

**EXCESSES OVER VOTED  
GRANTS AND  
CHARGED APPROPRIATIONS  
2007-08**

[Action Taken by the Government on the Observations/Recommendations  
of the Committee contained in their Seventh Report (15th Lok Sabha)]

**PUBLIC ACCOUNTS COMMITTEE  
2011-12**

**THIRTY-SIXTH REPORT**

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**FIFTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

THIRTY-SIXTH REPORT

PUBLIC ACCOUNTS COMMITTEE  
(2011-12)

(FIFTEENTH LOK SABHA)

EXCESSES OVER VOTED GRANTS AND  
CHARGED APPROPRIATIONS (2007-08)

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Committee contained in their Seventh Report (15th Lok Sabha)]



*Presented to Lok Sabha on 11 August, 2011  
Laid in Rajya Sabha on 11 August, 2011*

LOK SABHA SECRETARIAT  
NEW DELHI  
*August, 2011/Sravana, 1933 (Saka)*

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## CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2011-12) .....	(iii)
INTRODUCTION .....	(v)
CHAPTER I Report .....	1
CHAPTER II Observations/Recommendations which have been accepted by Government .....	7
CHAPTER III Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from Government .....	86
CHAPTER IV Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration .....	87
CHAPTER V Observations/Recommendations in respect of which the Government have furnished interim replies .....	88

### APPENDICES

I. Minutes of the second sitting of the Public Accounts Committee (2011-12) held on 28th June, 2011 .....	89
II. Statement of Observations/Recommendations .....	91
III. Analysis of the Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Seventh Report (Fifteenth Lok Sabha) .....	93

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE

(2011-12)

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Sandeep Dikshit
5. Shri Anant Kumar Hegde
6. Shri Bhartruhari Mahtab
7. Shri Shripad Yesso Naik
8. Shri Sanjay Nirupam
9. Shri Jagdambika Pal
10. Dr. Kavuru Sambasiva Rao
11. Shri Adhi Sankar
12. Kunwar Rewati Raman Singh
13. Shri K. Sudhakaran
14. Dr. M. Thambidurai
15. Dr. Girija Vyas

*Rajya Sabha*

16. Shri Tariq Anwar
17. Shri Prasanta Chatterjee
18. Shri Naresh Gujral
19. Shri Prakash Javadekar
20. Shri Satish Chandra Misra
- \*21. Vacant
22. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Abhijit Kumar — *Director*
3. Shri Sanjeev Sharma — *Deputy Secretary*
4. Shri S.L. Singh — *Committee Officer*

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\*Vacancy occurred *vice* Smt. Jayanthi Natarajan, MP has been appointed as Minister of State w.e.f. 12 July, 2011.

## INTRODUCTION

I, the Chairman, Public Accounts Committee (2011-12), having been authorised by the Committee, do present this Thirty-sixth Report (Fifteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Seventh Report (Fifteenth Lok Sabha) on 'Excesses Over Voted Grants and Charged Appropriations (2007-08)'.

2. The Seventh Report was presented to Lok Sabha and laid in Rajya Sabha on 18th December, 2009. Replies of the Government to the Observations/Recommendations contained in the Report were received from the Ministries of Finance, Communications and Information Technology (Department of Posts), Defence, Home Affairs, Labour and Employment, Railways and Urban Development on 23rd October 2010, 2nd August 2010, 16th June 2010, 12th August 2010, 21st October 2010, 17th May 2010 and 9th July 2010 respectively. The Public Accounts Committee considered and adopted the Thirty-sixth Report at their sitting held on 28th June, 2011. Minutes of the sitting are given at *Appendix I*.

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

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

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Seventh Report (Fifteenth Lok Sabha) is given at *Appendix III*.

NEW DELHI;  
2 August, 2011  

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11 Sravana, 1933 (Saka)

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

## CHAPTER I

### REPORT

This Report of the Committee deals with the Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Seventh Report (15th Lok Sabha) on “Excesses Over Voted Grants and Charged Appropriations (2007-08)”.

2. The Seventh Report (15th Lok Sabha), which was presented to Lok Sabha on 18th December 2009, contained eleven Observations/Recommendations. Action Taken Notes on all the Observations/Recommendations have been received from the Ministries/Departments concerned and are categorized as under:

- (i) Observations/Recommendations which have been accepted by the Government:

Paragraph Nos. 47-57

Total: 11

Chapter II

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

Paragraph No. -Nil-

Total: Nil

Chapter III

- (iii) Observations/Recommendations replies to which have not been accepted by the Committee and which require reiteration:

Paragraph No. -Nil-

Total: Nil

Chapter IV

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

Paragraph No. -Nil-

Total: Nil

Chapter V

### I. Delay in Submission of Action Taken Notes

3. In accordance with the time line prescribed by the Committee in their 5th Report (4th Lok Sabha), Notes indicating the Action Taken by Government on the Observations/Recommendations contained in their 7th Report (15th Lok Sabha) were required to be furnished by 17th June 2010. An analysis of the receipt of Action Taken Notes from the Ministries/Departments concerned revealed that there has been a delay ranging between 25 days to about 4 months beyond the stipulated period of six months. The Ministry-wise position of delay has been tabulated as under:—

Sl. No.	Ministry/Department	Date when complete ATNs in English were furnished	Delay
1.	Finance	23.10.2010	4 months 6 days
2.	Posts	02.08.2010	1 month 16 days
3.	Defence	16.06.2010	-
4.	Home Affairs	12.08.2010	1 month 26 days
5.	Labour and Employment	21.10.2010	4 months 4 days
6.	Railways	17.05.2010	-
7.	Urban Development	09.07.2010	25 days

**4. The Committee are perturbed to note that despite repeated assurance given year after year by the Ministries/Department especially by the Ministry of Finance that necessary remedial measures would be taken to ensure timely submission of Action Taken Notes, none of the defaulter Ministries/Departments, barring the Ministry of Railways and the Ministry of Defence, could furnish the Action Taken Notes on the Observations/Recommendations contained in the Seventh Report (15th Lok Sabha) within the prescribed time of six months from the date of presentation of the Report to Parliament. Worse, the Ministry of Finance, the nodal Ministry expected to act as a role model in this regard, submitted their Action Taken Notes after delay of four months. Evidently, this shows utter lack of importance attached to the principle of the fiscal discipline and financial propriety by the Ministry of Finance. The Committee express their serious concern over the inordinate delay in submission of Action Taken Notes by the Ministries/Departments concerned thereby resulting in delay in presentation of Action Taken Reports by the Public Accounts Committee. The Committee, therefore, ask the Secretaries of respective Ministries/Departments to take appropriate and urgent remedial and corrective measures to ensure that Action Taken Notes on the Committee's Recommendations are finalized and submitted invariably within the stipulated time limit of six months.**

5. The Committee are pleased to note that all the 11 recommendations have been accepted by the Government in principle. The Committee now proceed to make comments on certain aspects of implementation of the recommendations in the light of Action Taken Reply furnished by the Government.



## II. Excess Expenditure despite Obtaining Supplementary Grants/Appropriations

[Paragraph 50 of the Seventh Report (15th Lok Sabha)]

6. The Committee in their Seventh Report (15th Lok Sabha) had noted with concern that during the fiscal 2007-08, out of 16 cases of excess expenditure, Rs. 222.16 crore in 12 cases of Grants/Appropriations were incurred despite obtaining Supplementary Grants of Rs. 2,729.49 crore. Relatively huge amounts of excess expenditure were incurred even after obtaining Supplementary Grants in respect of Grant No. 39-Pensions; Grant No. 59-Ministry of Labour and Employment; Grant No. 22-Defence Services—Army; Grant No. 12-Miscellaneous Working Expenses; 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 Powers; Appropriation No. 8-Working Expenses—Operating Expenses Rolling Stock and Equipment; Appropriation No. 10-Working Expenses—Operating Expenses—Fuel; Appropriation No. 13-Working Expenses—Provident Fund, Pension and other Retirement Benefits. In most of these cases, the amount obtained as supplementary provision was higher than the excess expenditure incurred. The Committee had felt that incurring of excess expenditure despite obtaining Supplementary Grants, is yet another indication of the fallibility of the extant budgeting method and mechanism evolved to ensure proper assessment and accurate projection of the fund requirement even at the revised estimate stage. Observing that it reinforces the inadequacies in the institutional arrangements made by various Ministries/Department to monitor the flow and trend of expenditure under various Grants/Appropriations, the Committee had recommended that the concerned Ministries/Departments particularly the Ministry of Finance have to delve further towards establishing the mechanism of estimating Supplementary Grants realistically and pragmatically to ensure accurate projection and utilization of the Supplementary Grants so that no excess expenditure is incurred subsequently and fiscal discipline is maintained.

7. In their Action Taken Note, the Ministry of Finance have *inter-alia* stated as under:—

“.....With a view to obviate the possibility of excess expenditure over the sanctioned grant, necessary advice is sent by the Finance Ministry to all the line Ministries/Departments at the time of seeking proposals for Supplementary Demands for Grants. It is categorically pointed out at the time of obtaining proposals for the last Supplementary Demands for Grants for the year that supplementary proposal may be made in cases where the approved revised estimates would result in excess over the sanctioned provision in the Grant. However, inspite of these precautions at times Ministries/Departments incur excess expenditure due to occasional unavoidable circumstances at their end.”

8. The Ministry of Defence whilst furnishing Action Taken Notes have stated as under:—

“So far as Ministry of Defence is concerned, instructions already exist to exercise strict control on progress of Defence Expenditure in order to avoid any

large-scale savings or excess under any grant relating to Defence Services. Regular Meeting of the Departmental Monitoring Groups are held to monitor the progress of expenditure effectively to achieve the objective and to ensure that the funds allocated are fully utilized. Efforts are made for better implementation of various instructions issued on monitoring of Defence Expenditure.”

9. The Ministry of Home Affairs in their Action Taken Note have *inter-alia* stated as under:—

“Steps are being taken to provide on-line budgetary allocations and expenditure flow at the level of every Drawing and Disbursing Officer to ensure that such lapses do not occur in future.”

10. In their Action Taken Note the Ministry of Labour and Employment have *inter-alia* stated:—

“Now, strict vigil is being kept while obtaining cases involving net/gross supplementary.”

11. The Ministry of Railways in their Action Taken Note have stated:—

“The observation of the Committee has been noted for being circulated to the spending units, *i.e.*, Railways for tightening the mechanism of estimating Supplementary Grants.”

**12. The Committee note that no firm measures have been put in place as yet by the Ministries/Departments concerned to avoid excess expenditure by the defaulter Ministries. The Committee's scrutiny reveals that the Ministries which scrupulously adhere to the General Financial Rules and have unwavering commitment to financial discipline and propriety do succeed in avoiding excess expenditure. The Committee find no cogent reasons for the inevitability of excess expenditure when Government get opportunities to present the Supplementary Demands for Grants during the three sessions of Parliament in a year. In an age of e-governance made feasible by computerization and instant connectivity between field formations, Subordinate Offices and Headquarters, irregularities like excess expenditure should not recur. The Committee express their displeasure over the tepid approach of the defaulter Ministries/Departments particularly for bad planning, lack of foresight and ineffective monitoring on the part of budget controlling authorities while preparing both budget estimates as well as Supplementary Demands for Grants. The Committee, therefore, reiterate the need for scrupulous scrutiny of the budget proposal both at the time of preparation of Demands for Grants, rigorous monitoring of the pace of expenditure and strict compliance of General Financial Rules to eliminate the possibility of excess expenditure, under spending, wrongful appropriation etc.**

### **III. Misclassification of Expenditure incurred by the Ministry of Railways**

*[Paragraph 56 of the Seventh Report (15th Lok Sabha)]*

13. In their Seventh Report (15th Lok Sabha), the Committee had expressed serious concern over recurrence of cases of misclassification of expenditure in the accounts of the Ministry of Railways. During the last ten financial years, the number of such

misclassification of expenditure was 45, 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 and 3 in 2007-08. The Committee had observed that this unabated trend of persistent misclassification of expenditure is an indication of the Ministry's failure to eliminate basic mistakes like misclassification of expenditure as well as their inability to revamp the budgetary mechanism to check the recurring problem of misclassification of expenditure. It appeared that no action had 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 had recommended that the existing budgetary mechanism in the Railways needs to be thoroughly reviewed so that necessary corrective action wherever warranted could be taken to overcome systemic lacunae/loopholes and progressive elimination of the perennial misclassification syndrome failing which responsibility be fixed.

14. In their Action Taken Note, the Ministry of Railways have stated as under:—

“The serious concern expressed by the PAC on the need for stringent measures to prevent misclassifications in expenditure is shared by the Ministry of Railways. Detailed instructions issued to the Zonal Railways from time to time, to effect improvement in working systems for ensuring error free booking of expenditure, already exist. In addition to existing detailed measures/suggestions for preventing misclassification over the Zonal Railways, joint efforts are also made by Accounts and Audit for detection and rectification of misclassification before closing of accounts.

Instances of misclassification occur mainly, because of differences in the interpretation of the scheme of classification and accounting rules and partly because of the errors committed due to sheer volume of transactions and their varying nature. For avoidable errors leading to misclassification, actions against staff responsible are regularly taken. As a result the instances of misclassification giving rise to excesses in Grants/Appropriations have decreased after 2004-05.

However, with the above measures and with ongoing computerization of accounts, it is hoped that a significant reduction in the incidence of misclassification will be achieved.”

15. On this reply, Audit have made the following observations:—

“Ministry of Railways may kindly furnish its response to the PAC recommendation that existing budgetary mechanism in the Railways needs to be thoroughly reviewed so that necessary corrective action wherever warranted could be taken to overcome systemic lacunae/loopholes and progressive elimination of the perennial misclassification syndrome.

Further, Ministry of Railways may also specify the target for completion of ongoing computerization of accounts to reduce the incidence of misclassification of expenditure.”

16. The Ministry of Railways have replied as under:—

“The existing budgetary mechanism of Ministry of Railways is well established. The Budgetary control mechanism is well established on Railways and the lapses if any, noticed in this regard are taken up appropriately. Zonal Railways/ Units have standing instructions for close and concurrent review of booking of expenditure at various levels through test check of allocations recorded on vouchers and prompt reconciliation of the subsidiary books with the General Books. Railways have also been directed to take suitable punitive action against staff at fault and ensure regular reporting on punitive action taken for errors detected on this account.

As regards computerisation process, it is to state that so far the computerisation of Financial Management Information System (FMIS) was being done in a decentralised manner. However, keeping in view the delays due to various resources constraints on Railways, this Ministry has now decided to implement the newly developed FMIS programme [Advanced Finance and Railway Earning & Expenditure System (AFRES)] under centralised serves (sic) architecture. The modalities of rolling out the new system is presently under examination and the various options available in this regard are under study, hence it would not be possible to precisely specify the date of completion of the project at this stage. However, efforts would be taken to complete the work by end of this year.”

17. Audit further observed in this regard as under:—

“Instances of misclassification of expenditure, despite repeated instructions from the Ministry of Railways, still persist. Railways need to strengthen its internal check mechanism and speed up the computerization with inbuilt control to eliminate the cases of misclassification of expenditure.”

18. To this the Ministry of Railways commented as under:—

“The instruction have been reiterated to the Zonal Railways for strengthening/ tightening the internal check on classification of expenditure, both at the pre-audit and post audit stages. Efforts are being taken to expedite the computerization process and it is hoped that a significant reduction in the incidence of misclassification will be achieved in the ensuing years.”

**19. The Committee are concerned that the Ministry of Railways continue to insist that their existing budgetary mechanism is well established though admittedly the instances of misclassification of expenditure continue. The Committee do not accept the plea that misclassification occurs mainly because of difference in the interpretation of the scheme of classification and accounting rules and partly because of the errors committed due to sheer volume of transactions and their varying nature. The Committee desire to be apprised of the real impact of the pre-audit and post audit internal checks drive launched by the Railways on the classification of transaction and computerization on the incidence of misclassification.**

## CHAPTER II

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

#### Observations/Recommendations

The Committee's examination of the four Appropriation Accounts of the Union Government relating to the Civil, Defence, Postal Services and Railways for the financial year 2007-08 has revealed that an excess expenditure of Rs. 223.58 crore was incurred under 16 cases of 14 excess registering Grants/Appropriations as compared to Rs. 37669.53 crore in 18 cases under 13 Grants/Appropriations in the 2006-07 fiscal. The defaulting Ministries/Departments during the financial year under review are the Ministry of Finance (Grant No. 39 - Pensions), the Ministry of Labour and Employment (Grant No. 59 - Ministry of Labour and Employment), the Ministry of Home Affairs (Grant No. 95-Chandigarh), the Ministry of Urban Development (Grant No. 99-Department of Urban Development), the Ministry of Defence (Grant No. 22-Defence Services-Army), the Ministry of Communications and IT (Grant No. 13-Department of Posts) and the Ministry of Railways (Grants No. 12-Miscellaneous Working Expenses, Grant No. 15-Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortisation of Over-Capitalization, Appropriation No. 5 - Working Expenses - Repairs & Maintenance of Motive Power, Appropriation No. 6 - Working Expenses - Repairs & Maintenance of Carriages & Wagons, Appropriation No. 8 - Working Expenses - Operating Expenses - Rolling Stock and Equipment, Appropriation No. 10 - Working Expenses - Operating Expenses-Fuel, Appropriation No. 13 - Working Expenses-Provident Fund, Pension and other Retirement Benefits, Appropriation No. 16 - Assets - Acquisition, Construction and Replacement - Capital, Appropriation No. 16 - Assets - Acquisition, Construction and Replacement - Railway Fund and Appropriation No. 16-Assets-Acquisition, Construction and Replacement-Railway Safety Fund). The Committee while acknowledge an improved performance of the Government in containing the quantum of excess expenditure during the financial year under review as compared to that of the last one still express their concern over the continuing cases of excess expenditure by various Ministries/Departments. The Committee, therefore, desire that the Government should remain more vigilant in their budgeting exercise and monitor the expenditure flow/pattern with utmost care and alacrity so that instances and quantum of excess expenditure are pruned down to the barest minimum in the coming year.

[Recommendation No. 47 of 7th Report of the Public Accounts Committee [(15th Lok Sabha on 'Excesses Over Voted Grants and Charged Appropriations (2007-08)']

**Action Taken (Ministry of Finance)**

Grant No. 39—Pension is a composite grant and budgetary estimates under this Grant are framed on the basis of (i) information furnished by 63 accounting circles who make the payment and also book the expenditure directly to respective heads, (ii) trend of expenditure booked by the Central Pension Accounting Office (CPAO) from Debit scrolls received from 248 nodal branches of various banks. As per extant procedure, payment is first arranged by treasuries and thereafter, reimbursement is sought from CPAO which generally has a time lag of around three months. Pension and other retirement benefits, being committed liabilities of the Government are of inevitable nature and therefore, their payment cannot be withheld. Besides, the cash balances of the Government of India already gets reduced by all these payments and the recording of final expenditure under this grant releases contra suspense booking. Therefore, the excess expenditure recorded under this Grant may be explained in this perspective of delayed receipt of payment scrolls and payment by other accounting circles.

2. Nevertheless, the Department is working towards strengthening timely budget revision based on concurrent inputs received from various units. In addition, banks are being pursued to submit electronic scrolls in place of manual scrolls to ensure better budget and expenditure management. The pilot project on e-scrolls is being sought to be initiated with 3 banks namely, SBI, Axis Bank and Bank of Baroda all of which are on a Centralised Pension Payment System at present. A Technical Committee has already been constituted with representatives of NIC (CPAO); the above-mentioned banks and RBI, CAS, Nagpur to study the technical and system interfaces, and changes thereto between the participating entities. Given the complexity of the exercise it may not be possible to stipulate a fixed deadline for the pilot-however, it shall be CPAO's endeavour to have the pilot completed during the current fiscal. Further scaling up will depend on the result of the pilot. The project, once rolled out and stabilized, will provide more efficient control in respect of budgeting and accounting arising out of:—

- (a) receipt of electronic scrolls on daily basis, and
- (b) debit to Government account being authorised only post-certification of e-scrolls received by CPAO.

This issue of overcoming/reducing the delay in receipt of information from State treasuries and other accounting circles shall be separately taken up with the accounting circles and the State AGs to enhance and further streamline the system of financial reporting.

This has been vetted by Audit *vide* U.O. No. RR/1-5/10-11/570 dated 24.9.2010.

Sd/-

(H. Pradeep Rao)  
JS&FA (Finance)

**Action Taken (Department of Posts)**

Department of Posts has incurred excess expenditure of Rs. 276127 thousand under Capital Outlay (Plan) over and above voted and charged appropriation 2007-08 under Demand No.13 and sent Explanatory Notes on Excesses duly vetted by Audit to Ministry of Finance for its regularization from Parliament *vide* this office letter No. 20-5/2009-BGT(PA)/5991 dated 15th March, 2010. The Department is more vigilant in realistic budgetary exercise and monitor the expenditure with utmost care by conducting Heads of circles video conference on monthly basis to review the revenue and expenditure and to keep the expenditure within the sanctioned grant so as to prune down the instances and quantum of excess expenditure to the barest minimum in future.

Sd/-

(Rajnish Kumar)

Deputy Director General (PAF)

**Action Taken (Ministry of Defence)**

In so far as Ministry of Defence is concerned, the Committee's main observation in this paragraph is that under Grant No. 22—Defence Services Army an excess expenditure of Rs. 71.19 crore was incurred during 2007-08. The Committee has therefore desired that the Government should remain more vigilant in budgeting exercise and monitor the expenditure flow with utmost care so that the instances and quantum of excess expenditure are pruned down to the barest minimum in the coming years.

The excess expenditure of Rs. 71.19 crore under the Grant No. 22 (Army) was mainly due to over booking in Pay and Allowances head, hike in fodder prices, miscellaneous charges, increase in rates than anticipated in major works, maintenance of hired and leased buildings and rentals for land, over expenditure under transportation and miscellaneous expenditure due to minor slippage, higher pricing of soft loading rifle (Refurbished) procured from Ordnance Depot than the rate approved by the Government and booking of carry forward liability of previous year in this year by DGS&D pertaining to the stores procured under DGS&D rate contract, although it was not very large when compared to BE allocations. As a measure of control, the Government of India in the Ministry of Defence have been advising all the budget estimating authorities of Defence Services to keep strict watch on the expenditure and ensure that expenditure should be as per the Grant and in case any savings/excess is visualized, its provision should be made at RE stage. Keeping in view these instructions as well as the recommendations of the PAC in the above paragraph the office of the CGDA has issued directions to all Pr. CsDA/CsDA to keep strict watch on expenditure flow as also to issue necessary instructions to all concerned for strict compliance so as to avoid recurrences of cases in future.

In order to ensure against recurrence of over booking, all the designated budget holders in the Defence Services have been advised to keep a strict watch on the progress of expenditure, particularly where it is abnormally high so that appropriate and timely action so as to avoid excess in expenditure *vis-a-vis* allocation can be taken, if required by making necessary provisions at the RE stage itself.

Sd/-

(Amit Cowshish)  
JS and Addl. FA (A)

**Action Taken (Ministry of Home Affairs)**

Instructions regarding Expenditure Management—Economy Measures, Rationalization of Expenditure and Measure for Augmentation of Revenues issued by the Ministry of Finance during the years 2007-08 and 2008-09 have been circulated to all concerned for strict compliance. As a result of adherence, to these instructions, no excess expenditure has been incurred during the year 2008-09. The work relating to review of monthly expenditure/revenue/receipts and budget/Revised Estimates has been fully computerized.

Sd/-

(B. Bhamathi)  
Addl. Secretary (UT)

[Ministry of Home Affairs, U.O. No.15041/3/2008-CHD dated 6th August, 2010]

(This "Action Taken Note" has been vetted by Office of the DGACR *vide* their U.O. No. RR/6-3/10-11/289 dated 19th July, 2010)

**Action Taken (Ministry of Labour and Employment)**

This Ministry has taken various measures to check the instances of excess expenditure over sanctioned budget. The expenditure of the Ministry is monitored by Secretary on monthly basis. Strict instructions were issued to all the Bureau Heads (copies enclosed) at the time of intimating budget provisions, to ensure that expenditure is within the budget provision made. Accounts Division of the Ministry have been fully computerized and extensive use of computers is made to help monitoring expenditure of the Ministry.

Sd/-

Additional Secretary and Financial Advisor

[Ministry of Labour and Employment, O.M. No. G-25018/1/2010-B&A dated.....]



F.No. G-21014/1/2007-B&A  
GOVERNMENT OF INDIA/BHARAT SARKAR  
MINISTRY OF LABOUR AND EMPLOYMENT/SHRAMAUR ROZGAR  
MANTRALAYA

New Delhi, dated the 17th July, 2007.

**Sub.:** Plan and Non-Plan expenditure upto June, 2007

Monthly Expenditure Statement showing progressive expenditure under Plan and Non-Plan heads during the financial year 2007-08 upto the month of June, 2007 is enclosed herewith. The statement is also available at Ministry's website.

All the Bureau Heads are requested to get the figures reconciled with Principal Accounts Office, Ministry of Labour and Employment and point out discrepancy, if any. DDOs under the control of respective Bureau Heads may be directed to reconcile expenditure figures regularly with Pay and Accounts Offices.

The date of expenditure review meeting taken by Secretary (Labour and Employment) will be intimated separately.

Encls: As above

Sd/-

(Dr. Shakuntla)  
Controller of Accounts  
Auto: 2261

To,

1. Shri S.K. Srivastava, Joint Secretary
2. Ms. Gurjot Kaur, Joint Secretary
3. Shri Anil Swarup, DGLW
4. Shri Sharda Prasad, JS(DGE&T)
5. Shri S.K. Mukhopadhyay, CLC(C)
6. Dr. Ashok Sahu, EA
7. Dr. Harcharan Singh, DDG

Copy for information to:—

PS to FA (L&E)

F.No. G-21014/1/2007-B&A  
GOVERNMENT OF INDIA/BHARAT SARKAR  
MINISTRY OF LABOUR AND EMPLOYMENT/SHRAMAUR ROZGAR  
MANTRALAYA

New Delhi, dated the 18th July, 2007.

NOTE

**Sub.:** Review of Plan and Non-Plan Expenditure upto June, 2007

Reference is invited to note of even number dated 17th July, 2007 on the subject mentioned above wherein all the Bureau Heads were forwarded a copy of Expenditure Statement upto the month of June, 2007 with the request to get the figures reconciled with the Principal Accounts Office.

Secretary (L&E) will take a meeting to review the pace of Plan and Non-Plan expenditure upto June, 2007 on 27th July, 2007 in Mini Committee Room at 3.30 p.m. All the Bureau Heads are requested to kindly make it convenient to attend the meeting.

Sd/-  
(Dr. Shakuntla)  
Controller of Accounts  
Auto: 2261

To,

1. Shri S.K. Srivastava, Joint Secretary
2. Ms. Gurjot Kaur, Joint Secretary
3. Shri Anil Swarup, DGLW
4. Shri Sharda Prasad, JS(DGE&T)
5. Shri S.K. Mukhopadhyay, CLC(C)
6. Dr. Ashok Sahu, EA
7. Dr. Harcharan Singh, DDG

F.No. G-21014/1/2008-B&A  
GOVERNMENT OF INDIA  
MINISTRY OF LABOUR AND EMPLOYMENT

NOTE

This has reference to the observations made by the Parliamentary Standing Committee while discussing the Detailed Demands for Grants of this Ministry. The Committee pointed out that Ministry has not been able to spend the money provided under various Plan Schemes as per the guidelines of Government of India regarding uniform pace of expenditure during the financial year. As observed, the expenditure during the first quarter of the financial year 2007-08 was very low. The pace of expenditure under some schemes upto September, 2007 was also not upto the mark. This slow pace of expenditure upto the second quarter resulted in reduction of budget under some Plan Schemes. Release of funds at the fag end of the year also attracts audit observations/objections by the DGACR.

All Programme Divisions are required to prepare a monthly Expenditure 'Action Plan' immediately w.r.t. Plan Schemes handled by them. The Action Plan may be prepared by the Programme Divisions and furnished to the Finance Wing by 23.5.2008 positively.

Sd/-  
(Sudha Pillai)  
Secretary  
15.5.2008

All Bureau Heads

(AS / LEA / DGLW / JS(SKS) / JS(DV) / DGE&T / FA)

**Action Taken (Ministry of Railways)**

The above recommendation is general in nature and takes into account the excess expenditure incurred by various Central Ministries as a whole. The observation of the Committee is, nonetheless, noted. The specific comments on excess incurred by Railways are being given on the other recommendations dealing particularly with the excess incurred under the Grants/Appropriations operated by the Railways.

Audit *vide* their U.O.No. 319-RA-III/2-1/09 dated 03.3.2010 have vetted the Action Taken.

Sd/-  
(Smt. Vijaya Kanth)  
Advisor, Finance

[Ministry of Railways' case No. 2009-BC-PAC/XV/7 dated 17-05-2010]

### **Action Taken (Ministry of Urban Development)**

Under Demand No. 99—Department of Urban Development there were 5 Sub-heads where the excess expenditure had taken place. All these sub-heads recorded excess to the tune of 0.25%, 1.22%, 2.27%, 2.88% and 5.49% of the Original/Final Grant respectively. These excess expenditures were due to urgent maintenance work at VIP bungalows/President Secretariat. The Action Taken Note has already been vetted by the Audit Office and sent to the Monitoring Cell, Ministry of Finance for taking the same for regularization by the Parliament.

However, the Ministry has noted the observations of Audit for compliance and care will be taken that no such lapse occurs in future.

### **Audit Comment**

Percentage of excess expenditure reported by the Ministry was arrived at after re-appropriation. Factual position relating to excess over voted grants and charged appropriation need to be indicated to elucidate the position.

### **Ministry's Comment**

The Demand for Excess Grants 2007-08 has been passed by the Lok Sabha and the connected Appropriation Bill (No. 3) 2010 has been passed by Parliament and assented to by the President of India on 4th May, 2010. The comment of the Audit has been taken care of and noted for future guidance.

The contents of this Action Taken Note for excesses has been vetted by the Audit *vide* their U.O. Note No. AMG-1/VV/ATN/2009-10/81—83 dated 11th May, 2010

Sd/-

(Sudha Krishnan)

Joint Secretary and Financial Adviser

[Ministry of Urban Development OM No. G-20017/7/2008 Bt-(UD) Dated 20th May, 2010]

### **Observations/Recommendations**

**Out of the total excess expenditure of Rs. 223.58 crore incurred during the financial year 2007-08, the bulk of the excess expenditure was on the Civil Sector with an excess disbursement of Rs. 100.14 crore incurred in four segments of as many Grants/Appropriations viz. Rs. 98.24 crore under Grant No. 39—Pensions (Ministry of Finance), Rs. 1.80 crore under Grant No. 59—Ministry of Labour, Rs. 4.77 lakh under Grant No. 95—Chandigarh (Ministry of Home Affairs) and Rs. 5.51 lakh under Grant No. 99—Department of Urban Development. Of the remaining excess amount, Rs. 71.19 crore was recorded in one segment of a Grant operated by Ministry of Defence, Rs. 2.76 lakh in one segment of a Grant operated by the Ministry of Communications and IT (Department of Posts) and Rs. 52.23 crore in 10 segments of 8 Grants/Appropriations operated by the Ministry of Railways.**

**The Committee's scrutiny has revealed that three cases of misclassification of expenditure were registered in the Grants/Appropriations operated by the Ministry of Railways viz. Rs.(+) 3,25,041 under Appropriation No. 13—Working Expenses—Provident Funds, Pension and Retirement Benefits; Rs. (+) 2,38,531 under Appropriation No. 16—Assets—Acquisition, Construction and Replacement—Railway Funds; and Rs. (-)1,07,08,045 under Grant No. 12—Miscellaneous Working Expenses. Taking into account the effect of these three cases of misclassification, the actual excess expenditure relating to the Ministry of Railways worked out to Rs. 51,21,80,383 instead of Rs. 52,23,24,856 as indicated in the Indian Railways Appropriation Accounts (2007-08). Accordingly, the amount of actual excess expenditure incurred during the financial year 2007-08 which requires regularization by the Parliament under Article 115(1)(b) of the Constitution is of the order of Rs. 222.57 crore incurred in 16 cases of 14 excess registering Grants/Appropriations.**

[Recommendation No. 48 of 7th Report of the Public Accounts Committee (15th Lok Sabha on 'Excesses over Voted Grants and Charged Appropriations (2007-08)']

#### **Action Taken (Ministry of Finance)**

The Original Grant of Rs. 7,307.54 crore was augmented by a Supplementary Grant of Rs. 1,287.00 crore obtained in March, 2008. Against the Final Grant of Rs. 8,594.54 crore the actual expenditure incurred in 2007-08 was Rs. 8,692.78 crore resulting in excess expenditure of Rs. 98.24 crore. This excess expenditure has since been regularized by way of obtaining necessary grant with due approval of Parliament in April, 2010 during the Budget Session (copy enclosed *vide* Annexure-A).

2. As already explained in reply to recommendation No. 47 of the report under reference, appropriate steps are being taken by the Department towards strengthening timely budget revision based on concurrent inputs received from various units. In addition, banks are being pursued to submit electronic scrolls in place of manual scrolls to ensure better budget and expenditure management.

This has been vetted by Audit *vide* U.O. No. RR/1-5/10-11/570 dated 24.9.2010.

Sd/-

(H. Pradeep Rao)  
JS and FA (Finance)

2007-2008 DEMANDS FOR EXCESS GRANTS

DEMAND NO. 39

PENSIONS

Amount expended in excess of the Grant for the year ended 31st March, 2008, in respect of the PENSIONS under the MINISTRY OF FINANCE.

Voted: Ninety-eight crore twenty-three lakh sixty thousand five hundred and thirty six rupees.

Section	Final Grant	Actual Expenditure	Excess
Revenue	Rs.	Rs.	Rs.
Voted	8,594,54,00,000	8692,77,60,536	98,23,60,536

The original grant of Rs. 7307,54,00,000 was augmented by a supplementary grant of Rs. 1287,00,00,000 obtained in March, 2008. Against the final grant of Rs. 8594,54,00,000 the actual expenditure of Rs. 8692,77,60,536 resulting in an excess expenditure of Rs. 98,23,60,536 which requires regularisation. The excess expenditure was incurred due to more pension and other retirement claims than anticipated.

**Action Taken (Department of Posts)**

Department of Posts has incurred excess expenditure of Rs. 276127 thousands under Capital Outlay (Plan) over and above voted and charged Appropriation 2007-08 under Demand No. 13 and sent Explanatory Notes on Excesses duly vetted by Audit to Ministry of Finance for its regularization from Parliament *vide* this Office Letter No. 20-5/2009-BGT(PA)5991, dated 15th March, 2010.

Sd/-

(Rajnish Kumar)  
Deputy Director General (PAF)

**Action Taken (Ministry of Defence)**

In this paragraph the Committee has recommended that the amount of excess expenditure of Rs. 71.19 crore incurred in Grant No. 22—Defence Services—Army requires regularization by the Parliament under Article 115(1)(b) of the Constitution.

In this connection, Explanatory Note for Public Accounts Committee for regularization of excess expenditure (Rs. 71,18,78,075) in respect of excess occurred under revenue Section (Voted) of Grant No. 22—Army for the year 2007-08 has been forwarded to Ministry of Finance on 15th March, 2010 duly vetted by DGADS.

Sd/-

(Amit Cowshish)  
JS & Addl. FA(A)

**Action Taken (Ministry of Home Affairs)**

Actual excess expenditure under Grant No. 95—Chandigarh (Ministry of Home Affairs) to the tune of Rs. 4.77 lakh incurred during the financial year 2007-08 has been regularized in the manner prescribed in Article 115(1)(b) of the Constitution of India *vide* Department of Economic Affairs Letter No. F.7(1)-B(SD)/2010, dated 05.05.2010 (copy enclosed).

Sd/-

(B. Bhamathi)

Signature of Addl. Secretary (UT)

[Ministry of Home Affairs U.O. No. 15041/3/2008-CHD, dated 6th August, 2010]

(This “Action Taken Note” has been vetted by Office of the DGACR *vide* their U.O. No. RR/6-3/10-11/289, dated 19th July, 2010)

**Action Taken (Ministry of Labour and Employment)**

Joint Secretary, Ministry of Finance, Department of Economic Affairs *vide* his D.O. Letter dated 13th/16th February, 2010 (copy enclosed) has informed that Excess expenditure has occurred in Demand No. 13, 22, 39, 59, 95 and 99 for the year 2007-08, which are proposed to be regularized in the Budget Session of the Lok Sabha and forwarded therewith the prescribed excess statement concerning Demand No. 59—Ministry of Labour and Employment for 2007-08 with the request to return stating reasons for the excess therein duly vetted by Audit. Accordingly, the excess statement was returned to the *ibid* Officer alongwith its enclosures *vide* O.M. even number dated 10th March, 2010 (copy enclosed).

Sd/-

Additional Secretary &amp; Financial Advisor

[Ministry of Labour and Employment O.M. No. G-25018/1/2010-B&amp;A Dated.....]

SHAKTIKANTA DAS, IAS  
Secretary  
Telephone: 23092804  
23094052  
shaktikanta.das@nic.in



भारत सरकार  
वित्त मंत्रालय  
आर्थिक कार्य विभाग  
नई दिल्ली-110 001  
Government of India  
Ministry of Finance  
Department of Economic Affairs  
New Delhi-110 001

**PAC Matter  
Most Immediate**

D.O. F.No. 7(1)-B(SD) 2010  
16th February, 2010

Dear Shri Jain,

Please refer to para 57 (read with para 11) of the Seventh Report of the Public Accounts Committee (Fifteenth Lok Sabha) on the issue of "Excesses over Voted Grants and Charged Appropriations (2007-2008)" Excess Expenditure has occurred in Demand No. 13, 22, 39, 59, 95 and 99 for the year 2007-2008, which are proposed to be regularised in the Budget Session of the Lok Sabha.

2. For seeking Parliamentary approval, necessary excess demand statements have been prepared from the report of the Public Accounts Committee. The excess statement concerning Demand No. 59—Ministry of Labour and Employment for 2007-08 is forwarded herewith. This may please be returned, stating reasons for the excess therein, duly vetted by Audit not later than 15th March, 2010 (Monday).

3. I would request you to kindly give this matter your immediate and personal attention to enable finalisation of the matter in the forthcoming Budget Session of Parliament.

With regards,

Yours sincerely,

Sd/-  
(Shaktikanta Das)

Encls: As above

Shri Rakesh Jain,  
Joint Secretary and Financial Advisor,  
Ministry of Labour and Employment,  
Shram Shakti Bhawan,  
New Delhi-110 001.



2007-2008 DEMANDS FOR EXCESS GRANTS

DEMAND NO. 59

MINISTRY OF LABOUR AND EMPLOYMENT

Amount expended in excess of the Grant for the year ended 31st March, 2008, in respect of the Ministry of Labour and Employment Under Ministry of Labour and Employment.

Voted: One crore seventy-nine lakh sixty-four thousand nine hundred and sixty eight rupees.

Section	Final Grant Rs.	Actual Expenditure Rs.	Excess Rs.
Capital			
Voted:	756,98,00,000	758,77,64,968	1,79,64,968

The original grant of Rs. 6,97,00,000 was augmented by a supplementary grant of Rs. 750,00,000 obtained in November, 2007 and Rs. 1,00,000 obtained in March, 2008. Against the final grant of Rs. 756,98,00,000 the actual expenditure was Rs. 758,77,64,968 resulting in an excess expenditure of Rs. 1,79,64,968 which requires regularisation. The excess expenditure was incurred due to.....

TIME BOUND  
PAC Matter

F. No. G-2508/1/2008-B&A  
GOVERNMENT OF INDIA/BHARAT SARKAR  
MINISTRY OF LABOUR AND EMPLOYMENT/SHRAMAUR ROZGAR  
MANTRALAYA

New Delhi, Shram Shakti Bhawan  
Dated the 10th March, 2010

OFFICE MEMORANDUM

**Sub.:** Submission of excess statement concerning Demand No. 59, Ministry of Labour and Employment for 2007-08—regarding.

The undersigned is directed to refer D.O. No. F.No. 7 (1)-B (SD) 2010 dated 13/16th February, 2010, on the above subject and to forward herewith the prescribed excess statement for necessary action. Further a copy each of the final vetting comments given by the office of DGACR and final detailed explanatory note, which was duly signed by the then JS&FA and sent to the Monitoring Cell and the other concerned offices are also enclosed herewith.

2. This has been issued with approval by AS&FA (L&E).

Sd/-

(Arvind Kumar)  
Controller of Accounts  
Ph: 23717867/auto:2261

Encls. As above

To,

Shri Shaktikanta Das,  
Joint Secretary,  
Department of Economic Affairs,  
Ministry of Finance,  
New Delhi-110001.

2007-2008 DEMANDS FOR EXCESS GRANTS

DEMAND NO. 59

MINISTRY OF LABOUR AND EMPLOYMENT

Amount expended in excess of the Grants for the year ended 31st March, 2008, in respect of the Ministry of Labour and Employment under Ministry of Labour and Employment.

Voted: One crore seventy-nine lakh sixty-four thousand nine hundred and sixty eight rupees.

Section	Final Grant Rs.	Actual Expenditure Rs.	Excess Rs.
Capital			
Voted:	756,98,00,000	758,77,64,968	1,79,64,968

The original grant of Rs. 6,97,00,000 was augmented by a supplementary grant of Rs. 750,00,000 obtained in November, 2007 and Rs. 1,00,000 obtained in March, 2008. Against the final grant of Rs. 756,98,00,000 the actual expenditure was Rs. 758,77,64,968 resulting in an excess expenditure of Rs. 1,79,64,968 which requires regularisation. The excess expenditure was incurred due to the net effect of total excess of Rs. 285568.00 thousand and total saving of Rs. 267604.00 thousand under various sub-heads of the Grant. This has occurred mainly under the Sub-head 4250.00.201.09—'Research & Statistics' due to the reason that a token supplementary was obtained under Capital Section inadvertently instead of technical supplementary. The Savings of Rs. 3.71 crore under the Revenue Section of the Grant was re-appropriated to the Capital Section against the token supplementary obtained for Capital Section. The savings available in the Revenue Section were re-appropriated with the approval of Ministry of Finance. However, the re-appropriation order was reversed, with the approval of Ministry of Finance, at Appropriation Account stage after the closure of the financial year. Also, the excess occurred under Sub-head: 6250.60.202.01-'Upgradation of 1396 Govt. ITIs through Public-Private Partnership' due to the reason that an amount of Rs. 25.00 crore was re-appropriated from the non-functional Head of account *i.e.* M.H."6552" to the functional head Major Head "6250" for incurring expenditure in respect of North-Eastern regions which is an approved procedure.

कार्यालय महानिदेशक (लेखापरीक्षा), केन्द्रीय व्यय, नई दिल्ली-2

कृपया अपने मंत्रालय/विभाग/कार्यालय के नीचे दिए गए पत्र का संदर्भ लें एवं उससे संबंधित इस कार्यालय की आगे की कार्यवाही का विवरण इस प्रकार है:

Ministry of Labour and Employment, may please refer to its letter No. G. 25018/1/2008-B&A dated 5.10.2009 forwarding therewith revised Explanatory note for Excess that occurred under Capital Section (Voted) of Grant No. 59—Ministry of Labour and Employment for the year 2007-08.

2. The above-mentioned Explanatory Note has been examined and this office has no further comments.

3. The Ministry may prepare final note considering para 2 above and some minor pencil corrections suggested on the body of the note. The requisite number of copies in Hindi and English, duly signed by Secretary/Joint Secretary, may be sent to the Monitoring Cell, Ministry of Finance for onward transmission to Public Accounts Committee Branch, Lok Sabha Secretariat. Both versions of the final Excess Note may also be sent to this office and office of the Comptroller and Auditor General of India for reference and record.

4. A copy of the note is returned herewith.

Sd/-

(B.S. Sharma)

Sr. Audit Officer (RR)

Ministry of Labour and Employment, Shram Shakti Bhawan, Rafi Marg, New Delhi.

[Kind Attn.: Shri Dharminder Singh, Section Officer]

[DGACR's U.O. No. RR/8-1/2009-10/666 Dated: .....]

F.No. G-25018/1/2008-B&A  
GOVERNMENT OF INDIA/BHARAT SARKAR  
MINISTRY OF LABOUR AND EMPLOYMENT/SHRAMAUR ROZGAR  
MANTRALAYA

EXCESS NOTE

Note for Public Accounts Committee in respect of excess occurred under Capital Section (voted) of Grant No. 59, Ministry of Labour and Employment as disclosed in the Union Government Appropriation Accounts (Civil) for 2007-08.

Capital Section (Voted)	Rupees in thousand
Original Grant	69700.00
Supplementary Grant	7500100.00
Total Grant	7569800.00
Actual Expenditure	7587764.00
Excess	17964.00

2. Under Capital Section (Voted) of Grant No. 59 Ministry of Labour and Employment for 2007-08 the total provision was Rs. 69700.00 thousand. This was augmented to Rs. 7569800.00 thousand by obtaining Supplementary Grant of Rs. 7500100.00 thousand. Against this, the expenditure of Rs. 7587764.00 thousand was incurred resulting in excess of Rs. 17964.00 thousand.

3. The excess of Rs. 17964.00 thousand was the net effect of total excess of Rs. 285568.00 thousand and total saving of Rs. 267604.00 thousand, under various sub-heads of the Grant. The sub-heads under which excess expenditure of Rs. 5.00 Lakh and above occurred and reasons, therefore, are explained as below:

(i) Sub-Head: 4250.00.201.09	Rupees in lakh
Research and Statistics	
Original Grant	17.00
Supplementary Grant	01.00
Total Grant	18.00
Actual Expenditure	373.58
Excess	355.58

4. The excess occurred under the sub-head due to the reason that a token supplementary was obtained under Capital Section inadvertently instead of technical supplementary. The Savings of Rs. 3.71 crore under the Revenue Section of the grant was re-appropriated to the Capital Section against the token supplementary obtained for Capital Section. The Savings available in the Revenue Section were re-appropriated with the approval of Ministry of Finance.

However, the re-appropriation order was reversed, with the approval of Ministry of Finance, at Appropriation Account stage after the closure of the financial year.

(ii) Sub-Head: 6250.60.202.01— Upgradation of 1396 Govt. ITIs through Public Private Partnership Original Grant Supplementary Grant Total Grant Actual Expenditure Excess	Rupees in lakh P-36  Nil 725.00 725.00 750.00 25.00
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5. The excess occurred under the sub-head due to the reason that an amount of Rs. 25.00 crore was re-appropriated from the non-functional Head of account *i.e.* M.H. "6552" to the functional head Major Head "6250" for incurring expenditure in respect of North-Eastern regions which is an approved procedure.

6. The remedial steps taken for avoiding such lapses is that the instructions of Ministry of Finance on Supplementary Grants will be taken care of in future to avoid recurrence of such mistake. All administrative divisions have been advised to make budget provision under proper/relevant head of account to avoid re-appropriation etc. However, there is no excess under the Grant as a whole and there is saving of Rs. 45,66.20 lakh under the revenue section of the grant.

Sd/-  
(RAKESHJAIN)  
Joint Secretary and Financial Advisor.  
Ministry of Labour and Employment.

(File No. G-25018/1/2008-B&A)

F.No. G-25018/1/2008-B&A  
GOVERNMENT OF INDIA/BHARAT SARKAR  
MINISTRY OF LABOUR AND EMPLOYMENT/ SHRAM AUR ROZGAR MANTRALAYA  
NEW DELHI, SHRAM SHAKTI BHAWAN

Dated the 10th November, 2009

To

Shri N.K. Bhagat,  
Under Secretary,  
Monitoring Cell,  
Department of Expenditure,  
Ministry of Finance,  
Lok Nayak Bhawan,  
Khan Market,  
New Delhi.

**Sub.:** Submission of Final Detailed Explanatory Notes from Ministries/Departments for Saving of Rs. 100 crore and above and Excess Expenditure from the sanctioned Budget Grants for the year 2007-08 regarding.

Sir,

Reference D.O. No. 4/1/2009-MC dated 30th September, 2009, from Controller General of Accounts, requesting to furnish vetted Explanatory Notes on the above subject and to state that as desired excess note, duly vetted by DGACR, incorporating the audit comments has been prepared both in English and Hindi versions, 40 copies in English and 25 copies in Hindi are enclosed herewith for necessary action.

Yours faithfully,  
Sd/-  
(Dharminder Singh)  
Section Officer  
Tel. No. 23765090

1. Copy of excess note, duly vetted by DGACR, both in English and Hindi for information to Comptroller and Auditor General of India, 10, Bahadur Shah Zafar Marg, New Delhi-02.
2. Copy alongwith copy of excess note, duly vetted by DGACR, both in English and Hindi to Shri B.S. Sharma, Senior Audit Officer (RR), Office of Director General of Audit, Central Revenues, AGCR Building, I.P. Estate, New Delhi-110 002 reference DGACR's U.O. No. RR-II/8-1/2009-10/666 dated 7.10.2009.

FNo. G-25018/1/2008-B&A  
GOVERNMENT OF INDIA/BHARAT SARKAR  
MINISTRY OF LABOUR AND EMPLOYMENT/SHRAMAUR ROZGAR  
MANTRALAYA

EXCESS NOTE

Note for Public Accounts Committee in respect of excess occurred under Capital Section (voted) of Grant No. 59, Ministry of Labour and Employment as disclosed in the Union Government Appropriation Accounts (Civil) for 2007-08:

Capital Section (Voted)	Rupees in thousand
Original Grant	69700.00
Supplementary Grant	7500100.00
Total Grant	7569800.00
Actual Expenditure	7587764.00
Excess	17964.00

2. Under Capital Section (Voted) of Grant No. 59, Ministry of Labour and Employment for 2007-08 the total provision was Rs. 69700.00 thousand. This was augmented to Rs. 7569800.00 thousand by obtaining Supplementary Grant of Rs. 7500100.00 thousand. Against this, the expenditure of Rs. 7587764.00 thousand was incurred resulting in excess of Rs. 17964.00 thousand.

3. The excess of Rs. 17964.00 thousand was the net effect of total excess of Rs. 285568.00 thousand and total saving of Rs. 267604.00 thousand, under various sub-heads of the Grant. The sub-heads under which excess expenditure of Rs. 5.00 Lakh and above occurred and reasons, therefore, are explained as below:

(i) Sub-Head: 4250.00.201.09—Research and Statistics	Rupees in lakh
Original Grant	17.00
Supplementary Grant	01.00
Total Grant	18.00
Actual Expenditure	373.58
Excess	355.58

The excess occurred under sub-head due to the reason that a token supplementary was obtained under Capital Section inadvertently instead of technical supplementary. The Savings of Rs. 3.71 crore under the Revenue Section of the Grant was re-appropriated to the Capital Section against the token supplementary obtained for Capital Section. The savings available in the Revenue Section were re-appropriated with the approval of Ministry of Finance. However, the re-appropriation order was reversed, with the approval of Ministry of Finance, at Appropriation Account stage after the closure of the financial year.



(ii)	Sub-Head: 6250.60.202.01— Upgradation of 1396 Govt. ITIs through Public Private Partnership	Rupees in lakh
	Original Grant	Nil
	Supplementary Grant	725.00
	Total Grant	725.00
	Actual Expenditure	750.00
	Excess	25.00

The excess occurred under the sub-head due to the reason that an amount of Rs. 25.00 crore was re-appropriated from the non-functional Head of account *i.e.* M.H. "6552" to the functional head Major Head "6250" for incurring expenditure in respect of North-Eastern regions which is an approved procedure.

4. The remedial steps taken for avoiding such lapses is that the instructions of Ministry of Finance on Supplementary Grants will be taken care of in future to avoid recurrence. All administrative divisions have been advised to make budget provision under proper/relevant head of account to avoid re-appropriation etc. However, there is no excess under the Grant as a whole and there is saving of Rs. 45,66.20 lakh under the revenue section of the grant.

Sd/-  
(Rakesh Jain)  
Joint Secretary and Financial Adviser  
Ministry of Labour and Employment

(File No. G-25018/1/2008-B&A)

#### **Action Taken (Ministry of Railways)**

The excess expenditure of Rs. 51.22 cr. incurred by Ministry of Railways during 2007-08 will be got regularized by Parliament in its ensuing Budget Session (2010).

Audit *vide* their U.O. No. 319-RA-III/2-1/09 dated 03.3.2010 have vetted the Action Taken.

Sd/-  
(Smt. Vijaya Kanth)  
Adviser Finance

[Ministry of Railways' case No. 2009-BC-PAC/XV/7 dated 17-05-2010]

#### **Action Taken (Ministry of Urban Development)**

Under Grant No. 99 Department of Urban Development a sum of Rs. 5.51 lakh had been incurred in excess of the appropriation. The excess had occurred under Capital Section (*Charged*) of Demand No. 99—Department of Urban Development owing to the discharge of the order/award of the Arbitrator which was interest bearing. This excess is the net result of excess and savings among the two Sub-heads Major Head 4216—Capital Outlay on Housing.

The reason for excess has been vetted by the Audit Office and the same has been sent to the Ministry of Finance and the Monitoring Cell on 11th March, 2010.

#### **Audit Comment**

—NIL—

The contents of this Action Taken Note for excesses has been vetted by the Audit *vide* their U.O. Note No. AMG-1/VV/ATN/2009-10/81-83 dated 11th May, 2010.

Sd/-

(Sudha Krishnan)

Joint Secretary and Financial Adviser

[Ministry of Urban Development OM No. G-200177/2008 Bt.-(UD) dated 20th May 2010]

#### **Observations/Recommendations**

**The Committee find that there are huge variations in the Grant/Appropriation-wise quantum of excess expenditure incurred in 16 cases during the financial year 2007-08 with the bulk of the excess expenditure registering in three Grants—(i) Grant No. 39 (Revenue Voted)—Pensions; (ii) Grant No. 59 (Capital Voted)—Ministry of Labour and Employment; and (iii) Grant No. 22 (Revenue Voted)—Defence Services-Army which combinedly accounted for Rs. 172.35 crore *i.e.* more than seventy seven per cent of the total excess expenditure of Rs. 222.57 crore. The Committee also find that about 98 per cent of the total excess expenditure of Rs. 51.22 crore incurred under eight Grants/Appropriations operated by the Ministry of Railways has been recorded in three cases—(i) 'Grant No. 12—Miscellaneous Working Expenses', (ii) 'Grant No. 15—Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortization of Over-Capitalization and (iii) 'Appropriation No. 10—Working Expenses-Operating Expenses-Fuel'. The contributory reasons furnished by the Civil Ministries/Departments ranged for incurring excess expenditure *inter alia* include—receipt of more claims than anticipated; reversion of the re-appropriation; 'requirement of additional funds for construction of ongoing construction works, link roads, bus stands etc'. and 'committed liability owing to orders of Arbitrators which were interest bearing'. Similarly, the major reason advanced by the Ministry of Defence and Department of Posts is 'sanction of higher DA' whereas the Ministry of Railways attributed their excess expenditure to more expenditure on Miscellaneous Advance Revenue, 'Compensation Claims' *i.e.* 'liquidation of more claims of other compensation than anticipated', 'more booking for unallocated items and more expenditure relating to IRCTC and RRC dues', more clearance of old outstanding revenue liabilities etc. the Committee appreciate the need for this validation of incurring excess expenditure which generally occur due to the exigencies arising out of unforeseen circumstances. But simultaneously, it should be kept in mind that budgeting has to ensure equitable distribution of financial resources under prescribed Rules/Provisions with a view to achieving all round growth of different sectors for which proper observance of fiscal discipline should be accorded paramount importance. However, much to the consternation of the Committee some of the Ministries/Departments of the**

**Union Government still fail to overhaul their budgeting mechanism besides giving scant regard to the Rules/Provisions put in place for containing the expenditure within the authorized limits. As it is imperative to observe proper adherence to the prescribed procedure of budgeting, the requisite tenets of financial transaction and the General Financial Rules etc. in order to contain excess expenditure, the Committee again stress the need for having practicable and result-oriented Financial Rules and urge upon the Ministry of Finance to take further innovative steps necessary for ushering in the next level of budgeting and financial management in the country whereby the exercise is made more accurate and logical so that the scarce financial resources are appropriately, judiciously and productively utilized on the intended targets thus facilitating economy, efficiency and efficacy in the financial transactions.**

[Recommendation No. 49 of 7th Report of the Public Accounts Committee (15th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2007-08)"]

#### **Action Taken (Ministry of Finance)**

In so far as specific instances of excesses occurred under Grant No. 39—Pensions by Ministry of Finance, Grant No. 59—Ministry of Labour and Employment, Grant No. 22—Defence Services, etc., are concerned, Ministry of Finance, being the nodal Ministry in respect of Expenditure Management has consistently taken effective steps to regulate the expenditure within the sanctioned grant by line Ministries. Further, the Budget circular of 2010-11 issued on 11.9.2009 to all Ministries in Para 5 referred to the PAC's 23rd report (13th Lok Sabha) on the Excesses Over Voted Grants and the Charged Appropriations (1998-99), and suggested that effective coordination between various estimating and disbursing authorities be put in place with the help of sound data-base and other IT facilities so that the excess expenditure could be avoided altogether. Further, an Office Memorandum has been issued on 25th January, 2010 to all Secretaries of Government of India, who are chief Accounting Authorities of their Departments advising them to adhere to Rule 64 of GFR and ensure rigid enforcement of prescribed financial rules and to see that no instance of excess expenditure takes place in future for reasons which can be anticipated and taken care of in advance either in BE or Supplementary grants. Further, after preparation of ATRs in respect of recommendations in 54th Report of PAC, a series of meetings were taken with FAs of concerned Departments to impress upon them to see that excess expenditure does not take place.

In so far as Ministry of Finance, Department of Economic Affairs is concerned, there used to be heavy excess expenditure on the appropriations "Repayment of Debt" and "Interest Payments". Effective steps have been taken to improve the quality of estimation of "Repayment of Debt" and "Interest Payments" in consultation with RBI resulting in zero excess expenditure during the year 2007-08. In addition, it is stated that with the help of IT initiative taken by office of the Controller General of Accounts, a closer watch on the expenditure position has now been enabled and Budget Division of Ministry of Finance reviews them very closely towards the close of financial year, particularly with a view to include cases where there is a likelihood

of excess expenditure, to include them in the last batch of supplementary demands for grants, so that instances of excess expenditure are reduced. Further the Ministry of Finance (Budget Division) requests other Ministries/Departments at the time of final batch of Supplementary Demands for Grants to assess the expenditure exposition with reference to approved Revised Estimates which may result in excess expenditure and come up with suitable Supplementary Demands for Grants so that excess expenditure is avoided in any grant or appropriation. Details of steps taken by Ministry of Finance in this regard were explained in the ATN on the observations/recommendations contained in para 51 of 80th report of PAC (2008-09) (14th Lok Sabha) on Excess over Charged Grants and Charged Appropriations (2006-07).

It may be mentioned that due to concerted efforts of the Government, the excess expenditure has come down from the level of Rs. 97,205 crore in 2005-06 to Rs. 171 crore in 2007-08. Further, the excess expenditure of civil ministries (after excluding appropriation—interest payment, appropriation—repayment of debt and defence service-Army) has come down from Rs. 331 crore in 2005-06 to Rs. 100 crore in 2007-08.

This has been vetted by Audit *vide* U.O. No. RR/1-5/10-11/570 dated 24.09.2010.

Sd/-  
(H. Pradeep Rao)  
Joint Secretary and Financial Adviser

#### **Action Taken (Department of Posts)**

The Department ensures that the prescribed procedure of budgeting and financial transaction as per GFRs are properly observed to have realistic budgeting and financial management.

Sd/-  
(Rajnish Kumar)  
Deputy Director General (PAF)

#### **Action Taken (Ministry of Defence)**

In the matter of excess expenditure incurred under Grant No. 22 Defence Services—Army the Committee has stressed the need for having practicable and result-oriented Financial Rules and urged upon the Ministry of Finance to take further innovative steps necessary for ushering in the next level of budgeting and financial management in the country whereby the exercise is made more accurate and logical so that the scarce financial resources are appropriately, judiciously and productively utilized on the intended targets thus facilitating economy, efficiency and efficacy in the financial transactions.

Necessary action in this regard is to be taken by Ministry of Finance. Ministry of Defence would certainly follow the instructions issued by Ministry of Finance towards budgeting and financial management.

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

**Action Taken (Ministry of Home Affairs)**

The amount of excess expenditure under Grant No. 95—Chandigarh is 0.0037% of the Grant and within the permissible limit. The concerned official has been warned to be more careful in future while dealing with such vital issues. Instructions have also been circulated amongst all concerned for proper expenditure management.

Sd/-

(B. Bhamathi)

Addl. Secretary (UT)

[Ministry of Home Affairs U.O. No. 15041/3/2008-CHD dated 6th August, 2010]

(This "Action Taken Note" has been vetted by Office of the DGACR *vide* their U.O. No. RR/6-3/10-11/289 dated 19th July, 2010)

**Action Taken (Ministry of Labour and Employment)**

The original grant of Rs. 6,97,00,000 was augmented by a supplementary grant of Rs. 750,00,00,000 obtained in November, 2007 and Rs. 1,00,000 obtained in March, 2008. Against the final grant of Rs. 756,98,00,000 the actual expenditure was Rs. 758,77,64,968 resulting in an excess expenditure of Rs. 1,79,64,968 which requires regularization. The excess expenditure was incurred due to the net effect of total excess of Rs. 285568.00 thousand and total saving of Rs. 267604.00 thousand under various sub-heads of the Grant. This has occurred mainly under the Sub-Head 4250.00.201.09-'Research & Statistics' due to the reason that a token supplementary was obtained under Capital Section inadvertently instead of technical supplementary. The Savings of Rs. 3.71 crore under the Revenue Section of the Grant was re-appropriated to the Capital Section against the token supplementary obtained for Capital Section. The savings available in the Revenue Section were re-appropriated with the approval of Ministry of Finance. However, the re-appropriation order was reversed, with the approval of Ministry of Finance, at Appropriation Accounts stage after the closure of the financial year. Also, the excess occurred under Sub-Head: 6250.60.202.01-'Upgradation of 1396 Government ITIs through Public Private Partnership' due to the reason that an amount of Rs. 25.00 crore was re-appropriated from the non-functional Head of Account *i.e.* M.H. "6552" to the functional head major head "6250" for incurring expenditure in respect of North Eastern regions which is an approved procedure.

Sd/-

Additional Secretary & Financial Advisor

[Ministry of Labour and Employment O.M. No. G-25018/1/2010-B&A dated.....]

**Action Taken (Ministry of Railways)**

The recommendation is particularly addressed to Ministry of Finance. However, the Ministry of Railways also would urge the spending units under its control, *viz.* the zonal Railways, the need to adhere to the fiscal discipline as desired by the Committee. A copy of the letter is enclosed (Annexure 1).

Audit *vide* their U.O. No. 319-RA-III/2-1/09 dated 03.03.2010 have vetted the Action Taken. They further desired that the figure of excess expenditure Rs. 22.23 crore under

Grant No. 12 appearing at Point No. 3 of the Ministry of Railways' letter No. 2009-B-342 dated 11.2.2010 needs to be revised as Rs. 22.33 crore.

**Ministry's Comments**

The requisite figure revised (Annexure 2).

Sd/-

(Smt. Vijaya Kanth)

Adviser Finance

[Ministry of Railways' case No. 2009-BC-PAC/XV/7 dated 17.05.2010]

## ANNEXURE 1

GOVERNMENT OF INDIA  
MINISTRY OF RAILWAYS  
(RAILWAY BOARD)

No. 2009-B-342

New Delhi, dated 11.02.2010

The General Managers,  
All Indian Railways.

**Sub.:** Excess over Voted Grants/Charged Appropriations—2007-08.

In 2007-08, Railways incurred an excess expenditure of Rs. 51.22 cr. in the following Demands:—

(Rs. in thousands)

Demand No.	Grant	Appropriation	Total
5	—	3,04	3,04
6	—	2,79	2,79
8	—	12,93	12,93
10	—	6,98,48	6,98,48
12	22,32,95	—	22,32,95
13	—	9,67	9,67
15	20,80,86	—	20,80,86
16	—	81,08	81,08
Total	43,13,81	8,07,99	51,21,80

The above 'Excess' has been viewed seriously by the Public Accounts Committee (15th Lok Sabha), *vide* their 7th Report. The Committee, while expressing serious concern, has made the following observations/recommendations:—

1. The Committee observe that Ministry of Railways has been persistently incurring huge sums of excess expenditure during the financial years 2001-02 to 2007-08. The continuous wide variations between the budgetary provision and the actual expenditure leads the Committee to a conclusion that the various remedial measures reported to have been implemented by them for overhauling their budgetary mechanism, financial transaction etc. with the central motive of enhancing accuracy level of their budgetary projections and performance are yet to generate the desired improvements.

2. The Committee feel that incurring of excess expenditure despite obtaining Supplementary Grants, is yet another indication of the fallibility of the extant budgeting method and mechanism evolved to ensure proper assessment and accurate projection

of the fund requirement even at the revised estimate stage. The Committee, therefore, recommend that the mechanism of estimating Supplementary Grants be made 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.

3. The Committee find that out of the excess expenditure of Rs. 51.22 crore incurred by the Ministry of Railways during the financial year 2007-08, the bulk of the excess expenditure (Rs. 22.23 crore) were incurred under 'Grant No. 12—Miscellaneous Working Expenses'. Railways have been incurring persistent excess under Demand No. 12. This trend has flown in 2008-09 also. The Committee observe that while anticipating the requirement of funds under this Grant, estimations for various Sub-Heads could have been projected more realistically by analyzing properly the prevailing expenditure trail, upcoming demands/requirements, rising cost etc.

4. The Committee are not happy with such lack of concern on the part of the Ministry for 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 money irrespective of quantum are not spent without prior authorization.

In view of the above observations, the Railways are required to take immediate action to curb the excess expenditure especially under Demand No. 12. They are requested to assess their requirement accurately in their Final Modification Estimates for 2009-10 so that the last batch of supplementary grants can be based on the realistic requirement to avoid the possibility of any excess/savings.

Sd/-  
(Jagmohan Gupta)  
Executive Director, Finance (Budget)  
Railway Board.



ANNEXURE 2

GOVERNMENT OF INDIA  
MINISTRY OF RAILWAYS  
(RAILWAY BOARD)

No. 2009-B-342

New Delhi, dated 12.03.2010.

The General Managers,  
All Indian Railways.

**Sub.:** Excess Over Voted Grants/Charged Appropriations—2007-08.

Reference this Ministry's letter of even No. of 11.02.10 on the above cited subject. In 3rd line of para 3 of the letter under reference, excess expenditure under Grant No. 12 has inadvertently been shown as Rs. 22.23 crore instead of Rs. 22.33 crore. The same may kindly be noted.

Sd/-  
(Sanjeev Jain)  
Director, Finance (Budget)  
Railway Board.

**Action Taken (Ministry of Urban Development)**

The observations of the Hon'ble Committee are noted for future compliance, guidance and adherence and to abide by the rules on the subject and to follow financial discipline.

**Audit Comment**

—NIL—

The contents of this Action Taken Note for excesses has been vetted by the Audit vide their UO Note No. AMG-1/VV/ATN/2009-10/81-83 dated 11th May 2010.

Sd/-  
(Sudha Krishnan)  
Joint Secretary & Financial Adviser.  
[Ministry of Urban Development OM No. G-20017/7/2008 Bt- (UD) dated 20th May 2010]

**Observations/Recommendations**

**The Committee note with grave concern that out of 16 cases of excess expenditure, Rs. 222.16 crore in 12 cases of Grants/Appropriations were incurred despite obtaining Supplementary Grants of Rs. 2729.49 crore. In this regard, relatively huge amounts of excess expenditure were incurred even after obtaining Supplementary Grants in respect of grant No. 39 — Pensions; Grant No. 59 — Ministry of Labour & Employment; Grant No. 22 — Defence Services — Army;**

**Grant No. 12 — Miscellaneous Working Expenses; Grant No. 15—Dividend to General Revenues, Repayment of Loans taken from General Revenue and Amortization of over capitalization. Appropriation No. 5—Working Expenses—Repairs & maintenance of Motive Powers; Appropriation No. 8— Working Expenses— Operating Expenses—Rolling Stock and Equipment; Appropriation No. 10— Working Expenses—Operating Expenses—Fund; Appropriation No. 13—Working Expenses—Provident Fund, Pension and other Retirement Benefits. In most of these cases, the amount obtained as supplementary provision was higher than the excess expenditure incurred. The Committee feel that incurring of excess expenditure despite obtaining Supplementary Grants, is yet another indication of the fallibility of the extant budgeting method and mechanism evolved to ensure proper assessment and accurate projection of the fund requirement even at the revised estimate stage. It reinforces the inadequacies in the institutional arrangements made by various Ministries/Departments to monitor the flow and trend of expenditure under various Grants/Appropriations. The Committee, therefore, recommend that the concerned Ministries/Departments particularly the Ministry of Finance have to delve further towards making 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.**

[Recommendation No. 50 of 7th Report of the Public Accounts Committee (15th Lok Sabha on 'Excesses over Voted Grants and Charged Appropriations (2007-08)']

#### **Action Taken (Ministry of Finance)**

So far as the excess under Grant No. 39—Pensions is concerned, it has been explained that this Grant is a composite Grant and budgetary estimates under this Grant are framed on the basis of (i) information furnished by 63 accounting circles who make the payment and also book the expenditure directly to respective heads, (ii) trend of expenditure booked by the Central Pension Accounting Office (CPAO) from Debit scrolls received from 248 nodal branches of various banks. As per extant procedure, payment is first arranged by treasuries and thereafter, reimbursement is sought from CPAO which generally have time lag of around three months. Pension and other retirement benefits, being committed liabilities of the Government are of inevitable nature and therefore, their payment cannot be withheld. Besides, the cash balances of the Government of India already gets reduced by all these payments and the recording of final expenditure under this grant releases contra suspense booking. Therefore, the excess expenditure recorded under this Grant may be explained in this perspective of delayed receipt of payment scrolls and payment by other accounting circles. Nevertheless, the Department is working towards strengthening timely budget revision based on concurrent inputs received from various units. In addition, banks are being pursued to submit electronic scrolls in place of manual scrolls to ensure better budget and expenditure management. The pilot project on e-scrolls is being sought to be initiated with 3 banks namely, SBI, Axis Bank and Bank of Baroda all of

which are on a Centralised Pension Payment System at present. A Technical Committee has already been constituted with representatives of NIC (CPAO); the above-mentioned banks and RBI, CAS, Nagpur to study the technical and system interfaces, and changes thereto between the participating entities. Given the complexity of the exercise to have the pilot completed during the current fiscal. Further scaling up will depend on the result of the pilot. The project, once rolled out and stabilized will provide more efficient control in respect of budgeting and accounting arising out of—

- (a) Receipt of electronic scrolls on daily basis; and
- (b) Debit to Government account being authorized only post-certification of e-scrolls received by CPAO.

2. With a view to obviate the possibility of excess expenditure over the sanctioned grant, necessary advice is sent by the Finance Ministry to all the line Ministries/Departments at the time of seeking proposals for Supplementary Demands for Grants. It is categorically pointed out at the time of obtaining proposals for the last Supplementary Demands for Grants for the year that supplementary proposal may be made in cases where the approved revised estimates would result in excess over the sanctioned provision in the Grant. However, in spite of these precautions at times Ministries/Departments incur excess expenditure due to occasional unavoidable circumstances at their end.

This has been vetted by Audit *vide* U.O. No. RR/1-5/10-11/570 dated 24.9.2010.

Sd/-  
(H. Pradeep Rao)  
JS&FA (Finance)

#### **Action Taken (Ministry of Defence)**

With reference to the excess expenditure including *inter alia* grant No. 22—Defence Services—Army, the Committee has felt that incurring of excess expenditure despite obtaining Supplementary Grants, is yet another indication of the fallibility of the extant budgeting method and mechanism evolved to ensure proper assessment and accurate projection of the fund requirement even at the revised estimate stage. It reinforces the inadequacies in the institutional arrangements made by various Ministries/Departments to monitor the flow and trend of expenditure under various Grants/Appropriations. The Committee, therefore, recommend that the concerned Ministries/Departments particularly the Ministry of Finance have to delve further towards making 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.

So far as Ministry of Defence is concerned, instructions already exist to exercise strict control on progress of Defence Expenditure in order to avoid any large-scale savings or excess under any grant relating to Defence Services. Regular Meetings of the Departmental Monitoring Groups are held to monitor the progress of expenditure effectively to achieve the objective and to ensure that the funds allocated are fully

utilized. Efforts are made for better implementation of various instructions issued on monitoring of Defence Expenditure.

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

**Action Taken (Ministry of Home Affairs)**

The amount of excess expenditure to the tune of Rs. 4.77 lakh incurred during the financial year 2007-08 being very small *i.e.* 0.0037% of the Grant has been regularized in the manner prescribed in Article 115(1)(b) of the Constitution of India *vide* Department of Economic Affairs letter No. F. 7(1)-B(SD)/2010 dated 05.05.2010 (copy enclosed). Steps are being taken to provide online budgetary allocations and expenditure flow at the level of every Drawing and Disbursing Officer to ensure that such lapses do not occur in future.

Sd/-  
(B. Bhamathi)  
Addl. Secretary (UT)

[Ministry of Home Affairs U.O. No. 15041/3/2008-CHD dated 6th August, 2010]

(This "Action Taken Note" has been vetted by Office of the DGACR *vide* their U.O. No. RR/6-3/10-11/289 dated 19th July, 2010)

**Action Taken (Ministry of Labour and Employment)**

The excess expenditure was incurred due to the net effect of total excess of Rs. 285568.00 thousand and total saving of Rs. 267604.00 thousand under various sub-heads of the Grant. This has occurred mainly under the Sub-Head 4250.00.201.09— 'Research & Statistics' due the reason that a token supplementary was obtained under Capital Section inadvertently instead of technical supplementary. The Savings of Rs. 3.71 crore under the Revenue Section of the Grant was re-appropriated to the Capital Section against the token supplementary obtained for Capital Section. The savings available in the Revenue Section were re-appropriated with the approval of Ministry of Finance. However, the re-appropriation order was reversed, with the approval of Ministry of Finance, at Appropriation Accounts stage after the closure of the financial year. Also, the excess occurred under Sub-Head: 6250.60.202.01— 'Upgradation of 1396 Govt. ITIs through Public Private Partnership' due to the reason that an amount of Rs. 25.00 crore was re-appropriated from the non-functional Head of account *i.e.* M.H. "6552" to the functional head major head "6250" for incurring expenditure in respect of North Eastern regions which is an approved procedure. Now, strict vigil is being kept while obtaining cases involving net/gross supplementary.

Sd/-  
Additional Secretary & Financial Advisor  
[Ministry of Labour and Employment O.M. No. G-25018/1/2010-B&A dated.....]

### Action Taken (Ministry of Railways)

The overall amount of excess registered under the above Grants/Appropriations is Rs. 51.22 cr., which works out to less than 0.04% of the total sanctioned budget for 2007-08. However, the observation of the Committee has been noted for being circulated to the spending units, *i.e.*, Railways for tightening the mechanism of estimating Supplementary Grants.

[Audit *vide* their U.O. No. 319-RA-III/2-1/09 dated 03.03.2010 have vetted the Action Taken]

Sd/-  
(Smt. Vijaya Kanth)  
Advisor Finance

[Ministry of Railways' case No. 2009-BC-PAC/XV/7 dated 17.05.2010]

### Observations/Recommendations

**The Committee observe that the Ministry of Finance and the Ministry of Railways had been persistently incurring huge sums of excess expenditure during the financial years 2001-02 to 2007-08 while the Ministry of Defence had been spending much above the authorized expenditure during each of the financial years 2003-04 to 2007-08. To elucidate, the Ministry of Finance had incurred an excess expenditure of Rs. 759.75 crore in 2001-02, Rs. 1793.26 crore in 2002-03, Rs. 42184.73 crore in 2003-04, Rs. 33783.55 crore in 2004-05, Rs. 96784.09 crore in 2005-06, Rs. 36637.186 crore in 2006-07 and Rs. 98.24 crore in 2007-08. Similarly, the Ministry of Railways had incurred excess expenditure in 9 cases in 1998-99, 8 cases in 1999-2000, 5 cases in 2000-01, 10 cases in 2001-02, 11 cases in 2002-03, 13 cases in 2003-04, 15 cases in 2004-05, 15 cases in 2005-06, 13 cases in 2006-07 and 10 cases in 2007-08. The Committee also find that the Ministry of Defence had incurred an excess expenditure of Rs. 37.50 crore in 2003-04, Rs. 41.99 crore in 2004-05, Rs. 44.84 crore in 2005-06, Rs. 667.17 crore in 2006-07 and Rs. 71.19 crore in 2007-08. The continuous wide variations between the budgetary provisions and the actual expenditure by these important Ministries leads the Committee to a conclusion that the various remedial measures reported to have been implemented by them for overhauling their budgetary mechanism, financial transaction etc. with the central motive of enhancing accuracy level of their budgetary projections and performance are yet to generate the desired improvements. This also gives an impression that the Ministry of Finance entrusted with the responsibility of preparing the Union Budget, have not yet overhauled their budgeting and accounting system for which the estimation of requirement of funds is till done apparently on guess work leading to variations between the budgetary provisions projected and the actual expenditure incurred under various Grants/Appropriations. Moreover, the Committee find 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. Needless to say the existing budgeting mechanism still suffers from various loopholes and lacunae which require urgent and proper attention and**

corrective action especially from the Ministry of Finance. The Committee, therefore, impress upon the Ministry of Finance to overhaul their budgeting mechanism in such an impressive manner that other Ministries/Departments take a cue from it and effectively replicate the same in their respective sphere of action to avoid recurrence of the malady of excess expenditure. While urging the Government to shed their tendency of leaving things to take their own course towards 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 in order to arrive at precise and accurate estimation of requirement of funds at various stages of budgeting exercise.

[Paragraph 51 of the 7th Report of the Public Accounts Committee (15th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2007-08)"]

#### Action Taken (Ministry of Finance)

The following table brings out the Grant/Appropriation-wise details of excess expenditure occurred in the Grants/Appropriations controlled by the Ministry of Finance:

(Rs. in crore)

Year	Appropriation			Total
	Interest Payments	Repayment of Debt	Other Grants of Ministry of Finance	
	(1)	(2)	(3)	(1)+(2)+(3)
2001-02	28.39	...	731.36	759.75
2002-03	1792.90	...	0.36	1793.26
2003-04	...	42182.74	1.99	42184.73
2004-05	...	33783.55	...	33783.55
2005-06	3343.02	93529.22	1.85	96874.09
2006-07	3587.89	33049.27	...	36637.16
2007-08	...	...	98.24	98.24

2. As may be seen from the table above, the recurring excess expenditure were reported in Appropriation—Interest Payments and Appropriation—Repayment of Debt, the centralized Appropriation controlled by Ministry of Finance. The excess expenditure occurring in these two appropriations is due to the reasons unique to these appropriations, which are not applicable to other Grants and Appropriations of the Ministries/Departments. Some of the major contributory reasons for recurring excess expenditure occurred in Appropriation—Interest Payments and Appropriation—Repayment of Debt are given below:—

- (a) **Interest Payments:** The precise estimation of Interest Payments is not possible in view of the following reasons:
- (i) Payment of interest on 14 day Treasury Bills had been higher than estimates due to large investment of surplus money held by State Governments;

- (ii) Payment of interest on market loans is the single largest item of interest payment and generally exceeds the estimates due to issue of securities through re-issue mechanism and also due to spill over payments;
  - (iii) Interest payment on dated securities under Market Stabilisation Scheme depends on the mobilisation of resources generated under the scheme;
  - (iv) Interest payment on external debt depends on the exchange rate, commitment charges on the undrawn amount and other charges, which are market-related, implementation of projects (makes impact on undrawn amount) and are difficult to estimate precisely;
  - (v) Payment of interest on State Provident Funds and Reserve Funds depends on accretion to the fund, withdrawal from the fund, availability of the corpus over a period of time. These factors cannot be anticipated exactly while framing the estimates on provident funds, reserve funds, deposits, etc.;
  - (vi) Issue of special bonds/securities to oil companies, fertilizer companies and other CPSUs as part of compensation during the course of year also makes estimation of interest payments difficult.
- (b) **Repayment of Debt:** The precise estimation of Repayment of Debt is not possible in view of the following reasons:
- (i) Repayment of 14 day Treasury Bills, being a short term investment, has always been higher than estimates due to cyclic investment of surplus money by State Governments;
  - (ii) Repayment of external debt depends mainly on the exchange rate, which is market-related and therefore precise estimation of external debt is difficult.

3. Though the reasons mentioned above are not exhaustive, they are largely attributable to the excess expenditure occurred in the Appropriations. It may also be mentioned that the expenditure provided in these two appropriations are charged expenditure on the Consolidated Fund of India. Thus, the claims arising out of article 112(1)(3)(c) of the Constitution of India needs to be paid and charged on the Consolidated Fund of India in the year in which the claim is raised. However, while every effort is made to project estimates as accurately as possible, the need to further improve estimation techniques is acknowledged.

4. In order to improve the quality of estimation of Repayment of Debt and Interest Payments, Reserve Bank of India was requested to constitute a 'Working Group' with representatives from the Budget Division, Ministry of Finance and the office of the Chief Controller of Accounts, Ministry of Finance. The steps being taken to improve quality of estimation under these Appropriation based on recommendations of 'Working Group' include web-based connectivity between Reserve Bank of India, Budget Division and Chief Controller of Accounts, Ministry of Finance and periodic

update of the estimates during the year so as to seek supplementary demands for grants when required. Relevant extracts of recommendations/action taken on the 'Working Group' relating to 'Interest Payments' are as follows:—

- The broken period interest, premium, discount and interest on market loans have been budgeted and accounted for as separate streams to enable greater precision in the estimation and reporting process from the Union Budget 2008-2009;
- The dated securities (market loans) and their dates of issue during the fourth quarter has been identified in advance so that coupon payment/premium/discount/broken period interest could be estimated based on projections of secondary market yield and will be continued in future also;
- To estimate the discharges of Intermediate Treasury Bills for the period January-March, a new model apart from the two alternative models as recommended by the Working Group has been developed to eliminate underestimation;
- The amount of discharges of Normal Intermediate Treasury Bills in the ensuing year has been estimated at by multiplying the amount of discharges during the current year with the annualized quarterly average rate of growth in discharges exhibited during Q4 of the previous year and Q1, Q2 and Q3 of the current year from the Union Budget 2008-09;
- New method of 3-month (quarterly) moving averages to make estimation of discharges of 91 day Auction Treasury Bills has been applied from 2008-09 (BE);
- Steps taken for better reconciliation between Internal Debt Management Department (IDMD) (which prepares the estimates) and Central Accounts Section (CAS), Nagpur (which is the record keeper of government transactions). IDMD had since noted the requisite data in the format specified by Central Accounts Section, Nagpur from the year 2008, for appropriate reflection before forwarding of budgetary estimates;
- The discount rate on Intermediate Treasury Bills would be assumed to be equal to the prevailing rate for Revised Estimates and Budget Estimates projections to arrive at the amount of discount payments for RE of the current year and BE for the ensuing year. The recommendations was adopted for 2008-09 (BE), and shall be continued;
- The method suggested by the Working Group for RBI to reckon six previous auction results for estimation of discount rate to be applied on Auction Treasury Bill (Normal) in line with Auction Treasury Bills (Market Stabilisation Scheme) instead of three previous auctions results was adopted for estimation of discount rate in respect of 2007-08 (RE) and 2008-09 (BE), and shall be continued;



- The quarterly average growth model was adopted for the estimation of BE on issuances of Auction Treasury Bills in respect of 91-day Treasury Bills. The method as suggested by the Working Group was suitably modified to arrive at reasonable estimates for issuances of 182/364-days Treasury Bills. The issuances were multiplied to the discount rate estimated by applying the formulas as recommended by the Working Group;
- After taking into account the past trend of the cash flows and adding an uncertainty component as recommended by the Working Group, the BE for 2008-09 has been projected to estimate discharges and interest on Ways and Means Advance; and
- From April 1, 2008 onwards, discount on Market Stabilisation Scheme Treasury Bills is being booked at the time of issuance only at Central Accounts Section, Nagpur on the same lines as is being done for Normal Treasury Bills at Public Account's Department, Mumbai.

5. The above measures yielded the desired results and there has been no excess expenditure in these two Appropriations *viz.* Interest Payments and Repayment of Debt for the year 2008-09.

6. As regards the Committee's observation on the role of Ministry of Finance in overhauling the budgetary mechanism, it may be mentioned that this Ministry has been issuing instructions time and again to line Ministries/Departments impressing upon the need to avoid excess expenditure in the grants/appropriations controlled by them. Ministry of Finance, Department of Expenditure has recently, *vide* its Office Memorandum dated 25.1.2010, issued instructions to the Secretaries of the Ministries/Departments inviting the observations of the Public Accounts Committee (2008-09) and advising them to ensure rigid enforcement of prescribed financial rules and to see that no instance of excess expenditure takes place in future for reasons which can be anticipated and taken care of in advance either in Budget Estimates or Supplementary Grants, except in case of exceptional circumstances. A copy of the O.M. dated 25.1.2010 issued by this Ministry is enclosed.

7. Ministry of Finance has been taking every possible step to avoid excess expenditure by reviewing, monitoring the progress expenditure through mid-year review, supplementary demands for grants, etc. The observations of the Committee has also been noted for corrective action.

8. This has been vetted by Audit *vide* their U.O. No. RR/1-52/10-11/583 dated Nil.

Sd/-  
(Shaktikanta Das)  
Joint Secretary (Budget)

### **Action Taken (Ministry of Defence)**

The Committee has observed that the Ministry of Defence had incurred an excess expenditure of Rs. 37.50 crore in 2003-04, Rs. 41.99 crore in 2005-06, Rs. 667.17 crore in 2006-07 and Rs. 71.19 crore in 2007-08. The continuous wide variations between the budgetary provisions and the actual expenditure leads the Committee to a conclusion that the various remedial measures reported to have been implemented for overhauling their budgetary mechanism, financial transaction etc. are yet to generate the desired improvements. The Committee has therefore, desired a proactive role in monitoring the expenditure flow *vis-a-vis* the physical and financial progress of various schemes/projects in order to arrive at precise and accurate estimation of requirement of funds at various stages of budgeting exercise.

Keeping in view the repeated occurrence of excess expenditure as also the recommendations of the Committee, the Ministry of Defence has issued, from time to time instructions to exercise strict control on progress of Defence Expenditure in order to avoid any large-scale savings or excess under any grant relating to Defence Services. Regular Meeting of the Departmental Monitoring Groups are held to monitor the progress of expenditure effectively to achieve the objective and to ensure that the funds allocated are fully utilized. Efforts shall be made for better implementation of various instructions issued on monitoring of Defence Expenditure.

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

### **Action Taken (Ministry of Railways)**

The recommendation is particularly addressed to Ministry of Finance. However, the Ministry of Railways also would urge the spending units under its control, *viz.*, the zonal Railways, the need to adhere to the fiscal discipline as desired by the Committee. A copy of the letter is enclosed (Annexure1)

Audit *vide* their U.O. No. 319-RA-III/2-1/09 dated 03.3.2010 have vetted the Action Taken. They further desired that the figure of excess expenditure of Rs. 22.23 crore under Grant No. 12 appearing at point No. 3 of the Ministry of Railways' letter No. 2009-B-342 dated 11.2.2010 needs to be revised as Rs. 22.33 crore.

### **Ministry's Comments**

The requisite figure has been revised (Annexure 2).

Sd/-  
(Smt. Vijaya Kanth)  
Advisor Finance

[Ministry of Railways' case No. 2009-BC-PAC/XV/7 dated 17.05.2010]

## ANNEXURE I

GOVERNMENT OF INDIA  
MINISTRY OF RAILWAYS  
(RAILWAY BOARD)

No. 2009-B-342

New Delhi, dated 11.02.2010.

The General Managers,  
All Indian Railways.

**Sub.:** Excesses Over Voted Grants/Charged Appropriations—2007-08

In 2007-08, Railways incurred an excess expenditure of Rs. 51.22 cr. in the following Demands:—

(Rs. in thousands)

Demand No.	Grant	Appropriation	Total
5	..	3,04	3,04
6	..	2,79	2,79
8	..	12,93	12,93
10	..	6,98,48	6,98,48
12	22,32,95	..	22,32,95
13	..	9,67	9,67
15	20,80,86	..	20,80,86
16	..	81,08	81,08
Total	43,13,81	8,07,99	51,21,80

The above 'Excess' has been viewed seriously by the Public Accounts Committee (15th Lok Sabha), *vide* their 7th Report. The Committee, while expressing serious concern, has made the following observations/recommendations:—

1. The Committee observe the Ministry of Railways had been incurring huge sums of excess expenditure during the financial year 2001-02 to 2007-08. The continuous wide variations between the budgetary provision and the actual expenditure leads the Committee to a conclusion that the various remedial measures reported to have been implemented by them for overhauling their budgetary mechanism, financial transaction etc. with the central motive of enhancing accuracy level of their budgetary projections and performance are yet to generate the desired improvements.

2. The Committee feel that incurring of excess expenditure despite obtaining Supplementary Grants, is yet another indication of the fallibility of the extant budgeting method and mechanism evolved to ensure proper assessment and accurate projection

of the fund requirement even at the revised estimate stage. The Committee, therefore, recommend that the mechanism of estimating Supplementary Grants be made 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.

3. The Committee find that out of the excess expenditure of Rs. 51.22 crore incurred by the Ministry of Railways during the financial year 2007-08, the bulk of the excess expenditure (Rs. 22.23 crore) were incurred under 'Grant No. 12—Miscellaneous Working Expenses'. Railways have been incurring persistent excess under Demand No. 12. This trend has flown in 2008-09 also. The Committee observe that while anticipating the requirement of funds under this Grant, estimations for various Sub-Heads could have been projected more realistically by analyzing properly the prevailing expenditure trail, upcoming demands/requirements, rising cost etc.

4. The Committee are not happy with such lack of concern on the part of the Ministry for 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 money irrespective of quantum are not spent without prior authorization.

In view of the above observations, the Railways are required to take immediate action to curb the excess expenditure especially under Demand No.12. They are requested to assess their requirement accurately in their Final Modification Estimates for 2009-10 so that the last batch of supplementary grants can be based on the realistic requirement to avoid the possibility of any excess/savings.

Sd/-  
(Jagmohan Gupta)  
Executive Director, Finance (Budget)  
Railway Board.

*ANNEXURE II*

GOVERNMENT OF INDIA  
MINISTRY OF RAILWAYS  
(RAILWAY BOARD)

No. 2009-B-342

New Delhi, dated 12.03.2010.

The General Managers,  
All Indian Railways.

**Sub.:** Excesses Over Voted Grants/Charged Appropriations—2007-08

Reference this Ministry' letter No. of 11.02.10 on the above cited subject. In 3rd line of para 3 of the letter under reference, excess expenditure under Grant No. 12 has inadvertently been shown as Rs. 22.23 cr. instead of Rs. 22.33 cr. The same may kindly be noted.

Sd/-  
(Sanjeev Jain)  
Director, Finance (Budget)  
Railway Board.

### Observations/Recommendations

The Committee find that the Appropriation Accounts relating to Civil, Defence Services and Postal Services for the financial year 2007-08 were presented to the Parliament on 20.02.2009. However, the Appropriation Accounts—Railways (2007-08) was presented to the Parliament only on 24.07.2009, after a delay of about five months. It may be pointed out that during the preceeding year also, the Appropriation Accounts—Railways (2006-07) was also presented to the Parliament after a delay of more than ten months resulting in delay in finalization of the Committee's Report *i.e.* 80th Report (14th Lok Sabha) on Excesses over Voted grants and Charged Appropriations (2006-07) which in turn delayed the regularization of excess expenditure incurred during that financial year under Article 115(1) (b) of the Constitution. In Paragraph No. 57 of the aforesaid Report, the Committee had urged upon the Ministry of Railways and the Ministry of Finance to take necessary remedial measures for ensuring timely presentation of the Appropriation Accounts—Railways in future. However despite the recommendation of the Committee in no uncertain terms, it is deplorable to find that the delay in presentation of Appropriation Accounts—(Railways) happened again in the financial year under review. Taking a serious view of the callous attitude on the part of the Ministry of Railways on such an important matter, the Committee would strongly recommend the Ministry to take urgent necessary and corrective action to timely present the Appropriation Accounts to Parliament so that regularization of excess expenditure incurred during a particular financial year can be done promptly.

[(Sl. No. 6, Part II) Para No. 52 of 7th Report of PAC (15th Lok Sabha)]

#### Action Taken (Ministry of Railways)

The Appropriation Accounts—Railways were required to be presented to both the Houses of Parliament during "Budget session" in terms of Para 1.5 of the 88th Report of PAC (10th Lok Sabha). Keeping this schedule in mind, initially, the date of presentation of Appropriation Accounts—Railways for the year 2006-07 was fixed on 06.05.2008, *i.e.*, in the Budget session itself. However, due to adjournment of Lok Sabha on 05.05.2008, the Appropriation Accounts were presented on the revised date *i.e.* 24.10.2008.

Observations of the PAC on delay in presentation of Appropriation Accounts—2006-07 by Ministry of Railways were received in December 2008 when the work of finalization of Appropriation Accounts—2007-08 was in full swing with the intention of presenting the same in the ensuing Budget session. Since it was a very short session on account of General Election, Appropriation Accounts of Ministry of Railways—2007-08 could not be presented in the Parliament in February 2009 along with Appropriation Accounts relating to Civil, Defence Services and Postal Services. After General Election, the Appropriation Accounts of Ministry of Railways were presented in the Parliament in the Budget session on the date as advised by the Ministry of Finance, *i.e.*, 24.07.2009.

In future, it will be ensured that there is no delay in presentation of Appropriation Accounts of Ministry of Railways.

Audit *vide* their U.O. No. 319-RA-III/2-1/09 dated 03.03.2010 have vetted the ATN.

Sd/-

(Smt. Vijaya Kanth)  
Advisor Finance

[Ministry of Railways' case No. 2009-BC-PAC/XV/7 dated 17.05.2010.]

#### Observations/Recommendations

The Committee find that the Explanatory Notes pertaining to the excess registering Grants as highlighted in the Appropriation Accounts (Civil), the Appropriation Accounts (Defence Services) and the Appropriation Accounts (Postal Services) were due on 20.02.2009. However, none of the excess registering Ministries/Departments furnished their Explanatory Notes within the prescribed time during the financial year 2007-08. To be specific, these notes were furnished to the Committee by the Ministries of Finance, Labour and Employment, Home Affairs, Communications & IT and Defence furnished their Explanatory Notes after a delay of more than seven, eight, one, two and three months respectively. What concerns the Committee more is the fact that the Ministry of Urban Development furnished Explanatory notes on excess expenditure incurred by them under Grant No. 99—Department of Urban Development when the preparation of this Report was in its last stage. The Committee also observe that in respect of Grant No. 39—Pension, Grant No. 13—Postal Services, Grant No. 22—Defence Services—Army, the Monitoring Cell in the Ministry of Finance (Department of Expenditure) took a longer time in forwarding the Explanatory Notes to the Committee which further delayed the matter. While the Committee do not find any valid justification for the delay in submission of Explanatory Notes by various Ministries/Departments, they are equally surprised to find that even the Ministry of Finance despite being the nodal Ministry in the matter, delayed forwarding of the Explanatory Notes to the Committee. At the cost of sounding repetitive, the Committee would like to point out that delay in submission of Explanatory Notes impedes the Committee's examination of excess expenditure which consequently delays the regularization of the unauthorized expenditure by Parliament. The Committee are pained 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, the Ministries/Departments are paying little heed towards 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 averted. The Committee strongly recommend that from the current financial year onwards, the contributory reasons

**for delay in submission of Explanatory Notes should invariably be mentioned in the relevant Explanatory Notes submitted for the purpose.**

[Recommendation No. 53 of 7th Report of the Public Accounts Committee (15th Lok Sabha) on 'Excesses over Voted Grants and Charged Appropriations (2007-08)']

**Action Taken (Ministry of Finance)**

As regards to the delay in submission of Explanatory Note for an excess under Grant No. 39—Pension, it is submitted that, as per extant procedure prescribed by the Controller General of Accounts, Explanatory Notes for saving of Rs. 100 crore or more and for all excesses were to be submitted with the head-wise Appropriation Accounts Stage-III to the Directorate General of Audit (Central Revenues). Accordingly the said Explanatory Notes in respect of Grant No. 39—Pension was prepared and submitted to DGACR on 20th October, 2008 *i.e.* on the day of submission of Appropriation Accounts Stage, III to them. However, the observations raised by DGACR could be settled in August, 2009 after prolonged correspondence and discussions with them. The vetting of DGACR on the Explanatory Note was received in Central Pension Accounting Office on 24th August, 2009. Thereafter, it was submitted to Lok Sabha Secretariat in September, 2009. This explains the delay. However, the concern expressed by the Hon'ble Committee has been noted for compliance.

2. In a follow up action of recommendation of the Committee contained in Para under reference, the observations of the Committee regarding delay in submission of Explanatory Note has been circulated to all the Ministry/Departments *vide* O.M. No. 1/7/2010-MC dated 11th February, 2010, followed by Controller General of Accounts' D.O. letter No. 4/4/2009/MC dated 5th August, 2010 to Secretaries of concerned Ministries/Departments (copies enclosed for ready reference). A centrally computerized system has been developed and the monitoring is being done with the help of this system. Monitoring Cell is also reminding Ministries/Departments from time to time regarding submission of Explanatory Notes so as to reach with Appropriation Accounts.

3. In addition to above action taken by the Government, appropriate initiatives have also been taken to expedite Action Taken Notes on Audit Para/recommendations of the PAC. Accordingly, all Secretaries to GoI have been advised by Secretary, Expenditure that (i) Starting Financial year 2010-11 the position of ATNs in respect of the important Audit observations, included in the Annual Report, as well as those included in earlier Annual Reports, may also be furnished in the Annexure to the Annual Report. In order to ensure that a correct and comprehensive position of ATNs, pending and finalized, during the year is reported to the Parliament, it was also advised that the information of pending ATNs be got vetted from the Audit before its publication in their Annual Reports; (ii) Furthermore, in the last meeting taken by the Finance Minister on 29.10.2009 with all Financial Advisers, he drew attention to the concern expressed by the Public Accounts Committee of the Parliament on the inordinate delay in submission of Action Taken Reports in respect of the Paras included in the Reports of the C&AG. Attention was drawn to the large volumes of outstanding ATNs from Department of Revenue, Defence, Railways and Posts; (iii) All concerned



Financial Advisers were also advised to furnish a separate quarterly report on pending ATNs without fail; (iv) Also starting financial year 2010, the Cabinet Secretariat have been advised to include timely submission of ATNs/ATRs as a performance indicator in the Result Framework Documents (RFD); and (v) A meeting of Committee of Secretaries was convened by Cabinet Secretary on 17th June, 2010 where it was decided that special efforts will be made to clear pending ATNs/ATRs on CAG Audit Paras and PAC Recommendations within the next three months. An Office Memorandum was issued by Secretary (Expenditure) to all Secretaries of Government of India on 1st July, 2010 for expediting action thereon.

4. In this OM, *inter alia*, all the Secretaries were advised to establish institutional mechanisms for ATN Adalats and Standing Audit Committees to ensure speedy disposal of pending Audit Paras. Detailed guidelines for establishment of Standing Audit Committee in consultation with C&AG were issued *vide* OM dated 2nd August, 2010 (copy enclosed). C&AG has nominated his representative to the Committees to be formed in M/o Defence, M/o Railways, Deptt. of Revenue (CBDT & CBEC), and Department of Telecom. These Ministries/Departments account for a large percentage of pending Audit Paras. In response to this OM, many Ministries have formed Standing Audit Committees.

5. This has been vetted by Audit *vide* U.O. No. RR/1-5/10-11/570 dated 24.09.2010.

Sd/-  
(H. Pradeep Rao)  
JS&FA (Finance)

MOST IMMEDIATE  
PAC RECOMMENDATIONS

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE  
MONITORING CELL

Room No. 229, Second Floor, B-Wing,  
Lok Nayak Bhavan, Khan Market,  
New Delhi-110 003  
The 11th Feb., 2010

No. 1/7/2010-MC

OFFICE MEMORANDUM

**Sub.:** Action Taken on the recommendations contained in the 7th Report of the Public Accounts Committee (15th Lok Sabha) on Excesses Over Voted Grants and Charged Appropriations (2007-2008)—Submission of Explanatory Notes—regarding.

The undersigned is directed to refer to Public Accounts Committee's recommendations contained in Para 53 of its 7th Report (15th Lok Sabha) on the subject noted above, the relevant extract of which is reproduced below:

Para 53

...At the cost of sounding repetitive, the Committee would like to point out that delay in submission of Explanatory Notes impedes the Committee's examination of excess expenditure which consequently delays the regularisation of the unauthorised expenditure by the Parliament. The Committee are pained 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, the Ministries/Departments are paying little heed towards it. ....The Committee strongly recommend that from the current financial year onwards, the contributory reasons for delay in submission of Explanatory Notes should invariably be mentioned in the relevant Explanatory Notes submitted for the purpose.

All the Ministries/Departments are requested to note the above recommendations of PAC for strict compliance and furnished the Explanatory Notes within stipulated time and if there is any delay, in submission of Explanatory Notes, reasons for delay be mentioned in the relevant Explanatory Notes.

Sd/-  
(N.K. Bhagat)

Under Secretary to the Government of India  
Tel: 24626829

Financial Advisor,  
Ministry/Department of  
New Delhi.



C.R. SUNDARAMURTI  
Controller General of Accounts  
D.O. No. 4/4/2009-MC

भारत सरकार  
महालेखा नियंत्रक कार्यालय  
वित्त मंत्रालय  
व्यय विभाग  
लोक नायक भवन, नई दिल्ली-110 511  
GOVERNMENT OF INDIA  
OFFICE OF CONTROLLER GENERAL OF ACCOUNTS  
MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE  
LOK NAYAK BHAVAN, NEW DELHI-110 511  
TEL: (91-11) 24617758 Fax: (91-11) 24622305  
5th August, 2010

Dear

As you are aware, Explanatory Notes for Savings of Rs. 100 crore and above and Excess Expenditure over and above the sanctioned Budget Grants are required to be prepared so that they are simultaneously made available to PAC alongwith Appropriation Accounts. However, in respect of your Ministry, Explanatory Notes in respect of savings pertaining to Grant No. .... for the year has not been received in the Monitoring Cell of the Department of Expenditure for submission to Lok Sabha Secretariat. While expressing concern over the delay in submission of Explanatory Notes, the Public Accounts Committee in its 7th Report of 15th Lok Sabha, have *inter alia* recommended that from the current financial year onwards, the contributory reasons for delay in submission of Explanatory Notes should invariably be mentioned in the relevant Explanatory Notes.

I shall therefore, be grateful if you kindly intervene in the matter and arrange to forward the vetted Explanatory Notes (40 copies in English and 25 copies in Hindi) to Monitoring Cell immediately for onward transmission to Lok Sabha Secretariat. In case Explanatory Notes are pending with the Audit, you may consider deputing some senior officer to liaise with Audit authorities to facilitate early finalisation of the process.

Yours sincerely,

Sd/-

(C.R. Sundaramurti)

Secretaries of the Ministries/Departments as per list.

## Secretaries of the Ministries/Departments as per list (EN)

Sl. No.	Name	Designation	Ministry/Department	Building	Station
1.	Shri C. Balakrishnan	Secretary	Department of Coal	Shastri Bhawan	New Delhi
2.	Ms. Alka Sirohi	Secretary	Department of Food and Public Distribution	Krishti Bhawan	New Delhi
3.	Shri Vijai Sharma	Secretary	Ministry of Environment and Forests	Paryavaran Bhawan C.G.O. Complex	New Delhi
4.	Ms. Nirupama Rao	Foreign Secretary	Ministry of External Affairs	South Block	New Delhi
5.	Shri Ashok Chawla	Secretary	Department of Economic Affairs	North Block	New Delhi
6.	Shri Sunil Mitra	Secretary	Department of Revenue	North Block	New Delhi
7.	Ms. K. Sujatha Rao	Secretary	Department of Health and Family Welfare	Nirman Bhawan	New Delhi
8.	Shri B.S. Meena	Secretary	Department of Heavy Industries	Udyog Bhawan	New Delhi
9.	Shri G.K. Pillai	Home Secretary	Ministry of Home Affairs	North Block	New Delhi
10.	Ms. Anshu Vaish	Secretary	Department of School Education and Literacy	Shastri Bhawan	New Delhi
11.	Ms. Vibha Puri Das	Secretary	Department of Higher Education	Shastri Bhawan	New Delhi
12.	Shri Raghu Menon	Secretary	Ministry of Information and Broadcasting	Shastri Bhawan	New Delhi
13.	Shri V.K. Bhasin	Secretary	Legislative Department	Shastri Bhawan	New Delhi
14.	Shri Vivek Mehrotra	Secretary	Department of Minority Affairs	Paryavaran Bhawan C.G.O. Complex	New Delhi
15.	Shri Dinesh Rai	Secretary	Ministry of Micro, Small and Medium Enterprises	Udyog Bhawan	New Delhi
16.	Shri P. Umashankar	Secretary	Ministry of Power	Shram Shakti Bhawan	New Delhi
17.	Shri Arun Kumar Misra	Secretary	Department of Drinking Water Supply	Nirman Bhawan	New Delhi
18.	Smt. Anita Chaudhary	Secretary	Department of Land Resources	Nirman Bhawan	New Delhi
19.	Shri Raminder Singh Gujral	Secretary	Department of Road, Transport and Highways	Transport Bhawan	New Delhi
20.	Shri K. Mohan Das	Secretary	Department of Shipping	Transport Bhawan	New Delhi
21.	Dr. T.C.A. Anant	Secretary	Ministry of Statistics and Programme Implementation	Sardar Patel Bhawan	New Delhi
22.	Shri A.K. Chugh	Secretary	Ministry of Tribal Affairs	Shastri Bhawan	New Delhi
23.	Shri U.N. Panjjar	Secretary	Ministry of Water Resources	Shram Shakti Bhawan	New Delhi
24.	Shri Devender Kumar Sikri	Secretary	Department of Women and Child Development	Shastri Bhawan	New Delhi
25.	Shri Anil Kumar Upadhyay	Secretary	Ministry of Youth Affairs	Shastri Bhawan	New Delhi

MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE  
(E. COORD. BRANCH)

New Delhi, dated 2nd August, 2010

No. 12(2)E. Coord./2010

OFFICE MEMORANDUM

**Sub.:** Non-Submission/delay in submission of ATNs/ATRs—Constitution of Standing Audit Committee(SAC)-reg.

Attention is invited to this Department's O.M. of even No. dated 1st July, 2010 on the subject cited above wherein it was indicated that Standing Audit Committees (SAC) would be constituted in all Ministries/Departments for which detailed instructions would be issued in consultation with C&AG. In pursuance thereof, it has been decided that the composition of the Standing Audit Committees would be (i) Secretary of the Department; (ii) Financial Adviser; and (iii) Any other member the SAC may wish to co-opt. The nominee of the C&AG at the level of DG/PD will participate in the SAC in respect of Ministry of Defence, Ministry of Railways, Department of Revenue (CBDT and CBEC) & Deptt. of Telecommunications. The SAC, as a nodal agency, will monitor and review on a monthly basis the submission of ATNs on C&AG's Audit Paras and ATRs on PAC recommendations and take appropriate remedial measures.

2. Further, the Terms of Reference (ToRs) of the Standing Audit Committee (SAC) will be as follows:—

- (i) The main objective of SAC will be to ensure that all Audit Paras printed in CAG's Audit Report are responded to within the time-limits to be specified by the SAC concerned and in any case not later than that prescribed by CAG, and consider fixing responsibility in all cases of non-adherence to such time-limits.
- (ii) The SAC should cover the ATNs/ATRs pertaining to not only the Ministry but also its subordinate offices, PSUs and Autonomous Bodies.
- (iii) The SAC shall hold regular meetings to deal with the pending ATNs/ATRs by classifying them in any manner that they may deem fit (*e.g.* thematically, department-wise, age-wise etc.) in order to ensure speedy compliance.
- (iv) The SAC may also oversee the effectiveness of functioning of *Ad hoc* Committees, where these have been set up in terms of the instructions contained in the letter No. 12(9)-E. Coord./84 dated 1st January, 1985 (copies enclosed), which aims at settlement of audit paras at the initial stages when it is issued through inspection Reports (*IR*). At this stage, if suitable remedial action is initiated or compliance made, it will have a positive impact of, on the one hand ensuring better governance and on the other hand saving time on dealing with ATNs.

- (v) The SAC shall ensure dissemination of the assurances given in the final ATNs so that the cases where audit contention has been accepted, are promptly complied with by all concerned, in the department and there is no recurrence of such cases.
- (vi) SAC may consider suitable incentive/disincentives to ensure settlement of pending ATNs through speedy compliance of audit observations and circulate best practices in this regard.
- (vii) SAC shall hold discussions regarding systemic and other changes that may be necessary in order to prevent recurrence of persistent irregularities coming to their notice which may require change in any rule, procedure etc. which normally do not get addressed at the lower levels leading to audit objections remaining outstanding despite exchange of replies.
- (viii) Any issues where there is difference of opinion between the Department and Audit regarding interpretation of Rules/Notification could also be discussed by SAC to reach a mutually acceptable conclusion and action for inclusion in the ATNs.
- (ix) A Nodal Officer may be appointed by the SAC to coordinate all matters relating to ATNs/ATRs

3. All Ministries/Departments are requested to constitute the SAC immediately. A copy of the order issued in this regard may be endorsed to this Department.

Sd/-

(Madhulika P. Sukul)  
Joint Secretary (Pers.)

1. All Secretaries to the Government of India.
2. All Financial Advisers.

Copy for information to:

1. Cabinet Secretariat (Smt. Mala Dutt, Director), *w.r.t.* CoS Meeting held on 17th June, 2010.
2. Smt. Rekha Gupta, Dy. Comptroller & Auditor General.

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE

No. 12(9)-E.(COORD.)/84

New Delhi, dated 1st January, 1985

OFFICE MEMORANDUM

**Sub.:** Outstanding audit objections—formation of *Ad hoc* Committees for settlement thereof.

The undersigned is directed to say that instructions have been issued from time to time emphasising on the importance of prompt settlement of audit objections by the Administrative authorities and for keeping a close watch over the clearance of objections outstanding for over six months. Attention in this connection is invited to Secretary (Expenditure), Shri T.P. Singh's D.O. letter No. 12(49)-E. (Coord.)/66 dated 27.2.1967 (copy enclosed) wherein Ministries were requested to take suitable remedial measures for reducing the backlog of audit objections. It was also mentioned that where a Ministry had a large number of chronic objections which had somehow defied attempts at settlement in the ordinary manner, Administrative Secretaries might consider the appointment of an '*Ad hoc* Committee' with a representative of Audit as an observer to go through the backlog and dispose off the objections by taking appropriate action on each one of them. It may please be confirmed urgently whether such an *Ad hoc* Committee was set up in the Ministry of Home Affairs etc. In case no such Committee has been formed so far, immediate action may be taken for formation of the Committees under intimation to this Department. The need to constitute an '*Ad hoc* Committee', as mentioned above, would, of course, not arise if the Ministry/Department concerned did not have many outstanding audit objections.

Sd/-

(M.S. Mathur)  
Director

To:

All Ministries/Departments of the Government of India

Copy for information to:

Comptroller & Auditor General with reference to his letter No. 1602-TAI/45-82.II dated 12.12.1984.

Copy of D.O. letter No F. 12(49)-E. (Coord.)/66 dated 27.2.1967 from Shri T.P. Singh, Secretary, Deptt. of Expenditure to all Administrative Secretaries.

I am writing to you on the subject of prompt attention being given to draft audit paragraphs received from the Audit Departments and also the timely clearance of audit objections. Shri Dehejia had written to Secretaries on the 6th January, 1966 (*vide* D.O. No. 98 PSS/656, on the Subject and our memorandum No. F. 14 (58)-E. (Coord.)/65-II dated 28.1.1966, also refers to this. The Audit Report (Civil) 1966 gives

statistics of the pending objections and it is seen that a large number of such objections relating to the period earlier than April 1962 are still pending. The Public Accounts Committee at the last meeting when they examined the Finance Ministry were rather concerned about the state of affairs, and one cannot but agree with them that some special steps are necessary to improve the position.

2. Regarding audit objections, the best arrangement would be to take preventive action and see that objections of the same nature do not recur. Normally, it should be possible to send proper explanations or take remedial action within a period of six months from the date on which such objections are raised. In regard to the pending objections, it would be necessary to work on the basis of a time schedule and this question has been specifically emphasised by the P.A.C. With reference to the old objections relating to the period earlier than April 1962 which are still pending, it has been suggested that a serious effort should be made to dispose them of within a period of six months. I shall be grateful if you take necessary action to settle the objections on the above basis by issuing suitable instructions to your Heads of Departments etc., where necessary. The C&AG, has issued instructions to the Accts. General, Director of Commercial Audit and Director of Audit, Defence Services, to furnish lists with necessary details of all objections outstanding for over six months in the half yearly returns sent by them to the various Ministries/Depts. of the Government of India in pursuance of the instructions contained in the Ministry of Finance O.M. No. 27(7)-EGI/53, dated 19.12.1953. He has also instructed them to furnish half-yearly, a list of *paras* outstanding in the inspection reports for over one year. These reports should help the Administrative Ministries/Depts. in expeditious settlement of outstanding objections. You will no doubt obtain from the authorities concerned, reports showing the progress made from time to time. Though this matter is primarily the concern of the administrative authorities, I would, in view of the interest taken by the P.A.C., advise that in reviewing the progress made and in initiating any further measures that may be necessary for speedier disposal, you may associate the F.A. of your Ministry. Where a Ministry has a large number of chronic objections which have somehow defied attempts at settlement in the ordinary manner, you may consider the appointment of an *Ad hoc* Committee including a representative of Audit, as an observer, to go through the backlog and dispose of the objections by taking appropriate action on each one of them. Such a procedure has been followed on the Defence side with satisfactory results. I think a review of progress once in two months might also be usefully made in the circumstances.

3. Regarding the manner in which Audit paragraphs sent to Ministries in draft should be dealt with, there are already clear instructions on the subject in the Standing Guard File prepared by the Ministry of Finance on "Speedy Settlement of Audit Objection Inspection Reports and timely disposal of Draft Audit Paragraphs", (*vide* Ministry of Finance, letter No. 32(9)-EGI/60, dated 3.6.1960, on pages 20-21 of the Guard File). Briefly, instructions exist that comments on draft Audit paragraphs have to be submitted to Audit within a period of six weeks. If in exceptional cases this is not possible, it is necessary for the Ministry to get in touch with the Audit Officer concerned and report the position with the available facts. In the absence of any communication, the draft Audit paragraphs will be incorporated in the Audit Report



on the basis of fact available to Audit. I would suggest your kindly reviewing the existing arrangements for the receipt and disposal of Audit Paragraphs in your Ministry and taking all necessary steps for ensuring prompt action so that the present state considered to be extremely unsatisfactory by the P.A.C. does not persist.

4. It has been brought to our notice that in a number of cases the comments of the Ministries on the draft paras are communicated to the Acctts. General over the signature of junior officers — Sections Officers/Under Secretaries. As the draft paras are sent by the Acctts. General to the Secretary concerned for his information and to enable him to look into the papers before the case comes for examination before the P.A.C. *vide* paragraph 1 (c) of Shri M.V. Rangachari's letter No. 26/SF/55, dated 6.1.55 to all the Secretaries of the Government of India and as it would be advantageous if the draft paras are examined at a sufficiently high level in the Ministries, I would suggest that comments on the draft paras should be communicated to the Acctts. General, etc. over the signature of the Jt. Secy. concerned and where this is not practicable, it should be mentioned in the forwarding letter that the comments have the approval of the Secy./Jt. Secy. Formal orders to this effect have been issued in our O.M. No. F. 12(9)-E(Coord.) 67 dated 8.2.1967.

It is desirable for the Admn. Secy. concerned to have a control Register opened, in which Audit paragraphs in draft, as they are received may be diarised and their disposal watched. This will avoid a large number of paragraphs remaining uncommented upon and in time.

For our part, I have discussed the matter with the C. & A.G. as desired by P.A.C., and it is being arranged that Audit will be sent to the Associate F.A. A copy of each Audit Paragraphs sent to the administrative Ministry in order that it may be in the picture from the beginning and lend such assistance as may be required.

5. You have no doubt appointed, as required under the existing instructions, a senior officer in your Ministry to coordinate all matters relating to audit objections and audit paragraphs. He should as far as possible, use the facility of consultation with the Audit Officer concerned and reduce the number of audit paras or objections at the very outset.

6. I would request you to keep me informed of the action taken in regard to your Ministry and officers under your control.

#### **Action Taken (Department of Posts)**

As far as the Department of Post is concerned, it is ensured that the Recommendations/Observations of the Committee are complied with.

Sd/-

Rajnish Kumar  
Deputy Director General (PAF)

#### **Action Taken (Ministry of Defence)**

The Committee have expressed their displeasure towards the delay in submission of Explanatory Notes in respect of Appropriation Accounts. The Committee has

therefore urged 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 averted. The Committee further desire that from the current financial year onwards, the contributory reasons for delay in submission of Explanatory Notes should invariably be mentioned in the relevant Explanatory Notes submitted for the purpose.

All necessary steps to implement the Committee's directives for submission of Explanatory Notes without delay shall be taken.

Sd/-

(Amit Cowshish)  
JS&Addl. FA(A)

**Action Taken (Ministry of Home Affairs)**

The delay in furnishing of Explanatory Note in respect of Grant No. 95, Chandigarh under the Ministry of Home Affairs was one month only, as observed by the Committee. In future, it will be ensured that the Explanatory Note is sent well within the prescribed time-limit.

Sd/-

(B. Bhamathi)  
Addl. Secretary (UT)

[Ministry of Home Affairs U.O. No. 15041/3/2008-CHD, dated 6th August, 2010]  
(This "Action Taken Note" has been vetted by Office of the DGACR *vide* their U.O. No. RR/6-3/10-11/289, dated 19th July, 2010)

**Action Taken (Ministry of Labour and Employment)**

The Ministry has Taken care of this matter and necessary corrective measures have been taken to eliminate delay at all levels so that submission of Explanatory Notes is timely.

Sd/-

Additional Secretary & Financial Advisor

[Ministry of Labour and Employment, O.M. No. G-25018/1/2010-B&A Dated.....]

**Action Taken (Ministry of Railways)**

NOTED

Audit *vide* their U.O. No. 319-RA-III/2-1/09, dated 3.3.2010 have vetted the ATN.

Sd/-

(Smt. Vijaya Kanth)  
Advisor, Finance

[Ministry of Railways' case No. 2009-BC-PAC/XV/7, dated 17-05-2010]

### **Action Taken (Ministry of Urban Development)**

The Saving Note/Explanatory Note for excess was sent to Audit by the Ministry containing items of savings and excess on 24.10.2008. The Audit returned the note with certain observations on 12.02.2009. The Ministry complied with all the observations raised by the Principal Director of Audit and send the note to the Audit on 06.05.2009. Thereafter Audit demanded certain official documents to verify the position which were supplied to Audit. The Audit vetted the Note on 1st October 2009. Thereafter the vetted note along with the comments of the Audit as per the guidelines prescribed was sent to the Monitoring Cell on 30th October 2009.

The PAC Branch, Lok Sabha Secretariat desired a separate Note for Excess in the Month of November 2009. Accordingly, a separate note for excess was prepared segregating excess items from the vetted note and after vetting thereof by the Audit, the same was sent to the Monitoring Cell on 10th December 2009 with a copy endorsed to the PAC Branch. However, the views of Committee have been noted for future compliance. Care will be taken to prepare the Explanatory Note for excess and saving separately.

The concern of the Committee has been noted and care will be taken that no delay occurs in submission of Explanatory Note in case of excess expenditure in future.

### **Audit Comment**

—NIL—

The contents of this Action Taken Note for excesses has been vetted by the Audit *vide* their UO Note No. AMG-1/VV/ATN/2009-10/81-83, dated 11th May, 2010.

Sd/-

(Sudha Krishnan)

Joint Secretary and Financial Advisor

[Ministry of Urban Development, OM No. G-200177/2008 Bt-(UD), dated 20th May, 2010]

### **Observations/Recommendations**

**Scrutiny of select cases of excess registering Grants/Appropriations reveals that under Revenue Section (Voted) of Grant No. 39—Pensions, the Ministry of Finance (Department of Expenditure) incurred an excess expenditure of Rs. 98.24 crore which was the net effect of total excess of Rs. 216.14 crore and total savings of Rs. 117.90 crore under various sub-heads of this appropriation. The Committee find that Grant No. 39—Pensions alone recorded the highest excess expenditure among the excess registering Grants/Appropriations during the financial year 2007-08, which accounted for more than 90 percent of the total excess expenditure incurred by the Civil Ministries/ Departments and over 83 per cent of the total excess expenditure incurred during the year. The Explanatory Note furnished by the Ministry of Finance *inter-alia* states that the excess was mainly due to receipt of more claims for pensions than anticipated. The Ministry have further stated that estimates are framed on the basis of: (i) information**

supplied by 63 Accounting Circles who make the payment and book the expenditure directly to the Pension Grant, (ii) Trend of Expenditure booked in CPAO from Debit scrolls received from 248 Nodal Branches and despite constant and all out efforts, it is not always possible for CPAO to plan in-time reallocation of funds from one unit of appropriation to another since the payment is not made directly by CPAO but by the various Accounting Circles, Authorized Banks and State Treasuries which takes time. The Committee feel that the contributory reasons for excess expenditure in the instant case like long duration of file processing, transaction reporting, accounts adjustment etc. on account of the multiplicity of estimating and disbursing agencies can be minimized or restricted in today's information technology scenario by toning up the accounting information system as well as by having a comprehensive network of pension account related offices across the country. The Committee desire that the Ministry of Finance should look into this aspect for taking necessary corrective action so that recurrence of excess expenditure is either avoided or greatly minimized in future. To keep the expenditure within the limits of the amount sanctioned in the Grant by Parliament, the Committee would urge the Ministry to take some concrete measures for ensuring accurate estimation of their requirements of funds at different budgeting stages after taking into account all possible fluctuations in the utilisation of funds which may arise during the budgeting year.

[Recommendation No. 54 of 7th Report of the Public Accounts Committee (15th Lok Sabha) on 'Excesses over Voted Grants and Charged Appropriations (2007-08)']

#### **Action Taken (Ministry of Finance)**

While noting the observations of the Hon'ble Committee with regard to taking necessary corrective action to avoid/minimize the recurrence of excess expenditure, it is submitted that as pension is a commitment, budget control in a dispersed payment system may not be presently possible. Therefore, timely budget revision based on concurrent inputs seems to be the best option available and the Central Pension Accounting Office is working towards strengthening the same. In this regard, the system of getting manual scrolls from authorized banks is limiting the efforts of CPAO towards better budget and expenditure management. In the current practice of banks getting reimbursement first from RBI and thereafter sending scrolls to CPAO, there is no disincentive for not submitting the scrolls to CPAO. Hence, banks are being pursued to submit electronic scrolls in place of manual scrolls to ensure better budget and expenditure management. The pilot project on e-scrolls is being sought to be initiated with 3 banks namely, SBI, Axis Bank and Bank of Baroda all of which are on Centralised Pension Payment System at present. A Technical Committee has already been constituted with representatives of NIC (CPAO); the above mentioned banks and RBI, CAS, Nagpur to study the technical and system interfaces, and changes thereto between the participating entities. Given the complexity of the exercise it may not be possible to stipulate a fixed deadline for the pilot—however, it shall be CPAO's endeavour to have the pilot completed during the current fiscal. Further scaling up will depend on the result of the pilot. The project once rolled out and stabilized, will provide more efficient control. In respect of budgeting and accounting arising out of—

- (a) Receipt of electronic scrolls on daily basis; and

(b) Debit to Government account being authorized only post certification of e-scrolls received by CPAO.

This has been vetted by Audit *vide* U.O. No. RR/1-5/10-11/570, dated 24.9.2010.

Sd/-

(H. Pradeep Rao)  
JS&FA (Finance)

#### Observations/Recommendations

**The Committee find that out of the excess expenditure of Rs. 51.22 crore incurred by the Ministry of Railways during the financial year 2007-08, the bulk of the excess expenditure (Rs. 22.33 crore) were incurred under 'Grant No.12—Miscellaneous Working Expenses'. The Committee further note that the excess expenditure had occurred mainly due to more expenditure (than anticipated) towards workmen's compensation and liquidation of more claims of other compensation, staff cost and contractual payments to private caterers, Rent, Taxes and Bills and other expenses towards cash awards, than anticipated, hospitality and entertainment during the year, more booking for unallocated items under MAR (Others) and more expenditure relating to IRCTC and RRC dues, more clearance of old outstanding revenue liabilities etc. The Committee observe that while anticipating the requirement of funds under this Grant, estimations for various Sub-Heads could have been projected more realistically by analyzing properly the prevailing expenditure trail, upcoming demands/requirements, rising cost etc. But it seems that the Ministry of Railways have not taken any corrective measures to improve their budgeting mechanism with a view to avoiding such huge unauthorized expenditure. Rather, they have taken recourse to an unaccepted plea that the excess expenditure of Rs. 22.233 crore requiring regularization from Parliament works out to only 1.09 per cent of the total sanctioned provision of Rs. 2054.98 crore. The Committee are not happy with such lack of concern on the part of the Ministry for 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 money irrespective of quantum are not spent without prior authorisation.**

(Sl. No. 9 PART II)

[Para No. 55 of 7th Report of PAC (15th Lok Sabha)]

#### Action Taken (Ministry of Railways)

The observation of the Committee is noted and is being circulated to the spending units for realistically estimating the expenditure under Demand No. 12. A copy of the letter is enclosed (Annexure 1).

Audit *vide* their U.O. No. 319-RA-III/2-1/09, dated 3.3.2010 have vetted the Action Taken. They further desired that the figure of excess expenditure Rs.222.23 crore under Grant No.12 appearing at point no.3 of the Ministry of Railways' letter No. 2009-B-342, dated 11.2.2010 needs to be revised as Rs. 22.33 crore.

**Ministry's Comments**

The requisite figure has been revised (Annexure 2).

Sd/-

(Smt. Vijaya Kanth)  
Advisor Finance

[Ministry of Railways' case No. 2009-BC-PAC/XV/7, dated 17.05.2010]

GOVERNMENT OF INDIA  
MINISTRY OF RAILWAYS  
(RAILWAY BOARD)

No. 2009-B-342

New Delhi, dated 11.02.2010

The General Managers,  
All Indian Railways.

**Sub.:** Excesses over Voted Grants/Charged Appropriations—2007-08

In 2007-08, Railways incurred an excess expenditure of Rs. 51.22 cr. in the following Demands:—

(Rs. in thousands)

Demand No.	Grant	Appropriation	Total
5	..	3,04	3,04
6	..	2,79	2,79
8	..	12,93	12,93
10	..	6,98,48	6,98,48
12	22,32,95	..	22,32,95
13	..	9,67	9,67
15	20,80,86	..	20,80,86
16	..	81,08	81,08
Total	43,13,81	8,07,99	51,21,80

The above 'Excess' has been viewed seriously by the Public Accounts Committee (15th Lok Sabha), *vide* their 7th Report. The Committee, while expressing serious concern, has made the following observations/recommendations:

1. The Committee observe that Ministry of Railways had been persistently incurring huge sums of excess expenditure during the financial year 2001-02 to 2007-08. The continuous wide variations between the budgetary provision and the actual expenditure leads the Committee to a conclusion that the various remedial measures reported to have been implemented by them for overhauling their budgetary mechanism, financial transaction etc. with the central motive of enhancing accuracy level of their budgetary projections and performance are yet to generate the desired improvements.

2. The Committee feel that incurring of excess expenditure despite obtaining Supplementary Grants, is yet another indication of the fallibility of the extant budgeting method and mechanism evolved to ensure proper assessment and accurate projection of the fund requirement even at the revised estimate stage. The Committee, therefore,

recommend that the mechanism of estimating Supplementary Grants be made 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.

3. The Committee find that out of the excess expenditure of Rs. 51.22 crore incurred by the Ministry of Railways during the financial year 2007-08, the bulk of the excess expenditure (Rs. 22.23 crore) were incurred under 'Grant No. 12-Miscellaneous Working Expenses' Railways have been incurring persistent excess under Demand No. 12. This trend has flown in 2008-09 also. The Committee observe that while anticipating the requirement of funds under this Grant, estimations for various Sub-Heads could have been projected more realistically by analyzing properly the prevailing expenditure trail, upcoming demands/requirements, rising cost etc.

4. The Committee are not happy with such lack of concern on the part of the Ministry for 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 money irrespective of quantum are not spent without prior authorization.

In view of the above observations, the Railways are required to take immediate action to curb the excess expenditure especially under Demand No. 12. They are requested to assess their requirement accurately in their Final Modification Estimates for 2009-10 so that the last batch of supplementary grants can be based on the realistic requirement to avoid the possibility of any excess/savings.

Sd/-

(Jagmohan Gupta)  
Executive Director, Finance (Budget)  
Railway Board.



GOVERNMENT OF INDIA  
MINISTRY OF RAILWAYS  
(RAILWAY BOARD)

No. 2009-B-342

New Delhi, dated 12.03.2010

The General Managers,  
All Indian Railways.

**Sub.:** Excesses Over Voted Grants/Charged Appropriations—2007-08.

Reference this Ministry's letter of even No. of 11.02.10 on the above cited subject. In 3rd line of para 3 of the letter under reference, excess expenditure under Grant No. 12 has inadvertently been shown as Rs. 22.23 crore instead of Rs. 22.33 crore. The same may kindly be noted.

Sd/-  
(Sanjeev Jain)  
Director, Finance (Budget)  
Railway Board.

**Observations/Recommendations**

**The Committee are concerned to note that despite their repeated exhortation there is no let up in the instances of misclassification of expenditure in the accounts of the Ministry of Railways. During the last ten financial years, the number of such misclassification of expenditure was 45, 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 and 3 in 2007-08. This unabated trend of persistent misclassification of expenditure is an indication of the Ministry's failure to eliminate basic mistakes like misclassification of expenditure as well as their inability to revamp the budgetary mechanism to check the recurring problem of misclassification of expenditure. Moreover, it appears 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, therefore, strongly recommend that the existing budgetary mechanism in the Railways need to be thoroughly reviewed so that necessary corrective action wherever warranted could be taken to overcome systemic lacunae/loopholes and progressive elimination of the perennial misclassification syndrome failing which responsibility be fixed.**

[(Sl.No. 10, PART II) Para No. 56 of 7th Report of PAC (15th Lok Sabha)]

**Action Taken (Ministry of Railways)**

The serious concern expressed by the PAC on the need for stringent measures to prevent misclassifications in expenditure is shared by the Ministry of Railways. Detailed instructions issued to the Zonal Railways from time to time, to effect improvement in working systems for ensuring error free booking of expenditure,

already exist. In addition to existing detailed measures/suggestions for preventing misclassification over the Zonal Railways, joint efforts are also made by Accounts and Audit for detection and rectification of misclassification before closing of accounts.

Instances of misclassification occur mainly, because of differences in the interpretation of the scheme of classification and accounting rules and partly because of the errors committed due to sheer volume of transactions and their varying nature. For avoidable errors leading to misclassification, actions against staff responsible are regularly taken. As a result the instances of misclassification giving rise to excesses in Grants/Appropriations have decreased after 2004-05.

However, with the above measures and with ongoing computerization of accounts, it is hoped that a significant reduction in the incidence of misclassification will be achieved.

Audit *vide* their U.O.No. 149-RA-III/2-1/09, dated 30.3.2010 have made following observations:

Ministry of Railways may kindly furnish its response to the PAC recommendation that existing budgetary mechanism in the Railways needs to be thoroughly reviewed so that necessary corrective action wherever warranted could be taken to overcome systemic lacunae/loopholes and progressive elimination of the perennial misclassification syndrome.

Further, Ministry of Railways may also specify the target for completion of on-going computerization of accounts to reduce the incidence of misclassification of expenditure.

#### **Ministry's Comments**

The existing Budgetary mechanism of Ministry of Railways is well established. The Budgetary control mechanism is well established on Railways and the lapses if any, noticed in this regard are taken up appropriately. Zonal Railways/Units have standing instructions for close and concurrent review of booking of expenditure at various levels through test check of allocations recorded on vouchers and prompt reconciliation of the subsidiary books with the general books. Railways have also been directed to take suitable punitive action against staff at fault and ensure regular reporting on punitive action taken for errors detected on this account.

As regards computerisation process, it is to state that so far the computerisation of FMIS was being done in a decentralised manner. However keeping in view the delays due to various resource constraints on Railways, this Ministry has now decided to implement the newly developed FMIS programme (AFRES) under centralised server architecture. The modalities of rolling out the new system is presently under examination and the various options available in this regard are under study, hence it would not be possible to precisely specify the date of completion of the project at this stage. However, efforts would be taken to complete the work by end of this year.

Audit *vide* their U.O.No.6-RA-III/2-1/09, dated 23.4.2010 have desired that following observations may be appended below the Action Taken Note:

"Instances of misclassification of expenditure, despite repeated instructions from the Ministry of Railways, still persist. Railways need to strengthen its internal check mechanism and speed up the computerization with inbuilt control to eliminate the cases of misclassification of expenditure."

#### **Ministry's Comments**

The instructions have been reiterated to the Zonal Railways for strengthening/ tightening the internal check on classification of expenditure, both at the pre-audit and post audit stages. Efforts are being taken to expedite the computerization process and it is hoped that a significant reduction in the incidence of misclassification will be achieved in the ensuing years.

Sd/-

(Smt. Vijaya Kanth)  
Adviser Finance

[Ministry of Railways' case No. 2009-BC-PAC/XV/7, dated 17.05.2010]

#### **Observations/Recommendations**

**Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in Paragraph-14 of this Report be regularised in the manner prescribed in Article 115(1) (b) of the Constitution of India.**

[(Sl. No. 11), Appendix-II, Para No. 57 of 7th report of PAC (15th Lok Sabha)]

#### **Action Taken (Ministry of Finance)**

As recommended by the Public Accounts Committee, the Demands for Excess Grants for Expenditure of the Central Government (excluding Railways) relating to 2007-2008 were submitted to Parliament in the Budget Session, 2010. The Parliament has passed the Excess Demands for Grants. Necessary Appropriation Bill for regularising the money drawn in excess of the amounts authorised by the Parliament for the year 2007-2008, has also been passed and the corresponding Act published in the Gazette of India (Extraordinary) Part II, Section I, dated May 5, 2010 as Act No. 13 of 2010, after obtaining assent of the President. In view of this, the excess amount drawn in 2007-2008 stands regularised. Action taken in this regard is, therefore, completed.

This note has been vetted by Audit *vide* their U.O. No. RR/I-I/10-11/192, dated the June 11, 2010.

Sd/-

(Shaktikanta Das)  
Joint Secretary (Budget)

[Ministry of Finance, Department of Economic Affairs (Budget Division), New Delhi - 110 001, O.M.No. F.7 (1)-B (SD)/2010, dated the June 14, 2010]

NO. F. 7(1)-B(SD)/2010  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
(BUDGET DIVISION)

New Delhi, the May 5, 2010

**Sub.:** Demands for Excess Grants relating to 2007-2008.

The undersigned is directed to state the Demands for Excess Grants relating to 2007-2008 have been passed by the Lok Sabha. The connected Appropriation Bill (No. 3), 2010 has also been passed by Parliament and assented to by the President of India on May 4, 2010 and the Act has been published in the Gazette of India (Extraordinary), Part II, Section I, dated May 5, 2010 as Act No. 13 of 2010.

Sd/-

(V. Prakash)

Sr. Asstt. Financial Advisor (Budget)

1. Financial Advisor, Department of Posts, Ministry of Communications and Information Technology, Dak Bhawan, New Delhi-110 001.
2. Secretary and Financial Advisor, Ministry of Defence, South Block, New Delhi-110 001.
3. Financial Advisor, Ministry of Finance, Department of Expenditure (Pensions), New Delhi-110 001.
4. Financial Advisor, Ministry of Labour and Employment, Shram Shakti Bhawan, New Delhi-110 001.
5. Financial Advisor, Ministry of Urban Development, Nirman Bhawan, New Delhi-110 001.
6. Financial Advisor, Ministry of Home Affairs, North Block, New Delhi-110 001.
7. The Finance Library (Publication Section) (10 Copies) with the request that copies of the Gazette of India (Extraordinary), Part II, Section I, dated May 5, 2010 as Act No. 13 of 2010 be obtained from the Manager of Publication and supplied to Comptroller and Auditor General of India, 10-Bahadurshah Zafar Marg, New Delhi-110 002.
8. The Parliament Library, Lok Sabha Secretariat, New Delhi (5 Copies).
9. The Comptroller & Auditor General of India, 10- Bahadurshah Zafar Marg, New Delhi-110 002 (10 Copies)
10. The Director General of Audit, Central Revenues (RR-I) AGCR Building, New Delhi-110 002 (5 Copies).
11. The Director General of Audit, Posts and Telecommunications, Civil Lines, Delhi-110 054 (5 Copies).
12. The Director General of Audit, Defence Services, New Delhi-110 001 (5 Copies).
13. The Controller General of Accounts, Lok Nayak Bhawan, New Delhi (5 Copies).
14. Lok Sabha Secretariat (PAC Branch), Parliament House Annexe, New Delhi -110 001 (5 Copies).

15. Advisor FR, Planning Commission, Yojana Bhawan, New Delhi-110 001.
16. Member FR, Planning Commission, Yojana Bhawan, New Delhi-110 001.
17. Finance Secretary.
18. Secretary (Expenditure).
19. Secretary (Revenue).
20. Joint Secretary (Budget).
21. Joint Secretary (PF-I), Department of Expenditure.
22. Joint Secretary (PF-II), Department of Expenditure.
23. Director (OL)/DS (FRBM)/DS(NMJ)/DS(RKS)/DS(RP) (2 Copies each).
24. US(SR),US(MAK), US(MCW), US(MS), US(CR), DD(UK), DD(VK), DD(RNS).
25. Asstt. Director/Hindi.
26. PF-I Section and PF-II Section in the Department of Expenditure.
27. All Sections in Budget Division.



DEMANDS FOR EXCESS GRANTS  
*for*  
EXPENDITURE OF THE CENTRAL GOVERNMENT  
(*Excluding Railways*)  
RELATING TO  
2007-2008

Presented to the Lok Sabha in pursuance of clause (1) (b) of Article 115 of the  
Constitution

[The recommendation of the President, required under clause (3) of Article 113 read  
with clauses (1) (b) and (2) of Article 115 of the Constitution for making the  
Demands has been obtained.]

April, 2010

DEMANDS FOR EXCESS GRANTS, 2007-2008

**INTRODUCTORY NOTES**

The Demands for Excess Grants contained in this Volume represent the actual  
expenditure incurred during 2007-2008 under certain Demands which are in excess of  
the amounts granted by the Parliament for that year.

2. Out of 99 Grants and 5 Appropriations in 2007-2008, the excess expenditure  
occurred in 6 Grants amounting to a total of Rs. 171.35 crore. Out of this, the excess of  
Rs. 169.47 crore occurred under Revenue Section and Rs. 1.88 crore under Capital  
Section.

3. The reasons for excess expenditure in respective demands have been explained  
in the Excess Demand Statements contained in this booklet.

4. The above excess have been scrutinised by the Public Accounts Committee,  
who, *vide* paragraph 57 read with paragraph 14 of their Seventh Report  
(Fifteenth Lok Sabha), have recommended their regularisation under Article 115(1) (b)  
of the Constitution of India.

**DEMANDS FOR EXCESS GRANTS, 2007-2008**  
**Statement showing the expenditure incurred in excess of the Grants Voted/Appropriations made by Parliament during 2007-2008**

Sl. No.	No. & Title of Grant/Appropriation	Final Grant/ Appropriation in Rs.	Actual Expenditure in Rs.	Excess Expenditure in Rs.	Ref. to pages
<b>I. EXPENDITURE MET FROM REVENUE</b>					
22	Defence Services—Army	Voted: 35410,10,00,000	35481,28,78,075	71,18,78,075	2
39	Pensions	Voted: 8594,54,00,000	8692,77,60,536	98,23,60,536	3
95	Chandigarh	Voted: 1283,92,00,000	1283,96,77,412	4,77,412	5
	Total—Expenditure met from Revenue	<i>Charged:</i> 45288,56,00,000	45458,03,16,023	169,47,16,023	
<b>II. EXPENDITURE MET FROM CAPITAL</b>					
13	Department of Posts	<i>Charged:</i> 17,00,000	19,76,127	2,76,127	1
59	Ministry of Labour and Employment	Voted: 756,98,00,000	758,77,64,968	1,79,64,968	4
99	Department of Urban Development	<i>Charged:</i> 40,20,00,000	40,25,51,411	5,51,411	6
	Total—Expenditure met from Capital	797,35,00,000	799,22,92,506	1,87,92,506	
		<i>Charged:</i> 40,37,00,000	40,45,27,538	8,27,538	
		Voted: 756,98,00,000	758,77,64,968	1,79,64,968	
	<b>GRAND TOTAL</b>	46085,91,00,000	46257,26,08,529	171,35,08,529	
		<i>Charged:</i> 47,37,00,000	40,45,27,538	8,27,538	
		Voted: 46045,54,00,000	46216,80,80,991	171,26,80,991	

DEMANDS FOR EXCESS GRANTS, 2007-2008

DEMAND NO. 13

DEPARTMENT OF POSTS

Amount expended in excess of the Grant for the year ended 31st March, 2008, in respect of the DEPARTMENT OF POSTS under MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY.

*Charged:* Two lakh seventy-six thousand one hundred and twenty seven rupees.

Section	Final Grant Rs.	Actual Expenditure Rs.	Excess Rs.
Capital			
Charged:	17,00,000	19,76,127	2,76,127

Against 'nil' original grant, a supplementary grant of Rs. 17,00,000 was obtained in November, 2007. Against the final grant of Rs. 17,00,000 the actual expenditure was Rs. 19,76,127 resulting in an excess expenditure of Rs. 2,76,127 which requires regularisation. The excess expenditure was incurred due to payment made in order to avoid the contempt of Hon'ble High Court of Orissa in respect of construction of post office buildings in Cuttack.



DEMANDS FOR EXCESS GRANTS, 2007-2008

DEMAND NO. 22

DEFENCE SERVICES—ARMY

Amount expended in excess of the Grant for the year ended 31st March, 2008, in respect of the DEFENCE SERVICES — ARMY under MINISTRY OF DEFENCE.

*Voted:* Seventy-one crore eighteen lakh seventy-eight thousand and seventy five rupees.

Section	Final Grant Rs.	Actual Expenditure Rs.	Excess Rs.
Revenue			
Voted:	35410,10,00,000	35481,28,78,075	71,18,78,075

The original grant of Rs. 35177,88,00,000 was augmented by a supplementary grant of Rs. 232,22,00,000 obtained in March, 2008. Against the final grant of Rs. 35410,10,00,000 the actual expenditure was Rs. 35481,28,78,075 resulting in an excess expenditure of Rs. 71,18,78,075 which requires regularisation. The excess expenditure was incurred due to sanction of higher Dearness Allowance (DA) than anticipated, sanction of special allowances for the personnel serving in the high altitude areas, hike in fodder price and miscellaneous charges, increase in rates than anticipated in major works, maintenance of hired and leased buildings and rentals for land, transportation and miscellaneous expenditure due to minor slippage, higher pricing of Self Loading Rifle (Refurbished) procured from Ordnance Depot than the rate approved by the Government, and booking of carry forward liabilities of previous years pertaining to the stores procured under Directorate General of Supplies and Disposals (DGS&D) rate contract.

DEMANDS FOR EXCESS GRANTS, 2007-2008

DEMAND NO. 39

PENSIONS

Amount expended in excess of the Grant for the year ended 31st March, 2008 in respect of the PENSIONS under the MINISTRY OF FINANCE.

*Voted:* Ninety-eight crore twenty-three lakh sixty thousand five hundred and thirty six rupees.

Section	Final Grant Rs.	Actual Expenditure Rs.	Excess Rs.
Revenue			
Voted:	8594,54,00,000	8692,77,60,536	98,23,60,536

The original grant of Rs. 7307,54,00,000 was augmented by a supplementary grant of Rs. 1287,00,00,000 obtained in March, 2008. Against the final grant of Rs. 8594,54,00,000 the actual expenditure was Rs. 8692,77,60,536 resulting in an excess expenditure of Rs. 98,23,60,536 which requires regularisation. The excess expenditure was incurred due to more pension and other retirement claims than anticipated.

DEMANDS FOR EXCESS GRANTS, 2007-2008

DEMAND NO. 59

MINISTRY OF LABOUR AND EMPLOYMENT

Amount expended in excess of the grant for the year ended 31st March, 2008 in respect of the MINISTRY OF LABOUR AND EMPLOYMENT under the MINISTRY OF LABOUR AND EMPLOYMENT.

*Voted:* One crore seventy-nine lakh sixty-four-thousand nine hundred and sixty eight rupees.

Section	Final Grant Rs.	Actual Expenditure Rs.	Excess Rs.
Capital			
Voted:	756,98,00,000	758,77,64,968	1,79,64,968

The original grant of Rs. 6,97,00,000 was augmented by a supplementary grant of Rs. 750,00,00,000 obtained in November, 2007 and Rs. 1,00,000 obtained in March, 2008. Against the final grant of Rs. 756,98,00,000 the actual expenditure was Rs. 758,77,64,968 resulting in an excess expenditure of Rs. 1,79,64,968 which requires regularisation. The excess expenditure was incurred due to obtaining a token supplementary grant inadvertently under Capital Section towards cost of land for Labour Bureau office at Chandigarh, instead of a technical supplementary, resulting in reversal of re-appropriation.

DEMANDS FOR EXCESS GRANTS, 2007-2008

DEMAND NO. 95

CHANDIGARH

Amount expended in excess of the Grant for the year ended 31st March, 2008, in respect of the CHANDIGARH under MINISTRY OF HOME AFFAIRS.

*Voted:* Four lakh seventy-seven thousand four hundred and twelve rupees.

Section	Final Grant Rs.	Actual Expenditure Rs.	Excess Rs.
Revenue			
Voted:	1283,92,00,000	1283,96,77,412	4,77,412

The original grant of Rs. 1190,35,00,000 was augmented by a supplementary grant of Rs. 93,57,00,000 obtained in March, 2008. Against the final grant of Rs. 1283,92,00,000 the actual expenditure was Rs. 1283,96,77,412 resulting in an excess expenditure of Rs. 4,77,412 which requires regularisation. The excess expenditure was incurred due to payment of Dearness Allowance (DA) arrears, medical treatment bills of indoor patients, electricity and water bills, etc.

DEMANDS FOR EXCESS GRANTS, 2007-2008

DEMAND NO. 99

DEPARTMENT OF URBAN DEVELOPMENT

Amount expended in excess of the Grant for the year ended 31st March, 2008, in respect of the DEPARTMENT OF URBAN DEVELOPMENT under MINISTRY OF URBAN DEVELOPMENT.

*Charged: Five lakh fifty-one thousand four hundred and eleven rupees.*

Section	Final Grant Rs.	Actual Expenditure Rs.	Excess Rs.
Capital			
Charged:	40,20,00,000	40,25,51,411	5,51,411

The original grant of Rs. 23,70,00,000 was augmented by a supplementary grant of Rs. 16,50,00,000 obtained in November, 2007. Against the final grant of Rs. 40,20,00,000 the actual expenditure was Rs. 40,25,51,411 resulting in an excess expenditure of Rs. 5,51,411 which requires regularisation. The excess expenditure was incurred due to discharge of committed liability owing to the orders of arbitrators, which were interest bearing.

**Action Taken (Department of Posts)**

The Demands for Excess Grants relating to 2007-08 under Demand No. 13 of the Department of Posts sent to Ministry of Finance *vide* this office letter No. 20-5/2009-BGT(PA) 5991 dated 15th March, 2010 have been passed by the Lok Sabha. The connected Appropriation Bill (No. 3, 2010 has also been passed by Parliament and assented to by the President of India on May 4, 2010 under Act No. 13 of 2010 dated May 5, 2010 as communicated by the Ministry of Finance *vide* their letter No. F.7(1)-B(SD)/2010, dated May 5, 2010.

Sd/-

(P.K. Sinha)

Deputy Director General (PAF)

**Action Taken (Ministry of Defence)**

The Committee has recommended that the excess expenditure referred to in the preceding paragraphs be regularized in the manner prescribed in Article 115(1)(b) of the Constitution of India.

As stated in Action Taken Note on Para No. 48, necessary Explanatory Note for Public Accounts Committee for regularization of excess expenditure (Rs. 71,18,78,075) in respect of excess occurred under revenue Section (Voted) of Grant No. 22—Army for the year 2007-08 has been forwarded to Ministry of Finance on 15th March, 2010, duly vetted by DGADS.

Sd/-

(Amit Cowshish)

JS & Addl. FA(A)

**Action Taken (Ministry of Home Affairs)**

The excess expenditure of Rs. 4.77 lakh under Grant No. 95 Chandigarh (Ministry of Home Affairs) has been regularized in the manner prescribed in Article 115(1)(b) of the Constitution of India *vide* Department of Economic Affairs letter No. F.7(1)-B(SD)/2010, dated 05.05.2010 (copy enclosed).

Sd/-  
(B. Bhamathi)  
Addl. Secretary (UT)

[Ministry of Home Affairs U.O. No. 15041/3/2008-CHD dated 6th August, 2010]

(This "Action Taken Note" has been vetted by Office of the DGACR *vide* their U.O. No. RR/6-3/10-11/289 dated 19th July, 2010)

NO. F. 7(1)-B(SD)/2010  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
(BUDGET DIVISION)

New Delhi, the May 5, 2010

**Sub. :** Demands for Excess Grants relating to 2007-2008.

The undersigned is directed to state that the Demands for Excess Grants relating to 2007-2008 have been passed by the Lok Sabha. The connected Appropriation Bill (No. 3), 2010 has also been passed by Parliament and assented to by the President of India on May 4, 2010 and the Act has been published in the Gazette of India (Extraordinary) Part II, Section I, dated May 5, 2010 as Act No. 13 of 2010.

Sd/-

(V. Prakash)

Sr. Asstt. Financial Advisor (Budget)

1. Financial Advisor, Department of Posts, Ministry of Communications and Information Technology, Dak Bhawan, New Delhi-110 001.
2. Secretary and Financial Advisor, Ministry of Defence, South Block, New Delhi-110001.
3. Financial Advisor, Ministry of Finance, Department of Expenditure (Pensions), New Delhi-110001.
4. Financial Advisor, Ministry of Labour and Employment, Shram Shakti Bhawan, New Delhi-110001.
5. Financial Advisor, Ministry of Urban Development, Nirman Bhawan, New Delhi-110001.
6. Financial Advisor, Ministry of Home Affairs, North Block, New Delhi-110 001.
7. The Finance Library (Publication Section) (10 Copies) with the request that copies of the Gazette of India (Extra-Ordinary) Part II, Section I, dated May 5, 2010 as Act No. 13 of 2010 be obtained from the Manager of Publication and supplied to Comptroller and Auditor General of India, 10-Bahadurshah Zafar Marg, New Delhi 110 002.
8. The Parliament Library, Lok Sabha Secretariat, New Delhi (5 Copies).
9. The Comptroller & Auditor General of India, 10-Bahadurshah Zafar Marg, New Delhi-110 002 (10 Copies).
10. The Director General of Audit, Central Revenues (RR-I), AGCR Building, New Delhi-110 002 (5 Copies).
11. The Director General of Audit, Posts and Telecommunications, Civil Lines, Delhi-110 054 (5 Copies).
12. The Director General of Audit, Defence Services, Delhi-110 001 (5 Copies).

13. The Controller General of Accounts, Lok Nayak Bhawan, New Delhi (5 Copies).
14. Lok Sabha Secretariat (PAC Branch), Parliament House Annexe, New Delhi-110 001 (5 Copies).
15. Advisor FR, Planning Commission, Yojana Bhawan, New Delhi-110 001.
16. Member FR, Planning Commission, Yojana Bhawan, New Delhi-110 001.
17. Finance Secretary.
18. Secretary (Expenditure).
19. Secretary (Revenue).
20. Joint Secretary (Budget).
21. Joint Secretary (PF-I), Department of Expenditure.
22. Joint Secretary (PF-II), Department of Expenditure.
23. Director (OL)/DS (FRBM)/DS(NMJ)/DS(RKS)/DS(RP) (2 Copies each).
24. US(SR), US(MAK), US(MCW), US(MS), US(CR), DD(UK), DD(VK), DD(RNS).
25. Asstt. Director/Hindi.
26. PF-I Section and PF-II Section in the Department of Expenditure.
27. All Sections in Budget Division.





DEMANDS FOR EXCESS GRANTS  
*for*  
EXPENDITURE OF THE CENTRAL GOVERNMENT  
(Excluding Railways)  
RELATING TO  
2007-2008

**Presented to the Lok Sabha in pursuance of clause (1)(b) of Article 115 of the Constitution.**

[The recommendation of the President, required under clause (3) of Article 113 read with clauses (1) (b) and (2) of Article 115 of the Constitution for making the Demands has been obtained]

April, 2010

DEMANDS FOR EXCESS GRANTS, 2007-2008

**INTRODUCTORY NOTES**

The Demands for Excess Grants contained in this Volume represent the actual expenditure incurred during 2007-2008 under certain Demands which are in excess of the amounts granted by the Parliament for that year.

2. Out of 99 Grants and 5 Appropriations in 2007-2008, the excess expenditure occurred in 6 Grants amounting to a total of Rs. 171.35 crore. Out of this, the excess of Rs. 169.47 crore occurred under-Revenue Section and Rs. 1.88 crore under Capital Section.

3. The reasons for excess expenditure in respective demands have been explained in the Excess Demand Statements contained in this booklet.

4. The above excess have been scrutinised by the Public Accounts Committee, who, *vide* paragraph 57 read with paragraph 14 of their Seventh Report (Fifteenth Lok Sabha), have recommended their regularisation under Article 115(1) (b) of the Constitution of India.

DEMANDS FOR EXCESS GRANTS, 2007-2008

DEMAND NO. 95

CHANDIGARH

Amount expended in excess of the Grant for the year ended 31st March, 2008, in respect of the CHANDIGARH under MINISTRY OF HOME AFFAIRS.

Voted: Four lakh seventy-seven thousand four hundred and twelve rupees

Section	Final Grant Rs.	Actual Expenditure Rs.	Excess Rs.
Revenue			
Voted	1283,92,00,000	1283,96,77,412	4,77,412

The original grant of Rs. 1190,35,00,000 was augmented by a supplementary grant of Rs. 93,57,00,000 obtained in March, 2008. Against the final grant of Rs. 1283,92,00,000 the actual Expenditure was Rs. 1283,96,77,412, resulting in an excess expenditure of Rs. 4,77,412 which requires regularisation. The excess expenditure was incurred due to payment to Dearness Allowance (DA) arrears, medical treatment bills of indoor patients, electricity and water bills, etc.

**Action Taken (Ministry of Labour and Employment)**

As stated in respect of action taken in respect of Para No. 47 the requisite excess statement was returned to the concerned officer, in the Ministry of Finance, Department of Economic Affairs along with its enclosures *vide* O.M. of even number dated 10th March, 2010 for regularisation.

Sd/-

Additional Secretary & Financial Advisor

[Ministry of Labour and Employment O.M. No. G-25018/1/2010 B&A Dated.....]

**Action Taken (Ministry of Railways)**

As recommended by the Committee, the excess expenditure of Rs. 51.22 crore incurred during 2007-08 will be got regularised by Parliament in its ensuing Budget session (2010).

Audit *vide* their U.O. No. 319-RA-III/2-1/09 dated 03.3.2010 have vetted the Action Taken.

Sd/-

(Smt. Vijaya Kanth)

Adviser Finance

[Ministry of Railways' case No. 2009-BC-PAC/XV/7 dated 17-05-2010]

**Action Taken (Urban Development)**

The recommendations of the Hon'ble Committee are noted for future guidance, compliance and to adhere to the time schedule for submission of the Explanatory/ Saving Note.

The Ministry is grateful to the recommendation of the Hon'ble Committee for regularisation as prescribed in Article 115 (1) (b) of the Constitution of India.

**Audit Comment**

The position of actual regularisation of expenditure needs to be indicated.

**Ministry's Comment**

The Demand for Excess Grants 2007-08 has been passed by the Lok Sabha and the connected Appropriation Bill (No. 3) 2010 has been passed by Parliament and assented to by the President of India on 4th May, 2010.

The contents of this Action Taken Note for excesses has been vetted by the Audit *vide* their U.O. Note No. AMG-I/VV/ATN/2009-10/81-83 dated 11th May, 2010

Sd/-

(Sudha Krishnan)

Joint Secretary & Financial Adviser

[Ministry of Urban Development OM No. G-20017/7/2008 Bt- (UD) Dated 20th May, 2010]

**CHAPTER III**

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

- NIL -

**CHAPTER IV**

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

- NIL -

**CHAPTER V**

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

- NIL -

NEW DELHI;  
2 August, 2011  

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11 Sravana, 1933 (*Saka*)

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

## APPENDIX I

### MINUTES OF THE SECOND SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2011-12) HELD ON 28TH JUNE, 2011

The Committee sat on Tuesday, the 28th June, 2011 from 1100 hrs. to 1330 hrs. in Room No. '53', First Floor, Parliament House, New Delhi.

#### PRESENT

Dr. Murli Manohar Joshi—*Chairman*

#### MEMBERS

#### *Lok Sabha*

2. Shri Anandrao Vithoba Adsul
3. Shri Sandeep Dikshit
4. Shri Anant Kumar Hegde
5. Shri Bhartruhari Mahtab
6. Shri Shripad Yesso Naik
7. Shri Sanjay Nirupam
8. Shri Jagdambika Pal
9. Dr. Kavuru Sambasiva Rao
10. Shri Adhi Sankar
11. Kunwar Rewati Raman Singh
12. Shri K. Sudhakaran
13. Dr. M. Thambidurai
14. Dr. Girija Vyas

#### *Rajya Sabha*

15. Shri Prasanta Chatterjee
16. Shri Naresh Gujral
17. Shri Satish Chandra Misra
18. Smt. Jayanthi Natarajan
19. Prof. Saif-ud-Din Soz

## SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Abhijit Kumar — *Director*
3. Shri M.K. Madhusudhan — *Additional Director*
4. Shri Sanjeev Sharma — *Deputy Secretary*
5. Shri D.R. Mohanty — *Deputy Secretary*
6. Smt. A. Jyothirmayi — *Under Secretary*

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

1. Shri R.S. Mathrani — Director General of Audit (Central Expenditure)
2. Shri Gautam Guha — Director General of Audit (Defence Service)
3. Ms. Geetali Taare — Pr. Director of Audit (Scientific Department)
4. Shri Bhawani Shankar — Pr. Director (Economic Service & Ministries)

2. At the outset, the Chairman welcomed the Members and the representatives of the Office of the C&AG to the sitting of the Committee. The Chairman, then, apprised that the sitting was convened to consider the Draft Reports of the Committee. Thereafter, the Committee took up the following Draft Reports for consideration:

- |  |     |     |
|--|-----|-----|
| (i) ***  | *** | *** |
| (ii) ***   | *** | *** |
| (iii) Draft Report on Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Seventh Report (Fifteenth Lok Sabha) on 'Excesses over Voted Grants and Charged Appropriations (2007-08)'; |     |     |
| (iv) ***   | *** | *** |
| (v) ***  | *** | *** |

3. After detailed deliberations, the Committee adopted these draft Reports, one by one with some modifications/amendments and authorized the Chairman to finalise and present the same to the Parliament in the light of factual verification done by Audit.

- |        |     |     |
|--------|-----|-----|
| 4. *** | *** | *** |
| 5. *** | *** | *** |
| 6. *** | *** | *** |
| 7. *** | *** | *** |

*The Committee, then, adjourned.*



## APPENDIX II

### STATEMENT OF OBSERVATIONS/RECOMMENDATIONS

Sl. No.	Para No. (Part II)	Ministry/ Department	Observations/Recommendations
1	2	3	4
1.	4	Finance/Posts/ Home Affairs/ Labour and Employment/ Urban Development	<p>The Committee are perturbed to note that despite repeated assurance given year after year by the Ministries/Department especially by the Ministry of Finance that necessary remedial measures would be taken to ensure timely submission of Action Taken Notes, none of the defaulter Ministries/Departments, barring the Ministry of Railways and the Ministry of Defence, could furnish the Action Taken Notes on the Observations/Recommendations contained in the Seventh Report (15th Lok Sabha) within the prescribed time of six months from the date of presentation of the Report to Parliament. Worse, the Ministry of Finance, the nodal Ministry expected to act as a role model in this regard, submitted their Action Taken Notes after delay of four months. Evidently, this shows utter lack of importance attached to the principle of the fiscal discipline and financial propriety by the Ministry of Finance. The Committee express their serious concern over the inordinate delay in submission of Action Taken Notes by the Ministries/Departments concerned thereby resulting in delay in presentation of Action Taken Reports by the Public Accounts Committee. The Committee, therefore, ask the Secretaries of respective Ministries/Departments to take appropriate and urgent remedial and corrective measures to ensure that Action Taken Notes on the Committee's Recommendations are finalized and submitted invariably within the stipulated time limit of six months.</p>
2.	12	Finance/ Defence/Home Affairs/Labour and Employment/ Railways	<p>The Committee note that no firm measures have been put in place as yet by the Ministries/Departments concerned to avoid excess expenditure by the defaulter Ministries. The Committee's scrutiny reveals that</p>

1	2	3	4
			<p>the Ministries which scrupulously adhere to the General Financial Rules and have unwavering commitment to financial discipline and propriety to succeed in avoiding excess expenditure. The Committee find no cogent reasons for the inevitability of excess expenditure when Government get opportunities to present the Supplementary Demands for Grants during the three sessions of Parliament in a year. In an age of e-governance made feasible by computerisation and instant connectivity between field formations, Subordinate Offices and Head Quarters, irregularities like excess expenditure should not recur. The Committee express their displeasure over the tepid approach of the defaulter Ministries/Departments particularly for bad planning, lack of foresight and ineffective monitoring on the part of budget controlling authorities while preparing both budget estimates as well as Supplementary Demands for Grants. The Committee, therefore, reiterate the need for scrupulous scrutiny of the budget proposal both at the time of preparation of Demands for Grants, rigorous monitoring of the pace of expenditure and strict compliance of General Financial Rules to eliminate the possibility of excess expenditure, under spending, wrongful appropriation etc.</p>
3.	19	Railways	<p>The Committee are concerned that the Ministry of Railways continue to insist that their existing budgetary mechanism is well established though admittedly the instances of misclassification of expenditure continue. The Committee do not accept the plea that misclassification occurs mainly because of difference in the interpretation of the scheme of classification and accounting rules and partly because of the errors committed due to sheer volume of transactions and their varying nature. The Committee desire to be apprised of the real impact of the pre-audit and post-audit internal checks drive launched by the Railways on the classification of transaction and computerisation on incidence of misclassification.</p>

### APPENDIX III

(Vide Paragraph 5 of Introduction)

#### ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR SEVENTH REPORT (FIFTEENTH LOK SABHA)

- (i) Total number of Observations/Recommendations:  
11
- (ii) Observations/Recommendations, which have been accepted by the Government:  
Recommendation Paragraph Nos.: 47-57  
Total: 11  
Percentage: 100
- (iii) Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government:  
Recommendation Paragraph No. : Nil  
Total: Nil  
Percentage: Nil
- (iv) Observations/Recommendations in respect of which the replies of the Government have not been accepted by the Committee and which require reiteration:  
Recommendation Paragraph No. : Nil  
Total: Nil  
Percentage: Nil
- (v) Observations/Recommendations in respect of which the Government have furnished interim replies:  
Recommendation Paragraph No. : Nil  
Total: Nil  
Percentage: Nil