22

EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2008-09)

PUBLIC ACCOUNTS COMMITTEE (2010-11)

TWENTY-SECOND REPORT

FIFTEENTH LOK SABHA

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

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Presented to Lok Sabha on 31.08.2010
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LOK SABHA SECRETARIAT
NEW DELHI

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(2010-2011)

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4. Shri S.L. Singh — *Committee Officer*

INTRODUCTION

I, the Chairman, Public Accounts Committee, having been authorised by the Committee, do present on their behalf this Twenty-second Report (Fifteenth Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2008-09)".

2. The Indian Railways Appropriation Accounts Part - I — Review, 2008-09; Indian Railways Appropriation Accounts Part -II — Detailed Appropriation Accounts, 2008-09; Indian Railways Appropriation Accounts Part-II — Detailed Appropriation Accounts (Annexure-G), 2008-09; and the Report of the Comptroller & Auditor General of India for the year ended March, 2008, No. CA 11 of 2009-10, Union Government (Railways) were laid on the Table of the House on 23rd April, 2010. The Union Government Appropriation Accounts (Civil), 2008-09; Union Government Appropriation Accounts (Postal Services), 2008-09; Union Government Appropriation Accounts of the Defence Services 2008-09; and the Report of the Comptroller & Auditor General of India for the year ended March, 2009, No. 1 for the year 2008-09; Union Government (Accounts of the Union Government) were laid on the Table of the House on 7th May, 2010.

3. The Committee examined the cases of excess expenditure incurred by the Ministry of Defence, the Ministry of Finance, the Ministry of Home Affairs and the Ministry of Railways of the Union Government in the 2008-09 fiscal on the basis of the Appropriation Accounts, observations of Audit as contained in the relevant Reports of the Comptroller & Auditor General of India and the Explanatory Notes furnished by the various Ministries/Departments concerned. The Committee considered and finalised the Twenty-second Report at their sitting held on 27th August, 2010. Minutes of the sitting are given at *Appendix-I.*

4. The Committee would like to express their thanks to the officers of the Ministry of Defence, the Ministry of Finance, the Ministry of Home Affairs, and the Ministry of Railways for the cooperation extended by them in furnishing information to the Committee.

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

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

NEW DELHI;
27*th August*, 2010
5 *Bhadrapada*, 1932 (*Saka*)

DR. MURLI MANOHAR JOSHI,
Chairman,
Public Accounts Committee.

REPORT

PART-I

A. INTRODUCTORY

(a) Annual appropriation Accounts of the Union Government

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

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

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

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

(a) that the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged;

(b) that the expenditure conforms to the authority which governs it; and

(c) that every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by competent authority.

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*In a Demand for Grants, provision for voted expenditure is called a Grant and that for the charged is called an Appropriation.

**This Rule defines the functions of the Public Accounts Committee.

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

(b) Rules/Provisions for controlling excess expenditure

6. The following Rules/Provisions are laid down for control of excess expenditue by the Government.

(i) Article 114(3) of the Constitution provides that subject to the provisions of Articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article.

(ii) Further, Rule 52 (3) of the General Financial Rules (GFR), 2005 stipulates that no disbursements be made which might have the effect of exceeding the total grant or appropriation authorised by Parliament for a financial year except after obtaining a supplementary grant or an advance from the Contingency Fund.

(iii) Article 115(1) (b) of the Constitution stipulates that if any money had been spent on any service during a financial year in excess of the amount granted for that service and for that year, the President should cause to be presented to the House of People a demand for such excess.

(iv) Indian Railway Financial Code, Volume-I also addresses the issue of excesses over grants in so far as Railway finances are concerned. According to paragraph 371 of this code, the Railway administration shall be responsible to ensure that no expenditure is incurred in excess of the Budget allotments made to them. Similar provisions also exist under paragraphs 782 and 783 of Postal Manual, Volume II (Fourth Revised Edition) which, *inter-alia* prescribe that control in relation to budget allotments must secure that expenditure is not incurred under any head in excess of the funds allotted to that head.

(c) Procedure for regularization of excess expenditure

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

(d) Union Government Appropriation Accounts (2008-09)

8. The details of the four Union Government Appropriation Accounts (2008-09) *viz.* the dates on which these Accounts were laid on the Table of the House, number of Grants/Appropriations operated under each of the four Appropriation Accounts and the Chapters/Paragraphs of Audit Reports in which the relevant audit findings are highlighted are given in the following table:—

Sl. No.	Appropriation Accounts	Date of laying on the Table of the House	No. of Grants/ Appropriations	C&AG's Report in which audit findings are highlighted
1.	Civil	07.05.2010	98	Chapters 2, 7 and 8 of C&AG's Report No. CA 1 of 2008-09, Union Government (Accounts of the Union Government)
2.	Defence Services	07.05.2010	6	-do-
3.	Postal Services	07.05.2010	1	-do-
4.	Railways	23.04.2010	16	Chapter I, Paragraph Nos. 1.12 and 1.13 of C&AG's Report No. CA 11 of 2009-10, Union Government (Railways)
	Total No. of Grants/Appropriations: 121			

9. In this Report, the Committee have examined the cases of those Grants/ Appropriations where money has been spent in excess of the amount authorized by Parliament for specified services for the year 2008-09 and which required regularization by Parliament under Article 115(1)(b) of the Constitution of India.

B. EXCESS EXPENDITURE OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2008-09)

10. Scrutiny of the four Union Government Appropriation Accounts (2008-09) revealed that there was an excess disbursement of Rs. 270, 20, 51, 460 (Rs. 270.21 crore) in 4 segments of 4 Grants/Appropriations pertaining to Civil Ministries; Rs. 742,61,46,657 (Rs. 742.61 crore) in 2 segments of 2 Grants operated by the Ministry of Defence; and Rs. 519,81,26,360 (Rs. 519.81 crore) in 9 segments of 8 Grants/Appropriations operated by the Ministry of Railways. These are tabulated below:—

(in unit of Rupees)

Sl. No.	Name of Appropriation Accounts	No. of excess registering Grants/ Appropriations	No. of cases involved	Amount of excess expenditure incurred
1.	Civil	4	4	270,20,51,460
2.	Defence Services	2	2	742,61,46,657
3.	Railways	8	9	519,81,26,360
	Total	**14**	**15**	**1532,63,24,477**

(a) Details of excess disbursement over Voted Grants/Charged Appropriations (2008-09)

11. The details of 14 Voted Grants/Charged Appropriations under which the actual expenditure had exceeded the sanctioned provision during the financial year 2008-09 as shown in the relevant Union Government Appropriation Accounts are given below:—

(in unit of Rupees)

Sl. No.	No. & Name of Grant/ Appropriation	Administrative Ministry/ Department	Total Grant/ Appropriation (Original Grant/ Appropriation)	Actual Expenditure	Excess Expenditure	Percentage of excess over- Total Grant/ Appropriation (Original Grant/ Appropriation)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
I. Appropriation Accounts—Civil (Revenue Voted)						
1.	19-Ministry of Defence (Civil)	Defence (Finance)	8363,22,00,000 (7756,97,00,000)	8390,71,86,122	27,49,86,122	0.33 (0.35)
2.	20-Defence Pensions	-do-	20232,95,00,000 (15563,75,00,000)	20233,08,32,985	13,32,985 (0.0009)	0.0007
3.	39-Pensions	Finance	10565,93,00,000 (7930,76,00,000)	10729,11,09,424	163,18,09,424	1.54 (2.06)
4.	54-Other Expenditure of the Ministry of Home Affairs	Home Affairs	1437,58,00,000 (999,03,00,000)	1516,97,22,929	79,39,22,929	5.52 (7.95)
	Total (Civil)		40599,68,00,000 (3225,051,00,000)	40869,88,51,460	270,20,51,46	0.67 (0.84)
II. Appropriation Accounts—Defence Services (Revenue Voted)						
5.	23-Defence Services-Air Force	Defence	12632,21,00,000 (11286,82,00,000)	13242,57,59,389	610,36,59,389	4.83 (5.40)
6.	24-Defence Ordinance Factories	Defence	2824,75,00,000 (1108,99,00,000)	2956,99,87,268	132,24,87,268	4.68 (11.93)
	Total (Defence)		15456,96,00,000 (12395,81,00,000)	16199,57,46,657	742,61,46,657	4.80 (5.99)
III. Appropriation Accounts—Railways (Revenue Voted)						
7.	4-Working Expenses-Repairs and Maintenance of Permanent Way and Works	Railways	5840,21,05,000 (5407,69,94,000)	5944,26,92,825	104,05,87,825*	1.78 (1.92)
8.	5-Working Expenses-Repairs and Maintenance of Motive Power	-do-	2829,11,72,000 (2570,49,58,000)	2924,36,28,565	95,24,56,565**	3.37 (3.71)
9.	6-Working Expenses-		6280,54,67,000 (5435,35,64,000)	6430,23,89,039	149,69,22,039^	2.38 (2.75)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Repairs and Maintenance of Carriages and Wagons					
10.	7-Working Expenses Repairs and Maitenance of Plant and Equipment		3329,59,63,000 (2958,51,44,000)	3345,53,46,651	15,93,83,651^^	0.48 (0.54)
11.	8-Operating Expenses-Rolling Stock and Equipment		4580,54,08,000 (4040,26,20,000)	4711,59,77,735	131,05,69,735#	2.86 (3.24)
12.	15-Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortization of Over-Capitalization		4710,96,00,000 (4635,88,00,000)	4717,67,23,341	6,71,23,341	0.14 (0.14)
	(Revenue Charged)					
13.	3-Working Expenses-General Superintendence and Services		8,48,000 (8,48,000)	9,52,322	1,04,322@	12.30 (12.30)
14.	5-Working Expenses-Repairs and Maintenance of Motive Power		33,89,000 (23,00,000)	35,08,659	1,19,659	3.53 (5.20)
	(Capital Charged)					
15.	16-Asset-Acquisition, Construction and Replacement -Capital		22,20,00,000 (17,20,00,000)	39,28,59,223	17,08,59,223	76.96 (99.34)
	Total (Railways)		27593,59,52,000 (25065,72,28,000)	28113,40,78,360	519,81,26,360	1.88 (2.07)
	Grand Total		83650,23,52,000 (69712,04,28,000)	85182,86,76,477	1532,63,24,477	1.83 (2.20)

*There was an excess expenditure of Rs. 104, 05, 87,825/-. However taking into account the misclassification of expenditure of Rs. (+)2,51,65,892/-, the actual excess requiring regularization works out to Rs. 106,57,53,717/-.

**There was an excess expenditure of Rs. 95,24,56,565/-. However taking into account the misclassification of Rs. 7,84,14,221/-, the actual excess requiring regularization works out to Rs. 103,08,70,786/-.

^There was an excess expenditure of Rs. 149,69,22,039/-. However taking into account the misclassification of expenditure of Rs. (+)7,55,63,115/-, the actual excess requiring regularization works out to Rs. 157,24,85,154/-.

^^There was an excess expenditure of Rs. 15,93,83,651/-. However taking into account the misclassification of expenditure of Rs. (-)2,86,37,475/-, the actual excess requiring regularization works out to Rs. 13,07,46,176/-.

#There was an excess expenditure of Rs. 131,05,69,735/-. However taking into account the misclassification of expenditure of Rs. (-)2,75,51,187/-, the actual excess requiring regularization works out to Rs. 128,30,18,548/-.

@There was an excess expenditure of Rs. 1,04,322/-. However, taking into account the misclassification of Rs. 1,25,662/-, th actual excess requiring regularization works out to Rs. 2,29,984/-.

12. It is seen from the above that out of the total excess expenditure of Rs. 1532.63 crore incurred in all the 15 cases during the 2008-09 fiscal, Civil sector accounted for about 17.63 per cent (Rs. 270.21 crore) while Defence Services and Railways registered about 48.45 per cent (Rs. 742.61 crore) and 33.92 per cent (Rs. 519.81 crore) respectively. In the Civil sector, as much as Rs. 163.18 crore *i.e.* 60.39 per cent of the total excess expenditure was incurred under Grant No. 39 (Revenue Voted)—Pensions alone while about Rs. 79.39 crore *i.e*. 29.38 per cent of the total excess expenditure was incurred under Grant No. 54—Other Expenditure of the Ministry of Home Affairs. In the Defence Sector, Grant No. 23—Defence Services-Air Force accounted for 82.19 per cent (Rs. 610.37 crore) of the total excess expenditure of Rs. 742.61 crore incurred during the fiscal year under examination. As regards excess expenditure incurred under Grants/ Appropriation operated by the Railways, out of the total excess expenditure of Rs. 519.81 crore, about 92.35 per cent (Rs. 480.05 crore) was incurred under 4 Grants only *i.e.* (i) Grant No. 4—Working Expenses—Repairs & Maintenance of Permanent Way and Works; (ii) Grant No. 5—Working Expenses—Repair and Maintenance of Motive Power; (iii) Grant No. 6—Working Expenses - Repairs and Maintenance of Carriages & Wagons; and (iv) Grant No. 8—Operating Expenses—Rolling Stock and Equipment.

(b) Actual excess expenditure incurred by the Ministry of Railways

13. A comparative scrutiny of the Union Government Appropriation Accounts (Railways) and the Explanatory Note furnished by the Ministry of Railways indicating the detailed reasons for excess expenditure incurred by them over Voted Grants/Charged Appropriations during 2008-2009 revealed that there were 6 cases of misclassification of expenditure *i.e.* (i) Rs. (+) 1,25,662 under Appropriation No. 3—Working Expenses—General Superintendence and Services; (ii) Rs. (+) 2,51,65,892 under Grant No. 4—Working Expenses - Repairs and Maintenance of Permanent Way and Works; (iii) Rs. (+) 7,84,14,221 under Grant No. 5—Working Expenses - Repairs and Maintenance of Motive Power, (iv) Rs. (+) 7,55,63,115 under Grant No. 6—Working Expenses—Repairs and Maintenance of Carriages and Wagons; (v) Rs. (-) 2,86,37,475 under Grant No. 7—Working Expenses—Repairs and Maintenance of Plant and Equipment; and (vi) Rs. (-) 2,75,51,187 under Grant No. 8—Operating Expenses - Rolling Stock and Equipment. Taking into account the effect of these 6 cases of misclassification, the actual excess expenditure relating to the Ministry of Railways worked out to Rs. 532,12,06,588 instead of Rs. 519,81,26,360 as indicated in the Indian Railways Appropriation Accounts (2008-09).

(c) Total actual excess expenditure for the financial year 2008-09 requiring regularization under Article 115(1) (b) of the Constitution

14.Thus, the amount of actual excess expenditure incurred during the financial year 2008-09, which requires reqularization by the Parliament under Article 115(1) (b) of the Constitution is of the order of Rs. 1544, 94, 04, 705 involved in 15 cases of 14 excess registering Grants/Appropriations during the financial year 2008-09.

(d) Excess expenditure despite obtaining Supplementary Grants

15. During the financial year 2008-09, out of the 15 cases of excess registering Grants/Appropriations, the excess occurred even after obtaining Supplementary Grants/ Appropriations in the following 14 cases:—

(Rs. in thousands)

Sl. No.	No. & Name of Grant/Appropriation	Amount of Supplementary Grant/ Appropriation obtained	Date/Stage(s) of obtaining Supplementary Grant	Amount of excess expenditure incurred	Percentage of excess
1	2	3	4	5	6
(i)	**Appropriation Accounts (Civil) (Revenue Voted)**				
1.	19-Ministry of Defence (Civil)	606,25,00	October, 2008 (Rs. 354.39 crore) February, 2009 (Rs. 251.86 crore)	27,49,86	4.54
2.	20-Defence Pension	4669,20,00	October, 2008 (Rs. 1941 crore) December, 2008 (Rs. 2728.20 crore)	13,33	0.003
3.	39-Pensions	2635,17,00	October, 2008 (Rs. 2050 crore) February, 2009 (Rs. 613.39 crore)	163,18,09	6.19
4.	54-Other Expenditure, Ministry of Home Affairs	438,55,00	July, 2008 (Rs. 84.35 crore) March, 2009 (Rs. 354.20 crore)	79,39,23	18.10
	Total (Civil)	8349,17,00	-	270,20,51	3.24
(ii)	**Appropriation Accounts (Defence Services) (Revenue Voted)**				
5.	23-Defence Services- Air Force	1345,39,00	November, 2008 (Rs. 1120.79 crore) February, 2009 (Rs. 224.60 crore)	610,36,59	45.37
6.	24-Dfence Ordnance Factories	1715,76,00	November, 2008 (Rs. 100 crore) February, 2009 (Rs. 1615.76 crore)	132,24,87	7.71
	Total (Defence Services)	3061,15,00	-	742,61,46	24.26
(iii)	**Appropriation Accounts (Railways) (a) Voted Grants**				
7.	4-Working Expenses -Repairs and	432,51,11	February, 2009	106,57,54	24.64

1	2	3	4	5	6
	Maintenance of Permanent Way & Works				
8.	5-Working Expenses-Repairs and Maintenance of Motive Power	258,62,14	February, 2009	103,08,71	39.86
9.	6- Working Expenses -Repairs and Maintenance of Carriages and Wagons	845,19,03	February, 2009	157,24,85	18.61
10.	7-Working Expenses-Repairs and Maintenance of Plant and Equipment	371,08,19	February, 2009	13,07,46	3.52
11.	8-Operating Expenses-Rolling Stock and Equipment	540,27,88	February, 2009	128,30,19	23.75
12.	15-Dividend to General Revenues, Repayment of Loans Taken from General Revenues and Amortization of Over-Capitalisation	75,08,00	February, 2009	6,71,23	8.94
(b)	**Charged Appropriations**				
13.	5-Working Expenses-Repairs and Maintenance of Motive Power	10.89	March, 2009	1,20	11.02
14.	16-Assets-Acquisition, Construction and Replacement-Capital	5,00,00	March, 2009	17,08,60	341.72
	Total (Railways)	2527,87,18	-	532,09,78	21.05
	Grand Total	**13938,19,18**		**1544,91,75**	**11.08**

16. Scrutiny of the above statement has revealed that in the fiscal year 2008-09, relatively huge amounts of excess expenditure were incurred even after obtaining large sums of Supplementary Grants. Supplementary Grants to the tune of about Rs. 8349.17 crore and Rs. 3061.15 crore respectively were allocated for the excess registering Grants operated by the Civil and Defence Ministries but these fell short by Rs. 270.21 crore and Rs. 742.61 crore respectively. In respect of the Railways, out of the total 9 excess registering Grants/Appropriations during the fiscal year, 8 were such cases where large sums of Supplementary Grants totaling about Rs. 2527.87 crore proved quite inadequate to meet the actual expenditure which required Rs. 532.10 crore more.

(e) Recurring excess expenditure

17. The Committee's examination has revealed that incurring of excess expenditure by ther various Ministries/Departments over and above the Original Grants/ Appropriations sanctioned by the Parliament has become a recurring phenomenon in the Government budgetary exercise over the years. The following table compares the number of excess registering Grants/Appropriations in each of the four Appropriation

Accounts during the 10 financial years preceding the financial year under review *i.e.* from 1998-99 to 2008-09:—

(Rs. in crore)

Year	Appropriation Accounts —Civil		Appropriation Accounts —Defence Services		Appropriation Accoutns —Postal Services		Appropriation Accounts— Railways		Total	
	No. of Excess registering Grants/ Appropri-ations	Excess expenditure incurred	No. of Excess register-ing Grants/ Appropri-ations	Excess Expenditure incurred	No. of Excess register-ing Grants/ Appropri-ations	Excess Expenditure incurred	No. of Excess register-ing Grants/ Appropri-ations	Excess expenditure incurred	Total of Columns 2,4,6,8,	Total of Columns 3,4,5,7,9
1	2	3	4	5	6	7	8	9	10	11
1998-99	42	11824.46	3	283.91	-	-	9	349.40	54	12755.98
1999-2000	2	0.57	1	0.007	-	-	8	56.79	11	57.38
2000-01	1	0.44	1	229.70	1	0.17	5	0.14	08	230.45
2001-02	5	878.67	-	-	1	0.16	8	210.71	14	1089.54
2002-03	8	1864.47	-	-	-	-	11	323.65	19	2188.12
2003-04	7	42190.20	1	37.50	-	-	9	1136.92	17	43364.62
2004-05	3	33784.53	2	41.99	1	0.04	10	2151.99	16	35978.56
2005-06	8	97062.69	2	44.84	1	97.65	11	2322.46	22	99527.64
2006-07	4	36637.20	1	667.17	-	-	8	365.16	13	37669.53
2007-08	4	100.14	1	71.19	1	0.02	8	51.22	14	222.57
2008-09 (Year under review)	4	270.21	2	742.61	-	-	8	532.12	14	1544.94

18. It is seen from above that the various Civil Ministries/Departments and the Ministry of Railways have been incurring large amount of excess expenditure continuously during the last eleven fiscal years. The quantum of excess expenditure incurred by various Civil Ministries/Departments had grown manifold from Rs. 230.45 crore in 2000-01 to Rs. 99527.64 crore in 2005-06, though there had been a brief declining trend during the financial years 2006-07 and 2007-08. It is further revealed that the Ministry of Railways had been incurring huge sums of expenditure in 50 per cent or more of the total Grants/Appropriations operated by them during the financial years 2001-02 to 2008-09. There had also been unabated excess expenditure by the Ministry of Defence during the last six fiscals.

(f) Recurring excess expenditure incurred by the Ministry of Finance

19. The Appropriation Accounts (Civil) for the financial years 2001-02 to 2008-09 *inter-alia* indicates that the Ministry of Finance had been persistently incurring excess expenditure under the various Grants/Appropriations operated by them as detailed below:—

(Rs. in crore)

Sl. No.	Year	No. & Name of Grant/ Appropriation	Amount of Excess Expenditure	Total amount of excess expenditure incurred by the Ministry during the year
1	2	3	4	5
1.	2001-02	25—Payments to financial Institutions (Capital-Voted)	731.36	759.75
		26—Interest Payments (Revenue-Charged)	28.39	

1	2	3	4	5
2.	2002-03	29—Interest Payments (Revenue—Charged)	1792.90	
		30—Transfers to State and Union Territory Governments (Revenue—Voted)	0.36	1793.26
3.	2003-04	37—Repayment of Debt (Capital—Charged)	42182.74	42184.73
		39—Pensions (Revenue—Charged)	1.99	
4.	2004-05	38—Repayment of Debt (Capital—Charged)	33783.55	33783.55
5.	2005-06	33—Currency, Coinage & Stamps (Revenue—Charged)	1.85	
		35—Appropriation—Interest payments (Revenue—Charged)	3343.02	96874.09
		38—Repayment of Debt (Capital—Charged)	93529.22	
6.	2006-07	34—Appropriation—Interest payments (Revenue—Charged)	3587.89	
		37—Repayment of Debt (Capital—Charged)	33049.27	36637.16
7.	2007-08	39—Pensions (Revenue—Voted)	98.24	98.24
8.	2008-09 (Year under review)	39—Pensions (Revenue—Voted)	163.18	163.18

(g) Recurring excess expenditure by the Ministry of Defence

20. Scrutiny of Appropriation Accounts (Civil) and Appropriation Accounts (Defence Services) for the last 6 financial years *i.e.* 2003-04 to 2008-09 indicates that the Ministry of Defence had also been incurring regular excess expenditure under the Grants/ Appropriation operated by them as detailed below:—

(in unit of Rs.)

Sl. No.	Year	No. & Name of Grant/Appropriation	Amount of Excess Expenditure
1	2	3	4
1.	2003-04	24—Defence Ordinance Factories (Revenue Voted)	37,50,27,533
2.	2004-05	26—Defence Ordinance Factories (Revenue—Voted)	40,00,08,594
		27—Defence Services—Research and Development (Revenue—Voted)	1,99,23,373
3.	2005-06	23—Defence Services—Army (Revenue—Charged)	2,08,34,112
		25—Defence Services—Air Force (Revenue—Voted)	42,75,63,997
4.	2006-07	22—Defence Services—Army (Revenue—Voted)	667,16,95,590
5.	2007-08	22—Defence Services—Army (Revenue—Voted)	71,18,78,075

1	2	3	4
6.	2008-09 (Year under review)	19—Ministry of Defence Civil (Revenue—Voted)	27,49,86,122
		20—Defence Pensions (Revenue Voted)	13,32,985
		23—Defence Services—Air Force (Revenue Voted)	610,36,59,389
		24—Defence Ordinance Factories (Revenue—Voted)	132,24,87,268

(h) Recurring excess expenditure by the Ministry of Railways

21. The incurring of excess expenditure by the Ministry of Railways has also become a recurring phenomenon in the Railways' budgetary exercise. The information given below indicates the position of excess expenditure incurred by the Ministry during the last 11 financial years examined by the Committee:—

(Rs. in crore)

Financial Year	No. of excess registering Grants/Appropriations	Actual excess expenditure incurred
1998-99	9	349.40
1999-2000	8	56.79
2000-01	5	0.14
2001-02`	8	210.71
2002-03	11	323.65
2003-04	9	1136.92
2004-05	10	2151.99
2005-06	11	2322.46
2006-07	8	365.16
2007-08	8	51.22
2008-09 (Year under review)	8	532.12

22. The details of the abovementioned excess expenditure incurred by the Ministry of Railways are given in *Annexure I* to this Report.

23. Scrutiny of the Annexure has revealed that excess expenditure was registered in fifty per cent or more of the total number of Grants/Appropriations operated by the Railways during each of the financial years from 1998-99 to the year under review *i.e.* 2008-09 except in 2000-01. The quantum of excess expenditure rose sharply during the financial years 2001-02 to 2005-06, though it subsequently declined during the years 2006-07 and 2007-08. However, the year under review saw a sharp rise in the quantum of Railways' excess expenditure. A comparative analysis of the excess registering Grants/Appropriations of the Railways revealed that the Ministry of Railways had been incurring huge amounts of excess expenditure beyond the total provision

sanctioned by Parliament during the last ten financial years. It has also been found that most of the excess expenditure during this period was incurred on various Sub-Heads of 'Working Expenses'; 'Operating Expenses' and 'Assets'.

C. DELAY IN FURNISHING EXPLANATORY NOTES

24. As per the Recommendation of the Public Accounts Committee *vide* Paragraph 8.3 of their 23rd Report (13th Lok Sabha), the concerned Ministries/Departments were required to forward the Explanatory Notes on excess expenditure incurred by them to the Ministry of Finance, starting from the financial year 2001-02 onwards, within such a time limit that these Explanatory Notes could be made simultaneously available along with the Appropriation Accounts to the Public Accounts Committee. Pursuant to this prescribed procedure/time schedule, the concerned Ministries/Departments of Government of India are required to submit to the Public Accounts Committee, the Explanatory Notes in respect of excess registering Grants/Appropriations immediately after the presentation of the relevant Appropriation Accounts to the Parliament. Since the Union Government Appropriation Accounts (Railways) 2008-09 were laid on the Table of the House on 23.04.2010, the Explanatory Notes pertaining to the excess registering Grants/Appropriations as highlighted in these Appropriation Accounts were due for submission by 23.04.2010. Similarly, as the Appropriation Accounts (Civil), the Appropriation Accounts (Defence Services) and the Appropriation Accounts (Postal Services) of the Union Government for the year 2008-09 were laid on the Table of the House on 07.05.2010, the Explanatory Notes in respect of excess registering Grants/Appropriations during 2008-09 as revealed in these Appropriation Accounts became due for submission on or before 07.05.2010. However, it is seen from the following data that some of the excess registering Ministries failed to furnish their Explanatory Notes during the financial year 2008-09 to the Committee within the prescribed time:—

Sl. No.	Grant/Appropriation and the Ministry concerned	Due date for submission of Explanatory Notes (On or before)	Date of furnishing Explanatory Notes to the Committee	Period of delay
1	2	3	4	5
1.	Grant No. 19—Ministry of Defence (Civil) (M/o Defence)	07.05.2010	19.01.2010	—
2.	Grant No. 20—Defence Pensions (M/o Defence)	07.05.2010	01.01.2010	—
3.	Grant No. 39—Pensions (M/o Finance)	07.05.2010	26.06.2010	1 month 18 days
4.	Grant No. 54—Other Expenditure of the Ministry of Home Affairs (M/o Home Affairs)	07.05.2010	06.07.2010	2 months
5.	Grant No. 23—Defence Services—Air Force (M/o Defence)	07.05.2010	30.07.2010	2 months 24 days
6.	Grant No. 24—Defence Ordinance Factories (M/o Defence)	07.05.2010	30.07.2010	2 months 24 days

1	2	3	4	5
7.	Grant Nos. 4, 5, 6, 7, 8, 15 and Appropriation Nos. 3, 5 and 16 (M/o Railways)	23.04.2010	23.04.2010	—

25. Thus it may be seen that the Ministries of Finance, Home Affairs and Defence furnished their Explanatory Notes after a delay of more than one month and 18 days, two months and two months 24 days respectively.

26. The Explanatory Notes as furnished by the Ministries/Departments concerned for regularization of the excess expenditure incurred during the financial year 2008-09 have been reproduced at *Annexure II* to *VIII* to this Report.

D. EXAMINATION OF SELECT CASES OF EXCESS EXPENDITURE

27. In the succeeding paragraphs, the Committee have dealt with some of the prominent cases involving excess expenditure during the financial year 2008-09 in the light of the facts brought out in the relevant Appropriation Accounts, Audit observations thereon and the Explanatory Notes furnished by the concerned Ministries.

(a) Appropriation Accounts—Civil (2008-09)

28. An excess disbursement of Rs. 270.21 crore was incurred in 4 cases of 4 Grants pertaining to Civil Ministries during the financial year 2008-09. The Grant-wise details and the contributory reasons as stated by the Ministry concerned are as follows:—

Sl. No.	Grant and the Ministry/Deptt. concerned	Excess expenditure incurred (Rs. in lakh)	Contributory reasons as stated by the Government
1.	19—Ministry of Defence (M/o Defence)	2749.86	Due to implementation of 6th Pay Commission recommendations, enhanced deployment of ships, increase in rates of supply etc.
2.	20—Defence Pensions (M/o Defence)	13.33	Higher rate of payment of pension and dearness relief due to implementation of 6th Pay Commission recommendations etc.
3.	39—Pensions (M/o Finance)	16318.09	Receipt of more claims due to implementation of 6th Pay Commission recommendations etc.
4.	54—Other Expenditure of the Ministry of Home Affairs (M/o Home Affairs)	7939.23	More payments made for settlement of claims of displaced persons from Pak occupied Kashmir, additional payments of dearness allowance to freedom fighters/pensioners and increase in security related expenditure.

29. The above statement depicts that more than seventy per cent (Rs. 190.81 crore) of the total excess expenditure of Rs. 270.21 crore in the Civil Sector was incurred by the Ministries of Defence and Finance as a fallout of the implementation of the VI Central Pay Commission recommendations while the remaining amount of Rs. 79.39 crore was incurred by the Ministry of Home Affairs on account of more payments

made for settlement of displaced persons, additional payment of dearness allowance and other miscellaneous security related measures.

(i) Grant No. 39 (Revenue-Voted)—Pensions

30. Under Revenue Section (Voted) of Grant No. 39—Pensions, Ministry of Finance (Department of Expenditure) for 2008-09, the original provision was Rs. 7930.76 crore. This was augmented to Rs. 10,565.93 crore by obtaining Supplementary Grant of Rs. 2,635.17 crore. Against this, an expenditure of Rs. 10,729.11 crore was incurred resulting in excess of Rs. 163.18 crore. The Explanatory Note furnished by the Ministries of Finance in this regard has been reproduced in *Annexure IV* to this Report.

31. Scrutiny of the Explanatory Note furnished by the Ministry of Finance (Department of Expenditure) revealed that the excess expenditure under this appropriation was the net effect of total excess of Rs. 350.30 crore and total savings of Rs. 187.12 crore under various sub-heads of this appropriation. Some of the prominent sub-heads under which the excess expenditure occurred and reasons therefore were reportedly as under:—

Sl. No.	Sub-Head	Amount of Excess expenditure (Rs. in lakh)	Contributory reasons as stated by the Ministry
1.	2071.01.101-Superannuation and Retirement Allowances 2071.01.101.01-Ordinary Pension	226,22.02	Due to higher expenditure than estimated, the receipt of more scrolls from the authorized Banks and clearance of outstanding scrolls
2.	2701.01.104-Gratuities 2071.01.104.01-Ordinary Pension	66,46.21	Due to higher booking by the accounting circles and receipt of scrolls from the banks than estimated.
3.	2071.01.105-Family Pensions 2071.01.105.02-Family Pension	54,78.48	Due to receipt of more scrolls from the authorized banks than estimated and clearance of outstanding scrolls
4.	2071.01.107-Contribution to Pensions and Gratuities 2071.01.107.01-Ordinary Pensions	16.42	Due to more bookings done by the accounting circles than estimates
5.	2071.01.108-Contribution to Provident Funds 2071.01.108.01-Ordinary Pensions	59.67	Due to higher booking by the accounting circles than estimated
6.	2235.60.104.01-Deposit Linked Insurance Revised Scheme of General Provident Fund	1,87.20	Due to higher booking by the accounting circles than estimated

32. Explaining the reasons for incurring excess expenditure under Grant No. 39-Pensions, the Ministry of Finance (Department of Expenditure) submitted that this Grant, being a composite Grant, is being operationalised with the following hindrances as per the present arrangements:—

> "Pensions are a committed liability of Government and are disbursed through a network of banks direct to the pensioners residing across the country. The banks are not under the administrative control of pension sanctioning authorities unlike the departmental DDOs in Ministries (Rule 52 (1) of GFR, 2005 refers). Pension payment is not subject to a pre-check system of payment, which is

otherwise applicable for other expenditure transactions as per the provisions of Para 4.2.4 of the Civil Accounts Manual (CAM).

Given the dispersed nature of pensionary arrangements, it is not always possible for CPAO to estimate, in time, supplementary demands or reallocation of funds from one unit of appropriation to another.

With particular respect to the financial year 2008-09, an amount of Rs. 122.47 crores was booked at the Supplementary-III stage of accounts and, therefore, could not be anticipated and provided for beforehand.

Further, an expenditure of Rs. 206.05 crore was booked to account owing to clearance of outstanding scrolls from previous years."

33. The Ministry further submitted difficulties being faced in the concurrent reporting of payments made by more than 40 thousand branches of Public and Private Sector Banks in 63 Accounting Circles of Central Pension Accounting Office spread all over the country. They elaborated in their explanatory Note the following actions taken by them as remedial measures:—

"As Pension is a commitment, budget control in a dispersed payment system (within and outside Government of India domain) is not possible presently. Therefore, timely Budget Revision based on concurrent inputs is the only option available and we are working towards strengthening the same.

The system of getting manual scrolls from authorized banks is limiting our efforts towards better budget and expenditure management. ......We have been following up with banks for a considerable time regarding submission of electronic scrolls (e-scrolls). The same is now being sought to be initiated on a Pilot Project basis. Once established and rolled out, the system of e-scrolls shall provide for better budgeting and accounting control primarily arising out of—(i) receipt of electronic scrolls on a daily basis; and (ii) debit to Government account being authorised only post-certification of e-scrolls received by CPAO."

34. Assuring that improvements will be brought in by the new system, the Ministry elaborated about e-scroll as under:—

"In the e-scroll it is envisaged that before seeking reimbursement there would be an electronic check by CPAO that e-scrolls for the payment being claimed had been received in CPAO. An electronic clearance by CPAO to RBI will be required for reimbursement to the banks. Specific examination and corrections of contents of a scroll would continue in the prescribed manner. This will help CPAO in check of expenditure. This will also check misclassification non-statement of expenditure if any by banks which is currently not possible in manual scrolls current accounting will then help and CPAO will amend Budget Estimate in time."

(ii) Grant No. 54—Other Expenditure of the Ministry of Home Affairs

35. Under Revenue Sector (Voted) of Grant No. 54—Other Expenditure of the Ministry of Home Affairs for 2008-09, the Original provision was Rs. 999.03 crore. This was

augmented to Rs. 1437.58 crore by obtaining a Supplementary Grant of Rs. 438.55 crore. Against this the actual expenditure was Rs. 1516.97 crore resulting in excess of Rs. 79.39 crore. The Explanatory Note furnished by the Ministry of Home Affairs in this regard has been reproduced in *Annexure V* to this Report.

36. Scrutiny of the Explanatory Note furnished by the Ministry revealed that the excess of Rs. 79.39 crore was the net effect of total excess of Rs. 186.91 crore and total savings of Rs. 107.52 crore that occurred under various sub-heads of the Grant. The sub-heads under which excess of Rs. 5 lakh or more occurred and reasons thereof are explained as below:—

Sl. No.	Sub-Head	Amount of Excess Expenditure (Rs. in lakh)	Contributory reasons as stated by the Ministry
1.	2235.01.112.04—Displaced persons from Pak occupied Kashmir and Chhamb Niabat area	47,00.00	Due to requirement of additional funds towards settlement of claims of displaced persons from Pak occupied Kashmir pursuant to package approved by the Cabinet Committee on Security
2.	2235.60.107.03—Central Government Pension	109,72.97	Due to making payment of increased dearness allowance on the pensions under the Swatantrata Sainik Samman Pension Schemes
3.	36.01.01.343.06—Jammu & Kashmir Relief & Rehabilitation	29,99.13	Due to requirement of additional funds on account of Assembly Elections in the State of Jammu & Kashmir and consequent increase in the 'Security Related Expenditure'

37. As remedial action taken in this regard, the Ministry stated in their Explanatory Note as under:—

> "Except the excess expenditure that occurred under 'Swatantrata Sainik Samman Pension Scheme', the excess was covered with adequate re-appropriation of funds as required under the rules. As regards, the excess expenditure that occurred under the 'Swatantrata Sainik Samman Pension Scheme', it has already been stated that it was beyond the control of this Ministry due to nature of this scheme. The maximum this Ministry could do in this case was to request Central Pension Accounting Office not to book expenditure beyond the budgetary provision. The concerned Division of the Ministry takes this step every year, but the desired result is not achieved.
>
> It will not be out of place to mention here that under the aforesaid scheme, provision is made keeping in view the trend of expenditure prevailing in the previous years. Any unexpected increase in the pension and other benefits to the freedom fighters can lead to excess expenditure under this scheme as it happened during the year 2008-09.
>
> It is also reassured that expenditure in the Ministry is reviewed periodically at the highest level with the Heads of the Budget Controlling Authorities so that remedial action could be taken timely."

(b) Appropriation Accounts—Defence Services (2008-09)

(i) Grant No. 23 (Revenue Voted)—Defence Services—Air Force

38. Under Revenue Section (Voted) of Grant No. 23-Defence Services—Air Force, an actual expenditure of Rs. 13242.58 crore was incurred against the total sanctioned provision of Rs. 12632.21 crore (which was augmented from Original Grant of Rs. 11286.82 crore through a Supplementary Grant of Rs. 1345.39 crore) resulting in an excess expenditure of Rs. 610.37 crore. The contributory reasons according to the Ministry of Defence were higher expenditure due to implementation of the VI Central Pay Commission recommendations, higher booking on Travelling Allowance/Dearness Allowance, emergent requirement for operational maintenance of fleet, exchange rate variations in foreign payment, more payment due to increase in prices of Aviation Turbine Fuel/supplies and more drawal of supplies due to fluctuation of troops, heavy bookings during the month of March 2009, etc. The Explanatory Note furnished by the Ministry of Defence in this regard has been reproduced in *Annexure VI* to this Report.

39. Scrutiny of the Explanatory Note furnished by the Ministry of Defence revealed that the excess expenditure under this Grant was the net effect of total excesses of Rs. 666.71 crore and total savings of Rs. 56.34 crore under various sub-heads of the Grant. The sub-heads under which excess occurred and reasons therefor are explained as below:—

Sl. No.	Sub-Head (Major Head-2078)	Amount of Excess Expenditure (Rs. in lakh)	Contributory reasons as stated by the Ministry
1.	Minor Head-101	45484	Due to implementation of the VI Central Pay Commission recommendations.
2.	Minor Head-104	1985	Due to implementation of the VI Central Pay Commission recommendations.
3.	Minor Head-105	1684	Due to implementation of the VI Central Pay Commission recommendations and higher booking of TA/DA.
4.	Minor Head-110	17507	Due to emergent requirement of certain critical items for operational maintainability of fleet, exchange rate variation in foreign payment of HAL, supplies have been made more than anticipated, duties/transportation charges, early materialization of supplies, fluctuation of strength of troops drawing ration/coal/firewood/LPG and fluctuation in prices of ration commodities, ATF rate, due to unconfirmed DGOF supplies.
5.	Minor Head-200	11	Due to heavy bookings during the month of March 2009 at two stages — (i) March 4th week; and (ii) Supplementary compilations.

40. Apprising the Committee of the remedial action taken by them, the Ministry of Defence stated in their Explanatory Note as under:—

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

In order to avoid recurrence of any savings/excess in future, instruction have been issued to all concerned emphasizing the need to follow the instruction issued on the subject more scrupulously and 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. To achieve the objective, Service HQrs./Deptt. have also been requested to issue necessary instructions to all budget controlling authorities under their lower formations to follow the instructions issued on the subject more scrupulously so as to avoid any saving/excess.

Earlier instructions had been issued *vide* MoD (Fin.) ID No. 17(1)/B-I/999 Dated 13.12.2005 and 27.1.2006 (copy enclosed) to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings of excesses. In addition, Inter Departmental Monitoring Groups headed by FA (Acq.) in respect of Acquisition Heads and Addl. FAs in respect of other heads have been requested *vide* MoD (Fin.) ID No. 17(3)/B-I/2004 Dated 01.08.2007 (copy enclosed) to hold regular meetings so as to prevent occurrence of excesses/savings under various Heads and bunching of expenditure towards the end of financial year.

F.A. (Acq.) and all Addl. FAs besides services HQrs have also been requested *vide* Min. of Def. (Fin.) ID No. 17(3)/B-I/2004 Dated 24.7.2006 and ID No. 10(7)/Bud-I/2007 Dated 09.09.2008 (copy enclosed) to ensure the progress of expenditure to the tune of 67% of the BE allocation by December as directed by Finance Minister. It has also been advised that for Supplementary Demands (for grants), the amount of supplementary demand may be assessed realistically so that the amount of Supplementary Demand neither falls short of the actual requirement resulting in excess expenditure, nor the amount is drawn in excess of the requirement resulting finally in surrender of the amount of supplementary."

41. The same reply/information was furnished *in toto* to the Committee by the Ministry while furnishing their Explanatory Note for the excess expenditure incurred under Grant No. 22-Defence Services — Army during the financial year 2007-08.

(ii) Grant No. 24 — Defence Ordnance Factories

42. Under Revenue Section (Voted) of Grant No. 24-Defence Ordnance Factories, the Original Grant was Rs. 1108.99 crore. This was augmented to 2824.75 crore by obtaining a Supplementary Grant of Rs. 1715.76 crore. Against this, the actual expenditure incurred was Rs. 2957.00 crore resulting in an excess expenditure of Rs. 132.25 crore. According to the Ministry, the excess was due to higher booking in Defence Security Corps. non-matching of expenditure with the projected figures, Foreign Exchange rate variation, issue of operating platform for CRN-91 gun and higher supply to Defence Research and Development Organization. The Explanatory Note furnished by the Ministry in respect of excess expenditure under this grant has been reproduced as *Annexure VII* to this Report.

43. The Committee's examination of the Explanatory Note has revealed that the excess of Rs. 132.25 crore was the effect of total excesses of Rs. 237.48 crore and total savings of Rs. 105.23 crore under various sub-heads of the Grant. The sub-heads under which excess occurred and reasons therefor are explained as below:—

Sl. No.	Sub-Head (Major-Head 2079)	Amount of Excess Expenditure (Rs. in lakh)	Contributory reasons as stated by the Ministry
1.	054 - Manufacture	3854	Due to higher booking than estimated after February 2009 in Defence Security Corps etc.
2.	105 - Transportation	162	Due to involvement of various expenditure booking agencies all over India, resulting in non-matching of expenditure with the project figures
3.	106 - Renewal and Replacement	522	Due to foreign exchange rate variations.
4.	901 to 904 — Deduct Recoveries for supplies to Army, Navy and Air Force etc.	19210	Due to issue of operating platform for CRN-71 and Higher supply to DRDO.

44. As remedial action taken in this regard, the Ministry have furnished the same information as stated in paragraph 40 above.

(c) Appropriation Accounts — Railways (2008-09)

45. During the financial year 2008-09, the Ministry of Railways incurred an excess expenditure of Rs. 519.81 crore in 9 cases of 8 excess registering Grants/Appropriations. The details of these excess registering Grants/Appropriations have already been given in paragraph 11 of this Report. The Explanatory Note furnished by the Ministry of Railways in this regard has been reproduced in *Annexure VIII* to this Report. The Committee's examination has revealed that in six Revenue Voted Grants, the actual expenditure of Rs. 28,073.67 crore exceeded the approved provisions by Rs. 502.70 crore. In respect of three Charged Appropriations (two in Revenue and one in capital), expenditure of Rs. 39.74 crore was in excess of the sanctioned provisions by Rs. 17.11 crore.

46. Scrutiny of the Explanatory Note revealed that out of the total excess expenditure of Rs. 519.81 crore, the bulk of the excess expenditure *i.e.* Rs. 480.05 crore constituting about 92.35 per cent was incurred under 'Grant No. 4 — Repairs and Maintenance of Permanent Way and Works' (Rs. 104.05 crore), 'Grant No. 5 — Repairs and Maintenance of Motive Power'. (Rs. 95.25 crore); Grant No. 6 — Repairs and Maintenance of Carriage and Wagons (Rs. 149.69 crore); and Grant No. 8 — Operating Expenses — Rolling Stock and Equipment (Rs. 131.06 Crore).

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

47. Under Grant No. 4 — Miscellaneous Working Expenditure, the Ministry of Railways obtained an original Grant of Rs. 5407.70 crore. Subsequently, a Supplementary Grant of Rs. 432.51 crore was obtained in February 2009 mainly to pay higher staff cost

due to implementation of the recommendations of the VI Central Pay Commission. Against this total Grant of Rs. 5840.21 crore, the actual expenditure was Rs. 5944.27 crore thereby registering an excess expenditure of Rs. 104.06 crore. However, as there was a net effect of Rs. 2.52 crore on account of misclassification of expenditure, the excess expenditure thus worked out to Rs. 106.58 crore. (This amount is after deducting savings amounting to Rs. 60.15 crore registered under four sub-heads of this Grant, which partially offset the gross excess amount).

48. Scrutiny of the Explanatory Note furnished by the Ministry of Railways revealed that the excess expenditure mainly occurred under the following Minor Heads:—

(a) Establishment in Offices (100) (Rs. 34.96 crore), mainly due to incurrence of more expenditure towards staff cost due to implementation of the recommendations of the VI Central Pay Commission;

(b) Maintenance of Permanent Way (200) (Rs. 121.00 crore), mainly due to incurrence of more expenditure towards staff cost, more drawal of stores from stock, materialisation of more contractual obligations and more direct purchases than anticipated; and

(c) Maintenance of Service Buildings (other than staff quarters and welfare buildings) (400) (Rs. 8.25 crore), mainly due to incurrence of more expenditure towards staff cost, procurement of more non stock items and materialisation of more contractual obligations than anticipated.

(ii) Grant No. 5 — Working Expenses — Repairs and Maintenances of Motive Power

49. Under Grant No. 5 — Working Expenses — Repairs and Maintenance of Motive Power, an original Grant of Rs. 2570.49 crore was obtained at the Budget Estimate stage and a Supplementary Grant of Rs. 258.62 crore was subsequently obtained in February 2009 mainly to pay higher staff cost due to implementation of the recommendations of the VI Central Pay Commission. Against this total provision of Rs. 2829.11 crore, the actual expenditure incurred was Rs. 2924.36 crore thereby registering an excess expenditure of Rs. 95.25 crore during the financial year 2008-09. However, as there was a net effect of Rs. 7.84 crore on account of misclassification of expenditure, the excess amount worked out to Rs. 103.09 crore. (This amount is after deducting savings amounting to Rs. 16.47 crore registered under two sub-heads of this Grant, which partially offset the gross excess amount).

50. Scrutiny of the Explanatory Note furnished by the Ministry of Railways revealed that the excess expenditure mainly occurred under the following Minor-Heads:—

(a) Establishment in Offices (100) (Rs. 0.28 crore), mainly due to incurrence of more expenditure towards staff cost due to implementation of the recommendations of the VI Central Pay Commission;

(b) Diesel Locomotives (300) (Rs. 59.84 crore), mainly due to more expenditure towards staff cost, more drawal of stores from stock, more contractual payments and adjustment of more debits than anticipated; and

(c) Electric Locomotives (500) (Rs. 51.59 crore), mainly due to more drawal of stores from stock, more direct purchases, more adjustment of wages and materials on Periodical Over Hauling (POH) and also due to materialisation of more contractual payments than anticipated.

(iii) Grant No. 6 — Working Expenses — Repairs and Maintenance of Carriage and Wagons

51. Under Grant No. 6 — Working Expenses — Repairs and Maintenance of Carriage and Wagons, the Ministry of Railways incurred an actual expenditure of Rs. 6430. 24 crore against the total Grant of Rs. 6280.55 crore which was augmented from an original Grant of Rs. 5435.36 crore (at the Budget Estimate Stage) through a Supplementary Grant of Rs. 845.19 crore in February, 2009 for payment of higher staff cost due to implementation of the recommendations of the VI Central Pay Commission. The Ministry of Railways stated in their Explanatory Note that the excess expenditure was mainly due to higher staff cost due to implementation of the recommendations of the VI Central Pay Commission. As there was a net effect of Rs. 7.56 crore on account of misclassification of expenditure, the actual excess worked out of Rs. 157.25 crore. (This amount is after deducting savings amounting to Rs. 53.60 crore registered under two sub-heads of this Grant, which partially offset the gross excess amount.

52. Scrutiny of the Explanatory Note from the Ministry revealed that the excess mainly occurred under the following Minor Heads:—

(a) Establishment in Offices (100) (Rs. 0.94 crore), mainly due to incurrence of more expenditure towards staff cost due to implementation of the recommendations of the VI Central Pay Commission;

(b) Carriages (200) (Rs. 55.79 crore), mainly due to adjustment on account of more wages and materials on Periodical Over Hauling (POH) debits due to increase in POH activities and increase in unit cost on account of implementation of the recommendations of the VI Central Pay Commission;

(c) Wagons (300) (Rs. 37.61 crore), mainly due to adjustment of more debits on account of Periodical Over hauling (POH) of wagons and increase in unit cost on account of implementation of the recommendations of the VI Central Pay Commission;

(d) Electric Multiple Unit Coaches (400) (Rs. 41.99 crore), mainly on account of more expenditure towards staff cost, more drawal of stores from stock and more direct purchases than anticipated; and

(e) Electrical General Services—Trainlighting, Fans and Air-conditioning (500) (Rs. 66.96 crore), mainly towards staff cost due to implementation of the recommendations of the VI Central Pay Commission, more drawal of stores from stock, more direct purchases, adjustment of more debits and materialisation of more contractual obligations than anticipated.

(iv) Grant No. 8—Operating Expenses—Rolling Stock and Equipment

53. Under the Grant No. 8—Operating Expenses—Rolling Stock and Equipment, an original Grant of Rs. 4040.26 crore was obtained at the Budget Estimate stage and a Supplementary Grant of Rs. 540.28 crore was obtained in February 2009 mainly to pay higher staff cost due to implementation of the recommendations of the VI Central Pay Commission. Against this total sanctioned Grant of Rs. 4580.54 crore, the actual expenditure incurred was Rs. 4711.60 crore resulting in excess expenditure of Rs. 131.06 crore. However, taking into account a net effect of Rs. (-) 2.76 crore on account of misclassification, the actual excess expenditure worked out to Rs. 128.30 crore. (This amount is after deducting savings amounting to Rs. 4.39 crore registered under four sub-heads of this Grants, which partially offset the gross excess amount).

54. Scrutiny of the Explanatory Note furnished by the Ministry revealed that the excess mainly occurred under the following Minor-Heads:

(a) Steam Locomotives (100) (Rs. 0.04 crore), Minor variation;

(b) Diesel Locomotives (200) (Rs. 53.99 crore), mainly due to more expenditure towards staff cost on account of implementation of the recommendations of the VI Central Pay Commission;

(c) Electric Locomotives (300) (Rs. 73.81 crore), mainly due to more expenditure towards staff cost on account of implementation of the recommendations of the VI Central Pay Commission; and

(d) Carriages and Wagons (500) (Rs. 7.61 crore), mainly due to more expenditure towards staff cost on account of implementation of the recommendations of the VI Central Pay Commission.

(v) Persistent misclassification of expenditure under excess registering Grants/ Appropriations operated by the Ministry of Railways

55. Scrutiny of the Appropriation Accounts (Railways) over the years revealed that the misclassification of expenditure under excess registering Grants/Appropriations has become a recurring feature in budgetary exercise of the Ministry of Railways as can be gauged from the following table which depicts the number of cases of misclassification of expenditure during the financial years 1998-99 to 2008-09:—

Financial Year	No. of cases of Misclassification of expenditure under excess registering Grants/Appropriations	Amount involved in the Misclassification of expenditure (Rs.)
1	2	3
1998-99	5	3,67,99,434
1999-2000	3	1,94,83,804
2000-01	1	3,10,410
2001-02	5	28,09,932
2002-03	3	2,08,73,794
2003-04	5	48,94,12,752

1	2	3
2004-05	9	104,32,74,159
2005-06	6	26,89,31,649
2006-07	5	209,80,86,273
2007-08	3	1,12,71,617
2008-09 (Year under review)	6	23,54,57,552

56. The details of the misclassification of expenditure by the Ministry of Railways under their excess registering Grants/Appropriation during the last ten financial years are given in the *Annexure IX* to this Report.

57. The cases of misclassification of expenditure broadly fall under two categories *viz.,* those arising out of differences of opinion regarding the interpretation of allocation rules and those resulting from lack of adequate care at the time of preparation of vouchers. Taking a serious view of the recurring nature of misclassification of expenditure, the Committee in their First Report (12th Lok Sabha) had observed that cases of avoidable misclassification of expenditure, which arose as a result of lack of care, should be viewed seriously and responsibility thereof should be fixed for the lapses. Subsequently, considering that the persistent misclassification of expenditure by the Ministry of Railways even after computerization of accounting systems was a matter of serious concern, the Committee in their Fifty-Fourth Report (14th Lok Sabha) had urged the Ministry of Railways to review this matter at the highest level and initiate credible action that would yield visible results in the forthcoming years. In their Seventh Report (15th Lok Sabha), the Committee had even recommended that the existing budgetary mechanism in the Railways should be thoroughly reviewed so that necessary corrective action wherever warranted could be taken to overcome systemic lacunae/loopholes and progressive dimensions of the perennial misclassification syndrome. Thus, the Committee have consistently been stressing the need for checking the recurring instances of misclassification of expenditure by the Ministry of Railways. However, the instances of misclassification of expenditure continued to occur regularly in the Railways' budgeting and accounting.

PART-II

OBSERVATIONS AND RECOMMENDATIONS

1. The Committee's examination of the four Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2008-09 has revealed that a total excess expenditure of Rs. 1532.63 crore was incurred in 15 cases under 14 Grants/Appropriations in the fiscal year 2008-09. The defaulting Ministries are—Ministry of Finance (Grant No. 39—Pensions); Ministry of Home Affairs (Grant No. 54—Other Expenditure of the Ministry of Home Affairs); Ministry of Defence (4 Grants *i.e.* Grant No. 19—Ministry of Defence (Civil) Grant No. 20—Defence Pensions, Grant No. 23—Defence Services—Air Force, and Grant No. 24—Defence Ordinance Factories); and Ministry of Railways (9 cases under 8 Grants/Appropriations *i.e.* Grant No. 4—Repairs and Maintenance of Permanent Way and Works; Grant No. 5—Repairs and Maintenance of Motive Power; Grant No. 6—Repairs and Maintenance of Carriages and Wagons; Grant No. 7—Repairs and Maintenance of Plant and Equipment; Grant No. 8—Operating Expenses—Rolling Stock and Equipment; Grant No. 15—Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortisation of Over-capitalization; Appropriation No. 3—General Superintendence and Services; Appropriation No. 5—Repairs and Maintenance of Motive Power; and Appropriation No. 16—Assets—Acquisition, Construction and Replacement—Capital). This amount of excess expenditure incurred during the financial year under review showed a steep increase over the preceding year, wherein a total excess expenditure of about Rs. 223.58 crore in 16 cases of 14 Grants/Appropriations was recorded. The Committee feel that incurring such huge amounts of excess expenditure over and above the budgetary provisions sanctioned by the Parliament at different stages of budget do not augur well for ensuring proper and judicious utilization of public funds besides undermining the Parliamentary financial control. The unabated large excess expenditure by these Ministries is self-manifestation of the fact that they are still far from taking any noteworthy and suitable remedial measures to ensure proper budgeting and subsequent monitoring of the expenditure flow. This is deplorable considering the fact that the Committee have been emphasizing over the years for plugging the existing loopholes and deficiencies with a view to restricting the quantum of excess expenditure to the barest minimum in future.

2. The Committee find that out of the total excess expenditure of Rs. 1532.63 crore incurred during the 2008-09 fiscal year, the bulk of the excess was registered by the Defence Services and Railways, which respectively accounted for 48.45 per cent (Rs. 742.61 crore under 2 Grants) and 33.92 per cent (Rs. 519.81 crore under 6 Grants and 3 Appropriation Accounts) of the total excess disbursement. The remaining 17.63 percent of the total excess expenditure (Rs. 270.21 crore under 4 Grants) was incurred in the Civil sector. The Committee's scrutiny has revealed that in 6 cases, there was misclassification of expenditure in the Grants/Appropriations operated by the Ministry of Railways *viz.*—Rs. (+) 2,51,65,892 under Grant No. 4—Working

Expenses—Repairs and Maintenance of Permanent Way and Works; Rs. (+) 7,84,14,221 under Grant No. 5—Working Expenses—Repairs and Maintenance of Motive Power; Rs. (+) 7,55,63,115 under Grant No. 6—Working Expenses—Repairs and Maintenance of carriages and Wagons; Rs. (-) 2,86,37,475 under Grant No. 7—Working Expenses—Repairs and Maintenance of Plant and Equipment; Rs. (-) 2,75,51,187 under Grant No. 8—Operating Expenses—Rolling Stock and Equipment; and Rs. (+) 1,25,662 under Appropriation No. 3—Working Expenses—General Superintendence and Services. Taking into account the effect of these 6 cases of misclassification, the actual excess expenditure relating to the Ministry of Railways comes to Rs. 532,12,06,588 instead of Rs. 519,81,26,360 as indicated in the Indian Railways Appropriation Accounts (2008-09). ***Accordingly, the total amount of actual excess expenditure incurred during the financial year 2008-09, which has to be regularized by Parliament under Article 115(1)(b) of the Constitution, is of the order of Rs. 1544.94 crore.***

3. Scrutiny of the cases of excess registering Grants and Appropriation for the financial year 2008-09 indicate that there are huge variations in the quantum of excess expenditure incurred in 14 Grants/Appropriations with the bulk of the excess registering in the Grants relating to Defence Services, so much so that 82.19 per cent *i.e.* Rs. 610.37 crore of the total excess expenditure pertaining to Defence Services, was disbursed under Grant No. 23—Defence Services—Air Force alone. The remaining 17.81 per cent *i.e.* Rs. 132.25 crore was incurred under Grant No. 24— Defence Ordnance Factories. As regards the Railways, while 93.06 per cent of the total excess was incurred under four Grants *i.e.*—(i) Rs. 106.58 crore under Grant No. 4—Working Expenses—Repairs and Maintenance of Permanent Way and Works; (ii) Rs. 103.09 crore under Grant No. 5. Working Expenses—Repairs and Maintenance of Motive Power; (iii) Rs. 157.25 crore under Grant No. 6—Working Expenses—Repairs and Maintenance of Carriages and Wagons; and (iv) Rs. 128.30 crore under Grant No. 8—Operating Expenses—Rolling Stock and Equipment, the remaining amount was registered under 2 Grants and 3 Appropriation Accounts (Rs. 13.07 crore under Grant No. 7—Working Expenses—Repairs and Maintenance of Plant and Equipment; Rs. 6.71 crore under Grant No. 15—Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortization of Over Capitalisation; Rs. 2.30 lakh under Appropriation No. 3—Working Expenses—General Superintendence and Services; Rs. 1.20 lakh under Appropriation No. 5— Working Expenses—Repairs and Maintenance of Motive Power; and Rs. 17.09 crore under Appropriation No. 16—Assets—Acquisition, construction and Replacement—Capital). In so far as Civil Ministries are concerned, out of the total excess expenditure incurred, 60.42 per cent *i.e.* Rs. 163.18 crore was under Grant No. 39—Pensions operated by the Ministry of Finance, 29.40 per cent *i.e.* Rs. 79.39 crore was under Grant No. 54—Other Expenditure of the Ministry of Home Affairs; and the remaining 10.18 per cent was registered under 2 Grants *i.e.* Rs. 27.50 crore under Grant No. 19—Ministry of Defence (Civil); and Rs. 13.33 lakh under Grant No. 20—Defence Pensions.

4. An Analysis of the Appropriation Accounts and Explanatory Notes furished by the Defaulting Ministries shows that the percentage of excess expenditure over the Total Grant ranged from 0.0007 per cent (Grant No. 20—Defence Pensions) to

76.96 per cent (Appropriation No. 16—Assets—Acquisiton, Construction and Replacement—Capital). In 6 cases, the percentage was more than 5 per cent over the Original Grant *viz.* 7.95 per cent in respect of Grant No. 54—Other Expenditure of the Ministry of Home Affairs; 5.40 per cent in Grant No.23—Defence Services—Air Force; 11.93 per cent in Grant No. 24—Defence Ordnance Factories; 12.30 per cent in Appropriation No. 3—General Superintendence and Services; 5.20 per cent in Appropriation No. 5—Working Expenses—Repairs and Maintenance of Motive Power; and 99.34 per cent in case of Appropriation No. 16—Assets—Acquisition, Construction and Replacement—Capital respectively. The Committee express their displeasure over incurring such huge amount of excess expenditure over the Total/ Original Grants, which is a clear indication of poor budgeting on the part of the Ministries concerned. The Committee feel that incurring excess expenditure of more than 5 per cent of the Total Grant despite obtaining Supplementary Grant/Appropriation is a pointer towards the total failure of the Ministries concerned in anticipating the funds required for which special efforts are needed in future to avoid recurrence of such instances. They also recommend that in future the concerned Ministries should ensure that under no circumstances the excess over Final Grants should exceed more than 5 per cent.

5. The Committee note that the major contributory factors for the excess expenditure according to the Civil Ministries were on account of receipt of more claims due to implementation of the VI Central Pay Commission recommendations, more payments made for settlement of claims of displaced persons, additional payments of dearness allowance to freedom fighters/pensioners etc. In respect of Defence Ministry, the major causes for excess expenditure are stated to be—increase in Security related expenditure and foreign exchange variations, issue of operating platform for CRN-91 guns, higher supply to DRDO etc. Likewise, the Ministry of Railways attributed the reasons for excess expenditure to taking up of more activities relating to repair and maintenance of rail infrastructure, operating expenses of rolling stock and equipment, more expenditure towards staff cost due to implementation of the recommendations of the VI Central Pay Commission, higher payment of dividend to General Revenues on account of higher booking in Capital as compared to Budget Estimates etc. Though the Committee appreciate difficulties faced by the Ministries in exactly estimating the likely expenditure due to the exigencies arising out of unforeseen circumstances, nevertheless, incurring huge amount of excess expenditure to the tune of thousands of crore year after year is totally inexplicable and cannot be attributed to unforeseen factors or the extraordinary situations alone. This is endemic of system failure arising out of lack of proper attention and alacrity in budgetary estimations and failure to ensure observance of strict fiscal discipline etc. Further, the instances of recurring excess expenditure of large sums by the Union Ministries particularly Finance, Defence and Railways indicate that they have not accorded due importance to the guiding force of budgeting *i.e.* to ensure judicious and equitable distribution of scarce financial resources for achieving all round growth of different sectors and instead continued to persist with their flawed budgeting mechanism besides giving scant respect to the Rules/Provisions put in place for containing the expenditure within the authorized limits. The Committee once again urge upon the Ministry of Finance to find innovative steps for ushering in the next

level of budgeting and financial management in the country, whereby the exercise is not only made more accurate, logical and practicable but also able to eliminate major budgetary and financial irregularities and the scarce financial resources are utilized appropriately, judiciously and productively on the laid down targets thus facilitating economy, efficiency and efficacy in the financial transactions which are also the guiding tenets of budgeting.

6. The Committee note with concern that out of the total 15 cases of excess registering Grants/Appropriations, an excess expenditure of Rs. 1544.92 crore was incurred in as many as 14 cases even after obtaining Supplementary Grants/ Appropriations to the extent of Rs. 13938.19 crore. The percentage of excess expenditure over the Supplementary Grants in respect of these 14 Grants/ Appropriations ranged from 0.003 per cent (Grant No. 20—Defence Pensions) to 341.72 percent (Appropriation No. 16—Assets—Acquisition, Construction and Replacement—Capital) and in 7 cases, this percentage was more than 18 per cent. To give the Ministry-wise details, Supplementary Grants to the tune of about Rs. 8349.17 crore, Rs. 3061.15 crore and Rs. 2527.87 crore pertaining to the Civil, Defence and Railways Ministries respectively fell short of the actual expenditure by Rs. 270.21 crore, Rs. 742.61 crore and Rs. 532.12 crore in that order. The excess registering Grants/Appropriations operated by the Civil Ministries *i.e.* Grant No. 19—Ministry of Defence (Civil), Grant No. 20—Defence Pensions, Grant No. 39—Pensions, and Grant No. 54—Other Expenditure of the Ministry of Home Affairs obtained a Supplementary Grant each of Rs. 606.25 crore, Rs. 4669.20 crore, Rs. 2635.17 crore and Rs. 438.55 crore respectively. However, in all these Grants, excess expenditure was incurred, the respective amounts being Rs. 27.50 crore, Rs. 13.33 lakh, Rs. 163.18 crore and Rs. 79.39 crore. Similarly, the excess registering Grants pertaining to Defence Services i.e. Grant No. 23—Defence Services—Air Force, and Grant No. 24—Defence Ordnance Factories obtained a Supplementary Grant each of Rs. 1345.39 crore and Rs. 1715.16 crore respectively. Still then, the actual expenditure on these two Grants exceeded the budgetary provisions by Rs. 610.37 crore and Rs. 132.25 crore respectively. In respect of the Railways, out of the total 9 excess registering cases, 8 were such cases where large sums of Supplementary Grants proved inadequate to meet the actual requirement of funds. A Supplementary Grant each of Rs. 432.51 crore, Rs. 258.62 crore, Rs. 845.19 crore, Rs. 371.08 crore, Rs. 540.28 crore, Rs. 75.08 crore, Rs. 10.89 lakh and Rs. 5 crore was allocated under Grant No. 4—Working Expenses—Repairs and Maintenance of Permanent Way and Works; Grant No. 5—Working Expenses—Repairs and Maintenance of Motive Power; Grant No. 6—Working Expenses—Repairs and Maintenance of Carriages and Wagons; Grant No. 7—Working Expenses—Repairs and Maintenance of Plant and Equipment; Grant No. 8—Operating Expenses—Rolling Stock and Equipment; Grant No. 15—Dividend to General Revenues, Repayment of Loans Taken from General Revenues and Amortisation of Over-Capitalisation; Appropriation No. 5—Working Expenses—Repairs and Maintenance of Motive Power; and Appropriation No. 16—Assets—Acquisition, Construction and Replacement—Capital, respectively. Inspite of allocating these additional funds, the above mentioned Grants/Appropriations registered excess expenditure amounting to Rs. 106.58 crore; Rs. 103.09 crore;

Rs. 157.25 crore; Rs. 13.07 crore; Rs. 128.30 crore; Rs. 6.71 crore; Rs. 1.20 lakh; and Rs. 17.09 crore respectively. The Committee deplore the tendency of these Ministries in resorting to excess expenditure despite obtaining huge sums of Supplementary Grants in a routine manner. What is more perplexing is that in 10 cases, most of the Supplementary Grants were obtained in February-March 2009 *i.e.* just 1 or 2 months before the end of the financial year. This is a clear indication of not only bad budgeting but also deep malaise in the extant budgeting method/mechanism, which has failed to ensure proper assessment and accurate projection of the fund requirement at all the stages of budgeting. It also exposes the failure of the Ministries concerned to monitor their expenditure flow and trend. The persistence of this lapse would only render the entire budgeting exercise a mere guess work without any objective or vision. The Committee, therefore, recommend that the concerned Ministries particularly the Ministry of Finance have to probe into the causes of this chronic problem and find novel ways and means to make the mechanism of estimating Supplementary Grants more realistic and pragmatic to ensure accurate projection and utilization of the Supplementary Grants so that no subsequent excess expenditure is incurred and fiscal discipline is maintained.

7. The Committee are constrained to observe that the two key Ministries *viz.* Finance and Railways had been persistently incurring huge sums of excess expenditure during the financial years 2001-02 to 2008-09 while the Ministry of Defence had been spending much above the authorized expenditure during each of the financial years 2003-04 to 2008-09. To elucidate, the Ministry of Finance incurred an excess expenditure of Rs. 759.75 crore in 2 cases in 2001-02, Rs. 1793.26 crore in 2 cases in 2002-03, Rs. 42184.73 crore in 2 cases in 2003-04, Rs. 33783.55 crore in a single case in 2004-05, Rs. 96874.09 crore in 3 cases in 2005-06, Rs. 36637.16 crore in 2 cases in 2006-07, Rs. 98.24 crore in a single case in 2007-08 and Rs. 163.18 crore in a single case in 2008-09. Similarly, the Ministry of Railways incurred excess expenditure of—Rs. 349.40 crore in 9 cases in 1998-99, Rs. 56.76 crore in 8 cases in 1999-2000, Rs. 0.14 crore in 5 cases in 2000-01, Rs. 210.71 in 10 cases in 2001-02, Rs. 323.65 crore in 11 cases in 2002-03, Rs. 1136.92 crore in 13 cases in 2003-04, Rs. 2151.99 in 15 cases in 2004-05, Rs. 2322.46 crore in 15 cases in 2005-06, Rs. 365.16 crore in 13 cases in 2006-07, Rs. 51.22 crore in 10 cases in 2007-08 and Rs. 532.12 crore in 9 cases in 2008-09. The Committee also find that the Ministry of Defence incurred an excess expenditure of Rs. 37.50 crore in a single case in 2003-04, Rs. 41.99 crore in 2 cases in 2004-05, Rs. 44.84 crore in 2 cases in 2005-06, Rs. 667.17 crore in a single case in 2006-07, Rs. 71.19 crore in a single case in 2007-08 and Rs. 770.25 crore in 4 cases (2 cases under Defence Services and 2 cases pertaining to Civil sector) in 2008-09.

This recurring phenomenon of wide variations between the budgetary provisions and the actual expenditure by these important Ministries over such long periods has led the Committee to arrive at the conclusion that the Ministry of Finance, which has been entrusted with the responsibilityof preparing the Union Budget have not yet made any concerted efforts to overhaul their own budgeting and accounting system. Apparently, the estimation of requirement of funds is still done without any definite vision leading to variations between the budgetary provisions projected and the actual

expenditure incurred under various Grants/Appropriations. The Committee find it surprising that the Ministry of Finance, which ought to be a role model for other Ministries, have once again been found wanting in fiscal discipline and the prescribed financial rules besides failing to act upon the Committee's considered suggestions for avoiding or atleast minimizing the persistent excess expenditure especially after obtaining Supplementary Grants. Needless to say the existing budgeting mechanism still suffers from various loopholes and lacunae, which are nullifying the attempts of the Government to enhance accuracy level of their budgetary projections to achieve the desired improvements. The continuance of this situation is bound to encourage further deterioration in maintaining fiscal discipline even to the point of taking many adhoc financial decisions without any concrete aim and objective. The Committee, therefore, impress upon the Ministry of Finance to overhaul their budgetary mechanism in a practicable and tangible manner so that other Ministries/Departments take a cue from it and effectively replicate the same in their respective sphere of activities. While urging the Government to shed their tendency of leaving things to take their own course in regard to incurring excess expenditure in various forms, the Committee would appreciate a proactive role in monitoring the expenditure flow *vis-a-vis* the physical and financial progress of various schemes/projects at fixed intervals in order to arrive at a precise and accurate estimation of requirement of funds at a various stages of budgeting exercise.

8. The Committee find that the Explanatory Notes pertaining to the excess registering Grants as highlighted in the Appropriation Accounts (Civil) and the Appropriation Accounts (Defence Services) were due for submission to the Committee on or before 7th May 2010. However, the Ministries of Finance and Home Affairs furnished their Explanatory Notes after a delay of 1 month and 18 days and 2 months respectively. While the Ministry of Defence could submit their Explanatory Notes relating to Defence Services after a delay of 2 months and 24 days. Not finding any valid justification for the delay in submission of Explanatory Notes by various Ministries/Departments, the Committee are surprised to find that even the Ministry of Finance, despite being the nodal Ministry in the matter, delayed forwarding of their Explanatory Notes to the Committee. The Committee would like to impress upon all the Ministries that delay in submission of Explanatory Notes by them impedes the Committee's examination of excess expenditure, a direct consequence of which is delay in the regularization of the unauthorized expenditure by the Parliament. The Committee regret to observe that despite their oft-repeated suggestions for the Ministries/Departments to make concerted efforts to ensure timely collection and compilation of the requisite information for facilitation of submission of the Explanatory Notes to the Committee by the prescribed time schedule, some Ministries/Departments are paying little heed to it. The Committee would, therefore, like the Ministry of Finance to evolve a proper procedure in this regard and put in place a centralized monitoring network to check the status of the preparation and submission of Explanatory Notes at every stage by various Ministries/Departments so that any delay on this count is eliminated. The Committee further recommend that in future the contributory reasons for delay in submission of Explanatory Notes should invariably be appended in the relevant Explanatory Notes submitted for the purpose.

9. Scrutiny of select cases of excess registering Grants/Appropriations reveals that the Ministry of Finance (Department of Expenditure) incurred an excess expenditure of Rs. 163.18 crore under Revenue Section (Voted) of Grant No. 39—Pensions, which was the net effect of total excess of Rs. 350.30 crore and total savings of Rs. 187.12 crore under various sub-heads of this Grant during the financial year under review. This Grant alone accounted for about 60.39 per cent of the total excess expenditure incurred in the Civil sector. The Explanatory Note furnished by the Ministry of Finance *inter-alia* states that the excess was mainly due to higher expenditure than estimated, the receipt of more scrolls from the authorized banks and clearance of outstanding scrolls. The Ministry have also informed the Committee that pensions are a committed liability of Government and are disbursed by more than 40 thousand branches of Public and Private Sector banks in 63 Accounting Circles of the Central Pension Accounting Office direct to the pensioners residing across the country. As the banks are not under the administrative control of pension sanctioning authorities unlike the departmental DDOs in the Ministries, pension payment is not subject to a pre-check system of payment, which is otherwise applicable for other expenditure transactions. The Committee's examination has revealed that this Grant had also registered an excess expenditure of Rs. 98.24 crore during the previous financial year 2007-08. An analysis of the causes of the excess expenditure on account of pension payments especially during the last two fiscals suggests that there is lack of a comprehensive network amongst pension account related offices across the country and the prevailing pensions data management and accounting information systems are not in order and marked by lack of precise information regarding region/circle-wise number of pensioners. This clearly shows that the Ministry have not taken any concrete measures to revamp the system so that the pension liability can be correctly forecast and factored into the budgetary estimations, which is regrettable. Consequently, when the recommendations of the VI Central Pay Commission were implemented, the flow of funds was thrown out of gear. As a remedial measure to improve the situation, the Committee have been informed by the Ministry that the Central Pension Accounting Office has now introduced e-scroll system, which will help in checking the expenditure. The Committee would like to be apprised of the efficacy of the e-scroll system and its impact on correctly assessing the expenditure on pensions. The Committee also desire that the Ministry of Finance should look into all aspects for taking necessary corrective action so that the existing deficiencies and shortcomings in the pension payment are rectified and recurrence of excess expenditure is either avoided or greatly minimized in future. The Ministry should also adopt e-governance model and utilize the information Technology services/tools so as to establish a centralized data base of the pensioners and networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in a particular year.

10. During the financial year under review, the Ministry of Home Affairs incurred an excess expenditure of Rs. 79.39 crore under Revenue Sector (Voted) of Grant No. 54—Other Expenditure of the Ministry of Home Affairs. This was the net effect of total excess of Rs. 186.91 crore and total savings of Rs. 107.52 crore that occurred under various sub-heads of the Grant. Scrutiny of the Explanatory Note furnished by the Ministry shows that the excess expenditure was mainly due to requirement of additional funds towards settlement of claims of displaced persons, making payment of increased

dearness allowance on the pensions under the Swatantra Sainik Samman Pension Scheme and other security related expenditure. The Committee have been informed that expenditure in the Ministry is reviewed periodically at the highest level with the Heads of the Budget Controlling Authorities so that remedial action could be taken timely. Considering that considerable amount of excess expenditure had been incurred despite the prevalence of this system, the Committee are skeptical of the efficacy of the current expenditure review system of the Ministry specially when it comes to managing funds under such a wide covering and encompassing Grant as Grant No. 54—other Expenditure of the Ministry of Home Affairs which, by its very nature, can be evoked for funding various miscellaneous and emergent activities of the Ministry. The Committee urge upon the Ministry to overhaul their prevailing expenditure review system whereby a system is evolved and enforced to provide sufficient checks and balances against any possible wanton sanction and utilization of funds under this Grant and the requisite transparency and accountability is maintained. The Committee, therefore, desire that precise action should be taken in this regard at the earliest.

11. The Committee note that huge quantum of excess expenditure to the tune of Rs. 610.37 crore and Rs. 132.25 crore had been incurred both under Revenue Section (Voted) of Grant No. 23-Defence Services—Air Force and Grant No. 24-Defence Ordnance Factories respectively during the year under review. The excess in respect of the Grant No. 23 was the net effect of total excesses of Rs. 666.71 crore and total savings of Rs. 56.34 crore under various sub-heads of the Grant. Similarly, the excess incurred under Grant No. 24 was also the effect of total excesses of Rs. 237.48 crore and total savings of Rs. 105.23 crore under various sub-heads of the Grant. The excess expenditure under both the Grants were incurred despite obtaining a Supplementary Grant of Rs. 1345.39 crore and Rs. 1715.76 crore respectively. In respect of the Grant No. 23, the contributory reasons, according to the Ministry of Defence, were-higher expenditure due to implementation of the VI Central Pay Commission recommendations, higher booking on Travelling Allowance/Dearness Allowance, emergent requirement for operational maintainability of the fleet, exchange rate variations in foreign payment, more payment due to increase in prices of Aviation Turbine Fuel/supplies, more drawal of supplies due to fluctuation of troops etc. As regards, the Grant No. 24, the main contributory reasons adduced were higher booking in Defence Security Corps, non-matching of expenditure with the projected figures, foreign exchange rate variations, issue of operating platform for CRN-91 guns and higher supply to Defence Research and Development Organisation. The Committee do not consider these reasons for incurring excess expenditure to be convincing, as many of these could have been anticipated well in advance and factored into at the time of finalisation of Grants. Further, the quantum of unauthorized excess expenditure could have been greatly reduced with proper care and attention to detail, which is highly expected of a Ministry dealing with defence personnel whose spirit and character are supposed to be the epitome of professionalism and discipline. In this context, the Committee also find that the Ministry of Defence had also incurred excess expenditure amounting to Rs. 27.50 crore and Rs. 13.33 crore respectively under Grant No. 19-Ministry of Defence and Grant No. 20-Defence Pensions pertaining to the Civil sector but operated by them. These altogether put the total excess expenditure incurred by the Ministry during the 2008-09 fiscal year at Rs. 783.45 crore. This sudden spurt in the quantum of excess expenditure

proves that the Ministry has failed to take necessary steps to check or minimize excess expenditure under the Grants operated by them. Thus, apart from re-circulation of their old instructions which has proved ineffective in rectifying the loopholes and deficiencies responsible for incurring of excess expenditure under the Grants operated by them, it is imperative for the Ministry of Defence to introspect the inadequacies of their current arrangement for checking excess expenditure and devise some concrete ways and means in consultation with the Ministry of Finance to overhaul their budgeting mechanism and incurring of excess expenditure is either avoided altogether or minimized drastically. The Committee would like to be apprised of the specific corrective measures taken by the Ministry in this direction.

12. Examination of the Union Government Appropriation Accounts (Railways) for the financial year 2008-09 has revealed that the Ministry of Railways incurred a total excess expenditure of Rs. 519.81 crore in 9 cases of 8 excess registering Grants/ Appropriations. This excess expenditure was 10 times more than the preceding financial year's total of Rs. 51.22 crore incurred by the Railways in 10 cases of 8 excess registering Grants. The total Railways' expenditure of Rs. 28,073.67 crore during the fiscal under review exceeded the approved provisions by Rs. 502.70 crore in six Revenue Voted Grants while in respect of three charged Appropriations (two in Revenue and one in capital), expenditure of Rs. 39.74 crore was in excess of the sanctioned provisions by Rs. 17.11 crore. Scrutiny of the Explanatory Note revealed that out of the total excess expenditure of Rs. 519.81 crore, the bulk of the excess expenditure *i.e.* Rs. 480.05 crore constituting about 92.35 per cent was incurred under 4 Grants only *i.e.* Grant No. 4-Repairs and Maintenance of Permanent Way and Works (Rs. 104.05 crore); Grant No. 5—Repairs and Maintenance of Motive Power (Rs. 95.25 crore); Grant No. 6—Repair and Maintenance of Carriage and Wagons (Rs. 149.69 crore); and Grant No. 8—Operating Expenses—Rolling Stock and Equipment (Rs. 131.06 crore). According to the Ministry, the excess expenditure had occurred mainly due to implementation of the recommendations of the VI Central Pay Commission; more drawal of stores from stock, materialization of more contractual obligations and more direct purchases than anticipated; more adjustment of wages and materials on Periodical Over Hauling and also due to materialization of more contractual payments than anticipated; etc. The Committee observe that while anticipating the requirement of funds by the Railways, estimations for various sub-Heads could have been projected more realistically by analysing properly the total monetary effect of salary hike, prevailing expenditure trail, upcoming demands/ requirements, rising cost etc. The Committee cannot but conclude that the Ministry of Railways have not taken any timely corrective measures to improve their budgeting mechanism with a view to avoiding such a huge unauthorized expenditure. It indicates that they have either failed to undertake proper homework before finalizing their budgetary estimates or do not possess correct data regarding the number of officers and staff on their payroll, purchase records etc. Deplorably, there is no mention in the Explanatory Notes about the specific remedial measures taken by the Ministry to contain this persisting excess expenditure. It is apparent that the Ministry has paid scant respect to enforcing fiscal discipline while incurring excess expenditure, which is anything but regrettable. The Committee take a serious note of lack of concern and sustained efforts on the part of the Ministry in observing fiscal discipline and they,

therefore, desire the Ministry of Railways to strive earnestly for ensuring realistic estimation of their budgetary requirements under various sub-heads of the Grants/ Appropriations operated by them so that their existing lapses/loopholes are properly addressed and huge amounts of public fund are not spent without prior authorization.

13. The Committee are concerned to note that despite their repeated exhortations, the Ministry of Railways have not been able to contain the instances of misclassification of expenditure in the accounts of the Ministry of Railways. During the last 11 financial years, the Committee have come across 51 cases of misclassification of expenditure, the details being 5 in 1998-99, 3 in 1999-2000, 1 in 2000-01, 5 in 2001-02, 3 in 2002-03, 5 in 2003-04, 9 in 2004-05, 6 in 2005-06, 5 in 2006-07, 3 in 2007-08 and 6 in 2008-09. This unabated trend of persistent misclassification of expenditure is endemic of system failure, which indicates the Ministry's failure to even eliminate the basic mistakes such as misclassification of expenditure as also their inability to revamp the budgetary mechanism to check the recurring problem of misclassification of expenditure. It is quite apparent that no action has been taken by the Ministry either to fix responsibility for avoidable errors leading to misclassification or to remove any ambiguity in defining and classifying different forms of expenditure under a particular heading or sub-heading. The Committee recommend that the existing budgetary mechanism in the Railways needs to be thoroughly reviewed and revamped so that necessary corrective action, wherever, warranted could be taken to overcome systemic lacunae/loopholes and progressive elimination of the perennial misclassification syndrome. The persons responsible for this malady should be identified and responsibility fixed. Necessary correctives should also be put in place in order to avoid misclassification of expenditure in future.

14. To sum up, the Committee note with concern that no appreciable remedial measures have been taken as yet by the Government to avoid or minimize the quantum as well as number of cases of excess expenditure in the entire budgetary exercise orchestrated by the Ministry of Finance and followed by other Ministries/Departments. This inaction has led the Ministries/Departments to indulge in indiscreet financial transaction with impunity on the notion that the Parliamentary regularization thereof is only a matter of formality. The Committee take a serious view of the casual approach on the part of the Ministries/Departments, which if left unchecked, would derail the entire budgetary exercise and lead to unhealthy budgetary practices. The Committee, therefore, would like the Ministry of Finance to introduce and implement immediate remedial measures to check this chronic malady.

15. Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in paragraph 14 of Part-I this Report be regularized in the manner prescribed in Article 115(1) (b) of the Constitution of India.

NEW DELHI; DR. MURLI MANOHAR JOSHI,

27, *August,* 2010 *Chairman,*

5, *Bhadrapada,* 1932 (*Saka*) *Public Accounts Committee.*

ANNEXURE-I

The details of excess expenditure incurred by the Ministry of Railways during the financial years 1998-99 to 2008-09

[Refers to paragraph 21 of this Report]

(in unit of Rs.)

Sl. No.	Year	No. and Name of Grant/Appropriation	Amount of Excess Expenditure
1	2	3	4
1.	1998-99	5-Working Expenses—Repairs and Maintenance of Motive Power (Revenue Voted)	8,39,12,168
		6-Working Expenses—Repairs and Maintenance of Carriages and Wagons (Revenue Voted)	23,91,08,557
		8-Working Expenses—Rolling Stock and Equipment (Revenue Voted)	1,00,27,165
		13-Working Expenses—Provident Fund, Pension and other Retirement Benefits (Revenue Voted)	315,39,64,774
		3-Working Expenses—General Superintendence and Services (Revenue Charged)	25,520
		4-Working Expenses—Repairs and Maintenance of Permanent Way and Works (Revenue Charged)	7,25,436
		9-Working Expenses—Operating Expenses-Traffic (Revenue Charged)	36,60,589
		11-Working Expenses—Staff Welfare and Amenities (Revenue Charged)	17,83,195
		16-Assets—Acquisition, Construction and Replacement-Other Expenditure—Capital (Capital Charged)	8,38,589
2.	1999-2000	2-Miscellaneous Expenditure (General) (Revenue Voted)	1,01,31,416
		6-Repairs and Maintenance of Carriages and Wagons (Revenue Voted)	41,41,694
		10-Operating Expenses—Fuel (Revenue Voted)	54,86,76,719
		3-Working Expenses—General Superintendence and Services (Revenue Charged)	1,37,852
		4-Working Expenses—Repairs and Maintenance of Permanent Way and Works (Revenue Charged)	7,89,314

1	2	3	4
		6-Working Expenses—Repairs and Maintenance of Carriages and Wagons (Revenue Charged)	1,00,552
		7-Working Expenses—Repairs and Maintenance of Plant at Equipment (Revenue Charged)	72,277
		9-Working Expenses—Operating Expenses-Traffic (Revenue Charged)	38,07,005
3.	2000-01	3-General Supdt. And Services (Revenue Charged)	4,942
		6-Repairs and Maintenance of Carriages and Wagons (Revenue Charged)	41,204
		7-Repairs and Maintenance of Plant and Equipment (Revenue Charged)	33,182
		16-Assets—Acquisition, construction and Replacement—OLWR (Capital Charged)	28,664
		16-Assets—Acquisition, construction and Replacement—Capital (Capital Charged)	13,27,548
4.	2001-02	15-Dividend to General Revenues—Repayment of Loans taken from General Revenues and Amortisation of Capitalisation (Revenue Voted)	209,58,57,115
		3-Working Expenses—General Superintendence and Services (Revenue Charged)	6,55,479
		4-Working Expenses—Repairs and Maintenance of Permanent Way and Works (Revenue Charged)	7,07,849
		7-Working Expenses—Repairs and Maintenance of Plant and Equipment (Revenue Charged)	3,83,181
		8-Operating Expenses—Rolling Stock and Equipment (Revenue Charged)	89,081
		9-Working Expenses—Operating Expenses—Traffic (Revenue Charged)	20,67,315
		11-Working Expenses—Staff Welfare and Amenities (Revenue Charged)	8,13,804
		16-Assets—Acquisition, Construction and Replacement—Capital (Capital Charged)	33,84,815
		16-Assets—Acquisition, Construction and Replacement—Railway Safety Fund (Capital Charged)	1,39,186
		16-Assets—Acquisition, Construction and Replacement—SRSF (Capital Charged)	29,53,000
5.	2002-03	14-Working Expenses—Appropriation to Funds—DRF, DF, Pension and CF (Revenue Voted)	211,15,37,616
		15-Dividend to General Revenues (Revenue Voted)	18,29,78,566

1	2	3	4
		3-Working Expenses—General Superintendence and Services (Revenue Charged)	42,583
		4-Working Expenses—Repairs and Maintenance of Permanent Way and Works (Revenue Charged)	56,91,681
		6-Working Expenses—Repairs and Maintenance of Carriages and Wagons (Revenue Charged)	4,87,252
		7-Working Expenses—Repairs and Maintenance of Plant and Equipment (Revenue Charged)	4,23,077
		8-Working Expenses—Operating Expenses—Rolling Stock and Equipment (Revenue Charged)	2,07,459
		9-Working Expenses—Operating Expenses—Traffic (Revenue Charged)	15,00,827
		11-Working Expenses—Staff Welfare and Amenities (Revenue Charged)	14,231
		16-Assets—Acquisition, Construction and Replacement—Special Railway Safety Fund (Capital Voted)	89,96,61,642
		16-Assets—Acquisition, Construction and Replacement—Capital (Capital Charged)	3,39,49,633
6.	2003-04	14-Working Expenses—Appropriation to Funds—DRF, DF, Pension and CF (Revenue Voted)	681,61,81,059
		15-Dividend to General Revenues (Revenue Voted)	71,66,71,479
		3-Working Expenses—General Superintendence and Services (Revenue Charged)	18,35,750
		7-Working Expenses—Repairs and Maintenance of Plant and Equipment (Revenue Charged)	21,996
		8-Working Expenses—Operating Expenses—Rolling Stock and Equipment (Revenue Charged)	1,22,059
		9-Working Expenses—Operating Expenses—Traffic (Revenue Charged)	4,85,568
		10-Working Expenses—Operating Expenses—Fuel (Revenue Charged)	761,37,047
		11-Working Expenses—Staff Welfare and Amenities (Revenue Charged)	17,74,451
		16-Assets—Acquisition, Construction and Replacement—Special Railway Safety Fund (Capital Voted)	132,53,79,722
		16-Assets—Acquisition, Construction Replacement—Capital (Capital Voted)	239,45,64,76

1	2	3	4
		16-Assets—Acquisition, Construction and Replacement—Capital (Capital Charged)	290,42,372
		16-Assets—Acquisition, Construction and Replacement—Railway Funds (Capital Charged)	70,18,381
		16-Assets—Acquisition, Construction and Replacement—OLWR (Capital Charged)	491
7.	2004-05	3-Working Expenses—General Superintendence and Services (Revenue Voted)	6,00,07,173
		4-Working Expenses—Repairs and Maintenance of Permanent Way and Works (Revenue Voted)	22,63,70163
		5-Working Expenses—Repairs and Maintenance of Motive Power (Revenue Voted)	13,73,45,243
		6-Working Expenses—Repairs and Maintenance of Carriages and Wagons (Revenue Voted)	53,93,22,859
		9-Working Expenses—Operating Expenses—Traffic (Revenue Voted)	48,14,51,313
		10-Working Expenses—Operating Expenses-Fuel (Revenue Voted)	60,20,84,638
		11-Working Expenses-Staff Welfare and Amenities (Revenue Voted)	7,27,14,952
		14-Working Expenses Appropriation to Funds (Revenue Voted)	479,09,54,060
		16-Assets—Acquisition, Construction and Replacement—Capital (Capital Voted)	1458,97,03,159
		4-Working Expenses—Repairs and Maintenance of Permanent Way and Works (Revenue Charged)	6,02,713
		5-Working Expenses—Repairs and Maintenance of Motive Power (Revenue Charged)	41,522
		6-Working Expenses—Repairs and Maintenance of Carriages and Wagons (Revenue Charged)	14,763
		10-Working Expenses—Operating Expenses Fuel (Revenue Charged)	50,00,000
		13-Working Expenses—Provident Fund, Pension and Other Retirement Benefits (Revenue Charged)	7,75,814
		16-Assets—Acquisition, Construction and Replacement—Capital (Capital Charged)	1,34,78,328

1	2	3	4
8.	2005-06	4-Working Expenses—Repairs and Maintenance of Permanent Way and Works (Revenue Voted)	10,12,01,942
		6-Working Expenses—Repairs and Maintenance of Carriages and Wagons (Revenue Voted)	27,74,14,978
		10-Working Expenses-Operating Expenses-Fuel (Revenue Voted)	95,14,29,679
		16-Assets-Acquisition, Construction and Replacement—Capital (Capital Voted)	2184,17,21,520
		3-Working Expenses—General Superintendence and Services (Revenue Charged)	10,850
		4-Working Expenses—Repairs and Maintenance of Permanent Way and Works (Revenue Charged)	46,13,542
		5-Working Expenses—Repairs and Maintenance of Motive Power (Revenue Charged)	2,05,171
		6-Working Expenses—Repairs and Maintenance of Carriages and Wagons (Revenue Charged)	10,51,162
		7-Working Expenses—Repairs and Maintenance of Plant and Equipment (Revenue Charged)	1,45,184
		8-Working Expenses—Operating Expenses—Rolling Stock and Equipment (Revenue Charged)	6,59,312
		9-Working Expenses—Operating Expenses—Traffic (Revenue Charged)	5,16,678
		10-Working Expenses—Operating Expenses—Fuel (Revenue Charged)	1,61,00,000
		11-Working Expenses—Staff Welfare and Amenities (Revenue Charged)	17,16,156
		13-Working Expenses—Provident Fund, Pension and Other Retirement Benefits (Revenue Charged)	15,07,610
		16-Assets—Acquisition, Construction and Replacement—Railway Funds (Capital Charged)	2,63,50,000
9.	2006-07	1-Revenue—Railway Board (Revenue Voted)	1,34,075*
		10-Working Expenses—Operating Expenses—Fuel (Revenue Voted)	23,38,74,182*
		15-Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortisation of Over-Capitalisation (Revenue Voted)	4,54,77,535*

1	2	3	4
		16-Assets—Acquisition, Construction and Replacement—Railway Funds (Capital Voted)	325,29,51,095*
		3-Working Expesnes—General Superintendence and Services (Revenue Charged)	1,01,667*
		4-Working Expenses—Repairs and Maintenance of Permanent Way and Works (Revenue Charged)	40,49,124*
		5-Working Expenses—Repairs and Maintenance of Motive Power (Revenue Charged)	2,50,314*
		12-Working Expenses—Miscellaneous Working Expenses (Revenue Charged)	3,14,50,588*
		16-Assets—Acquisition, Construction and Replacement—Capital (Capital Charged)	2,75,50,990*
		16-Assets—Acquisition, Construction and Replacement—Railways Funds (Capital Charged)	5,41,52,933*
		16-Assets—Acquisition, Construction and Replacement—OLWR (Capital Charged)	11,84,393*
		16-Assets—Acquisition, Construction and Replacement—Railway Safety Fund (Capital Charged)	5,105*
		16-Assets—Acquisition, Construction and Replacement—Special Railway Safety Fund (Capital Charged)	4,04,318*
10.	2007-08	12-Miscellaneous Working Expenses (Revenue Voted)	22,32,94,567
		15-Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortisation of Over-Capitalisation (Revenue Voted)	20,80,86,212
		5-Working Expenses—Repairs and Maintenance of Motive Powers (Revenue Charged)	3,04,000
		6-Working Expenses—Repairs and Maintenance of Carriages and Wagons (Revenue Charged)	2,79,469
		8-Working Expenses—Operating Expenses—Rolling Stock and Equipment (Revenue Charged)	12,93,043
		10-Working Expenses—Operating Expenses-Fuel (Revenue Charged)	6,98,48,342

1	2	3	4
		13-Working Expenses— Provident Fund, Pension and other Retirement Benefits (Revenue Charged)	9,66,805
		16-Assets—Acquisition, Construction and Replacement—Capital (Capital Charged)	21,02,493
		16-Assets—Acquisition, Construction and Replacement—Railway Funds (Capital Charged)	30,34,076
		16-Assets—Acquisition, Construction and Replacement—Railway Safety Fund (Capital Charged)	29,71,376
11.	2008-09 (year under review)	4-Repairs and Maintenance of Permanent Way and Works (Revenue Voted)	106,57,53,717
		5-Working Expenses—Repairs and Maintenance of Motive Power (Revenue Voted)	103,08,70,786
		6-Working Expenses—Repairs and Maintenance of Carriages and Wagons (Revenue Voted)	157,24,85,154
		7-Working Expenses—Repairs and Maintenance of Plant and Equipment (Revenue Voted)	13,07,46,176
		8-Operating Expenses—Rolling Stock and Equipment (Revenue Voted)	128,30,18,548
		15-Dividend to General Revenue, Repayment of Loans taken from General Revenues and Amortisation of Over-Capitalisation (Revenue Voted)	6,71,123,341
		3-Working Expenses—General Superintendence and Services (Revenue Charged)	2,29,984
		5-Working Expenses—Repairs and Maintenance of Motive Power (Revenue Charged)	1,19,659
		16-Assets—Acquisition, Construction and Replacement—Capital (Capital Charged)	17,08,59,223

*Excluding amount of misclassification.

ANNEXURE-II

GOVERNMENT` OF INDIA

MINISTRY OF DEFENCE (FINANACE)

(MAIN OFFICE)

EXCESS NOTE

Note for Public Accounts Committee for regularization of excess expenditure of *Rs. 2749.86 Lakh* occured in **Revenue Section (Voted)** of Grant No. 19—Ministry of Defence (Civil) as disclosed in Appropriation Accounts (Civil) for 2008-09

Revenue Section (Voted)	(Rs. in thousand)
Original Grant	7756,97,00
Supplementary Grant	606,25,00
Total Grant	8363,22,00
Actual Expenditure	8390,71,86
Excess	27,49,86

2. Under Revenue Section (voted) of Grant No. 19 Ministry of Defence (Civil) for 2008-09 original provision was Rs. 7756,97,00 thousand. This was augmented to Rs. 8363,22,00 thousand by obtaining supplementary Grant of Rs. 606,25,00 thousand. Against this the expenditure of Rs. 8390,71,86 thousand was incurred resulting an excess of Rs. 27,49,86 thousand.

3. The excess of Rs. 27,49,86 thousand was the net effect of total excess of Rs. 105,28,01 thousand less total Savings Rs. 77,78,15 thousand under various sub-heads of the Grant. The sub-heads under which excess of Rs. 5.00 lakh & above occurred and reasons thereof are explained below:—

(i)	Sub-head 2037.00.102.06	(Rs. in lakh)
	(Cost Guard Organisation)	
	Original Grant	47909.00
	Supplementary Grant	4108.00
	Re-appropriation	(-) 705.97
	Total Grant	51311.03
	Actual Expenditure	52071.33
	Excess	760.30

The excess of Rs. 760.30 lakh under this sub-head was mainly due to implementation of recommendations of VI CPC and operational requirement of enhanced deployment of ships & spill over of expenditure incurred during 2007-08, etc.

(ii) Sub-head 2052.00.090.01. (Rs. in lakh)

(Department of Defence)

Original Grant	5101.00
Supplementary Grant	7115.58
Re-appropriation	(-) 6211.35
Total Grant	6005.23
Actual Expenditure	6466.19
Excess	460.96

The excess of Rs. 460.96 lakh under this sub-head was mainly due to implementation of recommendations of VI CPC, etc.

(iii) Sub-head 2052.00.090.12. (Rs. in lakh)

(Department of Defence Productions)

Original Grant	1017.00
Supplementary Grant	143.93
Re-appropriation	136.91
Total Grant	1297.84
Actual Expenditure	1366.32
Excess	68.48

The excess of Rs. 68.48 lakh under this sub-head was mainly due to implementation of recommendations of VI CPC and to clear pending bills from Counselor (Coord.) through MEA, etc.

(iv) Sub-head 2052.00.090.14. (Rs. in lakh)

(Department of Defence Research & Development)

Original Grant	71.00
Supplementary Grant	11.71
Re-appropriation	(-)1.39
Total Grant	81.32
Actual Expenditure	92.50
Excess	11.18

The excess of Rs. 11.18 lakh under this sub-head was mainly due to implementation of recommendations of VI CPC, etc.

(v) Sub-head 2052.00.090.35.	(Rs. in lakh)
(Department of Ex-Servicemen Welfare)	
Original Grant	246.00
Supplementary Grant	16.78
Re-appropriation	10.12
Total Grant	272.90
Actual Expenditure	293.92
Excess	21.02

The excess of Rs. 21.02 lakh under this sub-head was mainly due to implementation of recommendations of VI CPC, etc.

(vi) Sub-head 2055.00.104.02.	(Rs. in lakh)
(J&K Light Infantry)	
Original Grant	34049.00
Supplementary Grant	7944.00
Re-appropriation	73.00
Total Grant	42066.00
Actual Expenditure	51272.07
Excess	9206.07

The excess of Rs. 9206.07 lakh under this sub-head was mainly due to implementation of recommendations of VI CPC and higher trend of booking due to increase in rate of Kerosene, POL & provisions, etc.

Although the requests for augmentation/modified appropriation of funds were made by the user departments of MoD (Civil) Grant but the same could not be acceded to on account of shortage of allocated funds by Parliament, etc. In the circumstances explained above the net excess of Rs. 2749.86 lakh may kindly be recommended for regularization by the Parliament under Article 115(I)(b) of the Constitution.

Remedial Action Taken

5. Necessary instructions have been issued *vide* ID No.-1(8-ATN)/MO/2008-09/818 dated 17.6.2009 (Copy enclosed) to all concerned to prepare their Budgetary proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenses and to an optimum level necessary remedial measures/corrective action should be taken promptly.

This has been vetted by Audit *vide*-DGA, DS UO No. 406/AA-8/08-09/MD dt. 4/1/2010.

Sd/-

F.No. 1 (8-ATN)/MO/2008-09

(Ramesh Kumar)
Addl. FA & Joint Secretary

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE (FINANCE)

(MAIN OFFICE)

SAVING NOTE

Note for Public Accounts Committee in r/o of saving of *Rs. 100 crore* & above occurred under **Capital Section (voted)** of Grant No. 19-Ministry of Defence (Civil) as disclosed in the Union Government Apropriation Accounts (Civil) for 2008-09.

Capital Section (Voted)	(Rs. in thousand)
Original Grant	1006,68.00
Supplementary Grant	9,84,00
Total Grant	1016,52,00
Actual Expenditure	578,40,16
Saving	438,11,84

2. Under Capital Section (Voted) of Grant No. 19 to Ministry of Defence (Civil) for 2008-09, the total provision was Rs. 1016,52,00 thousand (including a supplementary Grant of Rs. 9,84,00 thousand only). Against this the expenditure of Rs. 578,40,16 thousand was incurred resulting in saving of Rs. 438,11,84 thousand.

3. The sub-heads under which saving of Rs. one crore & above occurred and reasons thereof are explained below:—

(i)	Sub-head 4047.00.037.01	(Rs. in lakhs)
	(Coast Guard Organisation)	
	Original Grant	94797.00
	Re-appropriation	(-)37255.50
	Total Grant	57541.50
	Actual Expenditure	50642.76
	Saving	6898.74

Saving of Rs. 6898.74 lakhs under this sub-head was mainly due to delay in delivery of vessels, non-achievement of stage-VII of yard 1024 owing to delay in receipt of gear boxes, less outgo due to non finanlization of sale deed in respect of outright purchase of GSL flats and delay in sanctioning of various projects, etc.

(ii)	Sub-head 4059.60.051.23	(Rs. in lakhs)
	(Defence Estate Organisation)	
	Original Grant	4158.00
	Supplementary Grant	982.00

Re-appropriation	(-)349.73
Total Grant	4790.27
Actual Expenditure	4362.09
Saving	428.18

Saving of Rs. 428.18 lakhs under this sub-head was mainly due to non-finalization of proposals for office-cum-residential projects of Defence Estate Organization's complex at various stations, etc.

(iii)	Sub-head 4075.00.107.03	(Rs. in lakhs)
	(Canteen Stores Department)	
	Original Grant	200.00
	Total Grant	200.00
	Actual Expenditure	86.27
	Saving	113.73

Saving of Rs. 113.73 lakhs under this sub-head was mainly due to non-receipt of demand note from MES for the proposed work of CSD.

(iv)	Sub-head 4216.01.700.01	(Rs. in lakhs)
	(Defence Estate Organisation)	
	Original Grant	1313.00
	Re-appropriation	(-)88.16
	Total Grant	1224.84
	Actual Expenditure	896.89
	Saving	327.95

Saving of Rs. 327.95 lakhs under this sub-head was mainly due to non-finalization of proposals for office-cum-residential projects of Defence Estate Organization's complex at various stations and delay in tender action by engineering authorities, etc.

4. The requirement of Funds under Capital (voted) portion in this Grant, was assessed at the Revised Estimates/Modified Appropriation stage and accordingly the surplus amount of Rs. 360,30,39 thousand under Capital (voted) Section was surrendered to Ministry of Finance *vide* this Ministry OM No.-1(7)/MO/2008-09/381 dated 30.03.2009 (Copy enclosed) and the same was accepted by the Ministry of Finance *vide* their No. F. 2(14)-B(AC)/2009 dated 31.3.2009 (Copy enclosed).

Remedial Action Taken

5. Necesssary instruction have been issued *vide* ID No.-1(8)/MO/2006-07/818 dated 17.06.2009 (Copy enclosed) to all concerned to prepare their Budgetary proposals on realistic basis taking into consideration all the related aspects such as commitments,

trend of expenditure and the anticipated expenses and in order to arrest the savings/ excess to an optimum level necessary remedial measures/corrective action should be taken promptly.

This has been vetted by Audit *vide*-DGA, DS UO NO. 406/AA-8/08-09/MD dated 4/1/2010.

Sd/-

F.No. 1 (8-ATN)/MO/2008-2009

(Ramesh Kumar)
Addl. FA & Joint Secretary

ANNEXURE-III

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE (FINANCE)

(MAIN OFFICE)

Excess Note

Not for Public Accounts Committee for regularization of excess expenditure of Rs. 13.33 Lakh occurred in Revenue Section (voted) of Grant No. 20 Defence Pensions as disclosed in Appropriation Accounts (Defence Pensions) for 2008-09.

Total Revenue Section (Voted) **(Rs. in thousand)**

Original Grant	:	15563,75,00
Supplementary Grant	:	4669,20,00
Total Grant	:	20232,95,00
Actual Expenditure	:	20233,08,33
Excess	:	(+) 13,33

2 Under Revenue Section (voted) of Grant No. 20 Defence Pensions for 2008-09 original provision was Rs. 15563,75,00 thousand. This was augmented to Rs. 20232,95,00 thousand by obtaining supplementary Grant of Rs. 4669,20,00 thousand. Against this the expenditure of Rs. 20233,08,33 thousand was incurred resulting an excess of Rs. 13,33 thousand.

3 The sub-heads below Major Head 2071 under which excess occurred in Revenue Section (voted) and reasons thereof are explained below:—

2071.02 Defence (SMH)

(I) 2071.02.101 Army (Minor Head)

(a) 2071.02.101.01 Pension and other Retirement Benefits (Sub Head)

(Voted)		(Rs. in thousand)
Original Grant	:	13608,67,78
Supplementary Grant	:	4120,75,56
Re-appropriation	:	(-) 66,23,39
Total Grant	:	17663,19,95
Actual Expenditure	:	17669,74,68
Excess	:	(+) 6,54,73

The excess of Rs. 6,54,73 thousand under this head is mainly due to the revision of pension at higher rate under VI CPC than assessed and payment of arrears of pension.

(b) 2071.02.101.02 Rewards

(Voted)		(Rs. in thousand)
Original Grant	:	6,00,00
Actual Expenditure	:	5,99,89
Saving	:	(-) 11

(c) 2071.02.101.03 Leave Encashment

(Voted)		(Rs. in thousand)
Original Grant	:	386,02,72
Supplementary Grant	:	128,21,65
Re-appropriation	:	(+) 66,23,39
Total Grant	:	580,47,76
Actual Expenditure	:	574,24,12
Saving	:	(-) 6,23,64

The saving of Rs. (-) 6,23,64 thousand under this head is due to less cases revised under 6th CPC than expected, cancellation of discharge of PBOR owing to promotion and less number of Earned Leave balances at credit of Army personnel.

(II) 2071.02.102 **NAVY (Minor Head)**

(a) 2071.02.102.01 Pension and other Retirement Benefits (Sub Head)

(Voted)		(Rs. in thousand)
Original Grant	:	454,06,91
Supplementary Grant	:	138,34,72
Re-appropriation	:	(+) 7,61,87
Total Grant	:	600,03,50
Actual Expenditure	:	597,04,23
Excess	:	(-) 2,99,27

The saving of Rs. 2,99,27 thousand is due to less number of cases of Navy personnel revised under 6th CPC.

(b) 2071.02.102.02 Rewards

(Voted)		(Rs. in thousand)
Original Grant	:	1,00
Actual Expenditure	:	93
Saving	:	(-) 7

(c) 2071.02.102.03 Leave encashment (Sub Head)

(Voted)		(Rs. In thousand)
Original Grant	:	48,84,23
Supplementary Grant	:	1,72,88
Re-appropriation	:	(-) 7,61,87
Total Grant	:	42,95,24
Actual Expenditure	:	45,93,64
Excess	:	(+) 2,98,40

The excess of Rs. 2,98,40 thousand under this head is mainly due to the increase in the balance of EL at credit than assessed and also the impact of the provision of encashment of 10 days EL during the LTC.

(III) 2071.02.103 **AIR Force (Minor Head)**

(a) 2071.02.103.01 Pension and other Retirement Benefits (Sub Head)

(Voted)		(Rs. In thousand)
Original Grant	:	995,24,39
Supplementary Grant	:	268,22,72
Re-appropriation	:	(-) 29,64,87
Total Grant	:	1233,82,24
Actual Expenditure	:	1275,67,35
Excess	:	(+) 41,85,11

The excess of Rs. 41,8511 thousand under this head is mainly due to the revision of pension at higher rate under VI CPC than assessed and payment of arrears of pension.

(b) 2071.02.103.02 Rewards

(Voted)		(Rs. In thousand)
Original Grant	:	4,00
Actual Expenditure	:	3,37
Saving	:	(-) 63

(c) 2071.02.103.03 Leave encashment

(Voted)		(Rs. In thousand)
Original Grant	:	64,83,97
Supplementary Grant	:	11,92,47
Re-appropriation	:	(+) 29,64,87

Total Grant	:	106,41,31
Actual Expenditure	:	64,40,12
Excess	:	(-) 42,01,19

The saving is due to less cases of Air Force personnel revised under 6th CPC, cancellation of discharge of PBOR due to promotion and less number of Earned Leave balances at the credit of Air Force personnel.

The Total grant is Rs. 20232,95,00 thousand and excess amount of Rs. 13,33 thousand has been incurred which is less than 10% of the Grant. In the circumstances explained above the total excess of Rs. 13.33 Lakh may kindly be recommended for regularization by the parliament under Article 115(I) (b) of the constitution.

Remedial Action Taken

Necessary instructions have been issued *vide* ID No. 23(2)/MO/2008-09 dated 18/08/2009 (Copy enclosed) to all concerned to prepare their Budgetary proposals on realistic basis taking into consideration all the related components such as commitments made, trend of expenditure and the anticipated expenses and to an optimum level necessary remedial measures/corrective action should be taken promptly.

This has been vetted Audit *vide*-DGADS UO No. 397/AA-8/2008-09/Det. Pen. dated 17.12.2009.

Sd/-

F. No. PC 23(2)/ATN/MO/2008-09

(Ramesh Kumar)
Adll. FA & Joint Secretary

ANNEXURE IV

Government of India
Ministry of Finance
Department of Expenditure
Central Pension Accounting Office
Trikoot-II, Bhikaji Cama Place
New Delhi-110066.

Excess Note

Note for Public Accounts Committee for regularization of excess expenditure in respect of excess incurred under Revenue Section (Voted) of Grant No. 39—Pensions, Ministry of Finance, Department of Expenditure as disclosed in the Union Government Appropriation Accounts (Civil) for 2008-09.

Revenue Section (Voted)	(Rupees in thousand)
Original Grant	7,930,76,00
Supplementary Grant	2,635,17,00
Total Grant	10,565,93,00
Actual Expenditure	10,729,11,09
Excess	163,18,09

2. Under Revenue Section (Voted) of Grant No. 39—Pensions, Ministry of Finance, Deptt. of Expenditure for 2008-09, the total provision was Rs. 7,930,76,00 (thousand). This was augmented to Rs. 10,565,93,00 (thousand) by obtaining Supplementary Grant of Rs. 2,635,17,00 (thousand). Against this, the expenditure of Rs. 10,729,11,09 (thousand) was incurred resulting in excess of Rs. 163,18,09 (thousand).

3. The excess of Rs. 163,18,09 (thousand) was the net effect of total excess of Rs. 350,30,27 (thousand) and total savings of Rs. 187,12,18 (thousand) under various sub-heads. The sub-heads under which excess of Rs. 500 (thousand) & above occurred and reasons thereof are explained as below:—

(Voted)

	Sub Head	(Rupees in Lakh)
(i)	2071.01.101 Superannuation and Retirement Allowances	
	2071.01.101.01 Ordinary Pensions	
	Original	4,126,00.00
	Supplementary	1,396,55.00

Sub Head	(Rupees in Lakh)
Total Grant	5,522,55.00
Actual Expenditure	5,748,77.02
Excess	226,22.02

Excess was due to a higher expenditure than estimated and the receipt of more scrolls from the authorized banks due to concerted efforts by CPAO. There has also been clearance of outstanding scrolls pertaining to earlier years.

	Sub Head	(Rupees in Lakh)
(ii)	2071.01.104—Gratuities	
	2071.01.104.01—Ordinary Pensions	
	Original	844,50.00
	Supplementary	320,97.00
	Total Grant	1,165,47.00
	Actual Expenditure	1,231,93.21
	Excess	66,46.21

Excess was due to higher booking by the accounting circles and receipt of scrolls from the banks than estimated.

(iii)	2071.01.105—Family Pensions	
	2071.01.105.02—Family Pensions	
	Original	996,00.00
	Supplementary	184,45.00
	Total Grant	1,180,45.00
	Actual Expenditure	1,235,23.48
	Excess	54,78.48

Excess was due to receipt of more scrolls from the authorized banks than estimated due to concerned efforts by CPAO. There has also been clearance of outstanding scrolls of earlier years.

(iv)	2071.01.107—Contributions to Pensions and Gratuities	
	2071.01.107.01—Ordinary Pensions	
	Original	1,08.00
	Supplementary	—
	Total Grant	1,08.00
	Actual Expenditure	1,24.42
	Excess	16.42

Excess was due to more bookings done by the accounting circles than estimates.

(v) 2071.01.108—Contribution to Provident Funds

2071.01.108.01—Ordinary Pensions

Original	13,80.00
Supplementary	15.00
Total Grant	13,95.00
Actual Expenditure	14,54.67
Excess	59.67

Excess was due to higher booking by the accounting circles than estimated.

	Sub Head	(Rupees in Lakh)
(vi)	2235.60.104.01—Deposit Linked Insurance Revised Scheme of General Provident Fund	
	Original	32,98.00
	Supplementary	—
	Total Grant	32,98.00
	Actual Expenditure	34,85.20
	Excess	1,87.20

Excess was due to higher booking by the accounting circles than estimated.

(vii) 2235.60.200.10—Ex-gratia payments to Government servants dying in harness

Original	5.00
Supplementary	—
Total Grant	5.00
Actual Expenditure	25.00
Excess	20.00

Excess was due to receipt of higher bookings from the accounting circles due to unpredicted death of officials.

4. "Grant 39—Pensions" is a composite grant dealing with pensionary and retirement benefits and social security benefits.

5. The payment and accounting arrangements are:—

(a) 63 Accounting Circles make the payments to Government employees in respect of Gratuity, Commutation, Leave Encashment and other retirement/ social security benefits at the time of retirement/death/subsequently as well as pension from counters/provisional pension, where applicable—these circles book the expenditure directly to the Pension Grant at the point of payment;

(b) 31 Public Sector Banks (more than 40000 branches) make payment each month to pensioners based on a standing instruction (Pension Payment Order) issued by the Government of India (GOI) as amended from time to time—they claim reimbursement immediately from the Reserve Bank of India which replenishes this payment from the Cash Balance of the GOI—banks send payment/receipt scrolls to CPAO through their nodal branches (about 248 in number) which is then accounted *ex-post facto* by CPAO;

(c) The accounts are corrected by clearing the suspense entry and debiting the budget head in the subsequent year by booking late scrolls received up to the closure of Union Accounts; and

(d) Treasuries in every State make pension payment to Civil pensioners and are reimbursed by CPAO based on manual claims—there is a time lag of few months as the Treasuries are administratively not under CPAO and no electronic arrangements are in place.

The system of Pre-check Budget control exercised in case of other expenditure is not possible in the pensionary and retirement benefits disbursed by banks dispersed all over the country. Pension is a committed expenditure. Banks have a standing order for monthly payment and no bill is drawn each month neither can pension be stopped due to budgetary constraints.

6. The reporting **arrangements are:—**

(a) The concurrent reporting of payments made in 63 Accounting Circles is not yet available except from the accounting circles that are uploading on the e-lekha portal;

(b) **Category-wise accounts information** for each head of account after consolidation is available only after a month from the office of the CGA during the year and almost two months/six to seven months later in respect of March (Preliminary) accounts/Journal Entries respectively pertaining to different Ministries;

(c) **Scrolls from Banks from Nodal Branches are being received months later** during the year and gap information is collected in clearing houses for scrolls pertaining to earlier year(s) round the year;

(d) Payments by CPAO reimbursing the Treasuries are concurrently accounted and available but form a small part of the grant. However as they are to be paid by cheques not all payments are accounted for in the same year.

The reporting of category-wise payments made currently not being available, CPAO is limited in its efforts to take corrective action in line with expenditure to augment the budget in time or surrender/reappropriate within the Grant within the year. Moreover, pensionary benefits are of committed nature and cannot be restrained.

7. The arrangements for budget formulation and execution are:—

(a) Estimates are framed on the basis of estimates given by 63 Accounting Circles and the trend of expenditure reported by Banks/RBI and from our database;

(b) Supplementary Budgets are sought on the above lines; and

(c) Re-appropriations are also made based on known position in the end of March 2009 using final requirements conveyed by Accounting Circles, put through statements by RBI and financial implications of decisions of GOI.

In 2008-09 due to General Elections, the Third Batch of Supplementary Demand in March 2009 was not available; the second Supplementary Demands in the Winter Session was the last batch and our estimate for this was based on November 2008 accounts and other trends in January 2009; the benefit of improvement of estimates in February/March 2009 based on latest inputs could not be availed.

8. At present there is a lag between reimbursement to authorised banks by RBI (with corresponding debit to the Government Balance) and submission of scrolls physically by the authorised banks to CPAO. As the Annual Accounts are closed in the first half of the following year, all scrolls pertaining to earlier months/years received from April to September 2009 in CPAO are accounted for by transfer entries/journal entries in 2008-09 account reported as Supplementary Accounts I-III to March (Preliminary) 2009 accounts (Rs. 397.67 Crore).

9. In the absence of Budget control mechanism, delayed receipt of payment scrolls and receipt of expenditure details by other accounting circles with a lag, excess payment has to be recorded. Besides the cash balance of Government of India has already been reduced by all these payments and the recording of final expenditure in this Grant releases the contra suspense booking.

10. Further, the Note 1 below paragraph 11.1.2 of Civil Accounts Manual states that The Public Accounts Committee of the third Lok Sabha (in the year 1965-66) made an important recommendation in this regard *vide* paragraph 4.26 of their 45th Report. It has held that excess expenditure over the grant in a year caused **exclusively** due to an omission to account for such **expenditure in an earlier year,** does not require regularization by Parliament under Article 5 of the Constitution of India, **if the grant/ appropriation had actually remained unutilized** in that year.

In the accounts of 2008-09, there has been a clearance of Rs. 206.05 crore, based on receipt of outstanding scrolls pertaining to earlier years (Annexure-A). In earlier years, for instance in 2003-04, 2004-05, 2006-07 there was a saving in the Grant, but this explanatory note is being prepared to present the composite picture of the entire excess.

11. Sixth Pay Commission Effect—As per the recommendations of Sixth Pay Commission the pension of Post and Pre-2006 pensioners was revised. The Commission brought into effect new formulations which entailed calculations without much history data to fall back on. The current age of the pensioner and Pay-scale in which a pensioner retired became necessary to arrive at correct calculations of revised pension. As these

were new concepts CPAO had calculated based on Minimum of scales of pay which was a very conservative approach to avoid overbudgeting.

Remedial Action

1. As Pension is commitment, budget control in a dispersed payment system is not possible presently. Therefore timely Budget Revision based on concurrent inputs is the only option available and we are working towards strengthening the same.

2. The system of getting manual scrolls from authorized banks is limiting our efforts towards better budget and expenditure management. In the current practice of banks getting reimbursement first from RBI and then sending scrolls to CPAO, there is no disincentive for not submitting the scrolls to CPAO as stated in the certificate to RBI by authorised banks when the reimbursement is sought.

3. In the e-scroll it is envisaged that before seeking reimbursement there would be an electronic check by CPAO that e-scrolls for the payment being claimed had been received in CPAO. An electronic clearance by CPAO to RBI will be required for reimbursement to the banks. Specific examination and corrections of contents of a scroll would continue in the prescribed manner. This will help CPAO in check of expenditure. This will also check misclassification non-statement of expenditure, if any, by banks which is currently not possible in manual scrolls. Current accounting will then help and CPAO will amend Budget Estimate in time.

4. Further, in Voluntary Retirement cases and in contingencies due to sudden demise of Government servants, it is not possible to forecast the Budget Estimates *viz-a-viz* expenditure accurately leading to a possibility of variation between the budget provision and expenditure incurred. Since pension and other retirement benefits are a committed liability of the Government and of inevitable nature these payments cannot be restricted. Electronic information would pave the way of improvement.

5. This has been vetted by audit *vide* DGACR's U.O. No. RR/1-51/09-10/55 dated 2nd June, 2010.

Sd/-
(Jt. Secretary & Financial Adviser)
Ministry of Finance
Government of India

ANNEXURE - A

Details of Outstanding scrolls of Previous Years in 2008-09

(Rs. in crores)

Year	Amount
2002-03	2.66
2003-04	1.61
2004-05	7.07
2005-06	12.51
2006-07	55.95
2007-08	126.25
Total	**206.05**

ANNEXURE - V

Government of India

Ministry of Home Affairs

Explanatory Note for Excess

Note for the Public Accounts Committee for regularization of excess expenditure that occurred under **Revenue Section (Voted) of Grant No. 54 — Other Expenditure of Ministry of Home Affairs for the financial year 2008-09,** as disclosed in the Union Government Appropriation Accounts (Civil) for the year 2008-09:

Revenue Section (Voted)

(Rupees in thousand)

Original Grant	999,03,00
Supplementary Grant	438,55,00
Total Grant	1437,58,00
Actual Expenditure	1516,97,23
Excess	79,39,23

2. The Original Budget Provision under Revenue Section (Voted) of Grant No. 54 — Other Expenditure of Ministry of Home Affairs for the year 2008-09 was Rs. 999,03,00 thousand. This was augmented to Rs. 1437,58,00 thousand by obtaining a Supplementary Grant of Rs. 438,55,00 thousand. The Actual Expenditure against this was Rs. 1516,97,23 thousand, resulting in a excess of Rs. 79,39,23 thousand.

3. The excess of Rs. 79,39,29 thousand was the net effect of total excesses of Rs. 186,91,39 thousand and total savings of Rs. 107,52,16 thousand that occurred under various sub-heads of the Grant. The sub-heads, under which excesses of Rs. five lakh or more occurred and reasons thereof, are explained below:

(i) 2235.01.112.04 - Displaced persons from Pak-occupied Kashmir & Chhamb Niabat Area

(Rupees in lakh)

Original Grant	2,00.00
Actual Expenditure	49,00.00
Excess	47,00.00

Reasons for Excess

The excess was due to requirement of additional funds towards settlement of claims of Displaced persons from Pak-occupied Kashmir (PoK).

During the financial year 2008-09, the Cabinet Committee on Security (CCS) had approved the package involving an expenditure of Rs. 49.00 crore for settlement of Displaced persons from Pak-occupied Kashmir. Since enough provision was not available under the scheme in BE 2008-09, an amount of Rs. 47.00 crore was re-appropriated to meet the additionality with the due approval of Secretary (Expenditure), Ministry of Finance. Hence, the expenditure was within the provision available and excess expenditure of Rs. 47.00 crore was covered with the adequate re-appropriation of funds.

(ii) 2235.60.107.03 — Central Government Pension

(Rupees in lakh)

Original Grant	55,000.00
Supplementary Grant	3,220.00
Total Grant	5,82,20.00
Actual Expenditure	6,91,92.97
Excess	1,09,72.97

Reasons for Excess

Provision under this sub-head is made for implementing the 'Swatantrata Sainik Samman Pension Scheme' for the benefit of freedom fighters and their dependents. During the financial year 2008-09, the excess occurred due to making payment of increased dearness allowance on the pensions.

In this context, it is submitted that there is no direct control of this Ministry over expenditure under the aforesaid scheme. As per the procedure adopted, the pension is first disbursed by over 32,000 branches of Nationalized Banks/Treasuries spread all over the country to the pensioners. The Reserve Bank of India later on makes reimbursement of this amount to the Banks/Treasuries. The expenditure on this account is booked by Central Pension Accounting Office (CPAO) under the administrative control of Ministry of Finance. The CPAO intimates the expenditure booked by them under this scheme to this Ministry (Ministry of Home Affairs) after completion of the financial year, when the whole budgetary exercise is over. Hence, it is beyond the control of this Ministry to restrict expenditure under this scheme.

(iii) 2235.60.200.13 — Distribution of Sammanpatras to living Freedom Fighters

(Rupees in lakh)

Original Grant	0.00
Actual Expenditure	18.00
Excess	18.00

Reasons for Excess

Initially there was no budgetary provision under this sub-head at BE stage as this scheme was approved by the Cabinet only in the month of September 2008. Later on, an amount of Rs. 18.00 lakh was re-appropriated to this sub-head during the year to enable the concerned Division of the Ministry to make payment for the supplies of Sammanpatras. Since expenditure was incurred after making available the provision through re-appropriation of funds, there was no excess expenditure.

(iv) 3601.01.343.06 — Jammu & Kashmir Relief & Rehabilitation

(Rupees in lakh)

Original Grant	11,000.00
Supplementary Grant	7,000.00
Total Grant	18,000.00
Actual Expenditure	20,900.13
Excess	2,999.13

Reasons for Excess

During the year 2008-09, it was decided by the Ministry to augment the funds under this sub-head by an amount of Rs. 100.00 crore on account of Assembly Elections in the State of J & K and consequent increase in the 'Security Related Expenditure'. Accordingly, it was decided to meet this additionality partially by projecting a Supplementary Grant of Rs. 70.00 crore to Ministry of Finance and partially by re-appropriating an amount of Rs. 30.00 crore from the available savings within the Grant.

Although there was an excess of Rs. 29.99 crore with reference to Budget Estimates and Supplementary Grant, this excess was adequately covered with re-appropriation of Rs. 30.00 crore, which was carried out with the due approval of the Competent Authority, *i.e.*, Secretary (Expenditure), Ministry of Finance.

4. Remedial Action Taken

It may be seen from the above that except the excess expenditure that occurred under 'Swatantrata Sainik Samman Pension Scheme', the excess was covered with adequate re-appropriation of funds as required under the rules. As regards, the excess expenditure that occurred under the 'Swatantrata Sainik Samman Pension Scheme', it has already been stated that it was beyond the control of this Ministry due to nature of this scheme. The maximum this Ministry could do in this case was to request Central Pension Accounting Office not to book expenditure beyond the budgetary provision. The concerned Division of the Ministry takes this step every year, but the desired result is not achieved.

It will not be out of place to mention here that under the aforesaid scheme, provision is made keeping in view the trend of expenditure prevailing in the previous years. Any unexpected increase in the pension and other benefits to the freedom fighters can lead to excess expenditure under this scheme as it happened during the year 2008-09.

It is also reassured that expenditure in the Ministry is reviewed periodically at the highest level with the Heads of the Budget Controlling Authorities so that remedial action could be taken timely.

In view of the above, the Public Accounts Committee may kindly regularize the excess expenditure that occurred under the Grant.

Sd/-
(VISHWAPATI TRIVEDI)
Additional Secretary & Financial Adviser (Home)

(This **'Explanatory Note for Excess'** has been vetted by Office of the DG (Audit), Central Revenue *vide* their U.O. No. RR/6-79/09-10/203 dated 15.06.2010).

(MHA File No. 28/16/2009-Bgt.I)

ANNEXURE VI

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

(FINANCE/BUDGET)

EXCESS NOTE

NOTE FOR PUBLIC ACCOUNTS COMMITTEE FOR REGULARIZATION OF EXCESS EXPENDITURE IN RESPECT OF EXCESS OCCURRED UNDER REVENUE SECTION (VOTED) OF GRANT NO. 23 — DEFENCE SERVICES — AIR FORCE, AS DISCLOSED IN THE UNION GOVERNMENT APPROPRIATION ACCOUNTS (DEFENCE SERVICES) FOR THE YEAR 2008-2009.

GRANT NO. 23 — DEFENCE SERVICES — AIR FORCE

(Rs. in lakhs)

REVENUE SECTION (VOTED)

Original Grant	:	Rs. 1128682
Supplementary Grant	:	Rs. 134539
Total Grant	:	Rs. 1263221
Actual Expenditure	:	Rs. 1324258
Excess	:	Rs. 61037
Surrender during the year	:	NIL

2. Under Revenue Section (Voted) of Grant No. 23 — Defence Services — Air Force for the year 2008-2009 the total provision was Rs. 12632,21.00 thousands. Against this, the expenditure of Rs. 13242,57,59 thousands was incurred resulting in excess of Rs. 610,36,59 thousands.

3. The excess of Rs. 610,36,59 thousands was the net effect of total excesses of Rs. 666,70,63 thousands (voted) and total savings of Rs. 56,34,04 thousands (voted) under various sub-heads of the Grant. The sub-heads under which excess occurred and reasons therefor are explained as below:—

MAJOR HEAD - 2078

(i) Minor Head - 101 *(Rs. in lakhs)*

Original Grant	Rs. 268015
Supplementary Grant	Rs. 82178
Re-appropriation	(+) Rs. 18732
Total Grant	Rs. 368925
Actual expenditure	Rs. 414409
Excess	Rs. 45484

The excess of Rs. 45484 lakh in the Final Grant was due to implementation of the recommendations of the VI CPC.

(ii) Minor Head -104	*(Rs. in lakhs)*
Original Grant	Rs. 39279
Supplementary Grant	Rs. 12461
Re-appropriation	NIL
Total Grant	Rs. 51740
Actual expenditure	Rs. 53725
Excess	Rs. 1985

The excess of Rs. 1985 lakh in the Final Grant was mainly due to implementation of the recommendations of the VI CPC.

(iii) Minor Head -105	*(Rs. in lakhs)*
Original Grant	Rs. 32908
Supplementary Grant	NIL
Re-appropriation	(+) Rs. 9728
Total Grant	Rs. 23180
Actual expenditure	Rs. 24864
Excess	Rs. 1684

The excess of Rs. 1684 lakh in the Final Grant was mainly due to the implementation of VI CPC. Moreover, orders on TA/DA were disseminated towards end of the 3rd quarter and consequently the higher booking.

(iv) Minor Head-110	*(Rs. in lakhs)*
Original Grant	Rs. 644349
Supplementary Grant	Rs. 32189
Re-appropriation	(-) Rs. 12069
Total Grant	Rs. 664469
Actual expenditure	Rs. 681976
Excess	Rs. 17507

The excess of Rs. 17507 lakh in the Final Grant was mainly due to emergent requirement of certain critical items for operational maintainability of fleet, exchange rate variation in foreign payment of HAL, supplies have been made more than anticipated, duties/transportation changes, early materialization of supplies, fluctuation of strength of troops drawing ration/coal/firewood/LPG and fluctuation in prices of ration commodities, ATF rate, due to unconfirmed DGOF supplies.

(v) Minor Head—200	*(In thousand of rupees)*
Original Grant	0
Supplementary Grant	Nil
Re-appropriation	(+)Rs. 500
Total Grant	Rs. 500
Actual expenditure	Rs. 1577
Excess	Rs. 1077

The Excess of Rs. 1077 thousands in the Final Grant was due to the fact that heavy bookings occurred during the month of March, 2009 at two stages—(i) March 4th week and (ii) Supplementary compilations. These could not be anticipated and so resulted in variation between M A 2008-09 and actuals.

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

5. In order to avoid recurrence of any excess, instructions have been issued to all concerned emphasizing the need to follow the instructions issued on the subject more scrupulously and to monitor the progress of expenditure in vigilant/ stricter manner apart from projecting the demands on factual basis and to the barest minimum depending on the actual requirements/obligations. To achieve the objective, Service HQrs/Deptt. have also been requested to issue necessary instructions to all budget controlling authorities under their lower formations to follow the instructions issued on the subject meticulously so as to avoid any saving/excess.

6. Earlier, instructions had been issued *vide* MoD (Fin) ID No. 17(1) B-1/1999 Dated 13.12.2005 and 27.1.2006 (copies enclosed) to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses. In addition, Inter Departmental Monitoring Groups headed by FA (Acq.) in respect of Acquisition Heads and Addl. FAs in respect of other Heads have been requested *vide* MoD (Fin) ID No. 17(3)/B-1/2004 dated 01.08.2007, 25.09.2009 and 31.05.2010 (copies enclosed) to hold regular meetings so as to prevent occurrence of excesses/savings under various Heads and bunching of expenditure towards the end of financial year.

7. F.A. (Acq.) and all Addl. FAs besides Services HQrs. have also been requested *vide* Min. of Def. (Fin) ID No. 17(3)/B-1/2004 dated 24.07.2006 and ID No. 10(7)1 Bud-1/2007 dated 09.09.2008 (copies enclosed) to ensure the progress of expenditure to the tune of 67% of the BE allocation by December as directed by Finance Minister. It has also been advised that for Supplementary Demands (for grants), the amount of supplementary demand may be assessed realistically so that the amount of Supplementary Demand neither falls short of the actual requirement resulting in excess expenditure, nor the amount is drawn in excess of the requirement resulting finally in surrender of the amount of supplementary.

8. In the circumstances explained above, the excess of Rs. 610,36,59 thousand may kindly be recommended for regularization by the Parliament under Article 115(i) (b) of the Constitution.

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

File No. 17(1)/B-1/2010

MOST IMMEDIATE

MINISTRY OF DEFENCE (FINANCE)
(BUDGET—I)

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

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

2. The Standing Committee on Defence while examining the Demands for Grants for the year 2002-03 and 2003-04 had taken a serious view of the unspent funds and had recommended that the amounts allotted should be fully utilised for the purchase of new weapon systems, modernisation and upgradation of the existing systems so as to ensure that no surrender of funds is made. Further, the C&AG has also commented adversely in the past on the overall unspent provisions *vis-a-vis* the budgetary outlays. In this regard, necessary instructions were issued *vide* MoD ID No. 10(1)/B-I/2002 dated 08/10/2002 to all concerned to monitor the progrees of expenditure constantly in a more vigilant manner. Services HQrs./Departments had also been requested to issue instructions in this regard to all the Budget Controlling Authorities under their administrative control to eliminate instances of large scale savings/excess.

3. During a recent meeting with Financial Advisors of various Ministries of Government of India, Finance Minister reviewed the implementation of his directions issued last year regarding expenditure of minimum 67% of BE allocation by December and emphasized that no Ministry/Department would be permitted to spend more than 1/3rd of their Budgetary allocation after December. Finance Minister has directed that in 2005-06, no explanation will be accepted for exceeding 33% in the last quarter. All concerned must plan right from now to ensure proper pace of expenditure. He has also directed that in case any Ministry/Deptt. is not able to spend 67% by December end, it will not be allowed to spend more than 33% in the last quarter. In this regard, a letter No. 11(23)/B-I/2004, dated 24.05.2005 may please be referred to.

4. The trend of expenditure during the current financial year indicates that unless effective monitoring and control is exercised, savings may result under various revenue and capital heads. With a view to ensuring a constant and uniform pace of expenditure *vis-a-vis* the sanctioned provisions it is essential that the progress of expenditure is monitored at all levels and contained within the sanctioned allocations in order to avoid any large scale savings or excesses.

5. The Monitoring Groups headed by FA(Acq.) (in respect of acquisition heads) and Addl. FAs (in respect of Rest of the heads) are, therefore, requested to hold regular meetings on a fortnightly basis during December, 2005 and January, 2006 and on weekly basis in February and March 2006 so as to prevent excesses/savings under

various Heads and bunching of expenditure towards the year end, duly taking into account all factors like actual drawal from LCs, status of contracted and uncontracted schemes, supply position in respect of contracts, progress of civil works, etc. It is pertinent to mention that CGDA now provides weekly compilation of expenditure from August, 2005 to this Ministry to enable us to monitor the progress of expenditure effectively.

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

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

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

MoD (Fin) ID No. 17(1)/B-I/1999 dated 13.12.2005

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

MOST IMMEDIATE

MINISTRY OF DEFENCE (FINANCE)
BUDGET-I

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

Reference: MoD(Fin.) I.D. No. 17(1)/B-1/1999 dated 13.12.2005.

It may be recalled that the above referred note was issued with the request that the Monitoring Groups headed by FA(Acquisition) (in respect of Acquisition Heads) and Additional FAs (in respect of rest of the Heads) may hold regular meetings on a fortnightly basis during December, 2005 and January 2006 and on weekly basis in Feb. and March 2006 so as to prevent excesses/savings under various Heads and bunching of expenditure towards the year end, duly taking into account all factors like actual drawal from LCs, status of contracted and uncontracted schemes, supply position in respect of contracts, progress of civil works, etc.

2. It is observed from the CGDA's compilation from the month of December 2005 that the progress of expenditure is very slow particularly in Capital Heads. Keeping this in view the Defence Secretary had taken a meeting on 20th January 2006 reiterating that the real challenge before us is to ensure that the allocation made is fully expended. It is, therefore, requested that all efforts be made to meet the expenditure target against budgetary allocation and to ensure that no surrenders are made at any stage.

Sd/-
(Amit Cowshish)
Addl. FA(A) & J.S.

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

IFA,CIDS & SFC

MOD (Fin) ID No. 17(1)/B-I/1999 dated 27.01.2006.

Copy to:

DG(Acq),	AS(I),	AS(DP),
JS&AM(MS),	JS&AM(LS),	JS&AM(Air),
JS(O/N),	JS(G/Air),	JS(C&W),
JS(PIC),	CCR&D(R),	All FMs,
Dir.(Fin./Acq),	Dir.(Fin/Navy),	Dir.(Fin./AF/Og),
Dir.(Fin.AF/Acq),	Dir.(Fin./O),	DFA (Navy).

MINISTRY OF DEFENCE
(FINANCE/BUDGET)

Subject: Monitoring and Control of Defence Expenditure.

Ref: (i) Ministry of Defence ID No. 34(4)/2006/D(O&M) dt. 11.07.2006.

(ii) Ministry of Defence (Fin.) ID No. 17(3)/B.I/2004 dt. 24.07.2006.

Instructions have been issued from time to time regarding monitoring of progress of defence expenditure. For this purpose Departmental Monitoring Groups headed by FA(Acq) in respect of Acquisition heads and Addl. FAs in respect of other heads are required to hold regular meetings so as to prevent excesses/savings under various Heads and bunching of expenditure towards the end of financial year.

2. As per the existing instructions, minutes of the monthly meeting are required to be submitted to the FA(DS) for information and a copy of the minutes is also required to be sent to the Budget Section. However, during the current financial year, Budget Section has not received copies of the minutes of such meetings.

3. In the meetings taken by the R.M. on 4th April 2007 and 7th May 2007, he had, *inter alia*, given the following directions:

(a) Funds should not be parked with the PSUs in desperation and that there should be proper joint ness among the three Services.

(b) The targets including procurement targets to be achieved in a phased manner. January should be the deadline and efforts should begin with first quarter only.

This may please be kept in view while reviewing progress of expenditure.

4. It is, therefore, reiterated that regular meetings may please be held to monitor the progress of expenditure so as to prevent excesses/savings under various Heads and bunching of expenditure towards the end of financial year. The minutes of the meeting explaining, *inter alia*, the position regarding budgetary targets/deviations, if any, and corrective measures adopted may please be put up to FA(DS) regularly and copy endorsed to Director (Fin./Budget).

Sd/-
(Mukesh Kumar Sinha)
Director (Fin./Budget)

FA(Acq) & Addl. Secy.	for Acquisition cases of three Services & HQ IDS.
Addl. FA(M) & JS	for Air Force, Army (Q, AG&CG).
Addl. FA(H) & JS	for DGOF.
Addl. FA(AM) & JS	for DGQA, Army (Land & Works).
Addl. FA (J) & JS	for R&D (including ATVP, Dte of Std, DGAQA, etc.)
Addl. FA(A) & JS	for Ord/Navy (Other than Acquisition Heads), Coast Guard & HQ IDS

MOD(Fin.) ID No. 17(3)/B-I/2004 dated 1.8.2007

MINISTRY OF DEFENCE
(FINANCE/BUDGET)

Sub: Monitoring and Control of Defence Expenditure.

Instructions have been issued from time to time regarding monitoring of progress of defence expenditure. For this purpose Departmental Monitoring Groups headed by FA(Acq) in respect of Acquisition heads and JS & Addl. FAs in respect of other heads are required to hold regular meetings so as to prevent excesses/savings under various Heads and bunching of expenditure towards the fag end of financial year.

2. As per the existing instructions, minutes of these meeting are required to be submitted to the Secretary (Defence Finance) for information and a copy of the minutes is also required to be sent to the Budget Section. However, during the current financial year, Budget Section has not received copies of the minutes of any such meetings. It is, therefore, requested that the meetings may be held regularly.

3. While reviewing progress of expenditure, it may be kept in view that

(a) Funds are not parked with the PSUs and that there is proper jointness among the three Services.

(b) Rush of expenditure towards the end of the financial year continues to be an area of concern. As per extant instructions, as brought out in the economy instructions issued by Deptt. of Expenditure on 5th June, 2008, not more than one-third (33%) of the Budget Estimates may be spent in the last quarter of the financial year.

(c) As stipulated in the economy instructions issued by Deptt. of Expenditure on 5th June, 2008, all advance payments to implementing/production agencies for any scheme/project/acquisition are limited to 10% of the approved financial outlay in the fiscal year. Subsequent payments must be strictly related to deliverables/milestones. This restriction may be applicable in the case where expenditure is effected through a contract.

(d) Prior approval of Department of Expenditure is required for re-appropriation under a sub-head by a sum of Rs. 5 crore or more and it must indicate matching savings under the relevant sub-head.

(e) Economic measures as per instructions issued by Department of Expenditure from time to time are observed. As there is need for further economy and rationalization of expenditure, the guidelines issued by Deptt. of Expenditure on 7th September, 2009 towards austerity measures especially towards 10% cut on Non-Plan expenditure under the following heads may be observed:

(i) Domestic and Foreign Travel expenses

(ii) Publications

(iii) Professional Services

(iv) Advertising and Publicity

(v) Office expenses

(vi) POL (except for security related requirement)

(vii) Other administrative expenses

4. It has been observed that instances of excesses/savings under different grants of the Defence Services are reported in the Report of C&AG of India highlighting improper management of Defence expenditure. With a view to ensuring a constant and uniform pace of expenditure *vis-a-vis* the sanctioned provisions it is essential that the progress of expenditure is monitored at all levels and contained within the sanctioned allocations in order to avoid any large scale savings or excesses. It is, therefore, reiterated that regular meetings may please be held to monitor the progress of expenditure so as to prevent excess/savings under various Heads and bunching of expenditure towards the end of financial year. The minutes of the meeting explaining, *inter alia*, the position regarding budgetary targets/deviations, if any, and corrective measures adopted may please be submitted to Secretary (Defence Finance) regularly and copy endorsed to Director (Fin/Budget).

5. The above instructions as well as the earlier instructions issued on the subject should be followed scrupulously in order to avoid any excess expenditure against any Grants. Service HQrs/Departments 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 excess expenditure/savings. Office of the CGDA may also issue suitable instructions to all concerned to ensure that payments are authorized only against availability of funds.

Sd/-
(Amit Cowshish)
JS & Addl. FA (A)

FA (Acq)

All Joint Secretaries/JS & Addl FAs/FMs

DG FP, PDNP, D Fin P, DGOF

CCR&D, DGQA, DGNCC, DGMF, DGAQA, Dte of Standardisation, CGDA

MOD (Fin) ID No. 17(4)/Cir/Bud-I/2006 dated 25th September, 2009

Copy for information to:—

1. Deptt. of Economic Affairs(Budget Division), Ministry of Finance
2. DGADS.

MINISTRY OF DEFENCE (FINANCE)
(BUDGET DIVISION)

Subject: Monitoring and Control of Defence Expenditure.

Ref. : (i) MoD (Fin) ID No. 17(4)/Cir/Bud-I/2006 dated 25th September, 2009
(ii) MoD (Fin) ID No. 10(7)/Bud-I/2007 dated 9th September, 2008
(iii) MoD (Fin) ID No. 17(3)/B-I/2004 dated 1.8.2007
(iv) MoD (Fin) ID No. 17(3)/B-I/2004 dated 24.7.2006
(v) MoD (Fin) ID No. 17(1)/B-I/1999 dated 13.12.2005

Instructions have been issued from time to time *vide* above mentioned references, as well as the previous ones, to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses. For this purpose, Departmental Monitoring Groups headed by FA(Acq) in respect of Acquisiton heads and JS & Addl. FAs in respect of other heads are required to hold regular meetings to review the progress and trends of expenditure and to identify steps to be taken to prevent excess/savings under various heads and bunching of expenditure towards the end of the financial year.

2. Public Accounts Committee as well as the C & AG of India have been commenting on recurring instances of excess expenditure in some Grants of Defence Services in their reports. Most recently an excess expenditure of Rs. 71.19 Crore in the Grant No. 22—Defence Services (Army) for the year 2007-08 has been pointed out in the 7th Report of the PAC (15th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2007-2008)", which requires regularization by the Parliament under Article 115(1)(b) of the Constitution.

3. As per the existing instructions, a copy of the minutes of the meeting of the Monitoring Group is to be sent to the office of the Secretary (Defence Finance) for the information of the Secretary (Defence Finance). However, such copies are being received infrequently, which indicates that the Monitoring Groups for controlling Defence expenditure are not meeting regularly.

4. It is, therefore, again reiterated that in order to ensure even flow of expenditure and to avoid any excess expenditure/savings in any Grant, the instructions issued on 'Monitoring and Control of Defence Expenditure' should be followed strictly and meetings of the Monitoring Groups should be held regularly. The proceedings of such meetings should invariably be endorsed to the Secretary (Defence Finance).

Sd/-
(Amit Cowshish)
JS & Addl. FA (A)

FA(Acq)
All Joint Secretaries/Addl FAs & JS/FMs
DG FP, ACNS (P&P), ACAS (Fin P), DGOF
CCR&D (R&M), DGQA, DGNCC, DGMF, DGAQA, Dte. of Standardisation CGDA

MoD (Fin) ID No. 17(4)/Cir/Bud-I/2006 dated 31st May, 2010.

Copy for information to:—
PS to Secretary (Def. Fin)

MINISTRY OF DEFENCE (FINANCE)
(BUDGET-I)

Sub: Monitoring and Control of Defence Expenditure 2006-2007—Meeting held by RM.

Ref: MoD ID No. 34(4)/2006/D (O&M), dated 11-07-06.

Instructions have been issued from time to time to monitor the progress of Defence expenditure at all levels to avoid any large-scale savings or excesses. For this purpose Departmental Monitoring Groups headed by FA (Acq) in r/o Acquisition heads and Addl. FAs in r/o other heads have been constituted and requested the hold regular meetings so as to prevent excesses/savings under various Heads and bunching of expenditure towards the end of financial year.

2. In this connection R.M. also took a meeting of the senior officers and gave some directions about important issues including meeting the expenditure targets. He also observed that the progress of expenditure in the current year so far was poor and therefore desired that the short fall should be made up in the 2nd and 3rd quarter so that the stipulated 67% expenditure can be achieved by 31st Dec. 2006. The deadline has to be followed and targets fulfilled. He also indicated that if the expenditure progresses speedily, he could even propose for more funds for Defence in Supplementary Demands during the winter session of Parliament and even demand higher allocation for the next year.

3. The Defence Secretary in the same meeting also observed that two-third of budgetary provision should be spent by the end of calendar year. If this is not done expeditiously and cases languish, it will be difficult to resolve the matter at the end of the year resulting in surrender of funds. The existing procedure of decision making by a collegium of officers can be expanded by including experienced officers from Forces and complemented by Defence Finance/CGDA and other senior officials. There should be a thorough review every month on the progress made.

4. The above observations of the R.M. and the Defence Secretary are mainly based on the fact that the CGDAs All India Compilation for the month of June 2006 shows a very slow progress of expenditure particularly under capital heads.

5. It is therefore, requested that all efforts be made at all levels to meet the expenditure target against budgetary allocation and ensure that no surrenders are made at any stage.

Sd/-
(Amit Cowshish)
Addl. FA (A)

FA (Acq)	for Acquisition cases of three Services & HQ IDS
Addl. FA (M)	for Air Force, Army (Q, AG&CG)
Addl. FA(H)	for DGOF

Addl. FA (AM)	for DGQA, Army (Land & Works)
Addl. FA (J)	for R&D (including ATVP, Dte. of Std, DGAQA)
Addl. FA(A)	for Ordnance/Navy (Otherthan Acquisition Heads)
IFA(CIDS & SFC)	

MOD (Fin) ID No 17 (3)/B-I/2004 dated 24-7-2006.

Copy to:

DG(Acq),	AS(J),	AS(B),	AS(DP),
JS&AM (MS),	JS&AM(LS),	JS&AM (Air),	
JS(G/Air),	JS(C&W),	JS(PIC),	JS(O/N)
CCR&D(R),	All FMs,	Dir. (Fin./Acq),	
Dir. (Fin./Navy),	Dir. (Fin./AF/Og),		
Dir. (Fin.AF/Acq),	Dir. (Fin./O)	DFA (Navy).	

Copy also to for similar action:—

ADGFP, Army HQ
ACNS(PP), Naval HQ
ACAS (Fin. P), Air HQ
DG of, ATVP, DGQA
Dte of Standardisation, DGAQA,

MINISTRY OF DEFENCE (FINANCE)

(BUDGET DIVISION)

South Block, New Delhi

Subject: Monitoring and Control of Defence Expenditure against the sanctioned Grant/ Appropriation

Instructions have been issued from time to time to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses. For this purpose Departmental Monitoring Groups headed by FA(Acq) in respect of Acquisition heads and Addl. FAs & JS in respect of other heads are required to hold regular meetings to review the progress and trends of expenditure and to identify steps to be taken to prevent excess/savings under various heads and bunching of expenditure towards the end of the financial year.

2. While examining the 'Excess over Voted Grants and Charged Appropriation (2005-2006)' the Public Accounts Committee (14th Lok Sabha) in their 54th Report have observed that "the trend of incurring excess expenditure despite obtaining supplementary grants continues indicating that not only the Budget Estimates are not adequately made, even at the Supplementary Demand Stage requirements projected are not realistic".

3. Keeping in view the above observations of the Public Accounts Committee, it is once again emphasized that strict and regular watch should be kept over the pace of expenditure to avoid excessive rush of expenditure, particularly towards the end of the financial year, and also limiting the expenditure to the allocation authorized by Ministry of Finance and the Parliament. In case the amount of a Grant falls short of the requirement, a supplementary grant may be obtained before the expenditure is incurred. While obtaining supplementary demands for grants, the amount of supplementary demand may be assessed realistically so that the amount of Supplementary Grant neither falls short of the actual requirement resulting in excess expenditure as pointed out by the Public Accounts Committee, nor the amount is drawn in excess of the requirement resulting finally in surrender of the amount of grant.

4. The above instructions as well as the earlier instructions issued on the subject should be followed scrupulously in order to avoid any excess expenditure against any Grants. Service HQrs/Departments 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 excess expenditure. Office of the

CGDA may also issue suitable instructions to all concerned to ensure that payments are authorized only against availability of funds.

Sd/-
(Mukesh Kumar Sinha)
Director (Fin/Budget)

FA (Acq)

All Joint Secretaries/Addl. FAs & JS/FMs

Addl. DGFP, PDNP, D Fin. P, DGOF

CCR&D, DGQA, DGNCC, DGMF, DGAQA

CGDA, Dte of Standardisation

MoD (Fin.) ID No. 10(7)/Bud-I/2007 dated 9th September, 2008.

Copy to:—

1. Deptt. of Economic Affairs (Budget Division), Ministry of Finance
2. DGADS.

ANNEXURE VII

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
(FINANCE/BUDGET)

EXCESS NOTE

NOTE FOR PUBLIC ACCOUNTS COMMITTEE IN RESPECT OF EXCESS OCCURRED UNDER REVENUE SECTION (VOTED) OF GRANT NO. 24—DEFENCE ORDNANCE FACTORIES, AS DISCLOSED IN THE UNION GOVERNMENT APPROPRIATION ACCOUNTS (DEFENCE SERVICES) FOR THE YEAR 2008-2009

GRANT NO. 24—DEFENCE SERVICES—ORDNANCE FACTORIES

(Rs. in lakh)

REVENUE SECTION (VOTED)

Original Grant	:	Rs. 110899
Supplementary Grant	:	Rs. 171576
Total Grant	:	Rs. 282475
Actual expenditure	:	Rs. 295700
Excess	:	Rs. 13225
Surrender during the year	:	Rs. NIL

2. Under Revenue Section (Voted) of Grant No. 24—Defence Services—Ordnance Factories for the year 2008-2009 the total provision was Rs. 28247500 thousands. Against this, the expenditure of Rs. 29569987 thousands was incurred resulting in Excess of Rs. 1322487 thousands.

3. The excess of Rs. 1322487 thousands was the net effect of total exceses of Rs. 2374833 thousands (voted) and total savings of Rs. 1052346 thousands (voted) under various sub-heads of the Grant. The sub-heads under which excess occurred and reasons therefor are explained as below:—

MAJOR HEAD 2079

(i) Minor Head-054	*(Rs. in lakh)*
Original Grant	Rs. 207500
Supplementary Grant	Rs. 113600
Re-appropriation	(-)Rs. 39100
Total Grant	Rs. 282000
Actual expenditure	Rs. 285854
Excess	Rs. 3854

The excess of Rs. 3854 lakh in the Final Grant was mainly due to higher booking than estimated after Feb, 09 in Defence Security Corps etc.

(ii) Minor Head—105 *(Rs. in lakh)*

Original Grant	:	Rs. 8000
Supplementary Grant	:	NIL
Re-appropriation	:	(-) Rs. 800
Total Grant	:	Rs. 7200
Actual expenditure	:	Rs. 7362
Excess	:	Rs. 162

The excess of Rs. 162 lakh in the Final Grant was mainly due to involvement of various expenditure booking agencies all over India, resulting in non-matching of expenditure with the projected figures.

(iii) Minor Head — 106 *(Rs. in lakh)*

Original Grant	:	Rs. 30000
Supplementary Grant	:	NIL
Re-appropriation	:	(-)Rs. 2900
Total Grant	:	Rs. 27100
Actual expenditure	:	Rs. 27622
Excess	:	Rs. 522

The excess of Rs. 522 lakh in the Final Grant was mainly due to foreign exchange rate variation.

(iv) Minor Head — 901 to 904 *(Rs. in lakh)*

Original Grant	:	(-)Rs. 659716
Supplementary Grant	:	Rs. 13843
Re-appropriation	:	(+)Rs. 14325
Total Grant	:	(-)Rs. 631548
Actual expenditure	:	(-)Rs. 612338
Excess	:	Rs. 19210

The excess of Rs. 19210 lakh in the final Grant is due to issue of operating platform for CRN-91 and higher supply to DRDO.

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

5. In order to avoid recurrence of any savings, instruction have been issued to all concerned emphasizing the need to follow the instructions issued on the subject more scrupulously and to monitor the progress of expenditure in vigilant/stricter manner

apart from projecting the demands on factual basis and to the barest minimum depending on the actual requirements/obligations. To achieve the objective, Service HQrs/Deptt. have also been requested to issue necessary instructions to all budget controlling authorities under their lower formations to follow the instructions already issued on the subject meticulously so as to avoid any saving.

6. Earlier, instructions had been issued *vide* MoD (Fin) ID No. 17(1)/B-I/1999 Dated 13-12-2005 and 27-1-2006 (copies enclosed) to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses. In addition, Inter Departmental Monitoring Groups headed by FA (Acq) in respect of Acquisition Heads and Addl. FAs in respect of other Heads have been requested *vide* MoD (Fin) ID No. 17(3)/B-I/2004 Dated 01-08-2007, 25.09.2009 and 31.05.2010 (copies enclosed) to hold regular meetings so as to prevent occurrence of excesses/savings under various Heads and bunching of expenditure towards the end of financial year.

7. F.A. (Acq) and all Addl F.As besides Services HQrs have also been requested *vide* Min of Def (Fin) ID No. 17(3)/B-I/2004 Dated 24-7-2006 and ID No. 10(7)/Bud-I/2007 Dated 09-09-2008 (copies enclosed) to ensure the progress of expenditure to the tune of 67% of the BE allocation by December as directed by Finance Minister. It has also been advised that for Supplementary Demands (for grants), the amount of supplementary demand may be assessed realistically so that the amount of Supplementary Demand neither falls short of the actual requirement resulting in excess expenditure, nor the amount is drawn in excess of the requirement resulting finally in surrender of the amount of supplementary.

8. In the circumstances explained above, the excess of Rs. **1322487** thousand may kindly be recommended for regularization by the Parliament under Article 115(i)(b) of the Constitution.

Sd/-
(AMIT COWSHISH)
JS & ADDL. FA(A)

File No. 17(1)/B-I/2010

MOST IMMEDIATE

MINISTRY OF DEFENCE (FINANCE)
(BUDGET-I)

Subject: Monitoring and control of Defence expenditure—2005-2006.

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

2. The Standing Committee on Defence while examining the Demands for Grants for the year 2002-2003 and 2003-04 had taken a serious view of the unspent funds and had recommended that the amounts allotted should be fully utilised for the purchase of new weapon systems, modernisation and upgradation of the existing systems so as to ensure that no surrender of funds is made. Further, the C&AG has also commented adversely in the past on the overall unspent provisions *vis-a-vis* the budgetary outlays. In this regard, necessary instructions were issued *vide* MoD ID No. 10(1)/B-I/2002 dated 8/10/2002 to all concerned to monitor the progress of expenditure constantly in a more vigilant manner. Services HQrs./Departments had also been requested to issue instructions in this regard to all the Budget Controlling Authorities under their administrative control to eliminate instances of large scale savings/excess.

3. During a recent meeting with Financial Advisors of various Ministries of Govt. of India, Finance Minister reviewed the implementation of his directions issued last year regarding expenditure of minimum 67% of BE allocation by December and emphasized that no Ministry/Department would be permitted to spend more than 1/3rd of their Budgetary allocation after December. Finance Minister has directed that in 2005-06, no explanation will be accepted for exceeding 33% in the last quarter. All concerned must plan right from now to ensure proper pace of expenditure. He has also directed that in case any Ministry/Deptt. is not able to spend 67% by December end, it will not be allowed to spend more that 33% in the last quarter. In this regard, a letter No: 11(23)B-I/2004, dated 24-5-2005 may please be referred to.

4. The trend of expenditure during the current financial year indicates that unless effective monitoring and control is exercised, savings may result under various revenue and capital heads. With a view to ensuring a constant and uniform pace of expenditure *vis-a-vis* the sanctioned provisions it is essential that the progress of expenditure is monitored at all levels and contained within the sanctioned allocations in order to avoid any large scale savings or excesses.

5. The Monitoring Groups headed by FA(Acq) (in respect of acquisition heads) and Addl. FAs (in respect of rest of the heads) are, therefore, requested to hold regular meetings on a fortnightly basis during December, 2005 and January, 2006 and on weekly basis in February and March, 2006 so as to prevent excesses/savings under

various Heads and bunching of expenditure towards the year end, duly taking into account all factors like actual drawal from LCs, status of contracted and uncontracted schemes, supply position in respect of contracts, progress of civil works, etc. It is pertinent to mention that CGDA now provides weekly compilation of expenditure from August, 2005 to this Ministry to enable us to monitor the progress of expenditure effectively.

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

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

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

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

Copy to :

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

MOST IMMEDIATE

MINISTRY OF DEFENCE (FINANCE)
BUDGET-I

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

Reference: MoD (Fin.) I.D. No. 17(1)/B-1/1999 dated 13.12.2005.

It may be recalled that the above referred note was issued with the request that the Monitoring Groups headed by FA (Acquisition) (in respect of Acquisition Heads) and Additional FAs (in respect of rest of the Heads) may hold regular meetings on a fortnightly basis during December, 2005 and January 2006 and on weekly basis in Feb. and March 2006 so as to prevent excesses/savings under various Heads and bunching of expenditure towards the year end, duly taking into account all factors like actual drawl from LCs, status of contracted and uncontracted schemes, supply position in respect of contracts, progress of civil works etc.

2. It is observed from the CGDA's compilation for the month of December 2005 that the progress of expenditure is very slow particularly in Capital Heads. Keeping this in view the Defence Secretary had taken a meeting on 20th January, 2006 reiterating that the real challenge before us is to ensure that the allocation made is fully expended. It is, therefore, requested that all efforts be made to meet the expenditure target against budgetary allocation and to ensure that no surrenders are made at any stage.

Sd/-
(AMIT COWSHISH)
Addl. FA(A) & J.S.

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

IFA, CIDS & SFC

MoD (Fin) ID No 17(1)/B-I/1999 dated 27.01.2006.

Copy to:

DG(Acq)	AS(I)	AS(DP).
JS&AM(MS)	JS&AM(LS).	JS&AM(Air),
JS(O/N),	JS(G/Air),	JS(C&W)
JS(PIC),	CCR&D(R),	AII FMs
Dir.(Fin./Acq),	Dir.(Fin./Navy),	Dir.(Fin./AF/Og)
Dir.(Fin.AF/Acq),	Dir.(Fin./O)	DFA(Navy).

MINISTRY OF DEFENCE
(FINANCE/BUDGET)
***

Sub: Monitoring and Control of Defence Expenditure.

Ref: **(i) Ministry of Defence ID No. 34(4)/2006/D(O & M) dt. 11.07.2006.**

(ii) Ministry of Defence (Fin) ID No. 17(3)/B.I/2004 dt. 24.07.2006.

Instructions have been issued from time to time regarding monitoring of progress of defence expenditure. For this purpose Departmental Monitoring Groups headed by FA(Acq) in respect of Acquisition heads and Addl. FAs in respect of other heads are required to hold regular meetings so as to prevent excesses/savings under various Heads and bunching of expenditure towards the end of financial year.

2. As per the existing instructions, minutes of the monthly meeting are required to be submitted to the FA(DS) for information and a copy of the minutes is also required to be sent to the Budget Section. However, during the current financial year, Budget Section has not received copies of the minutes of such meetings.

3. In the meetings taken by the R.M. on 4th April 2007 and 7th May 2007, he had, *inter alia*, given the following directions:—

(a) Funds should not be parked with the PSUs in desperation and that there should be proper jointness among the three Services.

(b) The targets including procurement targets to be achieved in a phased manner. January should be the deadline and efforts should begin with first quarter only.

This may please be kept in view while reviewing progress of expenditure.

4. It is, therefore, reiterated that regular meetings may please be held to monitor the progress of expenditure so as to prevent excesses/savings under various Heads and bunching of expenditure towards the end of financial year. The minutes of the meeting explaining, *inter alia*, the position regarding budgetary targets/deviations, if any, and corrective measures adopted may please be put up to FA(DS) regularly and copy endorsed to Director (Fin/Budget).

Sd/-

(MUKESH KUMAR SINHA)
Director (Fin/Budget)

FA(Acq) & Addl. Secy.	For acquisition cases of three Services & HQ IDS.
Addl. FA(M) & JS	for Air Force, Army (Q, A G & CG).
Addl. FA(H) & JS	for DGOF.
Addl. FA(AM) & JS	for DGQA, Army (Land & Works).
Addl. FA (J) & JS	for R & D (including ATVP, Dte. of Std, DGAQA, etc.)
Addl. FA(A) & JS	for Ord/Navy (Other than Acquisition Heads), Coast Guard & HQ IDS

MOD(Fin) ID No. 17(3)/B-I/2004 dated 1.8.2007.

MINISTRY OF DEFENCE

(FINANCE/BUDGET)

Sub: Monitoring and Control of Defence Expenditure.

Instructions have been issued from time to time regarding monitoring of progress of defence expenditure. For this purpose Departmental Monitoring Groups headed by FA(Acq) in respect of Acquisition heads and JS & Addl. FAs in respect of other heads are required to hold regular meetings so as to prevent excesses/savings under various Heads and bunching of expenditure towards the fag end of financial year.

2. As per the existing instructions, minutes of these meeting are required to be submitted to the Secretary (Defence Finance) for information and a copy of the minutes is also required to be sent to the Budget Section. However, during the current financial year, Budget Section has not received copies of the minutes of any such meetings. It is, therefore, requested that the meetings may be held regularly.

3. While reviewing progress of expenditure, it may be kept in view that:

(a) Funds are not parked with the PSUs and that there is proper jointness among the three Services.

(b) Rush of expenditure towards the end of the financial year continues to be an area of concern. As per extant instructions, as brought out in the economy instructions issued by Deptt. of Expenditure on 5th June, 2008, not more than one-third (33%) of the Budget Estimates may be spent in the last quarter of the financial year.

(c) As stipulated in the economy instructions issued by Deptt. of Expenditure on 5th June, 2008, all advance payments to implementing/production agencies for any scheme/project/acquisition are limited to 10% of the approved financial outlay in the fiscal year. Subsequent payments must be strictly related to deliverables/milestones. This restriction may be applicable in the case where expenditure is effected through a contract.

(d) Prior approval of Department of Expenditure is required for re-appropriation under a sub-head by a sum of Rs. 5 crore or more and it must indicate matching savings under the relevant sub-head.

(e) Economic measures as per instructions issued by Department of Expenditure from time to time are observed. As there is need for further economy and rationalization of expenditure, the guidelines issued by Deptt. of Expenditure on 7th September, 2009 towards austerity measures especially towards 10% cut on Non-Plan expenditure under the following heads may be observed:—

(i) Domestic and Foreign Travel expenses

(ii) Publications

(iii) Professional Services

(iv) Advertising and Publicity

(v) Office expenses

(vi) POL (except for security related requirement)

(vii) Other administrative expenses

4. It has been observed that instances of excesses/savings under different grants of the Defence Services are reported in the Report of C&AG of India highlighting improper management of Defence expenditure. With a view to ensuring a constant and uniform pace of expenditure *vis-a-vis* the sanctioned provisions it is essential that the progress of expenditure is monitored at all levels and contained within the sanctioned allocations in order to avoid any large scale savings or excesses. It is, therefore, reiterated that regular meetings may please be held to monitor the progress of expenditure so as to prevent excess/savings under various Heads and bunching of expenditure towards the end of financial year. The minutes of the meeting explaining, *inter alia*, the position regarding budgetary targets/deviations, if any, and corrective measures adopted may please be submitted to Secretary (Defence Finance) regularly and copy endorsed to Director (Fin/Budget).

5. The above instructions as well as the earlier instructions issued on the subject should be followed scrupulously in order to avoid any excess expenditure against any Grants. Service HQrs/Departments 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 excess expenditure/savings. Office of the CGDA may also issue suitable instructions to all concerned to ensure that payments are authorized only against availability of funds.

Sd/-

(AMIT COWSHISH)
JS & Addl. FA (A)

FA (Acq)

All Joint Secretaries/JS & Addl. FAs/FMs

DG FP, PDNP, D Fin. P, DGOF

CCR&D, DGQA, DGNCC, DGMF, DGAQA, Dte. of Standardisation, CGDA

MoD (Fin) ID No. 17(4)/Cir/Bud-I/2006 dated 25th September, 2009

Copy for information to:—

1. Deptt. of Economic Affairs (Budget Division), Ministry of Finance

2. DGADS.

MINISTRY OF DEFENCE (FINANCE)
(BUDGET DIVISION)

Subject: Monitoring and Control of Defence Expenditure.

Ref. : **(i) MoD (Fin) ID No. 17(4)/Cir/Bud-I/2006 dated 25th September, 2009**
(ii) MoD (Fin) ID No. 10(7)/Bud-I/2007 dated 9th September, 2008
(iii) MoD (Fin) ID No. 17(3)/B-I/2004 dated 1.8.2007
(iv) MoD (Fin) ID No. 17(3)/B-I/2004 dated 24.7.2006
(v) MoD (Fin) ID No. 17(1)/B-I/1999 dated 13.12.2005.

Instructions have been issued from time to time *vide* above mentioned references, as well as the previous ones, to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses. For this purpose, Departmental Monitoring Groups headed by FA(Acq) in respect of Acquisition heads and JS & Addl. FAs in respect of other heads are required to hold regular meetings to review the progress and trends of expenditure and to identify steps to be taken to prevent excess/savings under various heads and bunching of expenditure towards the end of the financial year.

2. Public Accounts Committee as well as the C & AG of India have been commenting on recurring instances of excess expenditure in some Grants of Defence Services in their reports. Most recently an excess expenditure of Rs. 71.19 crore in the Grant No. 22—Defence Service (Army) for the year 2007-08 has been pointed out in the 7th Report of the PAC (15th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2007-2008)", which requires regularization by the Parliament under Article 115(1)(b) of the Constitution.

3. As per the existing instructions, a copy of the minutes of the meeting of the Monitoring Group is to be sent to the office of the Secretary (Defence Finance) for the information of the Secretary (Defence Finance). However, such copies are being received infrequently, which indicates that the Monitoring Groups for controlling Defence expenditure are not meeting regularly.

4. It is, therefore, again reiterated that in order to ensure even flow of expenditure and to avoid any excess expenditure/savings in any Grant, the instructions issued on 'Monitoring and Control of Defence Expenditure' should be followed strictly and meetings of the Monitoring Groups should be held regularly. The proceedings of such meetings should invariably be endorsed to the Secretary (Defence Finance).

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

FA (Acq)
All Joint Secretaries/Addl. FAs & JS/FMs
DG FP, ACNS (P&P), ACAS (Fin P), DGOF
CCR&D (R&M), DGQA, DGNCC, DGMF, DGAQA, Dte. of Standardisation
CGDA

MoD (Fin) ID No. 17(4)/Cir/Bud-I/2006 dated 31st May, 2010
Copy for information to:—
PS to Secretary(Def Fin)

MINISTRY OF DEFENCE (FINANCE)
(BUDGET-I)

Sub: Monitoring and Control of Defence Expenditure 2006-2007 — Meeting held by RM.

Ref: MoD ID No. 34(4)/2006/D (O&M), dated 11.7.06.

Instructions have been issued from time to time to monitor the progress of Defence expenditure at all levels to avoid any largescale savings or excesses. For this purpose Departmental Monitoring Groups headed by FA (Acq) in r/o Acquisition heads and Addl. FAs in r/o other heads have been constituted and requested to hold regular meetings so as to prevent excesses/savings under various Heads and bunching of expenditure towards the end of financial year.

2. In this connection R.M. also took a meeting of the senior officers and gave some directions about important issues including meeting the expenditure targets. He also observed that the progress of expenditure in the current year so far was poor and therefore desired that the short fall should be made up in the 2nd and 3rd quarter so that the stipulated 67% expenditure can be achieved by 31st Dec., 2006. The deadline has to be followed and targets fulfilled. He also indicated that if the expenditure progresses speedily, he could even propose for more funds for Defence in Supplementary Demands during the winter session of Parliament and even demand higher allocation for the next year.

3. The Defence Secretary in the same meeting also observed that two-third of budgetary provision should be spent by the end of calender year. If this is not done expeditiously and cases languish, it will be difficult to resolve the matter at the end of the year resulting in surrender of funds. The existing procedure of decision making by a collegium of officers can be expanded by including experienced officers from Forces and complemented by Defence Finance/CGDA and other senior officials. There should be a thorough review every month on the progress made.

4. The above observations of the R.M. and the Defence Secretary are mainly based on the fact that the CGDAs All India Compilation for the month of June, 2006 shows a very slow progress of expenditure particularly under capital heads.

5. It is therefore, requested that all efforts be made at all levels to meet the expenditure target against budgetary allocation and ensure that no surrenders are made at any stage.

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

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

Addl. FA (J) for R&D (including ATVP, Date of Std., DGAQA)
Addl. FA(A) for Ordnance/Navy (Other than Acquisition Heads)

IFA (CIDS & SFC)

MOD (Fin.) ID No. 17(3)/B-I/2004 dated 24.7.2006.

Copy to:
DG(Acq.) AS(J), AS(B), AS(DP),
JS&AM(MS), JS&AM(LS), JS&AM (Air), JS (G/Air), JS (C&W), JS (PIC), JS (O/N),
CCR&D(R), All FMs, Dir. (Fin./Acq.),
Dir. (Fin./Navy), Dir. (Fin./AF/Og),

Dir. (Fin. AF/Acq), Dir. (Fin./O) DFA(Navy)

Copy also to for similar action:—

ADGFP, Army HQ
ACNS (PCP), Naval HQ
ACAS (Fin. P), Air HQ
DGOF, ATVP, DGQA
Date of Standardisation, DGAQA

MINISTRY OF DEFENCE (FINANCE)
(BUDGET DIVISION)

South Block, New Delhi

Subject: Monitoring and Control of Defence Expenditure against the sanctioned Grant/ Appropriation.

Instructions have been issued from time to time to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses. For this purpose Departmental Monitoring Groups headed by FA (Acq.) in respect of Acquisition heads and Addl. FAs & JS in respect of other heads are required to hold regular meetings to review the progress and trends of expenditure and to identify steps to be taken to prevent excess/savings under various heads and bunching of expenditure towards the end of the finanicial year.

2. While examing the 'Excess over Voted Grants and Charged Appropriation (2005-2006)' the Public Accounts Committee (14th Lok Sabha) in their 54th Report have observed that "the trend of incurring excess expenditure despite obtaining supplementary grants continues indicating that not only the Budget Estimates are not adequately made, even at the Supplementary Demand Stage requirements projected are not realistic".

3. Keeping in view the above observations of the Public Accounts Committee, it is once again emphasized that strict and regular watch should be kept over the pace of expenditure to avoid excessive rush of expenditure, particularly towards the end of the financial year, and also limiting the expenditure to the allocation authorized by Ministry of Finance and the Parliament. In case the amount of a Grant falls short of the requirement, a supplementary grant may be obtained before the expenditure is incurred. While obtaining supplementary demands for grants, the amount of supplementary demand may be assessed realistically so that the amount of Supplementary Grant neither falls short of the actual requirement resulting in excess expenditure as pointed out by the Public Accounts Committee, not the amount is drawn in excess of the requirement resulting finally in surrender of the amount of grant.

4. The above instructions as well as the earlier instructions issued on the subject should be followed scrupulously in order to avoid any excess expenditure against any Grants. Service HQrs./Departments 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 excess expenditure. Office of the CGDA may also issue suitable instructions to all concerned to ensure that payments are authorized only against availability of funds.

Sd/-
(MUKESH KUMAR SINHA)
Director (Fin./Budget)

FA (Acq.)
All Joint Secretaries/Addl. FAs & JS/FMs
Addl. DGFP, PDNP, D Fin. P, DGOF
CCR&D, DGQA, DGNCC, DGMF, DGAQA
CGDA, Date of Standardisation

MoD (Fin.) ID No. 10(7)/Bud.-I/2007 dated 9th September, 2008.

Copy to:—

1. Deptt. of Economic Affairs (Budget Division), Ministry of Finance.
2. DGADS.

Explanatory note for Public Accounts Committee for Regularisation of Excess Over Voted/Charged Portion of Grants/Appropriation during the year 2008-09

During the year 2008-09, there was an overall net saving of Rs. 11318.46 crore under all Grants and Appropriations, which constitutes 7.04 per cent of the total provision of Rs. 160701.54 crore.

The net saving was the result of gross saving of Rs. 11838.27 crore under 10 Voted Grants (*i.e.* 09 Revenue and four segments of Works Grant No. 16 *i.e.* Capital, Railway Funds, OLWR and RSF) and 10 Charged Appropriations (*i.e.* 09 Revenue and two segments of Works Appropriation No. 16 *i.e.* Railway Funds and RSF) and gross excess of Rs. 519.81 crore under 06 Voted Grants and 03 Charged Appropriations (*i.e.* 2 Revenue and one segment of Works Appropriation No. 16 *i.e.* Capital).

The gross excess of Rs. 519.81 crore was made up of Rs. 502.70 crore under Voted Grants and Rs. 17.11 crore under Charged Appropriations constituting 1.88 per cent of the total provisions of Rs. 27593.59 crore under those Grants/Appropriations where excess occurred.

The gross saving amounting to Rs. 11838.27 crore was made up of Rs. 11789.49 crore under Voted Grants and Rs. 48.78 crore under Charged Appropriations constituting 8.89 per cent of the total provision of Rs. 133107.95 crore under the saving registering Grants/Appropriations. (Reference Paras 26 to 29—Excess/Saving over Voted Grants and Charged Appropriations of the Appropriation Accounts of Indian Railways for the year 2008-09—Part-I—Review).

All excesses grants-wise, are being explained in details in the ensuring paras.

1.2 Excess under Charged Appropriation & Voted Grants.

There is an excess under three Charged Appropriations (3, 5, and Appropriation No. 16—Capital) and six Grants (4, 5, 6, 7, 8, and 15). These Appropriations/Grants are explained as under:—

(a) Charged Appropriations

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

	Rupees
Original Appropriation	8,48,000
Supplementary Appropriation	—
Total Sanctioned Appropriation	8,48,000

Actual Expenditure	9,52,322
Excess	1,04,322
Misclassification	1,25,662
Excess requiring regularisation	2,29,984
Percentage of Excess	27.12

Charged Appropriation of Rs. 8.48 lakh was obtained at the Budget Estimate Stage, which proved to be inadequate and the actual expenditure exceeded the provision as more decretal payments materialised, than anticipated.

There was a misclassification of Rs. 1,25,662 on account of expenditure relating to Charged Appropriation having been wrongly booked as Voted. Thus taking into account the effect of misclassification the real excess requiring regularisation works out to Rs. 2,29,984.

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

	Rupees
Original Appropriation	23,00,000
Supplementary Appropriation	10,89,000
Total Sanctioned Appropriation	33,89,000
Actual Expenditure	35,08,659
Excess	1,19,659
Misclassification	—
Excess requiring regularisation	1,19,659
Percentage of Excess	3.53

Charged Appropriation of Rs. 23.00 lakh was obtained at the Budget Estimate Stage. A Supplementary Charged Appropriation of Rs. 10.89 lakh was sanctioned for additional payments towards satisfaction of court decrees, which proved to be inadequate. The actual payments exceeded the provision by Rs. 1,19,659/- due to more decretal payments, which could not be anticipated earlier.

The excess requiring regularisation is Rs. 1,19,659/- which is the same as disclosed in the Appropriation Accounts.

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

	Rupees
Original Appropriation	17,20,00,000
Supplementary Appropriation	5,00,00,000

Total Sanctioned Appropriation	22,20,00,000
Actual Expenditure	39,28,59,223
Excess	17,08,59,223
Misclassification	—
Excess requiring regularisation	17,08,59,223
Percentage of Excess	76.96

Charged Appropriation of Rs. 1720.00 lakh was obtained at the Budget Estimate Stage. A Supplementary Charged Appropriation of Rs. 500.00 lakhs was sanctioned for additional payments towards satisfaction of court decrees, which proved to be inadequate and the actual expenditure exceeded the provision by Rs. 17,08,59,223/- as more decretal payments were made, which could not be anticipated earlier.

The excess requiring regularisation is Rs. 17,08,59,223/-, which is the same as disclosed in the Appropriation Accounts.

(b) Voted Grants.

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

Rupees	
Original Grant	5407,69,94,000
Supplementary Grant	432,51,11,000
Total Sanctioned Grant	5840,21,05,000
Actual Expenditure	5944,26,92,825
Excess	104,05,87,825
Misclassification	2,51,65,892
Excess requiring regularisation	106,57,53,717
Percentage of Excess	1.82%

A Grant of Rs. 5407.70 crore was obtained at the Budget Estimate stage and a Supplementary Grant of Rs. 432.51 crore was obtained in February' 2009 mainly to pay higher staff cost due to implementation of the recommendations of the VIth Central Pay Commission. The actual expenditure of Rs. 5944.27 crore was Rs. 104.06 crore more than the total sanctioned provision of Rs. 5840.21 crore. There was a net effect of Rs. 2,51,65,892/- on account of misclassification of expenditure. The excess thus worked out to Rs. 106.58 crore.

The excess mainly occurred under the following Minor heads:—

(a) Establishment in Offices (100) (Rs. 34.96 crore), mainly due to incurrence of more expenditure towards staff cost due to implementation of the recommendations of the

VIth Central Pay Commission. (b) Maintenance of Permanent Way (200) (Rs. 121.00 crore), mainly due to incurrence of more expenditure towards staff cost, more drawal of stores from stock, materialisation of more contractual obligations and more direct purchases, than anticipated. (c) Maintenance of Service Buildings (Other than staff quarters and Welfare Buildings) (400) (Rs. 8.25 crore), mainly due to incurrence of more expenditure towards staff cost, procurement of more non-stock items and materialisation of more contractual obligations, than anticipated.

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

(a) Maintenance of Bridge Work and Tunnels including Road Over/Under Bridges (300) (Rs. 9.26 crore), mainly due to less drawal of stores from stock and materialisation of less contractual payments, than anticipated (b) Water Supply, Sanitation and Roads (Other than Colonies, Staff Quarters and Welfare Buildings) (500) (Rs. 0.52 crore), mainly due to incurrence of less expenditure towards contractual payments, than anticipated. (c) Other Repairs and Maintenance (600) (Rs. 3.08 crore) mainly due to less expenditure towards staff cost and less contractual payments made, than anticipated. (d) Special Repairs pertaining to Breaches, Accidents etc. including Special Revenue Works (700) (Rs. 47.29 crore), less procurement of stock and non-stock material, less drawal of stores from stock and less materialisation of contractual obligations, than anticipated.

The excess, therefore, requiring regularisation from Parliament works out to Rs. 106,57,53,717/- (i.e. 1.82% of the total sanctioned provision).

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

	Rupees
Original Grant	2570,49,58,000
Supplementary Grant	258,62,14,000
Total Sanctioned Grant	2829,11,72,000
Actual Expenditure	2924,36,28,565
Excess	95,24,56,565
Misclassification	7,84,14,221
Excess requiring regularisation	103,08,70,786
Percentage of Excess	3.64

A Grant of Rs. 2570.50 crore was obtained at the Budget Estimate stage and a Supplementary Grant of Rs. 258.62 crore was obtained in February' 2009 mainly to pay higher staff cost due to implementation of the recommendations of the VIth Central Pay Commission. The actual expenditure of Rs. 2924.36 crore was Rs. 95.24 crore more than the total sanctioned provision of Rs. 2829.12 crore. There was a net effect of Rs. 7,84,14,221/- on account of misclassification of expenditure. The excess thus worked out to Rs. 103.09 crore.

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

(a) Establishment in Offices (100) (Rs. 0.28 crore), mainly due to incurrence of more expenditure towards staff cost due to implementation of the recommendations of the VIth Central Pay Commission. (b) Diesel Locomotives (300) (Rs. 59.84 crore), mainly due to more expenditure towards staff cost, more drawal of stores from stock, more contractual payments and adjustment of more debits, than anticipated. (c) Electric Locomotives (500) (Rs. 51.59 crore), mainly due to more drawal of stores from stock, more direct purchases, more adjustment of wages and materials on POH and also due to materialisation of more contractual payments, than anticipated.

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

(a) Steam Locomotives (200) (Rs. 1.25 crore), mainly due to less materialisation of less contractual obligations and less direct purchases, than anticipated. (b) Rail Cars, Ferry Steamers and Other Maintenance Expenses (600) (Rs. 15.22 crore), mainly due to realisation of more credits and incurrence of less other miscellaneous expenses, than anticipated.

The excess, therefore, requiring regularisation from Parliament works out to Rs. 103,08,70,786/- (i.e. 3.64% of the total sanctioned provision).

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

	Rupees
Original Grant	5435,35,64,000
Supplementary Grant	845,19,03,000
Total Sanctioned Grant	6280,54,67,000
Actual Expenditure	6430,23,89,039
Excess	149,69,22,039
Misclassification	7,55,63,115
Excess requiring regularisation	157,24,85,154
Percentage of Excess	2.50

A Grant of Rs. 5435.36 crore was obtained at the Budget Estimate stage and a Supplementary Grant of Rs. 845.19 crore was obtained in February' 2009 mainly to pay higher staff cost due to implementation of the recommendations of the VIth Central Pay Commission. The actual expenditure of Rs. 6430.24 crore was Rs. 149.69 crore more than the total sanctioned provision of Rs. 6280.55 crore. There was a net effect of Rs. 7,55,63,115/- on account of misclassification of expenditure. The excess thus worked out to Rs. 157.25 crore.

The excess mainly occurred under the following Minor heads:—

(a) Establishment in Offices (100) (Rs. 0.94 crore), mainly due to incurrence of more expenditure towards staff cost due to implementation of the recommendations of the VIth Central Pay Commission. **(b) Carriages (200) (Rs. 55.79 crore),** mainly due to adjustment on account of more wages and materials on POH debits due to increase in POH activities and increase in unit cost on account of implementation of VIth Pay Commission. **(c) Wagons (300) (Rs. 37.61 crore),** mainly due to adjustment of more debits on account of POH of wagons and increase in unit cost on account of implementation of VIth Pay Commission. (d) Electric Multiple Unit Coaches (400) (Rs. 41.99 crore), mainly on account of more expenditure towards staff cost, more drawal of stores from stock and more direct purchases, than anticipated **(e) Electrical General Services—Trainlighting, Fans and Air-conditioning (500) (Rs. 66.96 crore),** mainly towards staff cost due to implementation of the recommendations of the VIth Central Pay Commission, more drawal of stores from stock more direct purchases, adjustment of more debits and materialisation of more contractual obligations, than anticipated.

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

(a) Miscellaneous Repairs and Maintenance Expenses (600) (Rs. 30.86 crore), mainly due to realisation of more credits through Stock Adjustment Account, than anticipated. **(b) DMU Coaches (700) (Rs. 22.74 crore),** mainly due to adjustment of less debits and materialisation of less contractual obligations, than anticipated.

The excess, therefore, requiring regularisation from Parliament works out to Rs. 157,24,85,154/-(*i.e.* 2.50% of the total sanctioned provision).

(iv) Grant No. 7:— Working Expenses — Repairs and Maintenance of Plant & Equipment.

	Rupees
Original Grant	2958,51,44,000
Supplementary Grant	371,08,19,000
Total Sanctioned Grant	3329,59,63,000
Actual Expenditure	3345,53,46,651
Excess	15,93,83,651
Misclassification	(-) 2,86,37,475
Excess requiring regularisation	13,07,46,176
Percentage of Excess	0.39

A Grant of Rs. 2958.51 crore was obtained at the Budget Estimate stage and a Supplementary Grant of Rs. 371.08 crore was obtained in February' 2009 mainly to pay higher staff cost due to implementation of the recommendations of the VIth Central Pay Commission. The actual expenditure of Rs. 3345.53 crore was Rs. 15.94 crore more than the total sanctioned provision of Rs. 3329.59 crore. There was a net effect of Rs. (-) 2,86,37,475/- on account of misclassification of expenditure. The excess thus worked out to Rs. 13.07 crore.

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

(a) Establishment in Offices (100) (Rs. 42.68 crore), mainly due to incurrence of more expenditure towards staff cost due to implementation of the recommendations of the VIth Central Pay Commission. **(b) Plant & Equipment — Electrical (400) (Rs. 31.87 crore),** mainly on account of more expenditure towards staff cost, more contractual obligations, more drawal of stores from stock and more direct purchases, than anticipated **(c) Plant & Equipment — Signalling (500) (Rs. 20.90 crore),** mainly due to incurrence of more expenditure towards staff cost, more direct purchase of non-stock items, adjustment of more debits and more materialisation of contractual obligations, than anticipated **(d) Plant & Equipment — Telecommunication (600) (Rs. 9.79 crore),** mainly due to incurrence of more expenditure towards staff cost, more direct purchase of non-stock items and materialisation of more contractual payments, than anticipated.

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

(a) Plant & Equipment — Way & Works (200) (Rs. 9.73 crore), mainly due to less drawal of stores from stock and materialisation of less contractual payments, than anticipated. **(b) Plant & Equipment — Mechanical (300) (Rs. 51.46 crore),** mainly due to less expenditure towards staff costs, less materialisation of contractual obligations, less adjustment of debits and less drawal of stores from stock, than anticipated. **(c) Rental to P & T for Signalling and Telecommunication circuits (700) (Rs. 13.92 crore),** mainly on account of decrease in administrative activities and non/ less settlement of bills, than anticipated. **(d) Other Plant & Equipment — General and Traffic Departments (800) (Rs. 14.19 crore),** mainly due to less drawal of stores from stock, less procurement of non-stock items and incurrence of less miscellaneous expenses, than anticipated.

The excess, therefore, requiring regularisation from Parliament works out to Rs. 13,07,46,176/- (*i.e.* 0.39% of the total sanctioned provision).

(v) Grant No. 8 — Operating Expenses — Rolling Stock & Equipment

	Rupees
Original Grant	4040,26,20,000
Supplementary Grant	540,27,88,000
Total Sanctioned Grant	4580,54,08,000
Actual Expenditure	4711,59,77,735
Excess	131,05,69,735
Misclassification	(-) 2,75,51,187
Excess requiring regularisation	128,30,18,548
Percentage of Excess	2.80

A Grant of Rs. 4040.26 crore was obtained at the Budget Estimate stage and a Supplementary Grant of Rs. 540.28 crore was obtained in February' 2009 mainly to pay higher staff cost due to implementation of the recommendations of the VIth Central Pay Commission. The actual expenditure of Rs. 4711.60 crore was Rs. 131.06 crore more than the total sanctioned provision of Rs. 4580.54 crore. There was a net effect of Rs. (-) 2,75,51,187/- on account of misclassification of expenditure. The excess thus worked out to Rs. 128.30 crore.

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

(a) Steam Locomotives (100) (Rs. 0.04 crore), Minor variation **(b) Diesel Locomotives (200) (Rs. 53.99 crore),** mainly due to more expenditure towards staff cost on account of implementation of VIth Pay Commission's recommendations **(c) Electric Locomotives (300) (Rs. 73.81 crore),** mainly due to more expenditure towards staff cost on account of implementation of VIth Pay Commission's recommendations **(d) Carriages and Wagons (500) (Rs. 7.61 crore),** mainly due to more expenditure towards staff cost on account of implementation of 6th Pay Commission's recommendations.

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

(a) Electric Multiple Unit Coaches (400) (Rs. 0.05 crore), Minor variation **(b) Traction (Other than Rolling Stock) and General Electrical Services (600) (Rs. 2.16 crore),** mainly due to less consumption of electric energy, less drawal of stores from stock and less materialisation of contractual obligations, than anticipated. **(c) Signalling and Telecommunication (700) (Rs. 2.16 crore),** mainly due to incurrence of less expenditure towards salary & wages under signalling and less adjustment of stores debits, than anticipated. **(d) Ferry Services and Rail Cars (800) (Rs. 0.02 crore),** Minor variation.

The excess, therefore, requiring regularisation from Parliament works out to Rs. 128,30,18,548/- (i.e. 2.80% of the total sanctioned provision).

(vi) Grant No. 15—Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortisation of Over-Capitalisation:—

	Rupees
Original Grant	4635,88,00,000
Supplementary Grant	75,08,00,000
Total Sanctioned Grant	4710,96,00,000
Actual Expenditure	4717,67,23,341
Excess	6,71,23,341
Misclassification	—
Excess requiring regularisation	6,71,23,341
Percentage of Excess	0.14

A Grant of Rs. 4635.88 crore was obtained at the Budget Estimate stage and a Supplementary Grant of Rs. 75.08 crore was obtained in February' 2009 for making higher payment of dividend to general revenues due to higher dividend bearing capital.

However, this supplementary grant proved to be inadequate and the actual expenditure exceeded the sanctioned provision by Rs. 6.71 crore due to higher booking in Capital.

The excess, therefore, requiring regularisation from Parliament works out to Rs. 6,71,23,341/- (*i.e.* 0.14% of the total sanctioned provision).

2. The Grant wise excesses are relatively small, considering the total volume of transactions spread over the entire Railway System. However, every care has been taken (a) to assess the expenditure under various Appropriation/Grants as precisely as possible and (b) to obtain supplementary allotments where necessary to that excess is avoided to the maximum extant possible.

3. The excess over the Appropriation/Grant as brought out in Para 1.2 (a) & (b) may kindly be recommended for regularisation by Parliament under Article 115 (1) (b) of the Constitution of India.

4. This has been seen by the Audit.

Sd/-
(SAMAR JHA)
Addl. Member (Budget)
Railway Board.

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

ANNEXURE-IX

The details of misclassification of expenditure by the Ministry of Railways under their excess registering Grants/Appropriation during the financial years 1998-99 to 2008-09

[Refers to paragraph 56 of this Report] *(in units of Rs.)*

Sl. No.	Year	No. and Name of Grant/ Appropriation	Amount of Excess Expenditure	Amount of Misclassification	Amount of Excess requiring regularization
1	2	3	4	5	6
1.	1998-99	5-Working Expenses-Repairs and Maintenance of Motive Power (Revenue Voted)	8,90,27,027	(-) 51,14,859	8,39,12,168
		6-Working Expenses-Repairs and Maintenance of Carriages and Wagons (Revenue Voted)	21,49,24,450	2,41,84,107	23,91,08,557
		8-Working Expenses-Rolling Stock and Equipment (Revenue Voted)	31,58,645	68,68,520	1,00,27,165
		11-Working Expenses-Staff Welfare and Amenities (Revenue Charged)	13,08,509	4,74,686	17,83,195
		16-Assets-Acquisition, Construction and Replacement-Other Expenditure-Capital (Capital Charged)	6,81,327	1,57,262	8,38,589
2.	1999-2000	2-Miscellaneous Expenditure-General (Revenue Voted)	94,04,852	7,26,564	1,01,31,416
		6-Working Expenses-Repairs and Maintenance of Carriages and Wagons (Revenue Voted)	2,10,98,783	(-) 1,69,57,089	41,41,694
		10-Operating Expenses-Fuel (Revenue Voted)	54,68,76,568	18,00,151	54,86,76,719
3.	2000-01	16-Assets—Acquisition, construction and Replacement Capital (Capital Charged)	10,17,138	310,410	13,27,548
4.	2001-02	3-Working Expenses—General Superintendence and Services (Revenue Charged)	4,10,031	2,45,448	6,55,479
		4-Working Expenses—Repairs and Maintenance of Permanent Way and Works (Revenue Charged)	13,09,800	(-) 6,01,951	7,07,849
		8-Operating Expenses—Rolling Stock and Equipment (Revenue Charged)	(-) 79,674	1,68,755	89,081
		9-Working Expenses—Operating Expenses—Traffic (Revenue Charged)	19,96,760	70,555	20,67,315
		16-Assets—Acquisition, Construction and Replacement—Capital (Capital Charged)	16,61,592	17,23,223	33,84,815

1	2	3	4	5	6
5.	2002-03	9-Working Expenses-Operating Expenses—Traffic (Revenue Charged)	14,80,779	20,048	15,00,827
		16-Assets—Acquisition, construction and Replacement Capital (Capital Charged)	2,85,42,193	54,07,440	339,49,633
		16-Assets-Acquisition, Construction and Replacement—Special Railway Safety Fund (Capital Voted)	91,51,07,948	(-) 154,46,306	89,96,61,642
6.	2003-04	3-Working Expenses-General Superintendence and Services (Revenue Charged)	14,24,035	4,11,715	18,35,750
		11-Working Expenses-Staff Welfare and Amenities (Revenue Charged)	12,17,518	5,56,933	17,74,451
		16-Assets-Acquisition, Construction and Replacement—Special Railway Safety Fund (Capital Voted)	128,61,36,856	392,42,866	32,53,79,722
		16-Assets-Acquisition, Construction and Replacement—Capital (Capital Voted)	283,10,69,383	(-) 4365,04,707	39,45,64,676
		16-Assets-Acquisition, Construction and Replacement—Capital (Capital Charged)	163,45,841	126,96,531	290,42,372
7.	2004-05	3-Working Expenses—General Superintendence and Services (Revenue Voted)	964,39,447	(-) 364,32,274	6,00,07,173
		4-Working Expenses—Repairs and Maintenance of Permanent Way and Works (Revenue Voted)	2365,20,623	(-) 101,50,460	22,63,70,163
		5-Working Expenses—Repairs and Maintenance of Motive Power (Revenue Voted)	3539,32,816	(-) 2165,87,573	13,73,45,243
		6-Working Expenses—Repairs and Maintenance of Carriages and Wagons (Revenue Voted)	5596,61,544	(-) 203,38,685	53,93,22,859
		9-Working Expenses—Operating Expenses—Traffic (Revenue Voted)	4664,71,007	149,80,306	48,14,51,313
		10-Working Expenses-Operating Expenses-Fuel (Revenue Voted)	6033,30,886	(-)12,46,248	60,20,84,638
		11-Working Expenses-Staff Welfare and Amenities (Revenue Voted)	382,76,567	344,38,385	7,27,14,952
		16-Assets-Acquisition, and Replacement-Capital (Capital Voted)	1389,09,00,134	6988,03,025	58,97,03,159
		16-Assets-Acquisition, Construction and Replacement-Capital (Capital Charged)	31,81,125	102,97,203	1,34,78,328

1	2	3	4	5	6
8.	2005-06	4-Working Expenses-Repairs and Maintenance of Permanent Way and Works (Revenue Voted)	10,16,36,633	(-) 4,34,691	10,12,01,942
	`	6-Working Expenses-Repairs and Maintenance of Carriages and Wagons (Revenue Voted)	27,00,62,503	73,52,475	27,74,14,978
		10-Working Eepenses Operating Expenses-Fuel (Revenue Voted)	95,37,69,503	(-) 23,39,824	95,14,29,679
		16-Assets-Acquisition, Construction and Replacement-Capital (Capital Voted)	21,58,51,64,145	25,65,57,375	21,84,17,21,520
		6-Working Expenses-Repairs and Maintenance of Carriages and Wagons (Revenue Charged)	4,518	10,46,644	10,51,162
		13-Working Expenses-Provident Fund, Pension and Other Retirement Benefits (Revenue Charged)	3,06,970	12,00,640	15,07,610
9.	2006-07	10-Working Expenses-Operating Expenses-Fuel (Revenue Voted)	23,38,74,182	9,22,160	23,47,96,342
		16-Assets-Acquisition, Construction and Replacement-Railway Funds (Capital Voted)	3,25,29,51,095	(-) 2,03,29,51,095	1,21,32,89,008
		12-Working Expenses-Miscellaneous Working Expenses (Revenue Charged)	3,14,50,588	5,09,169	3,19,59,757
		16-Assets-Acquisition, Construction and Replacement-Capital (Capital Charged)	2,75,50,990	5,63,92,016	8,39,43,006
		16-Assets-Acquisition, Construction and Replacement-Railway Funds (Capital Charged)	5,41,52,933	6,00,841	5,47,53,774
10.	2007-08	12-Miscellaneous Working Expenses (Revenue Voted)	23,40,02,612	(-)1,07,08,045	22,32,94,567
		13-Working Expenses-Provident Fund, Pension and Other Retirement Benefits (Revenue Charged)	6,41,764	3,25,041	9,66,805
		16-Assets-Acquisition, Construction and Replacement-Railway Fund (Capital Charged)	27,95,545	2,38,531	30,34,076
11.	2008-09 (Year under review)	4-Working Expenses-Repairs and Maintenance of Permanent Way and Works (Revenue Voted)	104,05,87,825	2,51,65,892	106,57,53,717
		5-Working Expenses-Repairs and Maintenance of Motive Power (Revenue Voted)	95,24,56,565	7,84,14,221	103,08,70,786
		6-Working Expenses-Repairs and Maintenance of Carriages and Wagons (Revenue Voted)	149,69,23,039	7,55,63,115	157,24,85,154

1	2	3	4	5	6
		7-Working Expenses—Repairs and Maintenance of Plant and Equipment (Revenue Voted)	15,93,83,651	(-)2,86,37,475	13,07,46,176
		8-Operating Expenses—Rolling Stock and Equipment (Revenue Voted)	131,05,69,735	(-)2,75,51,187	128,30,18,548
		3-Working Expenses—General Superintendence and Services (Revenue Charged)	1,04,322	1,25,662	2,29,984

APPENDIX-I

MINUTES OF THE NINTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2010-2011) HELD ON 27TH AUGUST, 2010

The Committee sat on Friday, the 27th August, 2010 from 1500 hrs. to 1700 hrs. in Room No. '62', Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ramen Deka
3. Shri Naveen Jindal
4. Shri Satpal Maharaj
5. Shri Bhartruhari Mahtab
6. Dr. K. Sambasiva Rao
7. Shri Jitendra Singh (Alwar)
8. Shri K. Sudhakaran
9. Dr. M. Thambidurai
10. Shri Aruna Kumar Vundavalli

Rajya Sabha

11. Shri Ashwani Kumar
12. Shri Prasanta Chatterjee
13. Shri Tiruchi Siva
14. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Raj Shekhar Sharma — *Director*
2. Shri M.K. Madhusudhan — *Additional Director*
3. Shri Sanjeev Sharma — *Deputy Secretary*
4. Shri D.R. Mohanty — *Under Secretary*

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

1.	Ms. Rekha Gupta	—	Dy CAG., (Report Central),
2.	Shri R.P. Singh	—	Director General of Audit (P&T)
3.	Ms. R. Rajalakshmi	—	Director General of Audit (Railways)
4.	Ms. Shubha Kumar	—	Pr. Director (RC)
5.	Shri Bhawani Shankar	—	Director, AMG-II (ESM)
6.	Shri Kulwant Singh	—	Director, AMG-IV (CE)

*** *** ***

5. The Committee, thereafter, took up for consideration and adoption the following Draft Reports:

(i) Draft Report on 'Excesses over Voted Grants and Charged Appropriations (2008-09)'

*** *** ***

6. After some deliberations, the Chairman desired that suggestions/modifications, if any, to the above mentioned Draft Reports may be communicated to the Secretariat in writing for suitable incorporation in the respective Reports. The Committee, then, adopted the Draft Reports and authorized the Chairman to finalise them in the light of factual verification by Audit or otherwise and present the same to the House on a date convenient to him.

The Committee then adjourned.

APPENDIX-II

Statement of Observations/Recommendations

S. No.	Para No. (Part II)	Ministry	Observations/Recommendations
1	2	3	4
1.	1	Defence/ Financial/ Home Affairs/ Railways	The Committee's examination of the four Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2008-09 has revealed that a total excess expenditure of Rs. 1532.63 crore was incurred in 15 cases under 14 Grants/ Appropriations in the fiscal year 2008-09. The defaulting Ministries are—Ministry of Finance (Grant No. 39—Pensions); Ministry of Home Affairs (Grant No. 54—Other Expenditure of the Ministry of Home Affairs); Ministry of Defence [4 grants i.e. Grant No. 19—Ministry of Defence (Civil), Grant No. 20—Defence Pensions, Grant No. 23—Defence Services—Air Force, and Grant No. 24—Defence Ordnance Factories]; and Ministry of Railways (9 cases under 8 Grants/ Appropriations i.e. Grant No. 4—Repairs and Maintenance of Permanent Way and Works; Grant No. 5—Repairs and Maintenance of Motive Power; Grant No. 6—Repairs and Maintenance of Carriages and Wagons; Grant No. 7—Repairs and Maintenance of Plant and Equipment; Grant No. 8—Operating Expenses—Rolling Stock and Equipment; Grant No. 15—Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortisation of Over-capitalization; Appropriation No. 3—General Superintendence and Services; Appropriation No. 5—Repairs and Maintenance of Motive Power; and Appropriation No. 16—Assets—Acquisition, Construction and Replacement—Capital). This amount of excess expenditure incurred during the financial year under review showed a steep increase over the preceding year, wherein a total excess expenditure of about Rs. 223.58 crore in 16 cases of 14 Grants/Appropriations was recorded. The Committee feel that incurring such huge amounts of excess expenditure over and above the budgetary provisions sanctioned by the Parliament at different stages of budget do not augur well for ensuring proper and judicious utilization of public funds besides undermining the Parliamentary financial control. The unabated large excess expenditure by these Ministries is self-manifestation of the fact that they are still far from taking any noteworthy and suitable remedial measures to ensure proper budgeting and subsequent monitoring of the expenditure flow. This is deplorable considering the fact that the Committee have been emphasizing over the years for plugging the existing loopholes and deficiencies with a view to restricting the quantum of excess expenditure to the barest minimum in future.

1	2	3	4
2.		Defence/ Finance/ Home Affairs/ Railways	The Committee find that out of the total excess expenditure of Rs. 1532.63 crore incurred during the 2008-09 fiscal year, the bulk of the excess was registered by the Defence Services and Railways, which respectively accounted for 48.45 per cent (Rs. 742.61 crore under 2 Grants) and 33.92 per cent (Rs. 519.81 crore under 6 Grants and 3 Appropriation Accounts) of the total excess disbursement. The remaining 17.63 per cent of the total excess expenditure (Rs. 270.21 crore under 4 Grants) was incurred in the Civil Sector. The Committee's scrutiny has revealed that in 6 cases, there was misclassification of expenditure in the Grants/Appropriations operated by the Ministry of Railways *viz.*—Rs. (+) 2,51,65,892 under Grant No. 4—Working Expenses—Repairs and Maintenance of Permanent Way and Works; Rs. (+)7,84,14,221 under Grant No. 5—Working Expenses—Repairs and Maintenance of Motive Power; Rs. (+)7,55,63,115 under Grant No. 6—Working Expenses—Repairs and Maintenance of Carriages and Wagons; Rs. (—) 2,86,37,475 under Grant No. 7—Working Expenses—Repairs and Maintenance of Plant and Equipment; Rs. (—) 2,75,51,187 under Grant No. 8—Operating Expenses—Rolling Stock and Equipment; and Rs. (+) 1,25,662 under Appropriation No. 3—Working Expenses—General Superintendence and Services. Taking into account the effect of these 6 cases of misclassification, the actual excess expenditure relating to the Ministry of Railways comes to Rs. 532,12,06,588 instead of Rs. 519,81,26,360 as indicated in the Indian Railways Appropriation Accounts (2008-09). *Accordingly, the total amount of actual excess expenditure incurred during the financial year 2008-09, which has to be regularized by Parliament under Article 115(1)(b) of the Constitution, is of the order of Rs. 1544.94 crore.*
3.		Defence/ Finance/ Home Affairs/ Railways	Scrutiny of the cases of excess registering Grants and Appropriation for the financial year 2008-09 indicate that there are huge variations in the quantum of excess expenditure incurred in 14 Grants/Appropriations with the bulk of the excess registering in the Grants relating to Defence Services, so much so that 82.19 per cent i.e. Rs. 610.37 crore of the total excess expenditure pertaining to Defence Services, was disbursed under Grant No. 23—Defence Services—Air Force alone. The remaining 17.81 per cent i.e. Rs. 132.25 crore was incurred under Grant No. 24—Defence Ordnance Factories. As regards the Railways, while 93.06 per cent of the total excess was incurred under four Grants i.e.—(i) Rs. 106.58 crore under Grant No. 4—Working Expenses—Repairs and Maintenance of Permanent Way and Works; (ii) Rs. 103.09 crore under Grant No. 5—Working Expenses—Repairs and Maintenance of Motive Power; (iii) Rs. 157.25 crore under Grant No. 6—Working Expenses—Repairs and Maintenance of Carriages and

1	2	3	4
			Wagons; and (iv) Rs. 128.30 crore under Grant No. 8—Operating Expenses—Rolling Stock and Equipment, the remaining amount was registered under 2 Grants and 3 Appropriation Accounts (Rs. 13.07 crore under Grant No. 7—Working Expenses—Repairs and Maintenance of Plant and Equipment; Rs. 6.71 crore under Grant No. 15—Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortization of Over Capitalisation; Rs. 2.30 lakh under Appropriation No. 3—Working Expenses—General Superintendence and Services; Rs. 1.20 lakh under Appropriation No. 5 Working Expenses—Repairs and Maintenance of Motive Power; and Rs. 17.09 crore under Appropriation No. 16—Assets—Acquisition, construction and Replacement—Capital). In so far as Civil Ministries are concerned, out of the total excess expenditure incurred, 60.42 per cent i.e. Rs. 163.18 crore was under Grant No. 39—Pensions operated by the Ministry of Finance, 29.40 per cent i.e. Rs. 79.39 crore was under Grant No. 54—Other Expenditure of the Ministry of Home Affairs; and the remaining 10.18 per cent was registered under 2 Grants i.e. Rs. 27.50 crore under Grant No. 19—Ministry of Defence (Civil); and Rs. 13.33 lakh under Grant No. 20—Defence Pensions.
4.		Defence/ Finance/ Home Affairs/ Railways	An analysis of the Appropriation Accounts and Explanatory Notes furnished by the defaulting Ministries shows that the percentage of excess expenditure over the Total Grant ranged from 0.0007 per cent (Grant No. 20-Defence Pensions) to 76.96 per cent (Appropriation No. 16—Assets—Acquisition, Construction and Replacement—Capital). In 6 cases, the percentage was more than 5 per cent over the Original Grant *viz*. 7.95 per cent in respect of Grant No. 54—Other expenditure of the Ministry of Home Affairs; 5.40 per cent in Grant No. 23—Defence Services—Air Force; 11.93 per cent in Grant No. 24—Defence Ordnance Factories; 12.30 per cent in Appropriation No. 3—General Superintendence and Services; 5.20 per cent in Appropriation No. 5—Working Expenses—Repairs and Maintenance of Motive Power; and 99.34 per cent in case of Appropriation No. 16—Assets—Acquisition, Construction and Replacement—Capital respectively. The Committee express their displeasure over incurring such huge amount of excess expenditure over the Total/Original Grants, which is a clear indication of poor budgeting on the part of the Ministries concerned. The Committee feel that incurring excess expenditure of more than 5 per cent of the Total Grant despite obtaining Supplementary Grant/Appropriation is a pointer towards the total failure of the Ministries concerned in anticipating the funds required for which special efforts are needed in future to avoid recurrence of such instances. They also recommend that in future the concerned Ministries should

1	2	3	4
			ensure that under no circumstances the excess over Final Grants should exceed more than 5 per cent.
5.		Defence/ Finance/ Home Affairs/ Railways	The Committee note that the major contributory factors for the excess expenditure according to the Civil Ministries were on account of receipt of more claims due to implementation of the VI Central Pay Commission recommendations, more payments made for settlement of claims of displaced persons, additional payments of dearness allowance to freedom fighters/pensioners etc. In respect of Defence Ministry, the major causes for excess expenditure are stated to be—increase in security related expenditure and foreign exchange variations, issue of operating platform for CRN-91 guns, higher supply to DRDO etc. Likewise, the Ministry of Railways attributed the reasons for excess expenditure to taking up of more activities relating to repair and maintenance of rail infrastructure, operating expenses of rolling stock and equipment, more expenditure towards staff cost due to implementation of the recommendations of the VI Central Pay Commission, higher payment of dividend to General Revenues on account of higher booking in Capital as compared to Budget Estimates etc. Though the Committee appreciate difficulties faced by the Ministries in exactly estimating the likely expenditure due to the exigencies arising out of unforeseen circumstances, nevertheless, incurring huge amount of excess expenditure to the tune of thousands of crore year after year is totally inexplicable and cannot be attributed to unforeseen factors or the extraordinary situations alone. This is endemic of system failure arising out of lack of proper attention and alacrity in budgetary estimations and failure to ensure observance of strict fiscal discipline etc. Further, the instances of recurring excess expenditure of large sums by the Union Ministries particularly Finance, Defence and Railways indicate that they have not accorded due importance to the guiding force of budgeting i.e. to ensure judicious and equitable distribution of scarce financial resources for achieving all round growth of different sectors and instead continued to persist with their flawed budgeting mechanism besides giving scant respect to the Rules/Provisions put in place for containing the expenditure within the authorized limits. The Committee once again urge upon the Ministry of Finance to find innovative steps for ushering in the next level of budgeting and financial management in the country, whereby the exercise is not only made more accurate, logical and practicable but also able to eliminate major budgetary and financial irregularities and the scarce financial resources are utilized appropriately, judiciously and productively on the laid down targets thus facilitating economy, efficiency and efficacy in the financial transactions which are also the guiding tenets of budgeting.

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6.		Defence/ Finance/ Home Affairs/ Railways	The Committee note with concern that out of the total 15 cases of excess registering Grants/Appropriations, an excess expenditure of Rs. 1544.92 crore was incurred in as many as 14 cases even after obtaining Supplementary Grants/ Appropriations to the extent of Rs. 13938.19 crore. The percentage of excess expenditure over the Supplementary Grants in respect of these 14 Grants/Appropriations ranged from 0.003 per cent (Grant No. 20—Defence Pensions) to 341.72 per cent (Appropriation No. 16—Assets—Acquisition, Construction and Replacement—Capital) and in 7 cases, this percentage was more than 18 per cent. To give the Ministry-wise details, Supplementary Grants to the tune of about Rs. 8349.17 crore, Rs. 3061.15 crore and Rs. 2527.87 crore pertaining to the Civil, Defence and Railways Ministries respectively fell short of the actual expenditure by Rs. 270.21 crore, Rs. 742.61 crore and Rs. 532.12 crore in that order. The excess registering Grants/ Appropriations operated by the Civil Ministries i.e. Grant No. 19 —Ministry of Defence (Civil), Grant No. 20 — Defence Pensions, Grant No. 39 — Pensions, and Grant No. 54 — Other Expenditure of the Ministry of Home Affairs obtained a Supplementary Grant each of Rs. 606.25 crore, Rs. 4669.20 crore, Rs. 2635.17 crore and Rs. 438.55 crore respectively. However, in all these Grants, excess expenditure was incurred, the respective amounts being Rs. 27.50 crore, Rs. 13.33 lakh, Rs. 163.18 crore and Rs. 79.39 crore. Similarly, the excess registering Grants pertaining to Defence Services i.e. Grant No. 23 — Defence Services - Air Force, and Grant No. 24 — Defence Ordnance Factories obtained a Supplementary Grant each of Rs. 1345.39 crore and Rs. 1715.76 crore respectively. Still then, the actual expenditure on these two Grants exceeded the budgetary provisions by Rs. 610.37 crore and Rs. 132.25 crore respectively. In respect of the Railways, out of the total 9 excess registering cases, 8 were such cases where large sums of Supplementary Grants proved inadequate to meet the actual requirement of funds. A Supplementary Grant each of Rs. 432.51 crore, Rs. 258.62 crore, Rs. 845.19 crore, Rs. 371.08 crore, Rs. 540.28 crore, Rs. 75.08 crore, Rs. 10.89 lakh and Rs. 5 crore was allocated under Grant No. 4 — Working Expenses - Repairs and Maintenance of Permanent Way and Works; Grants No. 5 — Working Expenses - Repairs and Maintenance of Motive Power; Grant No. 6 — Working Expenses - Repairs and Maintenance of Carriages and Wagons; Grant No. 7 — Working Expenses - Repairs and Maintenance of Plant and Equipment; Grant No. 8 — Operating Expenses - Rolling Stock and Equipment' Grant No. 15 — Dividend to General Revenues, Repayment of Loans Taken from General Revenues and Amortisation of Over-Capitalisation; Appropriation No. 5 — Working Expenses - Repairs and Maintenance of Motive Power; and Appropriation No. 16 — Assets - Acquisition, Construction

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			and Replacement - Capital, respectively. In spite of allocating these additional funds, the above mentioned Grants/ Appropriations registered excess expenditure amounting to Rs. 106.58 crore; Rs. 103.09 crore; Rs. 157.25 crore; Rs. 13.07 crore; Rs. 128.30 crore; Rs. 6.71 crore; Rs. 1.20 lakh; and Rs. 17.09 crore respectively. The Committee deplore the tendency of these Ministries in resorting to excess expenditure despite obtaining huge sums of Supplementary Grants in a routine manner. What is more perplexing is that in 10 cases, most of the Supplementary Grants were obtained in February-March, 2009 i.e. just 1 or 2 months before the end of the financial year. This is a clear indication of not only bad budgeting but also deep malaise in the extant budgeting method/mechanism, which has failed to ensure proper assessment and accurate projection of the fund requirement at all the stages of budgeting. It also exposes the failure of the Ministries concerned to monitor their expenditure flow and trend. The persistence of this lapse would only render the entire budgeting exercise a mere guess work without any objective or vision. The Committee, therefore, recommend that the concerned Ministries particularly the Ministry of Finance have to probe into the causes of this chronic problem and find novel ways and means to make the mechanism of estimating Supplementary Grants more realistic and pragmatic to ensure accurate projection and utilization of the Supplementary Grants so that no subsequent excess expenditure is incurred and fiscal discipline is maintained.
7.		Defence/ Finance/ Railways	The Committee are constrained to observe that the two key Ministries *viz*. Finance and Railways had ben persistently incurring huge sums of excess expenditure during the financial years 2001-02 to 2008-09 while the Ministry of Defence had been spending much above the authorized expenditure during each of the financial years 2003-04 to 2008-09. To elucidate, the Ministry of Finance incurred an excess expenditure of Rs. 759.75 crore in 2 cases in 2001-02, Rs. 1793.26 crore in 2 cases in 2002-03, Rs. 42184.73 crore in 2 cases in 2003-04, Rs. 33783.55 crore in a single case in 2004-05, Rs. 96874.09 crore in 3 cases in 2005-06, Rs. 36637.16 crore in 2 cases in 2006-07, Rs. 98.24 crore in a single case in 2007-08 and Rs. 163.18 crore in a single case in 2008-09. Similarly, the Ministry of Railways incurred excess expenditure of - Rs. 349.40 crore in 9 cases in 1998-99, Rs. 56.76 crore in 8 cases in 1999-2000, Rs. 0.14 crore in 5 cases in 2000-01, Rs. 210.71 in 10 cases in 2001-02, Rs. 323.65 crore in 11 cases in 2002-03, Rs. 1136.92 crore in 13 cases in 2003-04, Rs. 2151.99 in 15 cases in 2004-05, Rs. 2322.46 crore in 15 cases in 2005-06, Rs. 365.16 crore in 13 cases in 2006-07, Rs. 51.22 crore in 10 cases in 2007-08 and Rs. 532.12 crore in 9 cases in 2008-09. The Committee also find that the Ministry of Defence incurred

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			an excess expenditure of Rs. 37.50 crore in a single case in 2003-04, Rs. 41.99 crore in 2 cases in 2004-05, Rs. 44.84 crore in 2 cases in 2005-06, Rs. 667.17 crore in a single case in 2006-07, Rs. 71.19 crore in a single case in 2007-08 and Rs. 770.25 crore in 4 cases (2 cases under Defence Services and 2 cases pertaining to Civil sector) in 2008-09. This recurring phenomenon of wide variations between the budgetary provisions and the actual expenditure by these important Ministries over such long periods has led the Committee to arrive at the conclusion that the Ministry of Finance, which has been entrusted with the responsibility of preparing the Union Budget, have not yet made any concerted efforts to overhaul their own budgeting and accounting system. Apparently, the estimation of requirement of funds is still done without any definite vision leading to variations between the budgetary provisions projected and the actual expenditure incurred under various Grants/Appropriations. The Committee find it surprising that the Ministry of Finance, which ought to be a role model for other Ministries, have once again been found wanting in fiscal discipline and the prescribed financial rules besides failing to act upon the Committee's considered suggestions for avoiding or at least minimizing the persistent excess expenditure especially after obtaining Supplementary Grants. Needless to say the existing budgeting mechanism still suffers from various loopholes and lacunae, which are nullifying the attemps of the Government to enhance accuracy level of their budgetary projections to achieve the desired improvements. The continuance of this situation is bound to encourage further deterioration in maintaining fiscal discipline even to the point of taking many *adhoc* financial decisions without any concrete aim and objective. The Committee, therefore, impress upon the Ministry of Finance to overhaul their budgetary mechanism in a practicable and tangible manner so that other Ministries/ Departments take a cue from it and effectively replicate the same in their respective sphere of activities. While urging the Government to shed their tendency of leaving things to take their own course in regard to incurring excess expenditure in various forms, the Committee would appreciate a proactive role in monitoring the expenditure flow *vis-a-vis* the physical and financial progress of various schemes/projects at fixed intervals in order to arrive at a precise and accurate estimation of requirement of funds at a various stages of budgeting exercise.
8.		Defence/ Finance/ Home Affairs	The Committee find that the Explanatory Notes pertaining to the excess registering Grants as highlighted in the Appropriation Accounts (Civil) and the Appropriation Accounts (Defence Services) were due for submission to the Committee on or before 7th May, 2010. However, the Ministries of Finance and Home Affairs furnished their Explanatory Notes after a delay

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			of 1 month and 18 days and 2 months respectively while the Ministry of Defence could submit their Explanatory Notes relating to Defence Services after a delay of 2 months and 24 days. Not finding any valid justification for the delay in submission of Explanatory Notes by various Ministries/ Departments, the Committee are surprised to find that even the Ministry of Finance, despite being the nodal Ministry in the matter, delayed forwarding of their Explanatory Notes to the Committee. The Committee would like to impress upon all the Ministries that delay in submission of Explanatory Notes by them impedes the Committee's examination of excess expenditure, a direct consequence of which is delay in the regularization of the unauthorized expenditure by the Parliament. The Committee regret to observe that despite their oft-repeated suggestions for the Ministries/Departments to make concerted efforts to ensure timely collection and compilation of the requisite information for facilitation of submission of the Explanatory Notes to the Committee by the prescribed time schedule, some Ministries/Departments are paying little heed to it. The Committee would, therefore, like the Ministry of Finance to evolve a proper procedure in this regard and put in place a centralized monitoring network to check the status of the preparation and submission of Explanatory Notes at every stage by various Ministries/Departments so that any delay on this count is eliminated. The Committee further recommend that in future the contributory reasons for delay in submission of Explanatory Notes should invariably be appended in the relevant Explanatory Notes submitted for the purpose.
9.		Finance	Scrutiny of select cases of excess registering Grants/ Appropriations reveals that the Ministry of Finance (Department of Expenditure) incurred an excess expenditure of Rs.163.18 crore under Revenue Section (Voted) of Grant No. 39 — Pensions, which was the net effect of total excess of Rs. 350.30 crore and total savings of Rs. 187.12 crore under various sub-heads of this Grant during the financial year under review. This Grant alone accounted for about 60.39 per cent of the total excess expenditure incurred in the Civil sector. The Explanatory Note furnished by the Ministry of Finance *inter-alia* states that the excess was mainly due to higher expenditure than estimated, the receipt of more scrolls from the authorized banks and clearance of outstanding scrolls. The Ministry have also informed the Committee that pensions are a committed liability of Government and are disbursed by more than 40 thousand branches of Public and Private Sector banks in 63 Accounting Circles of the Central Pension Accounting Office direct to the pensioners residing across the country. As the banks are not under the administrative control of pension sanctioning authorities unlike the departmental DDOs in the

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			Ministries, pension payment is not subject to a pre-check system of payment, which is otherwise applicable for other expenditure transactions. The Committee's examination has revealed that this Grant had also registered an excess expenditure of Rs. 98.24 crore during the previous financial year 2007-08. An analysis of the causes of the excess expenditure on account of pension payments especially during the last two fiscals suggests that there is lack of a comprehensive network amongst pension account related offices across the country and the prevailing pensions data management and accounting information systems are not in order and marked by lack of precise information regarding region/circle-wise number of pensioners. This clearly shows that the Ministry have not taken any concrete measures to revamp the system so that the pension liability can be correctly forecast and factored into the budgetary estimations, which is regrettable. Consequently, when the recommendations of the VI Central Pay Commission were implemented, the flow of funds was thrown out of gear. As a remedial measure to improve the situation, the Committee have been informed by the Ministry that the Central Pension Accounting Office has now introduced e-scroll system, which will help in checking the expenditure. The Committee would like to be apprised of the efficacy of the e-scroll system and its impact on correctly assessing the expenditure on pensions. The Committee also desire that the Ministry of Finance should look into all aspects for taking necessary corrective action so that the existing deficiencies and shortcomings in the pension payment are rectified and recurrence of excess expenditure is either avoided or greatly minimized in future. The Ministry should also adopt e-governance model and utlize the Information Technology services/tools so as to estalish a centralized data base of the pensioners and networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in particular year.
10.		Home Affairs	During the financial year under review, the Ministry of Home Affairs incurred an excess expenditure of Rs. 79.39 crore under Revenue Sector (Voted) of Grant No. 54—Other Expenditure of the Ministry of Home Affairs. This was the net effect of total excess of Rs. 186.91 crore and total savings of Rs. 107.52 crore that occurred under various sub-heads of the Grant. scrutiny of the Explanatory Note furnished by the Ministry shows that the excess expenditure was mainly due to requirement of additional funds towards settlement of claims of displaced persons, making payment of increased dearness allowance on the pensions under the Swatantra Sainik Samman Pension Scheme and other security related expenditure. The Committee have been informed that expenditure in the Ministry is reviewed periodically at the highest level with the Heads of the Budget

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			Controlling Authorities so that remedial action could be taken timely. Considering that considerable amount of excess expenditure had been incurred despite the prevalence of this system, the Committee are skeptical of the efficacy of the current expenditure review system of the Ministry specially when it comes to managing funds under such a wide covering and encompassing Grant as Grant No. 54—Other Expenditure of the Ministry of Home Affairs which, by its very nature, can be evoked for funding various miscellaneous and emergent activities of the Ministry. The Committee urge upon the Ministry to overhaul their prevailing expenditure review system whereby a system is evolved and enforced to provide sufficient checks and balances against any possible wanton sanction and utilization of funds under this Grant and the requisite transparency and accountability is maintained. The Committee, therefore, desire that precise action should be taken in this regard at the earliest.
11.		Defence	The Committee note that huge quantum of excess expenditure to the tune of Rs. 610.37 crore and Rs. 132.25 crore had been incurred both under Revenue Section (Voted) of Grant No. 23—Defence Services—Air Force and Grant No. 24—Defence Ordnance Factories respectively during the year under review. The excess in respect of the Grant No. 23 was the net effect of total excesses of Rs. 666.71 crore and total savings of Rs. 56.34 crore under various sub-heads of the Grant. Similarly, the excess incurred under Grant No. 24 was also the effect of total excesses of Rs. 237.48 crore and total savings of Rs. 105.23 crore under various sub-heads of the Grant. The excess expenditure under both the Grants were incurred despite obtaining a Supplementary Grant of Rs. 1345.39 crore and Rs. 1715.76 crore respectively. In respect of the Grant No. 23, the contributory reasons, according to the Ministry of Defence-were-higher expenditure due to implementation of the VI Central Pay Commission recommendations, higher booking on Traveling Allowance/Dearness Allowance, emergent requirement for operational maintainability of the fleet, exchange rate variations in foreign payment, more payment due to increase in prices of Aviation Turbine Fuel/supplies, more drawal of supplies due to fluctuation of troops etc. As regards, the Grant No. 24, the main contributory reasons adduced were higher booking in Defence Security Corps, non-matching of expenditure with the projected figures, foreign exchange rate variations, issue of operating platform for CRN-91 guns and higher supply to Defence Research and Development Organisation. The Committee do not consider these reasons for incurring excess expenditure to be convincing, as many of these could have been anticipated well in advance and factored into at the time of finalisation of Grants. Further, the quantum of unuathorized

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			excess expenditure could have been greatly reduced with proper care and attention to detail, which is highly expected of a Ministry dealing with defence personnel whose spirit and character are supposed to be the epitome of professionalism and discipline. In this context, the Committee also find that the Ministry of Defence had also incurred excess expenditure amounting to Rs. 27.50 crore and Rs. 13.33 crore respectively under Grant No. 19-Ministry of Defence and Grant No. 20-Defence Pensions pertaining to the Civil sector but operated by them. These altogether put the total excess expenditure incurred by the Ministry during the 2008-09 fiscal year at Rs. 783.45 crore. This sudden spurt in the quantum of excess expenditure proves that the Ministry has failed to take necessary steps to check or minimize excess expenditure under the Grants operated by them. Thus, apart from re-circulation of their old instructions which has proved ineffective in rectifying the loopholes and deficiencies responsible for incurring of excess expenditure under the Grants operated by them, it is imperative for the Ministry of Defence to introspect the inadequacies of their current arrangement for checking excess expenditure and devise some concrete ways and means in consultation with the Ministry of Finance to overhaul their budgeting mechanism and incurring of excess expenditure is either avoided altogehter or minimized drastically. The Committee would like to be apprised of the specific corrective measures taken by the Ministry in this direction.
12.		Railways	Examination of the Union Government Appropriation Accounts (Railways) for the financial year 2008-09 has revealed that the Ministry of Railways incurred a total excess expenditure of Rs. 519.81 crore in 9 cases of 8 excess registering Grants/Appropriations. This excess expenditure was 10 times more than the preceding financial year's total of Rs. 51.22 crore incurred by the Railways in 10 cases of 8 excess registering Grants. The total Railways' expenditure of Rs. 28,073.67 crore during the fiscal under review exceeded the approved provisions by Rs. 502.70 crore in six Revenue Voted Grants while in respect of three charged Appropriraitons (two in Revenue and one in capital), expenditure of Rs. 39.74 crore was in excess of the sanctioned provisions by Rs. 17.11 crore. Scrutiny of the Explanatory Note revealed that out of the total excess expenditure of Rs. 519.81 crore, the bulk of the excess expenditure i.e. Rs. 480.05 crore constituting about 92.35 per cent was incurred under 4 Grants only i.e. Grant No. 4—Repairs and Maintenance of Permanent Way and works (Rs. 104.05 crore); Grant No. 5—Repairs and Maintenance of Motive Power (Rs. 95.25 crore); Grant No. 6—Repair and Maintenance of Carriage and Wagons (Rs. 149.69 crore); and Grant No. 8—Operating Expenses—Rolling Stock and

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			Equipment (Rs. 131.06 crore). According to the Ministry, the excess expenditure had occurred mainly due to implementation of the recommendations of the VI Central Pay Commission; more drawal of stores from stock, materialization of more contractual obligations and more direct purchases than anticipated; more adjustment of wages and materials on Periodical Over Hauling and also due to materialization of more contractual payments than anticipated; etc. The Committee observe that while anticipating the requirement of funds by the Railways, estimations for various Sub-Heads could have been projected more realistically by analysing properly the total monetary effect of salary hike, prevailing expenditure trail, upcoming demands/requirements, rising cost etc. The Committee cannot but conclude that the Ministry of Railways have not taken any timely corrective measures to improve their budgeting mechanism with a view to avoiding such a huge unauthorized expenditure. It indicatess that they have either failed to undertake proper homework before finalizing their budgetary estimates or do not possess correct data regarding the number of officers and staff on their payroll, purchase records etc. Deplorably, there is no mention in the Explanatory Notes about the specific remedial measures taken by the Ministry to contain this persisting excess expenditure. It is apparent that the Ministry has paid scant respect to enforcing fiscal discipline while incurring excess expenditure, which is anything but regrettable. The Committee take a serious note of lack of concern and sustained efforts on the part of the Ministry in observing fiscal discpline and they, therefore, desire the Ministry of Railways to strive earnestly for ensuring realistic estimation of their budgetary requirements under various sub-heads of the Grants/Appropriations operated by them so that their existing lapses/loopholes are properly addressed and huge amounts of public fund are not spent without prior authorization.
13.		Railways	The Committee are concerned to note that despite their repeated exhortations, the Ministry of Railways have not been able to contain the instances of misclassification of expenditure in the accounts of the Ministry of Railways. During the last 11 financial years, the Committee have come across 51 cases of misclassification of expenditure, the details being 5 in 1998-99, 3 in 1999-2000, 1 in 2000-01, 5 in 2001-02, 3 in 2002-03, 5 in 2003-04, 9 in 2004-05, 6 in 2005-06, 5 in 2006-07, 3 in 2007-08 and 6 in 2008-09. This unabated trend of persistent misclassification of expenditure is endemic of system failure, which indicates the Ministry's failure to even eliminate the basic mistakes such as misclassification of expenditure as also their inability to revamp the budgetary mechanism to check the recurring problem of misclassification

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			of expenditure. It is quite apparent that no action has been taken by the Ministry either to fix responsibility for avoidable errors leading to misclassification or to remove any ambiguity in defining and classifying different forms of expenditure under a particular heading or sub-heading. The Committee recommend that the existing budgetary mechanism in the Railways needs to be thoroughly reviewed and revamped so that necessary corrective action, wherever, warranted could be taken to overcome systemic lacunae/loopholes and progressive elimination of the perennail misclassification syndrome. The persons responsible for this malady should be identified and responsibility fixed. Necessary correctives should also be put in place in order to avoid misclassification of expenditure in future.
14.		Defence/ Finance/ Home Affairs/ Railways	To sum up, the Committee note with concern that no appreciable remedial measures have been taken as yet by the Government to avoid or minimize the quantum as well as number of cases of excess expenditure in the entire budgetary exercise orchestrated by the Ministry of Finance and followed by other Ministries/Departments. This inaction has led the Ministries/Departments to indulge in indiscreet financial transaction with impunity on the notion that the Parliamentary regularization thereof is only a matter of formality. The Committee take a serious view of the casual approach on the part of the Ministries/Departments, which if left unchecked, would derail the entire budgetary exercise and lead to unhealthy budgetary practices. The Committee, therefore, would like the Ministry of Finance to introduce and implement immediate remedial measures to check this chronic malady.
15.		Defence/ Finance/ Home Afairs/ Railways	Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in paragraph 14 of Part-I this Report be regularized in the manner prescribed in Article 115(1)(b) of the Constitution of India.

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