the said amount was not utilized by the Executive Engineer during the financial year. In turn, the said work was taken up and completed during the next financial year 1999-2000 and an expenditure of Rs. 7.42 lac was incurred from allocation for the year under the said Plan Head "4851—Capital Outlay on Village and Small Industries". This Demand Draft for Rs. 6.09 lac received from the General Manager, District Industries Centre, UT Chandigarh was credited to the deposit head of the Engineering Department. The amount, however, remained unutilized in view of the fact that expenditure was incurred out of the allocation under Plan Head "4851—Capital Outlay on Village and Small Industries" during the financial year 1999-2000. The Engineering Department refunded the amount of Rs. 6,09,000/- on 3.11.2000 to the Industries Department. The Industries Department have deposited this amount in the relevant Receipt Head of the Department.

For this lapse the Engineering Department has held three officers responsible for incurring the excess expenditure. Accordingly the Administration has directed the Engineering Department to take appropriate action against the defaulting officers as per rules.

[Ministry of Home Affairs O.M. No. U 16017/1/2002-CHD dated 30th January 2003]

#### **Recommendation**

The Committee are perturbed to note that out of the excess expenditure of Rs. 56.79 Cr. incurred by Ministry of Railways during 1999-2000, Grant No. 10—Operating Expenses—Fuel alone accounted for an excess expenditure of Rs. 54.87 cr. against the sanctioned provision of Rs. 5599.97 cr. In their explanatory note, the Ministry of Railways stated that the excess expenditure of Rs. 132.33 cr. under Minor Head "Diesel Traction" was mainly due to increase in average rate of HSD Oil, more drawal of stores from stock and also due to increase in rate of excise duty and sales tax. According to the Ministry, this excess was partly offset by savings of Rs. 77.64 cr. under two Minor Heads, i.e., Steam Traction (Rs. 4.57 cr.) and Electric Traction (Rs. 73.07 cr.). The Grant No. 10 has also registered excess expenditure during the year 1997-98. Expressing their concern over the excess expenditure under this Grant during 1997-98, the Committee in their 6th Report (13th Lok Sabha) had desired the Ministry of Railways to take some tangible and innovative steps to ensure the realistic assessment of requirement of funds by the Zonal Railways. In response to this recommendation, the Ministry of Railways had informed the Committee that the implementation of a new computer-based Financial Management Information System (FMIS) on different Zonal Railways was expected to enable them to improve the assessment of fund requirements more realistically. Despite the above assurance, the position of assessment of fund requirements under this Grant has not improved and it seems that implementation of new computer level FMIS have had no effect in improving the budgetary procedures and control in the Ministry. The Committee desire that the existing procedures should be critically re-examined and

suitably revised on an urgent footing, so as to eliminate the recurring excess under this Grant. The Committee would like to be appraised of the steps taken in this direction.

[Sl. No. 8 Appendix V Para 7.3.2. of 30th Report of PAC (13th Lok Sabha)]

#### **Action Taken by the Ministry of Railways**

There were two increases in the prices of HSD oil in 1999. The first occurred in Feb. 1999. Although this was in the previous fiscal year, the increase was notified after the Budget Estimates for 1999-2000 were drawn up. The second increase was in Sept. 1999. Both these in effect became post budgetary factors and necessitated supplementary grants in Demand No. 10 in that year. This, along with other factors like higher activity under Goods and Passenger traffic than expected, made it difficult to assess the exact requirement of expenditure in Demand No. 10. In this particular year, the Railways were able to carry 456.42 million tonnes of goods traffic as against 450 million tonnes envisaged in the budgetary stages. However, the excess registered in Demand No. 10 works out to less than 1% of the total sanctioned grant and may be regarded as minor. It may be mentioned here that there has not been any excess expenditure in Demand No. 10 in the years 2000-01 and 2001-02.

As regards FMIS it is submitted that this is still under the evolving stages and its fruitfulness in assessment, monitoring and expenditure control can be evaluated only after it is fully implemented.

The Railways have a well set mechanism of monitoring and control. The present mechanism and procedures have no major inherent defects.

Sd/-

[Ministry of Railways' O.M.No. 2002-BC-PAC/XIII/30, dated 30-09-2002]

#### **Recommendation**

The Committee are also distressed to find that excess expenditure has been a recurring phenomenon during the years 1997-98, 1999-2000 in respect of "Appropriation No. 3—General Superintendence and Services", "Appropriation No. 4—Repairs and Maintenance of Permanent Way and Works" and "Appropriation No. 9—Operating Expenses—Traffic". It is further disconcerting to find that the excess expenditure under Appropriation Nos 3&4 had been progressively going up during the past three years. Obviously, no efforts seem to have been made by the Railways to take timely corrective action. The Committee observe that though there has been overall reduction of excess expenditure from Rs. 349.40 cr in 1998-99 to Rs. 56.79 cr in 1999-2000, still phenomenon of excess expenditure continues to persist in the Railways. What has worried more the Committee is the revelation during examination of the Appropriation Accounts that the Railways surrendered the funds to the tune of Rs. 122.86 lakh and Rs. 774.16 lakh under Grant No. 2 and 6 while there had already been excess expenditure of Rs. 94.05 lakh and Rs. 210.99



lakh respectively under these Grants. The Committee would, therefore, recommend the Ministry of Railways to carefully examine their existing system of preparation of Budget estimates and also the system of monitoring with a view to replace the same by new mechanism which could be pragmatic enough to ensure not only preparation of realistic and meaningful budget but also timely initiation of corrective steps in case of aberrations during the financial year.

[Sl. No. 9 Appendix V Para 7.3.3. of 30th Report of PAC (13th Lok Sabha)]

#### **Action Taken by the Ministry of Railways**

The amounts involved in charged appropriations have been quite small. The Committee's observations have nonetheless been noted for arresting the trend of excess in charged appropriations, particularly under Appropriation Nos. 3,4 & 9.

As regards grant Nos. 2 and 6, the amounts of excess work out to 0.52% and 0.01% of the respective sanctioned grants and is quite minor and may be regarded as marginal cases.

The Railways have a well set mechanism of monitoring and control. The present mechanism and procedures have no major defects. However, to strengthen the system, the Committee's observations are being circulated to the Railways.

[Ministry of Railways' O.M. No. 2002-BC-PAC/XIII/30, dated 30-09-2002.]

#### **Recommendation**

Misclassification of expenditure by the Railways continues to be a matter of serious concern for the Committee in view of the persistent errors in booking of expenditure. In their 23rd Report (13th L.S), the Committee had recommended the Railways to enquire into the reasons and circumstances for preparing such defective accounts, to identify the individual officers responsible for such mistakes and to initiate suitable corrective action. Apparently, the Railways seem to have paid scant attention as to the need for, and propriety of booking the expenditure under the correct head to avoid misclassification. Taking note of the fact that misclassification of expenditure has again occurred in as many as 3 Grants (No. 2, 6 and 10) out of total 8 excess registering Grants/Appropriations of the Railways during the year 1999-2000 the Committee reiterate their earlier recommendation of the Committee with a view to eliminate the chances of misclassification in the accounts and apprise the Committee of the measures initiated in this regard.

[Sl. No. 10 Appendix V Para 7.3.4 of 30th Report of PAC (13th Lok Sabha)]

#### **Action Taken by the Ministry of Railways**

Recommendations of the Public Accounts Committee regarding misclassification of expenditure have been noted. In view of the recurring trend of misclassifications, a special study has recently been carried out by the individual Railway/Unit to determine

measures that can be taken to prevent misclassification of expenditure in frequently recurring cases of misclassification of expenditure and submit their Reports to Ministry of Railways. On the basis of these reports a detailed set of instructions have been prepared and communicated to the General Managers of All Indian Railways *vide* Railway Board's letter No. 2000. APP/7-2/PAC/Para 15 dated 11-02-2002 for their implementation. These instructions are in addition to the instructions which have already been circulated earlier from time to time. It is hoped, that, with the above measures, the incidence of avoidable misclassifications will come down.

[Ministry of Railways' O.M. No. 2002-BC-PAC/XIII/30, dated 30-09-2002]

### **Recommendation**

Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in paragraph 5.4 of this report be regularised in the manner prescribed in Article 115(1)(b) of Constitution of India.

[Sl. No. 11, Paragraph 7.4.1 Appendix-V of Thirtieth Report of PAC (Thirteenth Lok Sabha)]

### **Action Taken by the Ministry of Finance (Deptt. of Economic Affairs)**

As recommended by the Public Accounts Committee, the Demands for Excess Grants (excluding Railways) for the year 1999-2000 were submitted to Parliament in the Monsoon Session 2002. The Parliament has passed the Excess Demands for Grants. Necessary Appropriation Bill for regularising the money drawn in excess of the amounts authorised by the Parliament for the year 1999-2000, has also been passed and the corresponding Act published in the Gazette of India Extraordinary, Part II, Section I dated 2.09.2002 as Act 46 of 2002, after obtaining assent of the President. In view of this, the excess amount drawn in 1999-2000 stands regularised. Action taken in this regard is, therefore, completed.

This Note has been vetted by Audit *vide* their U.O. No. DGACR/RR/1-20/2002-03/403 dated 30th September 2002.

[Ministry of Finance and Company Affairs, Department of Economic Affairs (Budget Division), New Delhi-110002 O.M.No. F.4 (3)-B(SD)/2002 dated 8.10.2002]

### **Action Taken by the Ministry of Defence**

In order to avoid recurrence of any excess in future the observations contained in Paras-45&46 of the 6th report of PAC(13th Lok Sabha), have been circulated to all the estimating authorities for strict compliance *vide* MOD (Fin) ID. No. 10(5)/Bud-I/2000 dated 20.11.2000 (copy enclosed).

[Ministry of Defence File No. 10(1)/B-I/2002, dated 03-7-2002]

**MINISTRY OF DEFENCE (FINANCE)**  
**(BUDGET-I)**

SUBJECT: *Action taken on the recommendations contained in Paras-45 &46 of the 6th Report of PAC (13th Lok Sabha) Explanatory notes on Excess expenditure—regarding.*

A copy each of Ministry of Finance (Deptt. of Expenditure) DO. No. 12(2)/E. Coord./2000 dt. 2/11/2000 from Secretary (Expenditure) to the Defence Secretary and Ministry of Finance (Deptt. of Expenditure) OM. NO. 1/6/2000-MC dt. 11.10.2000, on the above subject, forwarding the recommendations contained in Paras-45&46 of the 6th Report of the PAC (13th Lok Sabha) are enclosed.

2. It has been intimated in the above said DO that the excess expenditure is “unauthorised” expenditure and the authority administering a grant/appropriation would be held personally responsible for the control of expenditure against the sanctioned provisions in terms of the various instructions issued by Department of Expenditure from time to time. Further, the explanatory notes on excess expenditure, wherever incurred during the year 2000-2001 and onwards, should invariably be furnished to the Committee giving explicit details of the circumstances which led to overall excess indicating specific action taken to obtain additional funds or an advance from the Contingency Fund wherever the existing provisions were not found sufficient. It has also been mentioned that steps should be taken to deal sternly with cases where any slackness is noticed and action should also be taken to fix responsibility in case of default in observance of prescribed financial rules.

3. In this connection attention is also invited to MoD (Fin.) ID. No. 10(3)/B-I/2000 dated 22.3.2000 under which the latest instructions issued by Ministry of Finance, Deptt. of Expenditure *vide* their OM. No. 12(1)/E-Coord/99 dated 17.2.2000 on this subject were circulated to all concerned.

4. It is requested that the above mentioned recommendations contained in Paras 45&46 of the 6th Report of PAC (13th Lok Sabha) may be communicated to all concerned for information/strict compliance.

Sd/-  
(A.K. Chopra)  
Addl. FA(A)

All Joint Secretaries/All Addl. FAs/IFAs  
Addl. DGFP Army Hqrs. DNP Naval Hqrs., D Fin P. Air Hqrs., DGNCC, CCR&D (R)  
Dte of Std., ATVP, DGAQA, DGQA, DGOF-CALCUTTA, DG Mily Farms

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Mod (Fin.) ID No. 10(5)/B-I/2000 dated 20.11.2000.  
Copy to: AS(M), AS(P), AS(DP&S)  
Copy also to: CGDA for information and compliance.

C. M. VASUDEV

D.O. No. 12(2)/E. Coord. 2000

सचिव

व्यय विभाग

वित्त मंत्रालय

भारत सरकार

SECRETARY

DEPARTMENT OF EXPENDITURE

MINISTRY OF FINANCE

GOVERNMENT OF INDIA

नई दिल्ली/NEW DELHI

Tel. : 3012929

3011003

Fax: 3017546

2.11.2000

**FACDS**

Dear Shri Prasad,

I am writing this in the context of the recommendations of the Public Accounts Committee contained in Para 45 of their 6th Report (13th Lok Sabha) relating to excess over voted grants and charged appropriations (1997-98).

2. In the past, a number of instructions have been issued by the Ministry of Finance in the context of the previous recommendations of the PAC regarding the need to avoid excess expenditure. In this connection, you may like to refer to my previous letter of 17.2.2000, issued in the context of the recommendations of the PAC in Para 48 of their First Report (12th Lok Sabha).

3. It is seen that in spite of the repeated instructions from this Department and the financial instructions contained in the General Financial Rules, the instances of excess expenditure has remained unabated.

4. I, therefore, take this opportunity to draw your personal attention to bear in mind that excess expenditure is "unauthorised" expenditure and that the authority administering a grant/appropriation would be held personally responsible for the control of expenditure against the sanctioned provisions in terms of the instructions issued by Department of Expenditure on 17.10.94 in pursuance of the recommendation made by the Committee in paragraph 1.20 of their 60th Report (10th Lok Sabha). I also request you to ensure that rigid enforcement of prescribed financial rules and procedures so as to contain the instances of excess expenditure only to genuine and inevitable payments. Steps should also be

taken to deal sternly with cases where any slackness is noticed in observance of prescribed financial rules.

Yours sincerely,  
Sd/-

(C. M. VASUDEV)

Shri T. Ramachandra Prasad,  
Secretary,  
Department of Defence,  
New Delhi.

**Action Taken by the Ministry of Railways**

Action for regularising the excess will be initiated in the next session of Parliament.

[Ministry of Railways' O.M. No. 2002-BC-PAC/XIII/30, dated 30-09-2002]

GOVERNMENT OF INDIA (Bharat Sarkar)  
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)  
(RAILWAY BOARD)

No. 2002-B-342  
The General Manager,  
All Indian Railways,

New Delhi, dated 7-2002

SUBJECT: *Excess over Voted Grants/Charged Appropriations—1999-2000*

In 1999-2000, Railways incurred an excess expenditure of Rs. 57 cr. in the following Demands:—

Demand No.	Grant	(Rs. in thousands)
		Appropriation
2	1,01,31	..
3	..	1,38
4	..	7,89
6	41,42	1,01
7	..	72
9	..	38,07
10	54,86,77	..
Total	56,29,50	49,07

The above “Excess” has been viewed seriously by the Public Accounts Committee (PAC) (13th Lok Sabha), *vide* their 30th Report. The Committee has expressed serious concern in case of Grant No. 10 and various charged appropriations where the excess occurred despite obtaining the supplementary grants.

The excess occurred even after meeting the full requirement projected by the Railways in their Final Modification Estimates. The excess in Grant No. 10 occurred on SER (Rs. 18.35 cr.), ER (Rs. 16.57 cr.), NR (Rs. 14.19 cr.), SCR (Rs. 14.11 cr.), SR (Rs. 10.40 cr.) and NER (Rs. 3.39 cr.). In case of charged appropriations, SER exceeded the allotment in D. Nos. 3, 6, 7 & 9; SCR exceeded in D. No. 4. The main Railway involved in most of the cases was SER. The trend of excess is continuing for some years in case of certain appropriations.

Observations of the PAC have been detailed in **Annexure** to this letter.

The Railways may note that **no expenditure should be incurred over and above the authorised allotment** without the approval of the competent authority as per the rules of re-appropriation; **and in no case, should the expenditure exceed the authorised grant**. As soon as it is felt that a Grant is going to be exceeded, strict control on the

expenditure should be exercised until additional authorisation comes through, either by re-appropriation at the Board's level or through a Supplementary Grant obtained from Parliament. **Timely submission of Budget/Supplementary estimates in this regard should be ensured.** It is seen that the due dates for submission of the final modification estimates, on the basis of which the Supplementary Grants are framed, are not being adhered to by the Railways as a result the comprehensive requirement of the Railways are not getting accounted for. **In any case, the expenditure should not exceed the grants authorised through the Final Grants.**

Kindly acknowledge receipt.

Sd/-  
(Anand Prakash)  
Joint Director, Finance (Budget)  
Railway Board.

DA: As above

### CHAPTER III

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

##### **Recommendation**

A disquieting aspect noticed by the Committee is that the excess expenditure in 7 Grants/Appropriations had occurred during 1999-2000 despite obtaining supplementary provisions of Rs. 478.11 crore by Ministries/Departments. The Committee further observe that the quantum of excess expenditure incurred by the Ministry of Railways under Appropriation Nos. 6 & 9 has been even higher than the Supplementary provisions sought by them. Moreover, the trend of excess expenditure of Rs. 706.72 crore in 21 Grants/Appropriations in 1996-97, Rs. 530.41 crore in 10 Grants/Appropriations in 1997-98, Rs. 12758.63 crore in 55 Grants/Appropriations in 1998-99 and again Rs. 57.36 crore in 11 Grants/Appropriations in 1999-2000 indicate that it has been a regular phenomenon in the Ministries/Departments. The Committee view with much more serious concern the cases of excess expenditure in those Grants/Appropriations where Supplementary provisions had been obtained. This constitutes, in the considered opinion of the Committee, a telling reflection on the approach of the Ministries/Departments concerned and on their inability to assess the actual requirement of funds even at the fag end of the financial year.

[Sl. No. 3. Paragraph 7.1.3, Appendix-V of Thirtieth Report of PAC (Thirteenth Lok Sabha)]

##### **Action Taken by the Ministry of Finance (Deptt. of Economic Affairs)**

The recommendations of the Committee made in paragraphs 7.1.1, 7.1.2, 7.1.3 and 7.2.3 above, with regard to the proper assessment of the expenditure to be incurred as also strict monitoring and control over the expenditure authorised by the Parliament so as to avoid expenditure in excess of the sanctioned Grants/Appropriations, have been noted for guidance and compliance, Instructions have also been issued to all the Ministries/Departments for keeping a strict watch over flow of expenditure so that the expenditure does not exceed the amount of Grants/Appropriations authorised by the Parliament. Ministries and Departments have also been advised to meticulously scrutinise the proposals for the Supplementary Demands for Grants so that the amount of Supplementary Grant neither falls short of the actual requirement necessitating excess expenditure nor the amount is drawn in excess of the requirement resulting finally in surrender of funds. A copy of the instructions dated 26th August, 2002 issued to all Financial Advisers enclosed herewith for reference.

The note has been vetted by the Audit *vide* their U.O. No. DGACR/RR.1-26/2002-03/533 dated 11th November, 2002.

[Ministry of Finance and Company Affairs, Deptt. of Economic Affairs (Budget Division)U.O.No.4(10)-B(SD)/2002, dated 15-11-2002]



**Action Taken by the Ministry of Deptt. of Expenditure**

The instructions contained in the General Financial Rule 53 read with provisions contained in Appendix-3 thereof already provide for proper expenditure estimates after full scrutiny of all factors. The instructions contained in Rule 73 of the General Financial Rules further provide for the procedure to be followed in case of Supplementary Grants and the provisions contained in the General Financial Rule 74 lay down the procedure to be followed in case of advances from the Contingency Fund, which clearly provide that no advances from Contingency Fund be made in case where Supplementary Demands could be raised. The fact that excess expenditure has taken place in spite of these instructions indicates that proper estimation and realistic assessment of funds was not made by the concerned Ministries/Departments and, therefore, having regard to the recommendations of the Public Accounts Committee, fresh instructions have been issued to all the Ministries/Departments, impressing upon them to make careful and realistic assessment of funds, to avoid taking recourse to advances from the Contingency Fund where the purpose could be served by Supplementary Demands and also to effectively monitor the flow of expenditure. A copy of the order dated 27.9.2002 is enclosed.

This has been vetted by Audit *vide* their U.O. Note No. RR/1-2/2002-03/S/3 dated 17.9.2002.

[Ministry of Finance Department of Expenditure E. Coord. Branch U.O. No. 12(1)/E. Coord/2002, dated 10-10-2002]

No.12(1)/E.Coord./2002  
GOVERNMENT OF INDIA  
DEPARTMENT OF EXPENDITURE  
MINISTRY OF FINANCE

New Delhi, the 27th September, 2002

OFFICE MEMORANDUM

**SUBJECT:** *Realistic budget assessment—cases where Supplementary Grant is taken not to result in excess expenditure—resort to Contingency Fund—recommendations of the Public Accounts Committee in the 30th Report (13th Lok Sabha) regarding excesses over voted/Charged appropriations.*

The undersigned is directed to invite the attention to the recommendations made by the Public Accounts Committee in para 7.1.3 and 7.2.1 of their 30th Report (13th Lok Sabha) where the Committee has viewed with serious concern the cases of excess expenditure even in those grants/appropriations where supplementary provisions had been obtained. The Report has also mentioned that the Contingency Fund is meant only to cover unforeseen expenditure and not to meet the known liabilities that arise in the course of the year. The Committee has further mentioned that this constitutes a telling reflection on the approach of the Ministries/Departments and their inability to assess the actual requirement of funds even at the fag end of the financial year and has therefore, recommended that the progress of expenditure should be clearly monitored to ensure smooth flow of expenditure within the provisions sanctioned by Parliament and to ensure that liabilities are anticipated and taken into account at appropriate stages of budget formulation including Addl./Supplementary Demands.

2. It is needless to mention that making a realistic assessment of funds required for various expenditure at various stages in a financial year is the basic cornerstone of the budget formulation and estimation. Detailed guidelines have already been provided for in Rule 53 of the General Financial Rules read with the provisions contained in the Appendix-3 thereof relating to expenditure estimates on both plan and non-plan sides and as per these instructions, estimations should be made only after appropriate scrutiny at various levels and as such there should not normally be any occasion for expenditure going in excess of such estimation. Adequate provisions also exist under Rule 73 read with provisions contained in Appendix-6 of the General Financial Rules relating to circumstances under which Supplementary Grants may be raised and in cases where Supplementary Grants are taken, the occurrence of excesses reveals lack of proper scrutiny and assessment of expenditure.

3. So far as the advances from the Contingency Fund is concerned, provisions contained in the Sub-Rule 1, 2 & 3 of the Rule 74 of the General Financial Rules clearly provide for circumstances under which such advances be made, if there is no sufficient time for Supplementary Demand and, therefore, if the expenditure as envisaged

is able to be met by the Supplementary Grant, there should be no occasion for advances from the Contingency Fund.

4. The instances brought out by the Public Accounts Committee clearly indicate that Budget estimations were not made after proper scrutiny, as required under the existing provisions and, therefore, having regard to the recommendations made by the Public Accounts Committee, all the Ministries/Departments are advised that expenditure estimate should be made after proper scrutiny and after careful assessment of all relevant factors by scrupulously following the provisions contained in the General Financial Rules and recourse to the advances from the Contingency Fund should not be made where the purpose could be served by Supplementary Grants. Further, in order to avoid any excesses over voted/charged appropriations, careful monitoring of expenditure should be made as per the provisions contained in the General Financial Rules and this Ministry's O.M. No. 12(3)/E.Coord./2000 dated 13-8-2001.

Sd/-

(USHA MATHUR)

Joint Secretary to the Government of India.

1. All the Ministries/Departments as per the standard mailing list.
2. All Secretaries to the Government of India.
3. All Financial Advisers.

#### **Action Taken by the Ministry of Home Affairs**

The Ministry of Home Affairs is concerned with 10 Grants. They are Demand Nos. 45-Ministry of Home Affairs, 46-Cabinet, 47-Police, 48-Other Expenditure of Ministry of Home affairs, 49-Transfer to Union Territory Governments (with legislature) 98-A&N Islands, 99-Chandigarh, 100-Dadra and Nagar Haveli, 101-Daman & Diu, 102-Lakshadweep. During the year 1996-97 there was no excess expenditure over Voted Grants and Charged Appropriations in any of the 10 Grants mentioned above.

During 1997-98 under Capital Section of Grant No. 47—Transfer to Union Territory Governments there was an excess of Rs. 10,000.

The maximum excess expenditure over Voted Grants and charged appropriation occurred during the year 1998-99. The excess expenditure has already been got regularized with the approval of Parliament during March, 2002. The main reason for excess expenditure during the year in respect of all these Grants was explained in the notes put up seeking approval of Parliament. The same is reproduced below:—

“The excess expenditure had occurred as the Appropriation Bill authorizing the additional expenditure included in the last batch of Supplementary Demands was not deemed to have been passed before the close of the financial year. Lok Sabha had passed the Supplementary Demand for Grants and the Appropriation Bill on 17th March, 1999 and remitted the Appropriation Bill to Rajya Sabha on the same day *i.e.* 17th March, 1999. The Appropriation Bill was not, however, returned by the Rajya Sabha within the prescribed time limit of 14 days in the same financial year which ended on 31st March, 1999, as it was adjourned on 19th March, 1999 without any discussion on the Appropriation Bill. The Rajya Sabha reconvened only on

13th April, 1999. The President's Assent was, therefore, taken on 1.4.1999, on completion of mandatory period of 14 days.”

During the year 1999-2000 the excess expenditure over Voted Grants and Charged Appropriation occurred only in one grants *i.e.* Demand No. 100—Union Territory of Chandigarh. The excess expenditure was Rs. 4.92 lakhs. An excess note on this subject was prepared by CHD Desk and was sent to DG Audit for vetting (F.No. U. 15041/9/2001 CHD dated 30th April, 2002) This item has also been included at S.No. 5 Para 7.2.2 of Appendix V of the Report. An Action Taken Note on this recommendation will be prepared separately by CHD Desk and will be sent to the PAC Secretariat after vetting by DG ACR.

From the above it may be seen that the excess expenditure was maximum during the year 1998-99 but that was due to the fact that approval for the supplementary Demands for Grants (last batch) was assented to by the President only on 1.4.1999. In the year 1997-98, the amount of excess expenditure was very nominal Rs. 10,000 only.

Instructions have already been issued to all concerned that such lapses should be avoided scrupulously *vide* MHA Budget-I Section's instructions contained in F.No. 28/4/2000-Bgt. I, dated 5.12.2000. (Copy enclosed).

(The above recommendation has been vetted by Office of the DGACR *vide* their U.O.No. RR/15-6-2001-02/285, dated 05.08.2002)

[Ministry of Home Affairs O.M. No. 28/57/2002-Budget I., dated 12th September, 2002]

**ANNEXURE-I**

No. 28/4/2000-Bgt. I  
GOVERNMENT OF INDIA  
MINISTRY OF HOME AFFAIRS

New Delhi, the 30th Nov., 2000

OFFICE MEMORANDUM

SUBJECT: *C&AG Report No. 1 of 2000—paras relating to savings, surrenders, additional release which attracted the provision of New Instrument of service and unrealistic estimation of supplementary grant.*

The undersigned is directed to say that in Nos. 12.4, 14.1 and 15.2.2 of the C&AG's Report No. 1 of 2000, the audit have expressed their concern over the large scale savings/non-surrender of unutilised amounts, additional release which attracted the provision of New Instrument of Service and unrealistic estimation of supplementary grant under various grants administered by the Ministry of Home Affairs. The relevant of extracts from the above paras are reproduced below:—

(i) Para 12.4— Surrender of unspent provision

(I) Surrender of Funds—Where the amount greater than 20 per cent of the saving and Rs. 1.00 crore not surrendered.

	Total Savings	Amount surrendered	Amount not surrendered	Percentage of amount not surrendered
43-MHA	9.52	5.60	3.92	41
44-Cabinet	12.67	7.10	5.57	44

(II) Surrender of Funds—Where the amount surrendered despite grant being over all excess/saving being less than the amount surrendered

	Total excess	Amount surrendered
43-MHA	12.78	4.72
47-Transfer to Union Territory Governments	9.48	1.24
100-Chandigarh	3.78	.76
102-Daman & Diu	8.33	1.33

## Para 14.1 — Additional release attracted the provision of New Instrument of Service

		Sanctioned provision	Actual release	Excess release	Remarks
46-Other Expr. of MHA	Regional Institute of Medical Science, Imphal	10.00	14.90	4.90	Addl. release exceed the twin limits of 10% of the budget provision & Rs. 10 crore which ever is less
-do-	Regional Para Medical Institute, Aizwal	1.00	1.30	.30	Addl. release exceed the limits of 10% of the budget provision

## Para 15.2.2 Injudicious re-appropriation from Sub-Head

Grant No.	Major Head	Sub-head	Amount of re-appropriation to the sub-head	Final unspent provision in the sub-head after re-appropriation
43—MHA	4059—Capital outlay on public works	Acquisition of land	290.00	348.77
43—MHA	2070—Other Administrative Services	Intelligence Bureau	430.55	805.54
43—MHA	3601—Grants-in-aid to State Govts.	Other Acts & Regulations	183.00	414.00
45—Police	2055—Police	Assam Rifles	92.00	1241.90
45—Police	2055—Police	State Hqrs. Police	312.21	1034.08

## Para 15.2.2 Unrealistic Estimation of Supplementary Grant

	Amount of Supplementary demanded in 2nd batch of supp. demand March, 1999	Amount of Additional/ Excess expr. actually Incurred	Percent of supp. Actually utilised
43-MHA	2037.00	1277.54	63

2. The above observations of the Audit appear to have arisen mainly because the concerned administrative authorities do not always follow the provisions contained

in the DFPRs GFRs and other instructions issued by Ministry of Finance from time to time for preparation of their Budget Estimates on a realistic basis. Both the Estimates Committee and Public Accounts Committee have been expressing concern over the variations that persist between the funds authorised by the Parliament and the actual expenditures. The Department Related Parliamentary Standing Committee have also observed that the funds required under various Schemes are not being projected on a realistic basis. There have been instances where a supplementary Grant was obtained or additional funds were provided by re-appropriation in respect of a scheme/sub-head but ultimately these additional funds remained unutilised resulting in savings.

3. The attention of the administrative authorities is also invited to Rule 69 of GFRs which provide that the Departments of the Central Government shall surrender to the Ministry of Finance, before the close of the financial year, anticipated savings noticed in the Grants or Appropriation savings should be surrendered to the Government immediately are foreseen without waiting till the end of the financial year, unless they are required to meet excesses under other unit or units which are definitely foreseen at this time. No savings should be held in reserve for possible future use. Further, the existence of likely savings should not be seized as an opportunity for introducing fresh items of expenditure which might wait till the next year. The audit have observed that in a number of cases savings were not surrendered in time. Similarly, in some cases the administrative authorities failed to utilise even the original budgeted amounts, even though additional funds were provided by re-appropriation at a later stage.

4. In view of the above, it is necessary that the requirement of funds is properly assessed and the tendency on the part of the estimating authorities not to reduce their fund requirements at the stage of Revised Estimates/Final Estimates is kept under check. All the administrative authorities may, therefore, ensure that the Budget Estimates are framed on realistic basis, close watch is kept on the trend of expenditure during the year. However, funds which are not likely to be utilised during the financial year may be reported to the Budget Division of the Ministry at the earliest so that the same can be surrendered to the Ministry of Finance in time.

5. This issues with the approval of Financial Adviser (Home).

For Under Secretary (Budget)

1. All Joint Secretaries/CCA(Home)/Directors/Deputy Secretaries in MHA/Deptt. of O.L./Deptt. of J&K Affairs/Deptt. of Justice.

2. All Attached/subordinate offices of the Ministry of Home Affairs/Deptt. of O.L./Deptt. of Justice.

3. The Cabinet Secretariat/Prime Minister's Office/President's Secretariat.

4. Finance Secretary, National Capital Territory of Delhi, 5-Sham Nath Marg, Delhi (in respect of Delhi Police).

5. All Union Territories (without Legislature) as under:—

- (i) Smt. Guha Biswas, Finance Secretary, Andaman & Nicobar Island, Port Blair.
- (ii) Shri T.M. Balakrishnan, Finance Secretary, Lakshadweep Administration, Kavaratti.
- (iii) Shri Rakesh Singh, Finance Secretary, Chandigarh Admn., Chandigarh.
- (iv) Shri Ramesh Negi, Finance Secretary, Daman & Diu and Dadra and Nagar Haveli, Secretariat, Moti Daman, Daman.

6. Additional Secretary & Financial Adviser, Minister of External Affairs, New Delhi (in respect of SPG).

7. All Administrative Sections/Desks/Cells in the Ministry of Home Affairs/Deptt. of O.L./Deptt. of Justice/Deptt. of J&K.

#### **Action Taken by the Ministry of Railways**

The comparison made by the Committee in the above recommendation is general in nature as it pertains to all the ministries and not for the Railways alone. As has already been indicated in Action Taken Note for para 7.1.2, the incidence of excess expenditure on Railways is on decline and has reached its minimum in the year 1999-2000. The overall excess incurred in 1999-2000 works out to a negligible 0.10% of the total sanctioned provision.

However, it may be mentioned that the total number of instances involved in the excess have increased on the Railways because of number of charged appropriations involved. Though the amounts involved in the charged appropriations are quite small, the excess registered in them seems huge in percentage terms. The Railways are being cautioned to realistically assess the actual requirement of funds in order to avoid excess expenditure, particularly in appropriations in view of the Committee's recommendations.

[Ministry of Railways, O.M. No. 2002-BC-PAC/XIII/30, dated 30-09-2002]

#### **Recommendations**

The Committee note that the actual expenditure under the Grants/Appropriations administered by the Ministry of Railways exceeded the sanctioned provision by Rs. 56.79 cr. in three Grants (Nos. 2, 6 and 10) and five Appropriation (Nos. 3, 4, 6, 7 and 9) constituting about 99% of the total excess expenditure incurred during 1999-2000. The excess expenditure under Grant No. 10 (Operating Expenses—Fuel) alone amounted to Rs. 54.87 cr. Another disquieting aspect observed by the Committee is that the excess expenditure in five Grants/Appropriations had occurred despite obtained supplementary provisions of Rs. 452.08 cr. An analysis of the reasons for excess expenditure during 1999-2000 as disclosed in the Appropriation Accounts (Railways)



clearly indicate that once again defective estimation of requirement of funds, lack of proper and timely review and monitoring of funds, failure of anticipate and provide fully for cost of material, more drawal of stores from stock have primarily contibuted to most of the excesses. Taking note of the recurring trend of the excess expenditure, the Committee in their 23rd Report (13th Lok Sabha) had *inter-alia*, recommended that the Ministry of Railways to pinpoint the inadequacies and evolve an effective mechanism to bring continual and progressive systemic improvement in accurate estimation of budget requirements under various grants/appropriations. The Committee reiterate their earlier recommendations in the hope that the Ministry of Railways would evolve an effective mechanism and take necessary steps to eliminate the possibility of excess expenditure.

[Sl. No—Appendix V Para 7.3.1 of 30th Report of PAC (13th Lok Sabha)]

#### **Action Taken by the Ministry of Railways**

Out of the the total supplementary provision of Rs. 452.08 cr. about Rs. 451.84 cr. was taken in Demand No. 10 alone. There were two increases in the prices of HSD oil in 1999. The first occurred in Feb., 1999. Although this was in the previous fiscal year, the increase was notified after the Budget estimates for 1999-2000 were drawn up. The second increase was in Sept. 1999. Both these in effect became post budgetary factors and necessitated supplementary grants in Demands No. 10 in that year. This, along with other factors like higher activity under Goods and Passenger traffic than expected, made it difficult to assess the exact requiriement of expenditure in Demand No. 10. In this particular year, the Railways were able to carry 456.42 million tonnes of goods traffic as against 450 million tonnes envisaged in the budgetary stages. However, the excess registered in Demand No. 10 works out to less than 1% of the total sanctioned grant and may be regarded as minor.

As has already been indicated in Action Taken Note for para 7.1.2, the incidence of excess expenditure is on decline and has reached its minimum in the year 1999-2000. The oveall excess incurred in 1999-2000 works out to a negligible 0.10% of the total sanctioned provision.

The Railways have a well set mechanism of monitoring and control. The present mechanism and procedures have no inherent defects.

[Ministry of Railways' O.M. No. 2002-BC-PAC/XIII/30 dated 30-09-2002]

**CHAPTER IV**

OBSERVATIONS/RECOMMENDATIONS REPLIES TO WHICH HAVE NOT BEEN  
ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

—NIL—

**CHAPTER V**

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

—NIL—

NEW DELHI;  
27 October, 2004  
5 Kartika, 1926(Saka)

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

MINUTES OF THE FIFTH SITTING OF PUBLIC ACCOUNTS COMMITTEE  
(2004-2005) HELD ON 13TH OCTOBER, 2004

The Committee sat from 1600 hrs. to 1745 hrs. in Room No. 53, Parliament House, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Ramesh Bais
3. Shri Khagen Das
4. Dr. M. Jagannath
5. Dr. R. Senthil
6. Shri Brij Bhushan Sharan Singh
7. Dr. Ram Lakhan Singh

*Rajya Sabha*

8. Shri Prasanta Chatterjee
9. Shri R.K. Dhawan
10. Dr. K. Malaisamy
11. Shri C. Ramachandraiah
12. Shri Jairam Ramesh
13. Prof. R.B.S. Varma

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Shri S.K. Sharma — *Joint Secretary*
3. Shri Ashok Sarin — *Director*
4. Shri N.S. Hooda — *Under Secretary*
5. Smt. Anita B. Panda — *Under Secretary*

***Representatives of the Office of the Comptroller and Auditor General of India***

1. Ms. Anusua Basu — ADAI (RC)
2. Dr. A.K. Banerjee — Director General of Audit  
(Central Revenue)



## APPENDIX

### STATEMENT OF CONCLUSIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry/Deptt.	Recommendation
1	2	3	4
1.	1.6	Finance [Deptt. of Economic Affairs (Budget Division)]	In their Original Report, while examining the cases of excess expenditure of Rs. 57.36 crore incurred by various Ministries/Departments during the year 1999-2000, the Committee had observed that once again sheer lack of farsightedness on the part of the concerned Ministries/Departments to anticipate their actual requirement of funds at budget formulation stage or even at the stage of Supplementary Demands, lack of proper and timely review and monitoring of funds had contributed to most of the excesses. While apprehending continuation of the tendency of incurring excess expenditure the Committee had recommended the concerned Ministries/Departments to undertake vigorous monitoring of outflow of funds even at the fag end of the financial year and to make sustained efforts for effective budgetary control to achieve better results in the succeeding years. From the Action Taken Notes furnished by the Ministry of Finance (Department of Economic Affairs—Budget Division), the Committee find that the Ministry have not initiated any concrete measures in this regard except issuing routine instructions emphasising the Ministries/Departments to keep a strict watch over the expenditure to be incurred so that it does not exceed the amount of Grants/Appropriations authorised by the Parliament. The Committee feel that, such instructions have not yielded the desired results and, therefore, an effective monitoring mechanism should be put in place in the Ministry of Finance [Deptt. of Economic Affairs (Budget Division)] which should ensure that a proper check is exercised on the flow of expenditure under every Grant/Appropriation of all the Ministries/Departments.
2.	1.11	Railways (Railway Board)	The Committee note with concern that in spite of repeated exhortations by them, proper accounting and

1	2	3	4
			<p>control of expenditure in the Ministry of Railways has not improved with the result that excess over authorised provisions continues to occur year after year. In their Original Report the Committee had observed that Ministry of Railways exceeded the sanctioned provision by Rs. 56.79 crore in three Grants (Nos. 2, 6 &amp; 10) and five Appropriations (Nos. 3, 4, 6, 7 &amp; 9) during the year 1999-2000. They had also observed that Appropriation Nos. 3, 4 and 9 incurred the excess expenditure during the years 1997-98 and 1999-2000 and there was erroneous surrender of funds under grant Nos. 2 &amp; 6 while there had already been excess expenditure under these grants. Expressing their unhappiness over the same, the Committee wanted the Ministry of Railways to carefully examine their existing system of preparation of Budget Estimates and also the system of monitoring with a view to replacing the same by new mechanism. The Committee are not satisfied with the contention of the Ministry of Railways that they have a well set mechanism of monitoring and control which has no inherent defects. This assertion of the Railways does not sound convincing as there was another instance of sharp increase in the excess expenditure as well as in the excess registering Grants/Appropriations during the year 2001-02. The Committee would, therefore, desire that the Ministry of Railways should undertake a thorough review of their existing system of monitoring and identify the weaknesses in their accounting information and exchequer control system and plugging lacunae therein to ensure that their expenditure does not over-shoot its limits. The Committee would like to be apprised of the results of these efforts.</p>
3.	1.14	Railways (Railway Board)	<p>Taking a serious view of the recurring expenditure under Grant No. 10—Operating Expenses—Fuel the Committee had in para 7.3.2 of their 30th Report (13th Lok Sabha) desired the Ministry of Railways to thoroughly re-examine and suitably revise the existing procedures on an urgent footing so as to eliminate the recurring excess under this Grant. The Committee note that in response to an earlier recommendation on the same issue made by them in their 6th Report (13th Lok Sabha), the Ministry of Railways had informed the Committee that implementation of a new Computer based Financial</p>

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Management Information System (FMIS) on different Zonal Railways was expected to enable them to improve the position of assessment of fund requirements more realistically. However, the Ministry of Railways have now stated that FMIS is still under the evolving stages and its usefulness in assessment, monitoring and expenditure control can be evaluated only after it is fully implemented. The Committee are constrained to point out that even though a period of over four years has elapsed since the presentation of the Sixth Report (13th Lok Sabha) *i.e.* on 27.04.2000, the implementation of FMIS on different Zonal Railwas is still at the nascent stage. The Committee is quite unhappy about the slow pace of completion of the FMIS and desire that the Ministry of Railways should expedite implementation of the FMIS so that the assessment of requirement of funds and monitoring of expenditure is streamlined and excess expenditure is avoided in other Grants/Appropriations operated by them. The Committee would also like to be informed of the approximate period by which FMIS would be fully implemented in Railways.

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