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**EXCESSES OVER VOTED GRANTS AND  
CHARGED APPROPRIATIONS  
(2009-2010)**

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

**PUBLIC ACCOUNTS  
COMMITTEE  
2012-2013**

**SEVENTY-SECOND REPORT**

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FIFTEENTH LOK SABHA



**LOK SABHA SECRETARIAT  
NEW DELHI**

SEVENTY-SECOND REPORT  
PUBLIC ACCOUNTS COMMITTEE  
(2012-2013)

(FIFTEENTH LOK SABHA)

EXCESSES OVER VOTED GRANTS AND  
CHARGED APPROPRIATIONS  
(2009-2010)

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

*Presented to Lok Sabha on 21.03.2013  
Laid in Rajya Sabha on 21.03.2013*



LOK SABHA SECRETARIAT  
NEW DELHI  
*March, 2013/Phalguna, 1934 (Saka)*

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
(2012-13)

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Sandeep Dikshit
5. Dr. M. Thambidurai
6. Shri T.K.S. Elangovan
7. Shri Anant Kumar Hegde
8. Shri Bhartruhari Mahtab
9. Shri Sanjay Nirupam
10. Shri Shripad Yesso Naik
- \*11. Shri Abhijit Mukherjee
12. Shri Ashok Tanwar
- †13. Shri Takam Sanjoy
14. Dr. Girija Vyas
15. Shri Dharmendra Yadav

*Rajya Sabha*

16. Shri Prasanta Chatterjee
17. Shri Prakash Javadekar
18. Shri Satish Chandra Misra
19. Shri Sukhendu Sekhar Roy
20. Shri J.D. Seelam
21. Shri N.K. Singh
22. Prof. Saif-ud-Din Soz

SECRETARIAT

- |                        |   |                         |
|------------------------|---|-------------------------|
| 1. Shri Devender Singh | — | <i>Joint Secretary</i>  |
| 2. Shri D.R. Mohanty   | — | <i>Deputy Secretary</i> |
| 3. Shri S.L. Singh     | — | <i>Under Secretary</i>  |

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\* Elected *w.e.f.* 6th December, 2012 *vice* Shri Sarvey Sathyanarayana appointed as Minister on 28th October, 2012.

† Elected *w.e.f.* 6th December, 2012 *vice* Dr. Shashi Tharoor appointed as Minister on 28th October, 2012.

## INTRODUCTION

I, the Chairman, Public Accounts Committee (2012-13), having been authorised by the Committee, do present this Seventy-second Report (Fifteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Fortieth Report (Fifteenth Lok Sabha) on '**Excesses Over Voted Grants and Charged Appropriations (2009-10)**'.

2. The Fortieth Report was presented to Lok Sabha/laid in Rajya Sabha on 19th December, 2011. 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 Telecommunications), Home Affairs, Defence, Communications and Information Technology (Department of Posts) and Railways on 9th August, 2012, 6th March 2013, 18th February, 2013, 18th June, 2012, 18th April, 2012 and 31st July, 2012 respectively. The Public Accounts Committee considered and adopted the Seventy-second Report at their sitting held on 19th March, 2013. 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 Fortieth Report (Fifteenth Lok Sabha) is given at *Appendix-III*.

NEW DELHI;  
19 March, 2013  

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28 Phalgun, 1934 (*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 Fortieth Report (15th Lok Sabha) on "**Excesses Over Voted Grants and Charged Appropriations (2009-10)**".

2. The Fortieth Report (15th Lok Sabha), which was presented to Lok Sabha/laid in Rajya Sabha on 19th December, 2011, contained fourteen 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:

Observations/Recommendations Para Nos.—1, 2, 4, 6-11, 13 and 14.

Total: 11  
Chapter II

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

—Nil—

Total: Nil  
Chapter III

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

Observations/Recommendations Para Nos. 3, 5 and 12.

Total: 3  
Chapter IV

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

—Nil—

Total: Nil  
Chapter V

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

3. In accordance with the time line prescribed by the Committee, Notes indicating the Action Taken by the Government on the Observations/Recommendations contained in their Reports were required to be furnished by the Ministries/Departments concerned within six months of the presentation of the Reports. But an analysis of the instant Action Taken Notes furnished by the Ministries/Departments concerned has revealed that there has been a delay ranging between 1 month and 13 days to 8 months and 16 days beyond the stipulated period of six months. The Ministry-wise position of delay has been tabulated as under:—

Sl. No.	Ministry/Department	Due Date of furnishing ATNs	Date when complete ATNs were furnished	Delay
1.	Finance	18.06.2012	09.08.2012	1 month and 22 days
2.	Telecommunications	-do-	06.03.2013	8 months and 16 days
3.	Defence	-do-	18.06.2012	Nil
4.	Home Affairs	-do-	18.02.2013	8 months
5.	Posts	-do-	18.04.2012	Nil
6.	Railways	-do-	31.07.2012	1 month and 13 days

4. The Committee deplore that despite assurances given by the Ministries/Departments especially by the Ministry of Finance that necessary remedial measures would be taken to ensure timely submission of Action Taken Notes to the Public Accounts Committee, the Ministries/Departments, barring the Ministry of Defence and the Department of Posts furnished the Action Taken Notes on the Observations/Recommendations contained in the Fortieth Report (15th Lok Sabha) after a delay ranging over one month to 8 months. Ironically, the Ministry of Finance, expected to act as a role model, was a defaulter as they furnished the Action Taken Notes after a delay of almost two months. *Worse, no extension of time was sought by the two main defaulters i.e. the Department of Telecommunications and the Ministry of Home Affairs for delayed submission of their Action Taken Notes. Evidently, this smacks of sheer disregard to the principle of the fiscal discipline and financial propriety.* The Committee express their strong displeasure over the inordinate delay in the submission of Action Taken Notes by the Ministries/Departments concerned resulting in the avoidable delay in the preparation and presentation of the relevant Action Taken Reports by the Committee. While deploring the callous and indifferent approach of the defaulting Ministries/Departments, the Committee impress upon the Ministries/Departments concerned to urgently initiate requisite remedial and corrective measures so as to ensure that Action Taken Notes on the Observations/Recommendations of the Committee are finalized and furnished invariably within the stipulated time limit of six months.



5. The Action Taken Notes furnished by the Ministries/Departments have been reproduced in the relevant chapters of this Report. **The Committee will now deal with the Action Taken by the Government on some of their Observations/Recommendations made in their Fortieth Report (15th Lok Sabha) which either need reiteration or merit comments.**

## **II. Innovative Steps for Eliminating Budgetary and Financial Irregularities**

### **Recommendation (Para No. 3)**

6. Taking note of the huge variations in the quantum of excess expenditure incurred under 18 Grants/Appropriations during the financial year 2009-10, the Committee in their Fortieth Report had cautioned that expenditure over and above the budgetary provisions sanctioned by Parliament at different stages of the budget did not augur well for fiscal prudence and fiscal consolidation besides undermining the Parliamentary financial control. The Committee had observed that the unabated large excess expenditure by these defaulting Ministries/Departments was axiomatic of the fact that they had not taken any tangible corrective measures and also had not accorded due importance to the guiding principles of budgeting *i.e.* plugging of the existing loopholes and deficiencies with a view to restricting the quantum of excess expenditure to the barest minimum so as to ensure judicious and equitable distribution of scarce financial resources for achieving all round growth of different sectors. The Committee had urged upon the defaulting Ministries/Departments to find innovative steps for ushering in a system of budgeting whereby the exercise was not only made more accurate, logical and practicable but also able to eliminate all budgetary and financial irregularities. In view of the persisting trend of excess expenditure and considering the fact that the problem was not intractable with effective application of IT and e-governance, the Committee had recommended that the Ministry of Finance make it incumbent upon the Financial Advisers and Budget Controlling Authorities to ensure no recurrence of excess expenditure.

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

"Ministry of Finance issues Budget Circular every year bringing out various Government instructions and also steps to be undertaken to formulate the Budget. While seeking proposals for Supplementary Demands for Grants also, instructions are issued to realistically project for the Budget, so that neither there is an occasion for huge surrender of Budget nor there are huge excesses. The Budget circular is followed up with meeting the Financial Advisers of various Ministries/Departments, so that a micro review is undertaken at the apex level of Ministry of Finance for realistic Budget requirement;

During the pre-budget discussions held by Ministry of Finance, review of expenditure is done Scheme-wise in respect of all Ministries/Departments, so that realistic budget is framed and approved by the Parliament. Ministry of Finance during the three batch of Supplementary Demands for Grants, also take an opportunity to frame realistic assessment of the expected expenditure for the year;

Trend of excess Grants for the past five years reveal that the incidence of excess expenditure has reduced considerably in respect of Ministries/Departments other than Railways--from '42,227.20 crore in FY 2003-2004 to' 14,575.08 crore in FY 2009-2010;

Ministry of Finance has been issuing instructions in the past emphasising the need of control of expenditure with reference to the sanctioned Grant/Appropriation. Recently, on 11th July, 2011, an Office Memorandum was issued to all the Ministries/Departments emphasising this and suggesting the following measures:—

- (a) Preparation and circulation of Monthly Financial Review Analysis to the Administrative Heads for monitoring the progress of expenditure, and also to enable them to take remedial action wherever required;
- (b) Convening regular internal meetings with all spending units for effecting expenditure control;
- (c) Ensuring realistic projection of Budget Estimates/Supplementary Estimates and also ensuring that expenditure incurred is within the Budget as envisaged in General Financial Rules, 2005 so that there is no occasion for incurring excess expenditure;
- (d) Putting in place/reviewing/strengthening systems for monthly monitoring of the flow/trends of expenditure so as to avoid recurrence of excess expenditure.

As brought out above, a comprehensive and detailed Budget Circulars duly, indicating the measures required to be taken by the Ministries/Departments has been issued by the Ministry of Finance. During the recently held pre-budget meeting this time, as an **innovative measure**, approved budgetary ceilings were reviewed and corrected till as late as mid-February, 2012, keeping in view the latest trend of expenditure. For this purpose, Ministry of Finance (Budget Division) relied upon the booking of expenditure data available in the **e-Lekha** software maintained by the Office of Controller General of Accounts, Department of Expenditure, Ministry of Finance.

Given the complex nature and variety of Government spending, it is not feasible to precisely estimate in advance all the expenditure requirements for the financial year, as well as the requirements arising out of the unanticipated/unforeseen developments during the course of the year. However, Ministry of Finance is taking proactive action in precisely estimating the expenditure and will continue to do so in future also, so that the incidence of excess is kept minimum, if not completely eliminated."

8. The Department of Telecommunications have stated in their Action Taken Note as under:—

"The Department of Telecommunications strives to ensure that due care is being taken to maintain fiscal discipline. Instructions have been issued to all the subordinates units of the Department to ensure fiscal discipline in expenditure. All corrective measures are being taken to ensure accurate, logical and realistic budgeting. Efforts are also being made to ensure that expenditure is limited to the budgetary allocation."

9. In respect of Grant No. 20 — Ministry of Defence (Civil), the Ministry of Defence have stated that with a view to plugging of the existing loopholes, deficiencies and to restrict the quantum of excess expenditure to the barest minimum, the Ministry have circulated to all the Budget controlling authorities and IFA concerned, from time to time, the instructions issued by the Ministry of Finance, to exercise strict control on progress of expenditure in order to avoid any large scale savings or excess. Moreover, the observations made by PAC has been noted for future guidance and compliance. The Ministry have also informed that they would take necessary follow up action on the instructions issued by the Ministry of Finance.

10. As regards Grant No. 21 — Defence Pensions, the Ministry of Defence have stated that as a measure of control, they have been advising the budget estimating authorities of Defence Pensions to prepare their budget proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenditure remedial action must be taken immediately to arrest the excess to an optimum level. In this regard, the office of the Joint Secretary and Additional Financial Advisor (VP), Ministry of Defence has issued instruction *vide* ID No. 2(6)/MO/2009-10/721, dated 29.06.2010 to avoid any excess expenditure over the sanctioned Grant and to assess the requirement of funds properly. In order to have strict control, the instructions issued by the Ministry of Finance, Department of Economic Affairs, were also circulated *vide* this Division ID No. (s)(i) MoD (Fin.) ID No. 1(9)/Fin.(MO)/2011-12/708, dated 07.06.2011 & (ii) ID No. 1(9)/Fin.(MO)/2011-2012/933, dated 21.07.2011 on the subject—"Steps for Fiscal and Expenditure Management in 2011 regarding taking various steps in order to adhere to fiscal targets set out in the Budget 2011-12 and for better expenditure management. Further, Pension disbursement agencies *viz.* Banks have been approached for transmission of pension payment data electronically so as to enable PCDA(P) Allahabad to ensures correct and timely booking of pension expenditure by automating classification and accounting system through computerized system.

11. With regard to Grant No. 22—Defence Services—Army and Grant No. 23—Defence Services — Navy, the Ministry of Defence have stated in their Action Taken Note as under:—

"This Ministry makes all efforts to ensure strict budgetary discipline among all the budget holders to curb excess expenditure. Further, necessary action in this regard is to be taken by Ministry of Finance. This Ministry would certainly follow the instructions of Ministry of Finance in curbing excess expenditure in letter and spirit."

12. In their Action Taken Note, the Ministry of Home Affairs have stated as under:—

"Huge variations in the quantum of excess expenditure incurred was due to requirement of additional funds to meet cost of increase in pension and dearness relief and grant of pension to the participants of freedom fighters and their dependents on various liberation movements. The disbursement of pension to freedom fighters/spouses of deceased freedom fighters/eligible dependants of

deceased freedom fighters is made through treasuries and over 32,000 branches of Nationalized Banks spread all over the country. The Ministry does not make any payment directly to the beneficiaries. Individual Banks make the payment of pension to the beneficiaries and get their reimbursement from RBI, Nagpur. The RBI in turn intimates the CPAO the expenditure booked to the Government account. All Accountants General prefer their claims with CPAO which in turn reimburse the amount to State Government."

13. The Department of Posts have stated in their Action Taken Note as under:—

"Department of Posts ensures to make realistic requirement of funds and to maintain fiscal discipline in spending the public money in future. For this purpose the instructions have been issued to all the subordinates units/Budget Controlling authorities to project realistic demand for fund and to monitor the expenditure accordingly. Moreover the proposal of the Department was re-assessed by the Ministry of Finance to reduce the ceiling of expenditure during the Pre-budget discussions which resulted in excess expenditure. However the Department of Posts, besides issuing instructions to observe austerity measure in incurring expenditure to the fund controlling authorities reviews the expenditure by conducting Video Conference with the Heads of Circles to monitor the same in terms of Grant. This has an effective control over expenditure *vis-a-vis* Grant."

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

"Most of the excess incurred by Ministry of Railways is attributable to steep rise in the staff cost consequent upon implementation of the recommendations of the 6th Central Pay Commission (6th CPC). Bulk of the excess has been incurred in four Grant *i.e.* 4,5,6 & 13. The Committee may appreciate the fact that despite the difficulty in accurately assessing the impact of implementation of the recommendations of the 6th CPC, the excess under Grant No. 4, 5 & 6 is minor in terms of percentage to the total sanctioned amount under each grant. However, the same under Grant No. 13 is high at 10%.

The concerns of the Committee are noted."

**15. The Committee are shocked to note that the Ministries/Departments concerned have not taken any concrete steps except giving a stock reply that the recommendation of the Committee has been noted and necessary instructions have been issued to all concerned to observe fiscal discipline and not to exceed budget allocation. The fact that the instructions have been issued time and again without achieving any tangible result warrants that more robust and innovative measures are required for strict enforcement and compliance so as to avoid the perennial problem of unauthorized excess expenditure over Voted Grants and Charged Appropriations. The Committee disapprove the tendency of the Ministries/Departments concerned to unsuccessfully justify excess expenditure and violation of Financial Rules instead of revamping their existing mechanism with a view to achieving concrete improvement in budget estimation exercise. The Committee find that the Ministries/Departments which scrupulously adhere to the General Financial Rules and have unwavering commitment to financial discipline and propriety contain their expenditure within the budget allocated and approved by Parliament. Moreover, in an age of e-governance**

**made feasible by computerization and instant connectivity between field formations, Subordinate Offices and Head-quarters, there is no valid justification for irregularities like unauthorized excess expenditure. The Committee, therefore, reiterate that the defaulting Ministries/Departments should be constantly on guard and take innovative steps so that budgeting becomes more accurate and that there are no budgetary and financial irregularities. Considering the fact that the problem is not intractable with effective application of IT and e-governance, the Committee desire that the Ministry of Finance should devise effective measures and make it incumbent upon the Financial Advisers and the budget controlling authorities to ensure that no excess expenditure takes place in future.**

### **III. Excess Expenditure Despite obtaining Supplementary Grants/Appropriations Recommendation (Para No. 5)**

16. In their earlier Report, the Committee had noted with profound concern that out of the total 18 cases of excess registering Grants/Appropriations, an excess expenditure of Rs. 12071.08 crore was incurred in as many as 15 cases even after obtaining Supplementary Grants/Appropriations to the extent of Rs. 10628.59 crore. The percentage of excess expenditure over the Supplementary Grants in respect of these 15 Grants/Appropriations ranged from 4.12 per cent (Grant No. 9 (Railways) — Operating Expenses — Traffic) to 456.67 per cent (Grant No. 54 — Other Expenditure of the Ministry of Home Affairs) and in 8 cases this percentage was more than 50 per cent. In respect of six Grants and Appropriations, the quantum of excess expenditure incurred was even higher than the Supplementary Grants sought. The Committee had deplored the tendency of the defaulting Ministries/Departments in resorting to excess expenditure in a routine manner despite three stages of obtaining Supplementary Grants, the latest being February — March 2010 *i.e.* the fag end of the financial year. The Committee had observed that this was a clear indication of not only of bad budgeting but also of deeply pervading malaise in the extent budgeting method/mechanism, which had failed to ensure proper assessment and accurate projection of the fund requirement despite ample opportunities for seeking parliamentary approval besides exposing the hollow claim of the Ministries/Departments that they used to monitor the flow of the excess expenditure. The Committee, had recommend that the Ministries/Departments concerned probe into the casues of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and the budget controlling officers responsible so that no excess expenditure was incurred and strict fiscal discipline was maintained.

17. In their Action Taken Note, the Department of Telecommunications have stated as under:—

"The recommendations of the Committee have been noted. All corrective measures are being taken to ensure framing of balanced and realistic budget estimate. Efforts are also being made to ensure that expenditure is limited to the budgetary allocation. As a result of the measures taken no excess expenditure was incurred during 2010-11."

18. In respect of Grant No. 20 — Ministry of Defence (Civil) and Grant No. 21 — Defence Pensions, the Ministry of Defence have stated in their Action Taken Note that

they have issued, from time to time, instructions to exercise strict control on progress of Expenditure in order to avoid any large-scale savings or excess under any grant relating to Civil Estimate. In so far as putting in place effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and pragmatic is concerned, this Ministry would take follow up action in accordance with the instructions of Ministry of Finance in this regard.

19. As regard Grant No. 22—Defence Services—Army and Grant No. 23—Defence Services — Navy, the Ministry of Defence have stated in their Action Taken Note as under:—

"Budgetary allocations provided by the Ministry of Finance are generally less than the projected requirements. Nevertheless, all efforts are made to ensure that the prescribed budgetary ceilings are adhered to. Further, with effect from 2012-13, the Demands for Grants under Ministry of Defence, namely Demand No.(s) 22-Army, 23-Navy, 24-Air Force, 26-Research & Development and 27-Capital Outlay on Defence Services have been brought under the ambit of modified exchequer control — Cash Management System. Detailed instructions have been issued in this regard. It is expected that implementation of the cash management system would bring in the desired financial discipline."

20. In their Action Taken Note, the Ministry of Home Affairs have stated as under:—

"The Ministry has initiated an exercise to prepare the data base of Central Samman Pensioner/their eligible dependents who are living and actually drawing pension as on date by calling information from all the Public Sector Banks and Treasuries. Most of the information has been received and uploaded on the MHA's website. Similarly compilation of re-verified data of the freedom fighters/dependents drawing pension from the State Treasuries is in the progress. The offices of C&AG and RBI have been advised to carry out comprehensive audit of disbursement of Samman Pension by State Treasuries and Public Sector Banks respectively."

21. The Department of Posts have stated in their Action Taken Note as under:—

"Department of Posts ensures to make realistic requirement of funds and to maintain fiscal discipline in spending the public money in future. For this purpose the instructions have been issued to all the subordinate units/Budget Controlling authorities to project realistic demand for fund and to monitor the expenditure accordingly. Moreover the proposal of the Department was re-assessed by the Ministry of Finance to reduce the ceiling of expenditure during the Pre-budget discussions which resulted in excess expenditure. However the Department of Posts, besides issuing instructions to observe austerity measures in incurring expenditure to the fund controlling authorities reviews the expenditure by conducting Video Conference with the Heads of Circles to monitor the same in terms of Grant. This has an effective control over expenditure *vis-a-vis* Grant."

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

"As has already been submitted to PAC in the other Paras and in the ATNs to 22nd Report of PAC on 'Excess over Voted Grants and Charged Appropriations

(2008-09)' the excess in 2008-09 & 2009-10 has arisen mainly due to the difficulty in assessing the impact of implementation of the recommendations of the 6th CPC. Bulk of the excess has been incurred in four Grants *i.e.* 4, 5, 6 & 13. The Committee may appreciate the fact that despite the difficulty in accurately assessing the impact of implementation of the recommendations of the 6th CPC, the excess under Grant No. 4, 5 & 6 is minor in terms of percentage to the total sanctioned amount under each grant being 0.73%, 2.62% and 2.10% respectively. However, the same under Grant No. 13 is high at 10%. The recommendations of the Committee is noted to be more accurate in estimating the Supplementary Grants."

**23. The Committee are constrained to note that none of the Ministries/ Departments have initiated any probe into the causes of excess expenditure despite obtaining Supplementary Grants/Appropriations which reinforces that no specific and concrete measures have been put in place as yet to avoid unauthorized expenditure. Worse, the Ministry of Railways, which had incurred excess expenditure despite obtaining Supplementary Grants/Appropriations in as many as eight Grants/Appropriations during 2009-10 fiscal, have merely stated that they have noted the recommendation of the Committee instead of making any firm commitments to streamline their budgetary process and overhaul the procedures adopted for estimation of budget at the Supplementary Grant/Appropriation stage. As there are no cogent reasons for the inevitability of excess expenditure when the Ministries/Departments get opportunities to present the Supplementary Demands for Grants during the three sessions of Parliament in a year, the Committee would once again like to remind the defaulting Ministries/Departments about the sanctity of General Financial Rules which stipulate that no expenditure should be incurred which might have the effect of exceeding the total Grant or Appropriation authorized by Parliament by law for a financial year except by way of obtaining Supplementary Grants/Appropriations or an advance from the Contingency Fund. The Committee reiterate that the Ministries/Departments concerned probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grant more realistic and fix responsibility on the budget controlling officers and the Financial Advisors so as to avoid recurrence of excess expenditure even after obtaining Supplementary Grants/Appropriations.**

#### **IV. Excess Expenditure incurred by the Ministry of Railways**

##### **Recommendation (Para No. 12)**

24. In their Fortieth Report, the Committee had noted that during the financial year 2009-10, the Ministry of Railways incurred a total excess expenditure of Rs. 1922.84 crore in 10 cases of 9 excess registering Grants/Appropriations. This amount of excess expenditure was more than double the preceding financial year's total of Rs. 532.12 crore incurred in 9 cases of 8 excess registering Grants/Appropriations. Out of the total excess expenditure of Rs. 1922.84 crore, the bulk of the expenditure amounting to Rs. 1816.68 crore constituting 94.48 per cent of the total Grant was incurred under 4 Grants only *i.e.* (i) Grant No. 4 — Working Expenses — Repairs and Maintenance of Permanent — Way and Works (Rs. 54.50 crore); (ii) Grant No. 5 — Working Expenses — Repairs and Maintenance of Motive Powers (Rs. 88.71 crore); (iii) Grant No. 6 —

Working Expenses — Repairs and Maintenance of Carriages and Wagons (Rs. 161.20 crore); and Grant No. 13 — Working Expenses — Provident Fund, Pension and Other Retirement Benefits (Rs. 1512.27 crore). According to the Ministry, the reasons for excess expenditure were — implementation of the 6th Central Pay Commission Report, more expenditure on direct purchases, stores from stock, contractual payment, increased expenditure on Periodical Over Hauling (POH), materialisation of more contractual payments than anticipated. The Committee had observed that while anticipating the requirement of funds by the Railways, estimations for various Sub-Heads could have been projected more realistically by analysing properly the total monetary effect of salary hike, prevailing expenditure trail, upcoming demands/requirements, rising cost etc. The Committee had concluded that the indolent Ministry of Railways had not taken any timely corrective measures to improve their budgeting mechanism with a view to avoiding such a huge unauthorized expenditure. As there was no mention in the Explanatory Notes about the specific remedial measures taken by the Ministry to contain this persisting excess expenditure, the Committee had observed that the Ministry had paid scant respect to enforce fiscal discipline while incurring want only excess expenditure. Taking serious note of lack of concern and sustained efforts on the part of the Ministry in observing fiscal discipline, the Committee had recommended that the Ministry of Railways strive earnestly for ensuring realistic estimation of their budgetary requirements under various sub-heads of the Grants/Appropriations operated by them so that the existing lapses/loopholes were identified and concrete remedial measures taken to obviate excess expenditure.

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

"It is a fact that bulk of the excess (94.48%) has been incurred under only 4 Grants, viz., 4,5,6, & 13. The Committee may appreciate the fact that despite the difficulty in accurately assessing the impact of implementation of the recommendations of the 6th CPC, the excess under Grant No. 4, 5 & 6 is minor in terms of percentage to the total sanctioned amount under each grant being 0.73%, 2.62% and 2.10% respectively. Only under Grant No. 13, it is high at 10% and the excess under this Grant alone is 78.65% of the total excess. The excess under this Grant is also attributable to the difficulty in accurately assessing the impact of implementation of the recommendations of the 6th CPC on pensions. However, concerns of the Committee have note noted."

**26. The Committee are dismayed to note that the Ministry of Railways have merely noted the Recommendation of the Committee and sought to justify their excess expenditure incurred during the financial year 2009-10 on the ground that the amounts of excess under Grant Nos. 4, 5 and 6 were very small and in respect of Grant No. 13, it was difficult to accurately assess the impact of implementation of the recommendation of the VI Central Pay Commission. From the Ministry's reply, it is apparent that the Railways, instead of taking appropriate punitive measures to obviate excess expenditure, have allowed things to drift for want of strict financial control. The Committee are of the considered view that excess expenditure in any form, regardless of the quantum, is unacceptable and violative of prudent budgetary exercise and therefore urge the Ministry of Railway to adhere to the General Financial Rules and avoid unauthorized expenditure.**



## CHAPTER II

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

#### Observation/Recommendation

The Committee's examination of the Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2009-10 has revealed that a total excess expenditure of Rs. 14581.86 crore was incurred in 20 cases under 18 Grants/Appropriations. The defaulting Ministries are Ministry of Communications and Information Technology (2 Grants *i.e.* Grant No. 14—Department of Telecommunications and Grant No. 13—Postal Services); Ministry of Defence (5 cases under 4 Grants *i.e.* Grant No. 20—Ministry of Defence, Grant No. 21—Defence Pensions, Grant No. 22—Defence Services—Army and Grant No. 23—Defence Services—Navy); Ministry of Home Affairs (Grant No. 54—Other Expenditure of the Ministry of Home Affairs); and the Ministry of Railways (12 cases under 11 Grants/Appropriations *i.e.* Grant No. 4—Repairs and Maintenance of Permanent Way and Works; Grant No. 5—Repairs and Maintenance of Motive Powers; Grant No. 6—Repairs and Maintenance of Carriages and Wagons; Grant No. 8—Operating Expenses—Rolling Stock and Equipment; Grant No. 9—Operating Expenses—Traffic; Grant No. 12—Miscellaneous Working Expenses; Grant No. 13—Provident Fund, Pension and other Retirement Benefits; Grants No. 15—Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortisation of Over Capitalization; Appropriation No. 3—General Superintendence and Services; Appropriation No. 5—Repairs and Maintenance of Motive Powers, Appropriation No. 10—Operating Expenses—Fuel; and Appropriation No. 16—Assets, Acquisition, Construction and Replacement). This amount of excess expenditure incurred during the financial year under review showed a steep increase over the preceding year wherein a total excess expenditure of about Rs. 1532.63 crore in 15 cases of 14 Grants/Appropriations was recorded. Though the Committee are aware of the difficulties faced by the Ministries/Departments in exactly estimating the expenditure due to situational exigencies, nevertheless incurring huge amount of excess expenditure to the tune of thousands of crore year after year despite the provision for obtaining Supplementary Demands for Grants in the course of a financial year is untenable and cannot be attributed to unforeseen factors or the extraordinary situations alone. The Committee deprecate such an endemic failure arising out of want of essential alacrity in budgetary estimations, sheer dereliction of duty on the part of budget controlling authorities and failure on their part to ensure observance of strict fiscal discipline.

[Observation/Recommendation Para 1 of the Fortieth Report of the Public Accounts Committee (15th Lok Sabha)]

**Action Taken (Department of Telecommunications)**

The Department of Telecommunications strives to ensure that requirement of funds are made on a realistic basis. Due care is being taken to maintain fiscal discipline. Instructions have been issued to all the subordinates units of the Department to ensure fiscal discipline in expenditure and to ensure that budgetary estimation is done on a realistic basis.

It is also apprised that the excess expenditure during 2009-10 was incurred due to the payment on account of implementation of VIth Pay Commission recommendations.

Sd/-

Deputy Director General (TPF)

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 1-20/2012-B, dated 25 April, 2012]

This has been vetted by D.G. Audit (P&T) with remarks "Department of Telecommunications may ensure fiscal discipline and control of expenditure and budgetary estimation may be done on realistic basis"; *vide* their No. Report-Tele-II (b) 400 Appropriation Accts./2009-10/DoT/141, dated 04.06.2012.

**Action Taken [Ministry of Defence (Grant No. 20)]**

In this Paragraph, the Committee have observed that the amount of excess expenditure incurred during the FY under review showed a steep increase over the preceding year. In so far as Ministry of Defence (Civil) are concerned,—out of total excess expenditure of Rs. 14581.86 crore, an excess expenditure of Rs. 95.32 cr. only was incurred during the year 2009-10 under Grant No. 20—Ministry of Defence (Civil). The Committee have expressed that though the difficulties faced by the Ministries/ Departments in exactly estimating the expenditure due to situational exigencies, nevertheless incurring huge amount of excess expenditure to the tune of thousands of crore year after year despite the provision for obtaining Supplementary Demands for Grants in the course of a financial year is untenable and cannot be attributed to unforeseen factors or the extraordinary situations alone.

The excess expenditure of Rs. 95.32 cr. under Grant No. 20—Ministry of Defence (Civil) was mainly due to Setting up of regional Armed Forces Tribunal Benches located at various stations, in r/o CGO; Payment towards 60% arrears of the 6th CPC, Large number of promotion in all categories and 30% increase in overall existing strength as approved by CCS, towards posting/transfer of manpower to new 05 ships, 04CG ashore units and 01 RHQ establishment during the fiscal in compliance with CCS approvals, Travel expenses of the officers to conduct special recruitment drives in major cities of India to fill up vacancies arrived due to new CCS approval of Ships and units post 26/11, Towards procurement of Naval Store items for new 05 Ships, 04 CG ashore units and establishment of newly commissioned RHQ (NW) during FY 2009-10 in compliance with CCS approval, Due to repair/refit of operational unit *i.e.* CG Ships, aircraft due to enhanced deployment of these assets, post 26/11 scenario, and the major excess expenditure has been incurred in Salary head under budget provision in r/o JAKLI due to Payment of 6th CPC 60% arrear and due to additional movement of troops took place

in the last month of Financial year and more demand and supply of stores to their units due to their involvement in counter insurgency operation etc. Further, it is submitted that the excess is under prescribed permissible limit *i.e.* 5% as the variation is upto 0.88% only under Grant No. 20—Ministry of Defence (Civil) over Total/Final Grants. Moreover, it is mentioned that incurring of excess expenditure under Ministry of Defence (Civil)—Grant No. 20 is not a recurring instance and excess under this Grant has not been registered for earlier financial years till 2008-09.

However, as a measure of control, the Govt. of India in the Ministry of Defence have been advising all the budget estimating authorities of Civil to keep strict watch on the expenditure and ensure that expenditure should be as per the Grant and in case any excess is visualised, its provision should be made at RE stage. In this regard, this office *vide* ID No. 1(8-ATN)/MO/2009-10/721, dated 28.06.2010 have issued instructions to user Departments and IFAs concerned to prepare their Budgetary proposals on realistic basis. In order to have strict control, the instructions issued *vide* the Ministry of Finance, Department of Economic Affairs, were also circulated *vide* this Division ID No. (s) (i) MoD (Fin.) ID No. 1(9)/Fin.(MO)/2011-12/933, dated 21.07.2011 on the subject—"Steps for Fiscal and Expenditure Management in 2011 for taking various steps in order to adhere to fiscal targets set out in the Budget 2011-12 and for better expenditure management. Ministry of Defence (Fin.) *vide* ID No. 1(1)/Fin. (MO)/2011-2012, dated 23.08.2011 have also issued instructions on the subject "Expenditure Management—Economy Measures and Rationalization of Expenditure" to the entire budget holding authorities as well as IFA concerned. Necessary monitoring and follow up action in this regard would be ensured.

Sd/-  
(Veena Prasad)  
JS & Addl. FA (VP)

**Immediate  
Budget Matter**

MINISTRY OF DEFENCE (FINANCE)

(Main Office)

**Subject:** Steps for Fiscal and Expenditure Management in 2011-12.

In continuation of this division ID No. 1(9)/Fin. (MO)/2011-2012/708, dated 07.06.2011 regarding taking various steps in order to adhere to the fiscal targets set out in the Budget 2011-12 and for better expenditure management, the undersigned is directed to forward herewith Ministry of Finance OM No. 4(5)—W&M/2011, dated 07.07.2011 on the above subject, for information and strict compliance.

2. This issues with the approval of JS & Addl. FA(R).

Sd/-  
(S.K. Jassal)  
Asstt. Financial Adviser (MO)  
Phone: 2301 4890/2404

Encl:— As above

- |   |                                |
|---|--------------------------------|
| 1. Dir. (E)/US (Genl.)                                  | -in r/o DOD & DR&D             |
| 2. DS (Res-I)   | -in r/o DESW                   |
| 3. D (B&C)  | -in r/o DDP                    |
| 4. Principal Registrar (AFT)                            | -in r/o AFT                    |
| 5. AFA(E/Genl.)SO (E-II)/Dir. (Fin./DS)                 | -in r/o Finance Division       |
| 6. Director, IDSA through PO (Def.)                     | -in r/o IDSA                   |
| 7. Dy CGDA (Projects)/OSD (Coord.)                      | -in r/o DAD (Salaries & Works) |
| 8. Jt. CGDA (Accounts & Budget)                         | -in r/o Defence Pensions       |
| 9. Addl. DGDE (Admn.)/Dir. (Fin./Q)                     | -in r/o DEO                    |
| 10. G.M. CSD through BOCCs, L-II<br>Block/Dir. (Fin./Q) | -in r/o CSD                    |
| 11. CDP, (APO), Krishi Bhawan                           | -in r/o APO                    |
| 12. Dir. (Plans) Coast Guard Orgn./<br>DFA(CG)          | -in r/o CGO                    |
| 13. Dir. (PSUs)   | -in r/o Defence PSUs           |
| 14. Dir. (FP-II), Army HQ                               | -in r/o JAK LI                 |
| 15. Dite. of Naval Plan (NHQ)                           | -in r/o MH-7615 only           |
| 16. AG (Budget), South Block                            | - .....                        |
| 17. PCDA (P) Allahabad                                  | -in r/o Defence Pensions       |

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[MOD (Fin.) ID No. 1(9)/Fin. (MO)/2011-2012/933, dated 21.07.2011]

**Immediate  
Budget Matter**

O.M. NO. 4(5)-W&M/2011  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
(BUDGET DIVISION)

North Block New Delhi-110 001

Dated the July 7, 2011

OFFICE MEMORANDUM

**Subject:** Steps for Fiscal and Expenditure Management in 2011-12.

In continuation of this Ministry's O.M. of even number dated May 2, 2011 regarding taking various steps in order to adhere to the fiscal targets set out in the Budget 2011-12 and for better expenditure management, it is once again reiterated that all required measures should be undertaken so that the estimated receipt targets in BE 2011-12 are achieved. The Non-tax receipt estimates tax receipt estimates projected for the Ministries/Departments in BE 2011-12 viz., departmental receipts, dividends from PSUs etc. should be closely monitored to avoid any shortfall. All Ministries/Departments need to achieve targeted non-tax revenue collection and avoid new proposals for expenditure.

2. This has the approval of the Finance Minister.

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

To,

All Financial Advisers

Copy to Joint Secretary (Per), Department of Expenditure, New Delhi-110 001

MINISTRY OF DEFENCE (FINANCE)

(Main Office)

**Subject:** First Batch of Supplementary Demands for Grants for 2011-12 in r/o Grant No. 20—MoD (Civil) & Grant No.-21—Defence Pensions.

The First Batch of Supplementary Demands for Grants for 2011-12 is to be presented to Parliament in the ensuing *Monsoon Session*. In this connection please find enclosed a copy of AS (Budget), Department of Economic Affairs, Ministry of Finance DO Letter No.4(11)-B(SD)/2011, dated June 1, 2011 & OM No. 4(5)-W&M/2011, dated 02.05.2011 from Finance Secretary for information and further necessary action. The proposals as per enlisted types of Supplementary Demands only, if any, in the prescribed format along-with the draft statement justifying Supplementary Demands (especially keeping in view the instructions issued by MOF *vide* aforesaid OM) to be included in the ensuing batch and may be forwarded to this Division duly vetted by respective IFA, latest by 13th June, 2011 for onward transmission of the same to Ministry of Finance by due date. It may be ensured that the above timeline is strictly adhered to, as the delayed proposals will not be entertained by the Ministry of Finance.

In case there is no proposal in r/o your Department/Organisation a "nil" report in the matter may even be sent by due date.

Sd/-  
(T.H. Franklin)  
Dy. Financial Adviser (E/MO)  
Phone: 2301 2180/2404

Encl:— as above

- |                                       |                                |
|---------------------------------------|--------------------------------|
| 1. Dir (E)/US (Genl.)                 | -in r/o DOD, DP, DR&D, DESW    |
| 2. Principal Registrar (AFT)          | -in r/o AFT                    |
| 3. AFA (E/Genl.)/SO (E-II)            | -in r/o Finance Division       |
| 4. Director, IDSA through PO (Def.)   | -in r/o IDSA                   |
| 5. Dy. CGDA (Projects)                | -in r/o DAD (Salaries & Works) |
| 6. Jt. CGDA (Accounts & Budget)       | -in r/o Defence Pensions       |
| 7. Addl. DGDE (Admn.)                 | -in r/o DEO                    |
| 8. G.M. CSD through BOCCS, L-II Block | -in r/o CSD                    |
| 9. CDP, (APO), Krishi Bhawan          | -in r/o APO                    |
| 10. Dir. (Plans) Coast Guard Orgn.    | -in r/o CGO                    |
| 11. Dir. (PSUs)                       | -in r/o Defence PSUs           |
| 12. Dir. (FP-II), Army HQ             | -in r/o JAK LI                 |
| 13. Dite. of Naval Plan (NHQ)         | -in r/o MH-7615 only           |
| 14. AG (Budget), South Block          | - .....                        |
| 15. PCDA (P) Allahabad                | -in r/o Defence Pensions       |

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[MOD (Fin.) ID No. 1(9)/Fin. (MO)/2011-2012/708, dated June, 7th, 2011]

SHAKTIKANTADAS, IAS  
Additional Secretary



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  
Telephone: 23092804 Fax: 23094052  
E-mail: s.das@nic.in

D.O.F.No. 4(11)-B(SD)/2011

June 1, 2011

Dear Smt. Gupta,

The first batch of Supplementary Demands for Grants for 2011-2012 is to be presented to Parliamentary in the ensuing Monsoon Session.

2. The Following types of Supplementary Demands may only be considered for inclusion in this batch:—

- (i) Cases where advances from **Contingency Fund of India** have been granted, which are required to be recouped to the Fund.
- (ii) Payment against a **court decree**, which cannot be postponed;
- (iii) Cases of additional requirement of funds for meeting immediate expenditure commitments/payments which attract the limitation of New Service/New Instrument of Service, which have been approved by competent authority and are proposed to be **met by reappropriation of savings** in the Grant and have been approved by competent authority; and
- (iv) Any other case where Ministry of Finance has approved moving of Supplementary Demand in the *Monsoon Session*.

3. Steps/measures to be taken for better fiscal and expenditure management for 2011-12 as circulated with this Ministry's O.M. No. 4(5)-W&M/2011, dated May 2, 2011, may kindly be followed strictly. As brought out in the O.M., no proposal for cash supplementary be forwarded to this Ministry during the current financial year, except in absolutely unavoidable cases or those proposals which relate to the Budget

announcements in 2011-12. Even in such cases, the effort should be to identify matching savings within the Ministry/Department.

4. The proposals along with the draft statement justifying Supplementary Demands to be included in the ensuing batch and appropriate background notes may be forwarded to Budget Division in the prescribed form by **June 24, 2011 (Friday)**, after which date, proposals may not be entertained. Cases, which are required to be reported to Parliament in terms of the guidelines circulated with this Ministry's O.M. No. F. 1(23)-B (AC)/2005 dated May 25, 2006 may also be furnished to Budget Division in a summarised form by the same date.



**Immediate  
Budget Matter**

O.M. No. 4(5)-W&M/2011  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
(BUDGET DIVISION)

North Block, New Delhi-110001

Dated the May 2, 2011

OFFICE MEMORANDUM

**Subject:** Steps for Fiscal and Expenditure Management in 2011-12.

In order to adhere to the fiscal targets in Budget 2011-12 and for better expenditure management the following measures may kindly be taken:—

- (a) All Ministries/Departments are advised to adhere strictly to the budgeted estimates in 2011-12;
- (b) New expenditure proposals, if at all essential, should be proposed only through identified Savings within the Ministries/Departments allocations in BE 2011-12.
- (c) No proposal for cash supplementary be forwarded to this Ministry during the current financial year, except in absolutely unavoidable cases or those proposals which relate to the Budget announcements in 2011-12. Even in such cases, the effort should be to identify matching saving within the Ministry/Department.
- (d) Considering that the 12th Five Year Plan will commence from the financial year 2012-13, all new programmes/schemes on the Plan side may be deferred to the next financial year. In the above scenario, proposals for funding of new schemes both under Plan and Non-Plan, will not be entertained during the current financial year;
- (e) The Non-tax receipt estimates projected for the Ministries/Departments in BE 2011-12 *viz.* departmental receipts, dividends from PSUs etc. should be closely monitored to avoid any shortfall;
- (f) All Ministries/Departments should strictly adhere to the Monthly Expenditure Plan as well as Quarterly/March expenditure ceilings so as to avoid bunching of expenditure/cash out flows in the last quarter/last months of the year; and

(g) Unspent balances of the previous financial year need to be reviewed and adjusted against the current year's Budget allocation by all the Ministries/ Departments.

2. All Ministries/Departments are requested to plan for the expenditure in the financial year 2011-12 keeping in view the above instructions.

3. This is issued with the approval of the Finance Minister.

Sd/-  
(Sushama Nath)  
Finance Secretary

To  
All Secretaries to the Government of India (By Name)  
All Financial Advisers

**Most Immediate**

MINISTRY OF DEFENCE (FINANCE)

(Main Office)

**Subject:** Expenditure Management—Economy Measures and Rationalization of Expenditure.

**Ref:** Ministry of Finance, Department of Expenditure's OM no(s). 7(1) E-Coord./ 2011, dated 11/07/2011 & 02/08/2011.

Copies of the Ministry of Finance, Department of Expenditure's O.M. cited at reference are enclosed herewith for information and strict compliance.

Encl.:—as above

Sd/-  
(S.K. Jassal)  
Asstt. Financial Adviser (MO)  
Tel. Ph. No.-2301 4890/2404

- |   |                                |
|---|--------------------------------|
| 1. Dir. (E) US (Gen.)                                   | -in r/o DOD & DR&D             |
| 2. Dir. (Res.-I)  | -in r/o DESW                   |
| 3. D (B&C)  | -in r/o DDP                    |
| 4. Principal Registrar (AFT)                            | -in r/o AFT                    |
| 5. AFA (E/Genl.)SO(E-II)/Dir. (Fin./DS)                 | -in r/o Finance Division       |
| 6. Director, IDSA through PO (Def.)                     | -in r/o IDSA                   |
| 7. Dy. CGDA (Projects)/OSD (Coord.)                     | -in r/o DAD (Salaries & Works) |
| 8. Addl. DGDE (Admn.)/Dr.(Fin./Q)                       | -in r/o DEO                    |
| 9. G.M. CSD through BOCCS, L-II Block/<br>Dir. (Fin./Q) | -in r/o CSD                    |
| 10. CDP, (APO), Krishi Bhawan                           | -in r/o APO                    |
| 11. Dir. (Plans) Coast Guard Orgn./DFA(CG)              | -in r/o CGO                    |
| 12. Dir. (PSUs)   | -in r/o Defence PSUs.          |
| 13. Dir. (FP-II), Army HQ                               | -in r/o JAKLI                  |
| 14. Dite. of Naval Plan (NHQ)                           | -in r/o MH-7615 only           |
| 15. AG (Budget), South Block -.....                     | —                              |

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[MOD (Fin.) ID No. 1(1)/Fin.(MO)/2011-2012 dated 23.08.2011]

NO. 7(1)/E. COORD./2011  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE

North Block, New Delhi  
Dated: 2nd August, 2011.

OFFICE MEMORANDUM

**Subject:** Expenditure Management—Economy Measures and rationalization of expenditure in autonomous bodies—reg.

In consonance with the economy instructions issued by this Department *vide* OM of even No. dated 11th July, 2011, appropriate economy measures need also be put in place to rationalize the expenditure of autonomous bodies.

2. Accordingly, it has been decided to extend the economy measures outlined in the OM dated 11th July, 2011 to autonomous bodies funded by Government of India also.

Sd/-  
(Sumit Bose)  
Secretary (Expenditure)

To  
All Secretaries to the Govt. of India  
All Financial Advisers

Copy to:  
Cabinet Secretary  
Principal Secretary to the Prime Minister  
Secretary, Planning Commission

NO. 7(1)/E. COORD./2011  
MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE

New Delhi, the 11th July, 2011

OFFICE MEMORANDUM

**Subject:** Expenditure Management—Economy Measures and Rationalisation of Expenditure.

**1. Background**

Instructions on expenditure management have been issued from time to time by the Ministry of Finance Department of Expenditure with a view to ensure availability of adequate resources for meeting the objectives of critical development and priority schemes. These measures are intended at promoting fiscal discipline without restricting the operational efficiency of the Government.

**2. Economy Measures**

In view of the commitment of the Government to carry on the process of fiscal consolidation vigorously and to meet the fiscal revenue deficit targets announced in the Budget 2011-12, there is need for economy and rationalisation of expenditure in this context, the Budget Division, Department of Economic Affairs has, *vide* Office Memorandum No. 4(5)-W&M/2011, dated May 2, 2011 issued instructions on the steps to be taken for fiscal and expenditure management in 2011-12 in continuation of those instructions, the following measures for fiscal prudence and economy will come into force with immediate effect.

**2.1 Seminars and Conferences**

- (i) Utmost economy shall be observed in organizing conferences/seminars/workshops. The prescribed expenditure ceiling for holding seminars, conferences, workshops etc. should be enforced and only such conferences workshops, seminars, etc. which are absolutely essential should be held. A 10% cut on budgetary allocation for seminars/conferences shall be effected.
- (ii) Holding of exhibitions/seminars/conferences abroad is strongly discouraged except in the case of exhibitions for trade promotion.
- (iii) There will be a ban on holding of meetings and conferences at five star hotels.

**2.2 Purchase of vehicles**

- (i) Except for the operational requirements of Defence Forces, Central Paramilitary Forces and security related organisations purchase of vehicles including those against condemnation of the existing vehicles, will not be permitted.

### 2.3 **Foreign Travel**

- (i) It would be the responsibility of the Secretary of each Ministry/Department to ensure that foreign travel is restricted to most necessary and unavoidable official engagements based on functional necessity and extant instructions are strictly followed.
- (ii) Ministries/Departments shall lay down quarterly ceilings based on the annual budget under foreign travel expenses which they may not exceed during the quarter in question this will enable the Ministries/Departments to priorities and phase their expenditure during the whole year.
- (iii) Where travel is unavoidable it will be ensured that officers of the appropriate level dealing with the subject are sponsored instead of those at higher levels. The size of delegation and the duration of visit will be kept to the absolute minimum.
- (iv) Proposals for participation in study tours workshops/conferences/seminars/ presentation of papers abroad at Government cost will not be entertained except those that are fully funded by sponsoring agencies.

### 2.4 **Creation of posts**

There will be a total ban on creation of Plan and Non-Plan posts except for new organizations which are set up during the course of the current year based on already approved schemes.

### 2.5 **Consultancy Assignments**

As per the extant instructions, consultancy assignments are to be awarded based on the provisions of the GFRs. In this context, the provisions of GFRs may be strictly followed and consultancy assignments may be awarded only for specific jobs which are well defined in terms of content and time-frame for their completion. Engagement of consultants may be resorted to only in situations requiring high quality services for which the concerned Ministry/Department does not have requisite expertise.

All Ministries/Departments may carry out a review of the Consultants appointed by that Ministry/Department in the light of the provisions of the GFRs, and reduce the number of Consultants to the minimum requirement. Where individual Consultants are appointed by nomination, due economy may be observed while determining their fee and such fees may not be disproportionate to the work to be carried out by the Consultant.

## 3. **Observance of discipline in fiscal transfers to States, Public Sector Undertakings and Autonomous Bodies at Central/State/Local level**

- 3.1 No amount shall be released to any entity (including State Governments), which has defaulted in furnishing Utilisation Certifications for grants-in-aid released by the Central Government without prior approval of the Ministry of Finance.

- 3.2 Ministries/Departments shall not transfer funds under any Plan schemes in relaxation of conditionalities attached to such transfers (such as matching funding).
- 3.3 The State Governments are required to furnish monthly returns of Plan expenditure — Central, Centrally Sponsored or State Plan — to respective Ministries/Departments along with a report on amounts outstanding in their Public Account in respect of Central and Centrally Sponsored Schemes. This requirement may be scrupulously enforced.
- 3.4 The following specific steps may be adopted:—
- (a) The unspent balances available with the States and implementing agencies must be taken into account before further releases are made.
  - (b) The sanction for payment must clearly specify either that the payee has no utilization certifications as 'due for rendition' under the Rules under the scheme in question or that the payment has been authorised by Department of Expenditure.
  - (c) For any deviation from the above, the case should be referred to the Department of Expenditure.
  - (d) The Chief Controller of Accounts must ensure compliance with the above as part of pre-payment scrutiny.

#### **4. Balanced Pace of Expenditure**

- 4.1 Rush of expenditure towards the end of the financial year continues to be an area of concern. As per extant instructions, not more than one-third (33%) of the Budget Estimates may be spent in the last quarter of the financial year. Besides, the stipulation that during the month of March the expenditure should be limited to 15% of the Budget Estimates, is reiterated. Ministries/Departments which are covered by the Monthly Expenditure Plan (MEP) may ensure that the MEP is followed strictly.
- 4.2 It is also considered desirable that in the last months of the year payments may be made only for the goods and services actually procured and for reimbursement of expenditure already incurred. Hence no amount should be released in advance (in the last months) with the exception of the following:—
- (i) Advance payments to contractors under terms of duly executed contracts so that Government would not renege on its legal or contractual obligations.
  - (ii) Any loans or advances to Governments servants etc. of private individuals as a measure of relief and rehabilitation as per service conditions or on compassionate grounds.
  - (iii) Any other exceptional case with the approval of the Financial Adviser. However a list of such cases may be sent by the FA to the Department of Expenditure by 30th April of the following year for information.

## 5. Compliance

Secretaries of the Ministries/Departments being the Chief Accounting Authorities as per Rule 64 of GFR shall be fully charged with the responsibility of ensuring compliance of the measures outlined above. Financial Advisers shall assist the respective Departments in securing compliance with these measures and also submit an overall report to the Minister-in-Charge and to the Ministry of Finance on a quarterly basis regarding various actions taken on these measures/guidelines.

Sd/-  
(Sumit Bose)  
Secretary (Expenditure)

All Secretaries to the Govt. of India.

Copy to:

1. Cabinet Secretary.
2. Principal Secretary to the Prime Minister.
3. Secretary, Planning Commission.
4. All Financial Advisers.

### **Action Taken [Ministry of Defence (Grant No. 21)]**

In this Paragraph, the Committee have observed that the amount of excess expenditure incurred during the FY under review showed a steep increase over the proceeding year. In so far as Defence Pensions are concerned, out of total excess expenditure of Rs. 14581.86 crore, an excess expenditure of Rs. 8999.54 cr. only were incurred during the year 2009-10 under Grant No. 21—Defence Pensions. The Committee have expressed that though the difficulties faced by the Ministries/Departments in exactly estimating the expenditure due to situational exigencies, nevertheless incurring huge amount of excess expenditure to the tune of thousands of crore year after year despite the provision for obtaining Supplementary Demand for Grants in the course of a financial year is untenable and cannot be attributed to unforeseen factors or the extraordinary situations alone.

The excess expenditure of Rs. 8999.54 cr. under Grant No. 21 — Defence Pensions was mainly due to payment of revised pension at higher rate under VI CPC than assessed and booking of pending pension scrolls received from banks to clear amount under suspense.

Although the requests for augmentation of funds were made by the PCDA (P) Allahabad/CGDA but the same could not be acceded to on account of shortage of funds by Ministry of Finance.

Further, in view of the fact that expenditure, for which cash flow has already taken place in the books of RBI, was required to be brought to account, the pending pensions scrolls amounting to Rs. 8999.54 cr. had to be booked under the



Defence Pensions Head to clear the amount laying under RBI Suspense to reflect the true picture of cash flow from the Govt. account.

Moreover, the payment of pension to the Defence Pensioners is a committed expenditure and cannot be stopped for the want of Budget.

However, as a measure of control, the Govt. of India in the Ministry of Defence have been advising the budget estimating authorities of Defence Pensions to prepare their budget proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenditure and concrete remedial action must be taken immediately to arrest the excess to an optimum level. In this regard, this Office have issued instructions *vide* ID No. 2(6)/MO/2009-10/721, dt. 29.06.2010 to avoid any excess expenditures over the sanctioned Grant and to assess the requirement of funds properly. In order to have strict control, the instructions issued by the Ministry of Finance, Department of Economic Affairs, were also circulated *vide* this Division ID No.(s)— (i) MoD (Fin.) ID No. 1(9)/Fin.(MO)/2011-12/708, dated 07.06.2011 and (ii) ID No. 1(9)/Fin.(MO)/2011-12/933, dated 21.07.2011 on the subject—"Steps for Fiscal and Expenditure Management in 2011" regarding taking various steps in order to adhere to fiscal target set out in the Budget 2011-12 and for better expenditure management. Necessary monitoring and follow up action in this regard would be ensured.

Further, Pension disbursement agencies *viz.* Banks have been approached for transmission of pension payment data electronically so as to enable PCDA (P) Allahabad to ensure correct and timely booking of pension expenditure by automating classification and accounting system through computerized system.

Sd/-  
(Veena Prasad)  
JS & Addl. FA (VP)

**Most Important  
Budgetary Matter**

MINISTRY OF DEFENCE (FINANCE)

(Main Office)

**Subject:** Instructions/Cautions for preparation of Revised/Budget Estimates on realistic basis to avoid savings or excess *w.r.t.* total allocations/grant under each sub/detailed head.

It has been noticed by this Division that Excess expenditure of Rs. 8999.49 crore occurred against the sanctioned provision during the financial year 2009-2010 which indicate systemic weakness in budgetary control.

It is, therefore, stressed that utmost caution and accuracy be adopted while estimating requirement of funds for RE 2010-11 BE 2011-12 after taking into account all the instructions issued by Ministry of Finance from time to time and adhere to the expenditure control during the current/ensuing financial year as well. In order to ensure that the budgetary projections are made after an accurate and realistic assessment of the requirements and visualization of the actual/anticipated expenditure, details reasons by giving the numerical impact in respect of each components of the respective detailed/sub-head should invariably be recorded where the estimations are increased or decreased by 10% or more *w.r.t.* the actual expenditure during the last financial year (*i.e.* 2009-10), etc.

These instructions may please be circulated to all concerned for avoiding savings or excess over the approved grant. Remedial measures/corrective action taken in this regard may kindly be intimated to this division for apprising the positions to DGA, DS.

Sd/-

(T. Joseph)

Dy. Financial Adviser (MO/E)

Tel. No.: 23014890/2404

1. Jt. CGDA(AN)/OSD(DAD/Coord.)
2. Pr. CDA(P) Allahabad

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[MoD (Fin.) ID No. 2(6)/MO/2009-10/721, dated 29.06.2010]

MINISTRY OF DEFENCE (FINANCE)

(Main Office)

**Subject:** First Batch of Supplementary Demands for Grants for 2011-12 in r/o Grant No. 20—MoD (Civil) and Grant No. 21—Defence Pensions.

The First Batch of Supplementary Demands for Grants for 2011-12 is to be presented to Parliament in the ensuing Monsoon Session. In this connection please find enclosed a copy of AS (Budget), Department of Economic Affairs, Ministry of Finance DO Letter No. 4(11)-B(SD)/2011 dated June 1, 2011 & OM No. 4(5)-W&M/2011 dated 02.05.2011 from Finance Secretary for information and further necessary action. The proposals as per enlisted types of Supplementary Demands only, if any, in the prescribed format along with the draft statement justifying Supplementary Demands (especially keeping in view the instructions issued by MoF *vide* aforesaid OM) to be included in the ensuing batch and may be forwarded to this division duly vetted by respective IFA, latest by 13th June, 2011 for onward transmission of the same to the Ministry of Finance by due date. It may be ensured that the above timeline is strictly adhered to, as the delayed proposals will not be entertained by the Ministry of Finance.

In case there is no proposal in r/o your Department/Organisation a "nil" report in the matter may even be sent by due date.

Sd/-

(T.H. Franklin)

Dy. Financial Adviser (E/OM)

Tel. No.: 23012180/2404

Encl. as above.

- |                                       |                                 |
|---------------------------------------|---------------------------------|
| 1. Dir. (E)/US (Genl.)                | - in r/o DOD, DP, DR&D, DESW    |
| 2. Principal Registrar (AFT)          | - in r/o AFT                    |
| 3. AFA (E/Genl.)/SO (E-II)            | - in r/o Finance Division       |
| 4. Director, IDSA through PO (Def.)   | - in r/o IDSA                   |
| 5. Dy. CGDA (Projects)                | - in r/o DAD (Salaries & Works) |
| 6. Jt. CGDA (Accounts & Budget)       | - in r/o Defence Pensions       |
| 7. Addl. DGDE (Admn.)                 | - in r/o DEO                    |
| 8. G.M. CSD through BOCCS, L-II Block | - in r/o CSD                    |
| 9. CDP, (APO), Krishi Bhawan          | - in r/o APO                    |
| 10. Dir. (Plans) Coast Guard Orgn.    | - in r/o CGO                    |
| 11. Dir. (PSUs)                       | - in r/o Defence PSUs           |
| 12. Dir. (FP-II), Army HQ             | - in r/o JAK LI                 |
| 13. Dite. of Naval Plan (NHQ)         | - in r/o MH-7615 only           |
| 14. AG (Budget), South Block          | -                               |
| 15. PCDA (P), Allahabad               | - in r/o Defence Pensions       |

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[MoD (Fin.) ID No. 1(9)/Fin. (MO)/2011-12/708, dated 07.06.2011]

SHAKTIKANTADAS, IAS  
Additional Secretary



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  
Telephone : 23092804 Fax: 23094052  
E-mail: s.das@nic.in

D.O.F.No. 4(11)-B(SD)/2011

June 1, 2011

Dear Smt. Gupta,

The first batch of Supplementary Demands for Grants for 2011-2012 is to be presented to Parliament in the ensuing Monsoon Session.

2. The following types of Supplementary Demands may only be considered for inclusion in this batch:

- (i) Cases where advances from Contingency Fund of India have been granted, which are required to be recouped to the Fund;
- (ii) Payment against a court decree, which cannot be postponed;
- (iii) Cases of additional requirement of funds for meeting immediate expenditure commitments/payments which attract the limitation of New Service/New Instrument of Service, which have been approved by competent authority and are proposed to be met by re-appropriation of savings in the Grant and have been approved by competent authority; and
- (iv) Any other case where Ministry of Finance has approved moving of Supplementary Demand in the Monsoon Session.

3. Steps/measures to be taken for better fiscal and expenditure management for 2011-12 as circulated with this Ministry's O.M. NO. 4(5)-W&M/2011, dated May 2, 2011 may kindly be followed strictly. As brought out in the O.M., no proposal for cash supplementary be forwarded to this Ministry during the current financial year, except in absolutely unavoidable cases or those proposals which relate to the Budget announcements in 2011-12. Even in such cases, the effort should be to identify matching savings within the Ministry/Department.

4. The proposals along with the draft statement justifying Supplementary Demands to be included in the ensuing batch and appropriate background notes may

be forwarded to Budget Division in the prescribed form by June 24, 2011 (Friday), after which date, proposals may not be entertained. Cases, which are required to be reported to Parliament in terms of the guidelines circulated with this Ministry's O.M. No. F.1(23)-B (AC)/2005, dated May 25, 2006 may also be furnished to Budget Division in a summarized form by the same date.

O.M. NO. 4(5)-W&M/2011  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
(BUDGET DIVISION)

North Block, New Delhi-110 001  
Dated the May 2, 2011

OFFICE MEMORANDUM

**Subject:** Steps for Fiscal and Expenditure Management in 2011-12.

In order to adhere to the fiscal targets in Budget 2011-12 and for better expenditure management the following measures may kindly be taken:

- (a) All Ministries/Departments are advised to adhere strictly to the budgeted estimates in 2011-12;
- (b) New expenditure proposals, if at all essential, should be proposed only through identified savings within the Ministries/Departments allocations in BE 2011-12;
- (c) No proposal for cash supplementary be forwarded to this Ministry during the current financial year, except in absolutely unavoidable cases or those proposals which relate to the Budget announcements in 2011-12. Even in such cases, the effort should be to identify matching savings within the Ministry/Department.
- (d) Considering that the 12th Five Year Plan will commence from the financial year 2012-13, all new programmes/schemes on the Plan side may be deferred to the next financial year. In the above scenario, proposals for funding of new schemes both under Plan and Non-Plan will not be entertained during the current financial year;
- (e) The Non-tax receipt estimates projected for the Ministries/Departments in BE 2011-12 viz. departmental receipts, dividends from PSUs, etc. should be closely monitored to avoid any shortfall;
- (f) All Ministries/Departments should strictly adhere to the Monthly Expenditure Plan as well as Quarterly/March expenditure ceilings so as to avoid bunching of expenditure/cash out flows in the last quarter/last month of the year.
- (g) Unspent balances of the previous financial year need to be reviewed and adjusted against the current year's Budget allocation by all the Ministries/Departments.

2. All Ministries/Departments are requested to plan for the expenditure in the financial year 2011-12 keeping in view the above instructions.

3. This is issued with the approval of the Finance Minister.

Sd/-  
(Sushama Nath)  
Finance Secretary

To

All Secretaries to the Government of India (By Name)

All Financial Advisers

**Immediate  
Budget Matter**

MINISTRY OF DEFENCE (FINANCE)

(Main Office)

**Subject:** Steps for Fiscal and Expenditure Management in 2011-12.

In continuation of this division ID No. 1(9)Fin.(MO)/2011-2012/708 dated 07.06.2011 regarding taking various steps in order to adhere to the fiscal targets set out in the Budget 2011-12 and for better expenditure management, the undersigned is directed to forward herewith Ministry of Finance OM No. 4(5)-W&M/2011 dated 07.07.2011 on the above subject, for information and strict compliance.

2. This issues with the approval of JS & Addl. FA(R).

Encl.—as above.

Sd/-  
(S.K. Jassal)  
Asstt. Financial Adviser (MO)  
Tel. No.: 23014890/2404

- |  |                                 |
|--|---------------------------------|
| 1. Dir. (E)/US (Genl.)                                   | - in r/o DOD, DR&D              |
| 2. DS (Res.-I)   | - in r/o DESW                   |
| 3. D (B&C)   | - in r/o DDP                    |
| 4. Principal Registrar (AFT)                             | - in r/o AFT                    |
| 5. AFA (E/Genl.)/SO (E-II)/Dir. (Fin./DS)                | - in r/o Finance Division       |
| 6. Director, IDSA through PO (Def.)                      | - in r/o IDSA                   |
| 7. Dy. CGDA (Projects)/OSD (Coord.)                      | - in r/o DAD (Salaries & Works) |
| 8. Jt. CGDA (Accounts & Budget)                          | - in r/o Defence Pensions       |
| 9. Addl. DGDE (Admn.)/Dir. (Fin./Q)                      | - in r/o DEO                    |
| 10. G.M. CSD through BOCCS, L-II Block/<br>Dir. (Fin./Q) | - in r/o CSD                    |
| 11. CDP (APO), Krishi Bhawan                             | - in r/o APO                    |
| 12. Dir. (Plans), Coast Guard Orgn./DFA (CG)             | - in r/o CGO                    |
| 13. Dir. (PSUs)  | - in r/o Defence PSUs           |
| 14. Dir. (FP-II) Army HQ                                 | - in r/o JAK LI                 |
| 15. Dite. of Naval Plan (NHQ)                            | - r/o MH 7615 only              |
| 16. AG (Budget), South Block                             | -                               |
| 17. PCDA (P), Allahabad                                  | - r/o Defence Pensions          |

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[MoD (Fin.) ID No. 1(9)/Fin.(MO)/2011-2012/933, dated 21.07.2011]



**Immediate  
Budget Matter**

O.M. NO. 4(5)-W&M/2011  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
(BUDGET DIVISION)

North Block, New Delhi-110 001  
Dated the May 7, 2011

OFFICE MEMORANDUM

**Subject:** Steps for Fiscal and Expenditure Management in 2011-12.

In continuation of this Ministry's O.M. of even number dated May 2, 2011 regarding taking various steps in order to adhere to the fiscal targets set out in Budget 2011-12 and for better expenditure management, it is once again reiterated that all required measures should be undertaken so that the estimated receipt targets in BE 2011-12 are achieved. The Non-tax receipt estimates projected for the Ministries/ Departments in BE 2011-12 viz., departmental receipts, dividends from PSUs, etc. should be closely monitored to avoid any shortfall. All Ministries/Departments need to achieve targeted non-tax revenue collection and avoid new proposals for expenditure.

2. This has the approval of the Finance Minister.

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

To

All Financial Advisers.

Copy to Joint Secretary (Per.), Department of Expenditure, New Delhi-110 001.

**Action Taken [Ministry of Defence (Grant Nos. 22 & 23)]**

In this paragraph, the Committee has *inter alia* observed that in respect of Defence Services, excess expenditure occurred under Grant No. 22—Army and Grant No. 23—Navy during 2009-2010.

Keeping in view the recurrence of excess expenditure and the observations/ recommendations of the Committee on the issue the Ministry has been issuing, time and again, necessary instructions to all concerned for controlling Defence Expenditure, stressing the need for avoiding any excess over and above the grant approved by the

Parliament. The latest of such instructions were issued *vide* MoD (Fin.) ID No. 17(4)/Cir./Bud.-I/2006 dated 25th September, 2009, MoD (Fin.) ID No. 9(1)/Bud.-I/2010, dated 22nd January, 2010 and MoD (Fin.) ID No. 17(4)/Cir./Bud.-I/2006 dated 31st May, 2010 (copies enclosed). In addition, the matter has been taken up with the budget holders for specific action in this regard, *vide* this Ministry's ID No. 5(3)/Bud.-I/2011, dated 31st May, 2011 & ID No. 7(5)/Bud.-I/2011, dated 29th November, 2011 (copies enclosed) and is being followed up. Apart from this, the Ministry is constantly monitoring the Defence expenditure on monthly basis to ensure that funds allocated are fully utilized to achieve the objective and at the same time excess is avoided. Efforts are also on to ensure compliance of various instructions issued on this matter in letter and spirit.

Sd/-

(Veena Prasad)

Addl. FA (VP) & JS

[Ministry of Defence (Finance) O.M. F. No. 7(6)/Bud.-I/2012, dated 18th June, 2012]

MINISTRY OF DEFENCE  
(FINANCE/BUDGET)

**Subject:** Monitoring and Control of Defence Expenditure.

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

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

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

- (a) Funds are not parked with the PSUs and that there is proper jointness among the three Services.
- (b) Rush of expenditure towards the end of the financial year continues to be an area of concern. As per extant instructions, as brought out in the economy instructions issued by Deptt. of Expenditure on 5th June, 2008, not more than one-third (33%) of the Budget Estimates may be spent in the last quarter of the financial year.
- (c) As stipulated in the economy instructions issued by Deptt. of Expenditure on 5th June, 2008, all advance payments to implementing/production agencies for any scheme/project/acquisition are limited to 10% of the approved financial outlay in the fiscal year. Subsequent payments must be strictly related to deliverables/milestones. This restriction may be applicable in the case where expenditure is effected through a contract.
- (d) Prior approval of Department of Expenditure is required for re-appropriation under a sub-head by a sum of Rs. 5 crore or more and it must indicate matching savings under the relevant sub-head.
- (e) Economic measures as per instructions issued by Department of Expenditure from time to time are observed. As there is need for further economy and rationalization of expenditure, the guidelines issued by Deptt. of Expenditure on 7th September, 2009 towards austerity measures especially towards 10% cut on Non-Plan expenditure under the following heads may be observed:
  - (i) Domestic and Foreign Travel expenses.

- (ii) Publications.
- (iii) Professional Services.
- (iv) Advertising and Publicity.
- (v) Office expenses.
- (vi) POL (except for security related requirement).
- (vii) Other administrative expenses.

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

5. The above instructions as well as the earlier instructions issued on the subject should be followed scrupulously in order to avoid any excess expenditure against any Grants. Service Hqrs./Department are also requested to issue necessary instructions in this regard to all the budget controlling authorities under their administrative control to eliminate the instances of excess expenditure/savings. Office of the CGDA may also issue suitable instructions to all concerned to ensure that payments are authorized only against availability of funds.

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

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

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

Copy for information to:—

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

MINISTRY OF DEFENCE (FINANCE)  
(BUDGET DIVISION)  
SOUTH BLOCK, NEW DELHI

**Subject:** Guidelines on expenditure in the last quarter of the current financial year.

**Reference:** Secretary, DOE, MoF DO No. 21(1)-B(PD) 2009 dated 05.01.2010.

A copy of the DO letter cited under reference, reiterating that the expenditure in the last quarter of the current financial year should not exceed 33% of the budgeted amount and the expenditure during the month of March, 2010 should be limited to 15% of Budget Estimates is enclosed for compliance. Where the RE for 2009-10 is lower than Budget Estimates, actual expenditure may be kept within the RE ceilings.

2. While complying with the above instructions of the Ministry of Finance, the instructions issued by this Division from time to time on monitoring and control of Defence expenditure may also be adhered to.

Sd/-  
(Amit Cowshish)  
JS & Addl. FA(A)  
Tel: 23012915

FA(Acq.)/DG(Acq.)/SS(DDP)/AS(M)/AS(A)

All Joint Secretaries/Addl. FAs & JS/FMs

DGFP Army HQ, ACIDS(PPFD); ACNS (P&P) Naval HQ; ACAS (D Fin. P) Air HQ;  
DGOFF; DGBR; DGCG; CCR&D, DGQA, DGNCC; DGAQA; CGDA; Dte. OF  
Standardisation

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[MoD (Fin.) ID No. 9(1)/Bud.-I/2010, dated 22nd January 2010]

Copy to:—

JS & Addl. FA(R)

सुषमा नाथ  
SUSHAMA NATH



सचिव  
व्यय विभाग  
वित्त मंत्रालय  
भारत सरकार  
SECRETARY  
Department of Expenditure  
Ministry of Finance  
Government of India  
नई दिल्ली/New Delhi  
TEL.: 23092929, 23092663  
Fax : 23092546

Dear Smt. Liberhan,

January 05, 2010

Ministry of Finance has been repeatedly advising prudent expenditure management with a view to ensuring availability of adequate resources for meeting the needs of critical development and priority schemes. You would be aware of the guidelines for Expenditure Management—Economy Measures and Rationalization of Expenditure issued by the department of Expenditure from time-to-time in this regard. Moreover, cash management being an integral part of expenditure management policy, Ministry of Finance has been emphasizing upon the importance of achieving an even pace of expenditure throughout the year and necessity to curb rush of expenditure in the last quarter of the financial year, which in most cases results in parking of funds. This Ministry had also issued instructions reiterating strict adherence of instructions issued on Monthly Expenditure Plan/Quarterly Expenditure Allocation in respect of Demands for Grants which are covered by the Modified Cash Management System during the last quarter of the financial year.

2. Notwithstanding the above, in the meeting of Hon'ble Finance Minister with the Financial Advisers held on 29.10.2009 FM has, *inter alia*, reiterated that parking of funds and rush of expenditure has to be avoided.

3. It is, therefore, reiterated that the expenditure in the last quarter of the current financial year should not exceed 33% of the budgeted amount and the expenditure during the month of March, 2010 should be limited to 15% of the Budget Estimate. Where the Revised Estimates for 2009-10 are lower than Budget Estimates, actual expenditure may be kept within the RE ceilings.

4. With best wishes for the New Year.

Yours sincerely,

Sd/-  
(Sushama Nath)

Smt. Indu Liberhan,  
Secretary (Defence Finance)  
Ministry of Defence,  
Room No. 140,  
South Block, New Delhi.

MINISTRY OF DEFENCE (FINANCE)  
(BUDGET DIVISION)

**Subject:** Monitoring and Control of Defence Expenditure

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

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

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

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

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

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

FA(Acq.)

All Joint Secretaries/Addl. FAs & JS/FMs

DG FP ACNS (P&P), ACAS ( Fin P) DGOF

CCR&D (R&M), DGQA, DGNCC, DGMF, DGAQA, Dte. of Standardization

CGDA

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

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



MINISTRY OF DEFENCE (FINANCE)  
(BUDGET DIVISION)

**Subject:** Monitoring and Control of Defence Expenditure.

The compiled expenditure figures for March supplementary 2011 reveal that there has been excess expenditure to the tune of 1962.81 cr. under the revenue segment and 1166.84 cr. under the capital segment of the Defence Budget.

2. Attention is invited in this regard to the observations of the Public Accounts Committee (XV Lok Sabha) in their XXII Report in the context of excess of expenditure over the voted grants and charged appropriations:

"The Committee feel that incurring such huge amounts of excess expenditure over and above the budgetary provisions sanctioned by the Parliament at different stages of budget do not augur well for ensuring proper and judicious utilization of public funds besides undermining the Parliamentary financial control. The unabated large excess expenditure by these Ministries is manifestation of the fact that they are still far from taking any noteworthy and suitable remedial measures to ensure proper budgeting and subsequent monitoring of the expenditure flow. This is deplorable considering the fact that the Committee have been emphasizing over the years for plugging the existing loopholes and deficiencies with a view to restricting the quantum of excess expenditure to the barest minimum in future." [Para 1].

3. While the matter is being taken up with the respective FP Directorates and also the CGDA, it is felt that the monitoring being done by the Finance Division also needs to be streamlined and strengthened.

4. At the level of the Ministry, instructions have been issued from time to time regarding monitoring of progress of defence expenditure. For this purpose, Departmental Groups headed by FA (Acq.) in respect of Acquisition heads and Addl. FAs in respect of other heads are required to hold regular meetings so as to prevent excesses/savings under various heads and bunching of expenditure towards the end of the financial year. Minutes of the monthly meeting are required to be submitted to the SDF for information and a copy is required to be sent to Budget Division.

5. Quarterly expenditure plans of the Services may be obtained at the beginning of the financial year and can be used as benchmarks for the monthly reviews. The following points should be brought out in the reviews:

- (i) Progress of the expenditure on account of pay and allowances and whether the existing allocation is adequate keeping in mind the past trends, new raisings if any, change in entitlements and deployment of units.

- (ii) Other obligatory expenditure — progress of outgo *vis-à-vis* projected quarterly outgo.
- (iii) Procurement of stores, equipment and services — progress of expenditure on account of committed liabilities and progress of new schemes.
- (iv) Progress of works including maintenance/repairs and new works.
- (v) Progress of land acquisition cases.
- (vi) As far as the Capital Acquisition Budget is concerned, details of all the committed liabilities (contract-wise) may be obtained in advance from the respective services as also the proposed new schemes and the progress of expenditure may be reviewed with reference to these.

6. The reviews should take into account factors like status of committed liabilities, schemes in the pipeline, supply position against contracted schemes, actual drawal from LCs, progress of civil works etc. Expenditure on account of already contracted/ committed schemes as also the progress of fresh schemes needs to be closely monitored. It would be desirable to have a database of committed and new schemes from the respective Services in advance, on the formats at A & B which could be refined to suit the specific requirements. The feasibility of the exercise may be examined.

7. Instructions issued by the Finance Ministry regarding austerity measures and cash management, which are circulated by the Budget Division from time to time, should also be factored in.

8. The reviews may be carried on a monthly basis by the 10th of the following month and on a fortnightly basis for January and February. In the month of March however, the reviews may be carried out on a weekly basis. Any significant deviations from the targeted expenditure and corrective measures if any, that are proposed to be adopted, should be clearly brought out.

Sd/-  
(Veena Prasad)  
JS & Addl. FA (VP).

FA(Acq.) & AS

All Joint Secretaries/Addl. FAs & JS/FMs

DG FP, ACNS (P&P), ACAS ( Fin. P) DGOF

CCR&D (R&M), DGQA, DGNCC, DGMF, DGAQA, Dte. of Standardization

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[MoD(Fin.) ID No. 5(3)/Bud.-I/2011, dated 31st May, 2011]

**Monitoring of Committed Liabilities**

Sl. No.	Contract/S.O. No. and date	Item to be supplied	Total contracted value	PDC as per contract	Revised PDC if any	Payments already made during the previous year if any	Amount likely to be paid during the current year	Likely month of outgo	Whether the inspection/ acceptance testing etc. are on schedule
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**Monitoring of New Schemes**

Sl. No.	Name of the scheme	Total Value	Outgo planned during the year	Likely month of outgo	Stage of procurement process*					PDC
					Acceptance of Necessity	RFP	TEC	PNC	CFA Approval	

\*May be modified in line with the stages of procurement process on the Capital Acquisition side for review of Capital Acquisition.

MINISTRY OF DEFENCE (FINANCE)  
(BUDGET I)

**Subject:** Monitoring and Control of Defence Expenditure.

Attention is invited to this Division's ID No. 5(3)/Bud.-I/2011, dated 31st May, 2011 on the above cited subject *vide* which instructions were issued that steps may be taken by the FP Directorates, CGDA and at the level of the Ministry of Defence, Departmental Groups headed by FA (Acq.) in respect of Acquisition heads and Addl. FAs in respect of other heads in order to prevent excesses/savings under various heads.

2. The Public Accounts Committee, in Para 12 of its 36th Report on action taken by the Government on their observations/recommendations contained in the 7th Report (15th Lok Sabha) on "Excess over voted Grants and Charged Appropriations (2007-08), has observed 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 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."

3. In the light of the observations of the PAC, all concerned authorities are once again requested to take all necessary measures, including use of electronic systems, to ensure proper planning and monitoring of expenditure *vis-a-vis* voted grants so that excess expenditure is avoided. Further, scrupulous scrutiny of the budget proposal, both at the time of preparation of Demands for Grants and Supplementary Demands for Grants, and compliance to provisions of the General Financial Rules may also be ensured to eliminate the possibility of excess expenditure, under-spending, wrongful appropriations etc.

4. It is, therefore, against reiterated that in order to ensure even flow of expenditure and to avoid any excess expenditure/savings in any Grant, the instructions issued on 'Monitoring and Control of Defence Expenditure' should be followed strictly and

meetings of the Monitoring Groups should be held regularly. The proceedings of such meetings should invariably be endorsed to the Secretary (Defence Finance).

5. While complying with the above instructions, the instructions issued earlier by this Division on Monitoring and Control of Defence expenditure may also be adhered to.

Sd/-  
(Veena Prasad)  
JS & Addl. FA(VP)

FA(Acq.) & AS

All Joint Secretaries/Addl. FAs & JS/FMs

DGFP, ACNS(P&P), ACAS(Fin. P), DGOF

CCR&D (R&M), DGQA, DGNCC, DGME, DGAQA, Dte. of Standardisation

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[MoD (Fin.) ID No. 7(5)/Bud.-I/2011, dated 29th November, 2011]

Copy for information to:

VCOAS, VCNS, VCAS, Chairman OFB

SA to RM, CISC & CGDA, DG (Acq.)

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

In this context, it is stated that the Ministry of Home Affairs makes provision of funds under the **Swatantrata Sainik Samman Pension Scheme** and the disbursement of pension to Freedom Fighters/spouses of deceased freedom fighters/eligible dependents of deceased freedom fighters is made through various branches of Nationalized Banks/Treasuries spread all over the country. This Ministry does not make direct release of funds to the beneficiaries nor can it control incurring of expenditure. Individual Banks get their reimbursements from RBI, Nagpur. The RBI in turn intimates the CPAO the expenditure booked to the Government account. The banks also send their scrolls to CPAO. Treasuries make the payments to the beneficiaries and raise their bill to the concerned AG. All Accountants General prefer their claims with CPAO which in turn reimburses the amount to the State Government. CPAO intimates the Ministry of Home Affairs the expenditure booked every month under this scheme.

Expenditure under the Central Samman Pension Scheme is committed expenditure. Further, pension is disbursed through various branches of the public sector banks and the Treasuries. It is, therefore, not always possible to restrict the expenditure in relation to budget/revised estimates. The Central Pension Accounting Office (CPAO), which is responsible for booking/reimbursing the expenditure, is invariably informed about the budget provision and supplementary grants if approved so that they can keep their booking of expenditure within available funds.

Through the scope for increase in number of freedom fighters entitled for pension over preceding years is limited, however number of fresh cases (including the claims preferred by the eligible dependents) adding up as a result of various court's judgments is unpredictable, hence a realistic assessment of budgetary requirement cannot be made.

The Ministry had initiated an exercise to prepare the data base of Central Samman Pensioner/their eligible dependents who are living and actually drawing pension as on

date by calling information from all the Public Sector Banks and Treasuries. Most of the information has been received and uploaded on the MHA's website. Similarly compilation of re-verified data of the freedom fighters/dependents drawing pension from the State Treasuries is in the progress. The offices of C&AG and RBI have been advised to carry out comprehensive audit of disbursal of Samman Pension by State Treasuries and Public Sector Banks respectively.

In this background it is reiterated that it is beyond the control of this Ministry to restrict expenditure under Swatantrata Sainik Samman Pension Scheme due to the very nature of the Scheme.

Keeping in the fact that there was no lapse on the part of this Ministry as far as excess expenditure under the Grant is concerned; the Public Accounts Committee may please regularize the excess expenditure.

Sd/-  
(S.C. Panda)

Additional Secretary & Financial Adviser (Home)

(This 'Action Taken Note' has been vetted by O/O DGACR *vide* their U.O. No. RR/6-21/12-13/742, dated 29.1.2013)

[Ministry of Home Affairs, O.M. No. 28/1/2012-Bgt. I, dated 18.2.2013]

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

Department of Posts ensures to make realistic requirement of funds and to maintain fiscal discipline in spending the public money in future. For this purpose the instructions have been issued to all the subordinates units/Budget Controlling authorities to project realistic demand for fund and to monitor the expenditure accordingly. Moreover the proposal of the Department was re-assessed by the Ministry of Finance to reduce the ceiling of expenditure during the Pre-budget discussions which resulted in excess expenditure.

Sd/-  
DDG (PAF)

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[MoC & IT/DoP, New Delhi OM. No. 20-5/2009-BGT (PA), dated Feb., 2012]

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

The above recommendation takes into account the excess expenditure incurred by various Central Ministries as a whole including Railways. The observation of the Committee is noted.

Audit *vide* their U.O. No. 7-RA-III/2-1/11, dated 27.04.2012 have have vetted the ATN with the remarks "Seen. Thanks."

Sd/-  
(V. Vaidehi)  
Ex. Director Finance (BC)

[Ministry of Railways' case No. 2011-BC-PAC/XV/40, dated 15.06.2012]

#### **Observation/Recommendation**

The Committee find that out of the total excess expenditure of ₹ 14581.86 crore incurred during 2009-2010 fiscal year, the bulk of the excess was registered by the Civil

Sector with 63.22 per cent *i.e.* ₹ 9218.89 crore under 4 Grants. The remaining sectors— Defence Services, Postal Services and Railways accounted for 17.93 per cent (₹ 2615.23 crore under 2 Grants), 5.61 per cent (₹ 818.13 crore under a single Grant) and 13.23 per cent (₹ 1929.61 crore under 8 Grants and 4 Charged Appropriations) respectively. The Committee's scrutiny has revealed that there was misclassification of expenditure in 9 Grants/Appropriations operated by the Ministry of Railways. Out of these, Appropriation No. 10—Operating Expenses — Fuel and Appropriation No. 16—Assets, Acquisition, Construction and Replacement — Capital turned into savings due to misclassification. The other cases of misclassification of expenditure were ₹ (-) 1,00,42,724 under Grant No. 4 — Repairs and Maintenance of Permanent ways and works; ₹ (-) 2,16,02,446 under Grant No. 5 — Repairs and Maintenance of Motive Powers; ₹ (-) 3,37,33,837 under Grant No. 6—Repairs and Maintenance of Carriages and Wagons; ₹ (-) 1,09,82,967 under Grant No. 8 — Operating Expenses — Rolling Stock and Equipment; ₹ (+) 2,87,69,130 under Grant No. 9 — Operating Expenses — Traffic; ₹ (+) 20,28,81,145 under Grant No. 12 — Miscellaneous Working Expenses; and ₹ (-) 12,46,284 under Grant No. 13 — Provident Fund, Pension and other Retirement Benefits. Taking into account the effect these 7 cases of misclassification, the actual excess expenditure relating to Ministry of Railways works out to ₹ 1922,83,61,188 instead of ₹ 1929,61,23,832 as indicated in Indian Railways Appropriation Accounts (2009-2010). Accordingly, the total amount of actual excess expenditure incurred during the financial year 2009-2010 which has to be regularised by Parliament under Article 115(1) (b) of the Constitution, is of the order of ₹ 14,575.08 crore.

[Appendix II, Paragraph 2 of Fortieth Report of PAC (Fifteenth Lok Sabha)]

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

The Excess expenditure that required to be regularised by Parliament under Article 115 (1) (b) of the Constitution as brought out in the PAC's report were as follows:—

Sl. No.	Name of Appropriation Accounts	Amount of excess expenditure (₹)
1.	Civil	9218,88,74,896
2.	Defence Services	2615,22,57,850
3.	Postal Services	818,12,99,000
4.	Railways	1922,83,61,188
Total		14575,07,92,934

- **Ministry of Railways will have to take action for regularisation of the excess expenditure of ₹ 1922,83,61,188 as recommended by the PAC.**
- Ministry of Finance while taking advance action for regularisation of excess expenditure in respect of Civil, Defence Services and Postal Services noticed a mistake that had occurred in the Appropriation Accounts of Postal Services. It was observed that in order to regularise the excess expenditure, actual expenditure should have been mentioned in the last unit of Rupees instead of mentioning the actual expenditure in thousand of Rupees.



- Department of Posts *vide* their letter dated 14th February, 2012 (copy enclosed) duly vetted by DG (Audit) had revised the excess expenditure as ₹ 818,12,99,976 instead of ₹ 818,12,99,000 in respect of Grant No. 13—of Department of Posts. Thus the excess expenditure (excluding Railways) were understated by ₹ 976.
- Ministry of Finance *vide* AS (Budget)'s D.O. letter dated 16th February, 2012 (copy enclosed) had requested the PAC Branch, Lok Sabha Secretariat to take further action to enable Ministry of Finance to obtain Parliament's approval towards regularisation of excess expenditure (excluding Railways).
- Joint Secretary, Lok Sabha Secretariat (PAC Branch) *vide* D.O. letter dated 7th March, 2012 (copy enclosed) has communicated that 'the Chairman, PAC is pleased to observe that the Ministry of Finance may go ahead with the regularisation of excess expenditure of ₹ 14575,07,93,910 (including Railways) instead of ₹ 14575,07,92,934 as mentioned in para 14 of the 40th Report of PAC (15th Lok Sabha)'.
- As such, the revised excess expenditure that required approval of Parliament for the year 2009-2010 were as follows:—

Sl. No.	Name of Appropriation Accounts	Amount of excess expenditure (₹)
1.	Civil	9218,88,74,896
2.	Defence Services	2615,22,57,850
3.	Postal Services	818,12,99,976
4.	Railways	1922,83,61,188
Total		14575,07,93,910

- Of the above, Ministry of Railways were to take action for regularisation of excess expenditure of ₹ 1922,83,61,188 and the remaining amount of ₹ 12652,24,32,722 which represents the excess expenditure for 2009-2010 excluding Railways required to be regularised by Parliament, for which Ministry of Finance had taken necessary action in the Budget Session, 2012 of the Parliament. **Details regarding approval of Parliament has been brought out in the ATN relating to Para 14 of the 40th Report of PAC (15th Lok Sabha).**

This Note has been vetted by Principal Director of Audit, Economic and Services Ministries *vide* their U.O. No. AMG-I/V.V/ATN/2011-2012/16-18, dated the 30th May, 2012.

Sd/-

(Dr. Rajat Bhargava)  
Joint Secretary (Budget)

[Ministry of Finance, Department of Economic Affairs (Budget Division),  
New Delhi-110 001, O.M. No. F.7(2)-B(SD)/2011, dated the 29 June, 2012]

NO. 20-5/2009-BGT(PA)/3924-26  
GOVERNMENT OF INDIA  
MINISTRY OF COMMUNICATIONS & IT  
DEPARTMENT OF POSTS  
BUDGET BRANCH  
NEW DELHI-110001

Dated: 14 Feb. 2012

**Subject:** Revised Detailed Explanatory Notes on excess expenditure under revenue (Voted) in Appropriation Account for the year 2009-10 in respect of Demand No. 13 of Department of Posts—Audit vetting.

The undersigned is directed to forward 40 copies (English) and 25 copies (Hindi) of REVISED detailed explanatory note on excess expenditure under Revenue (Voted) in Appropriation Account 2009-10 duly approved by the Secretary (Posts) and vetted by DG (Audit) for its regularization in the forthcoming Budget Session of the Parliament.

The above excess expenditure has also been vetted by DG (Audit) *vide* DGAP&T U.O. No. Rep-civil/1(b)400/Appropriation Accounts/DoP/423, dated 3.2.2012 (copy enclosed)

Sd/-  
(R. Magadevan)  
ADG (BGT)

Shri Abhijit Kumar,  
Director,  
Lok Sabha Secretariat (PAC Branch),  
Parliament House Annexe,  
New Delhi-1.

Copy forwarded for information and necessary action to:—

(1) Shri Shaktikanta Das, Additional Secretary, Ministry of Finance, Department of Expenditure, North Block, New Delhi-1 *w.r.t.* DO letter No. 7(2)-B(SD) 2011, dated 5th January, 2012.

(2) Shri Roopal Prakash, Deputy Director (Report), Sham Nath Marg, Delhi-110 054 *w.r.t.* DGAP&T U.O. No. Rep-Civil/1(b)/400/Appropriation/Accounts/DoP/423, dated 3.2.2012 (3) ADG(IA) Department of Posts, New Delhi-1

OFFICE OF THE DIRECTOR GENERAL OF AUDIT, P&T, DELHI-110054

Ministry may refer to their U.O. No. 20-5/09 BGT(PA)/3480-82, dated 25.01.12. The statement of excess expenditure over grant/appropriation appeared in CAG report no. 1 for the year 2010-11 and Appropriation Account for 2009-10 is returned vetted with the following remarks.

“Ministry may ensure that correct figures are depicted in the Accounts.”

This issues with the approval of Director General of Audit, P&T.

Sd/-

(Roopal Prakash)

Deputy Director (Report)

Shri R. Magadevan, Assistant Director General (Bgt), DoP Dak Bhawan, New Delhi

DGAP&T. U.O. No. Rep-Civil/1(b)400/Appropriation Accounts/DoP/423, dated 3.2.2012

SHAKTIKANTADAS, IAS  
Additional Secretary

PAC MATTER  
MOST IMMEDIATE



D.O.F. No. 7(2)-B(SD)/2011

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  
Telephone: 23092804 Fax: 23094052  
E-mail: s. das@nic.in  
February 16, 2012

Dear Shri Singh,

Please refer to Lok Sabha Secretariat (PAC Branch)'s OM No. 27/2/1/2011/PAC, dated 19th December, 2011 on the subject "Action taken on the recommendations contained in the Fortieth Report (15th Lok Sabha) of the Public Accounts Committee on Excess over Voted Grants and Charged Appropriations (2009-10)".

2. It is stated that the Department of Posts has now intimated the excess expenditure by showing it in last unit of Rupee under Revenue (Voted) of their Demand No. 13—Department of Posts as ₹ 818,12,99,976 instead of earlier mentioned ₹ 818,12,99,000 (copy enclosed). Thus, the total amount of excess expenditure of ₹ 14575,07,92,934 mentioned in paragraph 14 of Fortieth Report (15th Lok Sabha) of the Public Accounts Committee would increase by ₹ 976 making it as ₹ 14575,07,93,910 (including Railways). As excess expenditure of ₹ 1922,83,61,188 relates to Railways, excess expenditure excluding Railways would be ₹ 12652,24,32,722 which Ministry of Finance is taking up for regularisation by Parliament in the ensuing session of Parliament.

3. Necessary Demands for Excess Grants, 2009-10 and connected Appropriation Bill have been prepared and are ready for seeking President's recommendation and Parliamentary approval. A line of confirmation would be required in this regard so that we may proceed for regularisation of Excess Expenditure to the tune of ₹ 12652,24,32,722 (excluding Railways).

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

Regards,

Yours Sincerely,

Sd/-  
(Shaktikanta Das)

Shri Devender Singh  
Joint Secretary,  
Public Accounts Committee  
Lok Sabha Secretariat,  
Parliament House Annexe,  
New Delhi

Encl.: As above

DEVENDERSINGH  
Joint Secretary



Lok Sabha Secretariat  
414, Parliament House Annexe  
New Delhi-110 001  
Phones: 23034414/23034416  
Fax: 23792726  
E-mail: d. singh@sansad.nic.in

D.O.No. 27/1/5/2011/PAC

7th March, 2012

Dear Shri Das,

Kindly refer to your D.O. letter No. D.O.F. No.7(2)-B(SD)/2011 dated 16 February, 2012 regarding reported discrepancy in the figures of excess expenditure of Department of Posts for the year 2009-10 and the meeting convened by the Chairman, PAC on 27.2.2012 with Secretary, Deptt. of Posts and Director General Audit when you were also present.

In view of the regret expressed over the lapse and the assurance given that in future expenditure will be shown in the last unit of Rupees in the Appropriation Accounts, the Chairman, PAC is pleased to observe that the M/o Finance may go ahead with the regularization of excess expenditure of ₹ 14575,07,93,910 (including Railways) instead of ₹ 14575,07,92,934 as mentioned in para 14 of the 40th Report of PAC (15th Lok Sabha).

With regards,

Yours sincerely,

Sd/-

(Devender Singh)

Shri Shaktikanta Das, IAS  
Additional Secretary  
Ministry of Finance  
Department of Economic Affairs  
New Delhi-110 001

**Action Taken (Department of Telecommunications)**

It is a fact that excess expenditure to the tune of ₹ 87.82 crore in respect of Department of Telecommunications was incurred during the year 2009-10 as detailed hereunder:—

(Fig. in Rupees)

Section	Final Grants	Actual Expenditure	Excess
Revenue (Voted)	10765,87,00,000	10853,68,60,488	87,81,60,488

The figures of excess expenditure as noted above is vetted by the DG AP&T vide U.O. No. Rep-Civil/I (b) 400/Appropriation Accounts/DoT/271, dated 11.11.2010.

It is also apprised that the above referred excess expenditure in respect of Department of Telecommunications has been regularized by the Parliament and intimated vide Ministry of Finance No. F 7(2)-B(SD)/2011, dated 29th March, 2012.

Sd/-

Deputy Director General (TPF)

[Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 1-20/2012-B, dated 25 April, 2012]

This has been vetted by D.G Audit (P&T) with remarks “seen, thanks” vide their No. Report-Tele-II (b) 400 Appropriation Accts./2009-10/DoT/ 141, dated 04.06.2012.

**Action Taken [Ministry of Defence (Grant No. 20)]**

In this paragraph, the Committee have observed that out of the total excess expenditure of ₹ 14581.86 crore incurred during the 2009-10 fiscal year, the bulk of the excess was registered by Civil Sector with 63.22 percent *i.e.* ₹ 9218.89 crore under 4 Grants. In this context, it is mentioned that as so far as Grant no. 20-Ministry of Defence (Civil) is concerned the excess expenditure of only ₹ 95.32 crore was incurred during the FY 2009-10 which is 1.03 per cent of Excess expenditure of ₹ 9218.89 crore (63.22%) under 4 Grants relating to Civil sector and only 0.65 percent over the total excess expenditure of ₹ 14581.86 crore incurred during the FY 2009-10. Further, the Committee have recommended that the amount of actual excess expenditure incurred during the financial year 2009-10 has to be regularized by Parliament under Article 115 (1) (b) of the Constitution.

The Demand for Excess Grants for ₹ 95,31,73,097 (0.88% over the Total Grant) under Demand No. 20—Ministry of Defence (Civil) relating to the financial year 2009-10 have already been passed by the Lok Sabha and the connected Appropriation Bill (No. 2), 2012 have also been passed by the Parliament and assented to by the President of India on March 29, 2012 and the Act has been published in the Gazette of India (Extraordinary) dated March 29, 2012 as Act No. 19 of 2012.

Sd/-

(Veena Prasad)  
JS & Addl. FA (VP)

**Action Taken [Ministry of Defence (Grant No. 21)]**

In this paragraph, the Committee have observed that out of the total excess expenditure of ₹ 14581.86 crore incurred during the 2009-10 fiscal year, the bulk of the excess was registered by Civil Sector with 63.22 percent *i.e.* ₹ 9218.89 crore under 4 Grants. In this context, it is mentioned that as far as Grant No. 21—Defence Pensions is concerned the excess amount of ₹ 8999.54 crore was incurred during the FY 2009-10 which is 97.62 per cent of Excess expenditure of ₹ 9218.89 crore under 4 Grants relating to Civil sector and only 61.72 percent over the total excess expenditure of ₹ 14581.86 crore incurred during the FY 2009-10. Further, the Committee have recommended that the amount of actual excess expenditure incurred during the financial year 2009-10 has to be regularized by Parliament under Article 115(1) (b) of the Constitution.

The Demand for Excess Grants for ₹ 8999.54 crore under Demand No. 21—Defence Pensions relating to the financial year 2009-10 have already been passed by the Lok Sabha and the connected Appropriation Bill (No. 2), 2012 have also been passed by the Parliament and assented to by the President of India on March 29, 2012 and the Act has been published in the Gazette of India (Extraordinary) dated March 29, 2012 as Act No.19 of 2012.

Sd/-

(Veena Prasad)  
JS & Addl. FA (VP)**Action Taken [Ministry of Defence (Grant Nos. 22 & 23)]**

In this paragraph, the Committee has recommended that the amount of actual excess expenditure incurred during the financial year 2009-10 be regularized by the Parliament under Article 115 (1) (b) of the Constitution.

The Demand for Excess Grant for ₹ 24641111895 (Voted) & ₹ 6042498 (Charged) under Demand No.22—Defence Services—Army and for ₹ 1505103457 under Demand No.23—Defence Services—Navy relating to the financial year 2009-10 has already been passed by the Lok Sabha and the connected Appropriation Bill (No.2), 2012 has also been passed by the Parliament and assented to by the President of India on March 29, 2012 and the Act has been published in the Gazette of India (Extraordinary) dated March 29, 2012 as Act No.19 of 2012.

Sd/-

(Veena Prasad)  
JS & Addl. FA (VP)

[Ministry of Defence (Finance) O.M. F.No.7(6)/Bud-I/2012, dated 18th June, 2012]

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

The Committee found that out of the total excess expenditure of ₹ 14581.86 crore incurred during the 2009-10 fiscal year. Out of this an amount of ₹ 36.21 crore excess was under Grant No. 54—Other Expenditure of MHA for the year 2009-10. There was no misclassification of expenditure under Grant No. 54—Other expenditure of MHA which led to excess expenditure under the Grant. Explanatory note for Excess



expenditure of ₹ 36.21 crore duly vetted by DG(Audit), Central Expenditure is enclosed as Annexure-I.

Sd/-

(S.C. Panda)

Additional Secretary & Financial Adviser (Home)

(This 'Action Taken Note' has been vetted by O/o DGACR *vide* their U.O. No. RR/6-21/12-13/742, Dated 29.1.2013)

[Ministry of Home Affairs O.M. No. 28/1/2012-Bgt. 1, dated 18.2.2013]

ANNEXURE 1

कार्यालय महानिदेशक, लेखापरीक्षा, केन्द्रीय व्यय, नई दिल्ली-110 002

कृपया अपने कार्यालय/विभाग/अनुभाग के नीचे दिए गए पत्र का संदर्भ लें। इससे संबंधित आगे की कार्यवाही का विवरण इस प्रकार है:-

Ministry of Home Affairs may please refer to its letter No. 28/1/2012-Bgt.-I dated 2.1.2013 and reminder of even number dated 15.1.2012 regarding ATN on para Nos. 1,2,3,5,8 and 14 of Fortieth Report of PAC (15th Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations (2009-10)".

2. The ATN has been examined and this office has no further comments to offer.

3. Ministry may prepare the final Note considering para 2 above. 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 action taken notes 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.

5. This issues with the approval of the Director General of Audit.

Sd/-

(B. Srikanth)

Sr. Audit Officer (RR)

Ph: 23454212

Ministry of Home Affairs, North Block, New Delhi

[(Kind Attn.: Sh. P.S. Dravaria, Under Secretary to GoI)]

DGACE's U.O. No RR/6-21.12.13/742

Dated:

**Action Taken (Department of Posts)**

It is fact that as far as Department of Posts is concerned, the excess expenditure incurred during the year 2009-10 is ₹ 818.13 crore over the sanctioned Grant including supplementary demands for grants. It comes to ₹ 8181299976 in the last unit of Rupees and requires its regularisation from the Parliament. The details are as under:—

(Fig. in Rs.)

Section	Final Grant	Actual Expenditure	Excess
Revenue (Voted)	125267000000	133448299976	8181299976

The figures of excess expenditure as noted above is vetted by the DG (Audit) vide U.O. No. Rep-Civil/1(b)400/Appropriation Accounts/DoP/423, dated 3.2.2012.

Sd/-

DDG (PAF)

[MoC & IT/DoP, New Delhi OM. No. 20-5/2009-BGT (PA), dated Feb., 2012.]

**Action Taken (Ministry of Railways)**

The excess expenditure of ₹ 1922.84 cr. incurred by Ministry of Railways during 2009-10 has been regularized by the Parliament in its budget session, 2012.

Audit *vide* their U.O. No. 7-RA-III/2-1/11, dated 27.04.2012 have vetted the ATN with the remarks "Seen. Thanks.".

Sd/-

(V. Vaidehi)

Ex. Director Finance (BC)

[Ministry of Railways' case No. 2011-BC-PAC/XV/40, dated 15.06.2012]

**Observation/Recommendation**

An analysis of the Appropriation Accounts and Explanatory Notes furnished by the defaulting Ministries/Departments shows that in 5 cases the percentage of excess expenditure over the Total Grant was exceedingly high. These are 34.61 per cent in respect of Grant No. 21—Defence Pensions, 6.53 per cent in respect of Grant No. 13—Postal Services; 9.82 per cent in Grant No.13 (Railways)—Provident Fund, Pension and Other Retirement Benefits; 228.86 per cent in Appropriation No. 3—General Superintendence and Services; and the total amount in Appropriation No. 5—Repairs and Maintenance of Motive Powers. Obviously, such a huge excess expenditure shows beyond any manner of doubt that the entire budgetary process has gone awry in these defaulter Ministries/Departments and there was abysmal failure on the part of the budget controlling authorities and Financial Advisers in budget formulation, monitoring and in submission of revised estimates in time. The Committee therefore recommended that the Ministry of Finance cull out and prepare the list of budget controlling authorities and Financial Advisers of the defaulting Ministries/Departments and furnish the same to the Committee.

[Appendix II, Paragraph 4 of Fortieth Report of PAC (Fifteenth Lok Sabha)]

**Action Taken (Ministry of Finance)**

The list of Budget Controlling authorities and Financial Adviser of the Ministries/Departments, in which excess expenditure occurred in the Financial Year 2009-10 is as follows:—

Sl. No.	Name of the Ministries/Departments	Designation of Budget Controlling Authority	Financial Adviser of the Ministries/Departments
1	2	3	4
1.	Department of Telecommunications	Secretary, Department of Telecommunications, Sanchar Bhawan, New Delhi.	Adviser (Finance) [Member (Finance)], Department of Telecommunications, Sanchar Bhawan, New Delhi.
2.	Ministry of Defence	Secretary, Ministry of Defence, South Block, New Delhi.	Financial Adviser (Defence Services), Ministry of Defence, South Block, New Delhi.

1	2	3	4
3.	Other Expenditure of the Ministry of Home Affairs	Secretary, Ministry of Home Affairs, North Block, New Delhi.	Joint Secretary and Financial Adviser, Ministry of Home Affairs, North Block, New Delhi.
4.	Department of Posts	Secretary, Department of Posts, Dak Bhawan, New Delhi.	Joint Secretary and Financial Adviser, Department of Posts, Dak Bhawan, New Delhi.
5.	Ministry of Railways	Chairman, Railway Board, Ministry of Railways, Rail Bhawan, New Delhi.	Financial Commissioner (Railways), Railway Board, Ministry of Railways, Rail Bhawan, New Delhi.

This Note has been vetted by Audit *vide* their U.O. No. RR/1-58/11-12/979, dated the 23rd March, 2012.

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

[Ministry of Finance, Department of Economic Affairs (Budget Division), New Delhi-110 001 O.M.No. F.7 (2)-B(SD)/2011, dated the April 2, 2012]

#### **Action Taken [Ministry of Defence (Grant No. 21)]**

In this paragraph, the Committee have observed that Appropriation Accounts and Explanatory Notes furnished by the defaulting Ministries/Departments shows that in 5 cases the percentage of excess expenditure over the Total Grant was exceedingly high. These are 34.61 per cent in respect of Grant No. 21 Defence Pensions. The Committee further observed that such a huge excess expenditure shows beyond any manner of doubt that the entire budgetary process has gone awry in these defaulter Ministries/Departments and there was abysmal failure on the part of the budget controlling authorities and Financial Advisers in budget formulation, monitoring and in submission of revised estimates in time.

The excess of 34.61 per cent excess expenditure in r/o Grant No. 21—Defence Pensions over the total Grant was mainly due to payment of revised pension at higher rate under VI CPC than assessed and booking of pending pension scrolls received from banks to clear amount under suspense.

Moreover, one of the reasons for these huge excess of 34.61 per cent in r/o Grant No. 21—Defence Pensions over the total Grant was due to non-acceptance of request for augmentation of funds made by PCDA(P) Allahabad/CGDA to Min. of Finance.

The under mentioned table shows the amount projected by PCDA(P)/O/o CGDA and the amount approved by Min. of Finance over the last few years.

(Rs. in crores)

Financial Year	Projection by PCDA(P)/ Recommended by Defence/Finance	Approved by Min. of Finance	Actual Expenditure	RBI Cash flow
2008-09	21758.00	20233.00	20233.00	22947.00
2009-10	29000.00	26000.00	34999.00	35820.00
2010-11	37697.00	34000.00	37336.00	36976.00
2011-12	37547.00	34000.00	33997.83 (Upto March Corr.)	38797.00 (Upto March Corr.)

However, as a measure of control, the Government of India in the Ministry of Defence have been issuing instructions from time to time to the budget estimating authorities of Defence Pensions to prepare their budget proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenditure and concrete remedial action must be taken immediately to arrest the excess to an optimum level.

Necessary action in this regard would need to be taken by Ministry of Finance. Any instruction issued by Ministry of Finance in this regard would certainly be followed by this Ministry.

Sd/-  
(Veena Prasad)  
JS & Addl. FA (VP)

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

Department of Posts ensures that the requirement of funds are made on realistic basis and fiscal discipline is maintained in incurring expenditure in future. The suitable necessary instructions have been issued to all the subordinate units/budget controlling authorities to observe strict financial discipline in forming budgetary estimations and in incurring expenditure too.

Sd/-  
DDG (PAF)

[MoC & IT/DoP, New Delhi OM. No. 20-5/2009-BGT (PA), dated Feb., 2012]

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

Though the excess has been high in terms of percentage under Appropriation Nos. 3 & 5, the amount involved is only ₹ 0.24 cr. and ₹ 0.02 cr., respectively. However, under Grant No. 13, the excess has been high in terms of both percentage and amount.

The excess under this Grant has been due to the difficulty in assessing the impact of implementation of recommendations of the 6th CPC on pension payments.

The recommendation in this para pertains to Ministry of Finance for taking the necessary action.

Audit *vide* their U.O. No. 7-RA-III/2-1/11, dated 27.04.2014 have vetted the ATN with the remarks "Seen. Thanks."

Sd/-  
(V. Vaidehi)  
Ex. Director Finance (BC)

[Ministry of Railways' Case No. 2011-BC-PAC/XV/40, dated 15.06.2012]

#### **Observation/Recommendation**

The Committee are constrained to observe that the Ministry of Railways has been persistently incurring huge excess expenditure during the financial year 2000-01 to 2009-10 while the Ministry of Defence had been spending much above the authorized expenditure during each of the financial years 2000-01 and 2003-04 to 2009-10. To elucidate, the Ministry of Railways incurred excess expenditure of ₹ 0.14 crore in 5 Grants/Appropriations in 2000-01, ₹ 210.71 crore in 8 Grants/Appropriations in 2001-02, ₹ 323.65 crore in 11 Grants/Appropriations in 2002-03, ₹ 1136.92 crore in 9 Grants/Appropriations in 2003-04; ₹ 2151.99 crore in 10 Grants/Appropriations in 2004-05, ₹ 2322.46 crore in 11 Grants/Appropriations in 2005-06, ₹ 365.16 crore in 8 Grants/Appropriations in 2006-07, ₹ 51.22 crore in 8 Grants/Appropriations in 2007-08, ₹ 532.12 crore in 8 Grants/Appropriations in 2008-09, ₹ 1922.84 crore in 9 Grants/Appropriations in 2009-10. The Committee also find that the Ministry of Defence incurred an excess expenditure of ₹ 229.70 crore in a single Grant in 2000-01, ₹ 37.50 crore in a single Grant in 2003-04, ₹ 41.99 crore in two Grants in 2004-05, ₹ 44.84 crore in two Grants in 2005-06, ₹ 667.17 crore in a single Grant in 2006-07, ₹ 71.19 crore in a single Grant in 2007-08, ₹ 742.61 crore in two Grants in 2008-09 and ₹ 2615.23 in two Grants in 2009-10.

This recurring phenomenon of wide variations between the budgetary provisions and the actual expenditure by these important Ministries over such long periods has led the Committee to arrive at the conclusion that the estimation of requirement of funds is still done in a haphazardly manner devoid of sound budgetary presumptions. Needless to say the existing budgeting mechanism in these Ministries still suffers from various loopholes and lacunae which are nullifying the attempts of the Government to enhance accuracy level of their budgetary projections to achieve the desired improvements. The persistence of such a pernicious trend is bound to further deteriorate the fiscal discipline leading to financial *ad-hocism*, and mal administration. The Committee, therefore, impress upon the Ministries of Railways and Defence to overhaul their budgetary mechanism drastically, introduce IT and e-Governance in their financial administration and fix responsibility against the budget controlling authorities in case their estimation go awry leading to excess expenditure.

[Para No. 6 of 40th Report of PAC 2011-12, (15th Lok Sabha)]

**Action Taken [Ministry of Defence (Grant No. 20)]**

In view of the persistence recurrence of excess expenditure in the Ministry of Railways and Ministry of Defence etc., the Committee have in this paragraph impressed upon the Ministry of Railways and Defence drastically, introduce IT and e-Governance in their financial administration and fix responsibility against the budget controlling authorities in case their estimation go awry leading to excess expenditure. In this context, it is to mention that excess under Grant No. 20—Ministry of Defence (Civil) estimate is not a recurring instance and excess under this Grant has not been registered for earlier financial year till 2008-09.

Moreover, the observation made by PAC has been noted by the Ministry of Defence (Civil) for future guidance and for compliance. In this regard any instructions issued by Ministry of Finance would certainly be followed by this Ministry.

Sd/-  
(Veena Prasad)  
JS & Addl. FA (VP)

**Action Taken [Ministry of Defence (Grant No. 21)]**

In view of the persistence recurrence of excess expenditure in the Ministry of Railways and Ministry of Defence etc. The Committee have in this paragraph impressed upon the Ministries of Railways and Defence to overhaul their budgetary mechanism drastically, introduce IT and e-Governance in their financial administration and fix responsibility against the budget controlling authorities in cases their estimation go awry leading to excess expenditure.

In this regard the Ministry of Defence, from time to time, have issued instructions to exercise strict control on progress of Expenditure in order to avoid any large-scale savings or excess under any grant relating to Civil Estimate and Defence Pensions.

Moreover due to persistence recurrence of excess expenditure in Defence Pensions views of the Committee, regarding overhaul of budgetary mechanism drastically, introduce IT and e-Governance regarding Defence Pensions were sought from the user Department [*i.e.* with O/o CGDA and PCDA(P) Allahabad] in the year 2011 and the user Department have informed the following Action plan for automating classification and accounting of Pension expenditure.

- New computer application for pension sanction is being developed to create pension date base at the time of issue of PPOs.
- In order to automate disbursement and accounting of pension payments made by departmental PDA *i.e.* DPDO, a web based online application has been implemented in all 61 DPDOs.
- Pension disbursement agencies *viz.* Banks have been approached for transmission of pension payment data electronically so as to enable PCDA(P) Allahabad to ensure correct and timely booking of pension expenditure by automating classification and accounting system.

- (a) In so far as putting in place novel ways and means to make the mechanism of Budget estimating more realistic and pragmatic is concerned, this Ministry would take follow up action on the instructions of Ministry of Finance in this regard.

Sd/-  
(Veena Prasad)  
JS & Addl. FA (VP)

**Action Taken [Ministry of Defence (Grant Nos. 22 and 23)]**

In this paragraph the Committee have pointed out the pernicious trend of excess expenditure incurred in Ministry of Defence during the years 2000-01 and 2003-04 to 2009-10 with the conclusion that the estimation of requirement of funds is still done in a haphazardly manner devoid of sound budgetary presumption. The Committee therefore has desired that the Ministry should overhaul the budgetary mechanism drastically introducing IT and e-Governance.

In this regard, it is stated here that the budgetary projections for the Defence Services are made on the basis of the demands projected by the concerned Services through their Financial Planning Directorates. However, allocation provided by the Ministry of Finance, in general, is less than the projected requirement.

However, efforts, including use of Information Technology, are being made to streamline the budgetary processes so that the occurrence of excess expenditure is avoided or reduced to barest minimum.

Sd/-  
(Veena Prasad)  
Addl. FA (VP) & JS

[Ministry of Defence (Finance) O.M. F. No. 7(6) Bgt.-I/2012, dated 18th June, 2012]

**Action Taken (Ministry of Railways)**

The Committee may appreciate the fact that during the period mentioned above, the excess incurred by Ministry of Railways was on a decreasing trend from 2005-06 till 2007-08. However, during 2008-09 and 2009-10, the Ministry has incurred excess mainly due to difficulty in accurately assessing the impact of implementation of the recommendations of the 6th CPC. The Ministry agrees with the Committee that the budgetary mechanism needs to be strengthened in the light of introduction of IT and e-Governance. The concern of the Committee is being impressed upon the Zonal Railways to be more responsible in estimating the expenditure to avoid the incidence of excess expenditure (copy enclosed).



Audit *vide* their U.O. No. 18-RA-III/2-1/11, dated 08.06.2012 have vetted the ATN with the remarks "Seen. Thanks."

Sd/-

(V. Vaidehi)

Ex. Director Finance (BC)

[Ministry of Railways ' case No. 2011-BC-PAC/XV/40, dated 15.06.2012.]

GOVERNMENT OF INDIA  
MINISTRY OF RAILWAYS  
(RAILWAY BOARD)

No. 2012-B-342

New Delhi, dated 01.04.2012

The General Managers,  
All Indian Railways

**Subject:** Excess over Voted Grants/Charged Appropriations — 2009-10.

In 2009-10, Railways incurred an excess expenditure of Rs. 1922.84 cr. under 8 Grants/Appropriations. This 'Excess' has been viewed seriously by the Public Accounts Committee (15th Lok Sabha), *vide* their 40th Report. The Committee has also taken serious exception to the persistent incurrence of huge excess-expenditure during the financial years 2000-01 to 2009-10 by Ministry of Railways and made the following observations/recommendations:

"This recurring phenomenon of wide variations between the budgetary provisions and the actual expenditure by the these important Ministries (Ministry of Railways & Defence) over such long periods has led the Committee to arrive at the conclusion that the estimation of requirements of funds is still done in a haphazardly manner devoid of sound budgetary presumptions. Needless to say the existing budgeting mechanism in these Ministries still suffers from various loopholes and lacunae which are nullifying the attempts of the Government to enhance accuracy level of their budgetary projections to achieve the desired improvements. The persistence of such a pernicious trend is bound to further deteriorate the fiscal discipline leading to financial *ad-hocism*, and maladministration. The Committee, therefore, impress upon the Ministries of Railways and Defence to overhaul their budgetary mechanism drastically, introduce IT and e-Governance in their financial administration and fix responsibility against the budget controlling authorities in case their estimation go awry leading to excess expenditure.'

In view of the above observation, the Railways are required to take immediate action to curb the excess expenditure.

Sd/-

(Jagmohan Gupta)

Executive Director, Finance (Budget)

Railway Board

### Observation/Recommendation

The Committee find that the Appropriation Accounts relating to Civil, Defence Services and Postal services for the financial year 2009-10 were laid in Parliament on 18.03.2011. However, the Appropriation Accounts —Railways (2009-10) was laid in the Parliament only on 05.08.2010 after a delay of 4 months and 18 days. It may be pointed out that in the preceding years also the Appropriation Accounts —Railways (2007-08) and the Appropriation Accounts— Railways (2006-07) were presented to Parliament after a delay of more than 5 months and 10 months respectively which resulted in delay in the finalization of the Public Accounts Committee's Seventh Report (15th Lok Sabha) on "Excesses Over Voted Grant and Charged Appropriations (2007-08)" and Eightieth Report (14th Lok Sabha) on "Excesses Over Voted Grant and Charged Appropriation (2006-07)". This in turn had delayed the regularizations of excess expenditure incurred during those financial years. In paragraph 57 of the Eightieth Report (14th Lok Sabha), the Committee had urged upon the Ministry of Railways and the Ministry of Finance to take necessary remedial measures to ensure timely presentation of the Appropriation Accounts especially the Appropriation Accounts — Railways. Further, in paragraph 52 of the Seventh Report (15th Lok Sabha), the Committee had recommended the Ministry of Railways to take urgent necessary and corrective action to timely present the Appropriation Accounts— to Parliament so that all instances of excess expenditure are gone into the Committee expeditiously before regularization. The Committee deplore the repeated failures on the part of the Railways to lay their Appropriation Accounts in time. Taking a serious view of the callous attitude on the part of the Ministry of Railways, the Committee only wish to exhort the Ministry of Railways and Financial Commissioner, Railways to put their financial administration in order or be prepared for their oral examination if they fail to stem the rot.

[Sl. No. 7, Appendix II, Para No. 7 of the 40th Report of the Public Accounts Committee (15th Lok Sabha)]

### Action Taken (Ministry of Railways)

This sensitivity in the matter has been taken note of by Ministry of Railways and sincere efforts would be made so that there is no delay in presentation of Appropriation Accounts of Ministry of Railways in future. Instructions will once again be reiterated to Railways to put in place an effective monitoring system including liaison with Audit to ensure timely preparation, audit vetting and submission of Appropriation Accounts so that any delay on this account is averted.

It is pertinent to state that as per procedure, Ministry of Railways submits stipulated copies of Appropriation Accounts duly signed by Financial Commissioner, Railways and Chairman, Railway Board, to the office of Comptroller & Auditor General of India for signature and coordination with Ministry of Finance for presentation of Appropriation Accounts — Railways along with C & AG's Report in Parliament.

As regards the three years *viz.* 2006-07, 2007-08 & 2009-10 where the delay in the presentation of Appropriation Accounts — Railways in Parliament has been pointed

out, the position of date of submission, presentation to Parliament and reason for delay is as shown below:—

Year	Date of submission to the o/o the C&AG	Signed by C&AG	Date of presentation to Parliament	Reasons for delay in submission of Appropriation Accounts in Parliament
2006-07	10.03.08	11.04.08	24.10.2008	Due to adjournment of Lok Sabha on 05.05.2008
2007-08	27.03.09	29.06.09	24.07.2009	Being short term interim budget session due to General Elections
2009-10	24.03.11	01.04.11	05.08.2011	Due to adjournment ( <i>sine die</i> ) of Lok Sabha on 25.03.2011

Audit *vide* their U.O. No. 26-RA-III/2-1/11, dated 17.07.2012 have vetted the ATN with the remarks "Seen. Thanks."

Sd/-  
(V. Vaidehi)  
Ex-Director Finance (BC)

[Ministry of Railways' case No. 2011-BC-PAC/XV/40, dated 31.07.2012.]

Vijaya Kanth  
Financial Commissioner (Railways).

D.O.No. 2012/APP/7-2 Para 7 of 40th Report New Delhi, dated 28.02.2012

Dear Shri/Smt.....

Sub.:—Action Taken Note on Fortieth Report of Public Accounts Committee (15th Lok Sabha) on "Excesses over Voted Grants & Charged Appropriations (2009-10)"

The Public Accounts Committee has time and again expressed their concern over late submission of Appropriation Accounts in the Parliament. The comments made on Appropriation Accounts 2009-10 are reproduced below:—

**"The Committee deplore the repeated failures on the part of the Railways to lay their Appropriation Accounts in time. Taking a serious view of the callous attitude on the part of the Ministry of Railways, the Committee only wish to exhort the Ministry of Railways and Financial Commissioner, Railways to put their financial administration in order or be prepared for their oral examination if they fail to stem the rot."**

In this regard attention is invited to board's letters No. 2010/APP/6-1/2009-2010 dated 19.04.2010, 28.07.2010 & 23.08.2010 emphasizing the need for strict observance

of the stipulated time schedule for submission of various statements of Appropriation Accounts to Audit as well as Board's office as the non-submission/delayed submission held up consolidation and submission thereof to the office of Dy. C&AG (Rlys.)/Parliament. Despite these repeated instructions, there appears to be little improvement in the matter and statements relating to Appropriation Accounts are still being received late in the Railway Board.

I would like to request you to kindly put in place an effective monitoring system including liaison with Audit by your officers to ensure timely preparation, audit vetting and submission of Appropriation Accounts so that delay on this account is averted in future.

Yours sincerely,

Sd/-  
(Vijaya Kanth)

#### General Managers

S. Shri/Smt. S.K. Jain/CR, G.C. Agarwal/ER, Varun Bharthuar/EC, Indra Ghosh/Eco, B.N. Rajasekhar/NR, B.P. Khare/NC, K.B.L. Mittal/NE, Keshav Chandra/NF, R.C. Agarwal/NW, Deepak Krishan/SR, A.K. Verma/SE, G.N. Asthana/SC, A.K. Mittal/SW, Arunendra Kumar/SEC, Mahesh Kumar/WR, S.V. Arya/WC, Rajeev Bhargava/RWF, Radhey Shyam/CLW, A.K. Khanna/ICF., P.B. Murty/MTP/Kol.

#### **Observation/Recommendation**

**The Committee observe that the Explanatory notes pertaining to the excess registering Grants/Appropriations as highlighted in the Appropriation Accounts (Civil), the Appropriation Accounts (Defence Services) and the Appropriation Accounts (Postal Services) for the financial year 2009-10 were due for submission to the Committee on or before 18th March, 2011. However, the Ministries of Home Affairs, Defence and Communications and Information Technology (Department of Posts) furnished their Explanatory Notes after a delay of 2 months 16 days, 2 months 20 days and 20 days respectively. The Committee would like to impress upon all the Ministries that delay in submission of Explanatory Notes by them impedes the Committee's examination of excess expenditure, a direct consequence of which is delay in the regularization of the unauthorized expenditure by the Parliament. The Committee note that submission of the Explanatory Notes for excess expenditure should not be delayed as they have ample time to prepare and submit them to Parliament and in fact, some of the Ministries submitted them well before the stipulated time. The Committee would, also like the Ministry of Finance to put in place a centralized monitoring network to ensure preparation and submission of Explanatory Notes by the defaulter Ministries/Departments within the prescribed time frame. The Committee further recommended that in future the contributory reasons for delay in submission of Explanatory notes should invariably be appended in the relevant Explanatory notes for their scrutiny.**

[Sl. No. 8, Appendix II, Para No. 8 of the 40th Report of the Public Accounts Committee (15th Lok Sabha)]

**Action Taken (Ministry of Finance)**

The observation of the Committee has been noted. The Department, *vide* OM No. 12(1) E.Coord./2012, dated 21.05.2012 (copy enclosed) issued instructions to all Secretaries to the Government of India, to carefully monitor the submission of Explanatory Notes and to devise and make functional a mechanism for timely preparation and submission of Explanatory Notes. Ministries/Departments have also been advised to ensure that, in future, the reasons contributing to delay in submission of Explanatory Notes are invariably appended in the relevant Explanatory notes for their scrutiny.

Monitoring Cell is in the process of introduction of e-monitoring for centralized monitoring of preparation and submission of Explanatory Notes. This system will provide an MIS for strengthening, streamlining and speeding up the task of submission of Explanatory notes to the Lok Sabha Secretariat. The APMS web portal (<http://apms.nic.in>), which monitors the pending CAG paras will be augmented to include the Explanatory Notes on saving of ₹100 crore and above and excess expenditure over the budget grants.

This has been vetted by Audit *vide* their U.O. No. RR/1-1/12-13/165, dated 10th July, 2012.

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

[Ministry of Finance, Department of Expenditure, OM No. 2/6/2010-MC/EN  
dated May, 2012]

FILE NO. 12(1) E. COORD./2012  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE

New Delhi, dated 21st May, 2012

OFFICE MEMORANDUM

**Subject:** Development of the centralized monitoring network to ensure timely preparation and submission of Explanatory Notes—regarding.

The Explanatory Notes on Excess expenditure/savings of over Rs. 100 crores in respect of each Ministry/Department in the Government of India are required to be submitted to the Lok Sabha Secretariat as per prescribed time schedule. In view of the persistent delays in the submission of the Explanatory Notes on the part of some of the Ministries/Department, PAC, in para 65 of the 1st Report of 11th Lok Sabha, had recommended that the Monitoring Cell may be entrusted with the task of coordination, collection and timely submission of the relevant Explanatory Notes, duly vetted by Audit, to the Committee on excess expenditure/saving of Rs. 100 crore and above in respect of all the Annual Appropriation Accounts of the Union Government. Secretaries of the administrative Ministry/Department concerned were held personally responsible for any delay in submission of the requisite Explanatory Notes.

2. The Public Accounts Committee, in Para 8 of their 40th Report of 15th Lok Sabha, again taking a serious view on the delay in submission of Explanatory Notes has further observed as under:—

*"The Committee observe that the Explanatory Notes pertaining to the excess registering Grants/Appropriations as highlighted in the Accounts (Civil), the Appropriation Accounts (Defence Services) and the Appropriation Accounts (Postal Services) for the financial year 2009-10 were due for submission to the Committee on or before 18th March, 2011. However, the Ministries of Home Affairs, Defence and Communications and Information Technology (Department of Posts) furnished their Explanatory notes after a delay of 2 months 16 days, 2 months 20 days and 20 days respectively. The Committee would like to impress upon all the Ministries that delay in submission of Explanatory Notes by them impedes the Committee's examination of excess expenditure, a direct consequence of which is delay in the regularization of the unauthorized expenditure by the Parliament. The Committee note that submission of the Explanatory Notes for excess expenditure should not be delayed as they have ample time to prepare and submit them to Parliament and in fact, some of the*

*Ministries submitted them well before the stipulated time. The Committee would, also like the Ministry of Finance to put in place a centralized monitoring network to ensure preparation and submission of Explanatory Notes by the defaulter Ministries/Department within the prescribed time frame. The Committee further recommend that in future the contributory reasons for delay in submission of Explanatory Notes should invariably be appended in the relevant Explanatory Notes for the scrutiny."*

3. In view of the recommendation of the Committee, an e-monitoring system is being introduced in Monitoring Cell (D/o. Expenditure) for centralized monitoring of preparation and submission of explanatory notes. The system so developed will provide an MIS for strengthening, streamlining and speeding up the task of submission of Explanatory Notes to the Lok Sabha Secretariat. In this context, the Audit Para Monitoring System (APMS) web portal ([http:// apms.nic.in](http://apms.nic.in)) which monitors the pending CAG paras will be augmented to include the Explanatory Notes on Saving of Rs. 100 cr. and above and Excess expenditure over the budget grants. A further communication in this regard will follow.

4. As per the directions of the Committee, submission of Explanatory Notes needs to be carefully monitored by the Secretary of the Ministry/Department administering the respective Grants. As such, a mechanism for preparation and submission of Explanatory Notes within the prescribed time schedule to Lok Sabha Secretariat may be devised and made functional within your Ministry/Department. Further as also directed by the Committee all the Ministries/Departments may ensure that in future the reasons contributing to delay in submission of Explanatory Notes are invariably appended in the relevant Explanatory Note for their scrutiny.

5. The report regarding timely submission of Explanatory Notes for your Grant may be sent to the Monitoring Cell (DoE, MoF) for onward transmission to the Lok Sabha Secretariat within the prescribed time frame. The Nodal Officer for PAC matters may coordinate with the Monitoring Cell in this regard.

6. This issues with the approval of Secretary (Expenditure).

Sd/-  
(Madhulika P. Sukul)  
Joint Secretary to the Government of India  
Tel. No. 23093283

1. All Secretaries of GoI
2. All Financial Advisers

Copy to:

- (i) Controller General of Accounts
- (ii) Monitoring Cell

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

In this paragraph the Committee have pointed out the delay in furnishing the Explanatory Notes for excess registering grants in respect of Defence Services for the Financial year 2009-10. Such delays in furnishing explanatory notes to the Committee will be avoided in future.

As a matter of fact, in view of the delay in processing Explanatory Notes last year, the Explanatory Notes for the excess registering grants in respect of Defence Services for the year 2010-11 have already been furnished to the Lok Sabha Secretariat through Monitoring Cell of Ministry of Finance on 2nd May, 2012 with copies to the PAC Branch. The Appropriation Accounts (Defence Services) for the year 2010-11 were laid before the Parliament on 24.04.2012. In future, efforts will be made to submit vetted copy of Explanatory Notes without delay along with Appropriation Accounts (Defence Services).

Sd/-  
(Veena Prasad)  
Addl. FA (VP) & JS

[Ministry of Defence (Finance) O.M. F.No. 7(6)/Bud.-I/2012,  
dated 18th June, 2012]

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

The recommendation of the Committee has been noted with consideration and will be taken care of to avoid such situations in respect of the Grant Controlled by this Ministry. As desired by the Committee the Ministry of Home Affairs will scrupulously follow all the instructions/directions issued in this regard.

Sd/-  
(S.C. Panda)  
Additional Secretary & Financial Adviser (Home)

(This 'Action Taken Note' has been vetted by O/O DGACR *vide* their U.O. No. RR/6-21/12-13/742, dated 29.1.2013)

[Ministry of Home Affairs O.M. No. 28/1/2012-Bgt.I, dated 18.2.2013]

**Action Taken (Department of Posts)**

As regards 20 days delay in submission of Explanatory notes by the Department of Posts as stated in the para, it is submitted that the explanatory notes were submitted initially on 18.2.2012 *vide* this Directorate letter No. 20-5/2009-BGT(PA) which was well before the stipulated time. Later on, the Department was to clarify some queries raised by the Lok Sabha Secretariat (PAC Branch) which were also complied with instantly, by the Department. However, the Department ensures that the explanatory notes are submitted within the stipulated time in future.

Sd/-  
DDG (PAF)

[MoC & IT/DoP, New Delhi OM. No. 20/5/2009-BGT(PA), dated Feb., 2012]

**Observation/Recommendation**

The Committee find that the Ministry of Defence incurred an excess expenditure of Rs. 8999.54 crore under Revenue Section (Voted) of Grant No. 21-Defence Pensions which alone accounted for 97.62 per cent of the total excess expenditure incurred in the Civil Sector. The Explanatory Note furnished by the Ministry of Defence *inter-alia*



states that the excess was mainly due to payment of revised pension at higher rates under the 6th Central Pay Commission Report than assessed, booking of pending pension scrolls received from banks etc. The Committee's examination has revealed that this Grant had also registered an excess expenditure of Rs. 13.33 lakh during the previous financial year 2008-09. As a mark of remedial action taken in the regard, the Ministry of Defence stated in their Explanatory Note that necessary instructions have been issued to all concerned to prepare their Budgetary; proposal on realistic basis. The Committee feel that this alone will not yield the desired results as an analysis of the causes of the excess expenditure on account of pension payments suggests that there is lack of comprehensive networking and coordination amongst pension data management and accounting information systems are not in order. This clearly shows that the Ministry of Defence have not taken any concrete measures to revamp the system so that the pension liability can be correctly forecast and factored in the budgetary estimation. Consequently, when the recommendations of the 6th Central Pay Commission were implemented, the flow of funds was thrown out of gear resulting in huge excess expenditure. The Committee desire that the Ministry of Defence should look into all aspects for taking necessary corrective action so that the existing deficiencies and shortcomings in the pension payment are certified and recurrence of excess expenditure is either avoided or greatly minimized in future. The Ministry should also adopt e-governance model and utilize the information technology services/tools so as to establish a centralized data base of pensioners and networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in a particular year.

[Para No. 9 of 40th Report of PAC 2011-12 (15th Lok Sabha)]

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

In this paragraph, the Committee have observed that Ministry of Defence incurred an excess expenditure of Rs. 8999.54 crore under Revenue Section (Voted) of Grant No. 21—Defence Pensions which alone accounted for 97.62 per cent of the total excess expenditure incurred in the Civil Sector. The Committee feels that there is lack of comprehensive networking and coordination amongst pension data management and accounting information systems are not in order. The Committee feel that the Ministry of Defence have not taken any concrete measures to revamp the system so that the pension liability can be correctly forecast and factored in the budgetary estimation. Consequently, when the recommendations of the 6th Central Pay Commission were implemented, the flow of funds was thrown out of gear resulting in huge excess expenditure. The Committee also feel that the Ministry would also adopt e-governance model and utilize the information technology services/tools so as to establish a centralized data base of pensioners and networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in a particular year.

The excess of ₹ 8999.54 crore under Revenue Section (Voted) of Grant No. 21-Defence Pensions over the total Grant was mainly due to payment of revised pension at higher rate under VI CPC than assessed and booking of pending pension scrolls received from banks to clear amount under suspense.

Moreover, one of the reasons for this huge excess of 34.61 percent in r/o Grant No. 21-Defence Pensions over the total Grant was due to non-acceptance of request for augmentation of funds made by PCDA(P) Allahabad/CGDA to Min. of Finance due to shortage of funds. The undermentioned table shows the amount projected by

PCDA(P)/O/o CGDA and the amount approved by Min. of Finance over the last few years.

(Rs. in crores)

Financial Year	Projection by PCDA(P)/ Recommended by Defence/Finance	Approved by Min. of Finance	Actual Expenditure	RBI Cash flow
2008-09	21758.00	20233.00	20233.00	22947.00
2009-10	29000.00	26000.00	34999.00	35820.00
2010-11	37697.00	34000.00	37336.00	36976.00
2011-12	37547.00	34000.00	33997.83 (Upto March Corr.)	38797.00 (Upto March Corr.)

Further, in view of the fact that expenditure, for which cash flow has already taken place in the books of RBI, was required to be brought to account, the pending pensions scrolls amounting to ₹ 8999.54 crore had to be booked under the Defence Pensions Head to clear the amount laying under RBI suspense to reflect the true picture of cash flow from the Govt. account. It is also mentioned that the payments of pension to the Defence Pensioners is a committed expenditure and cannot be stopped for the want of Budget.

However, as a measure of control, the Govt. of India in the Ministry of Defence have been advising the budget estimating authorities of Defence Pensions to prepare their budget proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenditure and concrete remedial action must be taken immediately to arrest the excess to an optimum level. In this regard, this Office has issued instructions *vide* ID No. 2(6)/MO/2009-10/721 dt. 29.06.2010 to avoid any excess expenditures over the sanctioned Grant and to assess the requirement of funds properly. In order to have strict control, the instructions issued by the Ministry of Finance, Department of Economic Affairs, were also circulated *vide* this Division ID No. (s) (i) MoD (Fin.) ID No. 1(9)/Fin.(MO)/2011-12/708 dated 07.06.2011 & (ii) ID No. 1(9)/Fin.(MO)/2011-2012/933 dated 21.07.2011 on the subject—“Steps for Fiscal and Expenditure Management in 2011” regarding taking various steps in order to adhere to fiscal targets set out in the Budget 2011-12 and for better expenditure management. Necessary monitoring and follow up action in this regard would be ensured.

Moreover due to persistence recurrence of excess expenditure in Defence Pensions views of the committee regarding overhaul of budgetary mechanism drastically, introduce IT and e-governance regarding Defence Pensions were sought from the user Department [*i.e.* with O/o CGDA and PCDA(P) Allahabad] in the year 2011 and the

user Department have informed the following Action Plan for automating classification & accounting of Pension expenditure.

- New computer application for pension sanction is being developed to create pension data base at the time of issue of PPOs.
- In order to automate disbursement and accounting of pension payments made by departmental PDA *i.e.* DPDO, a web based online application has been implemented in all 61 DPDOs.
- Pension disbursement agencies *viz.* Banks have been approached for transmission of pension payment data electronically so as to enable PCDA(P) Allahabad to ensure correct and timely booking of pension expenditure by automating classification & accounting system.

Sd/-

(Veena Prasad)  
JS & Addl. FA (VP)

#### **Observation/Recommendation**

The Committee note with concern that huge quantum of excess expenditure to the tune of ₹ 2464.11 crore and ₹ 150.51 crore had been incurred both under Revenue Section (Voted) of Grant No. 22—Defence Services—Army and Grant No. 23—Defence Services-Navy respectively during the financial year under review. Surprisingly, the excess expenditure under Grant No. 23 was incurred despite obtaining Supplementary Grant of ₹ 1033.32 crore. In respect of Grant No. 22, the contributory reasons, according to the Ministry of Defence, were difference in the actual strength of Officers/Personnel below Officer's Rank and the strength figure provided by Management information System Organisation, reinstatement of the personnel due to court judgement, increased expenditure due to enhancement of Dearness Allowances and embodiment of Territorial Army for PM's, Territorial Army Day Parade, revision of travel entitlement due to implementation of the 6th Central Pay Commission Report and erroneous excess booking by Controller General of Defence Accounts, payments of arrears of pay and allowances etc. As regards, the Grant No. 23, the main contributory reasons adduced were enrolment of new officers, revision of travel entitlement due to implementation of the 6th Central Pay Commission Report, increased expenditure due to enhancement of Dearness Allowances, payment of the 6th Central Pay Commission arrears, operational necessity of hiring boats for coastal security, booking of coast guard and BSF fuel bills and additional payment for pilots training in USA due to freshly concluded agreement not allocated in projections. The Committee do not consider these reasons for incurring excess expenditure to be compelling as may of these could have been anticipated well in advance and factored into at the time of finalization of Grants through three stages of Supplementary Grants.

Further, the quantum of unauthorized excess expenditure could have been greatly with proper care and attention to detail, which is highly expected of a Ministry dealing

with the Defence personnel whose spirit and character are supposed to be the epitome of professionalism and discipline. In this context, the Committee also find that the Ministry of Defence had incurred excess expenditure amounting to ₹ 95.32 crore and ₹ 8999.54 crore respectively under Grant No. 20-Ministry of Defence and Grant No. 21-Defence Pensions pertaining to the Civil Sector but operated by them. Another excess expenditure of ₹ 60.42 lakh was also registered under Revenue Section (Charged) of Grant No. 22. These altogether put the total excess expenditure by the Ministry of Defence during 2009-10 fiscal year at ₹ 11,710.08 crore. This sudden spurt in the quantum of excess expenditure proves that the Ministry have no mechanism to check or minimize excess expenditure under the Grants operated by them. Surprisingly, as a remedial measure, the Ministry have merely re-circulated their old instructions for containing excess expenditure. The Committee feel that apart from routine re-circulation of old instructions which have proved ineffective in plugging the loopholes and rectifying the deficiencies, it is imperative for the Ministry of Defence to undergo serious introspection and devise concrete ways and means in consultation with the Ministry of Finance to overhaul and streamline their budgeting mechanism so that excess expenditure is avoided altogether. The Committee would like to be apprised of the specific corrective measures taken by the Ministry in this direction.

[Para No. 10 of 40th Report of PAC 2011-2012 (15th Lok Sabha)]

**Action Taken [Ministry of Defence (Grant No. 20)]**

In view of the sudden spurt in the quantum of excess expenditure, in this Paragraph, the Committee feel that apart from routine re-circulation of old instructions which have proved ineffective in plugging the loopholes and rectifying the deficiencies, it is imperative for the Ministry of Defence to undergo serious introspection and devise concrete ways and means in consultation with the Ministry of Finance to overhaul and streamline their budgeting mechanism so that excess expenditure is avoided altogether. The Committee have also desired to be apprised of the specific corrective measures taken by the Ministry in this direction.

In order to have strict control on Civil Estimates Budget and to check large scale savings/excess, the Ministry have issued instructions from time to time to all the budget holding authorities and asked for proper implementation of these instructions. Such instructions were issued *vide* ID No. 1(8-ATN)/MO/2009-10/721 dated 28.06.2010 in r/o Civil Estimates whereby while reiterating the instructions already issued earlier, it was instructed that in order to ensure even flow of expenditure and to avoid any excess expenditure/savings in any Grant, concrete remedial action must be taken. The utmost caution and accuracy should be adopted while estimating requirement of funds after taking into account all the instructions issued by Ministry of Finance from time to time.

Moreover, it is submitted that the excess expenditure under Grant No. 20-Ministry of Defence (Civil) is well below to prescribed permissible limit *i.e.* 5% as the variation is upto 0.88% only over Total/Final Grants and it is also to mention that incurring of excess expenditure under this Grant is not a recurring instance and excess under this

Civil Grant has not been registered for earlier financial years till 2008-09. Further, it is submitted that this Ministry certainly take action/follow the instructions/remedial Measures issued by Ministry of Finance to overhaul and streamline the budgeting mechanism so that excess expenditure is avoided altogether.

Sd/-  
(Veena Prasad)  
JS & Addl. FA (VP)

**Action Taken [Ministry of Defence (Grant No. 21)]**

In view of the sudden spurt in the quantum of excess expenditure, in this Paragraph, the Committee feel that apart from routine re-circulation of old instructions which have proved ineffective in plugging the loopholes and rectifying the deficiencies, it is imperative for the Ministry of Defence to undergo serious introspection and devise concrete ways and means in consultation with the Ministry of Finance to overhaul and streamline their budgeting mechanism so that excess expenditure is avoided altogether. The Committee have also desired to be apprised of the specific corrective measures taken by the Ministry in this direction.

In order to have strict control on Civil Sectors Budget and to check large scale savings/excess, the Ministry has issued instructions from time to time to all the budget holding authorities and asked for proper implementation of these instructions. Such instructions were issued *vide* ID No. 2(6)/MO/2009-10/721, dt. 29/6/2010 in r/o Defence Pensions whereby while reiterating the instructions already issued earlier, it was instructed that in order to ensure even flow of expenditure and to avoid any excess expenditures/savings in any Grant, concrete remedial action must be taken. The utmost caution and accuracy should be adopted while estimating requirement of funds after taking into account all the instructions issued by Ministry of Finance from time to time.

In this context, it is to mention that excess under and Defence pension is not a recurring instance and excess under both of these Grants has not been registered for earlier financial years till 2008-09.

Necessary action in this regard would need to be taken by Ministry of Finance. Any instruction issued by Ministry of Finance in this regard would certainly be followed by this Ministry.

Sd/-  
(Veena Prasad)  
JS & Addl. FA (VP)

**Action Taken [Ministry of Defence (Grant Nos. 22 and 23)]**

In this paragraph, the Committee has pointed out huge excess expenditure under Grant No.22-Army (₹ 2464.11 crore Revenue/Voted and ₹ 60.42 lakh Revenue/Charged) and Grant No. 23 (₹ 150.51 crore Revenue/Voted) and desired that the Ministry should undergo serious introspection and devise concrete ways and means in consultation with Ministry of Finance to overhaul and streamline the budgetary mechanism so that excess expenditure is avoided altogether.

In this connection, it is stated here that apart from issuing instructions to all budget controlling authorities to regularly review of expenditure to contain it within the budgetary allocation and avoid any excess and large scale savings, the Demands for Grants under Ministry of Defence, namely Demand No.(s) 22-Army, 23-Navy, 24-Air Force, 26-Research & Development and 27-Capital Outlay on Defence Services have been brought, with effect from 2012-13, under the ambit of the modified exchequer control-Cash Management system. Detailed instructions have been issued in this regard (copy enclosed). It is expected that implementation of the cash management system would bring in the desired financial discipline.

Sd/-

(Veena Prasad)

Addl. FA (VP) & JS

[Ministry of Defence (Finance) O.M. 7(6)/Bud.-I/2012, dated 18th June, 2012]

#### **Observation/Recommendation**

During the financial year under review, the Department of Posts incurred an excess expenditure of ₹ 818.13 crore under a single Grant operated by them *i.e.* Grant No. 13-Postal Services. This excess expenditure was despite obtaining supplementary Grant to the tune of Rs. 436.60 crore. Scrutiny of the Explanatory Note furnished by the Department shows that the excess expenditure was mainly due to increase in the rate of claims and hike in Dearness Allowance following the implementation of the 6th Central Pay Commission Report, more induction training programmes to newly recruited staff etc. The Committee have been assured that instructions have been issued to the circles/units to keep the expenditure within the allotment and projects the demand for fund realistically. The Committee are however, skeptical of the efficacy of the instructions issued by the Department in checking excess expenditure without devising any concrete mechanism. The Committee urge upon the Department to overhaul their prevailing expenditure review mechanism whereby a system is evolved and enforced to provide sufficient checks and balances against any possible wanton sanction and utilization of funds under this Grant and the requisite transparency and accountability is maintained. The Committee, therefore desire that precise action should be taken in this regard at the earliest.

[Sl. No. 11, Appendix II, Para No. 11 of 40th Report of the Public Accounts Committee (15th Lok Sabha)]

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

The excess expenditure occurred due to payment of arrears in Pay and Allowances of regular employees and in Pension to the retirees owing to implementation of 6th Pay Commission's Report. The effect of actual payment of arrear happened to be more expenditure than the estimates. Due caution will be observed to avoid such instance in future. The expenditure of the Department is being monitored by conducting Video Conference by the Secretary (Posts) with the Head of Postal Circles each month so as to keep the expenditure within the Grant for the year.

Sd/-

DDG(PAF)

[MoC & IT/DoP, New Delhi, OM. No. 20-5/2009-BGT (PA), dated Feb., 2012]

### **Observation/Recommendation**

The Committee are concerned to note that despite their repeated exhortations, the Ministry of Railways have not been able to stop misclassification of expenditure in the accounts of the Ministry of Railways. During the last 10 financial years, the Committee have come across 50 cases of misclassification of expenditure, the details being 1 in 2000-01, 5 in 2001-02, 3 in 2002-03, 5 in 2003-04, 9 in 2004-05, 6 in 2005-06, 5 in 2006-07, 3 in 2007-08, 6 in 2008-09 and 7 in 2009-10. This unabated trend of persistent misclassification of expenditure seems to have acquired endemic proportion in the Railways. Apparently no tangible action has been taken by the Ministry either to fix responsibility for avoidable errors or for rectifying the terminological ambivalence leading to misclassification. The Committee take a serious view of such callous approach on the part of the Ministry of Railways, which if left unchecked, would derail the budgetary exercise. The Committee recommend that the existing budgetary mechanism in the Railways needs to be thoroughly reviewed and revamped so that necessary corrective action, wherever warranted, could be taken to overcome systemic lacunae/ loopholes and progressive elimination of the misclassification syndrome. The persons responsible for this malady also need to be identified, the precise reasons ascertained for patent misclassification and responsibility fixed for the apparent lapses.

[Sl. No. 13, Appendix II, Para No. 13 of the 40th Report of the Public Accounts Committee (15th Lok Sabha)]

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

Recommendation of the Public Accounts Committee regarding misclassification of expenditure is noted for strict compliance. In this regard it is submitted that detailed instructions to the Railways exist on the internal check of accounting transactions. Cases of misclassification if any, are required to be detected and rectified before closure of the annual accounts of the year. However, due to voluminous transactions, some cases of misclassification remain undetected during the internal check and are later pointed out by Audit.

This Ministry has already conveyed serious concern for the misclassification of expenditure that occurred during 2009-10 to the Zonal Railways with the direction to ensure that the measures/suggestions to prevent misclassifications/mistakes, as circulated by the Ministry of Railways from time to time, are implemented by all accounting units scrupulously besides taking up the concerned staff for lapses. In response, Railways have advised that the defaulting staff have been taken up by fixing responsibility for lapses beside issuing instructions/organizing workshops for guidance of staff, so that such instances are avoided in future.

Audit *vide* their U.O. No. 26-RA-III/2-1/11, dated 17.07.2012 have vetted the ATN with the remarks "Seen. Thanks".

Sd/-

(V. Vaidehi)

Ex. Director Finance (BC)

[Ministry of Railways' case No. 2011-BC-PAC/XV/40, dated 31.07.2012]

VIJAYAKANTH  
Financial Commissioner (Railways)

D.O. No. 2012/APP/7-2/PAC/Para 13

New Delhi, dated 08.02.2012

Dear Shri/Smt.....

**Subject:** Action Taken Note on Fortieth Report of Public Accounts Committee (15th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2009-10)".

The Public Accounts Committee, while regularizing the "Excesses over Voted Grants & Charged Appropriations (2009-10)" has expressed their serious concern over the incidences of misclassification of expenditure in the accounts of Ministry of Railways despite their repeated exhortations.

A review of items appearing in Annexure 'J' of Appropriation Accounts for the year 2009-10 indicates that most of misclassifications/mistakes have occurred due to misinterpretation or non-compliance of the relevant allocation rules at various levels. In this regard attention is invited to the then Additional Member (Budget)'s D.O. No. 2009/APP/para 55/PAC, dated 14.07.2009, my predecessor's D.O. No. 2010/APP/7-2/PAC/22nd Report (15th Lok Sabha) dated 12.01.2011 addressed to the General Manager/CAOs of all Indian Railways and ED(A)'s D.O. No. 2011/APP/7-2/PAC/Para 20/80th Report, dated 04.05.2011 to FA&CAOs/all Indian Railways, emphasizing urgent need for strengthening/tightening the internal check of classification besides putting in place an effective monitoring mechanism to watch such cases including a monthly review at FA&CAO level. However, desired result have not yet been achieved and the position has deteriorated further during current year also when compared to the last year.

In view of the above, I would request you to review and set right the existing system to ensure non-repetition of misclassifications/mistakes besides enforcing accountability for correctness of the allocation of expenditure by taking up defaulting staff appropriately for lapses on their part especially for serious and similar nature of items of misclassifications being repeated year after year. The cases arising due to varying/ambiguous interpretation of classification must also be addressed at appropriate levels, so that an improved position is reflected in the ensuing years.

Yours sincerely,  
Sd/-  
(Vijaya Kanth)



**General Managers,**

S. Shri/Smt. S.K. Jain/CR, G.C. Agarwal/ER, Varun Bharthuar/EC, Indra Ghosh/Eco., B.N. Rajasekhar/NR, B.P. Khare/NC, Keshav Chandra/NF, R.C. Agarwal/NW, Deepak Krishan/SR, G.N. Asthana/SC, A.K. Mittal/SW, Mahesh Kumar/WR, S.V. Arya/WC, Rajeev Bhargava/RWF, Radhey Shyam/CLW.

**Observation/Recommendation**

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

[Appendix-II, Paragraph 14 of Fortieth Report of PAC (15th Lok Sabha)]

**Action Taken (Ministry of Finance)**

As brought out in the ATN in respect of para 2 of the 40th Report of PAC (15th Lok Sabha), the Excess expenditure that requires to be regularised by Parliament under Article 115(1) (b) of the Constitution is as follows:—

Sl. No.	Name of Appropriation Accounts	Amount of excess expenditure ( ₹ )
1.	Civil	9218,88,74,896
2.	Defence Services	2615,22,57,850
3.	Postal Services	818,12,99,976
4.	Railways	1922,83,61,188
	<b>Total</b>	<b>14575,07,93,910</b>
	Of which Excess Expenditure (Excluding Railways)	12652,24,32,722

As recommended by the Public Accounts Committee, the Demands for Excess Grants for Expenditure of the Central Government (excluding Railways) relating to 2009-2010 were submitted to Parliament in the Budget Session (1st Part), 2012. The Parliament has passed the Excess Demands for Grants (excluding Railways) for 2009-2010. Necessary Appropriation Bill for regularising the money drawn in excess of the amounts authorised by the Parliament for the year 2009-2010, has also been passed and the corresponding Act published in the Gazette of India (Extraordinary) Part II, Section I, dated 29.3.2012 as Act No. 19 of 2012 after obtaining assent of the President. In view of this, the excess amount drawn (excluding Railways) in 2009-2010 of stands regularised. Action taken in this regard is, therefore, completed.

This Note has been vetted by Principal Director of Audit, Economic and Services Ministries *vide* their U.O. No. AMG-I/V.V/ATN/2011-2012/16-18, dated the 30th May, 2012.

Sd/-

(Dr. Rajat Bhargava)  
Joint Secretary (Budget)

[Ministry of Finance, Department of Economic Affairs (Budget Division),  
New Delhi-110 001, O.M. No. F. 7(2)-B(SD)/2011, dated the 29th June, 2012]

F. 7(2)-B(SD)/2011  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
(BUDGET DIVISION)

New Delhi, the March 29, 2012

**Subject:** Demands for Excess Grants relating to 2009-2010.

The undersigned is directed to state that the Demands for Excess Grants relating to 2009-2010 have been passed by the Lok Sabha. The connected Appropriation Bill (No. 2), 2012 has also been passed by Parliament and assented to by the President of India on March 29, 2012 and the Act has been published in the Gazette of India (Extra-ordinary), Part II, Section I, dated March 29, 2012 as Act No. 19 of 2012.

Sd/-  
(V. Prakash)  
Deputy Director (Budget)

1. The Joint Secretary & Financial Adviser (Ms. Annie Moraes), Department of Posts, Ministry of Communications & IT, Dak Bhawan, New Delhi-110 001.
2. Adviser (Finance) (Ms. Sadhana Dikshit), Department of Telecommunications, Ministry of Communications & Information Technology, Room No. 312, 3rd Floor, Sanchar Bhawan, 20 Ashoka Road, New Delhi-110 001.
3. The Financial Adviser, Defence Services (Shri A.K. Chopra), (Demand Nos. 20—Ministry of Defence, 21—Defence Pensions, 22—Defence Services-Army & 23— Defence Services-Navy, Ministry of Defence (Finance), South Block, New Delhi-110 001 (4 Copies).
4. Secretary and Financial Adviser (Shri Suresh Chandra Panda), (Demand No. 54—Other Expenditure of MHA) Ministry of Home Affairs, North Block, New Delhi-110001.
5. The Finance Library (Publication Section) (10 Copies) with the request that copies of the Gazette of India (Extraordinary), Part II, Section I dated March 29, 2012 as Act No. 19 of 2012 be obtained from the Manager of Publication and supplied to Comptroller & Auditor General of India, 10-Bahadur Shah Zafar Marg, New Delhi- 110002.
6. The Parliament Library, Lok Sabha Secretariat, New Delhi (5 Copies).
7. The Lok Sabha Secretariat (PAC Branch), Parliament House Annexe, New Delhi-110 001 (5 Copies).

8. Director General of Audit, Central Revenues (R-I), AGCR Building, New Delhi-110 002 (10 Copies).
9. Director General of Audit, Posts and Telecom, Sham Nath Marg, Civil Lines, Delhi-54 (10 Copies).
10. The Director General of Audit, Defence Services, New Delhi-110 001 (5 Copies).
11. Comptroller and Auditor General of India, 10-Bahadur Shah Zafar Marg, New Delhi-110 002 (10 Copies).
12. Finance Library, North Block, New Delhi (10 Copies).
13. Additional Secretary (PF-I), Department of Expenditure, Ministry of Finance, North Block, New Delhi.
14. Joint Secretary (PF-II), Department of Expenditure, Ministry of Finance, North Block, New Delhi.
15. The Controller General of Accounts, Lok Nayak Bhawan, New Delhi (10 Copies).
16. The Adviser FR/Member FR, Planning Commission, Yojana Bhawan, New Delhi-110 001 (2 Copies).
17. Finance Secretary.
18. Secretary (Expenditure).
19. Secretary (Financial Services).
20. Secretary (Economic Affairs).
21. Secretary (Disinvestment).
22. PS to AS (Budget).
23. Director (NMJ), Deputy Secretary (BN), Deputy Secretary (RP), Deputy Secretary (PS).
24. Director (OL), DD (Hindi).
25. Manager (Budget Press).
26. ALL USs/Deputy Directors in Budget Division and all Sections in Budget Division and PF-I & PF-II Divisions.



DEMANDS FOR EXCESS GRANTS  
*for*  
EXPENDITURE OF THE CENTRAL GOVERNMENT  
(*Excluding Railways*)  
RELATING TO  
2009-2010

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]**

**March, 2012**

**INTRODUCTORY NOTES**

The Demands for Excess Grants contained in this Volume represent the actual expenditure incurred during 2009-2010 under certain Demands which are in excess of the amounts granted by the Parliament for that year.

2. Out of 100 grants and 5 Appropriations in 2009-2010, the excess expenditure occurred in 7 Grants amounting to a total of ₹12,652.24 crore under Revenue 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 14 read with paragraph 14 of Part-I of their Fortieth Report (Fifteenth Lok Sabha), have recommended their regularisation under Article 115(1) (b) of the Constitution of India. Further, the Chairman, Public Accounts Committee observed that taking into account the discrepancy in the excess expenditure reported by Department of Posts, regularisation of excess expenditure (including Railways) should be ₹14575,07,93,910 instead of ₹14575,07,92,934 as mentioned in paragraph 14 of the aforesaid Fortieth Report (Fifteenth Lok Sabha). Of this, excess expenditure (excluding Railways) that requires regularisation under Article 115 (1) (b) of the Constitution of India is ₹12652,24,32,722.

Sr. No.	No. & Title of Grant		Final Grant ₹	Actual Expenditure ₹	Excess Expenditure ₹	Ref. to pages
EXPENDITURE MET FROM REVENUE						
13.	Department of Posts	Voted:	12526,70,00,000	13344,82,99,976	818,12,99,976	1
14.	Department of Telecommunications	Voted:	10765,87,00,000	10853,68,60,488	87,81,60,488	2
20.	Ministry of Defence	Voted:	10822,35,00,000	10917,66,73,097	95,31,73,097	3
21.	Defence Pensions	Voted:	25999,75,00,000	34999,29,01,305	8999,54,01,305	4
22.	Defence Services—Army	<i>Charged:</i>	<i>20,09,00,000</i>	<i>20,69,42,498</i>	<i>60,42,498</i>	5
		Voted:	60252,53,00,000	62716,64,11,895	2464,11,11,895	5
23.	Defence Services—Navy	Voted:	9435,70,00,000	9586,21,03,457	150,51,03,457	6
54.	Other Expenditure of the Ministry of Home Affairs	Voted:	1361,47,00,000	1397,68,40,406	36,21,40,006	7
<b>GRAND TOTAL</b>			<b>131184,46,00,000</b>	<b>143836,70,32,722</b>	<b>12652,24,32,722</b>	
		Charged:	20,09,00,000	20,69,42,498	60,42,498	
		Voted:	131164,37,00,000	143816,00,90,224	12651,63,90,224	

**DEMAND NO. 13**

**DEPARTMENT OF POSTS**

Amount expended in excess of the Grant for the year ended 31st March, 2010, in respect of the **DEPARTMENT OF POSTS** under **MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY**.

Voted: Eight hundred eighteen crore twelve lakh ninety-nine thousand nine hundred seventy six rupees.

Section	Final Grant ₹	Actual Expenditure ₹	Excess ₹
Revenue			
Voted:	12526,70,00,000	13344,82,99,976	818,12,99,976

The original grant of ₹12090,10,00,000 was augmented by a supplementary grant of ₹436,60,00,000 obtained in March, 2010. Against the final grant of ₹12526,70,00,000 the actual expenditure was ₹13344,82,99,976 resulting in an excess expenditure of ₹818,12,99,976 which requires regularisation. The excess expenditure was incurred due to increase in rate of claims. Dearness Allowance hike, implementation of Gramin Dak Sewaks Committee Report, Modified Assured Career Progression Scheme, 10 days encashment of leave for Leave Travel Concession purpose, increase in salary and pension on implementation of Sixth Central Pay Commission recommendations and increase in cost of equipment and machinery, etc.

**DEMAND NO. 14**

DEPARTMENT OF TELECOMMUNICATIONS

Amount expended in excess of the Grant for the year ended 31st March, 2010, in respect of the **DEPARTMENT OF TELECOMMUNICATIONS** under **MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY**.

Voted: Eighty-seven crore eighty-one lakh sixty thousand four hundred eighty eight rupees.

Section	Final Grant ₹	Actual Expenditure ₹	Excess ₹
Revenue			
Voted:	10765,87,00,000	10853,68,60,488	87,81,60,488

The original grant of ₹10150,00,00,000 was augmented by a supplementary grant of ₹249,24,00,000 obtained in December, 2009 and ₹ 366,63,00,000 obtained in March, 2010. Against the final grant of ₹10765,87,00,000 the actual expenditure was ₹10853,68,60,488 resulting in an excess expenditure of ₹87,81,60,488 which requires regularisation. The excess expenditure was incurred due to the payment on account of implementation of Sixth Central Pay Commission recommendations.



**DEMAND NO. 20**

**MINISTRY OF DEFENCE**

Amount expended in excess of the Grant for the year ended 31st March, 2010, in respect of the **MINISTRY OF DEFENCE** under **MINISTRY OF DEFENCE**.

Voted: Ninety-five crore thirty-one lakh seventy-three thousand ninety seven rupees.

Section	Final Grant ₹	Actual Expenditure ₹	Excess ₹
Revenue			
Voted:	10822,35,00,000	10917,66,73,097	95,31,73,097

The original grant of ₹9895,93,00,000 was augmented by a supplementary grant of ₹29,81,00,000 obtained in December, 2009 and ₹ 896,61,00,000 obtained in March, 2010. Against the final grant of ₹10822,35,00,000 the actual expenditure was ₹10917,66,73,097 resulting in an excess expenditure of ₹ 95,31,73,097 which requires regularisation. The excess expenditure was incurred mainly due to setting of Regional Armed Forces Tribunal Benches located at various stations in India, implementation of Sixth Central Pay Commission recommendations, hike in prices of general office items & IT automation, additional movement of troops in the last month of financial year and more demand & supply of stores than expected in respect of Jammu & Kashmir Light Infantry due to their involvement in CI operations, requirement of additional funds for maintenance and repair of office buildings, etc. and payment of arrears on implementation of Sixth Central Pay Commission recommendations, large number of promotions in all categories of Central Government personnel to fill up the vacancies created due to 30 per cent increase in overall existing strength in compliance with CCS approval, procurement of Naval store items for new ships and repair/refit of operations unit of CGO.

The excess of ₹95,31,73,097 was the net effect of total excess of ₹ 166,89,35,097 less total Savings ₹71,57,62,000 under various Sub-Heads of the Grant.

**DEMAND NO. 21**

**DEFENCE PENSIONS**

Amount expended in excess of the Grant for the year ended 31st March, 2010, in respect of the **DEFENCE PENSIONS** under **MINISTRY OF DEFENCE**.

Voted: Eight thousand nine hundred ninety-nine crore fifty-four lakh one thousand three hundred five rupees.

Section	Final Grant ₹	Actual Expenditure ₹	Excess ₹
Revenue			
Voted:	25999,75,00,000	34999,29,01,305	8999,54,01,305

The original grant of ₹21789,75,00,000 was augmented by a supplementary grant of ₹2210,00,00,000 obtained in December, 2009 and ₹2000,00,00,000 obtained in March, 2010. Against the final grant of ₹25999,75,00,000 the actual expenditure was ₹34999,29,01,305 resulting in an excess expenditure of ₹8999,54,01,305 which requires regularisation. The excess expenditure was incurred due to payment of revised pension at higher rate under Sixth Central Pay Commission recommendation than assessed and booking of pending Pension scrolls received from banks to clear the amount under suspense.

Further, in view of the fact that expenditure, for which cash flow has already taken place in the books of Reserve Bank of India (RBI), was required to be brought to account, the pending pensions scrolls amounting to ₹8999,54,01,305 had to be booked under the Defence Pensions Head to clear the amount lying under RBI Suspense to reflect the true picture of cash flow from the Government account.

## DEMAND NO. 22

### DEFENCE SERVICES—ARMY

Amount expended in excess of the Grant for the year ended 31st March, 2010, in respect of the **DEFENCE SERVICES—ARMY** under **MINISTRY OF DEFENCE**.

*Charged: Sixty lakh forty-two thousand four hundred ninety eight rupees.*

Voted: Two thousand four hundred sixty-four crore eleven lakh eleven thousand eight hundred ninety five rupees.

Section	Final Grant ₹	Actual Expenditure ₹	Excess ₹
Revenue			
<i>Charged:</i>	20,09,00,000	20,69,42,498	60,42,498 (a)
Voted:	60252,53,00,000	62716,64,11,895	24,64,11,11,895(b)

(a) The original appropriation of ₹18,30,00,000 was augmented by a supplementary appropriation of ₹1,79,00,000 obtained in March, 2010. Against the final appropriation of ₹20,09,00,000 the actual expenditure was ₹20,69,42,498 resulting in an excess expenditure of ₹60,42,498 which requires regularisation. The excess expenditure was incurred due to finalisation of more number of court cases than anticipated.

(b) Against the final grant of ₹60252,53,00,000 the actual expenditure was ₹62716,64,11,895 resulting in an excess expenditure of ₹2464,11,11,895 which requires regularisation. The excess expenditure was incurred due to difference in the actual strength of officers/PBOR and the strength figure provided by MISO, reinstatement of the boarded out LMC personnel on account of Court Judgement, increased expenditure due to enhancement of DA & embodiment of TA for Prime Minister's TA Day Parade 2009-10 (Diamond Jubilee), payment of second instalment of pay arrears of Sixth Central Pay Commission recommendation, upward revision of travel entitlements after Sixth Central Pay Commission recommendation, payment of arrears of pay & allowances, spill over of expenditure from previous years, proof expenditure and rollover of procurement cycle of stores to the next financial year, etc.

**DEMAND NO. 23**

DEFENCE SERVICES—NAVY

Amount expended in excess of the Grant for the year ended 31st March, 2010, in respect of the **DEFENCE SERVICES—NAVY** under **MINISTRY OF DEFENCE**.

Voted: One hundred fifty crore fifty-one lakh three thousand four hundred fifty seven rupees.

Section	Final Grant ₹	Actual Expenditure ₹	Excess ₹
Revenue			
Voted:	9435,70,00,000	9586,21,03,457	150,51,03,457

The original grant of ₹ 8402,38,00,000 was augmented by a supplementary grant of ₹1033,32,00,000 obtained in March, 2010. Against the final grant of ₹9435,70,00,000 the actual expenditure was ₹ 9586,21,03,457 resulting in an excess expenditure of ₹ 150,51,03,457 which requires regularisation. The excess expenditure was incurred mainly due to operational necessity to hire boats for coastal security, variation in advance drawn by personnel for moves and amount claimed post Sixth Central Pay Commission entitlements, payments for committed liabilities and additional payment for pilots training in USA due to freshly concluded agreement not allocated in projections.

**DEMAND NO. 54**

OTHER EXPENDITURE OF THE MINISTRY OF HOME AFFAIRS

Amount expended in excess of the Grant for the year ended 31st March, 2010, in respect of the **OTHER EXPENDITURE OF THE MINISTRY OF HOME AFFAIRS under MINISTRY OF HOME AFFAIRS.**

Voted: Thirty six crore twenty one lakh forty thousand six rupees.

Section	Final Grant ₹	Actual Expenditure ₹	Excess ₹
Revenue			
Voted:	1361,47,00,000	1397,68,40,006	36,21,40,006

The original grant of ₹ 1353,54,00,000 was augmented by a supplementary grant of ₹ 7,92,00,000 obtained in December, 2009 and ₹ 1,00,000 obtained in March, 2010. Against the final grant of ₹ 1361,47,00,000 the actual expenditure was ₹ 1397,68,40,006 resulting in an excess expenditure of ₹ 36,21,40,006 which requires regularisation. The excess expenditure was incurred mainly due to increase in pension and dearness relief and release of pension to freedom fighters and their dependents.

**Action Taken (Department of Telecommunications)**

It is apprised that the excess expenditure incurred by Department of Telecommunications during 2009-10 has been duly regularized by the Parliament and intimated *vide* Ministry of Finance No. F. 7 (2)-B(SD)/2011, dated 29th March, 2012.

Sd/-  
Deputy Director General (TPF)

[Ministry of Communications & Information Technology/Department of Telecommunications, O.M. No. 1-20/2012-B, dated 25 April, 2012]

This has been vetted by D.G. Audit (P&T) with remarks "Seen, Thanks," *vide* their No. DGA (P&T) Rep. Tel-II (b) 400 Appropriation Accts/2009-10/DoT/149 dated 13.06.2012.

**Action Taken [Ministry of Defence (Grant No. 20)]**

The Committee have 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. 2, the Demand for Excess Grants for Rs. 95,31,73,097 under Demand No. 20—Ministry of Defence (Civil) relating to the financial year 2009-10 have already been passed by the Lok Sabha and the connected Appropriation Bill (No. 2), 2012 have also been passed by the Parliament and assented to by the President of India on March 29, 2012 and the Act has been published in the Gazette of India (Extraordinary) dated March 29, 2012 as Act No. 19 of 2012.

Sd/-  
(Veena Prasad)  
JS & Addl. FA (VP)

**Action Taken [Ministry of Defence (Grant No. 21)]**

The Committee have 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. 2, the Demand for Excess Grants for Rs. 8999,54,01,305 under Demand No. 21—Defence Pensions relating to the financial year 2009-10 have already been passed by the Lok Sabha and the connected Appropriation Bill (No. 2), 2012 have also been passed by the Parliament and assented

to by the President of India on March 29, 2012 and the Act has been published in the Gazette of India (Extraordinary) dated March 29, 2012 as Act No. 19 of 2012.

Sd/-  
(Veena Prasad)  
JS & Addl. FA (VP)

**Action Taken [Ministry of Defence (Grant Nos. 22 and 23)]**

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.

The Demand for Excess Grants for ₹ 24641111895 (voted), ₹ 6042498 (charged) under Demand No. 22-Defence Services-Army and for ₹ 1505103457 under Demand No. 23-Defence Services-Navy relating to the financial year 2009-10 has already been passed by the Lok Sabha and the connected Appropriation Bill (No. 2), 2012 have also been passed by the Parliament and assented to by the President of India on March 29, 2012 and the Act has been published in the Gazette of India (Extraordinary) dated March 29, 2012 as Act No. 19 of 2012.

Sd/-  
(Veena Prasad)  
Addl. FA (VP) & JS

[Ministry of Defence (Finance), O.M. F.No. 7(6)/Bud-I/2012, dated 18th June, 2012]

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

This has already been regularised by the Parliament.

Sd/-  
(S.C. Panda)  
Additional Secretary & Financial Adviser (Home)

(This 'Action Taken Note' has been vetted by O/O DGACR *vide* their U.O. No. RR/6-21/12-13/742, dated 29.1.2013)

[Ministry of Home Affairs O.M. No. 28/1/2012-Bgt. I, dated 18.2.2013]

**Action Taken (Department of Posts)**

The Revised Detailed explanatory notes on excess expenditure under Revenue (Voted) duly vetted by DG (Audit) *vide* DGAP&T U.O. No. Rep-Civil/1(b)400/ Appropriation Accounts/DoP/423, dated 3.2.2012 have been furnished to Lok Sabha

Secretariat (PAC Branch) for its regularization from the Parliament *vide* this Directorate's letter No. 20-5/2009-BGT(PA)/3924-26, dated 14.2.2012.

Sd/-  
DDG (PAF)

[MoC & IT/DoP, New Delhi, OM. No. 20-5/2009-BGT (PA), dated Feb., 2012]

**Action Taken (Ministry of Railways)**

The excess expenditure of ₹ 1922.84 cr. incurred by Ministry of Railways during 2009-10 has been regularized by Parliament in the budget session, 2012 (copy enclosed).

Audit *vide* their U.O. No. 7-RA-III/2-1/11, dated 27.04.2012 have vetted the ATN with the remarks "Seen, Thanks".

Sd/-  
(V. Vaidehi)  
Ex. Director Finance (BC)

[Ministry of Railways' case No. 2011-BC-PAC/XV/40, dated 15.06.2012)]



**2009-10**  
DEMANDS FOR EXCESS GRANTS  
FOR EXPENDITURE OF THE  
CENTRAL GOVERNMENT ON RAILWAYS

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]

BUDGET SESSION, 2012

## **INTRODUCTORY**

The Demand for Excess Grants relates to the expenditure incurred during 2009-10 in Excess of amount granted by Parliament and presented for regularization under Article 115(1)(b) of the Constitution of India.

Excess expenditure aggregating to Rs. 1922.58 cr. has been incurred under 'Voted' portion of Grant No. 4, 5, 6, 8, 9, 12, 13 & 15 and Rs. 0.26 cr. under Charged Appropriation No. 3 & 5.

The reasons for excess are:—

### **Voted Grants**

- Grant No. 4: Repairs & Maintenance of Permanent Way & Works — (Rs. 54,49,81,635):— Mainly due to more expenditure towards staff cost due to implementation of the recommendations of the 6th Central Pay Commission, more direct purchases, more payment towards contractual obligations, etc.
- Grant No. 5: Repairs & Maintenance of Motive Power—(Rs. 88,71,27,842):— Mainly due to more expenditure towards staff cost due to implementation of the recommendations of the 6th Central Pay Commission, more drawal of stores from stock, more direct purchases, more payment towards contractual obligations, etc.
- Grant No. 6: Repairs & Maintenance of Carriages & Wagons—(Rs. 161,20,05,393):— Mainly due to more expenditure towards staff cost due to implementation of the recommendations of the 6th Central Pay Commission, more drawal of stores from stock, more direct purchases, more payment towards contractual obligations, etc.
- Grant No. 8: Operating Expenses-Rolling Stock & Equipment—(Rs. 35,20,77,632):— Mainly due to more expenditure towards staff cost due to implementation of the recommendations of the 6th Central Pay Commission, etc.
- Grant No. 9: Operating Expenses-Traffic—(Rs. 26,30,83,601):—Mainly due to more expenditure towards staff cost due to implementation of the recommendations of the 6th Central Pay Commission, more payment towards contractual obligations for handling collection and delivery of goods due to increase in activities etc.
- Grant No. 12: Miscellaneous Working Expenses—(Rs. 39,87,35,318):—Mainly due to more expenditure under Compensation Claims, Workmen's and Other Compensation Claims, Catering and the head Miscellaneous Advance Revenue (Others) etc.
- Grant No. 13: Provident Fund, Pension and Other Retirement benefits— (Rs. 1512,26,50,695):— The excess occurred mainly under Superannuation and Retiring Pension, Commuted Pension, Death-cum-Retirement Gratuity, mainly due to receipt of more debits from various

pension disbursing authorities because of disbursement of arrears on account of implementation of 6th Pay Commission, finalisation of more cases of voluntary Retirement and Death-cum-Retirement Gratuity, etc.

Grant No. 15: Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortisation of Over-Capitalisation—(Rs. 4,51,03,762):— More payment of dividend to General Revenues mainly due to increase in the dividend bearing capital.

#### Charged Appropriation

Grant No. 3: General Superintendence & Services on Railways—(Rs. 24,21,286):— Due to more decretal payments than anticipated.

Grant No. 5: Repairs & Maintenance of Motive Power—(Rs. 1,74,024):— Due to decretal payments not anticipated earlier.

The Public Accounts Committee (2011-12)—15th Lok Sabha after examining the excess have recommended its regularization *vide* para 14 of Part-II of their 40th Report on Excess over Voted Grants and Charged Appropriations (2009-10).

The Grant-wise position of the Excess expenditure is summarised below:—

(In Rs.)

No. of Grant	Grant		Amount of Final Grant/ Appropriation	Actual Expenditure	Excess	Reference to page of the Booklet
3	General Superintendence & Services on Railways	<i>Charged</i>	10.58,000	34,79,286	24,21,286	1
4	Repairs & Maintenance of Permanent Way & Works	Voted	7440,75,58,000	7495,25,39,635	54,49,81,635	2
5	Repairs & Maintenance of Motive Power	Voted <i>Charged</i>	3388,32,41,000	3477,03,68,842 1,74,024	88,71,27,842 1,74,024	3
6.	Repairs & Maintenance of Carriages & Wagons	Voted	7692,48,75,000	7853,68,80,393	161,20,05,393	4
8	Operating Expenses-Rolling Stock & Equipment	Voted	5947,28,40,000	5982,49,17,632	35,20,77,632	5
9	Operating Expenses-Traffic	Voted	11819,90,61,000	11846,21,44,601	26,30,83,601	6
12	Miscellaneous Working Expenses	Voted	3157,64,58,000	3197,51,93,318	39,87,35,318	7
13	Provident Fund, Pension and other Retirement Benefits	Voted	15398,81,73,000	16911,08,23,695	1512,26,50,695	8
15	Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortisation of Over-Capitalisation	Voted	5538,83,00,000	5543,34,03,762	4,51,03,762	9
Total		Voted	60384,05,06,000	62306,62,71,878	1922,57,65,878	
		<i>Charged</i>	10,58,000	36,53,310	25,95,310	

**DEMAND NO. 3—RAILWAYS**

**REVENUE**

**GENERAL SUPERINTENDENCE AND SERVICES ON RAILWAYS**

Amount expended in excess of the Grant for the year ended 31st March, 2010 in respect of General Superintendence and Services on Railways.

Charged: Rupees twenty four lakh, twenty one thousand, two hundred and eighty six only.

Final Appropriation	Actual Expenditure	Excess	Percentage of Excess
₹	₹	₹	
10,58,000	34,79,286	24,21,286	228.86%

This Demand deals with the expenditure on General Superintendence and Services on Railways.

The excess of ₹ 24.21 lakh under '*Charged*' appropriation, which works out to 228.86 per cent of the Final Appropriation of ₹10.58 lakh, is due to more decretal payments than anticipated.

**DEMAND NO. 4 — RAILWAYS**

**REVENUE**

**REPAIRS & MAINTENANCE OF PERMANENT WAY & WORKS**

Amount expended in excess of the Grant for the year ended 31st March, 2010 in respect of Repairs & Maintenance of Permanent Way & Works.

Voted : Rupees fifty four crore, forty nine lakh, eighty one thousand, six hundred and thirty five only.

Final Grant	Actual Expenditure	Excess	Percentage of Excess
₹	₹	₹	
7440,75,58,000	7495,25,39,635	54,49,81,635	0.73%

This Demand deals with the expenditure on Repairs & Maintenance of Permanent Way & Works.

The excess of ₹54.50 crore under 'Voted' portion, which works out to 0.73 per cent of the Final Grant of ₹ 7440.76 crore, has occurred mainly under Establishment in Offices, Maintenance of Permanent Way, Water Supply, Sanitation and Roads (Other than Colonies, Staff Quarters and Welfare Buildings) and Other Repairs and maintenance, mainly due to more expenditure towards staff cost due to implementation of the recommendations of the 6th Central Pay Commission, more payment towards contractual obligations, more direct purchases, etc.

**DEMAND NO. 5 — RAILWAYS**

**REVENUE**

**REPAIRS & MAINTENANCE OF MOTIVE POWER**

Amount expended in excess of the Grant for the year ended 31st March, 2010 in respect of Repairs & Maintenance of Motive Power.

Voted: Rupees eighty eight crore, seventy one lakh, twenty seven thousand, eight hundred and forty two only.

Final Grant	Actual Expenditure	Excess	Percentage of Excess
₹	₹	₹	
3388,32,41,000	3477,03,68,842	88,71,27,842	2.62%

Charged: Rupees one lakh, seventy four thousand and twenty four only.

Final Appropriation	Actual Expenditure	Excess	Percentage of Excess
₹	₹	₹	
„	1,74,024	1,74,024	∞

This Demand deals with the expenditure on Repairs & Maintenance of Motive Power.

The excess of ₹ 88.71 crore under 'Voted' portion, which works out to 2.62 per cent of the Final Grant of ₹ 3388.32 crore, has occurred mainly under Establishment in Offices, Diesel Locomotives and Electric Locomotives, mainly due to more expenditure towards staff cost due to implementation of the recommendations of the 6th Central Pay Commission, more drawal of stores from stock, more direct purchases, more payment towards contractual obligations etc.

The excess of ₹ 1.74 lakh under 'Charged' appropriation is due to decretal payments not anticipated earlier.

**DEMAND NO. 6—RAILWAYS**

**REVENUE**

**REPAIRS & MAINTENANCE OF CARRIAGES & WAGONS**

Amount expended in excess of the Grant for the year ended 31st March, 2010 in respect of Repairs & Maintenance of Carriages & Wagons.

Voted : Rupees one hundred and sixty one crore, twenty lakh, five thousand, three hundred and ninety three only.

Final Grant	Actual Expenditure	Excess	Percentage of Excess
₹	₹	₹	
7692,48,75,000	7853,68,80,393	161,20,05,393	2.10%

This Demand deals with the expenditure on Repairs & Maintenance of Carriages & Wagons.

The excess of ₹161.20 crore under 'Voted' portion, which works out to 2.10 per cent of the Final Grant of ₹7692.49 crore, has occurred mainly under Establishment in Offices, Carriages, Wagons, Electric Multiple Unit coaches and Electrical General Services—Train lighting, Fans and Air-conditioning, mainly due to more expenditure towards staff cost due to implementation of the recommendations of the 6th Central Pay Commission, more drawal of stores from stock, more direct purchases, more payment towards contractual obligations etc.

**DEMAND NO. 8—RAILWAYS**

**REVENUE**

**OPERATING EXPENSES—ROLLING STOCK AND EQUIPMENT**

Amount expended in excess of the Grant for the year ended 31st March, 2010 in respect of Operating Expenses—Rolling Stock & Equipment.

Voted : Rupees thirty five crore, twenty lakh, seventy seven thousand, six hundred and thirty two only.

Final Grant	Actual Expenditure	Excess	Percentage of Excess
₹	₹	₹	
5947,28,40,000	5982,49,17,632	35,20,77,632	0.59%

This Demand deals with the expenditure on Operating Expenses—Rolling Stock & Equipment.

The excess of ₹35.21 crore under 'Voted' portion, which works out to 0.59 per cent of the Final Grant of ₹5947.28 crore, has occurred mainly under Diesel & Electrical Locomotives, mainly due to more expenditure towards staff cost due to implementation of the recommendations of the 6th Central Pay Commission.



**DEMAND NO. 9—RAILWAYS**

**REVENUE**

**OPERATING EXPENSES—TRAFFIC**

Amount expended in excess of the Grant for the year ended 31st March, 2010 in respect of Repairs & Maintenance of Plant & Equipment.

Voted: Rupees twenty six crore, thirty lakh, eighty three thousand, six hundred and one only.

Final Grant	Actual Expenditure	Excess	Percentage of Excess
₹	₹	₹	
11819,90,61,000	11846,21,44,601	26,30,83,601	0.22%

This Demand deals with the expenditure on Operating Expenses—Traffic.

The excess of ₹26.31 crore under 'Voted' portion, which works out to 0.22 per cent of the Final Grant of ₹11819.91 crore, has occurred under Station & Trains operations, mainly due to more expenditure towards staff cost due to implementation of the recommendations of the 6th Central Pay Commission, more contractual obligations for handling collection and delivery of goods due to increase in activities, etc.

**DEMAND NO. 12—RAILWAYS**

**REVENUE**

**MISCELLANEOUS WORKING EXPENSES**

Amount expended in excess of the Grant for the year ended 31st March, 2010 in respect of Miscellaneous Working Expenses.

Voted : Rupees thirty nine crore, eighty seven lakh, thirty five thousand, three hundred and eighteen only.

Final Grant	Actual Expenditure	Excess	Percentage of Excess
₹	₹	₹	
3157,64,58,000	3197,51,93,318	39,87,35,318	1.26%

This Demand deals with the expenditure on Miscellaneous Working Expenses.

The excess of ₹39.87 crore under 'Voted' portion, which works out to 1.26 per cent of the Final Grant of ₹3157.65 crore, has occurred mainly due to more Compensation claims, Workmen's and Other Compensation Claims, Catering payments and Miscellaneous Advance Revenue (Others) etc.

**DEMAND NO. 13—RAILWAYS**

**REVENUE**

**PROVIDENT FUND, PENSION AND OTHER RETIREMENT BENEFITS**

Amount expended in excess of the Grant for the year ended 31st March, 2010 in respect of Provident Fund, Pension and other Retirement Benefits.

Voted : Rupees one thousand five hundred twelve crore, twenty six lakh, fifty thousand, six hundred and ninety five only.

Final Grant	Actual Expenditure	Excess	Percentage of Excess
₹	₹	₹	
15398,81,73,000	16911,08,23,695	1512,26,50,695	9.82%

This Demand deals with the expenditure on Provident Fund, Pension and other Retirement Benefits.

The excess of ₹1512.27 crore under 'Voted' portion, which works out to 9.82 per cent of the Final Grant of ₹15398.82 crore, has occurred under Superannuation and Retiring Pension, Commuted Pension, Death-cum-Retirement Gratuity mainly due to receipt of more debits from various pension disbursing authorities because of disbursement of arrears on account of implementation of 6th Pay Commission, finalisation of more cases of voluntary Retirement and Death-cum-Retirement Gratuity, etc.

**DEMAND No. 15 — RAILWAYS**

**REVENUE**

**DIVIDEND TO GENERAL REVENUES, REPAYMENT OF LOANS  
TAKEN FROM GENERAL REVENUES AND AMORTISATION OF  
OVER-CAPITALISATION**

Amount expended in excess of the Grant for the year ended 31st March, 2010 in respect of Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortisation of Over-Capitalisation.

Voted : Rupees four crore, fifty one lakh, three thousand, seven hundred and sixty two only.

Final Grant	Actual Expenditure	Excess	Percentage of Excess
₹	₹	₹	
5538,83,00,000	5543,34,03,762	4,51,03,762	0.08%

This Demand deals with the expenditure on Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortisation of Over-Capitalisation.

The excess of ₹4.51 crore under 'Voted' portion, which works out to 0.08 per cent of the Final Grant of ₹5538.83 crore, is mainly due to more payment of dividend to General Revenues due to increase in the dividend bearing Capital.

### **CHAPTER III**

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

—NIL—

## CHAPTER IV

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

#### **Observation/Recommendation**

Scrutiny of the cases of excess registering Grants and Appropriations for the financial year 2009-2010 indicates huge variations in the quantum of excess expenditure incurred under 18 Grants/Appropriations with the bulk of the excess in the Grants relating to Defence Services. In the Civil Sector as much as 97.62 per cent of the total excess expenditure was incurred under Grant No. 21 (Revenue Voted)—Defence Pensions alone while Grant No. 14—Department of Telecommunications, Grant No. 20—Ministry of Defence and Grant No. 54—Other Expenditure of the Ministry of Home Affairs registered 0.95 per cent, 1.03 per cent and 0.39 per cent respectively, In the Defence Sector, Grant No. 22 (Revenue Voted)—Defence Services—Army Accounted for 94.22 per cent whereas Grant No. 23 (Revenue Voted)—Defence Services—Navy and Grant No. 22 (Revenue Charged) Defence Services—Army recorded 5.76 per cent and 0.02 per cent respectively. As regards the Railways, about 94.50 per cent of the total excess expenditure was incurred under 4 Grants only *i.e.* (i) Grant No. 4—Repairs and Maintenance of Permanent Way and Works; (ii) Grant No. 5—Repairs and Maintenance of Motive Powers; (iii) Grant No. 6—Repairs and Maintenance of Carriages and Wagons; and (iv) Grant No. 13—Provident Fund, Pension and Other Retirement Benefits. The Committee wish to caution that expenditure over and above the budgetary provisions sanctioned by the Parliament at different stages of the budget does not augur well for fiscal prudence and fiscal consolidation besides undermining the Parliamentary financial control. The unabated large excess expenditure by these defaulter Ministries/Departments is axiomatic of the fact that they have not taken any tangible corrective measures. Deplorably, such a trend also indicates that Ministries/Departments have not accorded due importance to the guiding principles of budgeting *i.e.* plugging of the existing loopholes and deficiencies with a view to restricting the quantum of excess expenditure to the barest minimum so as to ensure judicious and equitable distribution of scarce financial resources for achieving all round growth of different sectors. The Committee urge upon the defaulting Ministries/Departments to find innovative steps for ushering in a system of budgeting whereby the exercise is not only made more accurate, logical and practicable but also able to eliminate all budgetary and financial irregularities. Taking note of the persisting trend of excess expenditure and considering the fact that the problem is not intractable with effective application of IT and e-governance, the Committee recommend that the Ministry of Finance make it incumbent upon the Financial Advisers and the Budget

Controlling authorities to ensure that no excess expenditure takes place in future. The Committee would like to be apprised of the instructions issued by them in this behalf.

[Appendix-II, Paragraph 3 of Fortieth Report of PAC (Fifteenth Lok Sabha)]

**Action Taken (Ministry of Finance)**

- Scrutiny of the Appropriation Accounts of Postal Services, Defence Services and Civil Services reveals that there is an overall savings of Voted Grants/Appropriation. However, excess expenditure occurred in one of the Section of Voted Grants/Appropriations to the tune of ₹ 14,575.08 crore that required regularisation of expenditure;
- Ministry of Finance issues Budget Circular every year bringing out various Government instructions and also steps to be undertaken to formulate the Budget. While seeking proposals for Supplementary Demands for Grants also, instructions are issued to realistically project for the Budget, so that neither there is an occasion for huge surrender of Budget nor there are huge excesses. The Budget circular is followed up with meeting the Financial Advisers of various Ministries/Departments, so that a micro review is undertaken at the apex level of Ministry of Finance for realistic Budget requirement;
- During the pre-budget discussions held by Ministry of Finance, review of expenditure is done Scheme-wise in respect of all Ministries/Departments, so that realistic budget is framed and approved by the Parliament. Ministry of Finance during the three batch of Supplementary Demands for Grants, also take an opportunity to frame realistic assessment of the expected expenditure for the year;
- **Trend of excess Grants for the past five years reveal that the incidence of excess expenditure has reduced considerably in respect of Ministries/Departments other than Railways...from ₹ 42,227.20 crore in FY 2003-2004 to ₹14,575.08 crore in FY 2009-2010;**
- Ministry of Finance has been issuing instructions in the past emphasizing the need to control of expenditure with reference to the sanctioned Grant/Appropriation. Recently, on 11th July, 2011, an Office Memorandum (copy enclosed) was issued to all the Ministries/Departments emphasizing this and suggesting the following measures:—
  - (a) Preparation and circulation of Monthly Financial Review Analysis to the Administrative Heads for monitoring the progress of expenditure, and also to enable them to take remedial action wherever required;
  - (b) Convening regular internal meetings with all spending units for effecting expenditure control;
  - (c) Ensuring realistic projection of Budget Estimates/Supplementary Estimates and also ensuring that expenditure incurred is within the Budget as envisaged in General Financial Rules, 2005 so that there is no occasion for incurring excess expenditure;

- (d) Putting in place/reviewing/strengthening systems for monthly monitoring of the flow/trends of expenditure so as to avoid recurrence of excess expenditure.
- As brought out above, a comprehensive and detailed Budget Circulars duly indicating the measures required to be taken by the Ministries/Departments has been issued by the Ministry of Finance. During the recently held pre-budget meeting this time, as an **innovative measures**, approved budgetary ceilings were reviewed and corrected till as late as mid-February, 2012, keeping in view the latest trend of expenditure. For this purpose, Ministry of Finance (Budget Division) relief upon the booking of expenditure data available in the **e-Lekha** software maintained by the Office of Controller General of Accounts, Department of Expenditure, Ministry of Finance.

Given the complex nature and variety of Government spending, it is not feasible to precisely estimate in advance all the expenditure requirements for the financial year, as well as the requirements arising out of the unanticipated/unforeseen development during the course of the year. However, Ministry of Finance is taking proactive action in precisely estimating the expenditure and will continue to do so in future also, so that the incidence of excess is kept minimum, if not completely eliminated.

This Note has been vetted by Audit *vide* their U.O. No. RR/1-58/11-12/979, dated the 23rd March, 2012.

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

[Ministry of Finance, Department of Economic Affairs (Budget Division),  
New Delhi-110 001 O.M.No. F7 (2)-B (SD)/2011, dated the 2nd April, 2012]



**PAC Matter/Most Important**

F.7(3)-B(SD)2010  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
(BUDGET DIVISION)

New Delhi, dated the 11th July, 2011

OFFICE MEMORANDUM

**Subject:** Control of expenditure against the sanctioned grant/appropriation—  
Observations of the Public Accounts Committee.

The Public Accounts Committee in their 22nd Report (15th Lok Sabha) relating to 'Excess Expenditure over the Voted Grants and Charged Appropriation (2008-2009)' have taken a serious view of expenditure incurred in excess of the provisions authorized by the Parliament. It has been observed there in that the percentage of excess expenditure over the Total Grant ranged from 0.0007 per cent (Defence—Pension) to 76.96 per cent (Railways Appropriation No. 16—Assets-Acquisition, Construction and Replacement—Capital). In six cases, the percentage was more than 5 per cent over the Original Grant. The Committee has expressed their displeasure over incurring such huge amount of excess expenditure over the Total/original Grants, which is a clear indication of poor budgeting on the part of Ministries concerned. Further, the Committee feels that incurring excess expenditure of more than 5 per cent of the Total Grant despite obtaining Supplementary Grant/appropriation is a pointer towards the total failure of the Ministries concerned in anticipating the funds required for which special efforts are needed in future to avoid recurrence of such instances. It has also been recommended that in future the concerned Ministries should ensure that under no circumstances the excess over Final Grants should exceed more than 5 per cent.

2. Ministry of Finance has been issuing instructions in the past emphasizing the need of control of expenditure with reference to the sanctioned Grant/Appropriation. Keeping in view the observations of the Public Accounts Committee and the extant rules/instructions, it is once again emphasized that strict watch should be kept over the flow of expenditure against the sanctioned grant by regular monitoring as provided in Rules 54, 58, 59, 60 and 61, Chapter 3 of General Financial Rules, 2005 so that the expenditure does not exceed the amounts authorized by the Parliament.

3. All the Ministries/Departments may consider taking necessary measures with a view to minimize/eliminate the incidence of excess expenditure by having in place judicious management of budgetary provisions and also ensure that expenditure is within the original/supplementary appropriation or valid re-appropriation as the case may be. Some of the steps suggested are:—

- (a) Preparation and circulation of Monthly Financial Review Analysis to the Administrative Heads for monitoring the progress of expenditure, and also to enable them to take remedial action wherever required;

- (b) Convening regular internal meetings with all spending units for effecting expenditure control;
- (c) Ensuring realistic projection of Budget Estimates/Supplementary Estimates and also ensuring that expenditure incurred is within the Budget as envisaged in General financial Rules, 2005 so that there is no occasion for incurring excess expenditure;
- (d) Putting in place/reviewing/strengthening system for monthly monitoring of the flow/trends of expenditure so as to avoid recurrence of excess expenditure.

4. The above instructions if implemented are expected to achieve the desired result of curtailing the incidence of excess expenditures.

5. This issues with the approval of Secretary (Expenditure).

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

To

All Financial Advisers  
Ministries/Departments  
(as per standard mailing list)

**Action Taken (Department of Telecommunications)**

The Department of Telecommunications strives to ensure that due care is being taken to maintain fiscal discipline. Instructions have been issued to all the subordinates units of the Department to ensure fiscal discipline in expenditure. All corrective measures are being taken to ensure accurate, logical and realistic budgeting. Efforts are also being made to ensure that expenditure is limited to the budgetary allocation.

It is also apprised that as a result of the measures taken no excess expenditure was incurred during 2010-11.

Sd/-

Deputy Director General (TPF)

[Ministry of Communications & Information Technology/Department of Telecommunications O.M. No. 1-20/2012-B, dated 22nd February, 2013]

This has been vetted by D.G. Audit (P&T) with remarks "seen, thanks" *vide* their U.O. No. Report Tele-II/Appn. A/cs/DOT/2009-10/726, dated 04.03.2013.

**Action Taken [Ministry of Defence (Grant No. 20)]**

In this paragraph, the Committee have observed that in so far as Civil Ministries are concerned, the excess expenditure incurred under Grant No. 20—Ministry of Defence (Civil) is 1.03 per cent of total excess expenditure registered under the Civil Sector in FY 2009-10. In this context, it is submitted that the excess is under prescribed permissible limit *i.e.* 5% as the variation is up to 0.88% only under Grant No. 20—Ministry of Defence (Civil) over Total/Final Grants. Moreover, it is mentioned that incurring of excess expenditure under Ministry of Defence (Civil)—Grant No. 20 is not a recurring instance and excess under this Grant has not been registered for earlier financial years till 2008-09. With a view to plugging of the existing loopholes, deficiencies and to restricting the quantum of excess expenditure to the barest minimum, the Ministry have circulated to all the Budget controlling authorities and IFA concerned, from time to time, the instructions issued by Ministry of Finance, to exercise strict control on progress of Expenditure in order to avoid any large scale savings or excess under the Grant No. 20—Ministry of Defence (Civil). Moreover, the observation made by PAC has been noted by the Ministry of Defence (Civil) for future guidance and for compliance.

Further, the Committee have recommend that the Ministry of Finance make it incumbent upon the Financial Advisers and the Budget Controlling authorities to ensure that no excess expenditure takes places in future. In this regard, Ministry of Defence would take necessary follow up action on the instructions issued by Ministry of Finance.

Sd/-

(Veena Prasad)

JS &amp; Addl. FA (VP)

**Action Taken [Ministry of Defence (Grant No. 21)]**

In this paragraph, the Committee have observed that in so far as civil Ministries are concerned, the excess expenditure of Rs. 8999.54 cr. has been incurred under

Grant No. 21—Defence Pensions which is 34.61 per cent of total excess expenditure registered under in the Civil Sector in FY 2009-10. The excess under Grant No. 21—Defence Pensions was mainly due to payment of revised pension at higher rate under VI CPC than assessed and booking of pending pension scrolls received from banks to clear amount under suspense.

Although the requests for augmentation of funds were made by the PCDA (P) Allahabad/CGDA but the same could not be acceded to on account of shortage of funds by Ministry of Finance.

Further, in view of the fact that expenditure, for which cash flow has already taken place in the books of RBI, was required to be brought to account, the pending pensions scrolls amounting to Rs. 8999.54 cr. had to be booked under the Defence Pensions Head to clear the amount laying under RBI Suspense to reflect the true picture of cash flow from the Government account.

However, as a measure of control, the Government of India in the Ministry of Defence have been advising the budget estimating authorities of Defence Pensions to prepare their budget proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenditure and concrete remedial action must be taken immediately to arrest the excess to an optimum level. In this regard, this Office has issued instructions *vide* ID No. 2(6)/MO/2009-10/721, dt. 29.06.2010 avoid any excess expenditure over the sanctioned Grant and to assess the requirement of funds properly. In order to have strict control, the instructions issued by the Ministry of Finance, Department of Economic Affairs, were also circulated *vide* this Division ID No.(s) (i) MoD(Fin.) ID No. 1(9)/Fin.(MO)/2011-12/708, dated 07.06.2011 & (ii) ID No. 1(9)/Fin. (MO)/2011-2012/933 dated 21.07.2011 on the subject—"Steps for Fiscal and Expenditure Management in 2011 regarding taking various steps in order to adhere to fiscal targets set out in the Budget 2011-12 and for better expenditure management.

Further, Pension disbursement agencies *viz.* Banks have been approached for transmission of pension payment data electronically so as to enable PCDA(P) Allahabad to ensure correct and timely booking of pension expenditure by automating classification and accounting system through computerized system.

Sd/-  
(Veena Prasad)  
JS & Addl. FA(VP)

#### **Action Taken [Ministry of Defence (Grant Nos. 22 and 23)]**

In this paragraph, the Committee has urged upon the defaulting Ministries/ Departments to find innovative steps for ushering in a system of budgeting to eliminate all budgetary irregularities. The Committee has also recommended that the Ministry of Finance make it incumbent upon the Financial Advisers and the Budget Controlling authorities to ensure that no excess expenditure takes place in future. The Committee would like to be apprised of the instructions issued by them in this behalf.

This Ministry makes all efforts to ensure strict budgetary discipline among all the budget holders to curb excess expenditure.

Further, necessary action in this regard is to be taken by Ministry of Finance. This Ministry would certainly follow the instructions of Ministry of Finance in curbing excess expenditure in letter and spirit.

Sd/-  
(Veena Prasad)  
Addl. FA (VP) & JS

[Ministry of Defence (Finance) O.M. F.No. 7(6)/Bud-I/2012, dated 18th June, 2012]

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

It may be seen from the above that, **huge variations in the quantum of excess expenditure incurred** was due to requirement of additional funds to meet cost of increase in pension and dearness relief and grant to pension to the participants of freedom fighters and their dependents on various liberation movements. The disbursement of pension to freedom fighters/spouses of deceased freedom fighters/eligible dependants of deceased freedom fighters is made through treasuries and over 32,000 branches of Nationalized Banks spread all over the country. The Ministry does not make any payment directly to the beneficiaries. Individual Banks make the payment of pension to the beneficiaries and get their reimbursement from RBI, Nagpur. The RBI in turn intimates the CPAO expenditure booked to the Government account. All Accountants General prefer their claims with CPAO which in turn reimburse the amount to State Governments.

Sd/-  
(S.C. Panda)  
Additional Secretary & Financial Adviser (Home)

(This 'Action Taken Note' had been vetted by O/o DGACR *vide* their U.O. No. RR/6-21/12-13/742, dated 29.1.2013)

[Ministry of Home Affairs O.M. No. 28/1/2012-Bgt. I, dated 18/2/2013]

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

Department of Posts ensures to make realistic requirement of funds and to maintain fiscal discipline in spending the public money in future. For this purpose the instructions have been issued to all the subordinates units/Budget Controlling authorities to project realistic demand for fund and to monitor the expenditure accordingly. Moreover the proposal of the Department was re-assessed by the Ministry of Finance to reduce the ceiling of expenditure during the Pre-budget discussions which resulted in excess expenditure.

However, the Department of Posts, besides issuing instructions to observe austerity measure in incurring expenditure to the fund controlling authorities reviews the expenditure by conducting Video Conference with the Heads of Circles to monitor

the same in terms of Grant. This has an effective control over expenditure *vis-a-vis* Grant.

Sd/-  
DDG(PAF)

[MoC & IT/DoP, New Delhi O.M. No. 20-5/2009- BGT (PA), dated Feb., 2012]

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

The para brings out the Grant-wise factual position of excess expenditure incurred by various central ministries including the Railways. Most of the excess incurred by Ministry of Railways is attributable to steep rise in the staff cost consequent upon implementation of the recommendations of the 6th Central Pay Commission (6th CPC). Bulk of the excess has been incurred in four Grants *i.e.* 4, 5, 6 & 13. The Committee may appreciate the fact that despite the difficulty in accurately assessing the impact of implementation of the recommendations of the 6th CPC, the excess under Grant Nos. 4, 5 & 6 is minor in terms of percentage to the total sanctioned amount under each grant. However, the same under Grant No. 13 is high at 10%.

The concerns of the Committee are noted.

Audit *vide* their U.O. No. 7-RA-III/2-1/11 dated 27.04.2012 have vetted the ATN with the remarks "Seen. Thanks".

Sd/-  
(V. Vaidehi)  
Ex. Director Finance (BC)

[Ministry of Railways' case No. 2011-BC-PAC/XV/40, dated 15.06.2012]

#### **Observation/Recommendation**

The Committee note with profound concern that out of the total 18 cases of excess registering Grants/Appropriations, an excess expenditure of Rs. 12071.08 crore was incurred in as many as 15 cases even after obtaining Supplementary Grants/Appropriations to the extent of Rs. 10628.59 crore. The percentage of excess expenditure over the Supplementary Grants in respect of these 15 Grants/Appropriations ranged from 4.12 per cent [Grant No. 9 (Railways)—Operating Expenses—Traffic] to 456.67 per cent (Grant No. 54—Other Expenditure of the Ministry of Home Affairs) and in 8 cases this percentage was more than 50 per cent. To give the sector-wise details, Supplementary Grants to the tune of Rs. 5760.22 crore, Rs. 1035.11 crore, Rs. 436.60 crore and Rs. 3396.66 crore pertaining to the Civil, Defence, Postal and Railway Sectors respectively fell short of the actual expenditure by Rs. 9218.89 crore, Rs. 151.11 crore, Rs. 818.13 crore and Rs. 1882.95 crore in that order. In respect of six Grants and Appropriations the quantum of excess expenditure incurred has been even higher than the Supplementary Grants sought. The Committee deplore the tendency of

the defaulting Ministries/Departments in resorting to excess expenditure despite obtaining huge sums of Supplementary Grants in a routine manner. What is more perplexing is that these Ministries/Departments could not realistically project their requirement of funds even after three stages of obtaining Supplementary Grants the latest being February-March 2010 *i.e.* the fag end of the financial year. This is a clear indication of not only of bad budgeting but also of deeply pervading malaise in the extant budgeting method/mechanism, which has failed to ensure proper assessment and accurate projection of the fund requirement despite ample opportunities for seeking parliamentary approval. It also exposes the hollow claim of the Ministries/Departments that they monitor the flow of the excess expenditure. The Committee, therefore, recommend that the Ministries/Departments concerned probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and the budget controlling officers responsible so that no excess expenditure is incurred and strict fiscal discipline is maintained.

[Para 5 of the Fortieth Report of the Public Accounts Committee (15th Lok Sabha)]

**Action Taken (Department of Telecommunications)**

The recommendations of the Committee have been noted. All corrective measures are being taken to ensure framing of balanced and realistic budget estimate. Efforts are also being made to ensure that expenditure is limited to the budgetary allocation. As a result of the measures taken no excess expenditure was incurred during 2010-11.

Sd/-

Deputy Director General (TPF)

[Ministry of Communications & Information Technology/Department of Telecommunications O.M.No. 1-20/2012-B, dated 25 April, 2012]

This has been vetted by DG Audit (P&T) with remarks "Department of Telecommunications may ensure projection of Fund on realistic basis to avoid any excess/saving of Fund under various Head of Accounts", *vide* their No. Report -Tele-II(b) 400 Appropriation Acts/2009-10/ DoT/141 dated 04.06.2012.

**Action Taken [Ministry of Defence (Grant No. 20)]**

In this paragraph, the Committee have noted that in most of the cases, excess registered in grants, the excess took place despite the Ministries obtaining huge sums of Supplementary Grants. The excess registering Grant pertaining to Civil Ministries *i.e.* Grant No. 20—Ministry of Defence (Civil), obtained a Supplementary Grant of Rs. 926.42 crore. Even then, the actual expenditure exceeds the budgetary provisions by Rs. 95.32 crore which is 10.29 per cent of total amount of Supplementary Grants obtained under Grant No. 20. The Committee deplores the tendency of the Ministries/Departments in resorting to excess expenditure despite obtaining huge sums of Supplementary Grants in a routine manner. The Committee have, therefore, recommended that the concerned Ministries/Departments concerned to probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and the budget controlling officers

responsible so that no excess expenditure is incurred and strict fiscal discipline is maintained.

In this regard the Ministry of Defence has issued instructions, from time to time, to exercise strict control on progress of Expenditure in order to avoid any large-scale savings or excess under any grant relating to Civil Estimate.

In so far as putting in place effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and pragmatic is concerned, this Ministry would take follow up action in accordance with the instructions of Ministry of Finance in this regard.

Sd/-  
(Veena Prasad)  
JS & Addl. FA (VP)

**Action Taken [Ministry of Defence (Grant No. 21)]**

In this paragraph, the Committee have noted that in most of the excess registered in grants, the excess took place despite the Ministries obtaining huge sums of Supplementary Grants. The excess registering Grant pertaining to Civil Ministries *i.e.* Grant No. 21—Defence Pensions obtained a Supplementary Grant of Rs. 4210 crs. Even then the actual expenditure exceeds the budgetary provisions by Rs. 8999.54 crores. The Committee deplores the tendency of the Ministries/Departments in restoring to excess expenditure despite obtaining huge sums of Supplementary Grants in a routine manner. The Committee have, therefore, recommended that the concerned Ministries/Departments concerned to probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and the budget controlling officers responsible so that no excess expenditure is incurred and strict fiscal discipline is maintained.

In this regard, the Ministry of Defence have issued, from time to time, instructions to exercise strict control on progress of Expenditure in order to avoid any large-scale savings or excess under any grant relating to Civil Estimates.

In so far as putting in place effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and pragmatic is concerned, this Ministry would take follow up action on the instructions of Ministry of Finance in this regard.

Sd/-  
(Veena Prasad)  
JS & Addl. FA (VP)

**Action Taken [Ministry of Defence (Grant Nos. 22 and 23)]**

In this paragraph, the Committee, has observed failure on the part of the defaulting Ministries/Departments to curb excess expenditure and hence have recommended that the Ministries/Departments concerned probe into the causes of this chronic malaise



and find effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and the budget controlling officers responsible so that no excess expenditure is incurred and strict fiscal discipline is maintained.

Budgetary allocations provided by the Ministry of Finance are generally less than the projected requirements. Nevertheless, all efforts are made to ensure that the prescribed budgetary ceilings are adhered to.

Further, with effect from 2012-13 the Demands for Grants under Ministry of Defence, namely Demand No.(s) 22-Army, 23-Navy, 24-Air Force, 26-Research & Development and 27 Capital Outlay on Defence Services have been brought under the ambit of modified exchequer control—Cash Management System. Detailed instructions have been issued in this regard (copy enclosed). It is expected that implementation of the cash management system would bring in the desired financial discipline.

Sd/-  
(Veena Prasad)  
Addl. FA (VP) & JS

[Ministry of Defence (Finance) O.M. F.No. 7(6) Bud-I/2012, dated 18th June, 2012]

**IMPORTANT**

MINISTRY OF DEFENCE (FINANCE)  
(BUDGET DIVISION)

**Subject:** Cash Management System in the Central Government—modified exchequer control based expenditure management and restrictions on expenditure during the last quarter of the financial year.

*Vide* Ministry of Finance OM No. 21(1)-B(PD)/2005 dated 2nd November, 2011 (copy enclosed), the following Demands for Grants under the Defence Services Estimates have been brought under the ambit of the Modified Cash Management System—

- (i) Demand No. 22—Army
- (ii) Demand No. 23—Navy
- (iii) Demand No. 24—Air Force
- (iv) Demand No. 26—R & D
- (v) Demand No. 27—Capital Outlay on Defence Services.

2. Broadly, in terms of the guidelines issued *vide* OM dated 27th December, 2006 (copy enclosed), this entails the following—

- (i) In respect of each of the Demands, Monthly Expenditure Plan (MEP) shall be worked out in the beginning of the financial year and included as an Annexure to the Detailed Demand for Grants.
- (ii) The MEP would form the basis of the Quarterly Expenditure Allocations (QEA). The Department/Ministry may not issue cheques beyond the quarterly limit, without prior consent of Ministry of Finance.
- (iii) The MEP for the month of March may not exceed 15% of the budgeted provision.
- (iv) MEP for the months of January-March may be so fixed that the QEA for the last quarter may not exceed 33% of the budgeted provision.
- (v) Savings if any under the QEA would not be available for automatic carry forward to the next quarter. The Departments/Ministry may however, approach the MoF for revalidation of such savings through modification in the MEP and thereby QEA. Spill over in respect of MEP, not inconsistent with QEA would not require prior revalidation from MoF but may be included in the quarterly modification.
- (vi) MoF will consider the request for revalidation within 15 days of receipt of requests, failing which the request would be deemed to have been granted.

(vii) MEP and QEA pertaining to the 4th quarter would be subsumed in the finalization of the RE of the financial year.

3. It is therefore requested that as soon as the ceilings for BE 2012-13 are conveyed by this Division, Monthly Expenditure Plan for the coming financial year be prepared and conveyed to this Division as per the enclosed format. It may be ensured that the total outgo during the year is restricted to the total allocation provided under the BE.

4. Suitable internal control be devised to ensure that no expenditure in excess of the specified monthly limit is incurred.

5. In the event of a likelihood of expenditure exceeding the quarterly limit, a proposal to seek waiver of the Ministry of Finance shall be initiated in time to reach this Division by the 10th of the final month of the quarter (*i.e.* June, September and so on). Reasons for such excess *vis-a-vis* the planned outgo shall be clearly brought out therein. Similarly, in case of savings against the planned outgo for the quarter, a proposal for carrying over the savings to the subsequent quarter should be sent to this Division by the 10th of the month following the quarter end (*i.e.* July, October and so on). The monthly/quarterly expenditure plan may also be modified accordingly.

6. Actual expenditure against the monthly/quarterly limit shall be intimated by the 10th of the following month.

7. A nodal officer may be designated for coordination of this work within the Directorate/Department. The particulars of the officer may be intimated to this Division. The designated officer shall be the single point of contact with Budget Division, in so far as the scheme is concerned.

8. It is requested that all concerned be briefed suitably to ensure compliance of the above instructions.

Sd/-  
(Veena Prasad)  
Addl. FA & JS

DGFP, ACNS(P&P), ACAS(Fin. P), ACIDS (Fin. P),  
DGO, CCR&D(R&M), DG NCC, DGQA, DGAQA,  
Dte. of Standardisation, DG ATVP  
MoD(Fin.) ID No. 5(7)/Bud-I/2011 dt. 18/01/2012

Copy to—

DG(Acq.), FA(Acq.), AS(B), AS(DP), CGDA  
All JSs/Addl. FAs/FMs  
PS to Defence Secretary  
PS to FA (DS)

NO. 21(1)-B(PD)/2005  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
BUDGET DIVISION  
[CASH MANAGEMENT CELL]

Room No. 263-B, North Block,  
New Delhi, dated 2nd Nov., 2011.

OFFICE MEMORANDUM

**Subject:** Cash Management System in the Central Government—modified exchequer control based expenditure management and restrictions on expenditure during the last quarter of the financial year.

The undersigned is directed to refer to this Division's O.M. of even number dated December 27, 2006 on the subject cited above.

2. Based on the recommendations of Fourteenth Report of Second Administrative Reforms Commission (ARC) titled. 'Strengthening Financial Management System', accepted by the Group of Ministers (GoM), it has been decided to extend aforesaid system to another 23 Demands for Grants (listed in Annexure-I) from the financial year 2012-13 *i.e. w.e.f.* 1.4.2012. This will be in addition to the 23 Demands for Grants already covered under the system (Annexure-II).

3. The Financial Advisor would be responsible for the implementation of the modified expenditure management system. He/She may nominate a nodal officer for the purpose.

4. In respect of each Demand for Grants, Monthly Expenditure Plan (separately for Plan and Non-Plan Expenditure) (MEP) would be worked out and included as an annex to the Detailed Demands for Grants in respect of the said Demands for Grants. Suggested format is at Annexure-III.

5. The required information relating to actual may kindly be e-mailed to this Ministry every month [sopd-dea@nic.in]. It may also be ensured that this information is sent to this Ministry, in the enclosed proforma by 15th of every month.

6. The guidelines mentioned in the aforesaid O.M. dated December 27, 2006 remained unchanged (Annexure-IV).

Encl: As above

Sd/-  
(Brajendra Navnit)  
Deputy Secretary to the Govt. of India  
Tel. No.: 011-23092744

To

1. All Financial Advisors.
2. Principal Director, O/o the Comptroller and Auditor General of India.
3. Joint Controller General of Accounts.
4. All Directors/OSD/DS/US/Section Officers in Budget Division.
5. NIC, Ministry of Finance For up-loading on website.

ANNEXURE I

**Proposed list of Demands for Grants for inclusion in Modified Cash Management System w.e.f. 2012-13 (1st April, 2012)**

Sl. No.	Demand No.	Name of the Ministry/Department
1.	4	Department of Atomic Energy
2.	13	Department of Posts
3.	15	Department of Information Technology
4.	22	Defence Services—Army
5.	23	Defence Services—Navy
6.	24	Defence Services—Air Force
7.	26	Defence Services—Research and Development
8.	27	Capital Outlay on Defence Services
9.	30	Ministry of Environment and Forests
10.	33	Department of Financial Services
11.	35	Transfers to State and Union Territory Governments
12.	52	Ministry of Home Affairs
13.	54	Police
14.	60	Ministry of Information and Broadcasting
15.	61	Ministry of Labour and Employment
16.	65	Ministry of Micro, Small and Medium Enterprises
17.	67	Ministry of Minority Affairs
18.	84	Department of Drinking Water and Sanitation
19.	86	Department of Scientific and Industrial Research
20.	89	Ministry of Social Justice and Empowerment
21.	90	Department of Space
22.	95	Ministry of Tribal Affairs
23.		Ministry of Railways

ANNEXURE II

**List of Demands for Grants covered under Modified Cash Management System  
w.e.f. 2007-08 (1st April, 2007)**

Sl. No.	Demand No.	Name of the Ministry/Department
1.	1	D/o Agriculture & Coop.
2.	2	D/o Agricultural Research & Education
3.	7	D/o Fertilizers
4.	11	D/o Commerce
5.	14	D/o Telecommunications
6.	17	D/o Food & Pub. Distbn.
7.	31	M/o External Affairs
8.	32	D/o Economic Affairs
9.	40	Indian, Audit & Accounts Department
10.	41	D/o Revenue
11.	42	Direct Taxes
12.	43	Indirect Taxes.
13.	46	D/o Health & Family Welfare
14.	58	D/o School Education & Literacy
15.	59	D/o Higher Education
16.	70	M/o Panchayati Raj
17.	73	M/o Petroleum and Natural Gas
18.	75	M/o Power
19.	81	D/o Road Transport and Highways
20.	82	D/o Rural Development
21.	93	M/o Textiles
22.	101	M/o Urban Development
23.	105	M/o Women & Child Development

CASH MANAGEMENT SYSTEM

Monthly Expenditure Projection	April	May	June	QEAI	July	Aug.	Sept.	QEA II	Oct.	Nov.	Dec.	QEA III	Jan.	Feb.	March	QEA IV
<b>Revenue</b>																
Salary																
Other Than Salary																
<b>TOTAL</b>																
<b>Capital</b>																
Capital Acquisition																
Capital Other Than Acquisition																
<b>TOTAL</b>																



ANNEXURE IV

F.NO. 21(1)-PD/2005  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
(BUDGET DIVISION)

Room No. 168A, North Block,  
New Delhi, dated December 27, 2006

OFFICE MEMORANDUM

**Subject:** Cash management system in Central Government—modified exchequer control based expenditure management and restrictions on expenditure during the last quarter of the financial year.

The undersigned is directed to refer to Office Memorandum of even number dated January 10, 2006 regarding introduction of exchequer control based expenditure with effect from April 1, 2006.

2. Based on the working of the scheme, it has been decided to expand and modify the Scheme as detailed below.

3. The Modified Cash Management System seeks to achieve, *inter-alia*, the following objectives:—

- (i) Obtain greater evenness in the budgeted expenditure within the financial year, especially in respect of items entailing large sums of advance releases and transfers to corpus funds.
- (ii) Reduce rush of expenditure during the last quarter, especially the last month of the financial year.
- (iii) Reduce tendency of parking of funds.
- (iv) Effectively monitor the expenditure pattern.
- (v) Better planning of Indicative Market Borrowing Calendar of the Central Government.

4. The Scheme shall apply in respect of 23 Demand for Grants listed in Annex.-I, including 9 to which the Scheme is being extended with effect from financial year 2007-08.

5. Financial Advisor would be responsible for the implementation of the modified expenditure management system. He/She may nominate a nodal officer for the purpose.

6. In respect of each Demand for Grant, Monthly Expenditure Plan (separately for Plan and Non-Plan Expenditure) [MEP] would be worked out and included as an

annex. to the detailed Demand for Grant in respect of the said Demand for Grant. Suggested format is a Annex.-II.

7. MEP would form the basis of Quarterly Expenditure Allocations [QEA]. The Departments/Ministries concerned may not issue cheques beyond the Quarterly Expenditure Allocation [which would be equal to the sum of provisions under Monthly Expenditure Plan] without prior consent of Ministry of Finance [Cash Management Cell, Budget Division].

8. The MEP may be finalized taking into account the following—

- (a) MEP for the month of March may not exceed 15 per cent of the budgeted provision [Budget Estimate];
- (b) MEP for the months of January-March may be so fixed that the QEA for the last quarter may not exceed 33 per cent of the budgeted provision; and
- (c) The extant guidelines of Ministry of Finance, Department of Expenditure, including D.O. No.7(3)/2006/E. Coord., dated December 21, 2006.

9. The exchequer control would apply cumulatively at the Demand for Grants level only *i.e. inter se* variations between months within a quarter, between plan and non-plan and between schemes would be permissible, subject to statutory restrictions and extant guidelines.

10. Savings, if any, incurred under the Quarterly Expenditure Allocations would not be available for automatic carry forward to the next quarter. The Department/Ministry may, however, approach Ministry of Finance for revalidation of such savings through modification in the Monthly Expenditure Plan and thereby Quarterly Expenditure Allocation. **Spill over in respect of Monthly Expenditure Plan, not inconsistent with Quarterly Expenditure Allocation would not require prior revalidation from Ministry of Finance but may be included in the Quarterly modification.**

11. Ministry of Finance would consider such requests for revalidation within a period of 15 days of receipt of such request, failing which the request for revalidation would be deemed to have been granted.

12. The Monthly Expenditure Plan and Quarterly Expenditure Allocations pertaining to the 4th quarter of the financial year would be subsumed in the finalization of Revised Estimate for the financial year.

13. The Monthly Expenditure Plan and Quarterly Expenditure Allocations may be made in gross terms.

14. In addition to the above, it is advised that even in respect of Demand for Grants not covered by the modified exchequer management system, the expenditure in the last quarter of the financial year may not exceed 33 per cent of the Budget allocation for the Demand for Grants. However, in the event of Revised Estimates being fixed lower than the Budget Estimate, actual expenditure may be kept within the Revised Estimate.

It is clarified that the above provision shall apply in the current financial year as well.

15. This Office Memorandum supersedes the Office Memorandum of even number dated January 10, 2006.

16. Receipt of this Office Memorandum may kindly be acknowledged.

Sd/-  
(V.S. Chauhan)  
OSD (Budget)  
E. mail: chauhan@nic.in

To

1. All Financial Advisors.
2. Principal Director, O/o Comptroller and Auditor General of India.
3. Joint Controller General of Accounts.
4. All Directors/OSD/ABO/US/DD/Section Officers in Budget Division.
5. NIC, Ministry of Finance.

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

The Ministry has initiated an exercise to prepare the data base of Central Samman Pensioner/their eligible dependents who are living and actually drawing pension as on date by calling information from all the Public Sector Banks and Treasuries. Most of the information has been received and uploaded on the MHA's website. Similarly compilation of re-verified data of the freedom fighters/dependents drawing pension from the State Treasuries is in the progress. The offices of C&AG and RBI have been advised to carry out comprehensive audit of disbursal of Samman Pension by State Treasuries and Public Sector Banks respectively.

Sd/-  
(S.C. Panda)

Additional Secretary & Financial Adviser (Home)

(This 'Action Taken Note' has been vetted by O/o DGACR vide their U.O. No RR/6-21/12-13/742, dated 29.1.2013).

[Ministry of Home Affairs, O.M. No. 28/1/2012-Bgt.I, dated 18.2.2013]

**Action Taken (Department of Posts)**

Department of Posts ensures to make realistic requirement of funds and to maintain fiscal discipline in spending the public money in future. For this purpose the instructions have been issued to all the subordinates units/Budget Controlling authorities to project realistic demand for fund and to monitor the expenditure accordingly. Moreover the proposal of the Department was re-assessed by the Ministry of Finance to reduce the ceiling of expenditure during the Pre-budget discussions which resulted in excess expenditure.

However, the Department of Posts, besides issuing instructions to observe austerity measure in incurring expenditure to the fund controlling authorities reviews the expenditure by conducting Video Conference with the Heads of Circles to monitor the same in terms of Grant. This has an effective control over expenditure *vis-a-vis* Grant.

Sd/-  
DDG (PAF)

[MoC & IT/DoP, New Delhi, OM.No. 20-5/2009-BGT (PA), Dated Feb. 2012]

**Action Taken (Ministry of Railways)**

As has already been submitted to PAC in the other Paras and in the ATNs to 22nd Report of PAC on 'Excess over Voted Grants and Charged Appropriations (2008-09)', the excess in 2008-09 and 2009-10 has arisen mainly due to the difficulty in assessing the impact of implementation of the recommendations of the 6th CPC. Bulk of the excess has been incurred in four Grants *i.e.* 4,5,6 and 13. The Committee may appreciate the fact that despite the difficulty in accurately assessing the impact of implementation of the Recommendations of the 6th CPC, the excess under Grant No. 4,5 and 6 is minor in terms of percentage to the total sanctioned amount under each

grant being 0.73%, 2.62% and 2.10% respectively. However, the same under Grant No.13 is high at 10%. The recommendation of the Committee is noted to be more accurate in estimating the Supplementary Grants.

Audit *vide* their U.O. No. 7-RA-III/2-1/11, dated 27.04.2012 have vetted the ATN with the remarks "Seen. Thanks".

Sd/-

(V. Vaidehi)

Ex. Director Finance (BC)

[Ministry of Railways' case No. 2011-BC-PAC/XV/40, dated 15.06.2012]

#### **Observation/Recommendation**

**The Committee's examination of the Union Government Appropriation Accounts (Railways) for the financial year 2009-10 and scrutiny of Explanatory Notes has revealed that the Ministry of Railways incurred a total excess expenditure of Rs. 1922.84 crore in 10 cases of 9 excess registering Grants/Appropriation. This amount of excess expenditure was more than double the preceding financial year's total of Rs. 532.12 crore incurred in 9 cases of 8 excess registering Grants/Appropriation. Out of the total excess expenditure of Rs. 1922.84 crore, the bulk of the expenditure amounting to Rs. 1816.68 crore constituted 94.48 per cent of the total Grant was incurred under 4 Grants only *i.e.* (i) Grant No. 4—Working Expenses—Repairs and Maintenance of Permanent—Way and Work (Rs. 54-50 crore); (ii) Grant No. 5—Working Expenses—Repair and Maintenance of Motive Powers (Rs. 88-71 crore); (iii) Grant No. 6—Working Expenses—Repair and Maintenance of Carriages and Wagons (Rs.161.20 crore); and (iv) Grant No. 13—Working Expenses—Provident Fund, Pension and Other Retirement Benefits (Rs. 1512.27 crore). According to the Ministry, the reasons for excess expenditure were implementation of the 6th Central Pay Commission Report, more expenditure on direct purchases, stores from stock, contractual payment, increased expenditure on Periodical Over Hauling (POH), materialisation of more contractual payments than anticipated. The Committee observe that while anticipating and requirement of funds by the Railways, estimations for various Sub-Heads could have been projected more realistically by analyzing properly the total monetary effect of salary hike, prevailing expenditure trend, upcoming demands/requirements, rising cost, etc. The Committee cannot but conclude that the indolent Ministry of Railways have not taken any timely corrective measures to improve their budgeting mechanism with a view to avoiding such a huge unauthorized expenditure. Deplorably, there is no mention in the Explanatory Notes about the specific remedial measures taken by the Ministry to contain this persisting excess expenditure. It is apparent that the Ministry has paid scant respect to enforcing fiscal discipline while incurring wantonly excess expenditure, which is anything but regrettable. Taking serious note of lack of concern and sustained efforts on the part of the Ministry in observing fiscal discipline, the Committee recommend that the Ministry of Railways strive earnestly for ensuring**

**realistic estimation of their budgetary requirements under various sub-heads of the Grants/Appropriations operated by them so that their existing lapses/loopholes are identified and concrete remedial measures taken to obviate excess expenditure.**

[Sl. No. 12, Appendix-II, Para No. 12 of 40th Report of Public Accounts Committee  
(15th Lok Sabha)]

**Action Taken (Ministry of Railways)**

It is a fact that bulk of the excess (94.8%) has been incurred under only 4 Grants, viz., 4, 5, 6 and 13. The Committee may appreciate the fact that despite the difficulty in accurately assessing the impact of implementation of the recommendations of the 6th CPC, the excess under Grant No. 4, 5 and 6 is minor in terms of percentage to the total sanctioned amount under each grant being 0.73%, 2.62% and 2.10% respectively. Only under Grant No. 13, it is high at 10% and the excess under this Grant alone is 78.65% of the total excess. The excess under this Grant is also attributable to the difficulty in accurately assessing the impact of implementation of the recommendations of the 6th CPC on pensions.

However, concerns of the Committee have been noted.

Audit *vide* their U.O. No. 18-RA-III/2-1/11 dated 08.06.2012 have vetted the ATN with the remarks "Seen. Thanks".

Sd/-  
(V. Vaidehi)  
Ex. Director Finance (BC)

[Ministry of Railways' case No. 2011-BC-PAC/XV/40, dated 15.06.2012]

**CHAPTER V**

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

—NIL—

NEW DELHI;  
19 March, 2013  
28 Phalguna, 1934 (Saka)

DR. MURLIMANO HAR JOSHI  
*Chairman,*  
*Public Accounts Committee.*

## APPENDIX I

### MINUTES OF THE TWENTY-SEVENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2012-13) HELD ON 19TH MARCH, 2013

The Committee sat on Tuesday, the 19th March, 2013 from 1500 hrs. to 1615 hrs.  
in Room No. '62', Parliament House, New Delhi.

#### PRESENT

Dr. Murli Manohar Joshi — *Chairman*

#### MEMBERS

#### *Lok Sabha*

2. Shri Anandrao Vithoba Adsul
3. Shri Sandeep Dikshit
4. Shri Bhartruhari Mahtab
5. Shri Shripad Yesso Naik
6. Shri Abhijit Mukherjee
7. Shri Ashok Tanwar
8. Dr. Girija Vyas

#### *Rajya Sabha*

9. Shri Prasanta Chatterjee
10. Shri Prakash Javadekar
11. Shri J.D. Seelam
12. Shri N.K. Singh

#### SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Abhijit Kumar — *Director*
3. Shri M.L.K. Raja — *Deputy Secretary*
4. Shri D.R. Mohanty — *Deputy Secretary*



5. Smt. A. Jyothirmayi — *Deputy Secretary*  
 6. Shri S.L. Singh — *Under Secretary*  
 7. Smt. Anju Kukreja — *Under Secretary*

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

1. Ms. Shubha Kumar — Director General (Report Central)  
 2. Shri Venkatesh Mohan — Director General of Audit  
 3. Ms. Anim Cherian — Principal Director (ST)  
 4. Shri Rajiv Kumar Pandey — Principal Director of Audit

2. At the outset, the Chairman welcomed the Members and the representatives of the Office of the C&AG of India to the sitting of the Committee. The Chairman, then, apprised that the meeting had been convened to consider the following Draft Reports of the Committee:

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

(ii) \*\*\* \*\*\* \*\*

(iii) Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Fortieth Report (15th Lok Sabha) on '**Excesses over Voted Grants and Charged Appropriations (2009-10)**';

(iv) \*\*\* \*\*\* \*\*

(v) \*\*\* \*\*\* \*\*

(vi) \*\*\* \*\*\* \*\*

(vii) \*\*\* \*\*\* \*\*

(viii) \*\*\* \*\*\* \*\*

(ix) \*\*\* \*\*\* \*\*

(x) \*\*\* \*\*\* \*\*

3. Giving an overview of the issues contained in the Draft Reports and the comments of the Committee thereupon, the Chairman solicited the views/suggestions of the Members.

4. After some discussions, the Committee adopted the above mentioned Draft Reports. The Committee, then, authorized the Chairman to finalise the Reports in the

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\*\*\* Matter not related to this Report.

light of the factual verifications, if any, made by the Audit and present them to Parliament on a convenient date.

5. The Chairman thanked the Members for their active participation in the consideration and adoption of the Reports.

*The Committee then adjourned.*

## APPENDIX II

### STATEMENT OF OBSERVATIONS/RECOMMENDATIONS

Sl. No.	Para No.	Ministry/ Department	Observations/Recommendations
1	2	3	4
1.	4	Finance/ Telecommunications/ Home Affairs/ Railways	<p>The Committee deplore that despite assurances given by the Ministries/Departments especially by the Ministry of Finance that necessary remedial measures would be taken to ensure timely submission of Action Taken Notes to the Public Accounts Committee, the Ministries/Departments, barring the Ministry of Defence and the Department of Posts furnished the Action Taken Notes on the Observations/Recommendations contained in the Fortieth Report (15th Lok Sabha) after a delay ranging over one month to 8 months. Ironically, the Ministry of Finance, expected to act as a role model, was a defaulter as they furnished the Action Taken Notes after a delay of almost two months. Worse, no extension of time was sought by the two main defaulters <i>i.e.</i> the Department of Telecommunications and the Ministry of Home Affairs for delayed submission of their Action Taken Notes. Evidently, this smacks of sheer disregard to the principle of the fiscal discipline and financial propriety. The Committee express their strong displeasure over the inordinate delay in the submission of Action Taken Notes by the Ministries/Departments concerned resulting in the avoidable delay in the preparation and presentation of the relevant Action Taken Reports by the Committee. While deploring the callous and indifferent approach of the defaulting Ministries/Departments, the Committee impress upon the Ministries/Departments concerned to urgently initiate requisite remedial and corrective measures so as to ensure that Action Taken Notes on the Observations/Recommendations of the Committee are finalized and furnished invariably within the stipulated time limit of six months.</p>

1	2	3	4
2.	15	Finance/ Telecommunications/ Home Affairs/ Defence/Posts/ Railways	<p>The Committee are shocked to note that the Ministries/Departments concerned have not taken any concrete steps except giving a stock reply that the recommendation of the Committee has been noted and necessary instructions have been issued to all concerned to observe fiscal discipline and not to exceed budget allocation. The fact that the instruction have been issued time and again without achieving any tangible result warrants that more robust and innovative measures are required for strict enforcement and compliance so as to avoid the perennial problem of unauthorised excess expenditure over Voted Grants and Charged Appropriations. The Committee disapprove the tendency of the Ministries/Departments concerned to unsuccessfully justify excess expenditure and violation of Financial Rules instead of revamping their existing mechanism with a view to achieving concrete improvement in budget estimation exercise. The Committee find that the Ministries/Departments which scrupulously adhere to the General Financial Rules and have unwavering commitment to financial discipline and propriety contain their expenditure within the budget allocated and approved by Parliament. Moreover, in an age of e-governance made feasible by computerization and instant connectivity between field formations, Subordinate Offices and Head quarters, there is no valid justification for irregularities like unauthorized excess expenditure. The Committee, therefore, reiterate that the defaulting Ministries/Departments should be constantly on guard and take innovative steps so that budgeting becomes more accurate and that there are no budgetary and financial irregularities. Considering the fact that the problem is not intractable with effective application of IT and e-governance, the Committee desire that the Ministry of Finance should devise effective measures and make it incumbent upon the Financial Advisers and the budget controlling authorities to ensure that no excess expenditure takes place in future.</p>

1	2	3	4
3.	23	Telecommunications/ Home Affairs/ Defence/Posts/ Railways	<p>The Committee are constrained to note that none of the Ministries/Departments have initiated any probe into the causes of excess expenditure despite obtaining Supplementary Grants/Appropriations which reinforces that no specific and concrete measures have been put in place as yet to avoid unauthorized expenditure. Worse, the Ministry of Railways, which had incurred excess expenditure despite obtaining Supplementary Grants/Appropriations in as many as eight Grants/Appropriations during 2009-10 fiscal, have merely stated that they have noted the recommendation of the Committee instead of making any firm commitments to streamline their budgetary process and overhaul the procedures adopted for estimation of budget at the Supplementary Grants/Appropriation stage. As there are no cogent reasons for the inevitability of excess expenditure when the Ministries/Departments get opportunities to present the Supplementary Demands for Grants during the three sessions of Parliament in a year, the Committee would once again like to remind the defaulting Ministries/Departments about the sanctity of General Financial Rules which stipulate that no expenditure should be incurred which might have the effect of exceeding the total Grant or Appropriation authorized by Parliament by law for a financial year except by way of obtaining Supplementary Grants/Appropriations or an advance from the Contingency Fund. The Committee reiterate that the Ministries/Departments concerned probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grant more realistic and fix responsibility on the budget controlling officers and the Financial Advisors so as to avoid recurrence of excess expenditure even after obtaining Supplementary Grants/Appropriations.</p>
4.	26	Railways	<p>The Committee are dismayed to note that the Ministry of Railways have merely noted the Recommendation of the Committee and sought</p>

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1	2	3	4
			<p>to justify their excess expenditure incurred during the financial year 2009-10 on the ground that the amounts of excess under Grant Nos. 4, 5 and 6 were very small and in respect of Grant No. 13, it was difficult to accurately assess the impact of implementation of the recommendation of the VI Central Pay Commission. From the Ministry's reply, it is apparent that the Railways, instead of taking appropriate punitive measures to obviate excess expenditure, have allowed things to drift for want of strict financial control. The Committee are of the considered view that excess expenditure in any form, regardless of the quantum, is unacceptable and violative of prudent budgetary exercise and therefore urge the Ministry of Railways to adhere to the General Financial Rules and avoid unauthorized expenditure.</p>

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### 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 FORTIETH REPORT (FIFTEENTH LOK SABHA)

(i) Total number of Observations/Recommendations:	14
(ii) Observations/Recommendations, which have been accepted by the Government:	
Recommendation Paragraph Nos. 1, 2, 4, 6-11, 13 and 14	
Total:	11
Percentage:	78.57
(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 Nos. 3, 5 and 12	
Total:	3
Percentage:	21.43
(v) Observations/Recommendations in respect of which the Government have furnished interim replies:	
Recommendation Paragraph No.	Nil
Total:	Nil
Percentage:	Nil