

**54**

**EXCESSES OVER VOTED GRANTS AND  
CHARGED APPROPRIATIONS (2005-06)**

**PUBLIC ACCOUNTS  
COMMITTEE  
2007-2008**

**FIFTY-FOURTH REPORT**

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FOURTEENTH LOK SABHA



**LOK SABHA SECRETARIAT  
NEW DELHI**

FIFTY-FOURTH REPORT

PUBLIC ACCOUNTS COMMITTEE  
(2007-2008)

(FOURTEENTH LOK SABHA)

EXCESSES OVER VOTED GRANTS AND  
CHARGED APPROPRIATIONS (2005-06)



*Presented to Lok Sabha on 24-08-2007*  
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LOK SABHA SECRETARIAT  
NEW DELHI

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
(2007-2008)

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4. Shri Ramkumar Suryanarayanan — *Under Secretary*
5. Shri Rajesh Kumar Kashyap — *Committee Assistant*

## INTRODUCTION

I, the Chairman, Public Accounts Committee, as authorised by the Committee, do present this 54th Report relating to “Excesses over Voted Grants and Charged Appropriations (2005-2006)”.

2. The Committee examined the cases of excess expenditure incurred by various Ministries/Departments of Union Government in 2005-06 on the basis of relevant Appropriation Accounts, observations of Audit as contained in the Reports of the Comptroller & Auditor General of India for the year ended 31 March, 2006, and the explanatory notes furnished by the various Ministries/Departments concerned. The Committee considered and finalised the Report at their sitting held on 7th August, 2007. Minutes of the sitting have been enclosed as *Annexure* to the Report.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in *Appendix-V* to the Report.

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

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

6. The Committee also place on record their appreciation for the invaluable assistance rendered to them by the officials of Lok Sabha Secretariat attached with the Committee.

NEW DELHI;  
16 August, 2007  
25 Sravana, 1929 (Saka)

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

## **REPORT**

### **EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2005-06)**

#### **PART — I**

##### **Background Analysis**

###### **A. Introductory**

###### **(i) Annual Appropriation Accounts of the Union Government**

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

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

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

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

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



provisions made in this behalf under rules framed by competent authority.

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

**(ii) Union Government Appropriation Accounts for the year 2005-06**

6. The table indicating the results of the examination of the relevant Appropriation Accounts (2005-2006) by Audit have been brought out in the following Audit Reports:

Sl.No.	Appropriation Accounts	Report in which audit findings are highlighted
1.	Civil	Chapters 6 & 7 of C&AG's Report No. 1 of 2007
2.	Defence Services	Chapters 6 & 7 of C&AG's Report No. 1 of 2007
3.	Postal Services	Chapters 6 & 7 of C&AG's Report No. 1 of 2007
4.	Railways	Chapter I, Para 1.9 of C&AG's Report No. 6 of 2007

7. The table given below indicates the number of Demands for Grants/ Appropriations obtained by various Ministries/Departments during 2005-2006:

Sector of activity	Number of Demands for Grants/Appropriations
Civil	98
Defence Services	6
Postal Services	1
Railways	16
<b>Total</b>	<b>121</b>

8. In this Report, the Committee have examined the cases of those Grants/ Appropriations where moneys have been spent in excess of the amount authorised by Parliament for specified services for the year 2005-06 and which required regularisation by Parliament under Article 115(1)(b) of the Constitution of India.

**(iii) Rules laid down for control of expenditure**

- (i) Article 114(3) of the Constitution provides that subject to the provisions of Articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article.
- (ii) Further, General Financial Rules (GFR) 71 stipulates that no disbursements be made which might have the effect of exceeding the total grant or appropriation authorised by Parliament for a financial year except after obtaining a supplementary grant or an advance from the Contingency Fund.

- (iii) Article 115(1) (b) of the Constitution stipulates that if any money had been spent on any service during a financial year in excess of the amount granted for that service and for that year, the President should cause to be presented to the House of People a demand for such excess.
- (iv) Annexure “A” to Rules 66 and 75 of the General Financial Rules lays down the detailed procedure to be followed by the Pay and Accounts Offices (PAOs) regarding check against provision of funds. This procedure prescribes that where a payment would lead to excess over the provision under any “unit of appropriation”, the payment may be made by PAO only on receipt of an assurance in writing from the Ministry/Head of Department controlling the grant that necessary funds to accommodate the expenditure will be provided for in time by issue of re-appropriation order etc. In cases of inevitable payments towards the close of the financial year where the grant as a whole is likely to get exceeded, the orders of the Financial Adviser on behalf of the Chief Accounting Authority would have to be sought.
- (v) Indian Railway Financial Code, Volume-I also addresses the issue of excesses over grants in so far as Railway finances are concerned. According to paragraph 371 of this code, the Railway administration shall be responsible to ensure that no expenditure is incurred in excess of the Budget allotments made to them. Similar provisions also exist under paragraphs 782 and 783 of P&T Manual, Volume II which, *inter-alia* prescribe that control in relation to budget allotments must secure that expenditure is not incurred under any head in excess of the funds allotted to that head.

**(iv) Procedure for regularisation of excess expenditure**

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

**B. Excess Expenditure Over Voted Grants and Charged Appropriations (2005-2006)**

**(i) Summary of excess disbursement over Grants/Appropriations**

10. During 2005-2006, there was an excess disbursement of Rs. 97062.69 crore in eight Grants/Appropriations operated by the Civil Ministries/Departments,

Rs. 2296.13 crore under 15 segments of 11 Grants/Appropriations pertaining to Ministry of Railways, Rs.44.84 crore in two Grants pertaining to Ministry of Defence and Rs. 97.65 crore in one Grant operated by Department of Posts. These are detailed below :—

(in unit of Rs.)

Sl. No.	Name of Appropriation Accounts	No. of excess registering Grants/Appropriations	No. of cases involved	Amount of excess expenditure incurred
1.	Civil	8	8	9,70,62,69,44,827
2.	Defence Services	2	2	44,83,98,109
3.	Postal Services	1	1	97,64,56,000
4.	Railways	11	15	22,96,12,61,165
<b>Total</b>		<b>22</b>	<b>26</b>	<b>9,95,01,30,60,101</b>

**(ii) Excess disbursements under Indian Railways Appropriation Accounts**

11. Scrutiny of the explanatory notes furnished by the Ministry of Railways for explaining the reasons for excess expenditure incurred by them over Voted Grants/Charged Appropriations during 2005-06 has revealed that there was a misclassification of Rs. 10,46,644 under Appropriation No. 6 – Working Expenses – Repairs & Maintenance of Carriages & Wagons; Rs. 12,00,640 under Appropriation No. 13. Working Expenses – Provident Fund, Pension and Other Retirement Benefits; (-) Rs. 4,34,691 under Grant No. 4 – Working Expenses – Repairs & Maintenance of Permanent Way and Works; Rs. 73,52,475 under Grant No. 6 – Working Expenses – Repairs & Maintenance of Carriages & Wagons; (-) Rs. 23,39,824 under Grant No. 10 – Working Expenses – Operating Expenses – Fuel; Rs. 25,65,57,375 under Grant No. 16 – Assets – Acquisition, Construction and Replacement – Capital.

12. Taking into account the effect of these cases of misclassification, the actual excess expenditure relating to Railways worked out to Rs. 23,22,46,43,784 instead of Rs. 22,96,12,61,165 as indicated in the relevant Appropriation Accounts.

**(iii) Total excess expenditure requiring regularization under Article 115(1)(b) of the Constitution**

13. Thus, the amount of actual excess expenditure incurred during the year 2005-06 which requires regularization by the Parliament under Article 115(1)(b) of the Constitution is of the order of Rs. 995,27,64,42,720 incurred in 26 cases of 22 excess registering Grants/Appropriations.

(iv) Details of excess disbursement over Grants/Appropriations (2005-2006)

(in unit of Rs.)					
Sl. No. & Name of Grants/Appropriations	Administrative Ministry/Deptt.	Final Grant	Actual Expenditure	Excess Expenditure	
1	3	4	5	6	6
<b>I. APPROPRIATION ACCOUNTS — CIVIL</b>					
<b>Revenue (Voted)</b>					
1. 8-Department of Fertilizers	Chemicals and Fertilizers	19248,11,00,000	19415,55,04,796	167,44,04,796	
2. 61-Ministry of Labour and Employment	Labour and Employment	1383,94,00,000	1401,20,98,810	17,26,98,810	
3. 99-Lakshadweep	Home Affairs	234,09,00,000	237,67,58,028	3,58,58,028	
<b>Revenue (Charged)</b>					
4. 11-Ministry of Mines	Mines	10,00,000	11,53,227	1,53,227	
5. 33-Currency, Coinage & Stamps	Finance	55,00,000	2,40,26,011	1,85,26,011	5
6. 35-Interest Payments	Finance	138031,86,00,000	141374,88,27,172	3343,02,27,172	
<b>Capital (Voted)</b>					
7. 96-Chandigarh	Home Affairs	151,83,00,000	152,11,34,562	28,34,562	
<b>Capital (Charged)</b>					
8. 38-Repayment of Debt	Finance	1021680,84,00,000	1115210,06,42,221	93529,22,42,221	
<b>II. APPROPRIATION ACCOUNTS — POSTAL SERVICES</b>					
<b>Revenue (Voted)</b>					
9. 14-Posts	Posts	63,31,46,00,000	64,29,10,56,000	97,64,56,000	
<b>III. APPROPRIATION ACCOUNTS — DEFENCE SERVICES</b>					
<b>Revenue (Charged)</b>					
10. 23 - Defence Services Army	Defence	14,33,00,000	16,41,34,112	2,08,34,112	
<b>Revenue (Voted)</b>					
11. 25 - Defence Services Air Force	Defence	93,49,08,00,000	93918363997	42,75,63,997	

1	2	3	4	5	6
<b>IV. APPROPRIATION ACCOUNTS – RAILWAYS</b>					
	<b>Revenue (Voted)</b>				
12.	4 – Working Expenses – Repairs and Maintenance of Permanent Way and Works	Railways	3640,48,67,000	3650,65,03,633	10,12,01,942*1
13.	6—Working Expenses—Repairs and Maintenance of Carriages and Wagons	-do-	3921,30,52,000	3948,31,14,503	27,74,14,978*2
14.	10—Working Expenses—Fuel	-do-	10188,43,43,000	10283,81,12,503	95,14,29,679*3
	<b>Capital (Voted)</b>				
15.	16—Assets—Acquisition, Construction and Replacement—Capital	-do-	22679,28,28,000*	24837,79,92,145*	2184,17,21,520*4
	<b>Revenue (Charged)</b>				
16.	3 – Working Expenses – General Superintendence and Services	-do-	6,99,000	7,09,850	10,850
17.	4—Working Expenses—Repairs and Maintenance of Permanent Way and Works	-do-	131,57,000	177,70,542	46,13,542
18.	5—Working Expenses—Repairs and Maintenance of Motive Powers	-do-	90,000	2,95,171	2,05,171
19.	6—Working Expenses—Repairs and Maintenance of Carriages and Wagons	-do-	73,000	77,518	10,51,162*5
20.	7—Working Expenses – Repairs and Maintenance of Plant and Equipment	-do-	4,95,000	6,40,184	1,45,184
	<b>Revenue (Charged)</b>				
21.	8—Working Expenses – Operating Expenses – Rolling Stock and Equipment	-do-	6,00,000	12,59,312	6,59,312

22.	9—Working Expenses – Operating Expenses – Traffic	-do-	26,08,000	31,24,678	5,16,678
23.	10—Working Expenses Operating Expenses—Fuel	-do-	50,00,000	2,11,00,000	1,61,00,000
24.	11—Working Expenses – Staff Welfare and Amenities	-do-	22,52,000	39,68,156	17,16,156
25.	13—Working Expenses- Provident Fund, Pension and Other Retirement Benefits	-do-	80,53,000	83,59,970	15,07,610*6
<b>Capital (Charged)</b>					
26.	16—Assets—Acquisition, Construction and Replacement— Railway Funds	-do-	1,10,68,000	3,74,18,000	2,63,50,000
<b>Total</b>		—	12368.60.10,85,000	13363.61.41.45.101	995.27.64.42,720

\*<sup>1</sup>There was an excess expenditure of Rs. 10,16,36,633 under this Grant. However, after taking into account the misclassification of expenditure of (-) Rs. 4,34,691, the real excess expenditure under this Grant requiring regularisation worked out to Rs. 10,12,01,942.

\*\*<sup>2</sup>There was an excess expenditure of Rs. 27,00,62,503 under this Grant. However, after taking into account the misclassification of expenditure of Rs. 73,52,475, the real excess expenditure under this Grant requiring regularisation worked out to Rs. 27,74,14,978.

\*\*<sup>3</sup>There was an excess expenditure of Rs. 95,37,69,503 under this Grant. However, after taking into account the misclassification of expenditure of (-) Rs. 23,39,824, the real excess expenditure under this Grant requiring regularisation worked out to Rs. 95,14,29,679.

#The sanctioned Budget includes Rs. 2699 crore and Actual Expenditure includes Rs. 2499 crore which were transferred to Special Railway Safety Fund.

\*\*<sup>4</sup>There was an excess expenditure of Rs. 2158,51,64,145 under this Grant. However, after taking into account the misclassification of expenditure of Rs. 25,65,57,375, the real excess expenditure under this Grant requiring regularisation worked out to Rs. 2184,17,21,520 .

\*\*<sup>5</sup> There was an excess expenditure of Rs. 4,518 under this Grant. However, after taking into account the misclassification of expenditure of Rs. 10,46,644, the real excess expenditure under this Grant requiring regularisation worked out to Rs. 10,51,162.

\*\*<sup>6</sup> There was an excess expenditure of Rs. 3,06,970 under this Grant. However, after taking into account the misclassification of expenditure of Rs. 12,00,640, the real excess expenditure under this Grant requiring regularisation worked out to Rs. 15,07,610 .

14. The above statement reveals that out of 26 cases of excess over Voted Grants/Charged Appropriations, the excess expenditure in three cases was more than Rs. 1000 crore each; in three cases it was more than Rs. 95 crore each; in one case it was more than Rs. 40 crore; and in three cases it was more than Rs. 10 crore each. It would also reveal from the above table that the Ministry of Finance alone has incurred excess expenditure of Rs. 96874.09 crore in three Grants/Appropriations which is more than 90 per cent of the total excess expenditure incurred during the year 2005-06.

**(v) Recurring phenomenon and increasing trend of excess expenditure**

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

Year	Union Government Appropriation Accounts (2005-2006)		Appropriation Accounts (Civil) (2005-2006)		Appropriation Accounts (Defence Services) (2005-2006)		Appropriation Accounts (Postal Services) (2005-2006)		Appropriation Accounts (Railways) (2005-2006)	
	No. of Excess registering Grants/Appropriations	Excess expenditure incurred	No. of Excess registering Grants/Appropriations	Excess expenditure incurred	No. of Excess registering Grants/Appropriations	Excess expenditure incurred	No. of Excess registering Grants/Appropriations	Excess expenditure incurred	No. of Excess registering Grants/Appropriations	Excess expenditure incurred
2000-2001	07	230.45	1	0.44	1	229.70	1	0.17	4	0.14
2001-2002	14	1089.54	5	878.67	-	-	1	0.16	8	210.71
2002-2003	18	2188.12	8	1864.47	-	-	-	-	10	323.65
2003-2004	17	43364.62	7	42190.20	1	37.50	-	-	9	1136.92
2004-2005	16	35978.56	3	33784.53	2	41.99	1	0.04	10	2151.99
2005-2006 (Year under review)	22	99527.64	8	97062.69	2	44.84	1	97.65	11	2322.46

16. It would be seen from the above table that the excess expenditure incurred by various Ministries/Departments has been increasing every year from 2000-01 to 2005-06 except in 2004-05 which registered a marginal decline. It has grown up from Rs. 230.45 crore in 2000-01 to a staggering Rs. 99527.64 crore in 2005-06. Similarly, the number of Grants/Appropriations registering excess expenditure had also been increasing every year during the same period (*i.e.* seven in 2000-01 and 22 in 2005-06) except in 2003-04 and 2004-05 which shows a marginal decline.

However, during the year under review *i.e.* in 2005-06, there was a steep rise in excess expenditure which increased about three times that in 2004-05.

**(a) Recurring and increasing trend of excess expenditure in Civil Ministries/ Departments**

17. It would be seen from the above table that the excess expenditure incurred by Civil Ministries/Departments had been increasing every year from 2000-01 to 2005-06 except in 2004-05 which registered a marginal decline. Though the number of excess registering Grants/Appropriations has reduced during the years 2003-04 and 2004-05, but during the years under review *i.e.* in 2005-06, the number of these Grants/Appropriations as well as the amount of excess expenditure has become triple the previous year *i.e.* 2004-05.

**(b) Recurring and increasing trend of excess expenditure by the Defence Ministry**

18. It would be seen from the above table that the excess expenditure incurred by the Defence Ministry had been increasing every year from 2003-04 to 2005-06, and at the same time, there is a marginal increase in the number of excess registering Grants/Appropriations in 2004-05 while in 2005-06, it remained the same as in previous year.

**(c) Recurring and increasing trend of excess expenditure by the Department of Posts**

19. It would be seen from the above table that there was a marginal decline in the excess expenditure incurred by the Department of Posts during the years 2000-01 and 2001-02 and there was no excess occurred during the years 2002-03 and 2003-04. Suddenly, the excess expenditure increased from Rs. 0.04 crore in 2003-04 to Rs. 97.65 crore in 2005-06. However, the number of excess registering Grants/Appropriations remained unchanged during the years 2000-01, 2001-02, 2004-05 and 2005-06.

**(d) Recurring and increasing trend of excess expenditure by the Railway Ministry**

20. It would be seen from the above table that the number of excess registering Grants/Appropriations operated by the Railway Ministry has been increasing every year from 2000-01 to 2005-06 except in 2003-04 which registered a marginal decline and it has become about three times that of 2000-01 in 2005-06. At the same time, the excess expenditure incurred has also been persistently increasing during the same period.

**(vi) Excess expenditure despite having Supplementary Grants**

21. It would reveal from the following table that the excess expenditure during the year 2005-06 occurred even after obtaining Supplementary Grants/Appropriations



in the following cases:—

			(Rs in crore)
Sl. No. & Name of No. Grant/Appropriation	Amount of Supplementary Grant/Appropriation obtained	Amount of excess expenditure incurred	
(a) APPROPRIATION ACCOUNTS (CIVIL)			
<b>Revenue (Voted)</b>			
1. 8—Department of Fertilizers	2200.00	167.44	
2. 61—Ministry of Labour and Employment	72.91	17.27	
3. 99—Lakshadweep	13.49	3.59	
<b>Revenue (Charged)</b>			
4. 35—Interest Payments	587.00	3343.02	
<b>Capital (Charged)</b>			
5. 38—Repayment of Debt	420203.72	93529.22	
<b>Capital (Voted)</b>			
6. 96—Chandigarh	17.34	0.28	
(b) APPROPRIATION ACCOUNTS ( POSTAL SERVICES)			
<b>Revenue (Voted)</b>			
7. 14—Postal Services	51.62	97.65	
(c) APPROPRIATION ACCOUNTS ( DEFENCE SERVICES)			
<b>Revenue (Voted)</b>			
8. 25—Defence Services—Air Force	157.60	42.76	
(d) APPROPRIATION ACCOUNTS (RAILWAYS)			
<b>Revenue (Charged)</b>			
9. 3—Working Expenses— General Superintendence and Services	0.07	0.001	
10. 4—Working Expenses— Repair & Maintenance of Permanent Way & Works	1.31	0.46	
11. 5—Working Expenses— Repairs & Maintenance of Motive Powers	0.004	0.02	
12. 6—Working Expenses— Repairs & Maintenance of Carriages & Wagons	0.007	0.0005	
13. 7—Working Expenses— Repairs & Maintenance of Plant & Equipment	0.02	0.01	

Sl. No. & Name of No. Grant/Appropriation	Amount of Supplementary Grant/Appropriation obtained	Amount of excess expenditure incurred
14. 8—Working Expenses— Operating Expenses—Rolling Stock & Equipment	0.06	0.07
15. 9—Working Expenses— Operating Expenses-Traffic	0.26	0.05
16. 10—Working Expenses— Operating Expenses—Fuel	0.50	1.61
17. 11—Working Expenses— Staff Welfare and Amenities	0.23	0.17
18. 13—Working Expenses— Provident Fund, Pension and Other Retirement Benefits	0.13	0.03
<b>Capital (Charged)</b>		
19. 16—Assets—Acquisition, Construction and Replacement— Railway Funds	0.11	2.64
<b>Revenue (Voted)</b>		
20. 4—Working Expenses— Repair & Maintenance of Permanent Way & Works	35.04	10.16
21. 6—Working Expenses— Repairs & Maintenance of Carriages & Wagons	144.47	27.01
22. 10—Working Expenses— Operating Expenses—Fuel	1013.26	95.38
<b>Capital (Voted)</b>		
23. 16—Assets—Acquisition, Construction and Replacement— Capital	1554.45	2158.52
<b>TOTAL</b>	<b>426053.60</b>	<b>99497.36</b>

### C. Delay in furnishing explanatory notes

22. As per the prescribed time schedule, the Ministries/Departments of Government of India are required to submit to Public Accounts Committee the explanatory notes in respect of excess registering Grants/Appropriation immediately

after the presentation of relevant Appropriation Accounts to Parliament. Accordingly, the explanatory notes in respect of excess registering Grants/Appropriations during 2005-06 pertaining to Appropriation Accounts Civil, Defence Services, Postal Services and Railways became due for submission on 14.05.2007. However, some of the Ministries/Departments including the Ministry of Finance (Department of Economic Affairs) have delayed the submission of the explanatory notes to the Committee.

#### **D. Examination of select cases of excess expenditure**

23. In the succeeding Paragraphs, the Committee have dealt with some of the prominent cases involving excess expenditure during 2005-2006 in the light of the facts brought out in the relevant Appropriation Accounts and Audit observations thereon and the explanatory notes furnished by the concerned Ministries/Departments.

#### **I. Appropriation Accounts ( Civil)—(2005-06)**

24. During 2005-06, there was an excess disbursement of Rs. 97062.69 crore in eight Grants/Appropriations in Civil Ministries/Departments. The following table indicates the details of excess disbursements over Grants/Appropriations operated by the Civil Ministries/Departments during the year 2005-06 and the contributory reasons as stated by Government:—

Sl. No.	No. & Name of Grant/Appropriation	Excess expenditure incurred (Rs. in crore)	Contributory reasons as stated by Government
1	2	3	4
<b>Revenue (Voted)</b>			
1.	8—Department of Fertilizers	167.44	Payment of more medical claims, increase in dearness allowance, renovation of office building, payment of pending claims of subsidy on imported fertilizers etc.
2.	61—Ministry of Labour and Employment	17.27	Enhancement of provision owing to more collection of cess on account of revision of rates on manufacture of beedi.
3.	99—Lakshadweep	3.59	Payment to DGS&D for procurement of oil and additional funds required for Lakshadweep Harbour works.
<b>Revenue (Charged)</b>			
4.	11—Ministry of Mines	0.02	Due to meeting of a legal commitment, which had arisen at the end of the year.

1	2	3	4
5.	33—Currency, Coinage & Stamps	1.85	Payment arising out of a pending court litigation.
6.	35—Appropriation— Interest payment	3343.02	Coupon payment following selection of marketable securities for borrowing through re-issue mechanism and discount paid, payment of interest owing to higher subscription under non-competitive bids, more issue of treasury bills etc.
<b>Capital (Voted)</b>			
7.	96—Chandigarh	0.28	Completion/upgradation of ongoing construction works.
<b>Capital (Charged)</b>			
8.	38—Appropriation— Repayment of Debt	93529.22	More redemption of treasury bills than anticipated.

25. It may be seen from the above table that the excess expenditure of Rs. 96874.09 crore was incurred by the Ministry of Finance (Rs. 1.85 crore under Charged portion of Revenue Section of Appropriation No. 33—Currency, Coinage & Stamps; Rs. 3343.02 crore under Charged portion of Revenue Section of Appropriation No.35—Interest Payments; and Rs. 93529.22 crore under Charged portion of Capital section of Appropriation No. 38—Repayment of Debt) which is more than 99 per cent of the total excess expenditure incurred by the Civil Ministries/ Departments during 2005-06. While, the Appropriation No. 38—Repayment of Debt alone recorded the highest excess expenditure among the excess registering Grants/Appropriations in Civil Ministries/Departments which was more than 96 per cent of the total excess expenditure incurred by the Civil Ministries/Departments and over 93 per cent of the overall excess expenditure incurred during the same year.

**(i) Grant No. 8 (Revenue-voted)—Department of Fertilizers**

26. Under Revenue Section (Voted) of Grant No.8—Department of Fertilisers, the Ministry of Chemicals & Fertilizers (Department of Fertilizers) incurred an expenditure of Rs. 19415.55 crore against the total sanctioned provision of Rs. 19248.11 crore resulting in an excess expenditure of Rs. 167.44 crore although supplementary appropriation of Rs. 2200 crore was obtained in December 2005 and March 2006.

27. It is seen from the explanatory note furnished by the Ministry of Chemicals & Fertilizers (Department of Fertilizers) that the excess expenditure under this appropriation is net effect of total excess of Rs. 240.67 crore and total savings of Rs. 73.23 crore under various sub-heads of this appropriation. Some of the prominent

sub-heads under which the excess expenditure occurred and reasons therefor are stated below:—

Sl.No.	Major/Minor Head	Amount of Excess expenditure (Rs. in crore)	Contributory reasons as stated by the Ministry
1.	2401.00.105.15- Payment for concessional sale of imported decontrolled fertilizers	47.00	Due to payment of pending claims of subsidy on imported decontrolled fertilizers.
2.	2852.03.101.01- Payment under Fertilizers, Retention Price Scheme	192.41	Due to pending claims of subsidy under Fertilizers Retention Price Scheme.

28. While giving justification for the excess expenditure, the Ministry of Chemicals & Fertilizers (Department of Fertilizers) in their explanatory note submitted to the Committee have stated that due to booking of the expenditure against receipt of previous year and subsequent transfer entry which was made on the advice of Controller General of Accounts, Ministry of Finance, this amount was booked under the Head “2852” 03911-Deduct recovery of over payment.

**(ii) Appropriation No.35 (Revenue-Charged)—Interest payments**

29. Under Revenue Section (Charged) of Appropriation No. 35—Interest Payments, the Ministry of Finance (Department of Economic Affairs) incurred an expenditure of Rs.141374.88 crore against the total sanctioned provision of Rs.138031.86 crore resulting in an excess expenditure of Rs.3343.02 crore although supplementary appropriation of Rs.587.00 crore was obtained in March 2006.

30. It is seen from the explanatory note furnished by the Ministry of Finance (Department of Economic Affairs) that the excess expenditure under this appropriation is net effect of total excess of Rs. 4196.85 crore and total savings of Rs. 853.83 crore under various sub-heads of this appropriation. Some of the prominent sub-heads under which the excess expenditure occurred and reasons therefor are stated below:—

Sl. No.	Major/Minor Head	Amount of Excess expenditure (Rs. in crore)	Contributory reasons as stated by the Ministry
1.	2049.01.101—Interest on Market Loans	1186.95	Due to re-issue of marketable dated securities in the month of March 2006 (post budget development) which was not anticipated. Apart from this, the excess was attributable to the

Sl. No.	Major/Minor Head	Amount of Excess expenditure (Rs. in crore)	Contributory reasons as stated by the Ministry
			discount allowed on re-issue of marketable dated securities.
2.	2049.01.103.01—Discount on Treasury Bills—91 Days Treasury Bills	290.66	Due to the increase in non-competitive bids in the last quarter of financial year, which was earlier projected at Rs. 2000 crore (January-March, 2006) whereas actual figures were Rs. 9818 crore and on account of relative firming up of discount rate. This attributed to excess payment of interest thereof.
3.	2049.01.116—14 Days Treasury Bills	578.14	Due to more payment of interest on account of greater investment by State Governments due to higher availability of short-term surplus funds than anticipated.
4.	2049.01.200.03—Compensation and other Bonds	640.21	Due to higher investment by the subscribers under these schemes than anticipated and payment of more interest thereof. Spill over payments in respect of bonds already matured for redemption also contributed to the excess payment.
5.	2049.60.106.03—Interest on 7 % Oil Companies Government of India Special Bonds, 2012	201.70	Due to issue of 7% Oil Companies Government of India Special Bonds, 2012 amounting to Rs. 5,762.85 crore to Oil companies on 9.9.2005 on account of dismantling of Administered Price Mechanism (APM).

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

“The estimates of interest on internal debt are framed on the basis of inputs provided by RBI, the debt manager of the Central Government. Government has been impressing upon RBI at different times and various levels to take such necessary steps as may be required to improve the quality of these

estimates. RBI has been advised to set up a Working Group to undertake study of the instances and reasons for inaccuracies in estimation of expenditure pertaining to Repayment of Debt and Interest payments over last 5 years and make recommendations to improve the quality of the estimates and its better monitoring during the financial year. RBI has been requested to forward the reports/recommendations of the Working Group along with the action taken by the RBI on such report/recommendations, within three month's time. The outcome of the study is still awaited.

As far as other estimating authorities are concerned, it may be noted that in a large number of items coming under "Appropriation – Interest Payments", precise estimation is not possible, due to various post budget developments which have a direct bearing on the interest payments.

However, based on the recommendations of the Public Accounts Committee, in its 23rd Report (13th Lok Sabha) on the excesses over voted grant and charged appropriation (1998-1999), instructions have been issued to all Ministries/Departments, as part of the annual budget circular, to put in place sound data base and other IT facilities for better monitoring of expenditure."

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

32. Under Capital Section (Charged) of Appropriation No. 38—Repayment of Debt, the Ministry of Finance (Department of Economic Affairs) incurred an expenditure of Rs. 1115210.06 crore against the total sanctioned provision of Rs. 1021680.84 crore resulting in an excess expenditure of Rs. 93529.22 crore although supplementary appropriation of Rs. 420203.72 crore was obtained in March 2006.

33. It is seen from the explanatory note furnished by the Ministry of Finance (Department of Economic Affairs) that the excess expenditure under this appropriation is net effect of total excess of Rs 200605.28 crore and total savings of Rs. 107076.05 crore under various sub-heads of this appropriation. Some of the prominent sub-heads under which the excess expenditure occurred and reasons therefor are stated below:—

Sl. No.	Major/Minor Head	Amount of Excess expenditure (Rs. in crore)	Contributory reasons as stated by the Ministry
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**Major Head 6001 — Internal Debt of the Central Government**

1.	00.103.01—91 Days Treasury Bills	9606.53	More discharge of 91 days Treasury Bills than anticipated.
2.	00.115—14 Days Treasury Bills	190997.57	Higher investments and hence redemption of 14 days Intermediate Treasury Bills by State Governments than anticipated due to their large surplus cash balance position.

34. It has further been observed that excess expenditure of the order of Rs. 33783.55 crore was also incurred under Capital (Charged) portion of this appropriation during the year 2004-2005 with the same contributory reasons. While expressing their displeasure over the manner in which this particular appropriation was handled by the Ministry of Finance, the Committee in Para 54 of their 31st Report (14th Lok Sabha) had recommended as follows:—

“The Committee find from their scrutiny of select cases of excess registering Grants/Appropriations that under Appropriation No. 38—Repayment of Debt, the Ministry of Finance had incurred an expenditure of Rs. 33783.55 crore over and above the total sanctioned provision of Rs. 522485.23 crore which included supplementary provisions of Rs. 180365.72 crore obtained in December, 2004 and March, 2005. The excess expenditure under this appropriation is the net effect of total excess of Rs. 105807.41 crore and total savings of Rs. 72023.86 crore under various sub-heads of this appropriation. The Committee note that but for the savings under various sub-heads, the overall excess expenditure under this appropriation would have been much more as an excess of Rs. 100633.82 crore alone had occurred under the sub-head “14 Days Treasury Bills” due to more than anticipated higher investments in 14 Day’s Treasury Bills by State Governments. In their explanatory note to the Committee, the Ministry of Finance have stated that supplementary provision for lower amount was sought under the aforesaid item in view of expected savings under repayment of “Ways and Means Advances” and “91 Days Treasury Bills”. The Committee do not agree with the justification furnished by the Ministry because the excess expenditure of such large magnitude had occurred in spite of a huge amount of Supplementary Grants having been obtained on two occasions in this case. Significantly, the Ministry of Finance had been persistently making appropriations in excess of the budgeted figures under this appropriation for the past two years with the same contributory reasons. Clearly, the Ministry of Finance have not drawn any lessons from their past experience and have once again failed to exercise adequate care in assessing their actual requirement of funds even while obtaining Supplementary Grants on two occasions. The Committee view this situation with grave concern and express their unhappiness over the lackadaisical attitude displayed by the Ministry of Finance while obtaining supplementary appropriations during the year 2004-05. The Committee consider it absolutely necessary that supplementary provisions should be obtained with more precision and the Ministry of Finance, being the nodal Ministry, should not be allowed to make indiscriminate use of this mechanism. They should frame their Budget estimates more accurately and should resort to Supplementary Demands on a single occasion only, after a close scrutiny to ensure that they are realistic and meaningful. The Committee believe that better coordination with the Reserve Bank of India is also called for in this regard.

While expressing their displeasure over the manner in which this particular appropriation was handled by the Ministry of Finance, the Committee in



Para 71 of their 21st Report (14th Lok Sabha) had felt that major portion of this excess expenditure could and should have been anticipated by the Ministry and provisions thereof provided in the revised estimates, if not done earlier, and had hoped that there would not be any recurrence of excess expenditure of such huge amounts under this appropriation. While taking a serious view of the continuing excess expenditure under this head due to unrealistic budgetary projections, the Committee now would like the Ministry of Finance to critically examine and analyse the reasons for the recurring phenomenon of excess expenditure of this nature and take corrective measures so that violations of budgetary ceilings of this nature are avoided in future.”

35. In their Action Taken Note on the above recommendation, the Ministry submitted:—

“The original provision (*i.e.* BE 2004-05) under Appropriation No.38-Repayment of Debt was Rs.342119.51 crore. The excess expenditure was mainly under 14 Days Intermediate Treasury Bills. RBI had furnished estimates for RE (2004-05) in respect of Treasury Bills and Ways and Means Advances (WMA) etc. *vide* their letter-dated 15.1.2005. Subsequently estimates for Final Requirement (FR) in respect of Treasury Bills & WMA etc. were received from RBI *vide* their letter-dated 18.2.2005. After taking into account the Revised Estimates and Final Requirement, the original provision of Rs. 342119.51 crore was augmented to Rs. 522485.23 crore by obtaining supplementary Grant of Rs. 180365.72 crore. On the basis of above estimates for final requirement, the saving of Rs. 7987.39 crore (*i.e.* Rs. 7928.36 crore under Internal Debt and Rs. 59.03 crore under External Debt) was surrendered at the time of finalization of Final Requirement for 2004-05 (Copy enclosed). However, against total appropriation of Rs. 522485.23 crore, the actual expenditure was Rs. 556268.78 crore, which resulted into an excess expenditure of Rs. 33783.55 crore. This excess expenditure was the net result of total excess of Rs. 105807.41 crore and total savings of Rs. 72023.86 crore under various sub-heads of the Appropriation. Under 14 Days Intermediate Treasury Bills, the revised estimates and final requirement were taken as Rs. 266000.00 crore against BE 2004-05 of Rs. 125000.00 crore. As such, out of balance amount of Rs. 141000.00 crore [*i.e.* Rs. 266000.00 crore (-) Rs. 125000.00 crore], Rs. 57737.86 crore was re-appropriated from the minor head and Rs. 83262.14 crore was taken as supplementary. However, the actual expenditure under 14 Days Intermediate Treasury Bills was Rs. 308895.96 crore against final requirement of Rs. 266000.00 crore, resulting in an excess expenditure of Rs. 42895.96 crore under 14 Days Treasury Bills alone. The excess expenditure under 14 days Treasury Bills was on account of greater investment by State Governments due to higher availability of short-term surplus fund. The excess did not involve any cash outgo as it is netted against repayment of borrowings.

The estimates of ‘Repayment of Debt’ are framed on the basis of inputs furnished by RBI, the Debt Manager of the Government of India. It is

expected that estimations are made as accurately as possible, given the nature of these items of charged expenditure where non-payment of claimant in the absence of budgetary provision would amount to sovereign default. With a view to ensure that expenditure is contained within the sanctioned estimates, RBI and CCA (Finance) have been advised from time to time to comply with the observation of Audit so that the variations may be kept at the minimum given the fact that these estimates are difficult to assess accurately, and past experience is to be relied on in their formulation.

It is difficult to estimate the expenditure in respect of repayment of 14 days intermediate treasury bills with a reasonable degree of accuracy in view of the fact that it arises on account of investments in such treasury bills by State Governments of their short term cash surpluses. This is the main mandated facility for parking of surplus cash balances of State Governments and the Central Government has no option but to accept such investments through issue of 14 days intermediate Treasury bill. In the event of persistent of surplus cash balances, the investments are rolled over but accounted for as expenditure and then reinvestment. In essence, these are cash management instruments of State Governments and expenditure on their repayment by Central Government are not expenditure in the normally understood parlance. Since these expenditures are matched by receipts, they do not involve any cash outgo.

As the cash surplus position of the State Governments are a recent trend, projections of expenditure on repayment of 14 days intermediate treasury bills based on previous year's trend have resulted in under estimation of expenditure.

Notwithstanding the above, it is admitted that there is a need to improve the quality and monitoring of expenditure pertaining to Repayment of Debt. RBI has been advised to set up a Working Group to undertake study of the instances and reasons for inaccuracies in estimation of expenditure pertaining to Repayment of Debt and Interest payments over last 5 years and make recommendations to improve the quality of the estimates and its better monitoring during the financial year. The Working Group comprises officials from RBI, Budget Division and CCA (Finance). RBI has been requested to forward the reports/recommendations of the Working Group along with the action taken by the RBI on such report/recommendations, within three months' time."

**(iv) Recurring and increasing trend in excess expenditure incurred by the Ministry of Finance**

36. The scrutiny of Appropriation Accounts (Civil) for the year 2001-02 to 2005-06 indicates that the Ministry of Finance incurred the excess expenditure under

the following Grants/Appropriations recurringly for the past five years:—

(Rs. in crore)				
Sl. No.	Year	No & Name of Grant/ Appropriation	Amount of Excess Expenditure	Total
1.	2001-02	25 – Payments to financial Institutions <b>(Capital-Voted)</b>	731.36	759.75
		26 – Interest Payments <b>(Revenue-Charged)</b>	28.39	
2.	2002-03	29 – Interest Payments <b>(Revenue-Charged)</b>	1792.90	1793.26
		30 – Transfers to State and Union Territory Governments, <b>(Revenue - Voted)</b>	0.36	
3.	2003-04	37 – Repayment of Debt <b>(Capital-Charged)</b>	42182.74	42184.73
		39 – Pensions <b>(Revenue-Charged)</b>	1.99	
4.	2004-05	38 – Repayment of Debt <b>(Capital-Charged)</b>	33783.55	33783.55
5.	2005-06 (year under review)	33 – Currency, Coinage & Stamps <b>(Revenue-Charged)</b>	1.85	96874.09
		35 – Appropriation – Interest payments <b>(Revenue-Charged)</b>	3343.02	
		38 – Repayment of Debt <b>(Capital -Charged)</b>	93529.22	

37. It is seen from the above table that during the years 2003-04, 2004-05 and 2005-06, under Capital-Charged section of Appropriation No. 37/38-Repayment of Debt, the Ministry of Finance incurred excess expenditure of more than Rs. 40,000 crore, Rs. 30,000 crore and Rs. 90,000 crore respectively. The total amount of excess expenditure incurred by the Ministry of Finance under various Grants/Appropriations has been increasing during the past five years and it has become Rs. 96874.09 crore in 2005-2006, increasing from Rs. 759.75 crore in 2001-02. The number of Appropriations registering excess expenditure has also increased during the year under review.

## II. Appropriation Accounts (Postal Services)—2005-2006

### Grant No. 14 (Revenue-Voted)—Postal Services

38. The scrutiny of Appropriation Accounts (Postal Services) reveals that during 2005-06, the Ministry of Communications and Information Technology (Department of Posts) incurred an excess expenditure of Rs. 97.65 crore under one Grant.

39. A scrutiny of the explanatory notes furnished by the Ministry of Communications and Information Technology (Department of Posts) reveals that under Revenue section (Voted), Grant No. 14 – Postal Services accounted for the excess of Rs. 97.65 crore (under Head 3201 - Working Expenses) which was the net effect of total excess expenditure under various sub-heads of the Grant (that is net of savings).

40. In this context, it may be pointed out that the Ministry of Communications and Information Technology (Department of Posts) informed in their explanatory notes that instructions have been issued to the circles/units to guard against such type of financial irregularities and keep the expenditure within the allotment.

### **III. Appropriation Accounts (Railways) — 2005-2006**

41. During 2005-06, the Ministry of Railways incurred a net excess expenditure of Rs. 2322.46 crore under 15 cases of 11 excess registering Grants/ Appropriations. The details of these excess registering Grants/ Appropriations have already been given in paragraph 13 of this Report.

42. A scrutiny of the explanatory notes furnished by the Ministry of Railways reveals that under Revenue section (Charged), the amount of excess expenditure under “Grant No.10—Working Expenses-Operating Expenses-Fuel” is more than Rs. one crore, and under “Grant No. 16-Assets-Acquisition, Construction and Replacement-Railway Funds” is more than Rs. 2 crore. Under Revenue section (Voted), the amount of excess expenditure under “Grant No.4-Working Expenses-Repairs & Maintenance of Permanent Way and Works” is more than Rs.10 crore, under “Grant No.6—Working Expenses-Repairs & Maintenance of Carriages & Wagons” is more than Rs. 25 crore, under “Grant No.10—Working Expenses-Operating Expenses-Fuel” is more than Rs. 95 crore and under “Grant No.16- Assets-Acquisition, Construction and Replacement-Capital” it is more than Rs. 2000 crore.

#### **(i) Grant No. 16 (Capital-Voted)—Assets-Acquisition, Construction and Replacement—Capital**

43. The scrutiny of this Grant has revealed that there was an overall excess expenditure of Rs. 2184.17 crore during the year 2005-06 over and above the sanctioned provision of Rs. 22679.28 crore.

44. It has been noted that a Grant of Rs. 21124.83 crore was obtained at the Budget Estimate stage, out of which Rs. 2699.00 crore was obtained as a budgetary support from Ministry of Finance for Special Railway Safety Fund. A Supplementary Grant of Rs. 1554.45 crore was obtained during 2005-06, which includes Rs. 500.00 crore for Udhampur-Srinagar-Baramullah Project, Rs. 165.00 crore for national projects of Kumarghat-Agartala New Line and Lumbding-Silcher-Jiribam Gauge Conversion work and the remaining supplementary grant was obtained for accelerating the progress of various on going works and for taking up certain ‘Out of turn’ works which are regarded as ‘New Services/New Instruments of Service’. The actual expenditure of Rs. 24837.80 crore was Rs. 2158.52 crore more than the sanctioned provision of Rs. 22679.28 crore. There was a net effect of Rs. 25,65,57,375/- on

account of misclassification of expenditure between Grant No. 16-Capital and Revenue Grants/Works Grant. The excess thus worked out to Rs. 2184.17 crore.

45. It is also seen from the explanatory note that actual expenditure exceeded the total sanctioned provisions under the following Minor heads due to better progress of works:—

“New Lines (Rs. 231.11 crore), (b) Restoration of dismantled Lines (Rs. 5.72 crore), (c) Gauge Conversion (Rs.140.01 crore), (d) Rolling Stock (Rs. 89.99 crore), (e) Other Specified Works (Rs. 1.24 crore), (f) Stores Suspense (Rs. 2385.90 crore), (f) Manufacturing Suspense (Rs. 101.51 crore) and (g) Dividend free Projects (Rs. 279.83 crore)”

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

“Doubling (Rs. 250.17 crore), (b) Traffic Facilities - Yard Remodelling and Others (Rs. 18.95 crore), (c) Computerisation (Rs. 15.70 crore), (d) Bridge Works (Rs. 0.45 crore), (e) Signalling & Telecommunication Works (Rs. 9.28 crore), (f) Electrification Projects (Rs. 29.01 crore), (g) Other Electrical Works (Rs. 12.15 crore), (h) Machinery and Plant (Rs. 8.67 crore), (i) Workshops incld. Production Units (Rs. 54.23 crore), (j) Staff Quarters (Rs. 11.14 crore), (k) Amenities for staff (Rs. 3.37 crore), (l) Investment in Government Commercial Undertakings (Rs. 320.33 crore), (m) Miscellaneous Advance (Rs. 82.36 crore), (n) Metropolitan Transport Projects (Rs. 60.98 crore) and (o) Transfer to Special Railway Safety Fund (Rs. 200.00 crore).”

**(ii) Persistent excess expenditure in Ministry of Railways**

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

( Rs. in crore)		
Financial Year	No. of excess registering Grants/Appropriations	Actual excess expenditure incurred
2000-2001	5	0.14
2001-2002	8	210.71
2002-2003	11	323.65
2003-2004	9	1136.92
2004-2005	10	2151.99
2005-2006 (Year under review)	11	2322.46

48. While expressing their displeasure over increasing trend in excess expenditure, the Committee, in Para 57 of their 31st Report (14th Lok Sabha) had observed that

the Ministry of Railways have failed not only in keeping the required vigil over the trend of excess expenditure but also in assessing their actual requirement of funds even at the time of seeking supplementary provisions. The Committee take a serious view of this situation and strongly urge the Ministry to exercise greater care in assessing realistically their requirement of funds. Efforts should also be made to keep a close and constant watch over the trend of expenditure with a view to containing the same within the budgetary allocation.

The Ministry in their Action Taken Note stated that the Zonal Railways are being cautioned to contain the incidence of excess expenditure in future. They have also decided to monitor the trend of charged appropriation at the Ministry's level also so as to contain the excess expenditure therein.

**(iii) Misclassification of expenditure under excess registering Grants/Appropriations**

49. The scrutiny of the relevant Appropriation Accounts reveals that the misclassification of expenditure has become a recurring feature in the case of Railway Accounts and a large number of cases of misclassification of expenditure had again occurred during the year 2005-06. During the year under review, there were six cases of misclassification of expenditure reported under the 15 cases of excess registering Grants/Appropriations.

50. Taking a serious view of the recurring nature of misclassification of expenditure, the Committee in Para 60 of their 31st Report (14th Lok Sabha) had recommended as follows:—

“The Committee are perturbed to find that the misclassification of expenditure has become a recurring feature in the case of Indian Railways Appropriation Accounts and a large number of cases of misclassification of expenditure had again occurred during the year 2004-05. During the year under review, there were nine cases of misclassification of expenditure reported under the 15 cases of excess registering Grants/Appropriations. While taking a serious view of the recurring nature of misclassification of expenditure, the Committee in their 21st Report (14th Lok Sabha) had desired that “suitable remedial measures should be taken to ensure that reconciliation of expenditure figures is conducted meticulously and annual certificate of reconciliation is furnished by the Financial Advisers after careful scrutiny”. Pursuant to the above recommendation, the Ministry of Railways in their Action Taken Note had stated that “the instructions for adhering to accounting procedures, correct interpretation of allocation rules have been again reiterated to all accounting units. Action against staff responsible for misclassification is being regularly taken”. The Ministry had hoped that with the above measures and with increasing computerization of accounting systems, the incidence of misclassification will come down. However, the recurring incidence of misclassification of expenditure in Railways only seems to suggest that the measures taken by the Ministry so far in this regard have proved to be inadequate. The Committee, while expressing their dissatisfaction and concern over such misclassifications and erroneous reconciliation of expenditure

figures, desire that procedures should be streamlined and timely action taken to reconcile the expenditure figures.

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

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

“Recommendations of the Public Accounts Committee regarding misclassification of expenditure have been noted.

- (i) It is submitted that although the cases of misclassification reported in the cases of excess registering Grants/Appropriations have increased in 2004-2005 as compared to 2003-04, the overall number of cases of misclassification detected in 2004-05 have reduced.

In addition to reiterating the measures/suggestions to prevent misclassifications/mistake to the Zonal Railways, joint efforts have also been made by Accounts and Audit for detection and rectification of misclassification before the closing the accounts. Guidelines to Zonal Railways have been issued and punitive action has been initiated against the staff concerned.

With the above measures and with ongoing computerization of accounts, it is hoped that a significant improvement in curbing the incident of misclassifications/mistake will come about.

- (ii) The observation contained in the second para of the above recommendation is on the excess expenditure being incurred on Government as a whole. The observation of the Committee is, nonetheless, noted in this Ministry also. The specific comments on excess incurred by Railways have been given on the other recommendations dealing particularly with the excess incurred under the Grant/Appropriations operated by the Railways.”

## PART – II

### OBSERVATIONS AND RECOMMENDATIONS

52. The Committee's examination of the Appropriation Accounts of Union Government for 2005-06 has revealed that during the year under review, an expenditure of unprecedented magnitude amounting to Rs. 99527.64 crore has been incurred by various Ministries/Departments of Union Government in excess of the provisions sanctioned under 26 cases involving 22 Grants/Appropriations as against Rs. 35978.56 crore during the last year *i.e.* 2004-05. The Committee are astonished to find that Rs. 93529.22 crore excess expenditure had been recorded under the Appropriation No. 38 alone *i.e.* Repayment of Debt, operated by the Ministry of Finance, which accounted for over 93 per cent of the total excess expenditure incurred during the year under review. The excess expenditure during the year is prominently noticeable in the Grants/Appropriations operated by the Department of Fertilizers, Ministry of Finance, Department of Posts, Ministry of Defence, and Ministry of Railways. During the last three years that is, 2003-04, 2004-05 and 2005-06, the total excess expenditure recorded was Rs. 43364.62 crore, Rs. 35978.56 crore and Rs. 99527.64 crore respectively. The Committee are perturbed to note that during the last six years, the excess expenditure of the Union Government has not only become a regular phenomenon, it has also steeply increased from Rs. 230.45 crore in 2000-01 to a staggering Rs. 99527.64 crore in 2005-06, except during the last year *i.e.*, 2004-05 when a marginal decline was registered. Instances of excess expenditure have been recurring and showing an increasing trend specially with regard to key Ministries like Finance, Defence and Railways. It is perplexing that such a situation persists despite issuance of elaborate instructions at regular intervals by the Government in pursuance of the oft-reiterated recommendations of the Public Accounts Committee to contain the excess expenditure to the barest minimum. From the fact that similar reasons persist year after year in the explanatory notes furnished by the Ministries/Departments, it is clear that the matter is being considered only in a routine manner and the Government is not making serious efforts to ensure financial discipline, which is all the more necessary now with the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 in operation. In view of the persistent trend of excess expenditure going unchecked, the Committee strongly recommend that the Government should undertake a thorough review in the matter, while overhauling the existing computerized accounting systems for better monitoring of expenditure.

[Recommendation Sl. No. 1]

53. Another disquieting aspect observed by the Committee is that out of 26 cases, the excess expenditure of Rs. 99497.36 crore in 23 cases of Grants/



Appropriations had occurred despite obtaining supplementary provisions of Rs. 426053.60 crore, thereby revealing not only the failure of the Ministries/ Departments to assess requirement of additional funds but also the inadequacies in the institutional arrangements in the Ministries/Departments in monitoring the flow and trend of expenditure under various Grants/Appropriations. It is also evident that under Appropriation No. 35—Interest Payments, Appropriation No. 38—Repayment of Debt pertaining to the Ministry of Finance; and Appropriation No. 16—Assets, Acquisition, Construction and Replacement-Capital pertaining to the Ministry of Railways, the excess expenditure incurred is much higher than the amount obtained as supplementary provision. The Committee observe that the excess expenditure in the same Appropriation (Repayment of Debt) operated by the Ministry of Finance persisted during the years 2003-04 and 2005-06, while it had somewhat reduced in the year 2004-05. In this regard, the Committee have repeatedly cautioned the Ministries/Departments in the past against incurring expenditure not authorized by Parliament. As the trend of incurring excess expenditure despite obtaining supplementary grants continues, the Committee are inclined to conclude that not only the Budget Estimates are not adequately made, even at the Supplementary Demands stage, requirements projected are not realistic. It is, therefore imperative that the Ministries/Departments should keep close watch over the trend of expenditure and when any need for additional funds arises they should assess realistically their requirement of funds in advance and approach Parliament by presenting Supplementary Demands for Grants in time. It is not expected of any Ministry/Department to cross their financial limits after obtaining Supplementary Grants as has happened in many cases. The Committee also recommend that the Ministries/Departments should evolve an effective mechanism through appropriate computerization and networking in coordination with the Comptroller and Auditor General of India, by which the progress of expenditure can be strictly monitored and timely action taken to ensure that expenditure does not overshoot the limit authorized by Parliament.

[Recommendation Sl. No. 2]

54. The Ministries/Departments are required to submit to the Committee explanatory notes in respect of the excess registering Grants/Appropriations immediately after the presentation of relevant Appropriation Accounts to Parliament. Accordingly, the explanatory notes in respect of excess registering Grants/Appropriations during 2005-06 pertaining to Appropriation Accounts Civil, Defence Services, Postal Services and Railways became due for submission on 14th May, 2007. The Committee in their earlier Report on the subject (23rd Report — 13th Lok Sabha) had recommended that from the financial year 2001-02 onwards, the details in respect of each excess registering Grant/Appropriation be prepared by the concerned Ministries/Departments and forwarded to the Ministry of Finance within such a time limit that these explanatory notes could be made simultaneously available along with the Appropriation Accounts to the Public Accounts Committee. The Committee had also desired that a time schedule should be laid down for taking action at various stages involving finalisation/vetting of these explanatory notes, which would result in eliminating delay on this account. The Committee

had also expected that the Ministry of Finance, being the nodal Ministry, would take proactive steps to ensure timely submission of Explanatory Notes by various Ministries/Departments. However, it has been noticed that Ministry of Finance (Department of Economic Affairs) itself unduly delayed the submission of their explanatory notes to the Committee. The Ministry of Finance (Department of Economic Affairs) should enquire into the reasons for the delay and apprise the Committee of the same. As it is incumbent upon all the Ministries to furnish the explanatory notes alongwith the Appropriation Accounts to enable the Committee to finalise their Report early for regularization of excess expenditure, the Ministry of Finance should ensure that the explanatory notes are submitted to the Committee without any delay whatsoever. Any deviation in this regard will be strictly viewed. As a systemic check, the Ministry of Finance in consultation with Comptroller and Auditor General of India should put in place a centralized computerized networking monitoring system to check the status of the preparation of Explanatory Notes at every stage by various Ministries/Departments so that any delay on this count is effectively prevented.

[Recommendation Sl. No. 3]

55. The Committee find from their scrutiny of select cases of excess registering Grants/Appropriations that under Appropriation No. 38—Repayment of Debt, the Ministry of Finance had incurred an expenditure of Rs. 93529.22 crore over and above the total sanctioned provision of Rs. 1021680.84 crore, which included supplementary provisions of Rs. 420203.72 crore obtained in March, 2006. The excess expenditure under this appropriation is the net effect of total excess of Rs. 200605.28 crore and total savings of Rs. 107076.05 crore under various sub-heads of this appropriation. The Committee are perturbed to note that but for the savings under various sub-heads, the overall excess expenditure under this appropriation would have been much larger. In their explanatory note to the Committee, the Ministry of Finance have stated that supplementary provision for lower amount was sought under the aforesaid item in view of expected savings under repayment of “Ways and Means Advances” to be taken into account for re-appropriation. The Committee do not agree with the justification furnished by the Ministry, as the excess expenditure of such large magnitude had occurred inspite of a huge amount of Supplementary Grants having been obtained in this case. Significantly, the Ministry of Finance had been persistently making appropriations in excess of the budgeted figures under this appropriation for the past three years with the same contributory reasons. Clearly, the Ministry of Finance have not drawn any lessons from their past experience and have once again failed to exercise adequate care in assessing their actual requirement of funds even while obtaining Supplementary Grant. The Committee view this situation with serious concern and would like to convey their unhappiness over such a lackadaisical attitude displayed by the Ministry of Finance while obtaining supplementary appropriations during the year 2005-06. The Committee consider it absolutely necessary that supplementary provisions should be obtained with more precision and the Ministry of Finance, being the nodal Ministry, should not be allowed to make indiscriminate use of this mechanism.

In this context, the Committee in their 21st Report (14th Lok Sabha) and 31st Report (14th Lok Sabha) had expressed their displeasure over the manner in which this particular appropriation (Repayment of Debt) was handled by the Ministry of Finance. While taking a serious view of the continuing excess expenditure under this head due to unrealistic budgetary projections, the Committee would like the Ministry of Finance to thoroughly examine the reasons for the recurrence of excess expenditure under this appropriation and if necessary, set up an Expert Group for this purpose. The Committee would await the outcome of the study.

[Recommendation Sl. No. 4]

56. The Ministry of Railways have also incurred a substantial excess expenditure of Rs. 2184.17 crore under Grant No. 16—Assets, Acquisition, Construction and Replacement—Capital (Voted). The Committee find that the Ministry of Railways had actually procured supplementary grants of Rs. 1554.45 crore under this ‘Grant’ and most of the items were of such nature that timely action to obtain additional funds could have been taken at the revised estimate stage/or at supplementary grant stage and excess expenditure clearly avoided. The Committee consider this as another instance of unrealistic assessment of the additional funds on the part of the Ministry of Railways. The huge gap between the estimates and the actuals only reveals the utter failure of the Ministry of Railways to anticipate and plan out expenditure on a systematic basis. The Committee would therefore, expect the Ministry to be more careful both in estimation and in spending so that such variations are avoided as far as practicable. The Ministry of Railways should also seize this opportunity to put in place an effective system for proper estimating and planning of railway works.

[Recommendation Sl. No. 5]

57. The Committee are perturbed to note that despite Committee’s recommendations in the past on the issue of misclassification of expenditure, it has become a recurring feature in the case of Indian Railways Appropriation Accounts. A large number of cases of misclassification of expenditure had been occurring during the last three years *i.e.* 2002-03, 2003-04 and 2005-06. During the year under review, there were six cases of misclassification of expenditure reported under the 15 cases of excess registering Grants/Appropriations. Taking a serious view of the recurrence of misclassification, the Committee have asked for greater care to be exercised to avoid mistakes in upkeep and maintenance of books of accounts and for taking remedial measures to ensure that reconciliation of expenditure figures is conducted meticulously. Pursuant to the recommendations of the Committee, the Ministry of Railways in their Action Taken Notes have informed that the instructions for adhering to accounting procedures and correct interpretation of allocation rules have been reiterated to all accounting units and that action against staff responsible for misclassification is also being regularly taken. It is strange that even with increasing computerization of accounting systems, the incidence of misclassification in Railways has not been reduced. The Committee would like the Ministry of Railways to review this matter at the highest level and initiate credible action that will yield visible results in the forthcoming years. The field formations should also be sensitized to this problem and officials

made accountable for lapses of such recurring nature. The Committee would await follow-up action by the Ministry of Railways in the matter.

[Recommendation Sl. No. 6]

58. The instances of excess expenditure that have occurred under various appropriations particularly those relating to Ministry of Finance, Railways, Department of Posts and Department of Fertilisers only highlight the growing malaise of not learning lessons from past mistakes. It is further seen that excess expenditure is occurring even in cases where the expenditure could have been easily anticipated and incorporated in the budget estimates or the supplementary grants. In some cases, even routine types of expenditure were not taken into account, resulting in excess expenditure over voted grants. This clearly shows that the Government, particularly the Ministry of Finance, as the nodal agency, have not been paying the requisite attention to this issue. In this connection, the Committee would like to point out that as per extant Financial Rules, the Secretary to the Government of India, who heads the Department, should take responsibility for ensuring financial discipline in the concerned Ministry/Department with a view to restricting excess expenditure to the barest minimum. Considering the rising quantum of excess expenditure year after year, the Committee would now like the matter to be reviewed at the highest level. The Committee, accordingly recommend that the Government should constitute a high-level Inter-Ministerial Group under the Chairmanship of the Cabinet Secretary to examine this recurring issue and apprise the Committee about the steps taken to rectify the problems. The Reserve Bank of India also needs to be closely associated with this process as the largest amount of excess expenditure relates to "Repayment of Debt".

[Recommendation Sl. No. 7]

59. Considering the fact that the Committee have been asking the Government to take steps to minimise the excess expenditure year after year, they would like to be apprised about the corrective measures taken alongwith the specific results achieved during the last ten years as a follow up of PAC's recommendations in the matter. Non-implementation of recommendations, if any, should also be clearly indicated in the Action Taken Notes required to be furnished to the Committee.

[Recommendation Sl. No. 8]

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

[Recommendation Sl. No. 9]

NEW DELHI;  
16 August, 2007  

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25 Sravana, 1929 (Saka)

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

ANNEXURE

MINUTES OF THE NINTH SITTING OF PUBLIC ACCOUNTS COMMITTEE  
(2007-2008) HELD ON 7TH AUGUST, 2007

The Committee sat from 1100 hrs. to 1130 hrs. on 7th August, 2007 in Room No. 51 (Chairman's Chamber), Parliament House, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Raghunath Jha
3. Shri Bhartruhari Mahtab
4. Dr. Rajesh Mishra
5. Shri Mohan Singh
6. Shri Kharabela Swain
7. Shri Tarit Baran Topdar

*Rajya Sabha*

8. Shri V. Narayanasamy
9. Prof. P.J. Kurien
10. Shri Janardhana Poojary
11. Dr. K. Malaisamy

SECRETARIAT

1. Shri Brahm Dutt — *Director*
2. Shri M.K. Madhusudhan — *Deputy Secretary-II*
3. Shri Ramkumar Suryanarayanan — *Under Secretary*
4. Shri N.K. Jha — *Under Secretary*

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

Shri P.K. Kataria — *Pr. Director (RC)*

2. At the outset, the Chairman, PAC welcomed the Members and Audit Officers to the sitting of the Committee. Thereafter, the Committee took up for consideration and adoption the following draft Reports:

- (i) Draft Report on "Excesses Over Voted Grants and Charged Appropriations (2005-2006)";
- (ii) \*\* \*\* \*\* \*\*
- (iii) \*\* \*\* \*\*

3. After some deliberations, the Committee adopted these draft Reports without any amendments/modifications and authorized the Chairman to finalize and present the same to Parliament in the light of factual verification, if any, done by the Audit.

*The Committee then adjourned.*

## APPENDIX-I

### MINISTRY OF FINANCE DEPARTMENT OF ECONOMIC AFFAIRS (BUDGET DIVISION)

...

Explanatory Note for Public Accounts Committee in respect of excess expenditure occurred under Revenue section (Charged) of Appropriation No. 35— Interest Payments, as disclosed in the Union Government Appropriation Accounts for 2005-2006.

<i>Revenue Section (Charged)</i>	<i>(Rupees in thousands)</i>
Original Appropriation	137444,86,00
Supplementary Appropriation	587,00,00
Total Appropriation	138031,86,00
Actual Expenditure	141374,88,27
Excess Expenditure	3343,02,27

2. Under Revenue Section (Charged) of Appropriation No. 35 — Interest Payments for 2005-2006, the total appropriation of Rs.138031,86,00 thousand included original appropriation of Rs. 137444,86,00 thousand and supplementary appropriation of Rs. 587,00,00 thousand. Against this, the actual expenditure was Rs. 141374,88,27 thousand resulting in excess expenditure of Rs. 3343,02,27 thousand.

3. The above mentioned excess expenditure was the net result of total excess of Rs. 4196,85,32 thousand and total savings of Rs. 853,83,05 thousand under various sub-heads of the Appropriation. Statement enclosed herewith indicates the excess and savings which occurred under various sub-heads of the Appropriation. The heads under which the excess of Rs. five lakh and above occurred and reasons therefor are as under:

	(Rs. in lakh)
(i) 2049.01.101—Interest on Market Loans	
Original Provision	75228,09.00
Supplementary Provision	...
Total Provision	75228,09.00
Actual Expenditure	76415,03.60
Excess	1186,94.60

The excess was mainly due to re-issue of marketable dated securities in the month of March 2006 (post budget development) which was not anticipated. Apart from this, the excess was attributable to the discount allowed on re-issue of marketable dated securities.

(Rs. in lakh)

<i>(ii) 2049.01.103.01—Discount on Treasury Bills — 91 Days Treasury Bills</i>	
Original Provision	430,00.00
Supplementary Provision	...
Total Provision	430,00.00
Actual Expenditure	720,65.97
Excess	290,65.97

The excess was due to the increase in non-competitive bids in the last quarter of financial year, which was earlier projected at Rs. 2000 crore (January-March, 2006) whereas actual figures were Rs. 9818 crore and on account of relative firming up of discount rate. This attributed to excess payment of interest thereof.

*(iii) 2049.01.108—Discount on Treasury Bills – Interest on 182 Days Treasury Bills*

Original Provision	345,00.00
Supplementary Provision	...
Total Provision	345,00.00
Actual Expenditure	384,54.02
Excess	39,54.02

Excess was due to more issue of treasury bills as well as increase in discount on account of firming up of yields.

*(iv) 2049.01.110—Interest on 364 days Treasury Bills*

Original Provision	1445,00.00
Supplementary Provision	...
Total Provision	1445,00.00
Actual Expenditure	1627,85.03
Excess	182,85.03

Excess was due to increase in non-competitive bids, which were not anticipated.

*(v) 2049.01.111—Interest on Gold Bonds 1998*

Original Provision	...
Supplementary Provision	...
Total Provision	...
Actual Expenditure	5.01
Excess	5.01

Excess was due to payment of interest on belated claims by the Bond holders.

	(Rs. in lakh)
(vi) <i>2049.01.116—14 Days Treasury Bills</i>	
Original Provision	420,00.00
Supplementary Provision	587,00.00
Total Provision	1007,00.00
Actual Expenditure	1585,13.81
Excess	578,13.81

The excess expenditure under 14 days intermediate treasury bills was due to more payment of interest on account of greater investment by State Governments due to higher availability of short term surplus funds than anticipated.

(vii) <i>2049.01.122—Interest on Investment in Special Government of India securities issued against net collections of small savings from 1999-2000</i>	
Original Provision	3108,96.00
Supplementary Provision	...
Total Provision	3108,96.00
Actual Expenditure	3214,68.18
Excess	105,72.18

The redemption of securities issued during 1999-2000, after completion of the moratorium period of 5 years, was anticipated as due from 2004-05. The interest liability of Government of these securities was calculated and budgeted for accordingly in BE 2005-06. However, it was pointed out by RBI that in case the redemption was started in 2004-05, the securities will not complete their fixed term of tenure of 25 years from the date of issue and will, instead, get repaid in 24 years. Therefore, as per advice of RBI, it was decided that repayment of securities be scheduled after completion of 6 years from the date of issue and the liability of interest payments on these securities also estimated accordingly. Due to this change, full interest payable on securities issued during 1999-2000 had to be budgeted for in RE 2005-06. Hence, the increase in expenditure.

(viii) <i>2049.01.124—Interest/Discount paid on Market Stabilisation Scheme Deposit of Money in the Bank</i>	
Original Provision	3338,50.00
Supplementary Provision	...
Total Provision	3338,50.00
Actual Expenditure	3420,74.87
Excess	82,24.87

The excess expenditure on interest was due to higher investment in non-competitive bids than anticipated.



(Rs. in lakh)

*(ix) 2049.01.200.03—Compensation and other Bonds*

Original Provision	4827,28.00
Supplementary Provision	...
Total Provision	4827,28.00
Actual Expenditure	5467,48.86
Excess	640,20.86

The excess payment of interest under compensation and other Bonds was due to higher investment by the subscribers under these schemes than anticipated and payment of more interest thereof. Spill over payments in respect of bonds already matured for redemption also contributed to the excess payment.

*(x) 2049.02.216—Interest on Loans from the IBRD*

Original Provision	558,31.76
Supplementary Provision	...
Total Provision	558,31.76
Actual Expenditure	682,74.48
Excess	124,42.72

Excess was due to more withdrawals in International Bank for Reconstruction and Development (IBRD) loans as well as increase in LIBOR based interest rate during the year which could not be assessed at the time of preparation of Budget Estimates.

*(xi) 2049.02.230—Interest on Loans from the Government of U.S.S.R.*

Original Provision	80,96.62
Supplementary Provision	...
Total Provision	80,96.62
Actual Expenditure	121,36.79
Excess	40,40.17

Excess was due to higher withdrawals of funds for making payments against purchase of materials and heavy equipments than anticipated.

*(xii) 2049.02.249—Interest on Loans from Asian Development Bank*

Original Provision	182,77.83
Supplementary Provision	...
Total Provision	182,77.83
Actual Expenditure	277,19.49
Excess	94,41.66

Excess was due to increase in variable interest rate on ADB LIBOR based loans during the year which could not be assessed at the time of preparation of Budget Estimates for the year.

	(Rs. in lakh)
<i>(xiii) 2049.03.104.01—General Provident Fund</i>	
Original Provision	2512,31.00
Supplementary Provision	...
Total Provision	2512,31.00
Actual Expenditure	2695,58.61
Excess	183,27.61

Excess was due to more deposits than anticipated.

<i>(xiv) 2049.03.104.04—State Railway Provident Fund</i>	
Original Provision	823,97.09
Supplementary Provision	...
Total Provision	823,97.09
Actual Expenditure	840,98.97
Excess	17,01.88

Estimates are framed keeping in view the trend of contribution towards the fund and withdrawal therefrom in the first six months and anticipation for the remaining part of the year. Excess was due to more accretions in the fund than anticipated.

<i>(xv) 2049.03.108.06—Postal Insurance and Life Annuity Fund</i>	
Original Provision	779,11.60
Supplementary Provision	...
Total Provision	779,11.60
Actual Expenditure	804,47.12
Excess	25,35.52

Excess was due to higher accretion/accumulation in the Fund and consequent payment of higher interest during the year.

<i>(xvi) 2049.03.109.10—Special Deposits of Provident Superannuation Gratuity Fund</i>	
Original Provision	9745,45.00
Supplementary Provision	...
Total Provision	9745,45.00
Actual Expenditure	9745,60.21
Excess	15.21

The excess was due to more payment of interest than anticipated.

(Rs. in lakh)

*(xvii) 2049.03.109.11—Special Securities issued to UTI*

Original Provision	276,25.00
Supplementary Provision	...
Total Provision	276,25.00
Actual Expenditure	283,67.60
Excess	7,42.60

The excess was due to more payment of interest than anticipated.

*(xviii) 2049.03.111.01—Interest on Deposits Scheme for retiring Government employees*

Original Provision	65,00.00
Supplementary Provision	...
Total Provision	65,00.00
Actual Expenditure	73,65.82
Excess	8,65.82

Estimates are prepared on the basis of trends and actual expenditure in the past. The deposits under the scheme can not be pre-assessed. Excess was due to higher than estimated balances under the scheme and consequent payment of higher interest during the year.

*(xix) 2049.03.117—Interest on Defined Contribution Pension Scheme*

Original Provision	35.00
Supplementary Provision	...
Total Provision	35.00
Actual Expenditure	1,18.62
Excess	83.62

The Budget Estimates included interest payable on the employees' contribution portion alone. Subsequently, the interest was allowed on Government's contribution as well, which resulted in excess. The increase in the number of new entrants to the scheme also contributed to the excess expenditure.

*(xx) 2049.05.101.01—Railway Depreciation Reserve fund*

Original Provision	152,48.81
Supplementary Provision	...
Total Provision	152,48.81
Actual Expenditure	239,05.99
Excess	86,57.18

Estimates are prepared on the basis of trends and actual expenditure in the past. Excess was due to more accretions in the fund than anticipated.

(Rs. in lakh)

*(xxi) 2049.05.101.03—Opium and Alkaloid Factories Depreciation Reserve Fund*

Original Provision	70.00
Supplementary Provision	...
Total Provision	70.00
Actual Expenditure	4,03.52
Excess	3,33.52

Excess was due to more expenditure than anticipated. The expenditure is a notional amount calculated at the time of preparing Budget Estimates on Depreciation Reserve Fund.

*(xxii) 2049.05.103—Interest on Railway Development Fund*

Original Provision	9,27.32
Supplementary Provision	...
Total Provision	9,27.32
Actual Expenditure	186,47.87
Excess	177,20.55

Excess was due to more accretion to the fund than anticipated.

*(xxiii) 2049.05.105.01—Railway Pension Fund*

Original Provision	82,57.24
Supplementary Provision	...
Total Provision	82,57.24
Actual Expenditure	101,51.71
Excess	18,94.47

Excess was due to more accretions in the fund and less withdrawals from the fund than anticipated.

*(xxiv) 2049.05.105.04—Interest on Railway Capital Reserve Fund*

Original Provision	1,07.94
Supplementary Provision	...
Total Provision	1,07.94
Actual Expenditure	53,29.23
Excess	52,21.29

Capital Fund — Railway remained inoperative from 2002-03 to 2005-06 (Budget Estimates). Subsequently, it was decided to revive it at the time of framing Revised Estimates. This revival of fund resulted in excess of expenditure.

(Rs. in lakh)

(xxv)	<i>2049.60.101.02—National Defence Fund</i>	
	Original Provision	43,98.30
	Supplementary Provision	...
	Total Provision	43,98.30
	Actual Expenditure	50,89.27
	Excess	6,90.97

Excess was due to more accretions in the fund than anticipated.

(xxvi)	<i>2049.60.101.12—Interest on Employees Deposit Linked Insurance Scheme</i>	
	Original Provision	282,39.00
	Supplementary Provision	...
	Total Provision	282,39.00
	Actual Expenditure	282,89.00
	Excess	50.00

Excess was due to more expenditure than anticipated.

(xxvii)	<i>2049.60.101.21—Interest on Deposits of Gratuity and Commuted value of Pension of employees absorbed in National Airports Authority</i>	
	Original Provision	2.00
	Supplementary Provision	...
	Total Provision	2.00
	Actual Expenditure	7.92
	Excess	5.92

Excess was due to more payment of interest than anticipated

(xxviii)	<i>2049.60.101.25—Interest on Deposit of Gratuity and Commuted value of Pension DAE deputationists absorbed in NPCIL</i>	
	Original Provision	6.00
	Supplementary Provision	...
	Total Provision	6.00
	Actual Expenditure	1,26.41
	Excess	1,20.41

The deposit of gratuity pertaining to the Department of Atomic Energy Deputationists absorbed in Nuclear Power Corporation of India Ltd. is paid to the employees, together with interest, after seven years from the date of absorption or on the date of retirement, whichever is earlier. Excess was due to certain bills for 2004-05, received from NPCIL, which could only be paid during 2005-06.

(Rs. in lakh)

(xxix)	2049.60.106.03—Interest on 7 % Oil Companies Government of India Special Bonds, 2012	
	Original Provision	...
	Supplementary Provision	...
	Total Provision	...
	Actual Expenditure	201,69.98
	Excess	201,69.98

Excess was due to issue of 7% Oil Companies Government of India Special Bonds, 2012 amounting to Rs. 5,762.85 crore to Oil companies on 9.9.2005 on account of dismantling of Administered Price Mechanism (APM).

(xxx)	2049.60.701.01—Charges payable to IMF for utilization of SDRs.	
	Original Provision	79,77.00
	Supplementary Provision	...
	Total Provision	79,77.00
	Actual Expenditure	119,42.40
	Excess	39,65.40

The BE was prepared on the basis of payments projected by the IMF with the prevailing SDR rate of interest/charge and rupee exchange rate at that point of time. Excess was due to variations in the SDRs rate of interest/charge as well as variation in the rupee exchange rate.

(xxxi)	2049.60.701.03—Other expenditure	
	Original Provision	66.64
	Supplementary Provision	...
	Total Provision	66.64
	Actual Expenditure	80.06
	Excess	13.42

Excess was due to more payments than anticipated.

4. As regards remedial measures, it is stated that the estimates of interest on internal debt are framed on the basis of inputs provided by RBI, the debt manager of the Central Government. Government has been impressing upon RBI at different times and various levels to take such necessary steps as may be required to improve the quality of these estimates. RBI has been advised to set up a Working Group to undertake study of the instances and reasons for inaccuracies in estimation of expenditure pertaining to Repayment of Debt and Interest payments over last 5 years and make recommendations to improve the quality of the estimates and its better monitoring during the financial year. RBI has been requested to forward the

reports/recommendations of the Working Group along with the action taken by the RBI on such report/recommendations, within three month's time. The outcome of the study is still awaited.

5. As far as other estimating authorities are concerned, it may be noted that in a large number of items coming under "Appropriation – Interest Payments", precise estimation is not possible, due to various post budget developments which have a direct bearing on the interest payments.

6. However, based on the recommendations of the Public Accounts Committee, in its 23rd Report (13th Lok Sabha) on the excesses over voted grant and charged appropriation (1998-1999), instructions have been issued to all Ministries/ Departments, as part of the annual budget circular, to put in place sound data base and other IT facilities for better monitoring of expenditure.

7. This has been vetted by the Audit *vide* their U.O. No. R.R.II/1-42/06/974 dated 20.07.2007.

Sd/-

( L.M. Vas )

Joint Secretary (Budget)

No. F.6 (4)-B (AC)/2006 dated 07.08.2007.

**Statement showing Excess/Saving occurred in Appropriation No. 35 — Interest Payments for the year 2005-2006**  
(in thousands of Rupees)

Sl. No.	Head of Account	Original Provision	Supplementary	Total Provision	Actual Expenditure	Excess(+)	Saving (-)
1	2	3	4	5	6	7	8
1.	2049.01.101—Interest on Market Loans	752280900	...	752280900	764150360	11869460	
2.	2049.01.103.01—Discount on Treasury Bills - 91 Days Treasury Bills	4300000	...	4300000	7206597	2906597	
3.	2049.01.108—Discount on Treasury Bills - Interest on 182 Days Treasury Bills	3450000	...	3450000	3845402	395402	
4.	2049.01.110—Interest on 364 Days Treasury Bills	14450000	...	14450000	16278503	1828503	
5.	2049.01.111—Interest on Gold Bonds 1998	...	...	...	501	501	
6.	2049.01.115—Interest Ways and Means Advances	1500000	...	1500000	2068		1497932
7.	2049.01.116—14 Days Treasury Bills	4200000	5870000	10070000	15851381	5781381	41
8.	2049.01.118—Interest on marketable securities issued in conversion of special securities	70658700	...	70658700	70658675		25
9.	2049.01.121—Interest on Investment in Special Government of India securities issued against outstanding balances of small savings as on 01.04.1999	87758100	...	87758100	87747649		10451
10.	2049.01.122—Interest on Investment in Special Government of India securities issued against net collections of small savings from 1999-2000	31089600	...	31089600	32146818	1057218	
11.	2049.01.124—Interest/discount paid on Market Stabilisation Scheme Deposit of Money in the Bank	33385000	...	33385000	34207487	822487	
12.	2049.01.125—Special Government of India securities issued to NSSF against reinvestment of sums received on redemption of Special Central/State Governments securities	62685600	...	62685600	60076392		2609208
13.	2049.01.200.03—Compensation and other Bonds	48272800	...	48272800	54674886	6402086	



1	2	3	4	5	6	7	8
14.	2049.01.200.04—Bonds against Iraq Exports	179100	...	179100	179088		12
15.	2049.01.305—Management of Debt	5000000	...	5000000	4970845		29155
16.	2049.02.207—Interest on Loans from European Economic Community	12161	...	12161	11611		550
17.	2049.02.208—Interest of Loans from the Government of France	691497	...	691497	619148		72349
18.	2049.02.209—Interest of Loans from the Government of Federal Republic of Germany	1006253	...	1006253	833024		173229
19.	2049.02.213—Interest on Loans from International Development Association	8782474	...	8782474	8222921		559553
20.	2049.02.214—Interest on Loans from International Fund for Agricultural Development	125643	...	125643	112945		12698
21.	2049.02.216—Interest on Loans from the IBRD	5583176	...	5583176	6827448	1244272	
22.	2049.02.217—Interest on Loans from the Government of Japan	11246450	...	11246450	9927521		1318929
23.	2049.02.221—Interest on Loans from OPEC Special Fund	11206	...	11206	11113		93
24.	2049.02.223—Interest on Loans from the Government of Swiss Confederation and Swiss Banks	16637	...	16637	14951		1686
25.	2049.02.226.01—Interest on Loans from the Agency for International Development, U.S.A.: US Aid	782754	...	782754	773804		8950
26.	2049.02.227—Interest on Loans from the Government of USA under PL-480 Convertible local currency credits	214341	...	214341	214206		135
27.	2049.02.228—Interest on other Miscellaneous loans from the Government of U.S.A.	9069	...	9069	8889		180
28.	2049.02.230—Interest on loans from the Government of U.S.S.R.	809662	...	809662	1213679	404017	
29.	2049.02.249—Interest on Loans from Asian Development Bank	1827783	...	1827783	2771949	944166	
30.	2049.03.104.01—General Provident Fund	25123100	...	25123100	26955861	1832761	
31.	2049.03.104.02—Other State Provident Funds	10966600	...	10966600	9950017		1016583

32.	2049.03.104.04—State Railway Provident Fund	8239709	...	8239709	8409897	170188	
33.	2049.03.106—Incentive Bonus to Provident Fund subscribers	1	...	1	...		1
34.	2049.03.108.01—Bombay Family Pension Fund of Government servants Life Assurance	1	...	1	...		1
35.	2049.03.108.02—Family Pension-cum-life Assurance Funds for Industrial Workers	25590061	...	25590061	25254761		335300
36.	2049.03.108.03—Central Government Employees Group Insurance Scheme	2850000	...	2850000	2850000		
37.	2049.03.108.04—Union Territory Government Employees Group Insurance Scheme	168550	...	168550	135341		33209
38.	2049.03.108.05—Hindu Family Annuity Fund	1	...	1	...		1
39.	2049.03.108.06—Postal Insurance and Life Annuity Fund	7791160	...	7791160	8044712	253552	
40.	2049.03.109.02—Special Securities issued to Nationalised Banks	19187000	...	19187000	18747401		439599
41.	2049.03.109.05—Deposits of LIC and GIC	10000	...	10000	10471	471	
42.	2049.03.109.09—Special Deposits of E.S.I.C.	4178058	...	4178058	4178057		1
43.	2049.03.109.10—Special Deposits of Provident Superannuation Gratuity Fund	97454500	...	97454500	97456021	1521	
44.	2049.03.109.11—Special Securities issued to UTI	2762500	...	2762500	2836760	74260	
45.	2049.03.109.12—Special Deposits of EPF/EDLI	2487142	...	2487142	2431284		55858
46.	2049.03.109.16—11.5% Government of India (Industrial Investment Bank of India Limited) Special Security, 2021	115000	...	115000	115000		
47.	2049.03.109.17—9.75% Government of India (Industrial Finance Corporation of India Limited) Special Security, 2021	390000	...	390000	390000		
48.	2049.03.110.01—Bonus for undischarged Pay of India Banks	798139	...	798139	784835		13304

1	2	3	4	5	6	7	8
49.	2049.03.111.01—Interest on Deposits Scheme for retiring Government employees	650000	...	650000	736582	86582	
50.	2049.03.111.02—Interest on Deposits Scheme for retiring employees of Public Sector Undertakings	150000	...	150000	120358		29642
51.	2049.03.111.03—Other Expenses relating to Deposit Scheme for retiring Employees	4050	...	4050	3537		513
52.	2049.03.117—Interest on Defined Contribution Pension Scheme	3500	...	3500	11862	8362	
53.	2049.05.101.01—Railway Depreciation Reserve Fund	1524881	...	1524881	2390599	865718	
54.	2049.05.101.03—Opium and Alkaloid Factories Depreciation Reserve Fund	7000	...	7000	40352	33352	
55.	2049.05.101.04—Lighthouse and Lightships Depreciation Reserve Fund	80000	...	80000	78220		1780
56.	2049.05.101.06—Badarpur Thermal Power Station Depreciation Reserve Fund	1147464	...	1147464	996821		150643
57.	2049.05.103—Interest on Railway Development Fund	92732	...	92732	1864787	1772055	
58.	2049.05.105.01—Railway Pension Fund	825724	...	825724	1015171	189447	
59.	2049.05.105.02—Railway Staff Benefit Fund	6665	...	6665	2226		4439
60.	2049.05.105.04—Interest on Railway Capital Reserve Fund	10794	...	10794	532923	522129	
61.	2049.05.105.07—Interest on Pharmaceutical Research and Development Support Fund	90000	...	90000	...		90000
62.	2049.05.105.08—Interest on Price Stabilisation Fund	419200	...	419200	386271		32929
63.	2049.60.101.02—National Defence Fund	439830	...	439830	508927	69097	
64.	2049.60.101.03—Interest under Section 18(5) of the Coal Mines (Nationalisation) Act, 1973	2700	...	2700	...		2700
65.	2049.60.101.09—Coal Mines Deposit Linked Insurance Fund	74710	...	74710	74710		
66.	2049.60.101.12—Interest on Employees Deposit Linked Insurance Scheme	2823900	...	2823900	2828900	5000	

67.	2049.60.101.14—Commissioner of Payments for Transformers and Switchgears Ltd. Madras	212	...	212	...	212	212
68.	2049.60.101.16—Interest on Deposits on NRI Bonds Scheme	10000	...	10000	4308	5692	5692
69.	2049.60.101.18—Interest on Exim. Bank of Japan Loan to I.R.F.C.	34443	...	34443	30371	4072	4072
70.	2049.60.101.21—Interest on Deposits of Gratuity and Commuted value of pension of employees absorbed in N.A.A.	200	...	200	792	592	592
71.	2049.60.101.25—Interest on deposit of Gratuity and Commuted value of Pension DAE deputationists absorbed in NPCIL	600	...	600	12641	12041	12041
72.	2049.60.101.26—Interest/Incentive on Mahila Samridhi Yojana	1500	...	1500	1919	419	419
73.	2049.60.101.27—Interest on Swarnajayanti Fellowship deposits	105000	...	105000	96414	8586	8586
74.	2049.60.101.30—Interest under Section 9(2) & 18 (6) of Textile Undertakings (Nationalisation) Act, 1995	260403	...	260403	242298	18105	18105
75.	2049.60.106.01—Interest on 6.96 % Oil Companies GOI Special Bonds, 2009	6264000	...	6264000	6264000		
76.	2049.60.106.02—Interest on 5% Oil Companies GOI Special Bonds, 2009	174300	...	174300	174315	15	15
77.	2049.60.106.03—Interest on 7% Oil Companies GOI Special Bonds, 2012	...	...	...	2016998	2016998	2016998
78.	2049.60.701.01—Charges payable to IMF for utilisation of SDRs	797700	...	797700	1194240	396540	396540
79.	2049.60.701.03—Other Expenditure	6664	...	6664	8006	1342	1342
		1374448600	5870000	1380318600	1413748827	41968532	8538305

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

## APPENDIX II

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
(Budget Division)

Explanatory Note for Public Accounts Committee in respect of excess expenditure occurred under Capital Section (Charged) of Appropriation No. 38—Repayment of Debt, Ministry of Finance for the year 2005-2006.

(Rupees in thousand)

### Capital Section (Charged)

Original Appropriation	6014771200
Supplementary Appropriation	4202037200
Total Appropriation	10216808400
Actual Expenditure	11152100642
Excess Expenditure	935292242

2. Under Capital Section (Charged) of Appropriation No.38—Repayment of Debt, Ministry of Finance, Department of Economic Affairs for 2005-06, the total provision was Rs. 601477,12,00 thousand. This was augmented to Rs. 1021680,84,00 thousand by obtaining supplementary Grant of Rs. 420203,72,00 thousand. Against this, the expenditure of Rs. 1115210,06,42 thousand was incurred, resulting in excess expenditure of Rs. 93529,22,42 thousand.

3. The above mentioned excess expenditure was the net result of total excess of Rs. 200605,27,77 thousand and total savings of Rs. 107076,05,35 thousand under various sub-heads of the Appropriation. An Annex. indicating total provision, actual expenditure *vis-à-vis* savings/excesses under the various sub-heads of the Appropriation is enclosed. The heads under which the excess of Rs.Five lakh and above occurred and reasons therefor are:

(Rupees in lakh)

### Major Head 6001— Internal Debt of the Central Government

#### (i) 00.103.01-91 Days Treasury Bills

Original Provision	3300000.00
Supplementary Provision	73500.00
Total Provision	3373500.00
Actual Expenditure	4334153.00
Excess	960653.00

**Excess was due to** more discharge of 91 days Treasury Bills than anticipated.

(Rupees in lakh)

(ii) *00.105.04—Asian Development Bank*

Original Provision	920.00
Supplementary Provision	86.00
Total Provision	1006.00
Actual Expenditure	1020.00
Excess	14.00

**Excess was due to** more expenditure incurred in connection with holding of Annual General Meeting of ADB in Hyderabad.

(iii) *00.106.26—11.40% GOI Compensation (Project Exports to Iraq) Bonds, 2003*

Original Provision	0.00
Supplementary Provision	0.00
Total Provision	0.00
Actual Expenditure	7.00
Excess	7.00

**Excess was due to** more preference of claims by bond holders for redemption than anticipated.

(iv) *00.110—364 Days Treasury Bills*

Original Provision	2604500.00
Supplementary Provision	10600.00
Total Provision	2615100.00
Actual Expenditure	2615146.00
Excess	46.00

**Excess was due to** more discharge of 364 Days treasury Bills than anticipated.

(v) *00.115—14 Days Treasury Bills*

Original Provision	26600000.00
Supplementary Provision	41025162.00
Total Provision	67625162.00
Actual Expenditure	86724919.00
Excess	19099757.00

**Excess was due to** higher investments and hence redemption of 14 days Intermediate Treasury Bills by State Governments than anticipated due to their large surplus cash balance position.

**Major Head 6002—External Debt**(vi) *00.227—Loans from the Government of USA under PL- 480 Convertible Local Currency Credits*

Original Provision	9392.37
Supplementary Provision	0.00
Total Provision	9392.37

	(Rupees in lakh)
Actual Expenditure	9442.87
Excess	50.50

**Excess was due to** exchange rate variation.

4. As may be seen from the above the excess expenditure under “Appropriation — Repayment of Debt” was mainly due to higher investment and hence discharge in 14 days Intermediate Treasury Bills by State Governments, more discharge of 91 days Treasury Bills and 364 days Treasury Bills, more rupee expenditure in connection with holding of Annual General Meeting of Asian Development Bank in Hyderabad, preference of more claims by bond holders for redemption in respect of 11.40% GOI Compensation (Project exports to Iraq) Bonds, 2003 and exchange rate fluctuation which could not be anticipated at the time of estimation.

5. The Budget Estimates under 14 days Treasury Bills was Rs.266000.00 crore and it was kept at Rs.780000.00 crore at RE stage. The final requirement was estimated at Rs.780029.95 crore. However, supplementary provision for a lower amount of Rs.410251.62 crore was sought in view of likely savings under repayment of Ways and Means Advances to be taken into account for re-appropriation. The actual expenditure, however, was Rs.867249.19 crore against RE of Rs.780029.95 crore, resulting an excess expenditure of Rs.87219.24 crore under the aforesaid item.

6. It is stated that the estimates of ‘Repayment of Debt’ are framed on the basis of inputs furnished by RBI, the Debt Manager of the Government of India. It is expected that estimations are made as accurately as possible, given the nature of these items of charged expenditure where non-payment of claimant in the absence of budgetary provision would amount to sovereign default. With a view to ensure that expenditure is contained within the sanctioned estimates, RBI and CCA (Finance) are advised from time-to-time to comply with the observation of Audit so that the variations may be kept at the minimum given the fact that these estimates are difficult to assess accurately, and past experience is to be relied on in their formulation.

7. This has been vetted by the audit *vide* their U.O. No. RR II/1-33/2006-07/208 dated 18.5.2007.

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

Lok Sabha Secretariat (PAC Branch)  
Parliament House Annexe, New Delhi.  
F.No.7 (3)-W&M/2006 dated 31.5.2007

## Grant No. 38—Repayment of Debt 2005-06

(Rs. in thousands)

	Original Provision	Supplementary	Total Provision	Actual Expenditure	Saving (-)	Excess (+)
<b>Major Head 6001</b>						
00.101—Market Loans	276305000	0	276305000	276255579	-49421	
00.103.01—91 days Treasury Bills	330000000	7350000	337350000	433415300		96065300
00.108—182 days Treasury Bills	650000000	4790000	697900000	697850000	-5000	
00.110—364 days Treasury Bills	2604500000	10600000	2615100000	2615146000		4600
00.112—10% Relief Bonds, 1993	10000	10000	20000	3764	-16236	
00.114—Ways and Means Advances	950000000	0	950000000	11340000	-938660000	
00.115—14 days Treasury Bills	2660000000	4102516200	6762516200	8672491900		1909975700
00.117—Marketable Securities issued in conversion of Special Securities	800000000	0	800000000	800000000	0	
00.122—Special Central Government Securities issued against share of net small savings collection from 1.4.1999.	8650000	0	8650000	4489440	-4160560	
00.123—Special Securities issued to RBI for MOV account in respect of Resurgent India Bonds	0	0	0	0	0	
00.124—Spl. Securities issued to RBI for MOV account in r/o India Millennium Deposits	0	279600	279600	279543	-57	
00.126—Market Stabilisation Bills/Bonds (Face Value)						
01—91 Days Treasury Bills	7950000000	0	7950000000	706327617	-88672383	
02.364 Days Treasury Bills	219810000	0	219810000	199632779	-20177221	
03. Dated Securities	200000000	0	200000000	200000000	0	
04.182 Days Treasury Bills	200000000	80780000	200000000	98153417	-2626583	
00.105.01—International Bank of Reconstruction and Development.	1000000	0	1000000	1000000	0	
00.105.02—International Monetary Fund	0	2205000	2205000	2205027		27
00.105.04—Asian Development Bank	92000	8600	100600	102000		1400



	Original Provision	Supplementary	Total Provision	Actual Expenditure	Saving (-)	Excess (+)
00.105.05—International Fund for Agril. Dev.	0	0	0	0	0	
00.105.06—African Dev. Fund	55800	149600	205400	55835	-149565	
00.105.07—African Dev. Bank	8400	0	8400	7769	-631	
00.105.08—Multilateral Investment Guarantee Agency	0	0	0	0	0	
00.106.05—Special Bearer Bonds	10000	0	10000	1456	-8544	
00.106.07—7 Years National Rural Dev. Bonds	2500	0	2500	98	-2402	
00.106.08—7% Capital Investment Bonds	5000	0	5000	1490	-3510	
00.106.09—National Rural Dev. Bonds - 2nd Issue.	2500	0	2500	0	-2500	
00.106.14—Voluntary Disclosure of Income and Wealth 5 3/4% Bonds, 1985	5000	0	5000	3584	-1416	
00.106.15—9% Relief Bonds, 1987	10000	140000	150000	550	-149450	
00.106.22—8.5% Relief Bonds,2001	4046300	2677700	6724000	744071	-5979929	
00.106.18—9% Relief Bonds, 1993	10000	70000	80000	2824	-77176	
00.106.19—10% Relief Bonds, 1995	470000	0	470000	284578	-185422	
00.106.21—12.08% GOI' Compensation (Project Exports to Iraq) Bonds, 2001	500	500	1000	1000	0	
00.106.23—9% Relief Bonds, 1999	68541800	0	68541800	64022249	-4519551	
00.106.26—11.40% GOI' Compensation (Project Exports to Iraq)Bonds, 2003	0	0	0	700	0	700
<b>Total — Major Head 6001</b>	<b>5939484800</b>	<b>4202037200</b>	<b>10141522000</b>	<b>11082122170</b>	<b>-1065447557</b>	<b>2006047727</b>
<b>Major Head 6002</b>						
00.207—Loans from European Economic Community(SAC)	66413	0	66413	64541	-1872	
00.208—Loans from Govt. of France	2289341	0	2289341	2015292	-274049	
00.209—Loans from Govt. of Germany	5087379	0	5087379	4469225	-618154	
00.213—Loans from the International Dev. Association	29090850	0	29090850	27656986	-1433864	

00.214—Loans from IFAD	413595	0	413595	388168	-25427
00.216—Loans from the International Bank for Reconstruction and Development	6281406	0	6281406	5953431	-32798
00.217—Loans from Govt. of Japan	24097100	0	24097100	21719399	-2377701
00.221—Loans from OPEC Special Fund	166220	0	166220	105853	-60367
00.223—Loans from Govt. of Switzerland & Swiss Banks	74085	0	74085	64662	-9423
00.226—Loans from the Agency for International Dev. USA	3500479	0	3500479	3466965	-33514
00.227—Loans from Govt.of USA under PL 480	939237	0	939237	944287	
00.228—Other Misc. Loans from Convertible Local Currency Credit Govt. of USA.	105979	0	105979	102381	-3598
00.230—Loans from Govt. of Russian Federation	2022398	0	2022398	1906055	-116343
00.250—Loans from ADB	1151918	0	1151918	1121227	-30691
Total — Major Head 6002	75286400	0	75286400	69978472	-5312978
Total — Major Head 6001	5939484800	9202037200	10141522000	11082122170	-1065447667
Total Appropriation	6014771200	9202037200	10216808400	11152100642	-1070760535
Total Net Excess					935292242

**APPENDIX-III**  
GOVERNMENT OF INDIA  
MINISTRY OF COMMUNICATIONS & IT  
DEPARTMENT OF POSTS

**Excess Note**

Note for Public Accounts Committee for Regularisation of excess expenditure in respect of excess occurred under Revenue/ (Voted) of Grant No.14 Ministry of Communications & IT as disclosed in the Appropriation Accounts Postal Services for 2005-06

Revenue/ /Charged	(Rs. in thousands)
Original Grant	62798400
Supplementary Grant	516200
Total Grant	63314600
Actual Expenditure	64291056
Excess	976456

2. Under Revenue Section (voted) of Grant No. 14 Ministry of Communications & IT /Department of Posts for 2005-06 the total provision was Rs. 63314600 Thousands. Against this, an expenditure of Rs. 64291056 thousands was incurred resulting an excess of Rs. 976456 thousands.

3. The excess of Rs. 976456 thousands was the net effect of total excesses under various sub-heads of the Grant. The sub-heads under which excess expenditure occurred and reasons therefor explained the **Annexure-I**.

**Remedial Action**

Instructions are issued to the circles/units to guard against such type of financial irregularities and keep the expenditure within the allotment.

This issues with the approval of Secretary (Post)

Sd/-  
(S.K. Mishra)  
DDG (PAF)

**ANNEXURE-1**  
(Fig. in thousands)

Head of Account	Reasons for variation				Variation	Actual Expend. Grant	Total Sanctioned Grant	Supplementary	Budget Estimate	3	4	5	6	7
	1	2	3	4										
3201.01.101.01	855345	0	855345	895585	40240	5% increase in TRCA for GDS and more settlement of medical and TA bills.								
3201.01.101.03	1706865	0	1706865	1802258	95393	5% increase in TRCA for GDS and excess expenditure under salary and TE.								
3201.02.003.01	156600	2200	158800	180625	21825	Excess expenses adjusted by re-appropriation from other heads.								
3201.02.101-01.02	0	100	100	6680900	6680800	Since this is an initial year for segregating the expenditure from other heads. Implementation of 5% increase in TRCA to GDS also leads to excess expenditure.								
3201.02.101-04	400000	0	400000	419625	19625	Due to more expenditure under wages, OE and PPSS.								
3201.02.101-07	17000	0	17000	27335	10335	More PSSKs opened however excess expenditure was adjusted by way of reappropriation.								
3201.02.101-09	35000	0	35000	45420	10420	More exp. Under Salaries and Wages.								
3201.02.102.01.02	0	100	100	212707	212607	Newly opened head for GDS and excess expenditure adjusted from other heads. Existing POs.								
3201.02.103.03-ROAD	40000	0	40000	40459	569	Negligible.								
3201.02.103-05	6500	0	6500	7730	1230	Negligible.								
3201.03.101-08	238880	0	238880	254695	15815	Expenditure adjusted from other heads.								
3201.03.101-09	86560	0	86560	115899	29339	Expenditure adjusted from the other heads.								
3201.03.101-10	43270	0	43270	48000	4730	Negligible.								
3201.04.101-01	330000	0	330000	334459	4459	Negligible.								

1	2	3	4	5	6	7
3201.04.101-03	200000	0	200000	234546	34546	Expenditure adjusted from the other heads.
3201.04.101-04	0	0	0	4300	4300	Based on the actual inter branch adjustment.
3201-04-102.01	17775	0	17775	18691	916	Negligible
3201.04.102.9-02.02	1197225	0	1197225	1356084	158859	Excess exp. Adjustment by way of reappropriation from other heads.
3201.05.053-06	54000	0	54000	83790	29790	Based on actual adjustment.
3201-06-101-05	132240		132240	193384	61144	Excess exp. Adjustment by way of reappropriation from other heads.
3201-07-101-01	5706400	159800	5866200	6063152	196952	Excess expenditure is due to more retirement cases than anticipated.
3201-07-107	2525000	25000	2550000	2713537	163537	Excess due to more receipt of claims than anticipated.
3201-07-101-07	0	100	100	249	149	Negligible.
3201-07-110	32000	0	32000	34252	2252	Negligible.
3201-60-102	57000	0	57000	66406	9406	Excess exp. adjusted by way of reappropriation from other head and settlement of more claims.

## APPENDIX-IV

### MINISTRY OF RAILWAYS (RAILWAY BOARD)

#### **Explanatory Note for Public Accounts Committee for regularisation of excess over voted/charged portion of grants/appropriation during the year 2005-06**

During the year 2005-06, there was an overall net saving of Rs. 1222.63 crore under all Grants and Appropriations, which constitutes 1.24 percent of the total provision of Rs. 98312.34 crore.

The net saving was the result of gross saving of Rs. 3518.75 crore under 13 Voted Grants (*i.e.* 12 Revenue and four segments of Works Grant No.16 *i.e.* Rly. Funds, OLWR, RSF and SRSF) and 02 Charged Appropriations (*i.e.* 01 Revenue and four segments of Works Appropriation No.16 *i.e.* Capital, OLWR, RSF and SRSF) and gross excess of Rs. 2296.12 crore under 04 Voted Grants (*i.e.* 3 Revenue and one segment of Works Grant No.16 *i.e.* Capital) and 11 Charged Appropriations (*i.e.* 10 Revenue and 1 segment of Works Appropriation No.16 *i.e.* Railway Funds).

The gross excess of Rs. 2296.12 crore was made up of Rs. 2291.06 crore under Voted Grants and Rs. 5.06 crore under Charged Appropriations constituting 5.68 per cent of the total provision of Rs. 40433.92 crore under those Grants/Appropriations where excess occurred.

The gross saving amounting to Rs. 3518.75 crore was made up of Rs. 3500.51 crore under Voted Grants and Rs. 18.24 crore under Charged Appropriations constituting 6.08 per cent of the total provision of Rs. 57878.42 crore under the saving registering Grants/Appropriations. (Reference Para. 26 to 29 - Excess/Saving over Voted Grants and Charged Appropriations of the Appropriation Accounts of Indian Railways for the year 2005-06—Part-I—Review).

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

#### *Excess under Charged Appropriation & Voted Grants.*

There is an excess under eleven Charged Appropriations (3, 4, 5, 6, 7, 8, 9, 10, 11, 13 and one segment of Appropriation No.16 *i.e.* Railway Funds) and four Grants (4, 6, 10 and one segment of Grant No.16 *i.e.* Capital). These Appropriations/Grants are explained as under :—

#### **(a) Charged Appropriations**

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

	Rupees
Original Appropriation	—
Supplementary Appropriation	6,99,000
Total Sanctioned Appropriation	6,99,000
Actual Expenditure	7,09,850
Excess	10,850

	Rupees
Misclassification	—
Excess requiring regularisation	10,850
Percentage of Excess	1.55

A Supplementary Charged Appropriation of Rs. 6.99 lakhs as obtained for payments towards satisfaction of court decrees, proved to be inadequate. The actual payments exceeded the provision by Rs. 10,850/- to satisfy the court decree.

The excess requiring regularisation is Rs. 10,850/-, which is the same as disclosed in the Appropriation Accounts.

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

	Rupees
Original Appropriation	1,00,000
Supplementary Appropriation	130,57,000
Total Sanctioned Appropriation	131,57,000
Actual Expenditure	177,70,542
Excess	46,13,542
Misclassification	—
Excess requiring regularisation	46,13,542
Percentage of Excess	35.07

Charged Appropriation of Rs. 1.00 lakh was obtained at the Budget Estimate Stage. A Supplementary Charged Appropriation of Rs. 130.57 lakhs was sanctioned for additional payments towards satisfaction of court decrees, which proved to be inadequate. The actual payments exceeded the provision as more decretal payments were made, which could not be anticipated earlier.

The excess requiring regularisation is Rs. 46,13,542/-, which is the same as disclosed in the Appropriation Accounts.

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

	Rupees
Original Appropriation	50,000
Supplementary Appropriation	40,000
Total Sanctioned Appropriation	90,000
Actual Expenditure	2,95,171
Excess	2,05,171
Misclassification	—
Excess requiring regularisation	2,05,171
Percentage of Excess	227.97

Charged Appropriation of Rs. 0.50 lakh was obtained at the Budget Estimate Stage. A Supplementary Charged Appropriation of Rs. 0.40 lakh was sanctioned for additional payments towards satisfaction of court decrees, which proved to be

inadequate. The actual payments exceeded the provision by Rs. 2,05,171/- due to payments made on Court order, which could not be anticipated earlier.

The excess requiring regularisation is Rs. 2,05,171/-, which is the same as disclosed in the Appropriation Accounts.

<i>(iv) Appropriation No. 6—Working Expenses—Repairs &amp; Maintenance of Carriages &amp; Wagons</i>		Rupees
Original Appropriation		—
Supplementary Appropriation		73,000
Total Sanctioned Appropriation		73,000
Actual Expenditure		77,518
Excess		4,518
Misclassification		10,46,644
Excess requiring regularisation		10,51,162
Percentage of Excess		1439.95

A Supplementary Charged Appropriation of Rs. 0.73 lakhs as obtained for payments towards satisfaction of court decrees, proved to be inadequate. The actual payments exceeded the provision by Rs. 4,518/- due to unanticipated decretal payments.

There was a misclassification of Rs. 10,46,644/- on account of expenditure relating to Charged Appropriation having been wrongly booked as Voted. Thus taking into account the effect of misclassification, the real excess requiring regularisation works out to Rs. 10,51,162/-.

<i>(v) Appropriation No. 7—Working Expenses—Repairs &amp; Maintenance of Plant &amp; Equipment</i>		Rupees
Original Appropriation		3,15,000
Supplementary Appropriation		1,80,000
Total Sanctioned Appropriation		4,95,000
Actual Expenditure		6,40,184
Excess		1,45,184
Misclassification		—
Excess requiring regularisation		1,45,184
Percentage of Excess		29.33

Charged Appropriation of Rs. 3.15 lakh was obtained at the Budget Estimate Stage. A Supplementary Charged Appropriation of Rs.1.80 lakh was sanctioned for additional payments towards satisfaction of court decrees, which proved to be inadequate. The actual expenditure exceeded the provision by Rs.1,45,184/- due to unanticipated decretal payments.



The excess requiring regularisation is Rs.1,45,184/-, which is the same as disclosed in the Appropriation Accounts.

(vi) *Appropriation No. 8—Working Expenses—Operating Expenses—Rolling Stock & Equipment.*

	Rupees
Original Appropriation	—
Supplementary Appropriation	6,00,000
Total Sanctioned Appropriation	6,00,000
Actual Expenditure	12,59,312
Excess	6,59,312
Misclassification	—
Excess requiring regularisation	6,59,312
Percentage of Excess	109.89

A Supplementary Charged Appropriation of Rs. 6.00 lakhs as obtained for payments towards satisfaction of court decrees, proved to be inadequate. The actual expenditure exceeded the provision by Rs. 6,59,312/- due to unanticipated decretal payments.

The excess requiring regularisation is Rs. 6,59,312/-, which is the same as disclosed in the Appropriation Accounts.

(vii) *Appropriation No. 9—Working Expenses—Operating Expenses—Traffic.*

	Rupees
Original Appropriation	—
Supplementary Appropriation	26,08,000
Total Sanctioned Appropriation	26,08,000
Actual Expenditure	31,24,678
Excess	5,16,678
Misclassification	—
Excess requiring regularisation	5,16,678
Percentage of Excess	19.81

A Supplementary Charged Appropriation of Rs. 26.08 lakhs as obtained for payments towards satisfaction of court decrees, proved to be inadequate. The actual expenditure exceeded the provision by Rs. 5,16,678/- due to unanticipated decretal payments at the fag end of the year.

The excess requiring regularisation is Rs. 5,16,678/-, which is the same as disclosed in the Appropriation Accounts.

(viii) *Appropriation No. 10—Working Expenses—Operating Expenses—Fuel.*

	Rupees
Original Appropriation	—
Supplementary Appropriation	50,00,000

	Rupees
Total Sanctioned Appropriation	50,00,000
Actual Expenditure	2,11,00,000
Excess	1,61,00,000
Misclassification	—
Excess requiring regularisation	1,61,00,000
Percentage of Excess	322.00

A Supplementary Charged Appropriation of Rs. 50.00 lakhs, as obtained for payments towards satisfaction of court decrees, proved to be inadequate. The actual expenditure exceeded the provision by Rs. 1,61,00,000/- due to payment of entry tax by Khurda and Waltair divisions of East Coast Railway to Orissa State Government as per orders of Hon'ble High Court of Orissa at the fag end of the year.

The excess requiring regularisation is Rs. 1,61,00,000/-, which is the same as disclosed in the Appropriation Accounts.

<i>(ix) Appropriation No. 11—Working Expenses—Staff Welfare and Amenities</i>	Rupees
Original Appropriation	—
Supplementary Appropriation	22,52,000
Total Sanctioned Appropriation	22,52,000
Actual Expenditure	39,68,156
Excess	17,16,156
Misclassification	—
Excess requiring regularisation	17,16,156
Percentage of Excess	76.21

A Supplementary Charged Appropriation of Rs. 22.52 lakhs as obtained for payments towards satisfaction of court decrees, proved to be inadequate. The actual expenditure exceeded the provision by Rs. 17,16,156/- due to unanticipated decretal payments.

The excess requiring regularisation is Rs. 17,16,156/-, which is the same as disclosed in the Appropriation Accounts.

<i>(x) Appropriation No. 13—Working Expenses—Provident Fund, Pension and Other Retirement Benefits</i>	Rupees
Original Appropriation	67,54,000
Supplementary Appropriation	12,99,000
Total Sanctioned Appropriation	80,53,000
Actual Expenditure	83,59,970
Excess	3,06,970

	Rupees
Misclassification	12,00,640
Excess requiring regularisation	15,07,610
Percentage of Excess	18.72

Charged Appropriation of Rs. 67.54 lakh was obtained at the Budget Estimate Stage. A Supplementary Charged Appropriation of Rs. 12.99 lakh was sanctioned for additional payments towards satisfaction of court decrees, which proved to be inadequate. The actual expenditure exceeded the provision by Rs. 3,06,970/- as more decretal payments materialised.

There was a misclassification of Rs. 12,00,640/- on account of expenditure relating to Charged Appropriation having been wrongly booked as Voted. Thus taking into account the effect of misclassification the real excess requiring regularisation works out to Rs.15,07,610/-.

<i>(xi) Appropriation No. 16—Assets—Acquisition, Construction and Replacement—Railway Funds</i>	Rupees
Original Appropriation	1,00,00,000
Supplementary Appropriation	10,68,000
Total Sanctioned Appropriation	1,10,68,000
Actual Expenditure	3,74,18,000
Excess	2,63,50,000
Misclassification	—
Excess requiring regularisation	2,63,50,000
Percentage of Excess	238.07

Charged Appropriation of Rs. 100.00 lakhs was obtained at the Budget Estimate Stage. A Supplementary Charged Appropriation of Rs.10.68 lakhs was sanctioned for additional payments towards satisfaction of court decrees, which proved to be inadequate and the actual expenditure exceeded the provision by Rs. 2,63,50,000/- as more decretal payments materialised at the fag end of the year.

The excess requiring regularisation is Rs. 2,63,50,000/-, which is the same as disclosed in the Appropriation Accounts.

**(b) Voted Grants**

<i>(i) Grant No. 4—Working Expenses—Repairs &amp; Maintenance of Permanent Way and Works</i>	Rupees
Original Grant	3605,44,32,000
Supplementary Grant	35,04,35,000
Total Sanctioned Grant	3640,48,67,000
Actual Expenditure	3650,65,03,633
Excess	10,16,36,633
Misclassification	- 4,34,691
Excess requiring regularisation	10,12,01,942
Percentage of Excess	0.28

A Grant of Rs. 3605.44 crore was obtained at the Budget Estimate stage and a Supplementary Grant of Rs. 35.04 crore was obtained in March'2006 mainly on account of higher payment of salary, other staff cost, cost of material, contractual payments and other miscellaneous factors. The actual expenditure of Rs. 3650.65 crore was Rs.10.16 crore more than the total sanctioned provision of Rs. 3640.49 crore. There was a net effect of Rs. (-)4,34,691/-on account of misclassification of expenditure. The excess thus worked out to Rs. 10.12 crore.

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

(a) Establishment in Offices (100) (Rs. 12.38 crore), mainly on account of more expenditure towards staff cost and contingencies (b) Maintenance of Service Buildings (Other than Staff Quarters and Welfare Buildings) (400) (Rs. 15.35 crore), mainly towards staff cost, more drawal of stores from stock, more direct purchases and more payment towards contractual obligations, (c) Water Supply, Sanitation and Roads (Other than Colonies, Staff Quarters and Welfare Buildings) (500) (Rs. 1.32 crore), mainly due to more expenditure towards Staff cost and more payments under contractual obligations, and (d) Other Repairs and Maintenance (600) (Rs. 6.89 crore), mainly towards other expenses and more contractual payments.

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

(a) Maintenance of Permanent Way (200) (Rs. 18.36 crore), mainly due to less expenditure towards staff cost, materialisation of less contractual obligations etc., (b) Maintenance of Bridge Works and Tunnels including Road Over/Under Bridges (300) (Rs. 5.06 crore), mainly towards staff cost and less contractual payments and (c) Special Repairs pertaining to Breaches, Accidents etc. including Special Revenue Works (700) (Rs. 2.36 crore), mainly due to less drawal of stores from stock, less direct purchases and incurrance of less other miscellaneous expenses.

The excess, therefore, requiring regularisation from Parliament works out to Rs. 10,12,01,942/-. (*i.e.* 0.28 % of the total sanctioned provision).

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

	Rupees
Original Grant	3776,83,74,000
Supplementary Grant	144,46,78,000
Total Sanctioned Grant	3921,30,52,000
Actual Expenditure	3948,31,14,503
Excess	27,00,62,503
Misclassification	73,52,475
Excess requiring regularisation	27,74,14,978
Percentage of Excess	0.71

A Grant of Rs. 3776.84 crore was obtained at the Budget Estimate stage and a Supplementary Grant of Rs.144.47 crore was obtained in March, 2006 mainly on account of higher payment of salary, dearness allowance, wages on POH, other staff cost, increased maintenance activities, contingent expenses and contractual

payments. The actual expenditure of Rs. 3948.31 crore was Rs. 27.01 crore more than the total sanctioned provision of Rs. 3921.30 crore. There was a net effect of Rs. 73,52,475/- on account of misclassification of expenditure. The excess thus worked out to Rs. 27.74 crore.

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

(a) Establishment in offices (100) (Rs. 16.92 crore), mainly due to more expenditure towards staff cost, establishment charges and contingencies (b) Carriages (200) (Rs. 8.90 crore), mainly due to more adjustment of wages and materials on P.O.H and more drawal of stores from stock, and (c) Wagons (300) (Rs. 12.31 crore), mainly due to incurrence of more expenditure towards staff cost, more drawal of stores from stock and more adjustment of debits on account of P.O.H etc.

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

(a) Electric Multiple Unit Coaches (400) (Rs. 0.20 crore), mainly towards staff cost, establishment charges, less drawal of stores from stock and less direct purchases etc. (b) Electrical General Services – Train Lighting, Fans and Air-Conditioning (500) (Rs.1.11 crore), mainly due to less expenditure towards staff cost, less drawal of stores from stock and materialisation of less contractual obligations etc. (c) Miscellaneous Repairs and Maintenance Expenses (600) (Rs. 8.24 crore), mainly due to realisation of credits through Stock Adjustment Account, and (d) DMU Coaches (700) (Rs. 1.57 crore), mainly due to less adjustment of Wages and Materials on P.O.H due to decrease in activities of DMU coaches.

The excess, therefore, requiring regularisation from Parliament works out to Rs. 27,74,14,978/- (*i.e.* 0.71 % of the total sanctioned provision).

(iii) *Grant No. 10—Working Expenses—Operating Expenses—Fuel*

	Rupees
Original Grant	9175,17,56,000
Supplementary Grant	1013,25,87,000
Total Sanctioned Grant	10188,43,43,000
Actual Expenditure	10283,81,12,503
Excess	95,37,69,503
Misclassification	- 23,39,824
Excess requiring regularisation	95,14,29,679
Percentage of Excess	0.93

A Grant of Rs. 9175.18 crore was obtained at the Budget Estimate stage and a Supplementary Grant of Rs. 1013.26 crore was obtained in March, 2006 mainly on account of more expenditure on fuel due to increase in traffic/prices of fuel under Diesel Traction. The actual expenditure of Rs. 10283.81 crore was Rs. 95.38 crore more than the total sanctioned provision of Rs. 10188.43 crore. There was a net effect of Rs. (-) 23,39,824/- on account of misclassification of expenditure. The excess thus worked out to Rs. 95.14 crore.

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

(a) Diesel Traction (200) (Rs. 261.03 crore), mainly due to increase in average rate of oil, more consumption of HSD oil for more activities of diesel locos and more expenditure under sales tax/excise duty on account of increase in consumption and also due to levy of entry tax by State Government etc.

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

(a) Steam Traction (100) (Rs. 0.05 crore), Minor variation and (b) Electric Traction (300) (Rs.165.60 crore), mainly towards cost of electric energy used for traction services and also due to less adjustment of debits during the year.

The excess, therefore, requiring regularisation from Parliament works out to Rs. 95,14,29,679/-. (*i.e.* 0.93 % of the total sanctioned provision).

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

	Rupees
Original Grant	21124,83,06,000
Supplementary Grant	1554,45,22,000
Total Sanctioned Grant	22679,28,28,000*
Actual Expenditure	24837,79,92,145*
Excess	2158,51,64,145
Misclassification	25,65,57,375
Excess requiring regularisation	2184,17,21,520
Percentage of Excess	9.63

\*(The Sanctioned Budget includes Rs. 2699 crore and Actual Expenditure includes Rs. 2499 crore which were transferred to Special Railway Safety Fund)

A Grant of Rs. 21124.83 crore was obtained at the Budget Estimate stage, out of which Rs. 2699.00 crore was obtained as a budgetary support from Ministry of Finance for Special Railway Safety Fund. A Supplementary Grant of Rs. 1554.45 crore was obtained during 2005-06, which includes Rs. 500.00 crore for Udhampur-Srinagar-Baramullah Project, Rs. 165.00 crore for national projects of Kumarghat-Agartala New Line and Lumbding-Silcher-Jiribam Gauge Conversion work and the remaining supplementary grant was obtained for accelerating the progress of various on going works and for taking up certain 'Out of turn' works which are regarded as 'New Services/New Instruments of Service'. The actual expenditure of Rs. 24837.80 crore was Rs. 2158.52 crore more than the sanctioned provision of Rs. 22679.28 crore. There was a net effect of Rs. 25,65,57,375/- on account of misclassification of expenditure between Grant No. 16—Capital and Revenue Grants/Works Grant. The excess thus worked out to Rs. 2184.17 crore.

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

(a) New Lines (Rs. 231.11 crore), (b) Restoration of dismantled Lines (Rs. 5.72 crore), (c) Gauge Conversion (Rs. 140.01 crore), (d) Rolling Stock (Rs. 89.99 crore), (e) Other Specified Works (Rs. 1.24 crore), (f) Stores Suspense (Rs. 2385.90 crore), (f) Manufacturing Suspense (Rs. 101.51 crore) and (g) Dividend free Projects (Rs. 279.83 crore) ;

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

(a) Doubling (Rs. 250.17 crore), (b) Traffic Facilities— Yard Remodelling and Others (Rs. 18.95 crore), (c) Computerisation (Rs. 15.70 crore), (d) Bridge Works (Rs. 0.45 crore), (e) Signalling & Telecommunication Works (Rs. 9.28 crore), (f) Electrification Projects (Rs. 29.01 crore), (g) Other Electrical Works (Rs. 12.15 crore), (h) Machinery and Plant (Rs. 8.67 crore), (i) Workshops incld. Production Units (Rs. 54.23 crore), (j) Staff Quarters (Rs. 11.14 crore), (k) Amenities for staff (Rs. 3.37 crore), (l) Investment in Govt. Commercial Undertakings (Rs. 320.33 crore), (m) Miscellaneous Advance (Rs. 82.36 crore), (n) Metropolitan Transport Projects (Rs. 60.98 crore) and (o) Transfer to Special Railway Safety Fund (Rs. 200.00 crore).

The excess, therefore, requiring regularisation from Parliament works out to Rs. 2184,17,21,520/- (*i.e.* 9.63 % of the total sanctioned provision).

**APPENDIX-V**

**STATEMENT OF OBSERVATIONS AND RECOMMENDATIONS**

Sl. No.	Para No.	Ministry/Deptt.	Observations/Recommendations
1	2	3	4
1.	52	Finance (Deptts. of Economic Affairs and Expenditure), Chemical and Fertilizers (Deptt. of Fertilizers), Communications & Information Technology (Deptt. of Posts), Defence, Railways, Home Affairs, Mines and Labour & Employment	The Committee's examination of the Appropriation Accounts of Union Government for 2005-06 has revealed that during the year under review, an expenditure of unprecedented magnitude amounting to Rs. 99527.64 crore has been incurred by various Ministries/ Departments of Union Government in excess of the provisions sanctioned under 26 cases involving 22 Grants/ Appropriations as against Rs. 35978.56 crore during the last year <i>i.e.</i> 2004-05. The Committee are astonished to find that Rs. 93529.22 crore excess expenditure had been recorded under the Appropriation No. 38 alone <i>i.e.</i> Repayment of Debt, operated by the Ministry of Finance, which accounted for over 93 percent of the total excess expenditure incurred during the year under review. The excess expenditure during the year is prominently noticeable in the Grants/Appropriations operated by the Department of Fertilizers, Ministry of Finance, Department of Posts, Ministry of Defence, and Ministry of Railways. During the last three years that is, 2003-04, 2004-05 and 2005-06, the total excess expenditure recorded was Rs. 43364.62 crore, Rs. 35978.56 crore and Rs.99527.64 crore respectively. The Committee are perturbed to note that during the last six years, the excess expenditure of the Union Government has not only become a regular phenomenon, it has also steeply increased from Rs. 230.45 crore in 2000-2001 to a staggering Rs. 99527.64 crore in 2005-06, except during the last year <i>i.e.</i> , 2004-05



1	2	3	4
			<p>when a marginal decline was registered. Instances of excess expenditure have been recurring and showing an increasing trend specially with regard to key Ministries like Finance, Defence and Railways. It is perplexing that such a situation persists despite issuance of elaborate instructions at regular intervals by the Government in pursuance of the oft-reiterated recommendations of the Public Accounts Committee to contain the excess expenditure to the barest minimum. From the fact that similar reasons persist year after year in the explanatory notes furnished by the Ministries/Departments, it is clear that the matter is being considered only in a routine manner and the Government is not making serious efforts to ensure financial discipline, which is all the more necessary now with the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 in operation. In view of the persistent trend of excess expenditure going unchecked, the Committee strongly recommend that the Government should undertake a thorough review in the matter, while overhauling the existing computerized accounting systems for better monitoring of expenditure.</p>
2.	53	Finance (Deptts. of Economic Affairs and Expenditure), Chemical and Fertilizers (Deptt. of Fertilizers), Communications & Information Technology (Deptt. of Posts), Defence, Railways, Home Affairs and Labour & Employment	Another disquieting aspect observed by the Committee is that out of 26 cases, the excess expenditure of Rs. 99497.36 crore in 23 cases of Grants/Appropriations had occurred despite obtaining supplementary provisions of Rs. 426053.60 crore, thereby revealing not only the failure of the Ministries/Departments to assess requirement of additional funds but also the inadequacies in the institutional arrangements in the Ministries/Departments in monitoring the flow and

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1	2	3	4
			<p>trend of expenditure under various Grants/Appropriations. It is also evident that under Appropriation No.35 — Interest Payments, Appropriation No. 38— Repayment of Debt pertaining to the Ministry of Finance; and Appropriation No. 16—Assets-Acquisition, Construction and Replacement—Capital pertaining to the Ministry of Railways, the excess expenditure incurred is much higher than the amount obtained as supplementary provision. The Committee observe that the excess expenditure in the same Appropriation (Repayment of Debt) operated by the Ministry of Finance persisted during the years 2003-04 and 2005-06, while it had somewhat reduced in the year 2004-05. In this regard, the Committee have repeatedly cautioned the Ministries/Departments in the past against incurring expenditure not authorized by Parliament. As the trend of incurring excess expenditure despite obtaining supplementary grants continues, the Committee are inclined to conclude that not only the Budget Estimates are not adequately made, even at the Supplementary Demands stage, requirements projected are not realistic. It is, therefore imperative that the Ministries/Departments should keep close watch over the trend of expenditure and when any need for additional funds arises they should assess realistically their requirement of funds in advance and approach Parliament by presenting Supplementary Demands for Grants in time. It is not expected of any Ministry/ Department to cross their financial limits after obtaining Supplementary Grants as has happened in many cases. The Committee also recommend that the Ministries/Departments should evolve an effective mechanism through</p>

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1	2	3	4
			<p>appropriate computerization and networking in coordination with the Comptroller and Auditor General of India, by which the progress of expenditure can be strictly monitored and timely action taken to ensure that expenditure does not overshoot the limit authorized by Parliament.</p>
3.	54	<p>Finance (Deptts. of Economic Affairs and Expenditure), Chemical and Fertilizers (Deptt. of Fertilizers), Communications &amp; Information Technology (Deptt. of Posts), Defence, Railways, Home Affairs, Mines and Labour &amp; Employment</p>	<p>The Ministries/Departments are required to submit to the Committee explanatory notes in respect of the excess registering Grants/Appropriations immediately after the presentation of relevant Appropriation Accounts to Parliament. Accordingly, the explanatory notes in respect of excess registering Grants/Appropriations during 2005-06 pertaining to Appropriation Accounts Civil, Defence Services, Postal Services and Railways became due for submission on 14th May, 2007. The Committee in their earlier Report on the subject (23rd Report — 13th Lok Sabha) had recommended that from the financial year 2001-02 onwards, the details in respect of each excess registering Grant/Appropriation be prepared by the concerned Ministries/Departments and forwarded to the Ministry of Finance within such a time limit that these explanatory notes could be made simultaneously available along with the Appropriation Accounts to the Public Accounts Committee. The Committee had also desired that a time schedule should be laid down for taking action at various stages involving finalisation/vetting of these explanatory notes, which would result in eliminating delay on this account. The Committee had also expected that the Ministry of Finance, being the nodal Ministry, would take proactive steps to ensure timely submission of Explanatory Notes by various Ministries/Departments.</p>

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			<p>However, it has been noticed that Ministry of Finance (Department of Economic Affairs) itself unduly delayed the submission of their explanatory notes to the Committee. The Ministry of Finance (Department of Economic Affairs) should enquire into the reasons for the delay and apprise the Committee of the same. As it is incumbent upon all the Ministries to furnish the explanatory notes alongwith the Appropriation Accounts to enable the Committee to finalise their Report early for regularization of excess expenditure, the Ministry of Finance should ensure that the explanatory notes are submitted to the Committee without any delay whatsoever. Any deviation in this regard will be strictly viewed. As a systemic check, the Ministry of Finance in consultation with Comptroller and Auditor General of India should put in place a centralized computerized networking monitoring system to check the status of the preparation of Explanatory Notes at every stage by various Ministries/Departments so that any delay on this count is effectively prevented.</p>
4.	55	Finance (Deptts. of Economic Affairs and Expenditure)	<p>The Committee find from their scrutiny of select cases of excess registering Grants/Appropriations that under Appropriation No. 38—Repayment of Debt, the Ministry of Finance had incurred an expenditure of Rs. 93529.22 crore over and above the total sanctioned provision of Rs. 1021680.84 crore, which included supplementary provisions of Rs. 420203.72 crore obtained in March, 2006. The excess expenditure under this appropriation is the net effect of total excess of Rs. 200605.28 crore and total savings of Rs. 107076.05 crore under</p>

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various sub-heads of this appropriation. The Committee are perturbed to note that but for the savings under various sub-heads, the overall excess expenditure under this appropriation would have been much larger. In their explanatory note to the Committee, the Ministry of Finance have stated that supplementary provision for lower amount was sought under the aforesaid item in view of expected savings under repayment of “Ways and Means Advances” to be taken into account for re-appropriation. The Committee do not agree with the justification furnished by the Ministry, as the excess expenditure of such large magnitude had occurred in spite of a huge amount of Supplementary Grants having been obtained in this case. Significantly, the Ministry of Finance had been persistently making appropriations in excess of the budgeted figures under this appropriation for the past three years with the same contributory reasons. Clearly, the Ministry of Finance have not drawn any lessons from their past experience and have once again failed to exercise adequate care in assessing their actual requirement of funds even while obtaining Supplementary Grant. The Committee view this situation with serious concern and would like to convey their unhappiness over such a lackadaisical attitude displayed by the Ministry of Finance while obtaining supplementary appropriations during the year 2005-06. The Committee consider it absolutely necessary that supplementary provisions should be obtained with more precision and the Ministry of Finance, being the nodal Ministry, should not be allowed to make indiscriminate use of this mechanism. In this context, the Committee in their

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			<p>21<sup>st</sup> Report (14th Lok Sabha) and 31st Report (14th Lok Sabha) had expressed their displeasure over the manner in which this particular appropriation (Repayment of Debt) was handled by the Ministry of Finance. While taking a serious view of the continuing excess expenditure under this head due to unrealistic budgetary projections, the Committee would like the Ministry of Finance to thoroughly examine the reasons for the recurrence of excess expenditure under this appropriation and if necessary, set up an Expert Group for this purpose. The Committee would await the outcome of the study.</p>
5.	56	Railways	<p>The Ministry of Railways have also incurred a substantial excess expenditure of Rs. 2184.17 crore under Grant No.16—Assets—Acquisition, Construction and Replacement—Capital (Voted). The Committee find that the Ministry of Railways had actually procured supplementary grants of Rs. 1554.45 crore under this ‘Grant’ and most of the items were of such nature that timely action to obtain additional funds could have been taken at the revised estimate stage/or at supplementary grant stage and excess expenditure clearly avoided. The Committee consider this as another instance of unrealistic assessment of the additional funds on the part of the Ministry of Railways. The huge gap between the estimates and the actuals only reveals the utter failure of the Ministry of Railways to anticipate and plan out expenditure on a systematic basis. The Committee would, therefore, expect the Ministry to be more careful both in estimation and in spending so that such variations are avoided as far as practicable. The Ministry of Railways</p>

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6.	57	Railways	<p data-bbox="810 448 1251 537">should also seize this opportunity to put in place an effective system for proper estimating and planning of railway works.</p> <p data-bbox="810 560 1251 1843">The Committee are perturbed to note that despite Committee's recommendations in the past on the issue of misclassification of expenditure, it has become a recurring feature in the case of Indian Railways Appropriation Accounts. A large number of cases of misclassification of expenditure had been occurring during the last three years <i>i.e.</i> 2002-03, 2003-04 and 2005-06. During the year under review, there were six cases of misclassification of expenditure reported under the 15 cases of excess registering Grants/Appropriations. Taking a serious view of the recurrence of misclassification, the Committee have asked for greater care to be exercised to avoid mistakes in upkeep and maintenance of books of accounts and for taking remedial measures to ensure that reconciliation of expenditure figures is conducted meticulously. Pursuant to the recommendations of the Committee, the Ministry of Railways in their Action Taken Notes have informed that the instructions for adhering to accounting procedures and correct interpretation of allocation rules have been reiterated to all accounting units and that action against staff responsible for misclassification is also being regularly taken. It is strange that even with increasing computerization of accounting systems, the incidence of misclassification in Railways has not been reduced. The Committee would like the Ministry of Railways to review this matter at the highest level and initiate credible action that will yield visible results in the forthcoming years. The</p>

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			<p>field formations should also be sensitized to this problem and officials made accountable for lapses of such recurring nature. The Committee would await follow-up action by the Ministry of Railways in the matter.</p>
7.	58	<p>Finance (Deptts. of Economic Affairs and Expenditure), Chemical and Fertilizers (Deptt. of Fertilizers), Communications &amp; Information Technology (Deptt. of Posts), Defence, Railways, Home Affairs, Mines, Labour &amp; Employment and RBI</p>	<p>The instances of excess expenditure that have occurred under various appropriations particularly those relating to Ministry of Finance, Railways, Department of Posts and Department of Fertilisers only highlight the growing malaise of not learning lessons from past mistakes. It is further seen that excess expenditure is occurring even in cases where the expenditure could have been easily anticipated and incorporated in the budget estimates or the supplementary grants. In some cases, even routine types of expenditure were not taken into account, resulting in excess expenditure over voted grants. This clearly shows that the Government, particularly the Ministry of Finance, as the nodal agency, have not been paying the requisite attention to this issue. In this connection, the Committee would like to point out that as per extant Financial Rules, the Secretary to the Government of India, who heads the Department, should take responsibility for ensuring financial discipline in the concerned Ministry/Department with a view to restricting excess expenditure to the barest minimum. Considering the rising quantum of excess expenditure year after year, the Committee would now like the matter to be reviewed at the highest level. The Committee, accordingly recommend that the Government should constitute a high-level Inter-Ministerial Group under the Chairmanship of the Cabinet Secretary to examine this</p>



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			recurring issue and apprise the Committee about the steps taken to rectify the problems. The Reserve Bank of India also needs to be closely associated with this process as the largest amount of excess expenditure relates to “Repayment of Debt”.
8.	59	Finance (Deptts. of Economic Affairs and Expenditure), Chemical and Fertilizers (Deptt. of Fertilizers), Communications & Information Technology (Deptt. of Posts), Defence, Railways, Home Affairs, Mines and Labour & Employment	Considering the fact that the Committee have been asking the Government to take steps to minimise the excess expenditure year after year, they would like to be apprised about the corrective measures taken alongwith the specific results achieved during the last ten years as a follow up of PAC’s recommendations in the matter. Non-implementation of recommendations, if any, should also be clearly indicated in the Action Taken Notes required to be furnished to the Committee.
9.	60	Finance (Deptts. of Economic Affairs and Expenditure), Chemical and Fertilizers (Deptt. of Fertilizers), Communications & Information Technology (Deptt. of Posts), Defence, Railways, Home Affairs, Mines and Labour & Employment	Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in paragraph-13 of this Report be regularised in the manner prescribed in Article 115(1) (b) of the Constitution of India.