

**AUGMENTATION OF PROVISION TO  
OBJECT HEADS—GRANTS-IN-AID AND  
SUBSIDY**

**PUBLIC ACCOUNTS COMMITTEE  
2012-2013**

**EIGHTY-THIRD REPORT**

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**FIFTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

EIGHTY-THIRD REPORT

PUBLIC ACCOUNTS COMMITTEE  
(2012-2013)

(FIFTEENTH LOK SABHA)

AUGMENTATION OF PROVISION TO OBJECT  
HEADS—GRANTS-IN-AID AND SUBSIDY

*Presented to Lok Sabha on 30.04.2013*  
*Laid in Rajya Sabha on 30.04.2013*



LOK SABHA SECRETARIAT  
NEW DELHI

*April, 2013/Vaisakha, 1935 (Saka)*

**PAC No. 2010**

*Price: ₹ 44.00*

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Fourteenth Edition) and Printed by the General Manager, Government of India Press, Minto Road, New Delhi-110 002.

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
(2012-2013)

Dr. Murli Manohar Joshi — *Chairman*

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19. Shri Sukhendu Sekhar Roy
20. Shri J.D. Seelam
21. Shri N.K. Singh
22. Prof. Saif-ud-Din Soz

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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.

(iv)

SECRETARIAT

- |                        |   |                         |
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| 2. Shri D.R. Mohanty   | — | <i>Deputy Secretary</i> |
| 3. Smt. Anju Kukreja   | — | <i>Under Secretary</i>  |

## INTRODUCTION

I, the Chairman, Public Accounts Committee (2012-13), having been authorised by the Committee, do present this Eighty-third Report (Fifteenth Lok Sabha) on 'Augmentation of provision to object heads—Grants-in-Aid and Subsidy' based on Para Nos. 4.2.1 and 4.2.2 of the C&AG's Report No. 1 for the year 2011-12, Union Government—Accounts of the Union Government.

2. The Report of Comptroller and Auditor General of India for the year ended March, 2011 was laid on the Table of the House on 24th April, 2012.

3. The Committee examined the cases of 'Augmentation of provision to object heads —Grants-in-aid and Subsidy' on the basis of observations of Audit as contained in C&AG Report No. 1 of 2011-12 and the Explanatory Notes furnished by the various Ministries/Departments concerned. The Committee considered and adopted this Report at their sitting held on 29th April, 2013. Minutes of the sitting are given at *Appendix-I*.

4. 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* of the Report.

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

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

NEW DELHI;  
29 April, 2013  

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09 Vaisakha, 1935 (Saka)

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

## **REPORT**

### **PART - I**

#### **Introductory**

This Report on the subject "Augmentation of provision to object heads—Grants-in-Aid and Subsidy" is based on Para Nos. 4.2.1 and 4.2.2 of the Report No. 1 of the Comptroller and Auditor General of India for the year 2011-12. Audit scrutiny revealed that in 25 cases, across 14 Grants, funds aggregating to Rs. 698.82 crore were provided through Re-appropriation by various Ministries/Departments during the financial year 2010-11 for augmenting provisions under 'Grants-in-aid', without obtaining prior approval of Parliament. Further, in four cases, across four Grants, funds aggregating to Rs. 935.52 crore were provided through Re-appropriation by the various Ministries/Departments during the financial year 2010-11 for augmenting the provision under 'Subsidy' without obtaining prior approval of Parliament. Taking into consideration the Constitutional provisions, the relevant Rules and the instructions issued by the Ministry of Finance regarding re-appropriation of funds, the Committee sought clarifications/explanatory notes from the Ministries/Departments concerned on the Audit findings on 'Augmentation of provision to object heads—Grants-in-Aid and Subsidy'. The issues relating to the examination of the subject upon receipt of the explanatory notes are discussed below.

#### **Re-appropriation of Funds**

2. A Grant or Appropriation for expenditure is distributed by sub-heads or standard objects (called primary units) under which it is accounted for. Re-appropriation of funds can take place between primary units of Appropriation within a Grant or Appropriation, before the closure of the financial year to which such Grant or Appropriation relates. Re-appropriation of funds should be made only when it is known or anticipated that the Appropriation for the unit from which funds are to be transferred will not be utilized in full or that savings can be effected in the unit of Appropriation.

#### **Constitutional Provisions and relevant Rules**

3. The following Constitutional Provisions and Rules are laid down for control of Re-appropriations by the Government:—

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



- (ii) Article 115(1)(a) of the Constitution provides that if the amount authorized by any law made in accordance with the provisions of article 114 to be expended for a particular service for the current financial year is found to be insufficient for the purposes of that year or when a need has arisen during the current financial year for Supplementary or additional expenditure upon some new service not contemplated in the annual financial statement for that year, the President should cause to be laid before both the Houses of Parliament another statement showing the estimated amount of that expenditure.
- (iii) Further Article 115(1)(b) of the Constitution stipulates that if any money had been spent on any service during a financial year in excess of the amount granted for that service and for that year, the President should cause to be presented to the House of People a demand for such excess.
- (iv) Rule 10 of Delegation of Financial Powers Rules, 1978, enumerates the rules pertaining to Appropriation and Re-appropriation of funds.
- (v) Further, Rule 52(3) of the General Financial Rules (GFR), 2005 stipulates that no disbursements be made which might have the effect of exceeding the total Grant or appropriation authorized by Parliament for a financial year except after obtaining a Supplementary Grant or an advance from the Contingency Fund.
- (vi) Rule 64 of the General Financial Rules provides that the Chief Accounting Authority is responsible and accountable for financial management of his Ministry or Department including ensuring that the public funds appropriated to the Ministry or Department are used for the purpose for which they are meant.

#### **A. Augmentation of provision to object head 'Grants-in-Aid'**

4. In accordance with the instructions issued by the Ministry of Finance in May 2006, (copy enclosed at **Annexure I**), augmentation of provision by way of Re-appropriation to the object head 'Grants-in-Aid' to any body or authority from the Consolidated Fund of India in all cases could only be made with the prior approval of Parliament.

5. But Audit scrutiny of Appropriation Accounts (Civil) for the year 2010-11 revealed that in 25 cases across 14 Grants/Appropriations, funds aggregating to Rs. 698.82 crore were provided through Re-appropriation by various Ministries/Departments during the Financial Year 2010-11 for augmenting of provision under 'Grants-in-Aid' to various bodies/authorities without obtaining prior approval of Parliament. The details

of sub-heads where augmentation was made under various Grants/Appropriations without approval of Parliament are given as under in a tabular form:—

Sl. No.	Description of Grant	Head of Account	Amount (Rs. in crore)
1	2	3	4
1.	5-Nuclear Power Scheme	2801.03.800.03-Rajasthan Atomic Power Station	0.30
2.	17-Department of Food & Public Distribution	2408.02.800.03-Construction of Food Storage Godowns in NE Region by State Government	0.71
3.	19-Ministry of Culture	2205.00.107.20-Modernization of Museums in Metro Cities	1.20
4.	20-Ministry of Defence	2052.00.090.01-Department of Defence	0.88
5.		2052.00.090.03-Defence Estate Organisation (DEO)	36.79
6.	28-Ministry of Development of North Eastern Region	2552.00.489.01-Preservation and Promotion of Art and Culture in NE States	1.13
7.		2552.00.800.23-Disaster Management System for NER (NEC-DOS) and Earthquake Risk Evaluation/Awareness/Studies	0.19
8.		2552/00.800.36-Partial Support for construction of Working Women's Hostel in New Delhi	0.42
9.	33-Department of Financial Services	2416.00.800.01-Grants to National Bank for Agricultural and Rural Development	30.00
10.	35-Transfers to State and Union Territory Governments	2245.80.103.01-Assistance to State from NCCF for calamity of severe nature	500.00
11.	45-Ministry of Food Processing Industries	2408.01.103.08-Technology Upgradation, Establishment, Modernisation of Food Processing Industries	0.74
12.		2408.01.103.13-Scheme for Infrastructure Development	2.00
13.		2408.01.103.10-Milk Based Industries-Scheme for Quality Assurance, Codex Standards, Research & Development and other Promotional Activities	1.64
14.		2408.01.103.07-Horticulture Based Industries-Scheme for Human Resources Development	0.27
15.	46-Department of Health & Family Welfare	2210.06.003.11-Development of Nursing Services	4.47
16.		2552.00.284.04-Mission Flexible Pool	15.00

1	2	3	4
17.		2552.00.288.01-National Vector Borne Disease Control Programme	78.03
18.	56-Ministry of Housing and Urban Poverty Alleviation	2215.02.105.18-Development/Improvement of Sewerage System in North Eastern States	0.15
19.		3475.00.108.03-Employment Promotion/Poverty Alleviation	0.32
20.	89-Department of Space	3402.00.101.39-Semi Conductor Laboratory	4.15
21.	96-Chandigarh	2202.03.104.03-Grants-in-aid to Private Colleges	0.14
22.	98-Daman & Diu	2202.01.196.01-Panchayats	1.93
23.		3054.04.196.04-Panchayats	1.34
24.	100-Department of Urban Development	2217.05.800.24-Urban Infrastructure Development Project	15.74
25.		2217.80.001.05-Grants to Delhi Metro Rail Corporation	1.28
Total			698.82

6. The Committee examined the explanatory notes in respect of the Grants/Appropriations where the Ministries/Departments concerned augmented the provision by way of Re-appropriations to the object head 'Grants-in-Aid' without obtaining the prior approval of Parliament. The reasons attributed by the Ministries/Departments concerned on the respective cases are illustrated below.

#### **I. Grant No. 17—Department of Food and Public Distribution**

7. In Grant No. 17 of the Department of Food and Public Distribution, an expenditure of Rs. 0.71 crore was incurred by way of re-appropriation for the Financial Year 2010-11, under the scheme Construction of Food Storage Godowns in NE Region by the State Govt.

8. The contributory reasons given by the Ministry for this Re-appropriation were as under:—

"Re-appropriation of Rs. 0.71 crore from head '2408.02.800.04.00.35-Construction of Storage Godowns by J & K Govt. (Grants for creation of capital assets)' to head '2408.02.800.03.0035-Construction of Food Storage Godowns in NE Region by State Govt. (Grants for creation of capital assets)' to release the amount to State Government of Arunachal Pradesh, about which the audit has objected, was made with the approval of Secretary (Food and Public Distribution) as per GoI decision (2) & (6) 1 below Rule 10 of DFPR, 1978.

So far as guidelines contained in OM No. F. 1 (23)-B(AC)/2005 dated 25.5.2006 is concerned, one of the exceptions to be considered while deciding the limits

of 'New Services'/New Instrument of Service, as mentioned at para 5 (ii) of said OM is as under:—

- (a) **Transfers to State and Union Territories Governments are also exempted from these limits provided the scheme is not new.**
- (b) Further, as per the note below item-II(E) of Annexure to above mentioned OM, the details of substantial apportionment is required to report to Parliament. **If the amount involved is 10% or lumpsum or Rs. 1 crore whichever is higher.**

In this case, neither prior approval of Parliament nor report to Parliament was required as the Re-appropriation was made to transfer the fund to State Government of Arunachal Pradesh and amount involved was less than Rs. 1.00 crore. Hence it was in order."

9. On the above said explanation of the Ministry, the Audit made the following comments:—

"The contention of the Ministry is not correct. Though the amount has been spent on Arunachal Pradesh, but it was provided through the functional head of the Ministry, not through the head 3601/3602. Hence, the augmentation of Grants-in-Aid to anybody/authority other than States/UT Government has to be made with prior approval of Parliament."

10. Further clarification as given by the Ministry of Finance on this issue is given below:—

"Ministry of Finance has also felt that there was lack of clarity at Ministry/ Department level while determining the cases of NS/NIS on augmentation of funds under object head 'Grants-in-Aid' and hence *vide* their OM No. F. 1(5)-B(AC)/2011 dated 21.05.2012 in this regard has clarified that any augmentation under the Object head 'Grants-in-aid' through Re-appropriation of savings within the same section of Grant requires prior approval of Parliament through Supplementary Demands for Grants except in cases of **Grants to States and Union Territories Governments on existing schemes.**"

11. Regarding the remedial steps taken to avoid this lapse in future, the Ministry stated that in view of clarification of the Ministry of Finance and Audit comments, they had started complying with the provisions and accordingly action had been taken to put the same in the system/procedure.

## **II. Grant No. 19—Ministry of Culture**

12. The Ministry of Culture reappropriated Rs. 1.20 crore under the head "2205.00.107.20-Modernisation of Museums in Metro Cities" without the approval of Parliament. The contributory reasons as advanced by the Ministry of Culture were as under:—

"It is admitted that a procedural lapse has occurred due to rush of end year activities, as the Ministry could not seek prior approval of the Parliament before providing additional funds under the above mentioned scheme being implemented by the Ministry. However, due care will be taken in this regard to see that such a lapse does not occur in future."

### III. Grant No. 20—Ministry of Defence

13. An amount of Rs. 0.88 crore and Rs. 36.79 crore was re-appropriated by the Ministry of Defence under the Heads 2052.00.090.01-Department of Defence and 2052.00.090.03-Defence Estate Organisation (DEO) respectively without the approval of Parliament.

14. Explaining the reasons for this lapse, the Ministry of Defence stated as follows:—

"Ministry of Finance had conveyed Supplementary Grant of Rs. 53.35 crore under Major head 2052 Secretariat General Services which **included the Grants-in-aid to the tune of Rs. 42.35 crore to Cantonment Boards**. It is relevant to mention that a sum of Rs. 42.35 crore (not 36.79 crore) was an additional amount provided by **Ministry of Finance with the approval of Parliament** *vide* third batch of Supplementary to Cantonment Boards as Grants-in-aid **and this was not a Re-appropriation** of the said amount done by Ministry of Defence. It is further clarified that the BE 2010-11 under the object head "Grants-in-aid" for cantonment boards under DEO was Rs. 156.47 crore, which was augmented in RE 2010-11 to Rs. 198.82 crore *vide* their batch of supplementary. The actual expenditure under this head was Rs. 193.26 crore at the end of year 2010-11. Thus, there was a lapse of Rs. 5.56 crore under this head by the DEO after the end of FY 2010-11. The amount of Rs. 36.79 crore arrived by C&AG is a difference of actual expenditure of Rs. 193.26 crore and amount of Rs. 198.82 crore allotted by MoF with due approval of Parliament.

**Re-Appropriation done without Parliament approval in respect of Sub head 2052.00.090.01-Department of Defence**-Supplementary Grant of Rs. 53.35 crore was allowed as balance amount after taking into account the savings of Rs. 1.86 crore available in the Revenue section of the grant. Amount of Rs. 0.88 crore was a part of the savings of Rs. 1.86 crore mentioned in the said Supplementary Grant under MH-2052. Therefore, the said allocation of Rs. 88 lakh was done on 28.03.2011 after Third Supplementary, duly approved by Parliament, was received from Ministry of Finance. As per the Defence Accounts RDR pamphlet, Grants-in-aid General comes under Sub head 2052.00.090.01 Department of Defence. Grants-in-aid to IDSA falls under this Sub-head 2052.00.090.01-Department of Defence."

### IV. Grant No. 35—Transfers to State and Union Territory Governments

15. The Ministry of Finance reappropriated Rs. 500 crore under the head "2245.80.103.01-Assistance to State from NCCF for calamity of severe nature" without the approval of Parliament. Explaining the reasons thereof, the Ministry of Finance in their explanatory note stated that a severe calamity occurred in Uttarakhand and there was an immediate requirement of funds for assistance to the State for relief work.

Since the National Disaster Relief Fund (NDRF) was not notified, the funds were released after Re-appropriation of funds of Rs. 500 crore from NDRF to National Calamity Contingency Fund (NCCF).

16. The Ministry further stated that in terms of provision of Point 5(ii)-Exceptions of Ministry of Finance OM No. F. 1(23)-B(AC)/2005 dated 25.05.2006, transfer to State and Union territory Governments are exempted from the provision of New Service/ New Instrument of Service, for the purpose of re-Appropriation.

#### **V. Grant No. 45—Ministry of Food Processing Industries**

17. The Ministry of Food Processing Industries re-appropriated Rs. 4.65 crore under the following heads:—

Head of Account	Amount (Rs. in crore)
2408.01.103.08-Technology Upgradation, Establishment, Modernisation of Food Processing Industries	0.74
2408.01.103.13-Scheme for Infrastructure Development	2.00
2408.01.103.10-Milk Based Industries-Scheme for Quality Assurance, Codex Standards, Research and Development and other Promotional Activities	1.64
2408.01.103.07-Horticulture Based Industries-Scheme for Human Resources Development	0.27

18. Elaborating the reasons for such re-Appropriations, the Ministry in their explanatory note stated as under:—

"Re-Appropriation of funds under the Grants-in-Aid was done with the approval of the then Chief Accounting Authority (AS&FA) under the instructions contained in GoI decision no. 6 Rule 10 of DFPR 1978 wherein any Re-appropriation which does not have the effect of increasing the budget provision under sub-head by more than 25% of budget estimate of Rs. 5.00 crore falls within the jurisdiction of the administrative Ministry. This was done inadvertently by the officers of MOFPI. The provisions of OM No. F. 1(23)-B(AC)/2005 dated 25.5.2006 issued by Ministry of Finance, Department of Economic Affairs have been noted for future proposals."

#### **VI. Grant No. 46—Department of Health & Family Welfare**

19. The Department of Health and Family Welfare, Re-appropriated Rs. 97.50 crore under the following heads without the approval of Parliament:

Head of Account	Amount (Rs. in crore)
2210.06.003.11-Development of Nursing Services	4.47
2552.00.284.04-Mission Flexible Pool	15.00
2552.00.288.01-National Vector Borne Diseases Control Programme	78.03

20. In their explanatory note on the said Re-appropriations, the Department of Health and Family Welfare stated as follows:—

"In all the above three cases the lumpsum provision under the schemes was augmented by following the prescribed procedure by reporting to Parliament in final Batch of Supplementary (under Sl. No. 6 annexure to Third & Final batch of Supplementary Demands for Grants 2010-11) as per details given below and also obtaining approval of Competent Authority for final Re-appropriation done:

1. An amount of Rs. 5.00 crore was reported to Parliament for incurring additional expenditure on strengthening of existing School of Nursing under the scheme "Development of Nursing Services".
2. An amount of Rs. 15.00 crore was reported to Parliament for increased demand by the NE States under the scheme "Mission Flexible Pool".
3. An amount of Rs. 78.03 crore was reported to Parliament for meeting increased supply of Long Lasting Insecticide Nets (LLIN) and DDT for NE States under the scheme "National Vector Borne Diseases Control Programme".

#### **VII. Grant No. 56—Ministry of Housing and Urban Poverty Alleviation**

21. The Ministry of Housing and Urban Poverty Alleviation has re-appropriated Rs. 0.15 crore and Rs. 0.32 crore under the heads "2215.02.105.18 — Development/Improvement of sewerage system in North Eastern States" and "3475.00.108.03 — Employment Promotion/Poverty Alleviation" respectively without the approval of Parliament. The contributory reasons furnished by the Ministry of Housing and Urban Poverty Alleviation for this Re-appropriation were as under:—

"Budget provisions provided for the North-Eastern Areas under Non-functional head 2552-North-Eastern is 10% lumpsum of the Plan Budget of the Ministry. This lumpsum provision is however divided among the different schemes implemented for the benefit of the North Eastern States including Sikkim. In terms of Ministry of Finance D.O. No. F.2(66)-B(CDN)/2001 dated 12.06.2001 Secretaries of the Ministries/Departments have been delegated powers to re-appropriate funds from Non-functional Heads to corresponding functional heads. The Re-appropriations were carried out with the approval of the Secretary of the Ministry and the funds available out of lumpsum for one scheme of North Eastern States to the other better performing scheme for

the benefit of the North Eastern States. It may kindly be noted that the augmentation has been done from the 10% lumpsum provision earmarked for NER, for the schemes of the NER only, There has been no deviation from the delegated powers to the Secretary of the Ministry in terms of D.O. dated 12.6.2001 issued by the Ministry of Finance. The Ministry of Finance *vide* their OM No. F.2 (55)-B(CDN)/2011 dated 04.06.2012 have clarified that powers to re-appropriate fund from the lumpsum provisions for the benefit of NER and Sikkim to concerned functional head for NER has been delegated to the administrative Secretaries. Thus, Re-appropriation of funds has been done in accordance with the delegated powers of the Secretaries of the Ministries/ Departments in terms of Ministry of Finance D.O. dated 12.6.2001."

22. The Ministry further stated that the observation of Audit that "augmentation of provision by way of Re-appropriation to the object head Grants-in-aid to any body or authority from the Consolidated Fund of India in all cases could only be made with the approval of Parliament" had been noted.

#### **VIII. Grant No. 89—Department of Space**

23. The Department of Space re-appropriated Rs. 4.15 crore under the head "3402.00.101.39 — Semi Conductor Laboratory" without the approval of Parliament. The Department of Space furnished the following reasons for this Re-appropriation:—

"In the Budget Estimates 2010-11, provision for Semi-conductor Laboratory (SCL) was Rs. 53.85 crore. This provision was enhanced to Rs. 58.00 crore during RE 2010-11 stage as there was an additional requirement towards Salaries and Operational expenditure. The excess requirement of Rs. 4.15 crore was less than 10% of the BE provision. However, the Department inadvertently did not notice the limit of Rs. 2.00 crore exceeding for which the prior approval of Parliament needs to be taken. The Audit observation is noted for future compliance."

#### **Ministry of Home Affairs**

#### **IX. Grant No. 96— Chandigarh**

24. Explaining the reasons for the Re-appropriation of Rs. 14.00 lakh under Demand No. 96 — Chandigarh without the approval of Parliament, the Ministry of Home Affairs in their explanatory note stated as follows:—

"In the present case of Re-appropriation, an additional amount of Rs. 14.00 lakh was urgently needed for the salary of the Teaching and Non-Teaching staff of the privately managed Government Aided colleges and due to the oversight, the instructions of Government of India dated 25.5.2006 could not be adhered to and the Administration could not send the proposal for Supplementary demand in time."



25. As regards the steps taken to obviate the recurrence of such lapse in future, the Ministry of Home Affairs submitted as follows:—

"UT Administration has not taken adequate steps for improvement in the system and procedures including internal controls. The revised guidelines of the Ministry of Finance, Department of Economic Affairs (Budget Division) Govt. of India, D.O. No. F.1 (15)-B (AC)/2011, dated 21.5.2012 has been circulated *vide* Administration's letter No. F&PO (5)-2012/7019 dated 20.7.2012 for compliance by all the Departments in order to avoid any eventuality for any such lapse in future."

#### **X. Grant No. 98 — Daman & Diu**

26. Under Grant No. 98 — Daman and Diu, the Ministry of Home Affairs re-appropriated Rs. 1.93 crore and Rs. 1.34 crore under the Heads "2202.01.196.01— Panchayats" and "3054.04.196.04—Panchayats" respectively without the approval of Parliament.

27. With regard to Re-appropriation of Rs. 1.93 crore, the Ministry of Home Affairs in their explanatory note stated as under:—

"The augmentation of additional Grant-in-aid of Rs. 1.93 crore under the Major head "2202"- Elementary Education — Direction and Administration — Assistance to Zilla Parishads/District Level Panchayats — Panchayats" was made by way of Re-appropriation from the savings available under the similar object head "Grant-in-aid" under Sub-head "Assistance to Zilla Parishads/ District Level Panchayats" under other Major Heads.

There was no excess of expenditure under "Grant-in-aid" as the actual expenditure of Rs.68.31 crore incurred was well within the Budget Estimates of Rs. 74.66 crore approved by the Parliament for object head "Grant-in-aid". Hence, there was no augmentation of further funds for Grants-in-aid under Grant No. 98 — Daman & Diu."

28. Further with regard to Re-appropriation of Rs. 1.34 crore, the Ministry submitted as follows:—

"The augmentation of additional Grant-in-aid of Rs. 1.50 crore (actual expenditure Rs. 1.34 crore) under the Major head "3054"- "District and other Roads — Assistance to Zilla Parishads/District Level Panchayats — Panchayats " was made by way of Re-appropriation from the savings available under the similar object head "Grant-in-aid" under Sub-head "Assistance to Zilla Parishads/District Level Panchayats" under other Major Heads."

29. The Ministry further stated as under:—

"Internal Re-appropriation of funds amongst the object head Grant-in-aid was made with the approval of the Competent Authority within the fund available under the Sub-head "Assistance to Zilla Parishads/District Level Panchayats" under other Major Heads and even with the sanctioned Budget Estimates for the object head Grant-in-aid."

### **XI. Grant No. 100 — Department of Urban Development**

30. Under Grant No. 100 — The Department of Urban Development re-appropriated Rs. 15.74 crore and Rs. 1.28 crore under head "2217.05.800.24 — Urban Infrastructure Development Project" and "2217.80.001.05 — Grants to Delhi Metro Rail Corporation" respectively without obtaining the approval of Parliament.

31. While clarifying their position with regard to the Re-appropriation under the above said Head, the Department of Urban Development stated as under:—

"Budget provisions provided for the North Eastern Areas under Non-functional head 2552- North Eastern is 10% lumpsum of the Plan Budget of the Ministry. This lumpsum provision is however divided among the different schemes implemented for the benefit of the North Eastern States including Sikkim. In terms of Ministry of Finance D.O. No. F.2 (66)- B (CDN)/2001 dated 12.06.2001 Secretaries of the Ministries/Departments have been delegated powers to re-appropriate funds from Non-functional. Heads to corresponding functional heads. The Re-appropriations were carried out with the approval of the Secretary of the Ministry and the funds available out of lumpsum for one scheme of North Eastern States to the other better performing scheme for the benefit of the North-Eastern States. It may kindly be noted that the augmentation has been done from the 10% lumpsum provision earmarked for NER, for the schemes of the NER only. There has been no deviation from the delegated powers to the Secretary of the Ministry in terms of D.O. dated 12.6.2001 issued by the Ministry of Finance. The Ministry of Finance *vide* their OM No. F.2 (55)-B(CDN)/2011 dated 04.06.2012 have clarified that powers to re-appropriate funds from the lumpsum provisions for the benefit of NER and Sikkim to concerned functional head for NER has been delegated to the administrative Secretaries. Thus, Re-appropriation of funds has been done in accordance with the delegated powers of the Secretaries of the Ministries/ Departments in terms of Ministry of Finance D.O. dated 12.6.2001."

32. Audit comments on the above said explanation of the Ministry were as under:—

"The scheme of seeking lumpsum provision for the benefit of NER and Sikkim and their subsequent Re-appropriation to concerned functional heads by the Secretaries of the administrative Ministry was reviewed by Ministry of Finance. After reviewing the procedure, Ministry of Finance *vide* its OM No. F. 2 (66)-B(CDN)/2001 dated 14.09.2005 had decided that the break up of the lumpsum provision in the non-functional head has to be shown up to the object head level corresponding to the different functional major/sub-major/minor heads indicating details in the Detailed Demands for Grants (DDG) under the Major head 2552/4552/6552. This was meant to facilitate establishing one-to-one relationship for provision between the non-functional heads and functional heads for speeding up the process of Re-appropriation and obtaining the prior approval of Parliament in time in respect of items of

expenditure, such as grants-in-aid, subsidy etc. which attract the limitations of NS/NIS. After the approval of the budget the expenditure provision can be transferred to the functional heads under the powers delegated *vide* MoF D.O. No. F.2 (66)-B (CDN)/2001 dated 12.06.2001."

33. In response to the above cited Audit comments, the Ministry further clarified the matter as under:—

"Vetted comments of the Audit refers the OM dated 14th September, 2005 which relates to the distribution of lumpsum provision in the non-functional head up to the object head level corresponding to different functional major/sub-major/minor heads indicating details in the DDG under the Major head 2552-NER and after the approval of budget the Re-appropriation can be done with the approval of Secretary of the Ministry in terms of Ministry of Finance D.O. dated 12.06.2001 whereas the Audit observation relates to the augmentation of grants-in-aid which required Parliamentary approval.

It is stated that the Ministry had obtained token Supplementary in the third batch of Supplementary Demands for Grants to augment grants-in-aid under MH 2552-NER—Sub-Head - Urban Infrastructure Development Project. After Supplementary Grant necessary Re-appropriation was carried out with the approval of Secretary (Expenditure), Ministry of Finance to augment grants-in-aid under MH 2552-NER. Further Re-appropriation to the functional head was done with the approval of the Secretary (UD) as per the Delegation of Powers in terms of Ministry of Finance D.O. dated 12.06.2001 to enable release of funds for the schemes of NER and Sikkim. Thus, it may be seen that to augment grants-in-aid Parliamentary approval was obtained through third batch of Supplementary Demands for Grants."

34. With regard to Re-appropriation under head "2217.80.001.05 — Grants to Delhi Metro Rail Corporation", the Ministry submitted as follows:—

"Supplementary Demand was projected for a sum of Rs. 2.56 crore to meet the 50% cost of Metro tickets for spectators and volunteers of DMRC in connection with Commonwealth Games. A token Supplementary was granted for the purpose to meet the requirement out of the savings in the Grant in the second batch of Supplementary Demands for Grants 2010-11. Further requirement of funds to the tune of Rs. 1.28 crore was met by Re-appropriation of funds from out of saving within the grant, as the provisions of new service/new instrument of service as enshrined in Ministry of Finance OM No. F.1 (23)-B(AC)/2005 dated 25.5.2006 were not attracted in the case since the Grant-in-aid to the DMRC for cost of Metro tickets was already reported to the Parliament through the second batch of Supplementary Demands for Grants."

35. Audit vetting comments on the above-said reply of the Ministry were as under:—

"Against NIL budget provision, a token Supplementary for an amount of Rs. 1.69 crore (Rs. 0.41 crore for grants for creation of capital assets to DMRC to meet the requirement of Gurgaon Extension, and Rs. 1.28 crore for grants-in-aid general to reimburse the 50% cost of the Metro tickets for spectators and volunteers to DMRC in connection with the Commonwealth Games) was obtained under the Major head 2217-Urban Development in Second Supplementary Demands for Grants. However, against authorization of Rs. 1.69 crore expenditure of Rs. 2.97 crore was incurred under the head 2217.80.001.05—Grants to DMRC an excess expenditure of Rs. 1.28 crore under Grants-in-aid General was incurred without obtaining the prior approval of Parliament, which attracted limitations of new instrument of service in terms of Ministry of Finance OM No. F.1 (23)-B(AC)/2005 dated 25.5.2006.

For clarity of officers dealing with the subject the Ministry of Finance OM of 14.09.2005 may be circulated with suitable explanatory guidance note."

36. On the said Audit observations, the Ministry further replied that the vetted comments of Audit had been taken note of and the contents of the Ministry of Finance OM No. F.2 (66)-B(CDN)/2001 dated 14.9.2005 were being given due abidance.

37. While expressing their full agreement with the comments of the Audit in all the above-said cases the Ministry of Finance (Department of Economic Affairs—Budget Division) in their written reply stated as under:—

“The facts and figures made in paragraph 4.2 of C&AG's Report No. 1 of 2011-12 on Union Government Accounts for the year 2010-11 are fully agreed to. Augmentation of budgetary provision under the primary unit of Appropriation especially under the object heads 'Subsidy' and 'Grants-in-aid' (except in the case of State and Union Territory Governments on existing schemes) require prior approval of Parliament in terms of this Ministry's O.M. issued under letter No. 1 (23)-B(AC)/2005 dated 25.5.2006. It is true that in some cases, there has been lack of clarity at Ministry/Department level while determining the cases of 'New Service'/New Instrument of Service' on augmentation of funds under the object heads 'Subsidy' and 'Grants-in-aid'.

With the addition of new object heads like 'Grants for creation of capital assets', 'Grant-in-aid Salaries', this Ministry has felt it necessary to clarify/ amplify the requirement of obtaining the prior approval of Parliament through Supplementary Demands for Grants in cases of augmentation under the heads 'Grants-in-aid', 'Grants for creation of capital assets', 'Grants-in-aid Salaries' and 'Subsidies' and accordingly, clarified to all Ministries/Departments the need to obtain prior approval of Parliament through Supplementary Demands for Grants under these specific object heads *vide* this Ministry's O.M. issued under letter No. 1(5)-B(AC)/2011 dated 21.5.2012”.

38. When asked to state whether this was indicative of faulty budget estimation and poor observation of Financial Rules by the Ministries/Departments concerned, the Ministry of Finance (Department of Economic Affairs — Budget Division) submitted as follows:—

"In certain cases, Ministries/Departments have failed to either understand the budgetary process or apply the relevant financial rules at appropriate time, required for the augmentation of provisions under heads requiring prior approval by Parliament. To mitigate this problem, this Ministry has issued clarificatory orders."

39. On being enquired about the action taken by the Budget Division in the Ministry of Finance against the defaulting Ministries/Departments for their failure to observe the prescribed Financial Rules, the Ministry in their written reply stated as follows:—

"Ministries/Departments are given necessary instructions, guidance, clarifications by this Ministry on matters relating to financial principles, budgetary procedures, accounting issues and delegated financial powers. However, Ministries/Departments are individually responsible for their financial propriety and taking appropriate corrective action to avoid such lapses in future."

40. The Committee then sought to know the reasons for which the Ministries/Departments concerned did not make any attempt to provide for funds either in their Budget Estimates or through Supplementary Grants for expenditure under these heads. In reply, the Ministry of Finance (Department of Economic Affairs—Budget Division) submitted as under:—

"All Ministries/Departments are required to regulate their proposals for Supplementary Demands for Grants in accordance with the expenditure ceiling fixed in Revised Estimates of the particular Financial Year during the currency of the same year. While Ministries/Departments have been projecting their Supplementary proposals on cash requirements correctly, Ministries/Departments have, in some cases, failed to understand the need to obtain the prior approval of Parliament through Supplementary Demands for Grants through either token or technical supplementaries in cases where augmentation occurs under specific heads, which are either matched by savings in the same section or the other section of Grant. This is a procedural requirement every Ministry or Department is required to comply with, but inadvertently in some cases the lapse has occurred. However, no Ministry/Department is authorized to incur expenditure in excess of the expenditure ceiling fixed by this Ministry and approved by Parliament through Demands for Grants and Supplementary Demands for Grants."

41. Further clarifying the matter, the Ministry of Finance submitted as follows:—

"The Ministries/Departments have done it presumably due to lack of understanding/clarity on the applicability of the delegated financial powers available with various competent authorities.

For example, in the case of Department of Health and Family Welfare, Ministry was under the impression that cases which involve augmentation of funds by less than Rs. 1 crore require reporting to the Parliament. Similar is the case with Nuclear Power Schemes and Ministry of Defence, where the purpose of providing 'grants-in-aid' has not been indicated inadvertently in the Note to the Supplementary Demands for Grants although in both cases amount has been included in the prospective Supplementary statements, but the nomenclature of the object head was not mentioned.

It may also be noted that the distribution of Supplementary obtained is not indicated unit/Appropriation-wise in the Supplementary statement, purposes of major expenditure are largely indicated and unit/Appropriation-wise bifurcation of Supplementary obtained is done at a later stage after getting the Supplementary passed by Parliament."

42. When the Committee desired to know the level at which the decision for such Re-appropriations were taken by the Ministries/departments concerned, the Ministry of Finance (Department of Economic Affairs—Budget Division) in their written reply stated as under:—

"The decision for such Re-appropriations are required to be taken with the approval of the head of the Department. However, cases of re-Appropriation, which are carried out at Ministry/Department level, are not referred to Budget Division. For example, augmentation of provision by less than Rs. 1 crore are not referred to this Division, presuming that they do not require the approval of Parliament. Budget Division is not aware of such cases. It is incorrect on the part of few Ministries/Departments (Department of Food and Public Distribution, Ministry of Developments of North Eastern Region, Ministry of Food Processing Industries, Ministry of Housing and Urban Poverty Alleviation, etc. as is evident from the table 4.3 of C&AG's Audit Report No. 1 of 2011-12 of Union Government Accounts (2010-11) to assume that augmentation of provision, especially under the primary unit of Appropriation 'Grants-in-aid', by less than Rs. 1 crore does not require the approval of Parliament."

43. Audit scrutiny revealed that the Ministry of Finance had themselves in their Grant No. 33—Department of Financial Services (Rs. 30 crore) and Grant No. 35—Transfers to State and Union Territory Governments (Rs. 500 crore) augmented provisions under the object Grant-in-aid without obtaining prior approval of Parliament.

44. While furnishing their comments on the above-said Audit observation, the Ministry of Finance (Department of Economic Affairs—Budget Division) in their written submission stated as under:—

"As regards augmentation of provision towards Grants to NABARD by Rs. 30 crore under Grant No. 33—Department of Financial Services, the Department has admitted its inadvertent mistake. Administrative action, as deemed fit, will be taken by that Department.

Augmentation of funds by Rs. 500 crore towards 'Assistance to State from NCCF for calamity of severe nature' under Grant No. 35—Transfers to State and Union Territory Governments, which does not attract the financial limits applicable to 'New Instrument of Service', is covered under the general exemptions, whereby cases of augmentation of grants to State and Union Territory Governments on existing schemes do not attract the financial limits prescribed for New Service/New Instrument of Service, in terms of this Ministry's O.M. issued under letter No. F.1(23)-B(AC)/2005 dated 25.5.2006."

**B. Augmentation of Provision to object head 'Subsidy'**

45. In accordance with instructions issued by the Ministry of Finance in May 2006, prior approval of the Parliament is required for augmentation of provision in the existing Appropriation under the object head 'Subsidies' through re-Appropriation, if the additionality is more than 10 per cent of the Appropriation already voted by the Parliament or Rs. 10 crore, whichever is less.

46. Audit scrutiny of Appropriation Accounts (Civil) revealed that in four cases, across four Grants/Appropriations, funds aggregating Rs. 935.52 crore were provided through Re-appropriation by various Ministries/Departments during the Financial Year 2010-11 for augmenting the provision under the object head 'Subsidy' in violation of the extant provisions, without obtaining prior approval of the Parliament, thereby attracting the limitations of New Service/New Instrument of Service.

47. The details of sub-heads where augmentation was made under various Grants/Appropriations without approval of Parliament are given as under in a tabular form:—

(Rs. in crore)			
Sl.No.	Description of Grant	Head of Account	Amount
1.	7-Department of Fertilizers	2401.00.106.02— Import of Urea	895.95
2.	32-Department of Economic Affairs	3075.60.101.02— Reimbursement of Losses of Railways on Operating Strategic Railway Lines	34.38
3.	54-Other Expenditure of the Ministry of Home Affairs	3053.01.191.01- Payment for helicopter Services in North Eastern Region	4.99
4.	99-Lakshadweep	3456.00.103.01— Transport subsidies	0.20
Total			935.52

48. While giving justification for augmenting the provisions under the object head 'Subsidy' in violation of the extent provisions of budgeting in all the above-said four cases, the Ministry of Finance (Department of Economic Affairs—Budget Division) stated as under:—

"Augmentation of funds by Rs. 895.95 crore towards meeting additional expenditure on 'subsidies' under Import of Urea arose out of contractual obligation and also due to increased requirement and increase in procurement prices. The additional requirement was towards meeting contractual obligations in respect of import of urea on Government already contracted and committed for imports. This Re-appropriation is from one component to another component of overall fertilizer Subsidy and are shown separately in Detailed Demands for Grants only for the purposes of better depiction. Thus although in technical sense it is a re-Appropriation, in real sense, it is adjustment within different components of one Subsidy.

In case of reimbursement of losses on operation of 'strategic' lines by Railways, augmentation of Rs. 10 crore was alone agreed against the budget provision of Rs. 600 crore in BE 2010-11 in the absence of prior approval of Parliament through Supplementary Demands of Grants and sanction for release of Rs. 610 crore was accordingly issued by this Ministry. Augmentation of Rs. 10 crore through Re-appropriation of funds is admissible under the primary unit of Appropriation 'Subsidy' in terms of this Ministry's OM issued under letter No. F.1(23)-B(AC)/2005 dated 25.5.2006. However, Ministry of Railways, while putting through the transaction on proforma basis, adjusted Rs. 634.38 crore in accounts for the year 2010-11, resulting in unauthorized expenditure of Rs. 24.38 crore.

In the case relating to Ministry of Home Affairs, Ministry obtained Supplementary for an amount of Rs. 1.49 crore towards Helicopter Services in NE Region, stating that an amount of Rs. 3.51 crore was available within the Revenue Section of the Grant and citing an equivalent saving of Rs. 1.49 crore under capital section. This was to cover the additional expenditure of Rs. 5 crore for helicopter Services in NER and was in order."

49. The Committee examined the explanatory notes in respect of those Grants/Appropriations where the Ministries/Departments concerned augmented the provision by way of Re-appropriation to the object head 'Subsidy' without obtaining the prior approval of Parliament. The Details are as under:—

#### **I. Grant No. 7—Department of Fertilizers**

50. While furnishing their justification on Re-appropriation of funds of Rs. 895.95 crore under the head '2401.00.106.02—Import of Urea', the Department of Fertilizers in their written submission stated as under:—

"Vide Re-appropriation Order No. 4 dated 21.01.2011 Rs. 900 crore were re-appropriated to the sub head 'Subsidies' under Major head 2401 (Crop Husbandry-Import of Urea) from sub head 'Subsidies' under Major head 2852



(Industries Nitrogenous Fertilizers). *Vide* Re-appropriation Order No. 3 dated 10.09.2010 Rs. 4.05 crore were re-appropriated from sub head 'Subsidies' under the Major head 2401 (Crop Husbandry-Import of Urea) to the sub head 'Write Off losses' under the Major head 3475 (Other General Economic Service) to meet the post closure liabilities of Paradeep Phosphate Ltd. Thus, the net allocation under sub head 'Subsidies' under major head 2401 (Crop Husbandry-Import of Urea) was augmented by an amount of Rs. 895.95 (900-4.05) crore in the financial year 2010-11.

In financial year 2010-11, under the budget head relating to imports of urea on Government account, there was a provision of Rs. 8355.95 crore (Gross) and Rs. 5495.95 crore (Net). These provisions were made assuming a quantity of 63.28 LMT of imports including the imports from OMIFCO. However, the requirement for import of Urea on Government account went up and the price of Urea also witnessed increasing trend. Since the import of urea is on Government account the commitment to pay the suppliers and payment to be made to OMIFCO were to be honoured. An emergent need was felt to provide funds to the extent of Rs. 900 crore to tide over the problem. Accordingly, the matter was taken up with the Ministry of Finance to make the funds available through re-Appropriation. Re-Appropriation, which was within overall allocation for fertilizers Subsidy, was made with the approval of Ministry of Finance conveyed through their ID Note No. 7/7/2010 dated 21.01.2011 under extremely emergent situation. This was subsequently reported to the Parliament as advised by the Ministry of Finance.

As regards the cases of New Service (NS)/New Instrument of Service (NIS) on augmentation of funds under the object heads 'Grant in aid', 'subsidies' and 'Major works', Budget Division, Ministry of Finance, Department of Economic Affairs *vide* their OM No. F.1(5)-B(AC)/2011 dated 21.05.2012 has recently clarified that all cases of augmentation of funds (through either Re-appropriation of funds or additionality) under the object head 'subsidies' require prior approval of the Parliament through Supplementary Demands for Grants, without any exemption. This has been noted for future compliance."

51. Upon noticing that in case of Grant No. 7—Department of Fertilizers, augmentation of provision of Rs. 895.95 crore was done on the advice of the Ministry of Finance, the Committee desired to know from the Finance Ministry the basis on which such advice was given to the Department of Fertilizers. In response thereto, the Ministry of Finance (Department of Economic Affairs—Budget Division) in their written submission stated as under:—

"Department of Fertilizers (DoF) had sought augmentation of funds to meet the additional requirement arising due to increase in the price of urea in the international market. As import of urea was on Government account, commitment to pay the suppliers through STEs had to be honoured by DoF. The request of Department of Fertilizers for Re-appropriation of funds amounting to Rs. 900 crore was thus approved by Ministry of Finance in view of the contractual obligations in respect of import of urea already contracted

by STEs and for committed imports, both of which were on Government account. The Re-appropriation was from one component to another component of overall fertilizer subsidy which are shown separately in DDG only for the purpose of better depiction. Thus, although in technical sense it is a re-Appropriation, in real sense, it is adjustment within different components of Subsidy. The Re-appropriation was within Revenue Voted Non-Plan Section of the Grant. The Re-appropriation was approved subject to the condition that it was reported to the Parliament in the third Batch of Supplementary Demands for Grants for the year 2010-11, which was subsequently done."

## **II. Grant No. 32—Department of Economic Affairs**

52. With regard to augmentation of Rs. 34.38 crore on the provision on 'Subsidy' under the head "3075.60.101.02—Reimbursement of Losses of Railways on Operating Strategic Railway Lines" under Grant No. 32—Department of Economic Affairs, the Ministry of Finance (Department of Economic Affairs) in their written note submitted as follows:—

"A provision of Rs. 600.00 crore was kept for reimbursement of losses of Railways on operating Strategic Railway Lines in BE 2010-11 under head of Account 3075.60.101.02. The BE 2010-11 provision was enhanced to Rs. 648.97 crore at RE 2010-11. The provision was however restricted to Rs. 610.00 crore at the Final Estimates stage through Re-appropriation of Rs. 10.00 crore with the approval of the competent authority, Secretary (Expenditure). As the augmentation was restricted to Rs. 10.00 crore, the case did not attract limitations of New Service/New Instrument of Service.

The Department accordingly released an amount of Rs. 610.00 crore only to Railways during 2010-11 towards reimbursement of losses to Railways for operating strategic Railway Lines *vide* three sanctions dated 5th October, 2010 for Rs. 200.00 crore; 6th December, 2010 for Rs. 200.00 crore and 29th March, 2011 for Rs. 210.00 crore.

As per procedure the losses of Railways on operating strategic Railway Lines are reimburse to the Railways by debiting Major head 3075-Other Transport Services, 60—others, 101—Subsidy to Railways towards Dividend Relief, 02 Reimbursement of losses to Railways on operating strategic Railway Lines. However, the final losses are intimated by the Railways through proforma account which is booked by the PAO. The Major head 3075—Other Transport Services also has another sub-head 01—Payment to Railways. Proforma accounts for both the Heads are sent by the Railways together.

The Ministry of Railways submitted "Adjustment on Proforma basis made in Accounts for 2010-11" in October, 2011. While putting through the transaction on proforma basis the Ministry of Railways adjusted Rs. 634.38 crore in the accounts for the year 2010-11 for reimbursement of losses for operating strategic Railway Lines. In these final accounts there were savings of Rs. 177.60 crore on the commercial side of payment to railways and an excess of Rs. 24.38 crore for Reimbursement of Losses to Railways on Operating

Strategic Railway Lines. As there was a net saving in the Minor head amounting to Rs.153.23 crore the transaction of Rs. 24.38 crore was agreed to, and the Department adjusted an amount of Rs. 634.38 crore in the accounts for the year 2010-11 for reimbursement of losses to Railways, resulting in excess expenditure of Rs. 24.38 crore."

53. The Committee were informed that in order to avoid such lapses in future, the Department of Economic Affairs proposed to review the existing system of adjustment of accounts on proforma basis, in respect of payments to the Railways.

### **Ministry of Home Affairs**

#### **III. Grant No. 99—Lakshadweep**

54. While furnishing their comments in case of Re-appropriation of Rs. 0.20 crore under the head "3456.00.103.01—Transport subsidies", the Ministry of Home Affairs stated as follows:—

"Funds of the tune of Rs. 20 lakh has been augmented under the Major head: 3456—Civil Supplies, 00.103.01.00.33—Subsidies (Plan) by Re-appropriation which exceeded 10% against the Budget Estimate (BE) for the year 2010-11 voted by the Parliament.

The Re-appropriation was erroneously made for providing funds for Transport Subsidy on essential commodities like Rice, Sugar, Kerosene Oil etc., which were brought to Lakshadweep from mainland. It could not be kept in the godowns at mainland, therefore, all these commodities (7000 Metric Tons) were transported using the available Cargo Barges. It has been intimated by the UT Administration that due to the exigency in completing the transportation before starting monsoon, the excess amount re-appropriated could not be informed to the Ministry. The whole amount was utilized to pay the transport Subsidy. The OM dated 25.05.2006 has not been printed in the DFP Rules and as such the UT Administration was not aware about the ceiling of 10% (or Rs. 10.00 crore) whichever is less."

55. When the Committee desired to be apprised of the remedial measures taken to avoid recurrence of such lapse, the Ministry stated that the UT of Lakshadweep Administration had issued a circular to all Budget controlling officers giving instructions to strictly comply with the rule provision stipulated in the "Delegations of Financial Power Rules 1978" while incurring expenditure.

56. Asked to furnish the reasons for the inability on the part of the Ministry of Finance to enforce provisions of General Financial Rules by the Ministries/Departments concerned, the Ministry of Finance (Department of Economic Affairs—Budget Division) in their written reply stated as under:—

"Rule 64 of the General Financial Rules provides that the Chief Accounting Authority is responsible and accountable for financial management of his Ministry or Department including ensuring that the public funds appropriated to the Ministry or Department are used for the purpose for which they were meant.

The role of Ministry of Finance is for overseeing the public Finance management system in the Central Government. The principal activities of the Department include overseeing the expenditure management in the Central Ministries/Departments through the interface with the Financial Advisors and the administration of the Financial Rules/Regulations/Orders through monitoring of Audit comments/observations, preparation of Central Government Accounts, managing the financial aspects of personnel management in the Central Government, etc.

It may also be mentioned that this Division has been co-opted in imparting training on the issues relevant to budget preparation, processing of Re-appropriation, finalization of Supplementary Demands for Grants, preparation of Statement of Budget Estimates, financial powers on various competent authorities, etc. through various Institutes, such as Institute of Government Accounts and Finance (of Controller General of Accounts), National Institute of Financial Management of (Ministry of Finance) and through other individual Ministries/Departments.

However, case by case monitoring is required to be done at the Ministry/ Department level for better management and fruitful results, as these cannot be anticipated/foreseen by Ministry of Finance, Budget Division."

### **C. Further Observation of Audit**

57. The Office of Comptroller and Auditor General of India, *vide* their D.O. letter dated 14 June, 2012 on the subject have stated that the aforesaid cases of augmentation of provision to object head 'Grant-in-aid' and 'Subsidy' relate to Re-appropriation being effected by Ministries/Departments where they were required to seek prior approval of Parliament. They have, therefore, requested the Public Accounts Committee to review the matter and take a decision as to whether the amount re-appropriated in these cases may be regulated in terms of Article 115(1)(b) of the Constitution.

### **D. Comments of the Ministry of Finance (Department of Economic Affairs)**

58. In this regard, comments of Ministry of Finance (Department of Economic Affairs) were sought in the first instance. The Ministry examined the issue and made the following comments:—

"Article 115(1)(b) stipulates that "The President shall, if any money has been spent on any service during a financial year is excess of the amount granted for that service and for that year, cause to be laid before both the Houses of Parliament another statement showing the estimated amount of that expenditure or cause to be presented to the House of the People a demand for such excess, as the case may be.

Soon after the Lok Sabha passes the Demands for Grants, Supplementary Demands for Grants or Demands for Excess Grants, the Government introduces an Appropriation Bill to provide for Appropriations out of the Consolidated Fund of India. Each Appropriation Bill becomes Appropriation Act after the Parliament passes the Bill and President assents. Appropriation Act authorizes

to withdraw certain sum (in respect of Main Demands for Grants), certain further sums (in respect of Supplementary Demands for Grants for the services of the financial year) and in respect of Demands for Excess Grants, the connected Appropriation Act seeks to provide for the authorization of Appropriation of moneys out of the Consolidated Fund of India to meet the amounts spent on certain services during the financial year ended on the 31st day of March, In excess of the amounts granted for those services and for that year. The word 'Services' here denotes the Name of the Demand.

Excess Grants happens when in any one of the four sections, *viz.* Revenue Voted, Capital-Voted, Revenue-charged or Capital-Charged, the expenditure for the year exceeds the sum of Original plus Supplementary Grants/ Appropriations. While Original Appropriation Act and Supplementary Appropriation acts is obtained in thousand of Rupees, Appropriation for Excess Grants are always obtained in unit of Rupees.

The Re-appropriation orders issued by the Ministries/Departments in respect of Grants-in-aid and Subsidy without the approval of Parliament tantamount to defective Re-appropriation order, and, therefore, it has to be dealt in the manner as an instance in which the expenditure is incurred without proper budgetary sanction.

Regularisation of such type of expenditure under Article 115(1)(b) is not an appropriate mechanism of obtaining Parliament's approval. As explained above Article 115(1)(b) is only invoked to get the excess expenditure regularized in any of the four sections of the Grants (Services). Regulating the inappropriate Re-appropriations through the route of Article 115(1)(b) of the Constitution will result in bloating of Appropriation and will be mis-leading.

In view of the above, it is observed that in the instant case, the Re-appropriation done without the approval of Parliament may be treated as defective Re-appropriation and the Ministries/Departments may be directed to frame the ATN, which could be examined by the PAC for further necessary action."

#### **E. Comments of the Ministry of Law and Justice**

59. Subsequently, the Committee sought the views of Ministry of Law and Justice on the subject, as to whether the amount re-appropriated in these cases may be regulated in terms of Article 115(1)(b) of the Constitution. The Ministry referred the matter to Learned Attorney General for India for his considered opinion. Learned Attorney General dwelling on the Article 115 (1)(a) and Article 115(1)(b) of the Constitution opined that:—

"One has to analyze Article 115 of the Constitution of India. It is in two parts. Article 115(1)(a) deals with cases where the amount authorized is found insufficient for the purpose or where a need has arisen during the current financial year for Supplementary or additional expenditure. This would cover cases where the authorization is sought before the amount is spent. Article 115(1)(b) deals with cases where money has been spent on any service during a financial year in excess of the amount granted for that service and for that year.

In both cases, the President shall cause to be laid before both the Houses of Parliament, another statement showing the estimated amount of that expenditure or cause to be presented to the House of the People a demand for such excess, as the case may be.

As rightly pointed out by Dr. B.R. Ambedkar, the passing of an excess Grant is nothing but an Indemnity act which is consistent with the principle that ultimately it is Parliament alone which can sanction and authorize payments in the Consolidated Fund of India. As Dr. Ambedkar said:—

In the case of excess grant, the excess expenditure has already been incurred and the executive comes before Parliament for sanctioning what has already been spent.

In the premises, my answer to the Query raised is in the 'affirmative'."

60. The Committee in their 66th Report (15th LS) on 'Expenditure incurred on interest on refunds of taxes' had also found similar instance where the Ministry of Finance (Department of Revenue) bypassed Parliament and contravened the Constitutional provision. The Ministry had incurred an expenditure of the order of Rs. 37,365 crore on interest payments on refunds of taxes over a period of last five years without obtaining approval of Parliament through the necessary appropriations as ordained by the Constitution.

## PART II

### OBSERVATIONS AND RECOMMENDATIONS

The Committee note that a Grant or Appropriation for expenditure is distributed by Sub-heads or standard objects (called Primary units) under which it is accounted for Re-appropriation of funds is permissible between primary units of Appropriation within a Grant as also Appropriation before the closure of the financial year to which such Grant or Appropriation relates. Further, Re-appropriation of funds can be made only when it is positively known or genuinely anticipated that the Appropriation for the unit from which funds are proposed to be transferred will not at all be utilized in full or there is reasonable certainty that saving can be effected in the unit of Appropriation. Article 115(1)(a) of the Constitution deals with cases where the amount authorized is found insufficient for the purpose for which it was granted or when a need has arisen during the current financial year for Supplementary or additional expenditure, such additional expenditure is required to be reported to both the Houses of Parliament. Accordingly, instructions were issued by the Ministry of Finance in May, 2006 prescribing that augmentation of provision by way of Re-appropriation to the object head 'Grants-in-aid' to any body or authority and 'Subsidy' from the Consolidated Fund of India in all the cases could only be made with the prior approval of Parliament. But the Committee's examination of the subject on Audit findings has revealed that there have been numerous instances of flagrant violation and contravention of the prescribed Financial provisions and the Committee have accordingly given their considered opinion in the succeeding Paragraphs.

2. The Committee are distressed to find that in as many as 25 cases of 14 Grants/ Appropriations, funds to the tune of Rs. 698.82 crore were provided through Re-appropriation by various Ministries/Departments during the Financial Year 2010-11 for augmenting of provisions under 'Grants-in-aid' to various bodies/ authorities without obtaining the mandatory prior approval of Parliament. Similarly in four cases across four Grants, funds amounting to Rs. 935.52 crore were provided through Re-appropriation during the same year for augmenting the provision under 'Subsidy' without obtaining prior approval of Parliament. The Committee are shocked to find that the violation of Constitutional and Financial provisions has occurred in these cases despite the fact that augmentation of funds under specific Schemes/ Programmes are discussed in detail during the course of mid-year review to assess the need for Revised Estimates of the financial year. It would be an understatement to say that these serious lapses are a pointer towards faulty budget estimation and deficient observance of Financial Rules by the Ministries/Departments concerned. The situation has been worsened due to the undisputed fact that the Ministry of Finance have no robust mechanism for timely detection of such contraventions of Constitutional and Financial provisions. The Committee view this dismal scenario with grave concern and are of the firm opinion that as mere issue of instructions have not yielded the desired results, there is an imperative need on the part of the Ministry

of Finance to devise an effective mechanism for imposing financial discipline on all the Ministries/Departments so as to avoid recurrence of such serious lapses.

3. The Committee note that all the Ministries/Departments are required to regulate their proposals for Supplementary Demands for Grants in accordance with the expenditure ceiling fixed in the Revised Estimates of the particular financial year. The perfunctory and casual attitude of the defaulter Ministries/Departments is confirmed by the fact that even at this stage they miserably failed to foresee the need for the required additional funds. The Ministry of Finance (Department of Economic Affairs) have conceded that the Ministries/Departments have in some cases failed to understand the need to obtain the prior approval of Parliament through Supplementary Demands for Grants in cases where augmentation occurred under specific heads. The Ministry of Finance further explained that in certain cases the Ministries/Departments have failed to either understand the budgetary process or apply the relevant financial rules at appropriate time, required for the augmentation of provisions under Heads requiring prior approval by Parliament. According to the Ministry of Finance, this is a procedural requirement every Ministry/Department is required to comply with, but inadvertently in some cases, the lapse has occurred. Obviously, such rampant Re-appropriations in utter disregard to codal provisions, standing instructions and canons of financial propriety only display the inability of the Ministries/Departments to realistically forecast their need for additional funds. The Committee, therefore, desire the Ministry of Finance to impress upon all the Ministries/Departments to keep strict vigil over the trend of expenditure and take timely corrective action to obtain additional funds whenever required by reporting the same to Parliament so as to obviate any contravention of the Constitution, established Procedure and Rules.

4. The Committee find that in as many as 11 cases, the Re-appropriation is for an amount less than Rs. one crore. According to the Ministry of Finance (Department of Economic Affairs) the decision for such Re-appropriation is required to be taken with the approval of the Head of Department. However, cases of Re-appropriation which are carried out at the Ministry/Department level are not referred to the Ministry of Finance presuming that augmentation of provision for less than Rs. one crore does not require the approval of Parliament. The Ministry of Finance have conceded that it is incorrect on the part of the Ministries/Departments concerned to assume that augmentation of provision, especially under the primary unit of Appropriation 'Grants-in-aid' by less than Rs. one crore does not require the approval of Parliament. The Committee are distressed to find that even the Heads of the Ministries/Departments are not aware of the important Financial provisions which leads to aberrations. While deprecating the ignorance of the erring Ministries/Departments concerned, the Committee feel that the Departmental Heads and the Financial Advisers cannot abdicate their responsibility for ensuring the correct applicability of the Financial Rules. The Committee, therefore, recommend that the Ministry of Finance should seriously look into the matter and deal sternly with cases of aberrations noticed so as to ensure strict adherence to and accurate application of the prescribed financial Rules by the Departmental Heads and FAs and the consequential elimination of such serious recurrences.



5. The Committee are shocked to find that the Ministry of Finance have themselves irregularly resorted to augmentation of provision towards Grants to NABARD by Rs. 30 crore in their Grant No. 33—Department of Financial Services. The Ministry have conceded the mistake as inadvertent. The Committee cannot condone such a serious lapse by the Ministry of Finance being the nodal authority for ensuring financial propriety and discipline. However, mindful of the Ministry's assurance that administrative action as deemed fit will be taken, the Committee desire that the officers responsible for the contravention of the Law be identified and responsibility fixed so that such mistakes, albeit inadvertent, do not recur.

6. Another instance of such violation by the Ministry of Finance regarding augmentation of funds by Rs. 500 crore towards 'Assistance to State from NCCF for calamity of severe nature' under Grant No. 35—Transfers to States and Union Territory Governments has come to the notice of the Committee. The Ministry have reasoned that such augmentation of Grants is covered under the general exemptions, whereby cases of augmentation of Grants to State and Union Territory Governments are existing schemes and do not attract the financial limits prescribed for New Service/ New Instrument of Service in terms of their existing provisions. As Audit has pointed out in a similar case relating to the Department of Food and Public Distribution, the financial limits prescribed for NS/NIS do not apply only in such cases which relates to Grants-in-aid to State Governments and UT Governments where the specific head relating to State Governments and UT Governments, viz '3601-Grants-in-aid to State Governments' and '3602-Grants-in-aid to Union Territory Governments' have been operated. Considering the fact that there should be some mechanism for regulating such augmentations so as to obviate any ambiguities and consequent Audit objections, the Committee recommend that whenever such augmentation is done for an amount exceeding Rs. 100 crore, Parliament and the Office of the C&AG be kept apprised.

7. The Committee note with concern that in respect of Grant No. 7—Department of Fertilisers, a huge requirement of Rs. 895.95 crore was met by Re-appropriation to the head 'Subsidies'. The Department of Fertilizers have claimed that the Re-appropriation which was within the overall allocation for fertilizer subsidy, was made with the approval of the Ministry of Finance. This was subsequently reported to the Parliament as advised by the Ministry of Finance. While clarifying the basis on which such advice was given to the Department of Fertilisers, the Ministry of Finance stated that 'although in technical sense, it is a Re-appropriation, in real sense, it is adjustment within different components of one Subsidy'. The Committee are not convinced with the reasoning enforced by the Ministry of Finance as violation of the basic financial rules and constitutional provisions cannot be partially covered by the subsequent reporting to Parliament. Taking note of the utter disregard to fiscal discipline and financial propriety, the Committee recommend that effective steps be taken by the Ministry of Finance/Department of Fertilizers to ensure strict observance of an adherence to the prescribed rules in this regard.

8. In yet another case concerning Grant No. 32—Department of Economic Affairs under head of Account "3075.60.101.02— Reimbursement of losses of Railways" on operating strategic Railway lines an additional expenditure of Rs. 34.38 crore was met by

**Re-appropriation.** According to the Ministry of Finance augmentation of Rs. 10 crore was alone agreed against the budget provision of Rs. 600 crore in the absence of prior approval of Parliament through Supplementary Demands for Grants and sanction for release of Rs. 610 crore was accordingly issued by them. The Committee find that augmentation of Rs. 10 crore through Re-appropriation of funds is admissible under the primary unit of appropriation 'Subsidy' in terms of Ministry of Finance's instructions dated 25.5.2006. Strangely, the Ministry of Railways while putting through the transaction on proforma basis adjusted Rs. 634.38 crore in accounts for the year 2010-11 for reimbursement of losses to Railways, resulting in unauthorized expenditure of Rs. 24.38 crore. Taking a serious view of the perfunctory manner in which the vital accounts are maintained by the Railways, the Committee seek an explanation from the Ministry as to how such error escaped notice and could not be rectified in time. They would also like the Ministry to go into the causes, fix responsibility for the lapse and take corrective measures so that such aberrations do not recur.

9. In the foregoing Paragraphs, the Committee have noted very large number of instances of blatant and callous infringement of the basic Constitutional and Financial provisions by the Ministries/Departments concerned. Explaining the reasons for inability of the Ministry of Finance (Department of Economic Affairs) to strictly enforce these provisions by the Ministries/Departments, the Ministry have submitted that Rule 64 of the General Financial Rules provides that the Chief Accounting Authority is responsible and accountable for financial management of his Ministry or Department including ensuring that the Public funds appropriated to the Ministry/ Department are used for the purposes for which they are meant. According to the Ministry of Finance, their role is for overseeing the Public finance management system in the Central Government. In short, their principal activities include overseeing the expenditure management in the Central Ministries/Departments through interface with the Financial Advisors. However, expressing their serious displeasure over the disproportionately ever increasing tendency on the part of various Ministries/Departments to blatantly indulge in violation of the provisions of General Financial Rules, the Committee are of the considered opinion that it is imperative on the part of the Ministry of Finance, being the nodal Ministry for overall general financial management to devise some innovative measures and put in a place a robust and fool-proof mechanism for ensuring strict compliance and observance of the Constitutional and Financial provisions by all the Ministries/Departments.

10. The Committee are deeply concerned to note that, as comprehensively discussed and appropriately commented upon in the foregoing paragraphs, huge funds to the tune of more than Rs. 1600 crore were irregularly provided through Re-appropriation by various Ministries/Departments during the Financial Year 2010-11 without obtaining the approval of Parliament. As the Ministries/Departments are required to obtain approval of Parliament in all the above-said cases of wrongful Re-appropriations, the Audit have desired to regularize the same in accordance with Article 115(1) (b) of the Constitution. However, the Ministry of Finance (Department of Economic Affairs) have not accepted the same on the ground that regularization of such type of expenditure under Article 115(1)(b) is not an appropriate mechanism of

obtaining Parliament's approval. According to the Ministry of Finance such Appropriations may be treated as defective re-Appropriations. Consequently, on a reference being made by the Committee, the Ministry of Law and Justice furnished the opinion of Learned Attorney General of India on the matter which clearly states "the amount re-appropriated in these cases may be regulated in terms of article 115(1)(b)" and thus reinforces the Committee's considered view in conformity with Article 114(3) of the Constitution, that no money shall be withdrawn from the Consolidated Fund of India except under 'Appropriation made by the Legislature'. The Committee unequivocally deem such Re-Appropriations not only highly defective and irregular but also in a flagrant contravention of the Constitutional and Financial provisions and need to be regularized as per the Constitution. The Committee, therefore, call upon the Ministry of Finance to work out an appropriate and effective Re-appropriation mechanism in such matters in the light of the valued advice of the Learned Attorney General and also in complete conformity with Constitutional Provisions and unfailingly ensure that in case the expenditure exceeds Parliamentary authorization, the excess expenditure is regularised through Appropriation (Excess) Act.

11. The Committee, in their 66th Report (15th LS) had expressed their deep concern over violation of the Constitution by the Ministry of Finance as an expenditure of Rs. 37,365 crore was incurred on interest payments alone on refunds without Parliamentary approval. The Committee expect that the Government would scrupulously follow the Constitution and the financial rules since administrative inconvenience or difficulty, as also reiterated by the Learned Attorney General cannot be a ground for bypassing the Constitution.

NEW DELHI;  
29 April, 2013  

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09 Vaisakha, 1935 (Saka)

DR. MURLI MANOHAR JOSHI  
Chairman,  
Public Accounts Committee.

ANNEXURE

NO. F.1 (23)-B (AC)/2005  
GOVERNMENT OF INDIA MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
(BUDGET DIVISION)

New Delhi, the 25th May, 2006.

OFFICE MEMORANDUM

**Subject:** Revised Guidelines on Financial Limits to be observed in determining cases relating to 'New Service'/'New instrument of Service'.

In accordance with the commitment made in the Fiscal policy Strategy Statement (Budget 2005-06) under the mandate of the Fiscal Responsibility and Budget Management (FRBM) Legislation and in pursuance of the approval of Public Accounts Committee (2005-2006) in the twenty-third report (Fourteenth Lok Sabha) on the proposal for review of Financial Limits to be observed in determining the cases relating to 'NEW SERVICE'/'NEW INSTRUMENT OF SERVICE' for reappropriation of funds (Annex.), which has the concurrence of the C&AG, the following revised guidelines for re-appropriation of funds are hereby conveyed, in modification of this Ministry's Office Memorandum No. F.7 (15)-B(RA)/82 dated 13th April, 1982.

2. Definition of the terms 'New Service'/'New Instrument of Service' and its application:—

- (i) 'New Service': As appearing in article 115(1)(a) of the Constitution of India, this has been held as referring to expenditure arising out of a new policy decision, not brought to the notice of Parliament earlier, including a new activity or a new form of investment.
- (ii) 'New Instrument of Service': Refers to relatively large expenditure arising out of important expansion of an existing activity.
- (iii) While using these terms and applying the financial limits as indicated in the Annex, it needs to be noted that no expenditure can be incurred from the Consolidated Fund of India on a 'New Service'/'New Instrument of Service' without prior approval of Parliament through supplementary demands for grants. Further, the determination of these financial limits will be with reference to Primary Unit of Appropriation.
- (iv) Where in an emergent case of 'New Service'/'New Instrument of Service' it is not possible to wait for prior approval of Parliament, the Contingency Fund of India can be drawn upon for meeting the expenditure pending its authorisation by Parliament. Recourse to this arrangement should normally be taken only when Parliament is not in session. Such advances are required to be recouped to the Fund by obtaining a Supplementary Grant in the immediate next session of Parliament. However, when Parliament is in session, a Supplementary Grant should preferably be obtained before

incurring any expenditure on a 'New Service'/'New Instrument of Service'. That is to say, recourse to Contingency Fund of India should be taken only in cases of extreme urgency; in such cases the following procedure recommended by the Sixth Lok Sabha Committee on Papers Laid on the Table in their 4th Report should be observed:

"As far as possible, before such withdrawal is made, the concerned Minister may make a statement on the floor of the Lok Sabha for information giving details of the amount and the scheme for which the money is needed. In emergent cases, however, where it is not possible to inform the Members in advance, the withdrawal may be made from the Contingency Fund and soon thereafter a statement may be laid on the Table of the Lok Sabha for the information of the Members".

It has been suggested by the Rajya Sabha Secretariat that the above procedure may also be observed in Rajya Sabha.

3. Checks to be observed by the Ministries/Departments to ensure compliance of the provisions of this Office Memorandum are as under:—

- (i) By Integrated Finance Division/Budget Unit: A specific certificate should be recorded in each case involving augmentation of sanctioned provision on receipt of related proposals, to the effect that the proposed augmentation attracts/does not attract financial limits of 'New Service'/'New Instrument of Service'.
- (ii) By PAOs: Each expenditure sanction to be examined by PAOs from the 'New Service'/'New Instrument of Service' angle keeping in view the financial limits indicated in the Annex.
- (iii) Where any doubt arises about the application of financial limits of 'New Service'/'New Instrument of Service', the PAO would seek decision from CCA/FA of appropriate jurisdiction.

4. Circumstances for obtaining Supplementary grants for expenditure qualifying as 'New Service'/'New Instrument of Service' and the reporting procedure thereof are as follows:—

- (i) If sufficient savings are available within the same section of the relevant grants for meeting additional expenditure to the extent mentioned in column 2 of the annex. re-appropriation can be made, subject to report to Parliament.
- (ii) The Report to Parliament should ordinarily be made through the ensuing batch of Supplementary Demands for Grants, failing which by adding an Annex. in the Detailed Demands of the Ministry/Department for the ensuing year.
- (iii) A suitable write-up of such cases where possible, may also be made in the Notes on Demands for Grants of the Ministry/Department.

- (iv) Mere depiction of augmented provisions in the Revised Estimates included in the Demands for Grants will not be adequate to meet the requirement to incur expenditure. In cases where the financial limits of 'New Service'/'New Instrument of Service' are attracted, approval of Parliament may be obtained for incurring such expenditure through supplementary Demands for Grants.
- (v) The provisions in the 'Vote on Account' are not intended to be used for expenditure on any 'New Service'. In cases of urgency, expenditure on a 'New Service' during Vote on Account period can, therefore, be incurred only by obtaining an advance from the Contingency Fund in the manner recommended by the Sixth Lok Sabha Committee on the Papers Laid on the Table already referred to in para 2(iv) of this O.M. Such advances will be resumed to the Contingency Fund on enactment of Appropriation Act in respect of expenditure for the whole year.

#### **5. Exceptions**

- (i) Having regard to the volume and nature of Government transactions, it is not possible to list out all such cases which are not attracted by 'New Service'/'New Instrument of Service' limits. Broadly, however, expenditure on normal activities of Government (such as normal administrative expenditure—including that resulting from re-organization of Ministries/ Departments, holding of conferences, seminars, exhibitions, surveys, feasibility studies, etc. assistance to foreign Governments, contributions to international bodies and fulfillment of Government guarantee on its invocation) are not attracted by the limits of 'New Service'/'New Instrument of Service'.
- (ii) Transfers to State and Union Territory Governments are also exempt from these limits provided the scheme is not new.
- (iii) Further, these limits are applicable only to expenditure which is subject to Vote of Parliament.

#### **6. Doubtful cases**

In case of disagreement between the Integrated Finance Wing and Pay and Accounts Office, the Ministry/Department may send a self-contained communication to the Budget Division, Ministry of Finance bringing out the specific point of doubt incorporating their Financial Adviser's views thereon. The decision taken by the Budget Division in the matter will be final.

#### **7. Conclusion**

While agreeing to the revision of norms for re-appropriation of funds as annexed, the Public Accounts Committee in its twenty-third report (Fourteenth Lok Sabha) has concluded by stating as under:—

"The committee also expects the Financial Advisors of the Ministries/ Departments to ensure that there is no violation in implementation of the said

revised norms for re-appropriation of funds and any slackness in complying with the said norms is strictly dealt with".

Sd/-

(Dakshita Das)  
Director (Budget)

To,

1. All Ministries/Departments of the Government of India.
2. Financial Commissioner (Railways), Financial Adviser (DS), Member Finance (Telecom) and all other Financial Advisers.
3. Finance Secretaries of Union Territory Administrations (Chandigarh, Andaman and Nicobar Islands, Dadra and Nagar Haveli and Lakshadweep).
4. Controller General of Accounts, Controller General of Defence Accounts and Chief Controllers of Accounts.

Copy forwarded for information to:

1. Lok Sabha Secretariat (PAC) Branch/Rajya Sabha Secretariat.
2. Comptroller and Auditor General of India and all Directors of Audit/ Accountants General.
3. Finance Secretaries of all State and Union Territory Governments.

Sd/-

(Dakshita Das)  
Director (Budget)

Annex to Ministry of Finance P.M. No. F.1(23)-B(ACV2005) dated 25.05.2006

**Financial limits to be observed in determining the cases relating to  
'New Service'/New Instrument of Service'**

Nature of transaction	Limits upto which Expenditure can be met by reappropriation of savings in a Grant subject to report to Parliament	Limits beyond which prior approval of Parliament is required for expenditure from the Consolidated Fund
1	2	3
<b>I. CAPITAL EXPENDITURE</b>		
<b>A. Departmental Undertakings</b>		
(i) Setting up a new undertaking, or taking up a new activity by an existing undertaking.		All cases.
(ii) Additional investment in an existing Undertaking	Above Rs. 2.50 crore but not exceeding Rs. 5 crore.	Above Rs. 5 crore.
<b>B. Public Sector Companies/Corporations</b>		
(i) Setting up of a new Company, or splitting up of an existing Company, or amalgamation of two or more Companies, or taking up a new activity by an existing Company		All cases.
(ii) Additional investment in/loans to an existing company		
(a) Where there is no Budget Provision	Above Rs. 50 lakhs but not exceeding Rs. 1 crore	Above Rs. 1 crore.
(b) Where Budget Provision exists for investment and/or loans Paid up capital of the Company		
(i) Upto Rs. 50 crore	20% of appropriation already voted or Rs. 10 crore, whichever is less	Above 20% of appropriation already voted or Rs. 10 crore, whichever is less.
(ii) Above Rs. 50 crore	20% of appropriation already voted or Rs. 20 crore, whichever is less	Above 20% of appropriation already voted or Rs. 20 crore, whichever is less.
<b>C. All bodies or authorities within the administrative control/management of Central Government or substantially financed by the Central Government.</b>		
Loans	Upto 10% of the appropriation already voted or Rs. 10 crore, whichever is less	More than 10% over the appropriation already voted by Parliament or Rs. 10 crore, whichever is less
<i>Note: Where a lumpsum provision is made for providing 'Loans' under a particular scheme, the details of substantial apportionment (10% of lumpsum or Rs. 1 crore, whichever is higher) should be reported to Parliament, in the case of lumpsum provision of loans to States, the State-wise distribution should be reported to Parliament.</i>		
<b>D. Expenditure on new Works (Land, Buildings and/or Machinery)</b>	Above Rs. 50 lakhs but not exceeding Rs. 2.5 crore or not exceeding 10% of the appropriation already voted, whichever is less.	Above Rs. 2.5 crore or above 10% of the appropriation already voted.
<b>II. REVENUE EXPENDITURE</b>		
<b>E. Grants-in-aid to any body or authority</b>		
		All cases.
<i>Note: Where a lumpsum provision is made for providing grants-in-aid under a particular scheme, the details of substantial apportionment (10% of lumpsum or Rs. 1 crore, whichever is higher) should be reported to Parliament. In the case of lumpsum provision of grants to States, the State-wise distribution should be reported to Parliament.</i>		



1	2	3
<b>F. Subsidies</b>		
(i) New Cases		All cases
(ii) Enhancement of provision in the existing appropriation	Upto 10% of the appropriation already approved by the Parliament or Rs. 10 crore, whichever is less.	More than 10% of the appropriation already voted by Parliament or Rs. 10 crore, whichever is less.
Payments against cess collections	Limits as applicable to grants-in-aid to statutory or public institutions will apply	All cases
New Commissions or Committees of Enquiry	—	Above Rs. 20 lakhs (total expenditure)
<b>G. Write off of Government loans</b>		
	Above Rs. 50,000 but not exceeding Rs. 1 lakh (individual cases)	Above Rs. 1 lakh (individual cases)
<b>H. Other cases of Government expenditure</b>		
<b>1. Posts</b>	Each case to be considered on merits.	The aforesaid limits, including those relating to Works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence.
<b>Railways</b>	The aforesaid limits, including those relating to Works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence.	The aforesaid limits, including those relating to Works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence Services Estimates.
<b>Defence</b>		

*Note 1:* For investment in Ordnance Factories, the limit of Rs. 5 crore mentioned in item A (ii) will be applicable with reference to investment in all the factories as a whole.

*Note 2:* Civil Works, which do not form part of any project of the departmental undertakings (Ordnance Factories) should be treated as ordinary Defence works. As such, prior approval of Parliament will be necessary if the cost of individual works exceeds Rs. 2.5 crore and in cases where the individual works cost Rs. 50 lakhs or more but not exceeding Rs. 2.5 crore, a report to Parliament will be required. A list of such works should, however, be supplied to Director of Audit, Defence Services.

## APPENDIX I

### MINUTES OF THE TWENTY-NINTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2012-13) HELD ON 29TH APRIL, 2013

The Committee sat on Monday, the 29th April, 2013 from 1500 hrs to 1600 hrs in Room No. '51', (Chairman's Chamber) Parliament House, New Delhi.

#### PRESENT

Dr. Murli Manohar Joshi — *Chairman*

#### MEMBERS

##### *Lok Sabha*

2. Shri Anandrao Vithoba Adsul
3. Dr. M. Thambidurai
4. Shri Bhartruhari Mahtab
5. Shri Abhijit Mukherjee

##### *Rajya Sabha*

6. Shri Prasanta Chatterjee
7. Shri Prakash Javadekar
8. Shri Sukhendu Sekhar Roy
9. Shri J. D. Seelam
10. Shri N. K. Singh

#### SECRETARIAT

- |                        |   |                         |
|------------------------|---|-------------------------|
| 1. Shri Devender Singh | — | <i>Joint Secretary</i>  |
| 2. Shri Abhijit Kumar  | — | <i>Director</i>         |
| 3. Shri D.R. Mohanty   | — | <i>Deputy Secretary</i> |
| 4. Smt. A. Jyothirmayi | — | <i>Deputy Secretary</i> |
| 5. Ms. Miranda Ingudam | — | <i>Under Secretary</i>  |
| 6. Shri A.K. Yadav     | — | <i>Under Secretary</i>  |
| 7. Smt. Anju Kukreja   | — | <i>Under Secretary</i>  |

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

- |                       |   |                    |
|-----------------------|---|--------------------|
| 1. Ms. Divya Malhotra | — | Director General   |
| 2. Shri Jayant Sinha  | — | Principal Director |
| 3. Ms. Athoorva Sinha | — | Director           |
| 4. Shri Likhariya     | — | Director           |

2. At the outset, the Chairman welcomed the Members and the representatives of the Office of the C&AG of India to the last sitting of the Committee (2012-13). Giving an overview of the performance of the Committee in the year 2012-13 as well as in the 15th Lok Sabha, the Chairman observed that the years have been very productive due to the hard work of the C&AG and his team, the PAC Secretariat led by the Joint Secretary and above all the cooperation and active participation of the Members in the deliberations. The Committee unanimously enclosed the views of the Chairman.

3. The Chairman, then, apprised that the meeting had been convened to consider the following Draft Reports of the Committee:

- |       |  |     |     |
|-------|--|-----|-----|
| (i)   | ***  | *** | *** |
| (ii)  | ***  | *** | *** |
| (iii) | ***  | *** | *** |
| (iv)  | <b>Augmentation of provision to object heads "Grants-in-aid and Subsidy"</b> based on Para 4.2.1 and 4.2.2 of C&AG Report No. 1 of 2011-12, Union Government (Accounts of the Government); |     |     |
| (v)   | ***  | *** | *** |
| (vi)  | ***  | *** | *** |
| (vii) | ***  | *** | *** |

4. 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.

5. After some discussions, the Committee adopted the above mentioned Draft Reports. The Committee, then, authorized the Chairman to finalize the Reports in the light of the factual verifications, if any, made by the Audit and present them to Parliament on a convenient date.

6. The Chairman thanked the Members for their active participation in the consideration and adoption of the Draft Reports. The Members also conveyed their thanks to the Chair for his able leadership in conducting the meetings of the Committee in a probing and educative manner.

*The Committee then adjourned.*

## APPENDIX II

### STATEMENT OF OBSERVATIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry/Department	Observations/Recommendations
1	2	3	4
1.	1	Finance (Economic Affairs)	<p>The Committee note that a Grant or Appropriation for expenditure is distributed by Sub-heads or standard objects (called Primary units) under which it is accounted for Re-appropriation of funds is permissible between primary units of Appropriation within a Grant as also Appropriation before the closure of the financial year to which such Grant or Appropriation relates. Further, Re-appropriation of funds can be made only when it is positively known or genuinely anticipated that the Appropriation for the unit from which funds are proposed to be transferred will not at all be utilized in full or there is reasonable certainty that saving can be effected in the unit of Appropriation. Article 115(1)(a) of the Constitution deals with cases where the amount authorized is found insufficient for the purpose for which it was granted or when a need has arisen during the current financial year for Supplementary or additional expenditure, such additional expenditure is required to be reported to both the Houses of Parliament. Accordingly, instructions were issued by the Ministry of Finance in May, 2006 prescribing that augmentation of provision by way of Re-appropriation to the object head 'Grants-in-aid' to any body or authority 'Subsidy' from the Consolidated Fund of India in all the cases could only be made with the prior approval of Parliament. But the Committee's examination of the subject on Audit findings has revealed that there have been numerous instances of flagrant violation and contravention of the prescribed Financial provisions and the Committee have accordingly given their considered opinion in the succeeding Paragraphs.</p>
2.	2	Finance (Economic Affairs)	<p>The Committee are distressed to find that in as many as 25 cases of 14 Grants/Appropriations, funds to the tune of Rs. 698.82 crore were provided through Re-appropriation by various Ministries/Departments during the Financial Year 2010-11 for augmenting of provisions under 'Grant-in-aid' to various</p>

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			<p>bodies/authorities without obtaining the mandatory prior approval of Parliament. Similarly in four cases across four Grants, funds amounting to Rs. 935.52 crore were provided through Re-appropriation during the same year for augmenting the provision under 'Subsidy' without obtaining prior approval of Parliament. The Committee are shocked to find that the violation of Constitutional and Financial provisions has occurred in these cases despite the fact that augmentation of funds under specific Schemes/Programmes are discussed in detail during the course of mid-year review to assess the need for Revised Estimates of the financial year. It would be an understatement to say that these serious lapses are a pointer towards faulty budget estimation and deficient observance of Financial Rules by the Ministries/Departments concerned. The situation has been worsened due to the undisputed fact that the Ministry of Finance have no robust mechanism for timely detection of such contraventions of Constitutional and Financial provisions. The Committee view this dismal scenario with grave concern and are of the firm opinion that as mere issue of instructions have not yielded the desired results, there is an imperative need on the part of the Ministry of Finance to devise an effective mechanism for imposing financial discipline on all the Ministries/Departments so as to avoid recurrence of such serious lapses.</p>
3.	3	Finance (Economic Affairs)	<p>The Committee note that all the Ministries/Departments are required to regulate their proposals for Supplementary Demands for Grants in accordance with the expenditure ceiling fixed in the Revised Estimates of the particular financial year. The perfunctory and casual attitude of the defaulter Ministries/Departments is confirmed by the fact that even at this stage they miserably failed to foreseen the need for the required additional funds. The Ministry of Finance (Department of Economic Affairs) have conceded that the Ministries/Departments have in some cases failed to understand the need to obtain the prior approval of Parliament through Supplementary Demands for Grants in cases where augmentation occurred under Specific heads. The</p>

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			<p>Ministry of Finance further explained that in certain cases the Ministries/Departments have failed to either understand the budgetary process or apply the relevant financial rules at appropriate time, required for the augmentation of provisions under Heads requiring prior approval by Parliament. According to the Ministry of Finance, this is a procedural requirement every Ministry/Department is required to comply with, but inadvertently in some cases, the lapse has occurred. Obviously, such rampant Re-appropriations in utter disregard to codal provisions, standing instructions and canons of financial propriety only display the inability of the Ministries/Departments to realistically forecast their need for additional funds. The Committee, therefore, desire the Ministry of Finance to impress upon all the Ministries/Departments to keep strict vigil over the trend of expenditure and take timely corrective action to obtain additional funds whenever required by reporting the same to Parliament so as to obviate any contravention of the Constitution, established Procedure and Rules.</p>
4.	4	Finance (Economic Affairs)	<p>The Committee find that in as many as 11 cases, the Re-appropriation is for an amount less than Rs. one crore. According to the Ministry of Finance (Department of Economic Affairs) the decision for such Re-appropriation is required to be taken with the approval of the Head of Department. However, cases of Re-appropriation which are carried out at the Ministry/Department level are not referred to the Ministry of Finance presuming that augmentation of provision for less than Rs. one crore does not require the approval of Parliament. The Ministry of Finance have conceded that it is incorrect on the part of the Ministries/Departments concerned to assume that augmentation of provision, especially under the primary unit of Appropriation 'Grants-in-aid' by less than Rs. one crore does not require the approval of Parliament. The Committee are distressed to find that even the Heads of the Ministries/Departments are not aware of the important Financial provisions which leads to aberrations. While deprecating the ignorance of the erring Ministries/Departments concerned, the</p>

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			<p>Committee feel that the Departmental Heads and the Financial Advisors cannot abdicate their responsibility for ensuring the correct applicability of the Financial Rules. The Committee, therefore, recommend that the Ministry of Finance should seriously look into the matter and deal sternly with cases of aberrations noticed so as to ensure strict adherence to and accurate application of the prescribed financial Rules by the Departmental Heads and FAs and the consequential elimination of such serious recurrences.</p>
5.	5	Finance (Financial Services)	<p>The Committee are shocked to find that the Ministry of Finance have themselves irregularly resorted to augmentation of provision towards Grants to NABARD by Rs. 30 crore in their Grant No. 33— Department of Financial Services. The Ministry have conceded the mistake as inadvertent. The Committee cannot condone such a serious lapse by the Ministry of Finance being the nodal authority for ensuring financial propriety and discipline. However, mindful of the Ministry's assurance that administrative action as deemed fit will be taken, the Committee desire that the officers responsible for the contravention of the Law be identified and responsibility fixed so that such mistakes, albeit inadvertent, do not recur.</p>
6.	6	Finance (Economic Affairs)	<p>Another instance of such violation by the Ministry of Finance regarding augmentation of funds by Rs. 500 crore towards 'Assistance to state from NCCF for calamity of severe nature' under Grant No. 35— Transfers to States and Union Territory Governments has come to the notice of the Committee. The Ministry have reasoned that such augmentation of Grants is covered under the general exemptions, whereby cases of augmentation of Grants to State and Union Territory Governments are existing schemes and do not attract the financial limits prescribed for New Service/New Instrument of Service in terms of their existing provision. As Audit has pointed out in a similar case relating to the Department of Food and Public Distribution, the financial limits prescribed for NS/NIS do not apply only in such cases which relates to grants-in-aid to State Governments and UT Governments where the specific head relating to State Governments and UT Governments, viz. '3601-Grants-in-aid to State Governments' and '3602-Grants-in-aid to Union Territory Governments' have been Operated. Considering the fact that there should be some</p>

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			mechanism for regulating such augmentations so as to obviate any ambiguities and consequent Audit objections, the Committee recommend that whenever such augmentation is done for an amount exceeding Rs. 100 crore, Parliament and the Office of the C&AG be kept apprised.
7.	7	Finance (Economic Affairs) and Fertilizers	The Committee note with concern that in respect of Grant No. 7—Department of Fertilizers, a huge Fertilizer, requirement of Rs. 895.95 crore was met by Re-appropriation to the head 'Subsidies'. The Department of Fertilizers have claimed that the Re-appropriation which was within the overall allocation for fertilizer subsidy, was made with the approval of the Ministry of Finance. This was subsequently reported to the Parliament as advised by the Ministry of Finance. While clarifying the basis on which such advice was given to the Department of Fertilizers, the Ministry of Finance stated that 'although in technical sense, it is a Re-appropriation, in real sense, it is adjustment within different components of one Subsidy'. The Committee are not convinced with the reasoning enforced by the Ministry of Finance as violation of the basic financial rules and constitutional provisions cannot be partially covered by the subsequent reporting to Parliament. Taking note of the utter disregard to fiscal discipline and financial propriety, the Committee recommend that effective steps be taken by the Ministry of Finance/ Department of Fertilizers to ensure strict observance of and adherence to the prescribed rules in this regard.
8.	8	Finance (Economic Affairs) and Railways	In yet another case concerning Grant No. 32— Department of Economic Affairs under head of Account "3075.60.101.02—Reimbursement of losses of Railways" on operating strategic Railway lines an additional expenditure of Rs. 34.38 crore was met by Re-appropriation. According to the Ministry of Finance augmentation of Rs. 10 crore was alone agreed against the budget provision of Rs. 600 crore in the absence of prior approval of Parliament through Supplementary Demands for Grants and sanction for release of Rs. 610 crore was accordingly issued by them. The Committee find that augmentation of Rs. 10 crore through Re-appropriation of funds is admissible under the primary unit of appropriation 'Subsidy' in terms of Ministry of Finance's instructions dated 25.5.2006. Strangely, the Ministry of Railways



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			<p>while putting through the transaction on proforma basis adjusted Rs. 634.38 crore in accounts for the year 2010-11 for reimbursement of losses to Railways, resulting in unauthorized expenditure of Rs. 24.38 crore. Taking a serious view of the perfunctory manner in which the vital accounts are maintained by the Railways, the Committee seek an explanation from the Ministry as to how such error escaped notice and could not be rectified in time. They would also like the Ministry to go into the causes, fix responsibility for the lapse and take corrective measures so that such aberrations do not recur.</p>
9.	9	Finance (Economic Affairs)	<p>In the foregoing Paragraphs, the Committee have noted very large number of instances of blatant and callous infringement of the basic Constitutional and Financial provisions by the Ministries/Departments concerned. Explaining the reasons for inability of the Ministry of Finance (Department of Economic Affairs) to strictly enforce these provisions by the Ministries/Departments, the Ministry have submitted that Rule 64 of the General Financial Rules provides that the Chief Accounting Authority is responsible and accountable for financial management of his Ministry or Department including ensuring that the Public funds appropriated to the Ministry/Department are used for the purposes for which they are meant. According to the Ministry of Finance, their role is for overseeing the Public finance management system in the Central Government. In short, their principal activities include overseeing the expenditure management in the Central Ministries/Departments through interface with the Financial Advisors. However, expressing their serious displeasure over the disproportionately ever increasing tendency on the part of various Ministries/Departments to blatantly indulge in violation of the provisions of General Financial Rules, the Committee are of the considered opinion that it is imperative on the part of the Ministry of Finance, being the nodal Ministry for overall general financial management to devise some innovative measures and put in a place a robust and foolproof mechanism for ensuring strict compliance and observance of the Constitutional and Financial provisions by all the Ministries/Departments.</p>

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10.	10	Finance (Economic Affairs)	<p>The Committee are deeply concerned to note that, as comprehensively discussed and appropriately commented upon in the foregoing paragraphs, huge funds to the tune of more than Rs. 1600 crore were irregularly provided through Re-appropriation by various Ministries/Departments during the Financial Year 2010-11 without obtaining the approval of Parliament. As the Ministries/Departments are required to obtain approval of Parliament in all the above-said cases of wrongful Re-appropriations, the Audit have desired to regularize the same in accordance with Article 115(1) (b) of the Constitution. However, the Ministry of Finance (Department of Economic Affairs) have not accepted the same on the ground that regularization of such type of expenditure under Article 115(1)(b) is not an appropriate mechanism of obtaining Parliament's approval. According to the Ministry of Finance such Appropriations may be treated as defective Re-appropriations. Consequently, on a reference being made by the Committee, the Ministry of Law and Justice furnished the opinion of learned. Attorney General of India on the matter which clearly states "the amount Re-appropriated in these case may be regulated in terms of article 115(1)(b)" and thus reinforces the Committee's considered view in conformity with Article 114(3) of the Constitution, that no money shall be withdrawn from the Consolidated Fund of India except under 'Appropriation made by the legislature'. The Committee unequivocally deem such Re-appropriations not only highly defective and irregular but also in flagrant contravention of the Constitutional and Financial provisions and need to be regularized as per the Constitution. The Committee, therefore, call upon the Ministry of Finance to work out an appropriate and effective Re-appropriation mechanism in such matters in the light of the valued advice of the Ld. Attorney General and also in complete conformity with Constitutional provisions and unfailingly ensure that in case the expenditure exceeds Parliamentary authorization, the excess expenditure is regularised through Appropriation (Excess) Act.</p>

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11.	11	Finance (Economic Affairs)	The Committee, in their 66th Report (15th LS) had expressed their deep concern over violation of the Constitution by the Ministry of Finance as an expenditure of Rs. 37,365 crore was incurred on interest payments alone on refunds without Parliamentary approval. The Committee expect that the Government would scrupulously follow the Constitution and the financial rules since administrative inconvenience or difficulty, as also reiterated by the learned Attorney General cannot be a ground for bypassing the Constitution.

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