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**EXCESSES OVER VOTED GRANTS AND  
CHARGED APPROPRIATIONS  
(2000-2001)**

**PUBLIC ACCOUNTS COMMITTEE  
2004-2005**

**SIXTH REPORT  
FOURTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

SIXTH REPORT

PUBLIC ACCOUNTS COMMITTEE  
(2004-2005)

(FOURTEENTH LOK SABHA)

EXCESSES OVER VOTED GRANTS AND  
CHARGED APPROPRIATIONS  
(2000-2001)

*[Action Taken on 40th Report of Public Accounts Committee (13th Lok Sabha)]*



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

LOK SABHA SECRETARIAT  
NEW DELHI

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

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
(2004-2005)

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

*Lok Sabha*

2. Vacant\*
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4. Shri Khagen Das
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2. Shri S.K. Sharma — *Joint Secretary*
3. Shri Ashok Sarin — *Director*
4. Smt. Anita B. Panda — *Under Secretary*

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

## INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present the Report on their behalf, do present this Sixth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 40th Report (13th Lok Sabha) on “Excesses over Voted Grants and Charged Appropriations (2000-2001)”.

2. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 27 October, 2004. Minutes of the sitting form *Part-II* of the Report.

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

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

NEW DELHI;  
2 November, 2004  

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11 Kartika, 1926 (Saka)

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

## CHAPTER I

### REPORT

This Report of the Committee deals with Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Fortieth Report (13th Lok Sabha), on “Excesses over Voted Grants and Charged Appropriations (2000-2001).

1.2 The Fortieth Report (13th Lok Sabha) which was presented to Lok Sabha on 19 December, 2002 contained ten Observations/Recommendations. The Action Taken Notes have been received in respect of all the Observations/Recommendations from the concerned Ministries/Departments and these have been broadly categorized as follows:

- (i) Observations/Recommendations that have been accepted by Government:  
Paragraph Nos. 20.1, 20.4, 20.5, 20.7, 20.8, 20.9, 20.10
- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from Government:  
Paragraph Nos. 20.2., 20.3
- (iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:  
Paragraph No. 20.6
- (iv) Observations/Recommendations in respect of which Government have furnished interim replies:  
-NIL-

1.3 The Action Taken Notes furnished by the concerned Ministries/Departments have been reproduced in the relevant Chapters of this Report. The Committee will now deal with the Action Taken by the Government on some of the Observations/Recommendations made by the Committee in their Original Report, which need reiteration or merit comments.

#### **Excess expenditure despite obtaining Supplementary Grants/Appropriations (Paragraph No. 20.2)**

1.4 While examining the Appropriation Accounts of Union Government for the year 2000-2001 the Committee had observed that an expenditure of Rs. 230.44 crore had been incurred by various Ministries/Departments in excess of the sanctioned provisions in nine cases under Seven Grants/Appropriations. It had also been observed that Grant No. 21-Defence Ordnance Factories alone recorded the highest excess expenditure of Rs. 229.70 crore. The Committee had pointed out that Grant No. 11-Postal Services

which has not witnessed any excess expenditure during the last four years, *i.e.* from 1996-97 to 1999-2000 had suddenly incurred an excess expenditure of Rs. 16.41 lakh under Revenue Charged (Rs. 6.64 lakh) and Capital Charged (Rs. 9.77 lakh) sections of the Grant and the Ministry of Railways had incurred an excess expenditure of Rs. 14.36 lakh under three Revenue and two Capital Appropriations. Further, this excess expenditure occurred despite obtaining Supplementary Grant of Rs. 183.04 lakh in four out of nine cases of excess registering Grants/Appropriations during the year. The Committee had also noticed that in the case of Grant No. 1-Department of Agriculture and Cooperation and Grant No. 11-Postal Services (Revenue-Charged) the quantum of excess expenditure incurred is even higher than the Supplementary Grants obtained. Accordingly, the Committee in para 20.2 of their Original Report had viewed such cases as clear instances of inefficacious planning, lack of foresight and monitoring on the part of budget controlling authorities.

1.5 The Ministry of Agriculture (Department of Agriculture & Cooperation), in their reply, have stated as follows:

“The excess expenditure was mainly due to minus provisioning of Rs. 20 crore under Voted in the Main Demand for Grants of Central Government. The Department of Agriculture and Cooperation had furnished a provision of Rs. 155.38 crore under Capital Section (Voted) which was inadvertently printed as Rs. 135.38 crore in Main Demands for Grants, which is beyond the control of this Department. Thus, the excess occurred due to minus provisioning”.

1.6 Elaborating the reasons for excess expenditure under Grant No. 11 despite having Supplementary Grants, the Ministry of Communications & Information Technology (Department of Posts) have in their Action Taken Note stated as follows:—

“Department of Posts accept that excess expenditure under ‘Charged’ segments could have been avoided, had the concerned sanctioning authorities before sanctioning and effecting payment taken into consideration the status of fund availability. All the concerned authorities have been instructed to ensure that all payments are made only with due budget provision and not in anticipation.”

1.7 Further, the Ministry of Finance (Department of Expenditure), which is a nodal Ministry to keep watch over the flow of expenditure incurred by all the Ministries/ Departments, have stated in their reply that cases of excess that have taken place despite having Supplementary Grants, establish that proper care was not taken either in proper planning of action-plan or in making realistic assessment of funds therefor. In accordance with the recommendations made by the Public Accounts Committee, they have, therefore, issued instructions to all the Ministries/ Departments impressing upon them the need for properly following the existing instructions on realistic assessment of funds so that effective planning and monitoring could be infused into budget making exercise.

**1.8 The Committee, in their Original Report (13th Lok Sabha), had viewed the cases of excess expenditure incurred during 2000-2001 despite having Supplementary Grants as clear instances of inefficacious planning, lack of foresight and monitoring on the part of budget controlling authorities. The Committee are**

informed by the Department of Agriculture and Cooperation and the Department of Posts that excess expenditure, despite obtaining Supplementary Grant in Grant No. 1-Agriculture & Cooperation, was mainly due to minus provisioning of funds while in Grant No. 11-Postal Services, it was due to negligence of the Authorities administering funds. Such type of errors according to the Committee could have easily been detected, if, adequate attention had been paid by the Departments concerned for prompt checking and reconciliation of accounts figures. The Committee feel that responsibility for these lapses, particularly at the supervisory level, should have been fixed and appropriate action taken against the erring officials.

The Ministry of Finance (Deptt. of Expenditure), while agreeing with the view of the Committee, have stated that in both the cases proper care was not taken either in proper planning of action-plan or in making realistic assessment of funds therefor. This resulted in cases of excesses despite having Supplementary Grants. The Ministry of Finance (Deptt. of Expenditure) have, therefore, impressed upon all the Ministries/ Departments the need for properly following the existing instructions for realistic assessment of funds to infuse effective planning and monitoring into budget making exercise. The Committee trust that the Ministries/Departments would take suitable steps promptly to ensure strict observance of those instructions so as to make budgetary control more realistic and meaningful. In genuine and inevitable cases, where Supplementary Grants become necessary, an accurate estimate of the required funds should be made so as to avoid such lapses in future.

#### **Erroneous Surrender of Funds (Paragraph No. 20.3)**

1.9 During the course of scrutiny of the Appropriation Accounts for the year 2000-2001, the Committee were constrained to observe that under Grant No. 1-Department of Agriculture and Cooperation the surrender of funds of Rs. 17.14 crore was made despite incurring of excess expenditure of Rs. 0.44 crores. Similarly under Grant No. 21-Defence Ordnance Factories, surrender of Rs. 1.07 crore (Voted) was made despite having excess expenditure of Rs. 229.70 crore in the voted segment and no unspent provisions were available for surrender under both the Grants. Noticing this as an instance of improper implementation of Budget allocations, the Committee had, in para 20.3 of the Original Report, considered it a sad reflection on the adequacy of coordination and information accounting system and also a collective failure on the part of the Programme Division and Budget Controlling Authorities in the respective Ministries/Departments.

1.10 The Action Taken Notes received in this regard from the concerned Ministries/ Departments are reproduced as below:

#### **Ministry of Defence**

“In this regard it is pertinent to mention that unlike other Demands, the gross provision under the Demand pertaining to Defence Ordnance Factories is arrived at after deducting value of supplies to army, Navy, Air Force etc. from the total of various Revenue expenditure heads. Defence Ordnance Factories are manufacturing organizations. All out efforts to achieve the targeted supplies was made but the excess

expenditure under this Grant during the year 2000-2001 was mainly due to shortfall in issues to Army. The reduction in issues to Army though resulted in excess expenditure under the Defence Ordnance Factories yet there was less expenditure under Army due to fewer issues. Hence the excess has not affected the expenditure of Defence Services as a whole.

Further, during the course of the year certain payments arising out of court judgments were required to be made. In order to make these payments, an amount of Rs. 1.07 crores was surrendered under Voted portion of Demand No. 21-Defence Ordnance Factories and Technical Supplementary of an equal amount of Rs. 1.07 crores under Charged portion was taken at the third and final batch of the Supplementary Demands for Grants 2000-2001. Thus there was no additional outgo on this account. However, necessary instructions have been issued to all concerned to monitor the progress of expenditure in more vigilant/stricter manner apart from projecting the Demands on factual basis and to the barest minimum depending on the actual requirements/obligations”.

**Ministry of Agriculture  
(Department of Agriculture & Cooperation)**

“The excess expenditure was mainly due to minus provisioning of Rs. 20 crore under Voted in the Main Demand for Grants of Central Government. The Department of Agriculture and Cooperation had furnished a provision of Rs. 155.38 crore under Capital Section (Voted) and Rs. 34.27 crore under Capital Section (Charged) which was inadvertently printed as Rs. 135.38 crore under Voted and Rs. 54.27 crore under Charged in the Main Demands for Grants due to minus provisioning of Rs. 20 crore. The same has been reflected in the Appropriation Accounts by Controller General of Accounts to avoid any variance from the Main Demands for Grants. The Ministry of Finance was approached for issue of a corrigendum to rectify this error. As final batch of supplementary grant was over the error could not be rectified. It may be stated that an amount of Rs. 1714.45 lakh was surrendered under Capital Section (Voted) on the basis of provision of Rs. 155.38 crore as per Detailed Demands for Grants. However, as explained above, there was an excess expenditure of Rs. 43.72 lakhs on the basis of Main Demands for Grants and Appropriation Accounts”.

**1.11 In regard to another case of bad budgeting, the Committee were constrained to point out that during the year 2000-2001, surrender of funds was made in excess registering Grant No. 1-Department of Agriculture and Cooperation and Grant No. 21-Defence Ordnance Factories, though no unspent provisions were available for surrender. They had, therefore, in para 20.3 of their Original Report considered it a sad reflection on the adequacy of coordination and information accounting system and also a collective failure on the part of the Programme Division as well as the Budget Controlling Authorities in the respective Ministries/Department. The Committee are surprised to find that the surrenders in both the cases were made without conducting a thorough scrutiny of expenditure incurred or likely to be incurred by them during the Financial Year. It has also been found that the Ministry of Agriculture did not approach the Ministry of Finance well in the time for issuing**

**corrigendum to rectify the error of minus provisioning of Rs. 20 crore under the grant operated by them. The Committee are unable to understand why such an omission could not be detected prior to the presentation of Supplementary Grants to the House as there is always a time-lag between the notice of the Ministry of Finance to all the Ministries/Departments for submission of requirement for obtaining Supplementary Grants and the presentation of the same Grants to the House by the Ministry of Finance. The Committee are inclined to conclude that this is a clear case of delay and laxity in the financial control exercised at the supervisory level in both the cases, for which responsibility should be fixed and action taken against those responsible for the mistakes. The Committee hope that the concerned Ministries would take adequate care in future to avoid excesses on this account.**

**Excess expenditure under Grant No. 11-Postal Services  
(Paragraph No. 20.6)**

1.12 A perusal of the Appropriation Accounts of Postal services during the year 2000-2001 had revealed that under Grant No. 11-Postal Services, there was an overall excess expenditure of Rs. 16.41 lakh over the sanctioned provision under Revenue-Charged (Rs. 6.64 lakh) and Capital-Charged (Rs. 9.77 lakh) Sections of the Grant. It had further revealed that this excess expenditure had occurred despite obtaining a total Supplementary Grant of Rs. 40.15 lakh under both the sections of the Grant. Explaining the reasons for excess expenditure under both the sections of this Grant, the Department of Posts in their explanatory note had informed the Committee that this was incurred to honour the Court judgment and as the judgment was received at the fag end of the year, it was not possible to obtain Supplementary Grant. Expressing their concern over the stock reply of the Department, the Committee in Para 20.6 of the Original Report had desired to be apprised of the exact date when the Court judgment was passed and the date when received in the Ministry.

1.13 The Department of Posts, in their reply have *inter-alia* stated as follows:—

“As recommended by the Committee the cases of excess expenditure have been examined in detail. It has been found that under Capital segment, though the judgments were received in time, **there was some delay in implementing three court judgments** for a total amount of Rs. 10.10 lakhs and as a result of this, the concerned authorities could not project their demands timely for obtaining the supplementary grants or advance from Contingency Fund of India (responsibility is being fixed for non submission of timely requirement of funds.) This led to an excess expenditure of Rs. 10 lakhs under the Capital Charged Segment. As far as Revenue Section is concerned, the expenditure of Rs. 7,20,000 which relates to the head 07.104-Gratuities (Voted) was wrongly booked under the head 07.101.02-Arrears paid due to Supreme Court Judgment (Charged). Instructions have been issued to all concerned to follow the codified provisions strictly.”

1.14 During the course of vetting of the Action Taken Note furnished by the Department of Posts, the Audit had made the following Observations:—

“Ministry’s argument that there was some delay in implementing the three court judgments and that as a result the concerned authorities could not project their

demands timely for obtaining the supplementary grants or advance from Contingency Fund of India is not acceptable. The court judgments in the three cases were received in February, 2000, June, 2000 and October, 2000 and the Department had sufficient time to request for provision of funds in the routine manner. In one case, although the judgment was received in the earlier financial year (February, 2000), Department did not make provision in the revised estimates for 2000-01.”

**1.15 It had come to the notice of the Committee that there was an aggregate excess expenditure of Rs. 16.41 lakh under two sections Revenue-Charged (Rs. 6.64 lakh) and Capital-Charged (Rs. 9.77 lakh) under Grant No. 11-Postal Services during the year 2000-2001. Explaining the reasons for the excess expenditure, the Government had earlier stated that certain Court judgments were required to be honoured and excess expenditure had occurred due to receipt of the judgments at the fag end of the year thus making it impossible to obtain Supplementary Grant. The Committee had, therefore, desired to be apprised of the exact date when the Court judgment was passed and the date on which it was received in the Ministry. The Department of Posts in their Action Taken Note have now informed that the judgments were received in time but there was some delay in implementing three Court judgments for a total amount of Rs. 10.10 lakhs and consequently, the concerned authorities could not project the demands timely for obtaining the supplementary Grants or advance from Contingency Fund of India, leading to an excess expenditure of Rs. 10 lakhs under the Capital - Charged Segment. The Committee have been given to understand by Audit that in one case, although the judgment was received in the earlier Financial Year *i.e.* February, 2000, the Department did not make the provision in the revised estimates for 2000-01. Thus, it is clear that the Department had sufficient time in respect of all these Court cases to request for provision of funds in the ordinary course of time. That this was not done is regrettable. They would, therefore, urge the Ministry to ensure that such instances do not recur.**

**CHAPTER II**  
**OBSERVATIONS/RECOMMENDATIONS THAT HAVE BEEN**  
**ACCEPTED BY GOVERNMENT**

**Recommendation**

The Committee note that an expenditure of Rs. 230.45 crore has been incurred in excess of the sanctioned provision in 9 cases under 7 Grants/Appropriations during 2000-2001. It has been observed that out of 7 excess registering Grants/Appropriations, the grant No. 21–Defence Ordnance Factories alone recorded the highest excess expenditure *i.e.* Rs. 229.70 crore which is 99.67 per cent of the total excess expenditure incurred by the Union Government during this period. It has also been observed that Grant No. 11 – Postal Services which has not witnessed any excess expenditure during the years 1996-97, 1997-98, 1998-99 and 1999-2000 have suddenly incurred an excess expenditure of Rs.17,26,000 under Revenue-Charged (Rs. 7,14,000) and Capital-Charged (Rs. 10,12,000) sections of the Grant during 2000-2001. In the case of appropriations administered by Ministry of Railways an excess expenditure amounting to Rs. 14,35,540 was incurred under three Revenue and two capital appropriations, out of which Appropriation No. 16-Assets-Acquisition,Construction and Replacement – Capital along incurred excess expenditure to the tune of Rs. 13,27,548 which is approximately 92% of the whole excess expenditure incurred by the Ministry of Railways during the year under review. The Committee note that the excess expenditure which had come down to the extent of Rs. 57.36 crore only during 1999-2000 suddenly rose up to Rs. 230.45 crore during 2000-2001. The Committee find that excluding the excess expenditure of the Ministry of Defence, the excess expenditure under other Grants has come down remarkably. The Committee, therefore, reiterate their earlier recommendations that with proper budget accounting system and monitoring of expenditure flow and timely utilization of the enabling provision of seeking supplementary grants, excess expenditure can surely be avoided.

[Sl. No. 1, Para 20.1 Appendix-V, 40th Report of PAC (13th Lok Sabha)]

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

While Rule 71 of the General Financial Rules clearly lay down that no expenditure shall be incurred, which may have the effect of exceeding the total grant or appropriation authorized by Parliament for a financial year, except after obtaining a supplementary grant or appropriation, Rule 65(I) thereof places the responsibility of the control of expenditure against the sanctioned grants on the Departments of the Central Government administratively concerned or the authority on whose behalf a grant or appropriation as authorized by Parliament, is placed and such an authority shall exercise control through the heads of the Departments and other controlling officers, if any, and Disbursing Officers. Further more, Rules 65(2), 66(2) and 66(3) of the General Financial Rules along with various Government of India decisions thereunder, have already laid down effective mechanism and procedure to be followed by the Departments,

Controlling Officers and Disbursing Officers for exercising proper check on flow of expenditure on a month to month basis not only in cases where fluctuations are likely to take place but also in case of non-recurring expenditure. Also, instructions have been issued by this Ministry from time to time on the basis of the previous recommendations of the Public Accounts Committee whereby a mechanism is required to be devised by all the Departments to enable them to avoid occurrence of excess. Even though the amount involved in the excess has come down considerably in the recent past, as observed by the Public Accounts Committee in Para 16.1 of the Report, the fact remains that the existing instructions have not been fully complied with by the Ministries where excess has taken place. Therefore, having regard to the observations made by the Public Accounts Committee, fresh instructions have been issued to all the Ministries/Departments impressing upon them the need to exercise check over the flow of expenditure in accordance with the existing instructions contained in the General Financial Rules and the instructions issued by this Ministry from time to time. A copy of the order dated 19th May, 2003 is enclosed.

This has been vetted by Audit *vide* their U.O. Note No. RR/1-45/2002-2003/6 dated 7.4.2003.

[Ministry of Finance Department of Expenditure E. Coord. Branch U.O. No. 12(1)/  
E.Coord./2003 dated: 19.5.2003]

No. 12(1)E.Coord./2003  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE

New Delhi, the 19th May, 2003

OFFICE MEMORANDUM

SUBJECT: *Avoiding cases of expenditure in excess over voted grants/appropriations – recommendations of the Public Accounts Committee - 40th Report (13th Lok Sabha).*

The undersigned is directed to invite the attention to the observations made by the Public Accounts Committee in Para 20.1 of their 40th Report (13th Lok Sabha). While taking adverse view of the recurrence of excess expenditure over voted grants/charged appropriations, despite adequate instructions contained in the General Financial Rules, the Committee has reiterated their earlier recommendations that with proper budget accounting system and monitoring of expenditure flow and timely utilization of the enabling provision of seeking supplementary grants, excess expenditure can surely be avoided.

2. The occurrence of excess expenditure over the voted grants/charged appropriations is reflective of utter lack of financial propriety and systemic disregard of existing rules and regulations on expenditure management and control. While Rule 71 of the General Financial Rules clearly lays down that no expenditure shall be incurred, which may have the effect of exceeding the total grant or appropriation authorised by Parliament, for a financial year, except after obtaining a supplementary grant or appropriation, Rule 65(1) thereof places the responsibility of the control of expenditure against the sanctioned grants on the Departments of the Central Government administratively concerned or the authority on whose behalf a grant or appropriation, as authorized by Parliament, is placed and such an authority shall exercise control through the heads of the Departments and other controlling officers, if any, and Disbursing Officers. Furthermore, the provisions contained in Rules 65(2), 66(2), 66(3) of the General Financial Rules, along with various Government of India decisions thereunder clearly lay down the mechanism and procedure to be followed by all the Departments, Controlling Officers, and Disbursing Officers for keeping an effective check over the flow of expenditure on a monthly basis so as to avoid occurrence of

excess in case of any grant/appropriation. In this connection, attention is also invited to the D.O. letter No. 12(1)E. coord./99 dated 17.2.2000 from Secretary (E) addressed to all Secretaries to the Government of India, impressing upon them the need for devising a suitable mechanism for ensuing proper check on the flow of expenditure. A detailed mechanism was laid down in the subsequent instruction issued by this Department *vide* O.M. No. 12(3)/E.Coord./2000 dated 13.8.2001, whereby a constant and monthly check is required to be exercised by the Controlling Officers and DDOs under constant supervision of the concerned Secretaries and the Financial Advisers.

3. The fact that the cases of excess expenditure over voted grants/charged appropriations have reoccurred establishes that due regard is not being paid to the instructions contained in the General Financial Rules as well as instructions issued by this Ministry from time to time in this regard.

4. Accordingly, in view of the recommendations made by the Public Accounts Committee in their aforesaid report, it is reiterated that all the Ministries/Departments must ensure that the existing instructions on control of expenditure are fully complied with so as to avoid cases of excess expenditure.

-Sd-

(USHA MATHUR)

Joint Secretary to the Government of India

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

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

Instructions already exist to formulate the Budget Estimates on most realistic basis and to keep the expenditure under constant review by monitoring it regularly in an effective manner so as to conform to the allocations made and ensure that neither there is any excess nor large scale savings over the sanctioned budgetary provisions.

However, in order to avoid recurrence of any excess in future, the observations contained in 30th Report of the PAC (13th Lok Sabha) that the estimates should be formulated after proper scrutiny & careful assessment keeping in view all relevant factors and it should also be carefully monitored in an effective manner so as to avoid any excess over Voted Grant/Charged Appropriations by scrupulously following the provisions contained in the relevant rules have been circulated to all the estimating authorities for strict compliance *vide* MoD (Fin) ID No. 10(1)(B-I)/2002 dated 22.11.2002 (copy enclosed).

[Ministry of Defence File No. 10(11)/B-2002, dated 10.04.2003]

**MINISTRY OF DEFENCE (FINANCE)**

**BUDGET-I**

SUBJECT: *Realistic budget assessment, effective monitoring of the flow of expenditure and effective budgetary control to avoid excess over the Voted Grants and Charged Appropriation - 30th Report of the PAC (13th Lok Sabha)*

A copy each of two OMs received from Ministry of Finance (Department of Expenditure) bearing same No. 12(1)E.Coord./2002, both dated 27.9.2002, on the above subject, pertaining to the observations/recommendations made by the Public Accounts Committee in their 30th report, 13th Lok Sabha, relating to Excess Expenditure over the Voted Grants and Charged Appropriations(1999-2000) is enclosed.

2. It may be seen therefrom that the Committee has viewed with serious concern the cases of excess expenditure even in those grants/appropriations where supplementary provisions had been obtained reflecting the inability of the Ministries/Departments to assess actual requirement of funds at the fag end of the year. It has also been mentioned therein that the Contingency Fund of India is meant only to cover unforeseen expenditure and not to meet the known liabilities that arise in the course of year. They have, therefore, recommended that a realistic assessment of funds required for various expenditure at different stages in a financial year after appropriate scrutiny at various levels should be made, taking in to account all relevant factors and by scrupulously following provisions contained in the relevant rules. The Committee taking adverse note of occurrence of excess and in order to avoid any excess over Voted Grants/ Charged Appropriations have recommended for a careful & effective monitoring of flow of expenditure.

3. In this regard the Ministry of Finance have also invited attention to the instructions issued by them earlier, on the subject, which were circulated to all concerned under this Ministry's ID Note No. 10(3)/B-I/2000 dt. 22.3.2000 and 10(2)/B-I/2001 dt. 20.12.2001.

4. It is requested that the recommendations of the PAC may be communicated to all concerned for informations/strict compliance to avoid any excess in future.

-Sd-

(A.K. CHOPRA)  
Addl. FA (A) & JS

All Joint Secretaries/All Addl.FAs/IFAs,  
Addl. DGFP, DNP, D Fin P, DGOF,  
CCR&D(R), DGQA, DGNC, DG Mil Farms,  
DGAQA, ATVP, Dte. of Standardisation  
MoD (Fin) ID No. 10(1)B-I/2002 dated 22.11.2002.

Copy to: (1) CGDA  
(2) Ministry of Finance, Department of Expenditure.  
(3) Addl. FA (V) in respect of MO and Bordr Roads.

No. 12(1)E.Coord./2003  
GOVERNMENT OF INDIA  
DEPARTMENT OF EXPENDITURE  
MINISTRY OF FINANCE

New Delhi, the 27th September, 2002

OFFICE MEMORANDUM

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

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

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

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

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

Sd/-

(USHA MATHUR)

Joint Secretary to the Government of India

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

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

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New Delhi, the 27th September, 2002

OFFICE MEMORANDUM

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

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

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

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

Sd/-

(USHA MATHUR)

Joint Secretary to the Government of India

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

**Action Taken by the Department of Posts**

Department of Posts agree with the recommendation of the Committee, and has taken all possible steps to avoid the excess expenditure over Sanctioned grants. Suitable instructions have been issued to Circles and PAOs to avoid recurrence of such lapses in future.

[Deptt. of Posts No. 20-5/2003 BGT (PA) Dated April 28, 2003]

**Action Taken by the Ministry of Railways**

Recommendations of the Public Accounts Committee in regard to avoidance of excess expenditure have been noted. Out of the total excess expenditure of Rs. 23045.00 lakhs for the Government of India, the excess by Ministry of Railways has been Rs. 14.36 lakhs, which is 0.06% of the total excess of Government of India, and can be considered as minor.

This has been seen and vetted by Audit *vide* their U.O. No. 10RA III/2-1/2002 dated 14-5-2003.

[Ministry of Railways O.M. No. 2002-BC-PAC/XIII/40 dated 12-6-2003]

**Recommendation**

The Committee are unhappy to note delay in submission of explanatory notes by the Department of Posts and Department of Agriculture and Cooperation during 2000-2001. The Committee note that in pursuance of their recommendation made in their 23rd Report (13th Lok Sabha), the Controller General of Accounts has prescribed a procedure which require Ministries/Departments to furnish explanatory notes alongwith the Appropriation Accounts to the Public Accounts Committee well in time. The Committee hope that the explanatory notes on excess expenditure be made available to the Public Accounts Committee alongwith the Appropriation Accounts failing which they would consider it a cogent enough ground to send for the Departmental head for their oral examination.

[Sl. No. 4 Appendix-V Para No. 20.4 of Fortieth Report of PAC (13th Lok Sabha)]

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

The observations of the Committee have been brought to the notice of all the Ministries/Departments for strict compliance and follow up *vide* O.M. No. 1/40/2003-MC dated 18.03.2002—(Annexure). Besides, immediately on receipt of information in respect of grants/appropriations involving excess expenditure or savings of Rs. 100 crores and above, instructions are issued to all concerned to furnish explanatory notes relating to these so that these notes are simultaneously made available to Public Accounts Committee alongwith the Appropriation Accounts. Thereafter the submission of explanatory notes is pursued with the concerned Ministries/Departments by way of periodical reminders to concerned Financial advisers/Secretary through demi-official letters from Additional Controller General of Accounts, Controller General of Accounts.

This has been vetted by audit *vide* their U.O. No. RR/1-49/2002-03/158 dated 6.05.03

[Ministry of Finance (Expenditure) O.M. No. 1/40/2003-MC dated 22.05.03]

MOST IMMEDIATE  
PAC RECOMMENDATIONS  
Annexure

No. 1/40/2003-MC

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

(MONITORING CELL)

Room No. 29, B-Wing, Second Floor,  
Loknayak Bhavan, Khan Market,  
New Delhi-110003, the 18th March 2003

OFFICE MEMORANDUM

SUBJECT: *Action Taken on the recommendations contained in the Fortieth Report of the Public Accounts Committee (Thirteenth Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations (2000-2001)".*

The undersigned is directed to refer to Public Accounts Committee's recommendations contained in Para 20.4 of its 40th Report (13th Lok Sabha) on the subject noted above, the contents of which are reproduced below:

"The Committee are unhappy to note delay in submission of explanatory notes by the Department of Posts and Department of Agriculture and Cooperation during 2000-2001. The Committee note that in pursuance of their recommendation made in their 23rd Report (13th Lok Sabha), the Controller General of Accounts has prescribed a procedure which require Ministries/Departments to furnish explanatory notes alongwith the Appropriation Accounts to the Public Accounts Committee well in time. The Committee hope that the explanatory notes on excess expenditure be made available to the Public Accounts Committee alongwith the Appropriation Accounts failing which they would consider it a cogent enough ground to send for the Departmental head for their oral examination."

All the Ministries/Departments are requested to note the recommendation for strict compliance so that now and hereinafter the explanatory notes on excess expenditure as mentioned above as well as the explanatory notes on savings of Rs. 100 crores and above are invariably made available to the Public Accounts Committee alongwith Appropriation Accounts to avoid a situation whereby Public Accounts

Committee may have to take adverse note of the delay and may even have to resort to measures like sending for Departmental head for oral examination.

Sd/-

(T.S. NEGI)

UNDER SECRETARY TO THE GOVERNMENT OF INDIA

TELE: 24626829

1. Financial Advisers/Joint Secretaries (Finance) of all the Ministries/Departments of the GoI.
2. Copy forwarded for information and necessary action to all the Ministries/Departments to GoI.
3. Financial Commissioner, Ministry of Railways (Railway Board) New Delhi.
4. Member (Finance) Deptt. of Telecom/Posts, Sanchar/Dak Bhavan, New Delhi.
5. CCA, Deptt. of Atomic Energy, Bombay
6. CCA, Deptt. of Space, Bangalore
7. Copy forwarded for information to:

Shri B.S. Dahiya, US (PAC), Lok Sabha Secretariat, New Delhi.

#### **Action Taken by the Department of Agriculture & Cooperation**

The Explanatory Note for excess was forwarded to audit in October, 2001. At the instance of audit Revised Explanatory Note and further revised Explanatory Note was prepared and sent to audit. Thus in this process the Explanatory Note was vetted by Audit on 25th Feb., 2003.

It has always been our endeavour to take prompt action in submission of explanatory notes on excess as well as savings as per the recommendations of Public Accounts Committee. The advice of the Committee has been noted for compliance.

[Ministry of Agriculture (Department of Agriculture & Cooperation) O.M. No. 1-2/2003-Budget dated 5th Aug., 2003]

#### **Action taken by the Department of Posts**

Recommendation of the Committee has been noted for further guidance.

[Deptt. of Posts No. 20-5/2003 BGT (PA) Dated April 28, 2003]

#### **Recommendation**

The Committee note that against the sanctioned provision of Rs. 580.20 crore under Grant No. 21—Defence Ordnance Factories, the Ministry of Defence incurred expenditure of Rs. 809.90 crore resulting in an unrecovered excess of Rs. 229.70 crore.

The Ministry in their explanatory note have stated that the excess of Rs. 229.70 crore was the net effect of total excess of Rs. 3.93 crore, shortfall in supply to services of Rs. 313.22 crore, total savings of Rs.86.38 crore and surrender of Rs. 1.07 crore under various sub-heads of the Grants. The Committee have observed that no supplementary provisions were obtained under this Section of the Grant in order to avoid excess expenditure. The reasons explained by the Ministry lead the Committee to an obvious conclusion that the Ministry of Defence have, at no stage, been able to precisely anticipate, assess and provide for the funds actually required by them under the various heads of Grant. The excess has occurred mainly under the Heads “106 — Renewal and Replacement” (Rs. 3.93 crore) due to Payments made to DGS & D against supply of machineries under Rate Contract and “ 901-904—Reduct Recoveries” (Rs. 313.22 crore) due to shortfall in issues to Army in respect of ammunition and vehicles. It has also been observed that excess expenditure of Rs. 68,658 was also incurred during the year 1999-2000 under this Grant. As usual the Ministry have informed that in order to avoid recurrence of any excess in future, the observations contained in para 8 of the 14th Report of the PAC (13th Lok Sabha) has been circulated to all the estimating authorities for information and strict compliance. The Committee are optimistic that the Ministry of Defence would ensure strict observance of the existing instructions so as to avoid excess expenditure.

[Sl. No. 5 of Appendix-V, Para 20.5 of 40th Report of PAC 2002-2003 (13th Lok Sabha)]

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

Instructions already exist to formulate the Budget Estimates on most realistic basis and to keep the expenditure under constant review by monitoring it regularly in an effective manner so as to conform to the allocations made and ensure that neither there is any excess nor large scale savings over the sanctioned budgetary provisions.

However, in order to avoid recurrence of any excess in future, the observations contained in 30th Report of the PAC (13th Lok Sabha) that the estimates should be formulated after proper scrutiny & careful assessment keeping in view all relevant factors and it should also be carefully monitored in an effective manner so as to avoid any excess over Voted Grant/Charged Appropriations by scrupulously following the provisions contained in the relevant rules have been circulated to all the estimating authorities for strict compliance *vide* MoD (Fin) ID No. 10(1)/B-I/2002 dated 22.11.2002 (copy enclosed).

[Ministry of Defence File No. 10(11)/B-I/2002 - dated 10-04-2003]

**MINISTRY OF DEFENCE (FINANCE)**

**BUDGET-I**

**SUBJECT :** *Realistic budget assessment, effective monitoring of the flow of expenditure and effective budgetary control to avoid excess over the Voted Grants and Charged Appropriation — 30th Report of the PAC (13th Lok Sabha).*

A copy each of two OMs received from Ministry of Finance (Department of Expenditure) bearing same No. 12(1)/E. Coord./2002, both dated 27.9.2002, on the above subject, pertaining to the observations/recommendations made by the Public Accounts Committee in their 30th Report, 13th Lok Sabha, relating to Excess Expenditure over the Voted Grants and Charged Appropriations (1999-2000) is enclosed.

2. It may be seen therefrom that the Committee has viewed with serious concern the cases of excess expenditure even in those grants/appropriations where supplementary provisions had been obtained reflecting the inability of the Ministries/Departments to assess actual requirement of funds at the fag end of the year. It has also been mentioned therein that the Contingency Fund of India is meant only to cover unforeseen expenditure and not to meet the known liabilities that arise in the course of year. They have, therefore, recommended that a realistic assessment of funds required for various expenditure at different stages in a financial year after appropriate scrutiny at various levels should be made, taking into account all relevant factors and by scrupulously following provisions contained in the relevant rules. The Committee taking adverse note of occurrence of excess and in order to avoid any excess over Voted Grants/Charged Appropriations have recommended for a careful & effective monitoring of flow of expenditure.

3. In this regard the Ministry of Finance have also invited attention to the instructions issued by them earlier, on the subject, which were circulated to all concerned under this Ministry's ID note No. 10(3)/B-I/2000 dt. 22/3/2000 and 10(2)/B-I/2001 dt 20/12/2001.

4. It is requested that the recommendations of the PAC may be communicated to all concerned for information/strict compliance to avoid any excess in future.

Sd-

(A.K. CHOPRA)

Addl. FA (A) & JS

All Joint Secretaries/All Addl. FAs/IFAs,  
Addl. DGFP, DNP, D. Fin. P, DGOF,  
CCR & D(R), DGQA, DGNCC, DG Mil Farms,  
DGAQA, ATVP, Dte. of Standardisation

MoD (Fin.) ID No. 10(1)/B-I/2002 dated 22.11.2002

Copy to : (1) CGDA.

(2) Ministry of Finance, Department of Expenditure.

(3) Addl. FA (V) in respect of MO and Border Roads.

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

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New Delhi, the 27th September, 2002

OFFICE MEMORANDUM

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

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

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

cases where Supplementry Grants are taken, the occurrence of excesses reveals lack of proper scrutiny and assessment of expenditure.

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

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

Sd/-

(USHA MATHUR)

Joint Secretary to the Government of India.

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

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

New Delhi, the 27th September, 2002

OFFICE MEMORANDUM

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

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

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

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

Sd/-  
(USHA MATHUR)

Joint Secretary to the Government of India.

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

### **Recommendation**

The scrutiny of the Appropriation Accounts (Railways), by the Committee reveals that out of 16 Voted Grants and 12 Charged Appropriations operated by Ministry of Railways (Railway Board), excess expenditure aggregating Rs. 0.14 crore has occurred under three Revenue and two Capital appropriations during 2000-01. The Appropriation No. 16—Assets—Acquisition, Construction and Replacement—Capital along incurred excess expenditure to the tune of Rs. 13,27,548 which is approximately 92% of the whole excess expenditure incurred by the Ministry of Railways during 2000-01. The Committee's examination has further revealed that excess expenditure of Rs. 33,182 and Rs. 28,664 was incurred unauthorisedly under Appropriation Nos. 7—Repairs and Maintenance of Plant and Equipments and 16—Assets—Acquisition, Construction and Replacement—Open line works Revenue respectively. Similarly, excess expenditure has persistently occurred during 1996-2001 in respect of Appropriation No. 3—Working Expenses—General Superintendence and Services. An analysis of the reasons for excess expenditure over authorized allocations furnished by the Ministry indicates that defective estimation of monetary requirements, lack of proper and timely review and monitoring of the flow of expenditure and avoidable misclassification have contributed to excesses. Though the overall excess expenditure in the Railways has come down progressively, the Committee would like to reiterate the need for more greater accuracy in estimation of monetary requirements and better budgetary control so as to avoid excess expenditure.

[Sl. No. 7 Appendix V Para 20.7 of 40th Report of PAC (13th Lok Sabha)]

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

The concern of the Committee in controlling the incidence of excess expenditure has been noted. It has been the endeavour of the Ministry of Railways to avoid occurrences of the excess expenditure to the extent possible. The Committee has also appreciated this effort, as they too have observed that the incidence of excess expenditure in the Railways has come down progressively. While due care is taken to formulate the Budget/Supplementary proposals as accurately as possible, the Committee may agree that sometimes, the exact requirement for satisfying such Court decrees becomes difficult to forecast, resulting in such excesses. The concern of the Committee regarding unauthorised expenditure under Appropriation Nos. 7 & 16—OLWR have been noted. The Ministry of Railways will, however, continue its efforts to improve upon the estimations so as to minimize, if not eliminate, the incidences of excess.

This has been seen and vetted by Audit *vide* their U.O. No. 39 RA-III/2-1/2002 dated 8.5.2003.

[Ministry of Railways O.M. No. 2002-BC-PAC/XIII/40 dated 12.06.2003]

### **Recommendation**

Another instance of bad budgeting is revealed in the operation of Appropriation No. 16—Assets—Acquisition, Construction and Replacement—Capital under which

excess expenditure requiring regularisation works out to Rs. 13,27,548. What is more regrettable is the fact that supplementary Appropriation of Rs. 141,04,000 sanctioned for satisfying court decrees proved inadequate leading to excess expenditure on account of decretal payments. The Committee while deploring such a casual approach, are of the considered view that excess expenditure incurred after seeking supplementary provision was wholly unwarranted and avoidable.

[Sl. No. 8, Appendix V, Para 20.8 of 40th Report of PAC (13th Lok Sabha)]

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

The concern expressed by the Committee has been noted. While due care is taken to formulate the Budget proposals as accurately as possible, the Committee may agree that sometimes, the exact incidence of satisfying such Court decrees becomes difficult to forecast, resulting in such excesses. It has been the endeavour of the Ministry of Railways to avoid occurrences of the excess expenditure to the extent possible and the Ministry will continue to do so, so as to avoid occurrence of such incidences.

This has been seen and vetted by Audit *vide* their U.O. No. 39 RA-III/2-1/2002 dated 8.5.2003.

[Ministry of Railways O.M. No. 2002-BC-PAC/XIII/40 dated 12.06.2003]

#### **Recommendation**

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

[Sl. No. 9, Appendix V, Para 20.9 of 40th Report of PAC (13th Lok Sabha)]

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

Recommendations of the Public Accounts Committee in regard to misclassification of expenditure have been noted. It is and shall remain the endeavour of the Ministry of Railways to curb misclassifications. Towards achievement of this objective, further instruction/guidelines as may be found necessary shall be issued and results monitored.

This has been seen and vetted by Audit *vide* their U.O. No. 6-RAIII/2-1/2002 dated 8.4.2003.

[Ministry of Railways O.M. No. 2002-BC-PAC/XIII/40, dated 12.6.2003]

#### **Recommendation**

Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in Paragraph 8.1 of this Report be regularized in the manner prescribed in Article 115(1)(b) of Constitution of India.

*[Paragraph 20.10 of Fortieth Report of PAC (Thirteenth Lok Sabha), Excesses over Voted Grants and Charged Appropriations (2000-2001)]*

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

As recommended by the Public Accounts Committee, the Demands for Excess Grants for Expenditure of the Central Government (excluding Railways) relating to 2000-2001 were submitted to Parliament in the Budget Session, 2003. The Parliament has passed the Excess Demands for Grants. Necessary Appropriation Bill for regularizing the money drawn in excess of the amounts authorized by the Parliament for the year 2000-2001, has also been passed and the corresponding Act published in the Gazette of India (Extra-ordinary) Part II, Section I, dated 28.03.2003 as Act No. 28 of 2003, after obtaining assent of the President. In view of this, the excess amount drawn in 2000-2001 stands regularized. Action taken in this regard is, therefore, completed.

This Note has been vetted by Audit *vide* their U.O. No. DGACR/RR/1-2/2003-04/326, dated 27.5.2003.

[Ministry of Finance, Department of Economic Affairs (Budget Division) O.M. No. F.4. (28)-B (SD)/2002, dated 28.05.2003]

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

The excess note, duly vetted by Audit to regularise the excess of Rs. 22970 lakh (Rs. 229,69,86,853) under Grant No. 21—Defence Ordnance Factories during the year 2000-2001 has already been furnished to the Ministry of Finance, Department of Expenditure (Monitoring Cell) on 21.3.2002 (copy enclosed) for onward transmission to PAC as required under Article 115 (1) (b) of the Constitution of India.

[Ministry of Defence, File No, 10(11)/B-I/2002, dated 10.04.2003]

MOST IMMEDIATE

No.17(1)/B-I/2002

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

(FINANCE/BUDGET)

New Delhi, 21st March, 2002.

OFFICE MEMORANDUM

SUBJECT: *Explanatory Note for the Public Accounts Committee for regularisation of excess under Revenue Section (Voted) in the Grant No. 21— Defence Ordnance Factories, as disclosed in Union Government Appropriation Accounts for (Defene Services) 2000-01.*

The undersigned is directed to forward herewith 40 copies of English version of explanatory note in respect of **Excess** occurred under **Revenue Section (Voted)** in the **Grant No. 21 — Defence Ordnance Factories** during the financial year 2001-01, duly vetted by D.G.A.D.S.

2. Hindi version will follow.

Sd/-

(Rakesh Bhatnagar)

Asstt. Financial Adviser (Budget-I)

Shri T.S. Negi, US  
Ministry of Finance, Deptt. of Expenditure,  
(Monitoring Cell), Room No. 29, Second Floor,  
Lok Nayak Bhawan, Khan Market, New Delhi.

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Copy with enclosure to:—

1. DGADS —2 Copies
2. C&AG —2 Copies
3. CGDA —2 Copies
4. Bud.-II — 2 Copies

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE  
(FINANCE/BUDGET)

**EXCESS NOTE**

Note for Public Accounts Committee for Regularisation of Excess Expenditure in Respect of Excess Occurred under Revenue Section (Voted) of Grant No. 21—Defence Ordnance Factories, As Disclosed in the Union Government Appropriation Accounts (Defence Services) for 2000-2001.

**GRANT NO. 21—DEFENCE ORDNANCE FACTORIES**

REVENUE SECTION (VOTED)

		(Rupees in lakhs)
Original Grant	:	Rs. 58020
Supplementary Grant	:	NIL
Total Grant	:	Rs. 58020
Actual Expenditure	:	Rs. 80990
Excess	:	Rs. 22970
		(Rs. 229,69,86,853)
Surrender during the year	:	Rs. 107

2. Under Revenue Section (Voted) of Grant No. 21—Defence Ordnance Factories for 2000-2001 the total provision was Rs. 580,20,00 thousands. Against this, an expenditure of Rs. 809,89,87 thousands was incurred resulting in an excess of Rs. 229,69,87 thousands (Rs. 229,69,86,853).

3. The excess of Rs. 229,69,87 thousands was the net effect of total excesses of Rs. 3,92,72 thousands, shortfall in supply to Services of Rs. 313,21,85 thousands, total savings of Rs. 86,37,70 thousands and surrender of Rs. 1,07,00 thousands under various sub-heads of the Grant. The sub-heads under which excesses of Rs. 5 lakhs and above occurred, the reasons therefore are explained below:—

**MAJOR HEAD- 2079**

		(Rupees in lakhs)
(i) Minor Head - 106		
Original Grant	:	Rs. 25000
Supplementary Grant	:	NIL
Reappropriation	:	(-)Rs. 5000
Total Grant	:	Rs. 20000
Actual Expenditure	:	Rs. 20393
Excess	:	Rs. 393

The excess of Rs. 393 lakh was due to payments made to DGS&D against supply of machineries under Rate Contract.

(ii) Minor Head-901—904

“(Deduct—Recoveries)”

		(Rupees in lakhs)
Original Grant	:	(-)Rs. 539117
Supplementary Grant	:	NIL
Reappropriation	:	(-)Rs. 13122
Total Grant	:	(-)Rs. 552239
Actual Expenditure	:	(-)Rs. 520917
Excess	:	Rs. 31322

The excess of Rs. 31322 lakh was mainly due to shortfall in issues to Army in respect of Ammunition and Vehicles.

4. In order to avoid recurrence of any excess in future, the observations contained in Para-8 of the Fourteenth Report of the Public Accounts Committee (13th Lok Sabha) have been circulated to all the estimating authorities for information and strict compliance *vide* MoD (Fin) ID No. 10(3)B-I/2000 dated 11.7.2001 (copy enclosed).

5. In the circumstances explained above, the excess of Rs. 229,69,86,853/- may kindly be recommended for regularisation by the Parliament under Article-115(1) (b) of the Constitution.

6. This note has been vetted by DGADS *vide* their U.O. No. 423/AA-131/2000-2001/BC/ATN, dated 21.3.2002.

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

File No. 17(I)/B-I/2002

**MINISTRY OF DEFENCE (FIN)**

**(BUDGET)**

SUBJECT: *Action taken on Para 8 of the Fourteenth Report of the Public Accounts Committee (13th Lok Sabha) on action taken on the recommendations contained in the First Report of the Public Accounts Committee (12th Lok Sabha) on "Excess over Voted Grants and Charged Appropriation (1996-97)"*

Reference is invited to this Division's ID No. 10(3)/B.I/2000, dated 22.3.2000. The instructions stressed the need for devising the suitable mechanism, appropriate to the particular requirements of each of the Departments with a view to ensure that a proper check is exercised on the flow of expenditure under every grant on regular basis by taking concrete measures to ensure that the budget and accounting information system are put up on proper footing and timely corrective action is taken to obtain requirement of funds from the Parliament so that no expenditure is incurred in excess of authorised limits.

2. It was emphasised that all the Budget estimating/expenditure authorities should monitor the progress of the expenditure in more vigilant manner by following the canons of financial propriety more rigidly. Accordingly, it was requested that to follow the instructions issued on the subject more scrupulously and further instructions may be issued by Service H.Qrs./Departments to lower formations to eliminate the instances of large savings/excesses over voted grants.

3. The Deptt. of Exp. vide their O.M. No.12(1) E.Coord./2001. dated 31.5.2001 (copy enclosed) have again pointed out that the Public Accounts Committee in their latest Report, vide Para 8 of the 14th Report (13th Lok Sabha) has reiterated the need for constant review and monitoring of instructions issued by the Min. of Fin., so as to reduce excess expenditure to the barest minimum. It has also been requested to make a constant review and monitoring on a monthly basis on the flow of expenditure and ensure that occurrence of excess expenditure over voted grants and charged appropriation does not take place.

In view of the above, it is requested that monthly review may be done till November and fortnightly /weekly thereafter by monitoring the expenditure by the Service H.Qrs./Departments and further Instructions may be issued to lower formations by the Service H.Qrs/Deptts. In this behalf so as to avoid any excess expenditure.

Sd/-

(A.K. CHOPRA)

ADDL. FA(A) & JS

All JSs/All Addl, FAs/IFAs, Addl., DGFP, DNP,  
D. Fin. P. DGOF, CCR&D, DGQA, DGNCC,  
DG MII Farms, DGAQA, ATVP, Dte. of Standardisation  
MoD(Fin.) ID No., 10(3)/B.1/2000 dated 11.7.2001

No. 12(1)/E.Coord./2001  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE  
E. COORD. BRANCH

New Delhi, the 31st May, 2001

OFFICE MEMORANDUM

SUBJECT: *Action taken on Para 8 of the Fourteenth Report of the Public Accounts Committee (13th Lok Sabha) on action taken on the recommendations contained in the First Report of the Public Accounts Committee (12th Lok Sabha) on "Excess over Voted Grants and Charged Appropriations (1996-97).*

The undersigned is directed to invite attention to the correspondence resting with the D.O. letter No. 12(1) E. Coord./99 dated 17.2.2000 from Secretary(E) addressed to all the Secretaries to the Government of India relating to the need for devising a suitable mechanism to exercise a check on occurrence of excess expenditure over voted grants/ appropriations.

2. While referring to the recommendation made by the Public Accounts Committee in para 48 of their First Report (12th Lok Sabha), Secretary(E) in para 4 of his above mentioned letter dated 17.2.2000 had mentioned that there was an imperative need for devising a suitable mechanism, appropriate to the particular requirements of each of the Departments with a view to ensuring that an appropriate check is exercised on the flow of expenditure under every grant on a regular basis. It was further laid down therein that steps may be taken to put in place such a mechanism in consultation with the concerned Financial Advisers to that immediate and right steps are taken to avoid excess expenditure and the concerned Financial Adviser should review the flow of expenditure every month and shall keep the concerned Secretaries informed so that necessary corrective action would be taken immediately.

3. The Public Accounts Committee in their latest Report, *vide* para 8 of the 14th Report (13th Lok Sabha), while taking note of the above action, suggested by Secretary(E), has reiterated the need for constant review and monitoring of instructions issued by the Ministry of Finance (Department of Expenditure), so as to reduce excess expenditure to the barest minimum.

4. The mechanism, as required to be devised in pursance of para 4 of the above mentioned Secretary(E)'s letter, dated 17.2.2000 would no doubt have been devised in all the Ministries/Departments. All the Ministries/Departments are, therefore, requested to make a constant review and monitoring on a monthly basis on the flow of expenditure and ensure that occurrence of excess expenditure over voted grants and charged appropriations does not take place.

(USHA MATHUR)

Joint Secretary to the Govt. of India

1. All the Ministries/Departments of the Government of India
2. All Secretaries to the Government of India
3. All Financial Advisers (by name)

**Action Taken by the Department of Posts**

The excess expenditure has since been regularised by the Ministry of Finance centrally *vide* No. F.4 (28)-B (SD)/2002 dated, 28th March, 2003.

[Deptt. of Posts. No. 20-5/2003 BGT (PA), Dated April 28, 2003]

**Action Taken by the Ministry of Railways**

As recommended by the Committee, the excess expenditure incurred during 2000-01 has since been regularised in the Budget Session of Parliament, 2003.

This has been seen and vetted by Audit *vide* their U.O. No. 29 RA-III/2-1/2002, dated 8.5.2003

[Ministry of Railways, O.M. No. 2002-BC-PAC/XIII/40, dated 12.06.2003]

### CHAPTER III

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

##### **Recommendation**

The Committee also observe that excess expenditure during 2000-2001 had occurred even after obtaining Supplementary Grants of Rs. 182.19 thousands in 4 out of 9 cases of excess registering grants/appropriations. In the case of Grant No. 1 — Department of Agriculture and Cooperation and Grant No. 11— Postal Services (Revenue —Charged) surprisingly, the excess expenditure incurred is even higher than the supplementary Grants obtained. This should so happen, despite clear stipulation in the Financial Rules that no expenditure should be incurred which might have the effect of exceeding the total grants or appropriation authorized by Parliament by law for a financial year except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund, is a matter of greater anxiety and concern. The Committee view such cases as clear instances of inefficacious planning, lack of foresight and monitoring on the part of budget controlling authorities.

[Sl. No. 2, Para 20.2 Appendix-V, 40th Report of PAC (13th Lok Sabha)]

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

Rule 53 of the General Financial Rules along with Appendix-3 thereof lays down adequate procedure for proper assessment of expenditure in each unit of appropriation. Further, Rules 54 & 55 of the General Financial Rules lay down the need for scrutiny by the Heads of the Departments and also by the concerned authorities in the Ministries/ Departments. These Rules adequately put emphasis not only on the need for realistic assessment of funds at the stage of estimation, but also for proper scrutiny in the Ministries/Departments and as such the fact that cases of excess has taken place despite supplementary grants, establishes that proper care was not taken either in proper planning of action-plan or in making realistic assessment of funds therefor. Therefore, having regard to the recommendations made by the Public Accounts Committee, instructions have been issued by the Ministries/Departments impressing upon them the need for properly following the existing instructions on realistic assessment of funds so that effective planning and monitoring could be infused into budget making exercise. A copy of these instructions dated 19th May, 2003 is enclosed.

This has been vetted by Audit *vide* their U.O. Note No. RR/1-46/2002-03/8 dated 7.4.2003

[Ministry of Finance Department of Expenditure E.Coord. Branch U.O. No. 12(1)/ E.Coord./2003, dated 19th May, 2003.]

No. 12(1)E. Coord./2003  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE

New Delhi, the 19th May, 2003

OFFICE MEMORANDUM

SUBJECT: *Realistic and effective assessment of funds/Budget Estimates- Recommendations of the Public Accounts Committee — 40th Report (13th Lok Sabha). Excesses over Voted Grants and Charged Appropriations (2000-2001)*

The undersigned is directed to invite the attention to the observations made by the Public Accounts Committee in Para 20.2. of their their 40th Report (13th Lok Sabha). While taking adverse note of the occurrence of excess expenditure over voted grants/charged appropriations, even after Supplementary Grants, the Committee has viewed such cases as clear instances of inefficacious planning, lack of foresight and monitoring on the part of budget controlling authorities.

2. Realistic assessment of funds with proper planning of Plans and Programmes to which these funds are to be appropriated is at the very core of budget making to ensure effective utilization of scarce resources. The General Financial Rules in Rule 53, 54 & 55 emphasize this cardinal principle inasmuch as these Rules provide for detailed procedure for making realistic assessment of funds and also for proper scrutiny of estimates made by the concerned authorities. If these procedures are followed properly and proper scrutiny made by the concerned authorities, estimations made may neither fall short nor run into excess. However, as highlighted by the Public Accounts Committee Occurrence of excesses in expenditure despite Supplementary Grants in certain cases, clearly establishes that proper care and attention was not paid by the authorities concerned for making realistic assessment of funds.

3. Accordingly, in view of the recommendations made by the Public Accounts Committee, all the Ministries/Departments are advised that due care and attention be paid to the existing instructions contained in the General Financial Rules to make realistic assessment of funds not only at the BE stage, but also at the stage of Supplementary Grants so that the occurrence of excess could be fully avoided.

(USHA MATHUR)

Joint Secretary to the Government of India

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

### **Action Taken by the Deptt. of Agriculture & Cooperation**

During 2000-2001 there was an Excess expenditure of Rs. 43.72 lakhs under Grants No. 1—Department of Agriculture and Cooperation (Capital Section) (Voted). The original grant of Rs. 13538.00 lakhs was augmented to Rs. 13539.00 lakhs by obtaining a token Supplementary Grant of Rs. 1.00 lakh. The actual expenditure was, however, Rs. 13582.72 lakhs resulting an excess of Rs. 43.72 lakhs.

The excess expenditure was mainly due to minus provisioning of Rs. 20 crore under Voted in the Main Demand for Grants of Central Government. The Department of Agriculture and Cooperation had furnished a provision of Rs. 155.38 crore under Capital Section (Voted) which was inadvertently printed as Rs. 135.38 crore in Main Demands for Grants, which is beyond the control of this Department. Thus, the excess occurred due to minus provisioning.

[Ministry of Agriculture (Department of Agriculture & Cooperation)  
O.M. No. 1-2/2003-Budget dated 5th Aug., 2003]

### **Action Taken by the Deptt. of Posts**

Department of Posts accept that excess expenditure under 'Charged' segments could have been avoided, had the concerned sanctioning authorities before sanctioning and effecting payment taken into consideration the status of fund availability. All the concerned authorities have been instructed to ensure that all payments are made only with due budget provision and not in anticipation.

DDG(PAF)

[Deptt. of Posts No. 20-5/2003 BGT (PA), Dated April 28, 2003]

### **Recommendation**

Another instance of bad budgeting is revealed in the surrender of funds. Although the General Financial Rules (GFR) clearly stipulate that the portion of a grant or appropriation not utilized by the spending departments has to be communicated to the Ministry of Finance for its reallocation elsewhere. The Committee are constrained to observe that during 2000-2001 in excess registering Grant No. 1- Department of Agriculture and Cooperation and Grant No. 21 - Defence Ordnance Factories, surrender of funds was made though no unspent provision were available for surrender. The Committee consider it a sad reflection on the adequacy of coordination and information accounting system and also a collective failure on the part of programme division and Budget controlling authorities in the respective Ministries/Departments.

[Sl. No. 1 Appendix -V - Para 20.3 of 40th Report of Public Accounts  
Committee (2002-03) (13th Lok Sabha)]

### **Action Taken by the Deptt. of Agriculture & Cooperation**

The excess expenditure was mainly due to minus provisioning of Rs. 20 crore under Voted in the Main Demand for Grants of Central Government. The Department of Agriculture and Cooperation had furnished a provision of Rs. 155.38 crore under Capital Section (Voted) and Rs. 34.27 crore under Capital Section (Charged) which was inadvertently printed as Rs. 135.38 crore under Voted and Rs. 54.27 crore under Charged in the Main Demands for Grants due to minus provisioning of Rs. 20 crore. The under charged in the Main Demands for Grants due to minus provisioning of Rs. 20 crore. The same has been reflected in the Appropriation Accounts by Controller General of Accounts to avoid any variance from the main Demands for Grants. The Ministry of Finance was approached for issue of a corrigendum to rectify this error. As final batch of supplementary grant was over the error could not be rectified. It may be stated that an amount of Rs. 1714.45 lakh was surrendered under Capital Section (Voted) on the basis of provision of Rs. 155.38 crore as per Detailed Demands for Grants. However, as explained above, there was excess expenditure of Rs. 43.72 lakhs on the basis of Main Demands for Grants and Appropriation Accounts. The excess expenditure occurred was, thus, due to minus provisioning.

[Ministry of Agriculture (Department of Agricultural & Cooperation)  
O.M. No. 1-2/2003-Budget dated 5th Aug., 2003]

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

In this regard it is pertinent to mention that unlike other Demands, the gross provision under the Demand pertaining to Defence Ordnance Factories is arrived at after deducting value of supplies to Army, Navy, Air Force etc. from the total of various Revenue expenditure heads. Defence Ordnance Factories are manufacturing organisations. All out efforts to achieve the targeted supplies was made but the excess expenditure under this Grant during the year 2000-2001 was mainly due to shortfall in issues to Army. The reduction in issues to Army though resulted in excess expenditure under the Defence Ordnance Factories yet there was less expenditure under Army due to fewer issues. Hence the excess has not affected the expenditure of Defence Services as a whole.

Further, during the course of the year certain payments arising out of court judgements were required to be made. In order to make these payments an amount of Rs. 1.07 crores was surrendered under Voted portion of Demand No. 21 - Defence Ordnance Factories and technical Supplementary of an equal amount of Rs. 1.07 crores under charged portion was taken at the third and final batch of the Supplementary Demands for Grants 2000-2001. Thus there was no additional outgo on this account.

However, necessary instructions have been issued *vide* MoD (Finance) I.D. No. 10(1)/B-I/2002 dated 18.12.2002 (copy enclosed) to all concerned to monitor the progress of expenditure in more vigilant/stricter manner apart from projecting the Demands on factual basis and to the barest minimum depending on the actual requirements/obligations.

[Ministry of Defence File No. 10(11)/B-I/2002, dated 10.04.2003]

MOST IMMEDIATE

**MINISTRY OF DEFENCE (FINANCE/BUDGET)**

SUBJECT: *Formulation of Budget Estimates on realistic basis and monitoring of Defence Expenditure in order to avoid large scale savings.*

Instructions have been issued from time to time highlighting the importance of formulating the budget estimates on most realistic basis and the necessity to keep the expenditure under constant review in order to conform it to the allocations eventually made. In order to avoid any saving/excess, the demands should be factual, barest minimum depending on the actual requirement/obligations. Supplementary demands, whenever projected should be in rare, emergent and inescapable cases which should be restricted and confined to the genuine and unforeseen expenditure that could not be envisaged at the time of preparation of annual budget or to meet the requirement, decision or developments which have taken place after the approval of the budget i.e. post budget decisions and not for continuing schemes/programmes. The progress of expenditure should be constantly monitored in order to ensure that it is contained within the sanctioned budgetary provisions.

There has been certain refinement in the projections of requirement and actual expenditure *vis-a-vis* allocations but gaps still exist which are required to be plugged to the maximum possible. It is, therefore, once again emphasized that further remedial steps should be taken to eliminate instances of excess/savings, if any.

2. The Standing Committee on Defence while examining the Demands for Grants of the Ministry of Defence for the year 2002-2003 *vide* their Sixteenth Report have viewed seriously about the unspent funds and have recommended that the amount allotted should be fully utilized for the purchase of new weapon systems, modernization & upgradation of the existing system so as to ensure that no surrender of funds is made. Further, the C&AG in their audit report No. 7 of 2002 have also commented adversely on the overall unspent provision during the last five years which indicates poor financial management as the amount of surrender has increased manifold during the previous years.

3. In the above circumstances, it is once again emphasized that the instructions issued on the subject should be followed more scrupulously and the progress of expenditure should also be monitored constantly in a more vigilant/stricter manner in order to achieve the objectives. Service HQrs/Deptts. are also requested to issue

necessary instructions in this regard to all the budget controlling authorities under their administrative control to eliminate the instances of large scale savings.

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

All Joint Secretaries/All Addl. FAs/IFAs  
Addl. DGFP, DNP, D Fin P, DGOF,  
CCR & DR, DGQA, DGNCC, DG Mil Farms,  
DGQA, ATVP, Dte. of Standardisation

[MoD (Fin) ID No. 10(1)/B.I/2002 dated 18.12.2002]

Copy to:— AS (S), AS (T)

Copy for information to:—

SO to Def. Secretary

PPS to Secretary (Def/Fin)

## CHAPTER IV

### OBSERVATIONS/RECOMMENDATIONS WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

#### **Recommendation**

In the course of their examination of Appropriation Accounts (Postal Services) for 2000-2001, the Committee found that there was an overall expenditure of Rs. 17,26,000 over the sanctioned provision under Revenue—Charged (Rs.7,14,000 and Capital Charged (Rs. 10,12,000) sections of Grant No. 11— Postal Services. They also found that this excess expenditure had occurred despite obtaining a total supplementary grant of Rs.40,15,000 under both the sections of the Grant. On scrutiny of the explanatory note furnished by the Department of Post, the Committee find that excess expenditure under both the Sections of Grant was incurred to honour the Court judgement. The Committee do not accept the stock reply of the Department that the excess expenditure occurred due to receipt of court judgement at the fag end of the year and that it was not possible to obtain Supplementary Grant. The Committee would like to be apprised of the exact date when the court judgement was passed and the date when received in the Ministry.

[Sl..No.6 of Appendix V, Para No. 20.6 of 40th Report of Public Accounts  
Committee (13th Lok Sabha)]

#### **ACTION TAKEN BY THE DEPTT. OF POSTS**

As recommended by the Committee the cases of excess expenditure have been examined in detail. It has been found that under Capital Segment, though the Judgments were received in time, *there was some delay in implementing three court judgements* for a total amount of Rs. 10.10 lakhs and as a result of this, the concerned authorities could not project their demands timely for obtaining the supplementary grants or advance from Contingency Fund of India (responsibility is being fixed for non-submission of timely requirement of funds). This led to an excess expenditure of Rs. 10 lakhs under the Capital Charged Segment. As far as Revenue Section is concerned, the expenditure of Rs, 7,20,000 which relates to the head 07.104 —Gratuities (Voted) was wrongly booked under the head 07.101.02 —Arrears paid due to Supreme Court Judgement (Charged). Instructions have been issued to all concerned to follow the codified provisions strictly.

#### **Audit Observation**

Ministry's argument that there was some delay in implementing the three court judgements and that as a result the concerned authorities could not project their demands timely for obtaining the supplementary grants or advance from Contingency

Fund of India is not acceptable. The court judgements in the three cases were received in February 2000, June 2000 and October 2000 and the Department had sufficient time to request for provision of funds in the routine manner. In one case, although the judgement was received in the earlier financial year (February 2000), department did not make provision in the revised estimates for 2000-01.

[Deptt. of Posts, No. 20-5/2003 BGT (PA) Dated April 28, 2003]

**CHAPTER V**

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

—NIL—

NEW DELHI;  
2 November, 2004  
11 Kartika, 1926 (*Saka*)

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

**PART-II**

MINUTES OF THE SEVENTH SITTING OF THE PUBLIC ACCOUNTS  
COMMITTEE (2004-2005) HELD ON 27 OCTOBER, 2004

The Committee sat from 1600 hrs. to 1630 hrs. on 27 October, 2004 in Committee Room "53", Parliament House, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Ramesh Bais
3. Shri Khagen Das
4. Shri Raghunath Jha
5. Shri Ashok Kumar Rawat
6. Shri Madan Lal Sharma
7. Shri Brij Bhushan Sharan Singh
8. Dr. Ram Lakhan Singh
9. Shri K.V. Thangka Balu
10. Shri Tarit Baran Topdar

*Rajya Sabha*

11. Shri Prasanta Chatterjee
12. Shri R.K. Dhawan
13. Dr. K. Malaisamy
14. Shri V. Narayanasamy
15. Prof. R.B.S. Varma

SECRETARIAT

1. Shri S.K. Sharma — *Joint Secretary*
2. Shri Ashok Sarin — *Director*
3. Shri N.S. Hooda — *Under Secretary*
4. Smt. Anita B. Panda — *Under Secretary*

**Officers of the Office of C&AG of India**

1. Dr. A.K. Banerjee — Director General of Audit (CR)
2. Smt. Meenakshi Ghosh — Pr. Director
3. Ms. Parama Sen — Director

2. At the out set, the Chairman welcomed the Members to this sitting of the Committee. The Committee then took up for consideration the following draft Reports:—

(i) \* \* \* \* \*

(ii) Action Taken on the Recommendations contained in 40th Report of PAC (13th Lok Sabha) relating to "Excesses over Voted Grants and Charged Appropriations (2000-2001)"

3. The Committee adopted the above mentioned draft Reports and authorized the Chairman to finalise these draft Reports in the light of verbal and consequential changes arising out of factual verification by audit or otherwise and present the same to the House.

4. \* \* \* \* \*

*The Committee then adjourned.*

## APPENDIX

### STATEMENT OF CONCLUSIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry/ Deptt.	Conclusions/Recommendations
1	2	3	4
1.	1.8	Finance (Deptt. of Expenditure)	<p>The Committee, in their Original Report (13th Lok Sabha), had viewed the cases of excess expenditure incurred during 2000-2001 despite having Supplementary Grants as clear instances of inefficacious planning, lack of foresight and monitoring on the part of budget controlling authorities. The Committee are informed by the Department of Agriculture and Cooperation and the Department of Posts that excess expenditure, despite obtaining Supplementary Grant in Grant No. 1—Agriculture &amp; Cooperation, was mainly due to minus provisioning of funds while in Grant No. 11—Postal Services, it was due to negligence of the Authorities administering funds. Such type of errors according to the Committee could have easily been detected, if, adequate attention had been paid by the Departments concerned for prompt checking and reconciliation of accounts figures. The Committee feel that responsibility for these lapses, particularly at the supervisory level, should have been fixed and appropriate action taken against the erring officials.</p> <p>The Ministry of Finance (Deptt. of Expenditure), while agreeing with the view of the Committee, have stated that in both the cases proper care was not taken either in proper planning of action-plan or in making realistic assessment of funds therefor. This resulted in cases of excesses despite having Supplementary Grants. The Ministry of Finance (Deptt. of Expenditure) have, therefore, impressed upon all the Ministries/Departments the need for properly following the existing instructions for realistic assessment of funds to infuse effective planning and monitoring into budget making exercise. The Committee trust that the Ministries/</p>

1	2	3	4
			Departments would take suitable steps promptly to ensure strict observance of those instructions so as to make budgetary control more realistic and meaningful. In genuine and inevitable cases, where Supplementary Grants become necessary, an accurate estimate of the required funds should be made so as to avoid such lapses in future.
2.	1.11	Agriculture (Deptt. of Agri- culture and Cooperation)	In regard to another case of bad budgeting, the Committee were constrained to point out that during the year 2000-2001, surrender of funds was made in excess registering Grant No. 1—Department of Agriculture and Cooperation and Grant No. 21—Defence Ordnance Factories, though no unspent provisions were available for surrender. They had, therefore, in para 20.3 of their Original Report considered it a sad reflection on the adequacy of coordination and information accounting system and also a collective failure on the part of the Programme Division as well as the Budget controlling authorities in the respective Ministries/ Department. The Committee are surprised to find that the surrenders in both the cases were made without conducting a thorough scrutiny of expenditure incurred or likely to be incurred by them during the Financial Year. It has also been found that the Ministry of Agriculture did not approach the Ministry of Finance well in time for issuing corrigendum to rectify the error of minus provisioning of Rs. 20 crore under the grant operated by them. The Committee are unable to understand why such an omission could not be detected prior to the presentation of Supplementary Grants to the House as there is always a time-lag between the notice of the Ministry of Finance to all the Ministries/Departments, for submission of requirement for obtaining Supplementary Grants and the presentation of the same Grants to the House by the Ministry of Finance. The Committee are inclined to conclude that this is a clear case of delay and laxity in the financial control exercised at the supervisory level in both the cases for which responsibility should be fixed and action taken against those responsible for the mistakes. The Committee hope that the concerned Ministries

1	2	3	4
			would take adequate care in future to avoid excesses on this account.
3.	1.15	Posts	<p>It had come to the notice of the Committee that there was an aggregate excess expenditure of Rs. 16.41 lakh under two sections Revenue—Charged (Rs. 6.64 lakh) and Capital—Charged (Rs. 9.77 lakh) under Grant No. 11-Postal Services during the year 2000-2001. Explaining the reasons for the excess expenditure, the Government had earlier stated that certain Court judgments were required to be honoured and excess expenditure had occurred due to receipt of the judgments at the fag end of the year thus making it impossible to obtain supplementary Grant. The Committee had, therefore, desired to be apprised of the exact date when the Court judgment was passed and the date on which it was received in the Ministry. The Department of Posts in their Action Taken Note have now informed that the judgments were received in time but there was some delay in implementing three Court judgments for a total amount of Rs. 10.10 lakhs and consequently, the concerned authorities could not project the demands timely for obtaining the Supplementary Grants or advance from Contingency Fund of India, leading to an excess expenditure of Rs. 10 lakhs under the Capital—Charged Segment. The Committee have been given to understand by Audit that in one case, although the Judgment was received in the earlier Financial year <i>i.e.</i> February, 2000, the Department did not make the provision in the revised estimates for 2000-01. Thus, it is clear that the Department had sufficient time in respect of all these Court cases to request for provision of funds in the ordinary course of time. That this was not done is regrettable. They would, therefore, urge the Ministry to ensure that such instances do not recur.</p>