

ELEVENTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(2000-2001)

(THIRTEENTH LOK SABHA)

APPROPRIATION ACCOUNTS OF
UNION GOVERNMENT FOR 1993-94

*[Action Taken by Government on the Recommendations
contained in the 110th Report of PAC (Tenth Lok Sabha)]*



सत्यमेव जयते

*Presented to Lok Sabha on 1 December, 2000
Laid in Rajya Sabha on 1 December, 2000*

LOK SABHA SECRETARIAT
NEW DELHI

December, 2000/Agrahayana 1922 (Saka)

CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2000-2001) ..	(iii)
INTRODUCTION.....	(v)
CHAPTER I Report	1
CHAPTER II Recommendations/observations which have been accepted by Government.....	6
CHAPTER III Recommendations/observations which the Committee do not desire to pursue in view of the replies received from Government.....	77
CHAPTER IV Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration	88
CHAPTER V Recommendations/observations in respect of which Government have furnished interim replies/no replies	89
APPENDIX	
Conclusions and Recommendations	108
PART II	
Minutes of the sittings of Public Accounts Committee held on 23.11.2000.....	110

COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(2000-2001)

Shri Narayan Datt Tiwari—*Chairman*

MEMBERS

Lok Sabha

2. Shri Vijay Goel
3. Dr. Madan Prasad Jaiswal
4. Shri C. Kuppusami
5. Shri M.V.V.S. Murthy
6. Shri S. Murugesan
7. Shri Rupchand Pal
8. Shri Prakash Paranjpe
9. Shri Chandresh Patel
10. Shri Annasaheb M.K. Patil
- 11.* Shri M.O.H. Farook
12. Shri N. Janardhana Reddy
13. Shri Chhatrapal Singh
14. Shri Prabhunath Singh
15. Shri Balram Singh Yadav

Rajya Sabha

16. Shri P.N. Siva
17. Dr. Y. Radhakrishna Murty
18. Shri K. Rahman Khan
- 19.** Shri Onward L. Nongtdu
20. Prof. Ram Gopal Yadav
21. Shri Anantray Devshanker Dave
22. Shri S.R. Bommai

SECRETARIAT

1. Dr. A.K. Pandey —*Additional Secretary*
2. Shri P.D.T. Achary —*Joint Secretary*
3. Shri Devender Singh —*Deputy Secretary*

* Elected w.e.f. 2 August, 2000 *vice* Shri Rajesh Pilot expired.

**Elected w.e.f. 25 August, 2000 *vice* Shri Vayalar Ravi ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 1 July, 2000.

INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee, do present on their behalf this Eleventh Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their One Hundred Tenth Report (10th Lok Sabha) on "Appropriation Accounts of Union Government for 1993-94".

2. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 23rd November, 2000. Minutes of the sitting form Part-II of the Report.

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

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

NEW DELHI;
27 November, 2000

06 Agrahayana, 1922 (Saka)

NARAYAN DATT TIWARI,
Chairman,
Public Accounts Committee.

CHAPTER I

1. This Report of the Committee deals with the action taken by the Government on the Committee's recommendations and observations contained in their 110th Report (Tenth Lok Sabha) on "Appropriation Accounts of Union Government for 1993-94". The 110th Report which was presented to Lok Sabha on 6 December, 1995 contained 20 recommendations. Of these, six recommendations related to more than one Ministry/Department.

2. Action Taken Notes have been received from Government in respect of all the 20 recommendations/observations. The Action Taken Replies as received from the concerned Ministries/Departments on recommendations/observations of the Committee have been categorised as follows:—

(i) Recommendations and observations which have been accepted by Government:

Sl. Nos. 1, 2, 6, 7, 10, 12, 13, 14, 15, 16, 17, 18, 19 and 20 (Paragraph Nos. 78, 79, 83, 84, 87, 89, 90, 91, 92, 93, 94, 95, 96 and 97)

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

Sl. Nos. 3, 5, 8 and 11
(Paragraph Nos. 80, 82, 85 and 88)

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

-Nil-

(iv) Recommendations and observations in respect of which Government have furnished interim replies:

Sl. Nos. 4 & 9
(Paragraph Nos. 81 and 86)

3. The Committee now proceed to offer their comments on Action Taken Replies furnished to them by the various Ministries/Departments in respect of some of their recommendations in the earlier Report.

**Evolving of proper system of allocation of capital expenditure between
"Capital" and "Capital Fund"
(Sl.No. 4, Para 81)**

4. The Committee had noted during examination of the Appropriation Accounts of the Union Government for 1993-94 that the Ministry of

Railways had incurred an overall excess expenditure to the tune of Rs. 1216.83 crore under eight Grants/Appropriations operated by them during the year 1993-94. This excess expenditure of sizeable magnitude occurred mainly under Grant No. 16 (Capital) which alone accounted for an excess of Rs. 1149.18 crores. The Ministry of Railways had pleaded that it was a sort of technical excess in view of the savings in "Capital Fund" under this Grant. Considering it as lackadaisical approach followed by the Ministry of Railways in working out a proper accounting procedure for booking of expenditure under two distinct Heads "Capital" and "Capital Fund" under Grant No. 16, the Committee had recommended the Ministry to take necessary action to ensure that a sound and proper system of allocation of capital expenditure between "Capital" and "Capital Fund" was worked out in consultation with Audit and communicated to the field formations so that the aberrations that had occurred in the accounts for 1993-94 were avoided.

5. In their action taken reply, the Ministry of Railways stated as under:—

"As desired by the Committee, the Ministry of Railways have taken care to ensure that the aberration pointed out by the Committee while reviewing the accounts for 1993-94 were not repeated during 1994-95. Interim instructions have also been issued to ensure that expenditure under Capital and Capital Fund is booked separately right from the beginning of the year.

The matter regarding finalisation of modalities for operation of Capital Fund is under discussion with Audit. They have made certain observations in this regard which have been replied to on 27.6.96. Further action will be taken as soon as Audit clearance is received."

6. The Committee observe that though the Ministry of Railways have issued instructions for booking the expenditure under two distinct heads, 'Capital' and 'Capital Fund' right from the beginning of the year but they have yet to finalise the modalities for evolving a sound and proper system of allocation of capital expenditure between "Capital" and "Capital Fund". Needless to say, this speaks volumes for the sanctity attached by the Railways to the need for evolving tangible norms for allocation of capital expenditure under the respective heads. Having regard to the mounting need for streamlining the accounting procedure for booking expenditure under appropriate heads in a monolith organisation like the Railways with large field formations spread over the country, the Committee reiterate their earlier recommendation in the hope that suitable modalities would be worked out by the Railways in near future in consultation with the statutory Audit.

**Revamping the existing set-up with a view to building a sound
accounting information system
(Sl. No. 9, Para 86)**

7. While examining the Appropriation Accounts of Union Government for the year 1993-94, the Committee in paragraph 86 of their 110th Report (10th Lok Sabha) had observed that under Revenue Section (Voted) of Grant No. 33—Pensions, the Central Pension Accounting Office (CPAO) in the Department of Expenditure had incurred an expenditure of Rs. 6.41 crore over and above the sanctioned provision of Rs. 809.27 crore which included supplementary provisions of Rs. 66.63 crore obtained in March 1994. The Committee's examination had further revealed that unnecessary supplementary grants of Rs. 23.14 crore were obtained by the CPAO in March 1994 under three distinct sub-heads and the same remained wholly unutilised as the savings under those sub-heads exceeded the supplementary provisions. While attributing excess expenditure under this grant to the increase in the number of pensioners than anticipated and grant of periodical dearness relief to pensioners, the Department had conceded that they did not have the complete details in their Data Bank in respect of pensioners who had retired prior to 1.1.1990. The Committee had, therefore, recommended to the Ministry to make concerted efforts to collect and compile the requisite data in the shortest possible time so that their budget estimates could not go away. The Committee had further recommended the CPAO office to revamp their existing set up with a view to building a sound accounting information system for keeping an unremitting vigil over the actual trend of expenditure *vis-a-vis* the sanctioned provisions under various heads of this grant to effectively check the recurring feature of excess expenditure under this Grant.

8. In their Action Taken reply, the Ministry of Finance *inter-alia* stated:—

"1. Construction of Data Bank

Efforts have been initiated to collect and compile the data of Central Civil Pensioner, who retired before 01.01.90 i.e., prior to formation of this office but living and still drawing pension through Public Sector Banks/Treasuries/Pay and Accounts Officer's Counter. For this purpose, help of all the Accounting Organisation, Public Sector Banks and Accountants General has been sought to obtain the statement of such surviving pensioners who retired prior to 01.01.90 but still drawing pension through the counters of Pay and Accounts Offices, branches of Public Sector Banks and Treasuries respectively vide this Office letter CPAO/A&B/45/DATA BANK/95-96/1508-1614 Dated 12.7.1995 and subsequent reminders of even No. 1876-1901 and 1931-1990 dated 14.09.1995 and 3316-3342 dated 3.1.1996. As soon as the information from all the agencies is received, we hope to complete the compilation of the Data Bank soon.

2. Effective Measures taken to obviate recurring excess

As regards measures taken to improve the accounting information system to effective(ly) check the recurrence of excess expenditure, it is intimated that:—

- (a) All the accounting organisations have been requested to furnish the estimates more accurately and realistically *vide* this office letter No. CPAO/A&B/44/PAC/1497-1557 dated 7.7.1995 and further reminder of even No. 3026-72 dated 22.12.1995.
- (b) All the accounting organisations were also requested to conduct quarterly review of projections and actual expenditure on 1st June, 1st October and 1st January every year *vide* this office letter mentioned at S.No.(a) above. They have been also asked to intimate the result of such review to this office also.
- (c) They have been also requested to furnish their actual requirement on the basis of expenditure incurred by them upto December 1995 at the time of regularisation of funds by 31st January 1996, *vide* the *ibid* letters so as to avoid infructuous surrender/re-appropriation of funds. Another reminder No. CPAO/A&B/44/PAC/19953694-3731 on 5.2.1996 has been issued to all accounting organisations in this regard.
- (d) Now, CPAO have started quarterly review of flow of expenditure at Central Pension Accounting Office level on 1st January, 1st April, 1st July and 1st November.

As a result of these measures, this office has controlled the expenditure effectively which is evident from the following table:—

Grant No. 33—Pension Revenue Section (Voted)

(Rs. in crore)

Year	Budget Estimates	Revised Estimates	Actuals	Excess over Revised Estimates	% of variations of Revised Estimates Excess (+) Saving (-)
1991-92	548.84	548.84	581.35	32.51	5.92%
1992-93	600.15	682.80	698.68	15.88	2.32%
1993-94	742.64	809.27	815.68	6.41	0.79%
1994-95	906.96	931.62	931.57	-0.05	-0.01%

9. The Committee note with some satisfaction that the Ministry of Finance (Department of Expenditure) have initiated various measures with a view to obviate excess expenditure. The Committee hope that such measures will continue to be effectively implemented and regularly monitored so as to keep close watch over the flow of expenditure. The Committee, however,

note that the Ministry are yet to complete the collection and compilation of the Data Bank. The Committee hope that the Ministry will make all possible efforts to complete the Data Bank by compiling the information at the earliest and apprise the Committee of the final outcome in the matter.

**Failure of Ministry of Finance in submission of Explanatory
Notes of savings of Rs. 100 crore and above
(Sl. No. 15, Para-92)**

10. In pursuance of the recommendations of the Committee made in Paragraph 1.24 of their 60th Report (10th Lok Sabha) and subsequent instructions issued by Ministry of Finance on 19 December, 1994, the explanatory notes of savings of Rs. 100 crore and above were required to be furnished to the Committee in respect of the Appropriation Accounts for 1993-94 and onwards as per the time-schedule prescribed in this regard. Accordingly, the detailed notes on saving of Rs. 100 crore and above made during the year 1993-94 were required to be furnished to the Committee by 31 May, 1995. The Committee during examination of the Appropriation Accounts of Union Government for 1993-94 had observed that the requisite explanatory notes pertaining to 8 grants/appropriations were not submitted to the Committee by the Deptt. of Animal Husbandry and Dairying, Ministry of Home Affairs, Ministry of Power and Ministry of Finance (in five cases). The Committee while desiring the defaulting Ministries to furnish the requisite notes without further delay had also recommended the Ministry of Finance to reiterate their instructions in this regard emphasising that the Ministries/Departments should strictly adhere to the prescribed time-schedule and that the responsibility be fixed for any laxity in this regard.

11. In their action taken reply, the Ministry of Finance stated that the observations made by the Public Accounts Committee had been noted and the instructions already issued in the matter had been reiterated on 20th September, 1996. As far as five explanatory notes pending in the Ministry of Finance are concerned, the Ministry stated that the matter had been taken up with the concerned authorities for urgent action.

12. The Committee note with dismay that the Ministry of Finance, though expected to submit the explanatory notes on savings at the initial stage, failed to take up the issue seriously even at a stage subsequent to the recommendations of the Committee. The Committee expect of the Ministry of Finance, being the nodal Ministry, to strictly adhere to their own instructions so that greater financial discipline is brought about in the various Ministries/Departments. The Committee would be happy if in the subsequent years, the Ministry of Finance demonstrate successfully that they have been able to bring greater financial discipline and stricter exchequer control.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendations

To sum up, the Committee find that an expenditure of unprecedented magnitude of Rs. 1240.35 crores had been incurred by various Ministries/Departments of Union Government in excess of the provisions sanctioned under 16 grants/appropriations during the year 1993-94. The Committee are particularly astonished to find that bulk of this excess expenditure had been recorded under the grants/appropriations operated by the Ministry of Railways which accounted for over 98 per cent of the total excess expenditure incurred during that year. The fact that excess expenditure of Union Government has been persistently occurring year after year and has gone up from Rs. 398.28 crores in 1991-92 to Rs. 689.06 crores in 1992-93 and touched an all time high of Rs. 1240.35 crores in 1993-94 clearly indicate that the situation has been going from bad to worse despite issuance of elaborate instructions at regular intervals by the Ministry of Finance in pursuance of the oft-reiterated recommendations of the Public Accounts Committee to contain the excess expenditure to the barest minimum. The Committee view this dismal picture with grave concern and are of the firm opinion that mere issue of instructions have not yielded desired results and there is an imperative need to devise an effective mechanism to ensure rigid enforcement of all those instructions with a view to imparting financial discipline on all Ministries/Departments to avoid excess expenditure. The Committee, therefore, recommend that the Ministry of Finance should look into the matter and take appropriate steps to impress upon the Departmental Heads concerned to carry out checks for strict application of prescribed financial rules and deal sternly with cases of aberrations noticed during such checks so that recurrence of huge excess over Voted Grants/Charged Appropriations on this accounts could be avoided in future.

[Sl. No. 1 Appendix XII Para 78 of 110th Report of
Public Accounts Committee (10th Lok Sabha)]

The Committee's examination of the Appropriation Accounts for 1993-94 has revealed that excess expenditure of over rupee one crore had been incurred in as many as eight voted grants out of which six grants were operated by the Ministry of Railways alone. Another disquieting aspect observed by the Committee that the excess expenditure in eight grants/

appropriations had occurred despite obtaining supplementary provisions of Rs. 272.22 crores. The Committee's detailed examination of the more glaring cases of excess expenditure has brought to sharp focus not only the failure of the Ministries/Departments to assess requirement of additional funds even at the fag-end of the year but also the inadequacies in the institutional arrangements in the Ministries/Departments in monitoring the trend of expenditure under various heads of accounts. The Committee, therefore, desire the Ministry of Finance to take concrete steps to ensure that all Ministries/Departments not only gear up their internal check arrangement to keep watch over the trend of expenditure against the sanctioned grant/appropriation but also take timely corrective action to obtain additional funds whenever required so that the undesirable tendency of incurring excess expenditure could be minimised.

[Sl. No. 2 Appendix XII Para 79 of 110th Report of Public Accounts Committee (10th Lok Sabha)]

Action Taken (Ministry of Finance—Deptt. of Expenditure)

The observation made by the Public Accounts Committee have been noted and circulated to all the Ministries/Departments *vide* O.M. No. 12(1) E-Coord./96 dated 5th August, 1996 (copy enclosed).

This has been vetted by Audit *vide* their U.O. No. RR/3895-96/366 dated 23rd July, 1996.

Sd/-

Joint Secretary to the Government of India.

Ministry of Finance
Department of Expenditure
E-Coord. Branch U.O. No. 12(1) E-Coord./96 dated 14.8.90

No. 12(1) E-Coord./96

Government of India
Ministry of Finance
Department of Expenditure

New Delhi, the 5th August, 1996

OFFICE MEMORANDUM

SUBJECT:- *Action taken on the recommendations contained in the Hundred and Tenth Report of the Public Accounts Committee (Tenth Lok Sabha) on Appropriation Accounts of Union Government for 1993-94.*

The Public Accounts Committee in Paras 78 and 79 of its 110th Report has expressed their grave concern over the deterioration in regard to excess expenditure over and above the voted grants/charged appropriations and also the need for taking timely action to obtain additional funds whenever required so that the tendency to incur excess expenditure could be reduced.

2. This Ministry had issued instructions from time to time that Ministries/Departments should take appropriate steps to control the expenditure so that excess expenditure over and above the voted grants/appropriations is avoided. However, the situation has not improved as would be clear from the recommendations of Public Accounts Committee referred herein above.

3. The responsibility of framing Budget estimates on realistic basis as also post Budget vigilance to ensure that there is neither considerable shortfall nor unforeseen excess expenditure rests with the Financial Advisers. To achieve this objective, the Financial Advisers are required to ensure that prescribed financial rules and procedures are followed scrupulously. Financial Advisers may also devise such other means as they may deem fit to avoid excess expenditure/or savings.

4. Arrangements to continuously monitor the trend of expenditure against the sanctioned grant/appropriations be made so that timely corrective action to obtain additional funds whenever required is taken so that tendency to incur excess expenditure is reduced.

5. Ministries/Departments may note the recommendations of Public Accounts Committee for strict compliance.

Sd/-

(D.P. Roy)
Director

1. All Ministries/Departments of the Govt. of India.
2. All FAs including Financial Commissioner, Railways.

Recommendation

The Committee's examination of the Appropriation Accounts for 1993-94 has revealed that excess expenditure of over rupee one crore had been incurred in as many as eight voted grants out of which six grants were operated by the Ministry of Railways alone. Another disquieting aspect observed by the Committee is that the excess expenditure in eight grants/appropriations had occurred despite obtaining supplementary provisions of Rs. 272.22 crores. The Committee's detailed examination of the more glaring cases of excess expenditure has brought to sharp focus not only the failure of the Ministries/Departments to assess requirement of additional funds even at the fag-end of the year but also the inadequacies in the institutional arrangements in the Ministries/Departments in monitoring the trend of expenditure under various heads of accounts. The Committee, therefore, desire the Ministry of Finance to take concrete steps to ensure that all Ministries/Departments not only gear up their internal check arrangements to keep watch over the trend of expenditure against the sanctioned grant/appropriation but also take timely corrective action to obtain additional funds whenever required so that the undesirable tendency of incurring excess expenditure could be minimized.

[S.No. 2 Appendix-XII Para 79 of 110th Report of PAC (10th Lok Sabha)]

Action Taken (Ministry of Railways—Railway Board)

The observation of the Committee have been noted. Instructions are being issued to the Railways (copy enclosed) at Annexure.

The Audit have seen and vetted the above ATN *vide* their UO No. 8RA-III-RR/12-895. Dt. 26.4.96.

Sd/-

(Vandana Singhal)
Executive Director, (RFFC)
Railway Board.

[Ministry of Railways (Rly. Board's) OM No. 95-BC-PAC-X/110 dt. 8.96.]

ANNEXURE-I

Government of India (Bharat Sarkar)
Ministry of Railways (Rail Mantralaya)
(Railway Board)

No. 96-B-3421

New Delhi, dated 16.8.1996

General Managers,
All Indian Railways

SUBJECT: Excess over Voted Grants Charged/Appropriations.

In 1993-94, Railways incurred an excess expenditure of Rs. 1216.83 cr. as per the following details:

(Rs. in thousands)

Demand No.	Grant	Appropriation
6	25,40,45	61
8	35,56,27	8,75
9	2,27,40	
11	2,62,08	
12	1,68,98	
16-Capital	1149,18,30	
Total	1216,73,48	9,36

2. As the incidence of excess expenditure on Railways in 1993-94 was the highest amongst all the Ministries, the Public Accounts Committee (PAC) (10th Lok Sabha) in their 110th Report have passed adverse comments.

-3. Though the need to contain the expenditure within the Budget allotment has been stressed a number of times, the excess expenditure was still incurred. This is indicative of a slackening of the control mechanism on the Railways. Attention is also invited to Board's earlier letters issued from time to time in this regard.

4. Apart from the excess expenditure that occurred in a few Railway Grants in 1993-94, a saving of Rs. 2701.66 cr. has also taken place in the other grants operated by the Railways indicating faulty assessment of requirement of funds. As the savings in expenditure is no less an evil than the excess expenditure, the Railways should take all precautions to timely forecast the savings in a grant or appropriation so that the same may be utilised on other Railways/Units in the same grant/appropriation or surrendered.

5. The lapses in this regard have been viewed seriously and Railways are advised to be extra cautious in this regard. The Railways should so regulate their expenditure as to remain within the sanctioned grant/appropriation. It is felt that in the regular and stricter monitoring at various levels, it should have been possible to contain the expenditure.

6. Observations of the PAC have been reproduced in Annexure to this letter.

Kindly acknowledge receipt.

DA: As above

Sd/
(B. RAM)
Executive Director, Finance (Budget)
Railway Board

ANNEXURE TO LETTER DT. 16.8.96

Para—79. The Committee's examination of the Appropriation Accounts for 1993-94 has revealed that excess expenditure of over rupee one crore had been incurred in as many as eight voted grants out of which six grants were operated by the Ministry of Railways alone. Another disquieting aspect observed by the Committee is that the excess expenditure in eight grants/appropriations had occurred despite obtaining supplementary provisions of Rs. 272.22 crores. The Committee's detailed examination of the more glaring cases of excess expenditure has brought to sharp focus not only the failure of the Ministries/Departments to assess requirement of additional funds even at the fag-end of the year but also the inadequacies in the institutional arrangements in the Ministries/Departments in monitoring the trend of expenditure under various heads of accounts. The Committee, therefore, desire the Ministry of Finance to take concrete steps to ensure that all Ministries/Departments not only gear up their internal check arrangements to keep watch over the trend of expenditure against the sanctioned grant/appropriation but also taken timely corrective action to obtain additional funds whenever required so that the undesirable tendency of incurring excess expenditure could be minimized.

Para—87. While there had been instances of incurrence of excess expenditure of immense magnitude over voted grants and charged expenditure during the year 1993-94, the Committee are astonished to note that the year also witnessed large scale earnings amounting to Rs. 24456.67 crores out of which the grant/appropriations covered under Appropriation Accounts (Civil) alone accounted for savings of Rs. 20824.03 crores. The Committee's scrutiny of the Appropriation Accounts of Civil, Defence, Postal Services, Telecommunication Services and Railways in this regard

revealed that savings of even over Rs. 100 crores had occurred in as many as 22 grants/appropriations. Astonishingly, such large scale savings had occurred even in developmental areas like agriculture (Rs. 233 crores), Animal Husbandry & Dairying (Rs. 113 crores), Industrial Development (Rs. 525 crores), Power (Rs. 109 crores), Rural Development (Rs. 167 crores) and Coal (Rs. 140 crores). An analysis of the contributory reasons attributed for the savings by the Ministries/Departments in some of such cases also revealed that the schemes in those areas had failed to materialise during the year as planned. Obviously, this is indicative of poor budgeting, planning and also inadequate scrutiny of estimates at various levels. Further, the Committee consider it unfortunate that the Ministries/Departments concerned woefully failed in efficiently utilising the funds sanctioned by Parliament even in the vital sectors of the economy meant to cater to the developmental and infrastructural requirements of the country.

Para—96. The foregoing paragraphs reveals certain disquieting trends in the system of budgeting, observance of prescribed financial rules/discipline and exercise of financial control by various Ministries/Departments of the Government of India. Evidently, the inadequacies/shortcomings on this score had resulted in the incurrence of excess expenditure of considerable magnitude, registering of large scale savings and occurrence of several other financial irregularities/improprieties. The Committee cannot but express their deep concern over the unsatisfactory state of affairs. During evidence, the representatives of the Ministry of Finance (Department of Expenditure) while admitting the shortcomings in the existing mechanism stated that they were contemplating revision of procedures and issuance of modified instructions for improving the position and ensuring observance of financial discipline. The Committee desire that in the light of the facts contained in this Report and the findings of Audit on the Appropriation Accounts of the Union Government for the year 1993-94 contained in the relevant report of C&AG for the year ended in 31 March, 1994. Government should take effective steps to streamline the procedures with a view to making the budget exercise more realistic and meaningful, imparting financial discipline and effecting strict exchequer control.

Para—97. Subject to the observations made in the preceding paragraphs, the Committee also recommend that the expenditure referred to in Paragraph 12 of this Report be regularised in the manner prescribed in Article 115(1)(b) of the Constitution of India.

Recommendations

The Committee regret to find yet another instances of wrong booking of expenditure by the Ministry of Railways under Grant No. 12 where Rs. 55 crores were shown as a credit instead of minus debit which was outside the scope of this demand and resulted in excess expenditure. Equally distressing is the admission made during evidence by the representative of the Ministry that "it was a simple mistake which could have been rectified". The Committee take a serious view of the perfunctory manner in which the accounts were maintained by the Railway authorities where such errors escaped notice and could not be rectified in time. They would also like that reasons for such glaring error be gone into and responsibility for the lapse fixed.

[S.No. 6 Appendix-XII, Para 83 of 110th Report of PAC (10th Lok Sabha)]

Action Taken (Ministry of Railways—Railway Board)

In the financial year 1993-94, adjustments in Miscellaneous advance (Revenue) amounting to Rs. 55 crore were carried out by credit of the amounts instead of minus debit through inadvertent mistake. Suitable action has been initiated against the supervisory official concerned. Instructions have also been issued to the Railways to be careful to ensure that such mistakes do not recur.

The Audit have seen and vetted the above ATN *vide* their U.O.I. No. 7 RA-III-RR/12-895 dated 26.4.1996.

Sd/-

(VANDANA SINGHAL)
Executive Director (RFFC)
Railway Board.

[Ministry of Railways (Railway Board)'s O.M. No. 95-BC-PAC-X 110
dated .08.1996]

Recommendation

The Committee note that Revenue Section (Voted) of Grant No. 14 Postal Services recorded an overall excess of Rs. 16.80 crores during the year 1993-94. The Committee's examination of the relevant Appropriation Accounts has revealed that this excess expenditure had occurred despite obtaining supplementary provision of Rs. 161.73 crores in March, 1994. On scrutiny of the explanatory note furnished by the Department of Posts, the Committee find that this excess expenditure had occurred mainly due to payment of Productivity Link Bonus; expansion of speed post services in more areas and opening of more post offices in rural areas; more payment to clearing offices and payment of dearness allowance; and also non-acceptance of claims by the Department of Telecommunications. Apparently, most of these items were of such nature of which timely action to obtain additional funds could have been taken at the revised estimate stage and/or at supplementary grant stage. The Committee consider it to be another instance of unrealistic assessment of the additional funds on the part of the Department and they desire the Department of Posts to exercise greater care in future.

[S.No. 7 Appendix-XII, Para 84 of 110th Report of PAC (10th Lok Sabha)]

Action Taken (Ministry of Communications—Deptt. of Posts)

Supplementary Grants to the tune of Rs. 161.73 crores has been obtained. Since the Department is vastly labour intensive the expenditure could not be obtained within the allotment, due to the payment of interim relief, Dearness Allowance etc. However, the subordinate units have been asked to prepare the Budget Estimates after detailed scrutiny in future (Copy of the letter annexed).

The expenditure is also monitored in the Department through various statements/reports received from the units/Internal financial advisors. With proper monitoring, coupled with instructions issued to Heads of Circles, it is hoped that no instance of excess expenditure over allocation will occur in future.

This has the approval of JS & FA.

Sd/-

(O.P. Veer)
Dy. Director General
(Paf)

OM No. 13 2/95 BGT(PA)/1503

Dated: 21/8/96

T.E. RAMAN
Secretary

Department of Posts
Ministry of
Communications
Dak Bhawan,
Sansad Marg,
New Delhi-110 001.

28 February, 1994

Dear Shri

As you may perhaps be aware, there has been an excess expenditure to the extent of Rs. 21.46 crores over the Voted Grant (Including Supplementary Grant) of Department of Posts for financial year 1992-93. Needless to say this has put the Department in an embarrassing situation. The current trends of expenditure as at the close of December, 1993 are also quite disheartening. Evidently, the emphasis laid time and again on the exercise of control over expenditure, has failed to evoke the desired response.

2. The detailed review of Working Expenses has revealed excess over the proportionate target upto December, 1993, contributed by almost all the Circles. I am afraid that if this trend continues, it will lead to abnormal increase in the deficit inviting serious criticism and the whole budgetary exercise will be in jeopardy. In cases where excess over appropriation is noticed, the Heads of Circles will be held personally responsible for the same and the performance in this area will be taken due notice.

To all Chief Postmasters General (by name)

3. I would, therefore, request you to be vigilant and to ensure that expenditure is kept within the budgetary allocations made to your Circle.

With regards,

Sd/-
(T.E. Raman)

ANNEXURE TO PARA 36/84

Ministry of Communications
 Department of Posts : Postal Accounts Wing
 4th Floor : Dak Bhawan : Sansad Marg
 New Delhi—110 001.

No. 5—28/94-BGT(PA)/2703 to 2737
 To

Dated 24.1.95

The Chief Postmaster General,
Circle,

SUB: Excess expenditure over the allotment for the year 1993-94.

Sir/Madam,

It has been observed with deep concern that the Department of Posts has incurred excess expenditure over the voted grants inviting adverse comments from all quarters and posted huge deficit of Rs. 207.09 crores for the financial year 1993-94 in the revenue sector.

An analysis of the Appropriation Accounts reveal that the total expenditure of your circle has exceeded the Final Grant by Rs. as per the figures being Rs. crores against the FG of Rs. . It is also seen that the revenue target for your circle has been achieved to the extent of %. Both these factors have contributed to the increase in overall deficit of the Department.

In this connection, attention is invited to the DO reference No. 5—64/93 .BGT(PA) dated 28.2.1994 from the Secretary (Posts) and the observations of the Public Accounts Committee contained in the 11th Report circulated *vide* No. 13—1/90-BGT(PA)/1931 dated 30.1.1991 wherein emphasis was made on control over expenditure.

In view of the above, a report explaining the circumstances under which the expenditure was allowed to exceed the allotment with the reasons for short realisation of revenue target/recoveries may be submitted within a fortnight for information and further action of Postal Services Board.

Sd/-
 (H.T. Sangkhumi)
 Director (PA-I)

ANNEXURE to para 36 & 84
Department of Posts
Ministry of Communications
Dak Bhawan, Sansad Marg,
New Delhi-110 001.

S. RAJAMANI
Secretary to the Govt. of India and Financial Adviser

D.O. No. 13-1/95-BCT(PA)/948 to 966

Dated 14-7-95

Dear Shri

Public Accounts Committee (1994-95) Tenth Lok Sabha in its 88th report has adversely commented on the excess/savings over the sanctioned grant occurred in the Budgetary process of Department of Posts during 1992-93. The expenditure incurred by the Department is exhibited under two distinct sections viz.; Revenue and Capital which is further classified into grant or appropriation portions. Since the voted and charged portions as also the Revenue & Capital Sections of a Grant/Appropriation are distinct and re-appropriation *inter-se* is not permissible, an excess in any one section or portion is treated as an excess in the Grant or appropriation. Similarly, a saving in any one section or portion is treated as a saving in that grant or appropriation. Thus, there could be either excess or saving in any section or portion of a grant/appropriation.

During the year 1992-93 Postal Services have registered a net excess of Rs. 21.46 crore over the total sanctioned provision in Revenue Section and a net saving of Rs. 15.00 crores in Capital Section. The level of excess or savings over the admissible percentage is a very highly objectionable feature and has to be ruthlessly curbed to ensure a proper standard of financial propriety.

During the year 1992-93 excess expenditure/saving have occurred as mentioned below:—

(a) Working Expenses

(i) The circles who have exceeded allotments and who have shown savings by more than 10% are indicated below:

(Rs. in crores)

S. No.	Name of Circle	Final Grant Rs.	Actual Exp. Rs.	Excess(+) Savings(-)	% of excess/Savings
1.	West Bengal	118.33	97.33	21.00(-)	17.7
2.	North East	13.34	15.56	2.22(+)	16.6
3.	Orissa	57.44	51.42	6.02(-)	10.5
4.	J&K	10.92	9.43	1.49(-)	13.6

(ii) The following circles have incurred more than one crore rupees in excess of final grant allotted to them:—

(Rs. in crores)

S.No.	Name of the circle	AFC 92-93 Rs.	Exp. 92-93 Rs.	Expenses (+) Rs.
1.	Andhra Pradesh	109.99	111.65	1.66
2.	Delhi	101.13	103.91	2.78
3.	Gujarat	86.16	89.84	3.68
4.	Karnataka	78.08	80.11	2.04
5.	Kerala	68.61	70.19	1.58
6.	Maharashtra	180.23	187.98	7.75
7.	North East	13.34	15.56	2.22
8.	U.P.	167.32	174.47	7.15

The above table does not include Pensionary Charges.

2. Capital Outlay

These circles have either exceeded the allotment or shown savings to the tune of 20% and above.

(Rs. in crores)

S.No.	Name of the Circle	Final Grant Rs.	Actual Rs.	Excess(+) Rs.	%age
1.	Assam	0.86	0.59	0.27(-)	30.6
2.	Bihar	2.24	2.84	0.60(+)	26.8
3.	Delhi	10.38	6.98	3.40(-)	32.8
4.	J&K	0.31	0.24	0.07(-)	22.6
5.	Himachal	1.21	2.54	1.33(+)	109.9
6.	Karnataka	2.18	2.63	0.45(+)	20.6
7.	N.E.	0.80	0.58	0.22(-)	27.5
8.	Orissa	2.16	2.79	0.63(+)	29.2
9.	Punjab	0.94	0.37	0.57(-)	60.6
10.	Rajasthan	1.57	2.03	0.46(+)	29.3
11.	Tamil Nadu	2.26	0.19	2.45(-)	108.4
12.	West Bengal	3.11	4.20	1.09(+)	35.0

PAC has observed that excess expenditure is unauthorised expenditure portraying lack of financial discipline. The excess expenditure on the part of some circles in spite of instructions has been viewed seriously and besides seeking the explanation of concerned Chief Postmaster General, the circles are cautioned not to repeat such instances in future. PAC has

further observed that savings of such high magnitude are indicative of both faulty budget estimate and also undesirable tendency towards excess budgeting which not only leads to inefficient utilisation of funds but also deprives other important sectors of the economy of much needed resources. PAC has further emphasized to gear up budgetary mechanism to ensure that estimates of requirements of funds in all sectors of Governmental activities is carried out meaningfully and realistically.

The circles/units shown savings are required to exercise due caution and farsightedness while forecasting requirement of funds.

You, are therefore, requested to conduct thread-bare scrutiny of the areas where such irregularities are occurred and furnish Action Taken Notes to the DDG(PAF) within a month's time without fail.

This issues with the approval of Secretary.

Sd/-
(G.S. Rajamani)

Shri _____,
Chief Postmaster General,
_____ Circle.

Copy to all Internal Financial Advisers.

Recommendation

While there had been instances of incurrence of excess expenditure of immense magnitude over voted grants and charged appropriations during the year 1993-94, the Committee are astonished to note that the year also witnessed large scale savings amounting to Rs. 24456.67 crores out of which the grant/appropriations covered under Appropriation Accounts (Civil) alone accounted for savings of Rs. 20824.03 crores. The Committee's scrutiny of the Appropriation Accounts of Civil, Defence, Postal Services, Telecommunication Services and Railways in this regard revealed that savings of even over Rs. 100 crores had occurred in as many as 22 grants/appropriations. Astonishingly, such large scale savings had occurred even in developmental areas like Agriculture (Rs. 233 crores), Animal Husbandry & Dairying (Rs. 113 crores), Industrial Development (Rs. 525 crores), Power (Rs. 109 crores), Rural Development (Rs. 167 crores) and Coal (Rs. 140 crores). An analysis of the contributory reasons attributed for the savings by the Ministries/Departments in some of such cases also revealed that the Schemes in those areas had failed to materialise during the year as planned. Obviously, this is indicative of poor budgeting, planning and also inadequate scrutiny of estimates at various levels. Further, the Committee consider it unfortunate that the Ministries/Departments concerned woefully failed in efficiently utilising the funds sanctioned by Parliament even in the vital sectors of the economy meant to cater to the developmental and infrastructural requirements of the country.

[Sl. No. 10, Appendix XII, Para 87 of 110th Report of Public Accounts Committee (10th Lok Sabha)]

Action Taken (M/O Finance—Deptt. of Expenditure)

The observations of the Public Accounts Committee in the above Para have been examined in consultation with the Budget Division. Detailed instructions have been issued to all Ministries/Departments of the Government of India *vide* O.M. No. 12(1)E-Coord/96 dt. 31.4.97....(Copy enclosed) to ensure that short-falls in expenditure does not take place in future.

This has been vetted by the Audit *vide* their U.O.No.RR/1/42/95-96/1230 dt. 29.1.97.

Sd/-

Joint Secretary to the Govt. of India

Ministry of Finance
Department of Expenditure
E-Coord., Branch U.O. No. 12(1)/E-Coord./96 dt. 5.2.1997

No. 12(1) E Coord./96
Government of India
Ministry of Finance
Department of Expenditure

New Delhi, the 31st Jan., 1997

OFFICE MEMORANDUM

SUBJECT: *Action taken on the recommendation contained in the Hundred and Tenth Report of the Public Accounts Committee (Tenth Lok Sabha) on Appropriation Accounts of Union Government for 1993-94.*

The Public Accounts Committee in *para 87* of the above Report has adversely commented upon the tendency of under utilisation of funds earmarked for some of the vital sectors of the economy by Ministries/Departments thereby not only slowing down development in these sectors but also depriving other sectors of the much needed funds for development. This Ministry has issued a number of instructions regarding framing of Budget Estimates on a realistic basis so as not to lead to either large scale savings or excess expenditure. However, it has been noticed that the Ministries/Departments of the Government of India are not observing the prescribed Financial Rules, procedures and other instructions in letter and spirit to ensure that the Budget Estimates do not lead to either large scale savings or excess expenditure.

2. It is seen that generally the savings occur on account on non-utilisation of funds marked for the plan schemes. One of the major reasons for such large scale savings is in respect of the new starts in plan or expansion projects for which funds are allocated even before the scheme/project has been formally approved by the competent authority.

3. Ministries/Departments are, therefore, advised to follow the following further guidelines in the matter apart from the guidelines already issued in this regard in the past including recent Guidelines on Expenditure Management—Fiscal Prudence and Austerity issued *vide* O.M. No. F1(16)-E.II(A)/96 dated 17.6.1996:—

(i) No provision should be included in the Budget without completion of pre-budget financial scrutiny of a project/scheme;

(ii) Financial Advisers should take due care of the past performance *i.e.* the stage of formulation/implementation of the earlier sanctioned

schemes. The constraints on spending etc. into account while scrutinising the estimates proposed by various spending agencies;

(iii) Budget formulations should lay greater emphasis on explicit recognition of the revenue constraints and there should be strict and rigid adherence to the budgetary ceilings;

(iv) Provision for plan expenditure should be made, as far as possible, only for such projects and programmes as have been fully worked out and accepted by the competent authority, viz. Standing Finance Committee/ Expenditure Finance Committee/Public Investment Board/Ministry of Finance and where infrastructure for implementation is available;

(v) In respect of new starts a time limit should be set for finalisation and decision on the project/scheme and provision in such cases should not be made for the full year but from the month when the project/scheme is likely to be ready for implementation.

4. All Ministries/Departments are requested to keep in view the above instructions and the observations made by the Public Accounts Committee in Para 87 mentioned in para 1 above, and ensure that shortfall in expenditure do not take place in future.

Sd/-

(D. SWARUP)
Joint Secretary to the
Government of India

To
All Ministries/Departments of the
Government of India etc.

No.12(1) E.Coord.95

Copy forwarded to the Comptroller and Auditor General of India. UPSC etc. as per standard endorsement list.

Sd/-

(D. SWARUP)
Joint Secretary to the
Government of India

Action Taken (Ministry of Defence)

The recommendation of the Committee has been noted.

To bring refinement in estimation and utilisation of allocations Inter-Departmental Monitoring Groups comprising of the representatives of Ministry of Defence, Service HQrs. and Controllers of Defence Accounts concerned, were constituted. These groups review the projection of requirements and actual expenditure details to highlight the deficiencies in the working system of estimation and control. To bring more refinement in the budgetary system, these groups have again been stressed upon to review the projections of requirement and monitoring of expenditure with

utmost care and farsightedness to avoid large scale savings/excesses over the voted grants vide MOD (Fin.) ID.No. 2191/B-I95 dated 16.8.95 (Copy enclosed).

Further the following steps have also been taken of at DGOF level to avoid recurrence of such savings vide OFB UC No. 03793-94/F/B dated 24/28/95.

- (i) Projection of requirement in different formats.
- (ii) Preparation of purchase budget.
- (iii) Statistical analysis of data available.
- (iv) Table discussion to assess the requirement of the factories.

Sd/-

(D. Lahiri)

Addl. FA(D) & JS.

MOD (Fin. File No. 10(1)B-I96PC-I

Ministry of Defence
(Finance/Budget)

SUB: Monitoring and control of Defence expenditure.

Instructions have been issued from time to time highlighting the importance of formulating the budget estimation on realistic basis and the necessity to keep a vigil on expenditure to conform to the allocation.

2. In spite of due cautions for exercising better budgetary formulation and control, instances of unrealistic estimation of requirement at the initial stage as well as re-appropriation stage and inadequate control over expenditure still continue. These inadequacies in budget formulation/control on expenditure lead to excess over voted grant or saving in a grant.

3. Public Accounts Committee in their 88th Report (1992-93) have severely commented upon and emphasized the need for exercising due caution and farsightedness while forecasting the requirements of funds.

4. In view of the above, Inter-Departmental Monitoring Groups are requested to review the projection of requirement and monitoring of the expenditure with utmost care and farsightedness to avoid large scale saving or excess over the voted grant. Such review will help to eliminate instances of defective budgeting and budgetary control.

Sd/-

(D. LAHIRI)

Addl. F.A. (D)

All Joint Secys/Addl. FAs
Addl. DGFP, DNP, D Fin. P, DGNOC
DPR&M, DGQA
MOD(Fin.) ID No. 2191/Bud.I95 dt. 16.8.95

Ordnance Factory Board
10A, Auckland Road
Calcutta-700 001

SUB:Draft Chapter-I "Budgetary Control" for the Report of the Comptroller and Auditor General of India for the year ended 31st March, 94 Union Government—Defence Services (Army & Ordnance Fys).

Ref.—M of D (Fin.) I.D. No 367/B.I./95 Dt. 7/295.
MOD I.D. NO. 1(2)94IF(DP.I) Dt. 17/295

With reference to above our comments are given hereunder:

Para 1. Defence Expenditure

The expenditure on different major components:
(Including Charged expenditure)

	1991-92	1992-93	1993-94
Ordnance Factories	No change	352.50	466.73

Para 2. Budget & Actuals

The summarised position of expenditure during 93-94 against grants/appropriations was as under:
(Including Charged expenditure)

Defence Ordnance Factories:

	Original Grant/ Appropriation	Supplementary Grant	Surrender	Total	Actual expenditure	Variation Savings (-)
Voted	No change	No change	No change	No change	466.73	-)87.45
Charged	-do-	-do-	-do-	**	** including	charged

Para 3. Control over expenditure

(a) (i) Supplementary Grant

	Original Grant	RE Grant	MA Grant	Actual Savings
21-Defence ordnance Factories				
Voted	468.72	584.15	553.38	466.73
Charged	1.50	1.50	0.80	(-)87.45
				**including charged

Remarks against saving under different heads are given below:

1. *Research*

BE/RE Grant was Rs. 1.84 Crs. and in MA it was raised to Rs. 3.66 Crs. In this connection it is intimated that on compilation of the expenditure from user factories vetted by LAO, total vetted expenditure was found to be Rs. 368.48 Lakhs. However, the expenditure as per compilation is Rs. 199.19 Lakh. This is mainly because non preparation of transfer punching medium as booking under Research head is being made through transfer punching medium by transferring expenditure from Manufacture head for Direct labour and from Stores head for Direct Material.

However, in this regard it may kindly be noted that to avoid preparation of transfer punching medium, CGDA has been approached for deletion of Research head from Revenue budget, though monitoring of R & D expenditure other than preparation of transfer punching medium will continue, which is still under consideration of CGDA.

2. *Minor Head 054 Manufacture (including charged)*

BE grant was Rs. 700 Crs and Final Grant under this head was Rs. 725 Crs against which actual expenditure was Rs. 719.53 Crs. Variation from MA is only 0.75% which is negligible.

In this regard it is stated that this organisation follows piece work system of payment for IEs and incentive payment is made on the basis of out-turn production to Direct IEs as well as indirect IEs. Besides overtime payment is allowed to IEs and NIEs wherever necessary, to achieve production target. Also LTC payments and Medical reimbursement are booked under this head. All these factors cause variation between the planned expenditure and actual expenditure.

Due to above and also considering wide span of 39 factories scattered all over India it is not practicable to exactly match the grant with the actual expenditure.

3. *106—Renewal & Replacement*

Against RE/MA of Rs. 100 Crs actual booking is Rs. 91.40 Crs. variation is 8.60%. Due to substantial increase in grant at RE stage, which was received very late, Fys were unable to utilise the fund in full.

4. *Stores including C.D. (Including charged)*

BE grant was Rs. 890 Crs excluding Direct Debit and Charge which was increased in RE to Rs. 990 Crs and Direct Debit increased from Rs. 178.24 Crs to Rs. 244.44 Crs due to following reason:

There was continuous pressure from the factories to increase stores budget (excluding Direct Debit) and after due scrutiny of minimum inescapable requirement for agreed issues target for services and increased

issues to CT/MHA/NMD Stores budget projection was increased by Rs. 100 Crs from BE grant without affecting Net Revenue Budget. It may be highlighted that CT/MHA target was enhanced to Rs. 375 Crs against PR of Rs. 300 Crs, necessitating increase in store budget.

The total requirement on account of debt service liability was revised to Rs. 244.44 Crs as against B.E. Grant of Rs. 178.24 Crs & PR of Rs. 211.20 Crs. The additional requirement arisen due to (i) variation in SDR rate from Rs. 35.3637 to Rs. 44.1255, (ii) spill over payment of 92-93 amounting Rs 16.24 Crs due to SDR rate variation being made applicable for 92-93 payments, (iii) increased debt service liability as on 1-4-92 due to supplies made during 1/92 to 3/92, for which intimation was received in Oct.' 93, being included in outstanding debt service liability as on 1-4-92.

RE Grant received was Rs. 990 Crs excluding Direct Debit against RE projection of Rs. 990 Crs. Later on after further discussion with all the factories and non-materialisation of some foreign exchange contracts now the requirement has come down to Rs. 930 Crs, therefore, it was reduced to Rs. 930 Crs. in MA.

Actual expenditure of Rs. 863.46 Crs is considerably lower than MA which is mainly due to delayed receipt of RE Grant as Fys were unable to spend in such a short time. However, necessary steps are being taken for tightening of evaluation of budget requirement to avoid recurrence of such a huge surplus at the year end.

5. 111-Works

RE Grant was Rs. 30 Crs. which is thereafter reduced in MA to Rs. 25 Crs. Actual expenditure is Rs. 21.38 Crs. which is lower by 14.48% mainly due to strict control of expenditure at the year end.

6. 800-Other Expenditure (including charged)

Against RE/MA grant of Rs. 168.63 Crs actual expenditure was Rs. 160.79 Crs. which was less by 4.65%. Lower expenditure is mainly due to control of I&M expenditure under code 810/01; under this head actual expenditure is Rs. 23.73 Crs. against actual of Rs. 25.20 Crs. in 1992-93 and Rs. 28.59 Crs. in 91-92, which is considerably lower if the inflationary trend is considered.

22-Capital Outlay on Defence Services

SUB MAJOR HEAD-04: Ordnance Factories.

111-Capital Civil Works (including charged)

BE Grant was Rs. 57.85 Crs. which was increased to Rs. 85.25 Crs. and finally MA grant was Rs. 97.71 Crs. against which actual expenditure was Rs. 94.51 crores i.e. expenditure is lower by 3.27%. The lower expenditure is mainly due to less utilisation by MES i.e. actual booked expenditure by MES is Rs. 37 Crs. against allotment of Rs. 40.05 Crs.

*Para 4. Persistent savings &
Para 6. Defective Budgeting:*

Every effort is being made to match the expenditure with the budget grant. There are 39 Ordnance Factories producing different items of production to cater for the varying need of Services, Govt. Deptts, PSUs and Civil sectors. Besides, piece work system of payment to direct workers being followed. Earlier planning use to be based on 4 year production target whereas presently it is based on Annual target only which is received as late as in the month of March.

Besides additional grants are sanctioned very late almost in the last week of January and for that reason it becomes difficult for the factories to utilise the fund in full.

Due to above reason it is not possible to exactly match the expenditure with the grant received.

Saving is mainly due to extreme economic measures taken for reduction of expenditures whereas almost all the issue targets are achieved. For that reason inventory position is improving as given below:

	Store in Hand	Consumption	No. of Days Consumption
1991-92	1208.71	1357.91	325
1992-93	1146.04	1476.08	283
1993-94	1075.98	1604.64	245

However, every effort is being made to improve the budgetary system and for that reason following steps have already been taken:

1. Projection of requirement in different formats by Fys.
2. Preparation of Purchase budget.
3. Statistical analysis of data available.
4. Across the table discussion with the Fy representative.

5. Also Fy-wise Net Budget is under preparation and after thorough scrutiny introduction of same from 1995-96 is under consideration. This has the approval of Controller of Finance.

Sd/-

(R. J. Bhattacharya)
Dy. Director/Budget for DGOF

Smt. Minakshi Ghosh,
DFA (DP),
Ministry of Defence,
South Block
New Delhi-110011

OFB u.o. No. 037/93-94/F/B Dtd. 28/2/95

Action Taken (Ministry of Communications—Deptt. of Telecom.)

Under Revenue Section the saving of Rs. 461.42 Crores constitutes 6.54% of the total sanctioned provision in that segment of the Grant. The saving of more than Rs. 100 Crores is under Major Head 3231—Appropriation from Telecom Surplus where the saving was Rs. 425.48 Crores. This Major Head provides for appropriation of the surplus from the working of the Department, after payment of Dividend to general Revenues for transfer to Capital Reserve Fund and Revenue Reserve Fund. During the year 1993-94 mainly due to revenue collected being less than projected, the surplus available for appropriation got reduced and an amount of Rs. 2126.52 Crores being the surplus from the working of the Department was only appropriated to Reserve Funds against the Sanctioned Grant of Rs. 2552.00 Crores.

2. Under Capital Section the saving of Rs. 315.97 Crores constitutes 6.21 % of the Total sanctioned provision in that segment of the Grant. The saving involving more than Rs. 100 Crores is under BB7 (1) Stores Suspense Account where the saving was Rs. 337.77 Crores. This head accommodates the transactions of Telecom. Stores Organisation and Telecom. Factories and is debited with expenditure on Procurement of stores and credited with value of stores issued to Circles. During the year 1993-94 there was a saving of Rs. 270.31 Crores and Rs. 67.46 Crores under General Stores and Factory Stores respectively. Under General Stores the saving was mainly due to less procurement by Telecom. Stores Organisation from Other Govt. Undertakings, Private Firms (as a result of decentralisation of procurement of Cables and Equipment) partly offset by less issues to Circles. Under Factory Stores saving was due to less procurement under Local Purchase—Indigenous, Advance Payment to Contractors and Manufactured articles received from Telecom. Factories partly offset by less issues to Manufacture Suspense.

3. Under the above circumstances it may be seen that the Saving under the above heads will not affect the Budget and the Actual expenditure under working Expenses and Capital Outlay was within the Sanctioned Grant only.

This has been vetted by the Director General of Audit (P&T) – Delhi-110054 vide his U.O. No. RR. III/1(b) 400/1993 94/43 dated 17.5.96.

Sd/-

(G.C. Iyer)
Member (Finance)

File No. 1-5/96-B
dt. 04.06.96

Action Taken (Ministry of Railways—Railway Board)

The observation of the Committee have been noted. Instructions are being issued to the Railways.

The Audit have seen and vetted the above ATN vide their UO No. 8RA-III/RR/12-8-95 dt. 26.4.96.

Sd/-

(Vandana Singhal)
Executive Director, F.(RFFC)
Railway Board.

[Ministry of Railways (Rly. Board's) OM No. 95-BC-PAC-X/110 dt. .8.96]

Recommendation

Similarly, under Revenue section of Grant No. 78—Ministry of Textiles, there was a saving of Rs. 172.85 crores which was 24.20 percent of the provisions sanctioned under this Grant. The Committee have been informed during evidence that a major part of these savings was on account of the savings effected under the Voluntary Retirement Schemes pertaining to the National Textile Corporation (NTC), the Elgin Mills and the Kanpur Mills for which a modernisation proposal was prepared and approved by the Government in August, 1992. According to the Ministry, the budgetary proposal for 1993-94 were accordingly projected by them on the basis of the modernisation plan. The financial institutions who were to provide loans for the modernisation programme were, however, subsequently not willing to come forward as eight subsidiaries of the NTC were declared sick and referred to the Board for Industrial Finance and Reconstruction. As a result of this, the modernisation programme was delayed and the worker's unions also did not agree with the type of voluntary retirement scheme that was initially thought of. The Committee were also informed that these were the two reasons for the slow pace in the implementation of the voluntary retirement schemes which had accounted for a major part of the savings under this Grant. In view of the foregoing, the Committee are inclined to conclude that the Ministry of Textiles were not alive to the situation and they did nothing to revise their estimates during 1993-94 for the Schemes which failed to materialise as anticipated by them earlier. At this stage, the Committee can only express their unhappiness over the poor spectacle of affairs in which the budgetary exercise was undertaken in the Ministry of Textils during the year 1993-94.

[Sl. No. 12 Appendix XII para 89 of Hundred and Tenth Report of PAC
(10th Lok Sabha)]

Action Taken (Ministry of Textiles)

Revenue Section (Voted)

(Rs. in crores)

Original Grant	714.36
Supplementary Grant	.04
Total Grant	714.40
Actual Expenditure	541.55
Savings	172.85

Under Revenue Section (Voted) of Grant No. 78—Ministry of Textiles, the Original and Supplementary Grant was Rs. 714.40 crores.

Against this, the actual expenditure was Rs. 541.55 crores resulting in Savings of Rs. 172.85 crores. This saving was the net result of excesses and savings under various sub-heads in the Revenue Section (Voted) of the Grant.

The main reasons and Action Taken to avoid savings in the future are as under:

(I) *Voluntary Retirement Scheme:—*

National Textile Corporation Ltd.—Against the budget provision of Rs. 175.00, only Rs. 40.00 crores was released to National Textile Corporation resulting in a saving of Rs. 135.00 crores which is about 78% of overall saving.

The reasons for slow take-off under Voluntary Retirement Scheme mainly were:—

(a) The corporate plan 1992 envisaged outright closure of 14 Mills and merger of 20 Mills. It also envisaged privatisation of the National Textile Corporation Mills. These steps were not agreed to by the labour unions.

(b) The modernisation package could not be carried out on account of unwillingness of the financial institutions to participate in it. This had a setback for the Voluntary Retirement Scheme.

(c) Owing to a decision to prepare a revised Turn-around Strategy for the National Textile Corporation, an assurance was given that no retrenchment would take place on account of closure of Mills.

Revised Turn Around Strategy

Consequent to the amendment of the SICA Act in 1991 and on the basis of the performance of National Textile Corporation mills as well as its subsidiaries. 8 out of 9 Subsidiary Corporations had to be referred to Board for Industrial and Financial Reconstruction. As a sequel, the financial institutions had shown their reluctance to accept and fund the modernisation proposals covered under the earlier approved turn-around strategy. Besides this, the Government had to review the approved turn-around strategy since the same had got outdated and modernisation schemes had to be revised and extended to other units. Ministry of Textiles appointed 4 Textile Research Associations viz. Ahmedabad Textile Industries Research Association, Bombay Textile Research Association, South India Textile Research Association and North India Textile Research Association to draw up fresh plans for the revival of the National Textile Corporation covering technical and other aspects, product mix, industry norms etc. Accordingly, these Textile Research Associations studies 97 mills. The remaining 23 mills were not assigned to the Textile

Research Associations studies as these were covered under the on-going modernisation schemes. A Special Tripartite Committee constituted by the Ministry of Labour considered the impact of industrial policy and other related matters to make appropriate recommendations. This Tripartite Committee on National Textile Corporation further constituted a Sub-Committee under the Chairmanship of the former Minister of Textiles. This sub-Committee recommended an in-depth study of National Textile Corporation mills by the 4 textile research associations (TRAs), to prepare modernisations schemes of National Textile Corporation mills, regrouping and restructuring of mills. The sub-Committee's report was based on the recommendations of Textile Research Associations study of the National Textile Corporation mills and formulation of revised plan for the revival of National Textile Corporation mills. The Plan highlighted the modernisation of 79 mills at an outlay of Rs. 2005.72 crores. The entire funding is proposed to be made out of the sale proceeds of surplus land and buildings available with the National Textile Corporation. As per the evaluation conducted by Central Board of Direct Taxes, the available surplus land and buildings of National Textile Corporation would fetch a sum of Rs. 2349.10 crores. Besides, the estimates made by the Textile Research Associations for availability of funds out of sale of surplus machinery would be of the order of Rs. 124.15 crores. Government approved the revised turn-around strategy on the 9th May, 1995. The following are the key elements of the revised turn-around strategy.

- (a) Nationalisation of 15 taken over mills (since nationalised w.e.f. 1.4.1994).
- (b) Merger of 36 unviable mills to 18 viable mills.
- (c) Rationalisation of surplus manpower by offering Voluntary Retirement Scheme.
- (d) Modernisation of 79 mills at an outlay of Rs. 2005.72 crores.

Apart from the above, key elements of the revised turnaround strategy also envisages waiver/keeping in abeyance recovery of Government loans and interest, payment to unabsorbed workers of Kohinoor Mills, Bombay consequent on the reinstatement and payment of back wages etc. as per orders of the Supreme Court.

On implementation of the revised turn around strategy, it is expected to earn net profit (overall) of Rs. 114.47 crores per annum. The overall production value is expected to touch around Rs. 2960.51 crores.

The revised turn around strategy is proposed to be implemented in a period of two years. It is pertinent to mention that the Board for Industrial and Financial Reconstruction is yet to convey its decision on the revival plan already pending before the Hon'ble Bench. The Operating Agencies (Industrial Development Bank of India/Industrial Financial Corporation of India) are formulating the revised proposals and after the final hearing the

Board for Industrial and Financial Reconstruction would accord its approval. Implementation of the revised turn around strategy would take place once the approval of Board for Industrial and Financial Reconstruction is received by National Textile Corporation.

As per the revised Turn-around Strategy approved by Government, 32938 employees were identified as surplus as on 31.10.94 to be rationalised at a cost of Rs. 330 crores. Out of this, 2,443 employees have availed Voluntary Retirement Scheme from 1.11.94 to 30.9.95.

The yearly target for rationalisation of surplus manpower for the years 1995-96 and 1996-97 is as under:-

Year	Target for V.R.S		
	Workers	Officers/ Staff	Total
1995-96	9537	1634	11171
1996-97	9039	1555	10594

Keeping in view the response from the Officers/workers, no provision was made in the Budget for the year 1995-96. On receipt of specific proposals an amount of Rs. 37.50 crores has been provided during the course of the year by way of a Supplementary Grant.

Elgin Mills Company Ltd.:—

Against the sanctioned provision of Rs. 17.15 crores, actual release was Rs. 16.50 crores, resulting in a saving of Rs. 0.65 crores. The reason for slow take-off of Voluntary Retirement Scheme was that, on 15.9.92 the company was referred to Board for Industrial and Financial Reconstruction on account of its total net worth having been eroded and its being declared sick on 3.11.92. On advice of the Board for Industrial and Financial Reconstruction the company referred the matter to Bombay Textile Research Association for preparing a Turn-around Plan for the company. The company formulated an Action Plan for a strategy of turning around its two units situated in Kanpur. The Turn-around strategy was approved by the Government. It has the following key elements:

- (i) Curtailment of all uneconomic activities of both the Units and merger of the two units into a single restructured unit by closing down one of the units.
- (ii) Rationalisation of surplus worker force through Voluntary Retirement Scheme for workers, Staff and Officers.
- (iii) Selective modernisation of the restructured unit and
- (iv) Financial restructuring to make the restructured unit 'Viable'.

The Government sanctioned funds for the purpose as follows:—

- | | | |
|-----|-----------------------------|----------------|
| (a) | Voluntary Retirement Scheme | —Rs. 55 crores |
| (b) | Modernisation | —Rs. 22 crores |
| (c) | Interim Liquidity | —Rs. 41 crores |

The progress made by the Company in respect of implementation of Turn Around Strategy is as under:

(i) *Curtailment of uneconomic activities*

The Third shifts of Mill No. 2 and Mill No. 1 have been stopped with effect from December, 1992 and June, 1993 respectively, as it was uneconomical to run those shifts.

(ii) *Voluntary Retirement Scheme*

Voluntary Retirement Scheme was implemented with effect from 15.10.1992. The targets fixed for Voluntary Retirement Scheme in three years and achievements are as under:—

Year	Target	Achievements (No. of employees retired under V.R.S.)
1992-93	1,432	1,000
1993-94	1,614	1,859
1994-95	2,170	709
1995-96 (upto 20.10.95)	-	45
Total	5,216	3,613

Reference to Board for Industrial and Financial Reconstruction

The Board for Industrial and Financial Reconstruction has passed an order on the 29th September, 1994 recommending winding-up of Elgin Mills Co. Ltd. The Company has filed an appeal before the AIFR which has stayed the orders of the Board for Industrial and Financial Reconstruction.

Keeping in view the response from the Officers/workers, no provision was made in the Budget for the year 1995-96. On receipt of specific proposals an amount of Rs. 4.50 crores has been provided during the course of the year by way of Supplementary Grant.

Cawnpore Mills

Against the budget provision of Rs. 4.92 crores, actual release was only Rs. 1.50 crores resulting in a saving of Rs. 3.42 crores.

The reason for slow take-off of Voluntary Retirement Scheme was that on 15-9-92 the company was referred to Board for Industrial and

Financial Reconstruction on account of the complete erosion of its total net worth and declared sick on 3-11-92. On the advice of the Board for Industrial and Financial Reconstruction the company referred the matter to Bombay Textile Research Association for preparing a Turn-around for the company. Since the modernisation package was not effected the employees were not willing to opt for the Voluntary Retirement Scheme. The Government is considering the revised turn-around plan.

Special Rebate/Marketing Development Assistance on sale of Handloom cloth.

Against the sanctioned budget provision of Rs. 67.00 crores, actual utilisation was only Rs. 50.00 crores resulting in a saving of Rs. 17.00 crores.

The following components are included in the Special Rebate/Marketing Development Assistance on sale of Handloom cloth:—

(i) State Handloom Corporations and Apex Societies are getting Marketing Development Assistance @ 8% of average sales turnover of handloom fabrics, made-ups and garments for 3 preceding years or the amount equal to the average of erstwhile Special Rebate Assistance and Share Capital Assistance of 3 preceding years or an amount equal to Special Rebate Assistance and Share Capital Assistance pertaining to the preceding year.

(ii) The Primary Cooperative Societies are eligible for Marketing Development Assistance @ 15% of their cash credit limits sanctioned by financial institutions or an amount equal to rebate assistance, share capital assistance and managerial subsidy received during the preceding year.

(iii) Marketing Development Assistance thus provided may be utilised for interest, capital/margin money for setting up of showrooms etc., rebate/discount or for any other purpose approved by the Centre or the State Government. Out of the assistance thus provided, not more than 75% of the amount is to be utilised for rebate/discount purpose.

(iv) The Centre's and the State's share towards assistance is in the ratio of 50:50. The central assistance is released through the State Governments only after State share has been released and utilisation certificates for the preceding years have been received.

The reasons for saving of Rs. 17.00 crores were the following:—

(i) Revision in the guidelines of Marketing Development Assistance scheme have been under consideration for quite sometime and it was expected that the proposed amendments in the guidelines of the scheme would entail additional expenditure. Provision in B.E. for 1993-94 at an enhanced level of Rs. 67.00 crores was accordingly kept in anticipation of this situation. However, since the rate of Marketing Development Assistance could not be modified during 1993-94, the full budgeted amount could not be utilised.

(ii) The actual outgo of funds under Marketing Development Assistance scheme depends on the response of the State Governments and Union Territories since they are required to release their matching share in the first instance, before sending proposals for Central Assistance. An amount of Rs. 50.00 crores could thus be utilised on the basis of equivalent matching share already released by the States.

Subsidy on Janata Cloth

Against the sanctioned provision of Rs. 138.00 crores, actual expenditure incurred was Rs. 124.18 crores, resulting in a saving of Rs. 13.82 crores.

The Janata Cloth Scheme is currently implemented in 15 States. The budget estimates are on the assumption that 370 million sq. metres of Janata Cloth will be produced during the year 1993-94 and there may be some spill over from earlier years. The rate of subsidy payable on production of Janata cloth is Rs. 3.40 per sq. metre and Rs. 13.60 per sq. metre for woollen. However, the actual achievement was only 350 million sq. metres. As per the guidelines, claims audited by the Chartered Accountant [Statutory Auditors verified by the Director-in-charge of Handlooms and recommended by the State Level Janata Cloth Implementation Committee (SLIC)] are to be considered by the Government of India for release of subsidy. During 1993-94, eligible proposals amounting to Rs. 124.18 crores were received from the State Governments which were considered and subsidy released. The weavers and the implementing agencies engaged in the implementation of the Janata Cloth Scheme could not switch over from low value items to high value items. Accordingly the production/distribution of Janata cloth went down. In addition to this, most of the implementing agencies had produced large quantities of Janata cloth without observing the guidelines, the subsidy on which were disallowed. This is one of the reasons for release of less amount of subsidy than targeted.

State Governments have been advised to send their proposals as per the policy, in proper form, and according to the time schedule.

Textile Labour Rehabilitation Fund

Against the sanctioned budget of Rs. 47.83 crores, actual expenditure was only Rs. 11.83 crores resulting in a saving of Rs. 36.00 crores.

Government have set up Textile Workers' Rehabilitation Fund Scheme to protect the interest of workers rendered jobless due to closure of the Mills. Relief under the scheme is available only for 3 years on a tapering basis 75% of the wage equivalent in the first year, 50% in the second year and 25% in the third year.

31 Units have been identified as eligible under the scheme covering 57,487 workers out of whom payment has been made to 39,679 workers.

While finalising the budget, it was anticipated that all the eligible

workers will be paid under the scheme, however, the Office of the Textile Commissioner could not settle all the cases, resulting in the saving.

It has been decided to speed-up clearing all the cases in the shortest possible time. As a result of slow progress, the budget provision for the year 1995-96 has been reduced to Rs. 3.15 crores.

Jute Special Development Fund

Against the provision of Rs. 20.00 crores, actual expenditure was Rs. 11.53 crores resulting in saving of Rs. 8.47 crores.

Against the provision of Rs. 20.00 crores, Rs. 8.00 crores earmarked for utilisation by the Ministry of Agriculture. However, after the finalisation of budget it was decided that from 1993-94 the Jute Special Development Fund will be implemented out of the funds provided by the Ministry of Agriculture only. Thus, the full allocated amount could not be utilised.

In all other cases flow of utilisation is monitored from time to time in the Senior Officers' meeting and efforts are made to utilise the allocated provisions for the purposes for which these are approved.

This has been vetted by Audit vide their U.O.No. RR/38-3/95-96/260 dated 27.06.1996.

Sd/-

(D.P. Bagchi)

Addl. Secretary and Financial Advisor.

[Ministry of Textiles File No. G. 25012/3/95-B&A dated 28.6.1996.]

Recommendation

During their examination of this subject, the Committee have been informed by the Ministry of Finance (Department of Expenditure) that they played a limited role in reviewing the budgetary requirements projected by the various Ministries/Departments of Union Government and they were generally guided by the judgement of the Secretary and the Financial Adviser of the Ministry/Department concerned. During evidence, the representative of the Department of Expenditure also admitted that the judgement on the budgetary requirements of the Ministries/Departments had "not been adequately reflected in the actual position" in the year 1993-94. He also conceded that the existing mechanism was not working and revised instructions needed to be issued. This admission of fact clearly reveals not only the absence of a scientific system in the Ministries/Departments for assessing properly their actual need of funds at the various stages of estimation but also inadequacies in the Ministry of Finance in reviewing realistically the requirements of funds projected by various Ministries/Departments. The Committee were, however, informed by the representative of the Ministry of Finance (Department of Expenditure) during evidence that they have taken steps to devise suitable mechanism whereby each administrative Ministry and Financial Adviser would meet once in a month and the Expenditure Secretary would review the situation once in a quarter. While welcoming the steps taken by the Ministry of Finance, the Committee would like the Ministry of Finance to impress upon the Financial Advisers of the Ministries to discharge their responsibility properly by forecasting their monetary requirements after taking due note of the essential requisites including the past trends, the stage of formulation/implementation of various schemes for which funds were being sought etc. They would also desire the Ministry of Finance to carefully review and scrutinise the budget estimates framed by the Ministries/Departments and apply the necessary correctives to make budget exercise more realistic and meaningful.

[Paragraph 90 of the 110th Report of the Public Accounts Committee
1995-96 (Tenth Lok Sabha)]

Action Taken (Ministry of Finance—Deptt. of Economic Affairs)

The observations of the Committee have been carefully noted.

2. The expenditure estimates of each Ministry/Department initially framed by its Financial Adviser are finalised in close consultation with the Ministry of Finance when all relevant parameters including extant instructions of the Government are taken into account. The flow of expenditure during the course of the year against the provisions budgeted

is also of continuous concern to the Finance Ministry. This is because the Finance Ministry is centrally concerned with the raising of the resources for financing the expenditure. A significant part of Government expenditure is met from borrowings, for which Government is required to enter the market from time to time. These borrowings have necessarily to be tailored to the requirement of funds for expenditure, as apart from keeping them within limit, it is also necessary to contain the exponential effect on Government's liability on account of interest. In short, for Government's deficit management, the Finance Ministry has to continuously review and monitor the expenditure flow.

3. The basic inputs for the Government's Budget management, as above, are provided mainly by the Reserve Bank of India through its daily report of cash balances, and monthly accounts rendered by the Controller General of Accounts. These reports indicate in clear terms whether the flow of Government expenditure during the course of the year is on a schedule or it is lagging or proceeding too fast. The Ministries are advised corrective action, wherever necessary. The Ministries are also advised to guard against rush of expenditure towards the end of the financial year.

4. The existing arrangements for expenditure management are now long established and facilitated effective control. The following table will show the extent of achievements against the provisions budgeted (in the RE) from 1993-94 onwards:

(Rs. in Crore)

Year	Total expenditure of the Government			%age of 4 to 3
	BE	RE	Actuals	
	2	3	4	
1993-94	131323	143872	141853	98.6%
1994-95	151699	162272	160739	99.1%
1995-96	172151	183004	178275	97.4%
1996-97	204660	202298	201007	99.4%

5. Even though the actual expenditure achieved over the year has been in the region of 98/99%, the arrangements are being continuously refined to contain the growth of expenditure and at the same time keep the fiscal deficit in check.

6. The delay in submission of this ATN is deeply regretted.

40

7. This note has been vetted by Audit (vide U.O. note No. RR/1-43/95-96/269 dated 25-6-1998)

Sd/-

(J.S. Mathur)

Additional Secretary (Budget)

[Ministry of Finance, Department of Economic Affairs, Budget Division
O.M. No. F. 7(4)-B(R)/96 dated July 1, 1998]

Recommendation

The Committee's further scrutiny of Appropriation Accounts (Civil) has also revealed that savings of Rs. 100 crores in the grants/appropriations relating to Interest Payment; Transfers to State Governments; Repayment of Debt; and Ministry of Textiles has been a recurring feature since 1991-92. In the opinion of the Committee this persistent occurrence of large scale savings in these grants/appropriations are indicative of both faulty budget estimation and also undesirable tendency of the Ministries/Departments concerned to grossly over estimate their requirement of funds which not only leads to inefficient utilization of funds but also deprive other important sectors of the economy of much needed resources. The Committee would like the Ministry of Finance to make a case study of these grants/appropriations and take suitable measures to make exchequer control over these grants/appropriations more realistic and meaningful.

[Paragraph 91 of 110th Report of PAC (10th Lok Sabha)]

Action Taken (Ministry of Finance—Deptt. of Economic Affairs)

As desired by the Committee, a study of the persistent occurrence of large scale savings in the grants/appropriations relating to Interest Payment; Transfer to State Governments; Repayment of Debt; and Ministry of Textiles has been conducted. A statement showing the trend of savings over the sanctioned budget in the grants/appropriations relating to Interest Payment; Transfers to State Governments; Repayment of Debt; and Ministry of Textiles during the period 1991-92 to 1996-97 is enclosed at Annexure-I. With a view to take "suitable measures to make exchequer control over these grants/appropriations more realistic and meaningful", it is necessary to

- look into the recurrent causes of savings in these grants/appropriations;
- to see if and to what extent the savings may be avoided; and
- to analyse the impact of such savings.

2. The results of the study based on the above parameters are as follows:

Repayment of Debt and Interest Payment

3. There are broadly three recurrent reasons for "saving" under the Appropriation "Repayment of debt": Reduction in certain types of borrowing, some lender not coming forward to claim repayment and favourable movement of exchange rate. Specific instances are listed in Annexure-II of this Note. Budgetary provision for repayment of debt is the

Parliament's sanction to the Government to return the moneys borrowed by the Government. Obviously, if the Government borrows less or the lender does not come forward to claim repayment or the Government is required to return less than anticipated due to favourable movement of exchange rate, there will be "savings" *vis-a-vis* the amount sanctioned by Parliament. But there is no way this "saving" could have been diverted to others seeking Government funds. The sanction to return borrowed money cannot be used to pay someone other than the lender. Once the requirement repayment gets reduced due to above cited reasons, the requirement of funds for Interest payment also goes down correspondingly. The Appropriation "Interest payment" not only caters to interest on Public Debt but also on other interest bearing liabilities in the Public Account of India. In case of Small Saving Schemes, Provident Funds and several other Deposits and Funds, the accretions during a year cannot be estimated very accurately as these are different from planned borrowing of Government.

4. A question arises as to why the borrowing should be less than the level assumed in the budget. What generally happens is that the overall level of borrowings rises above the budgeted level (due to increase in expenditure or decrease in non-debt receipts) but particular types of borrowings may be less than the budget estimates. For ex., short term borrowings may be less than the budget estimates but the long term borrowings may be more than the budget estimates or vice versa. It is very difficult to strictly follow the budgeted profile of borrowings because of the unpredictable nature of market conditions. There was a time when the debt market and interest rates was largely controlled by RBI/Government. As part of liberalization and reforms, these controls are gradually being dismantled. The regulated interest rate are giving way to demand-supply driven market related interest rates. The number of players in the debt market have also increased. All this has contributed to the decline in predictability of the debt market behaviour.

5. Another reason for frequent savings under repayment provisions is that not all the bonds holders turn up to claim repayment by surrendering the bond certificates although the budget provision is made for the bonds and securities maturing for repayment during the year. Obviously, this is unpredictable and there is a risk involved in under providing for such obligations.

6. Yet another reason is the saving due to favourable movement of exchange rate where some element of uncertainty is unavoidable.

7. It is thus noted that the savings are largely unpredictable and it is not desirable to under-provide for these disbursements as the Government's credibility as a borrower is at stake. We do not want to face a situation when any lender is refused full repayment together with interest for want of budgetary provision. Therefore, we crave the

indulgence of the Committee for a better appreciation of the compulsions of a cautious over budgeting for these obligations.

Transfers to State Governments

8. The budgetary provision for Transfers to States and UTs largely comprises of formula based entitlements. For ex., 75% of net small savings collection in a State is given as a loan to the State. If the budgeted level of small savings receipts do not materialize, the requirement of loans to States will go down. Likewise, 47.5% of net Basic Excise Duties is paid to the States as grants. If there is shortfall in excise collection, the grants paid to the States will be correspondingly less than the budgeted level. Then there are specific grants given to States on the recommendation of a Finance Commission. If States do not meet the conditionalities attached with some of these grants, we may have savings in the budgeted provision of grants. Same applies to Central Assistance for State Plans. The non-compliance with the conditionalities attached with such assistance may result in some budget provision remaining unutilised. However, the most significant aspect of the Transfers to States is that it would not be prudent for Central Government to reduce the budget provision *ab initio* by anticipating default on the part of the States. This is a rather sensitive issue have a bearing on Centre-State relations. Therefore, as a standard budgetary practice, we make budget provision as per 'entitlement' of States without factoring in any default. Once this basic point is conceded, it would be seen that such "savings" could not have been given to more needy sectors. In any case, in our scheme of priorities, the Central assistance to States ranks very high and it is difficult to see very many demands that rank higher than that of States.

9. It is thus noted that the savings due to withholding of release of funds to States either due to shortfall in their entitlement or due to their non-performance are largely unavoidable and there are practical limits to which Central Government can go in enforcing performance and influencing the States. It is not desirable to under provide for these disbursements as it has a bearing on Centre-State fiscal relations. Therefore, we crave the indulgence of the Committee for a better appreciation of the compulsions of a cautious over budgeting for these obligations.

Ministry of Textiles

10. An analysis of the trend of savings and recurrent reasons thereof in the Grant revealed that:—

- Savings are largely under "Plan".
- Less requirement of subsidy due to less than anticipated sale of subsidized cloth has often resulted in savings.
- Less requirement of funds for procurement of cotton at Minimum

Support Prices due to less than anticipated offering has often resulted in savings.

- Less requirement of funds for implementing Voluntary Retirement Scheme due to less than anticipated number of employees opting for VRS.
- Inclusion of unapproved schemes in the budget has frequently resulted in savings.
- Inadequate response from Central Public Sector Undertakings, State Governments and Financial Institutions has frequently resulted in savings.

11. Less requirement of subsidy or funds for procurement of cotton at Minimum Support Prices or less requirement of funds for implementing Voluntary Retirement Scheme depends upon largely uncontrollable factors like demand for subsidized cloth or ruling market price for cotton or workers' assessment about their future. A certain degree of cautious/optimistic over-budgeting may, therefore, be condoned.

12. The Planning Commission decides the Plan allocations for various developmental schemes. Inclusion of unapproved schemes in the budget should be avoided as far as practicable. There are extant instructions to this effect (*vide* MoF, D/o Expenditure's OM No. 10(4)-E(Coord)/85 dt. 27.3.86.) In most of these schemes the co-operation of Central Public Sector Undertakings, State Governments and Financial Institutions is very vital. The budget provisions often remain under-utilised due to lack of desired response from Central Public Sector Undertakings, State Governments and Financial Institutions. It is no doubt the responsibility of the Ministry to constantly interact with them and sort out the impediments in the schemes, there are practical limitations. Nevertheless, the above state of affairs has attracted our attention. This aspect is being stressed in the annual budget discussions and it is a matter of satisfaction that the savings in the Grant are coming down over the years. Also, the incidence of inclusion of unapproved schemes in the budget is coming down.

13. Delay in sending this reply is deeply regretted.

14. This has been vetted by Audit *vide* their U.O. No. RR/1-44/95-96/587 dated 27/8/98.

ANNEXURE-I

A	B	C	D	E
BUDGET DIVISION (refer to para 91 of 110th Report)				
		Original+ Suppl.	Actual Exp.	Savings
1991-92				
29	Interest Payment	274500000	265956263	8543737
30	Transfer to State/UT	355598900	334570705	21028193
32	Repayment of Debt	841489800	668618894	172870906
77	Textiles	9627300	7354083	2273217
1992-93				
28	Interest Payment	325000000	310754659	14245341
29	Transfer to State/UT	377192900	367997158	9295742
31	Repayment of Debt	762795900	717097229	45698671
77	Textiles	14868900	9250948	5617952
28	Interest Payment	380000000	367405501	12594499
29	Transfer to State/UT	423721500	404000354	19721146
31	Repayment of Debt	1302407710	1179513116	122894594
78	Textiles	9622100	7420820	2201280
28	Interest Payment	460000000	440600114	19399886
29	Transfer to State/UT	474234800	468945931	5288869
31	Repayment of Debt	1688133105	1332706199	355426906
78	Textiles	9655100	7038668	2616432
1995-96				
27	Interest Payment	520000000	500450299	19549701
28	Transfer to State/UT	546913700	518101433	28812267
30	Repayment of Debt	1849282800	1392459455	456823345
79	Textiles	9782900	8560422	1222478
27	Interest Payment	600000000	594784118	5215882
28	Transfer to State/UT	615917500	603161310	12756190
30	Repayment of Debt	2019137400	1704481158	314656242
81	Textiles	10323500	9390727	932773

A. Instances of less borrowing

1994-95

91 day Treasury Bills

The amount assumed for borrowing in BE 1994-95 was Rs. 1,51,000 crore. The actual amount borrowed was only Rs.1,09,336 crore *i.e.* a reduction of Rs. 41664 crore. This was the main reason for a saving of Rs. 35396 crore under discharge of 91 day TBs. The total saving under the Appropriation was Rs. 35553 crore.

1995-96

91 day Treasury Bills

The amount assumed for borrowing in BE 1995-96 was Rs. 164999 crore. The actual amount borrowed was only Rs. 129841 crore, *i.e.* a reduction of Rs. 35158 crore. Further, the 91 day TBs auctioned in the last quarter of a financial year will mature only in the first quarter of the next financial year. As a result, the savings under discharge of 91 day TBs was Rs. 41622 crore. The total savings under the Appropriation was Rs. 45682 crore.

364 day TB

The budget provision for the discharge of 364 day TBs was kept at Rs. 13000 crore assuming that the borrowing in 1994-95 would be of that order. The actual, however turned out to be Rs. 8164 crore. Thus the savings of Rs. 4836 crore was due to less borrowings than anticipated.

1996-97

91 day TBs

The amount assumed for borrowing in BE 1996-97 was Rs. 186578 crore. The actual borrowed was however only Rs. 163262 crore, *i.e.* a reduction of Rs. 23356 crore. Further the bills issued in the last quarter spill over to the first quarter of the next year. As a result, the savings under discharge of 91 day TB was Rs. 29466 crore. The total savings under the Appropriation was Rs. 31465.62 crore.

B. Non-claiming of money (due to death of the holder faulty nomination, dispute with regard to successor etc.

(Rs. in crore)

	Total Provision	Actual expenditure	Saving
1994-95			
Market loans	953.67	924.06	29.61
7-year NRDB	2.00	0.41	1.59
7-year NRDB-2nd issue	1.00	0.34	0.66
Special Bearer Bonds	26.00	11.96	14.04
1995-96			
Market loans	5555.58	5547.17	8.41
7-year NRDB	2.00	0.29	1.71
Special Bearer Bonds	11.00	4.42	6.58
7% Capital Inv.	17.00	10.87	6.23
1996-97			
Market loans	7921.31	7904.63	16.68

C. Exchange rate variation

The savings under the various sub-heads of MH-6002 (External Debt) has been due to variation in the exchange rate. For framing the budget estimates 1996-97, the Office of Controller of Aid Accounts and Audit had adopted RBI reference rate of October 31, 1995. For final requirement the rates adopted were that of RBI's reference rate as on 1.11.1996. These

rates in respect of certain currencies are given below, which would explain that rupee had appreciated at the time of actual payment, leading to savings:—

S.No.	Donor	Donor	Currency	RBI Ref. Oct. 31st, 95	Rate in Rs. Nov. 1st. 96
1	2	3	4	5	6
1.	Belgium	Belgium	Franc	1.2556	1.1417
2.	Denmark	Danish	Kronor	6.6458	6.1700
3.	Germany	Deutsche	Mark	25.8358	23.6900
4.	France	French	Franc	7.3528	6.9700
5.	Netherland	Dutch	Quilder	23.0684	21.1200

Recommendations

In pursuance of the recommendations of the Committee made in paragraph 1.24 of their 60th Report (10th Lok Sabha) and subsequent instructions issued by Ministry of Finance on 19 December, 1994, the explanatory notes of savings of Rs. 100 crores and above were required to be furnished to the Committee in respect of the Appropriation Accounts for 1993-94 and onwards as per the time schedule prescribed in this regard. Accordingly, the detailed notes on savings of Rs. 100 crores and above made during the year 1993-94 were required to be furnished to the Committee by 31 May, 1995. The Committee are however, deeply concerned to note the delay in the submission of such explanatory notes by the concerned Ministries. Out of the 22 such cases where explanatory notes were due, the same was received in time from Department of Industrial Development only; there were delays ranging upto five months in the submission of those notes by concerned Ministries in respect of 13 grants/appropriations. Surprisingly, the relevant notes pertaining to 8 grants/appropriations are yet to be furnished to the Committee by the Department of Animal Husbandry and Dairying; Ministry of Home Affairs; Ministry of Power and Ministry of Finance (in five cases). The Committee consider that the delays as well as non-submission of these explanatory notes are in no way justifiable especially in the case of Ministry of Finance who have themselves laid down a time schedule for furnishing those notes to the Committee. The Committee would like the Ministry of Finance (Department of Expenditure) to reiterate their instructions in this regard emphasising that the Ministries/Departments should henceforth strictly adhere to the prescribed time schedule and that the responsibility be fixed for any laxity in this regard. The Committee would also like the defaulting Ministries to furnish the requisite notes without further delay after getting them duly vetted by Audit.

[Sl. No. 15 Appendix XII, Para 92 of 110th Report of Public Account Committee (10th Lok Sabha)]

Action Taken (M/o Finance—Deptt. of Expenditure)

The observations made by the Public Accounts Committee have been noted and the instructions already issued in the matter have been reiterated *vide* O.M. No. 12(1) E-Coord./96 dated 20th Sept., 1996.

As far as five notes pending in the Ministry of Finance are concerned, the matter has been taken up with the concerned authorities for urgent action.

[This has been vetted by the Audit *vide* U.No. RR/1—45/95-96/348 dated 18.7.1996.]

Sd/-
(D. Swarup)
Joint Secretary to the Govt. of India

Ministry of Finance
Department of Expenditure
E-Coord. Branch U.O. No. 12(1)E-Coord./96 dt. 30.9.1996

No. 12(1)E-Coord./96
Government of India
Ministry of Finance
Department of Expenditure

New Delhi, the 20th Sept., 1996

OFFICE MEMORANDUM

SUBJECT:—*Action taken on the recommendations contained in the Hundred and Tenth Report of the Public Accounts Committee (Tenth Lok Sabha) on Appropriation Accounts of Union Government for 1993-94.*

The Public Accounts Committee in Para 92 of its 110th Report (10th Lok Sabha) has adversely commented on the delays as well as non-submission of the Explanatory Notes giving details of savings of Rs. 100 crores and more by various Ministries/Departments of the Government of India. This Ministry *vide* its O.M. No. 1(14)E.II(A)/94 dated 17th October, 1994 and O.M. No. 12(1)E-Coord./95 dt. 23-8-95 have already instructed all the Ministry/Departments to furnish to the Committee the Explanatory Notes in respect of savings made in a grant or appropriation during each year involving Rs. 100 crores and more along with Explanatory Notes regarding excess expenditure incurred.

2. All the Ministries/Departments are hereby again requested to adhere to the prescribed time schedule for furnishing the Explanatory Notes to the Committee and fix responsibility for any

laxity in this regard. The defaulting Ministries are also requested to furnish the requisite Notes without any further delay after getting them vetted by the Audit.

Sd/-
(D.P. Roy)
Director

All Ministries/Departments of the Govt. of India
All FAs (by name).

Action Taken (Ministry of Home Affairs)

A note for the Public Accounts Committee explaining savings in Grant No. 45—Other Expenditure of the Ministry of Home Affairs has been sent to the Lok Sabha Secretariat (P.A.C. Branch) *vide* this Ministry's O.M. No. 16/2/94-Budget. I, dated 23.11.1995.

The observations/recommendations of the Public Accounts Committee regarding delay in submission of the Explanatory Notes have been noted for compliance. All the concerned authorities have been instructed to take prompt action for furnishing of the material for the preparation of Explanatory Notes *vide* O.M.No. 28/1/95-Budget. I dated 4.3.1996 (copy enclosed).

This Note has been vetted by Audit *vide* their U.O.No. RR/1-45/95-96/1176 dated 22.2.1996.

Ministry of Home Affairs
No. 28/1/95-Budget.I
dated 25-3-1996

Sd/-
(PRANAB RAY)
Joint Secretary & Financial Adviser

No. 28/1/95-Bgt.I
Government of India/Bharat Sarkar
Ministry of Home Affairs/Grih Mantralaya

New Delhi, 4.3.96

OFFICE MEMORANDUM

SUBJECT: *Timely submission of Explanatory Notes on excess expenditure/savings under a Grant or Appropriation to the Public Accounts Committee.*

As per instructions of the Ministry of Finance, the various Ministries/Depts. are required to send notes for the regularisation of Excess Expenditure over the Voted Grants/Charged Appropriations alongwith detailed Explanatory Notes on savings of Rs. 100 crores or more in any Grant/Appropriation, to the PAC immediately after presentation of the Appropriation Accounts to Parliament or by the 31st May of the second

following year, whichever is later. These instructions have been brought to the notice of all concerned in the Ministry of Home Affairs and its Attached and Subordinate Offices from time to time. It has however, been observed that generally the Budget Estimating and Controlling Authorities furnish the material for preparation of the Explanatory Notes to IFD(Home), very late, after the stipulated dates, as a result of which the process of furnishing the Explanatory Notes to the PAC is delayed. It has also been observed that the material furnished by the Budget Estimating and Controlling Authorities is not adequate and lacking in many respects and does not indicate the remedial/corrective measures to avoid recurrence of excess/savings, resulting in avoidable back references.

2. During the year 1993-94 there had been savings exceeding Rs. 100 crores in respect of Grant No. 44—Police and 45—Other Expenditure of the Ministry of Home Affairs. The Explanatory Notes, which were required to be submitted to the Public Accounts Committee by the 31st May 1995, were delayed due to the non-receipt of timely material from the concerned Administrative Divisions and Attached/Sub-ordinate Offices of the Ministry of Home Affairs.

3. The Public Accounts Committee in their 110th Report (10th Lok Sabha) on Appropriation Accounts of Union Government for 1993-94 have expressed deep concern over the delayed submission of the Explanatory Notes by the Ministry. The Committee have also recommended that henceforth the prescribed time schedule be strictly adhered to and that responsibility be fixed for any laxity in this regard.

4. All the Joint Secretaries in the Ministry of Home Affairs/Deptt. of O.L/Deptt. of Justice/Deptt. of J & K Affairs are requested to note the observations/recommendations of the PAC, mentioned in the preceding para, and instruct all the Budget Estimating and Controlling Authorities under them to furnish the material for regularisation of excess expenditure and detailed Explanatory Notes on savings of Rs. 100 crores and more, indicating the remedial/corrective measures taken to the IFD (Home) strictly within the stipulated dates. In the case of furnishing the material after the stipulated date, a separate note indicating the responsibility fixed for laxity, may also be sent with the material.

Sd/-
(PRANAB RAY)
[(Financial Adviser (Home))]

To

All the Joint Secretaries in the Ministry of Home Affairs/Deptt. of Official Language/Deptt. of Justice and Deptt. of J & K Affairs.

No. 28/1/95-Bgt.-I

Dated, 4-3-96

Copy for similar action:—

1. Shri Narender Prasad, Chief Secretary, A & N Administration, Port Blair.
2. Shri Pradeep Mehra, Adviser to the Administrator, Chandigarh Administration, Chandigarh.
3. Shri S.P. Aggarwal Administrator, Daman & Diu, Moti Daman, Daman.
4. Shri S.P. Aggarwal, Administrator, Dadra & Nagar Haveli, Moti Daman, Daman.
5. Shri G.S. Cheema, Administrator, Lakshadweep Administration, Kavaratti.

Sd/
(PRANAB RAY)
[(Financial Adviser (Home))]

No. 28/1/95-Bgt.-I

Dated, 4-3-96

Copy for similar action to:—

1. Heads of all attached/sub-ordinate Offices of MHA/DOL/DOJ/Deptt. of J & K Affairs.
2. All Statutory Organisations/Commissions/Committees under MHA/DOL/DOJ/Deptt. of J & K Affairs.

Sd/
(PRANAB RAY)
[(Financial Adviser (Home))]

Action Taken (Ministry of Power)

2. Instructions have been issued, from time to time to all the units to ensure that the provisions made in the budget are fully utilised. Periodical reviews are also conducted by the Ministry of Power to ensure full utilisation of funds.

3. The Savings Note on Appropriation Accounts for 1993-94 was submitted to Audit for vetting on 19-5-1995 due to some clarification sought by them *vide* their U.O. No. RH/45-I/95-96/174 dated 30.5.1995, which was finally cleared *vide* their U.O.No. RH/45-1/95-96.641 dated 16.10.95 and submitted to F.A.C. Office on

15.11.1995. Instructions have been issued to all concerned staff for strictly adhere to the prescribed time schedule in future.

This note has been vetted by their U.O. No. RR-1-45/95-96/155, dated 22.05.1996.

Sd/-

(S.R. SHIVRAIN)

Joint Secretary & Financial Adviser

Action Taken (Ministry of Agriculture—Department of Animal Husbandry and Dairying)

Action taken notes in respect of savings occurred under Revenue Section (voted) of Grant No. 4—Department of Animal Husbandry & Dairying for 1993-94 duly approved by Audit *vide* their U.O. NO. RR/2-1/95-96/627 dated 13th October, 1995 has already been communicated to Public Accounts Committee on 18th December, 1995 *vide* this Department's letter No. 3-4/95-B&F(AHD)

To avoid delay in future one officer [Shri R.P. Dubey, Research Officer (Budget), Room No. 586-A, Tale. No. 3389438] has been made responsible for looking after the preparation/consolidation and submission of information about the progress on a weekly basis to the Joint Secretary (Administration). Such cases will now be given top priority. (copy enclosed *vide* Annexure I.)

This note has been vetted by Audit *vide* their letter No. RR/1-45/95-96/137 dated 20/05/1996.

Sd/-

(A.K. D. JADHAV)

Joint Secretary to Govt. of India

[Ministry of Agriculture, Department of Animal Husbandry & Dairying O.M. No. 3-4/B&F(AHD) dated 22.05.1996.]

ANNEXURE-I

Hemendra Kumar
Joint Secretary

D.O. No. 3-4/95-B&F(AHD)

Dated the 18th March, 1996

Dear Shri Sehgal,

This has a reference to your D.O. No. 4/4/95-MC dated 14th March, 1996 addressed to Smt. Usha Sahajpal, FA (A&C) regarding furnishing of consolidated position of pending action taken notes and concrete steps taken by the Department of Animal Husbandry and Dairying for submission of Vetted Action Taken Notes.

As you are aware that Department of Animal Husbandry and

Dairying has started functioning independently since 1993 with a meagre staff and the delay in past occurred due to communication gaps. However, the present position is as under:—

Present position of pending Action Taken Notes:— Nothing is pending towards this Department.

Concrete Steps taken by the Department:—One officer has been made responsible for looking after the preparation/consolidation of activities who is directly informing the progress on weekly basis to me in other words it can be said that such cases are being given top priority at the Joint Secretary level in the Department.

Suggestion:— Monitoring Cell may intimate the Department of Animal Husbandry and Dairying the paras on which action is to be taken by the Department every year as soon as Audit Report is laid on the Table of the House Separately. This will no doubt help the Department in taking speedy action.

With regards.

Sd/-
(Hemendra Kumar)

Shri A.M. Sehgal
Addl. Controller General of Accounts
Department of Expenditure,
Lok Nayak Bhawan,
New Delhi

Copy for information to Smt. Usha Sahajpal, FA (A&C)

Recommendation

Another shortcoming observed by Committee on the part of Ministries/Departments related to the non-adherence to the procedures prescribed for surrendering the savings. According to the prescribed procedure, savings in a grant or appropriation are required to be surrendered by the Department concerned to the government as soon as these are foreseen without waiting till the end of the year. The Committee, are however, distressed to find that as against the final savings of Rs. 20,817.32 crores in the grants/appropriations operated under the Civil Sector for 1993-94, the amount surrendered was Rs. 14679.64 crores out of which 99 percent (14599.06 crores) were surrendered only on the last day of the financial year. Surprisingly, the entire saving amounting to Rs. 621.79 crores and Rs. 1262.35 crores in 32 voted grants and 26 charged appropriations respectively were not surrendered at all in total disregard to the prescribed procedure. To the utter dismay of the Committee, there were also instances where the amount surrendered exceeded the overall savings or was surrendered even when no savings were available for surrendering. The Committee take a serious view of the laxity shown by various Departments in this regard and they desire the Ministry of Finance to ensure that the surrender of funds by various Ministries/Departments is made strictly in accordance with the prescribed rules so that the available savings may be effectively made use of in the much needed sectors of the economy.

[Sl. No. 16—Appendix-XII Paragraph 93 of the 110th Report of the Public Accounts Committee (Tenth Lok Sabha)].

Action Taken (M/o Finance—Department of Economic Affairs)

The observations of the Committee have been carefully noted.

2. Strictly speaking, surrender of savings in a Grant has only a national and statistical significance. The surrenders do not *per se* (necessarily facilitate) lead to redeployment of funds, wherever these are required.

3. Nevertheless, the Committees concern that 'the available savings may be effectively made use of in the much needed sectors of the economy' is well taken. This objective is not, however, facilitated by timely surrender of the savings.

4. Normally redeployment of sanctioned funds elsewhere requires prior approval of Parliament, which is obtained through the supplementary grants during the course of the year. Therefore, the savings wherever arising should be reflected in the revised estimates for the year. This aspect

is stressed because the final batch of supplementary demands generally conform to the revised estimates as approved by the Finance Ministry. Any savings arising after the final batch of supplementary grants have been obtained, will have significance for utilisation only within the same Grant (Revenue or Capital section, as the case may be). These savings, at this stage, cannot for obvious reasons be transferred for utilisation in another Grant.

5. Once the savings have been reflected in the RE, these should automatically deemed to have been shifted and utilised elsewhere in the Budget where demand for additional funds has been cleared with the Finance Ministry. Therefore, if the formal surrender orders in such cases are issued late does not have much budgetary significance. The real issue is that the savings should be captured while preparing the Revised Estimates and thereby avoid incidence of inflation in the Budget. This is achieved, as explained above, by effecting the changes in the revised estimates. Notwithstanding this position, the extent orders regarding issue of surrender sanctions are being reiterated for compliance by all the Ministries/ Departments (copy enclosed).

6. The year-end actuals of the total expenditure of the Government, against the provisions budgeted (BE and RE) from 1993-94 to 1996-97 are summarised in the table annexed. It is significant to note that the actual expenditure had been in the region of 98/99 % of the revised estimates in these years (cf. reply to paragraph 90). This is a pointer that things were not out of control in any of these years. The budgetary arrangements are nevertheless continuously refined and upgraded so as to achieve the objective underlined by the Committee.

7. The delay in submission of this Note is deeply regretted.

8. This Note has been vetted by Audit vide their U.O.No. RR/T-46/95-96/475 dated 12.8.98.

Sd/-

(J.S. MATHUR)

Addl. Secretary (Budget)

[Ministry of Finance, Department of Economic Affairs, (Budget Division)
O.M.No. F.7(4)-B(R)/96 dated August 14, 1998]

ANNEXURE

(Referred to in the reply to paragraph 93)

	1993-94		1994-95		1995-96		1996-97		1997-98					
	Budget	Revised	Actuals	Budget	Revised	Actuals	Budget	Revised	Actuals	Budget	Revised			
Revenue Expenditure	101839	110224	108169	118811	122902	122112	136328	143522	139861	161820	158988	158933	183408	182200
Plan	24185	26354	24848	28062	28937	28265	29330	30423	29021	33467	32364	31635	37554	36120
Non-Plan	77654	83870	83321	90749	93965	93847	106998	113099	110840	128353	126624	127298	145854	146080
Capital Expenditure	29484	33648	33684	32888	39370	38627	35823	39482	38414	42840	43310	42074	48768	53045
Plan	17066	19672	18814	18520	19824	19113	19170	18261	17353	21218	22530	21899	25298	24510
Non-Plan	12418	13976	14870	14368	19546	19514	16653	21221	21061	21622	20780	20175	23470	28535
Total Expenditure	131323	143872	141853	151699	162272	160739	172151	183004	178275	204660	202298	201007	232176	235245

F.No. F.7(4)-B(R)/96
Government of India
Ministry of Finance
Department of Economic Affairs
(Budget Division)

Dated 14.8.98

OFFICE MEMORANDUM

SUBJECT:—*Surrender of Savings in a Grant/Appropriation—adherence to prescribed rules—regarding.*

The undersigned is directed to draw attention of the Ministries/Departments to the following observation of Public Accounts Committee on the above subject, as brought out in para 93 of their 110th Report (10th Lok Sabha) on Appropriation Accounts of the Union Government for 1993-94:

'Another shortcoming observed by Committee on the part of Ministries/Departments related to the non-adherence to the procedures prescribed for surrendering the savings. According to the prescribed procedure, savings in a grant or appropriation are required to be surrendered by the Department concerned to the Government as soon as these are foreseen without waiting till the end of the year. The Committee, are however, distressed to find that as against the final savings of Rs. 20,817.32 crores in the grants/appropriations operated under the Civil Sector for 1993-94, the amount surrendered was Rs. 14679.64 crores out of which 99 percent (14599.06 crores) were surrendered only on the last day of the financial year. Surprisingly, the entire saving amounting to Rs. 621.79 crores and Rs. 1262.35 crores in 32 voted grants and 26 charged appropriations respectively were not surrendered at all in total disregard to the prescribed procedure. To the utter dismay of the Committee, there were also instances where the amount surrendered exceeded the overall savings or was surrendered even when no savings were available for surrendering. The Committee take a serious view of the laxity shown by various Departments in this regard and they desire the Ministry of Finance to ensure that the surrender of funds by various Ministries/Departments is made strictly in accordance with the prescribed rules so that the available savings may be effectively made use of in the much needed sectors of the economy.'

2. As may be seen, the Committee has taken a dim view of the disregard for the prescribed procedure laid down in this regard *vide* Rule 69 of the General Financial Rules and also the time frame set by this Ministry for intimation of surrenders well before the close of the financial year. The Financial Advisers are, therefore, requested to ensure that the Budget grant of the

Ministry/Department under their charge is so distributed as to maximise its utilisation at the appropriate time and savings, if any, foreseen during the year due to various reasons, are promptly reported to the Finance Ministry. After formulation of the Revised Estimates, the identified savings must be formally surrendered latest by the prescribed date in the month of March (usually 15th of March) without waiting till the last day of the financial year.

It is reiterated that the above may please be brought to the notice of all concerned.

Sd/-
(J.S. MATHUR)
Addl. Secretary (Budget)

All Financial Advisers

Recommendation

What has further concerned the Committee is the manner in which supplementary demands had been obtained by the Ministries/Departments. According to the instructions issued by the Ministry of Finance to all the Ministries/Departments on 27 March, 1986, the supplementary demands should be severely restricted to unforeseen expenditure. The Committee's examination has, however, revealed that the instrument of obtaining supplementary demands was not operated judiciously by certain Ministries/Departments during the year under review. There were as many as 24 cases in the Civil Sector where the supplementary provision of Rs. 826.97 crores obtained proved unnecessary as the final saving of Rs. 1292.85 crores in these cases exceeded the supplementary provisions. Similar cases of procuring supplementary allocations far in excess of their requirement were also noticed in the case of Defence Services and Telecommunication Services. From the foregoing, the Committee are in no doubt that a number of Ministries/Departments have been resorting to obtaining the supplementary grants/appropriations without conducting a proper scrutiny of the expenditure incurred or likely to be incurred by them during the financial year. The Committee would like the Ministry of Finance to give serious attention to this aspect and impress upon the budget cells of all the Ministries to restrict their supplementary demands only to rare and emergent cases. The Committee also desire the Ministry of Finance to streamline their system for reviewing and scrutinising the requests for supplementary allocations made by Ministries/Departments before presenting the same to Parliament.

[Sl. No. 17, Appendix-XII Paragraph 94 of 110th Report of Public Accounts Committee (10th Lok Sabha).]

Action Taken M/o Finance

(Deptt. of Economic Affairs)

The recommendations of the Committee are noted.

2. It is however, emphasised that supplementary demands are in fact obtained only in inescapable cases after taking into account Government's commitments to the expenditure and the availability of likely savings in the relevant Grant(s) of the Ministry/Department. In a normal year (*i.e.* other than an Election year) Government seek supplementary demands in three batches. The first batch is obtained in the Monsoon session, the second batch in Winter session and the third and final batch in the Budget session of Parliament.

3. In the first two batches the likely year-end savings in a Grant is

generally not known. In these two batches, the supplementary proposals are normally confined to the following specific type of cases:—

- (i) cases where advances from the Contingency Fund of India have been granted, which are required to be recouped to the fund;
- (ii) payment against a court decree, which is not postponable;
- (iii) cases of additional requirements of funds for making immediate payments, which can be met by reappropriation of savings in the Grant but attract the limitations of New Service / New Instrument of Service rules;
- (iv) other cases where the Ministry of Finance has specifically approved moving supplementary Grant.

4. Subsequent to these batches, the Revised Estimates for the year under each Grant is determined after pre-Budget meetings are held with the Financial Advisers of each Ministry / Department when all individual items of expenditure are scrutinised and reviewed. On the basis of the conclusions reached at these meetings and taking into account all other relevant factors the ceilings for expenditure, *inter alia* in the Revised Estimates in respect of both Plan and Non-Plan are decided and these are formally communicated to the Financial Advisers of the Ministries / Departments. The Statement of Budget Estimates are framed by the Ministries on the basis of ceilings thus communicated by Finance Ministry. The Ministries also frame their proposals for supplementary demands on the basis of the estimates approved by the Finance Ministry which formed part of the ceiling.

5. The proposals for supplementary demands for the final batch are normally carefully worked out taking into account the progress of expenditure, the projection for the remaining months of the year and the availability of savings in the Grant(s). Instructions exist for restricting the supplementary demands to inescapable cases only. Further, instructions have also been issued by Department of Expenditure *vide* O.M. No. 12(1)/E (Coord.)/95 dated 1st August 1996 (copy enclosed), pursuant to recommendation in paragraph 1.39 of 88th Report of the Public Accounts Committee (Tenth Lok Sabha).

6. This note has been vetted by Audit, *vide* their U.O. No. RR/1-47/95-96/729 dated 23.10.1996.

Sd/-

(J.S. MATHUR)

Additional Secretary (Budget)

[Ministry of Finance, Department of Economic Affairs (Budget Division),
O.M. No. F.&(12)-B(SD)/96 dated 20.11.1996]

F.No. 12(1)/E (Coord)/95
Government of India
Ministry of Finance
Department of Expenditure
New Delhi, the 1st August, 1996.

OFFICE MEMORANDUM

SUBJECT:— *Action taken on the recommendations contained in the 88th Report of the Public Accounts Committee (10th Lok Sabha) on Excesses over Voted Grants/Charged Appropriations (1992-93) and action taken on 60th Report (10th Lok Sabha) on Excesses over Voted Grants/Charged Appropriations (1990-91).*

The undersigned is directed to say that the Public Accounts Committee of 10th Lok Sabha in its 88th Report in para 1.39 (Extracts enclosed) has observed that various Ministries/Departments are resorting to obtaining supplementary grants or appropriations in an ill conceived manner without conducting a proper and close scrutiny of the expenditure incurred or likely to be incurred by them during the financial year. The Committee had viewed this situation with grave concern and had desired that supplementary provisions are obtained in emergent cases only. In this connection this Department's relevant instructions contained in O.M. No. 10(4) E-Coord./85, dated 27.3.1986 is reproduced below for information and compliance.

“the annual budget is prepared and allocations made taking into account the availability of resources and other relevant factors. The additional demands at the supplementary stage add to the deficit and is an indicator of the budget not being framed carefully. Once the Budget is framed, the Ministries/Departments should regard the provision in the budget whether plan or non-plan, as the maximum amount of resources available to them and manage their affairs within these limits. The Ministries/Departments should carefully examine their programmes and the content of their activities and reorder the priorities to manage within the allocations rather than to come up with proposals for supplementary demand. The supplementary demands should be severely restricted and confined to genuine unforeseen expenditure which could not be envisaged at the time of preparation

of annual budget or to meet the requirements of a decision or developments which have taken place after the approval of the budget *i.e.* post budget decisions and not for continuing schemes and programmes.”

Sd/-
(D.P. Roy)
Director.

All Ministries/Departments of the Govt. of India
All FAs (by name)

Recommendation

In pursuance of the recommendations of the Public Accounts Committee made from time to time, the Ministry of Finance have prescribed financial limits for different categories of expenditure beyond which the expenditure constitutes New Service/New Instrument of Service and requires either prior approval of or Report to Parliament. However, a case from the Ministry of Textiles has been brought to the notice of the Committee where the Ministry incurred an additional expenditure of Rs. eight crores under a particular head which was in excess of the prescribed limit of Rs. two crores and required prior approval of Parliament. During evidence, the representative of the Ministry conceded that this case required prior approval of Parliament. Incidentally, a similar case of reappropriation within the grant by the Ministry of Textiles without the prior approval of Parliament had also come to the notice of the Committee at the time of examination of Appropriation Accounts relating to the preceding year. In the opinion of the Committee, such cases are indicative of the utter disregard being displayed by Ministries towards financial discipline. They, therefore, recommend that the Ministry of Textiles should take effective steps to ensure observance of the prescribed rules on the issue. They would also like that the circumstances leading to such defaults may be thoroughly investigated and responsibility fixed therefor.

[Sl. No. 18 Appendix XII Para 95 of Hundred and Tenth Report of PAC (10th Lok Sabha)]

Action Taken (Ministry of Textiles)

Against the budget estimates of Rs. 2.00 crores for the Voluntary Retirement Scheme in the National Jute Manufacturing Corporation, another amount of Rs. 8.00 crore was re-appropriated within the grant wrongly on the assumption that it is for the same purpose for which it is provided and will not attract the limit of 'New Service/New Instrument of Service'.

Subsequently, ex-post facto approval of the Secretary (Expenditure) was obtained to regularise the excess expenditure, and sent to the Ministry of Finance for inclusion in the 1st batch of Supplementaries for the year 1995-96. However, it was not included. The same has been included in the third batch of Supplementary Demands for Grants for the year 1996-97 (Copy enclosed).

The error in following the rules in this regard is regretted. Necessary precautionary steps to avoid such recurrence in future are being taken by

way of detailed examination of each case while according expenditure sanctions. The suitable action has been taken against the person responsible for negligence.

This has been Vetted by Audit by their U.O. No. RR/38-4/95-96 dated 15.4.1996.

Sd/-

(D.P. Bagchi)

Addl. Secretary & Financial Advisor.

[Ministry of Textiles O.M. No. G. 25012/3/95-B&A dated the 18th April, 1996.]

Recommendations

The foregoing paragraphs reveal certain disquieting trends in the system of budgeting, observance of prescribed financial rules/discipline and exercise of financial control by various Ministries/Departments of the Government of India. Evidently, the inadequacies/shortcomings on this score had resulted in the incurrence of excess expenditure of considerable magnitude, registering of large scale savings and occurrence of several other financial irregularities/improprieties. The Committee cannot but express their deep concern over this unsatisfactory state of affairs. During evidence, the representative of the Ministry of Finance (Department of Expenditure) while admitting the shortcomings in the existing mechanism stated that they were contemplating revision of procedure and issuance of modified instructions for improving the position and ensuring observance of financial discipline. The Committee desire that in the light of the facts contained in this Report and the findings of Audit on the Appropriation Accounts of the Union Government for the year 1993-94 contained in the relevant reports of C&AG for the year ended 31 March 1994, Government should take effective steps to streamline the procedures with a view to making the budget exercise more realistic and meaningful, imparting financial discipline and effecting strict exchequer control.

[Sl. No. 19 Appendix XII Para 96 of 110th Report of Public Accounts Committee (10th Lok Sabha)]

Action Taken (Ministry of Finance—Department of Expenditure)

The above observations of the Public Accounts Committee have been noted. Instructions have been issued that the Ministries/Departments of the Government of India should maintain strict and rigid adherence to the budgetary ceilings. The Financial Advisers have been made directly accountable for any deviation of expenditure from the prescribed ceilings without prior authorisation. It has also been emphasised that unauthorised expenditure over and above the budgetary appropriation should be dealt with severely and accountability fixed. A copy of the instructions No. F. 1(16) E. II(A)/96 dated 17th June, 1996 is enclosed.

[This has been vetted by the Audit *vide* U.No. RR1-4495-96842 dated 5.11.1996]

Sd/-
(D. Swarup)
Joint Secretary to the Govt. of India.

Ministry of Finance
Department of Expenditure

E-Coord. Branch U.O. No. 12(1) E-Coord./96 dt. 3.12.1996

Copy of M. No. F. 1(16)—E.II(A)/96 Dated the 17th June, 1996.
Issued by D/o Exp. to all Ministries/Departments of Govt. of India etc.

SUBJECT: *Guidelines on Expenditure management—fiscal prudence and austerity.*

1. The Government recognise and reiterate that fiscal prudence is the key to low inflation, stable price levels and rapid growth. The Government are, therefore, committed to reducing the fiscal deficit to below 4% of GDP.

2. In the past, measures have been taken from time to time to reduce the rate of growth of expenditure: for example, public investment appraisal was introduced to screen proposals for investment; budget classifications were revised and updated; performance budgeting, zero-based budgeting, internal controls in the spending agencies and management information systems were introduced; Integrated Financial Advisers were appointed in the Ministries and Departments to facilitate financial management and efforts were made to streamline the payment systems. These measures have unfortunately not been implemented in the intended spirit and have failed to control the rate of growth of expenditure with the result that the fiscal deficit rose from Rs. 36325 crores in 1991-92 to Rs. 64010 crores in 1995-96. The latter figure represents 5.9% of GDP. While these measures are still desirable and should be implemented with vigour, it is necessary to undertake further steps to control growth of expenditure. With this objective in view, Government have decided to undertake further measures outlined in the succeeding paragraphs. The objective of these measures is to achieve an annual attrition of Rs. 3000 crores in the expenditure budget of the Central Government.

Budget formulation and implementation

3. Most expenditure estimates continue to be based on past norms and yardsticks which have ceased to be useful. None of these norms takes into account the constraints on the availability of resources. Moreover, there are continuing schemes and programmes which have accumulated over the years. It is assumed that the financial requirements of these continuing schemes and programmes have the first claim on future resources and, as a consequence, their utility does not receive adequate scrutiny in the annual budgetary process.

3.1 In the light of the above, the administrative ministries must ensure that all on-going programmes and schemes (both plan & non-plan) are carefully reviewed, scrutinised and evaluated to determine their continued relevance. The emphasis should be on attrition of portfolio and on consolidating the efficient programmes and schemes rather than on

addition to the current portfolio. This exercise must be initiated immediately and its outcome indicated before Ministries prepare their annual budgetary estimates and finalise the programme content and their annual plans. The exercise for the identification of such redundant schemes must be completed by September 1, 1996 so that decisions on phasing out these activities can be taken prior to the consideration of expenditure estimates for the next fiscal year.

3.2 A special cell is being created in the Department of Expenditure to monitor progress on the weeding out of programmes and schemes identified as being inessential or having low priority.

3.3 Budget formulation should lay greater emphasis on explicit recognition of the revenue constraints and there must be strict and rigid adherence to budgetary ceilings. Financial Advisers will be directly accountable for deviations of expenditure from the prescribed ceiling without prior authorisation. Unauthorised expenditure over and above the budgetary appropriation should be dealt with severely and accountability fixed.

3.4 Further, Secretaries to the Government should take monthly reviews of receipts and expenditures to ensure greater convergence of revenue inflows and expenditure outflows.

3.5 The practice of incurring or committing expenditure in a particular year and postponing the actual payment of bills to the subsequent financial year(s) is improper and should be stopped forthwith. The past practice of carry-forward of unpaid bills and other liabilities to the next fiscal year has been in utter disregard of accepted canons of financial propriety and results in for closure of budgetary appropriations in the following year without proper authorisation.

Cash management

4. Proper budget implementation must include efficient cash management. An effort was made earlier to introduce a system of cash management through submission of cash forecasts by the Financial Advisers. Such forecasts in most cases mechanically divided the outlays on a 1/12 basis and ignored the seasonality of certain payments and projected expenditure trends.

4.1 It is imperative to work out a monthly cash flow of revenues and expenditures with a view to ensuring that there is no over spending and, therefore, borrowing is kept to the minimum.

4.2 The releases of loans and grants to autonomous bodies, PSUs and other organisations should be linked to their immediate requirement of funds. All Ministries and Departments should, therefore, obtain cash flow statements from loanee and grantee institutions with a view to ascertaining their actual requirement for

payments. The release of cash should accordingly be restricted to one month's requirement plus a certain amount of contingency, if needed, to take care of unforeseen expenditure.

4.3 Each Ministry and Department should prepare monthly cash profiles for each programme for each demand and rigorously monitor monthly expenditure with reference to these profiles. Financial Advisers will monitor cash flows to ensure compliance with this revised procedure.

4.4 The practice of issuing cheques for net sums of money, for example adjusting repayment of loan against the subsidy or any other payment due to an autonomous body or a PSE should be strictly followed.

Public Sector

5. The Public Sector will continue to be an important component of Indian industry and must be made strong and competitive. Public Sector Enterprises which are essentially commercial enterprises should conduct their business on commercial lines. They should, therefore, give a healthy return on the capital employed. The Central Government's total equity investments in PSEs was Rs. 55683 crores in 1993-94 (Public Enterprises Survey). The returns therefrom in the same year were only Rs. 1014 crores, the percentage of return on equity investment being only 1.82. A minimum return of 5% on investment is the objective of Government to be achieved in the next three to four years.

5.1 In Finance Secretary's D.O. letter No. 6832/FS/95 dated August 14, 1996 addressed to all Secretaries to the Government of India, it was urged that the Government nominees on the Boards of PSEs should insist on a minimum dividend of 20% on share holding. In case this was not possible having regard to the level of disposable profits, it was necessary that the dividend pay out must constitute at least 20% of post-tax profit. In the case of Oil, Petroleum, Chemical and other infrastructure industries, the dividend pay out should be at least 30% of post tax profits. Government nominees on the Boards of PSEs which are essentially commercial enterprises should, accordingly, insist on the declaration of dividend on the above basis.

In exceptional cases where the stipulated level of dividend payment could adversely effect the approved investment plans of a PSE, an acceptable level of dividend will be settled by mutual consultation among the PSE concerned, the administrative Ministry and the Ministry of Finance.

5.2 Finance Secretary's D.O. letter referred to in para 5.1 above also urged that the capital base of the Public Sector Enterprises should be reviewed and bonus shares by transfer from reserves be issued in case the capital base of the company is found to be narrow. Accordingly, all profit making public sector enterprises in which the Government equity base is

low must issue bonus shares to the Government in addition to giving a minimum dividend as stipulated in para 5.1 above.

5.3 In respect of Joint Venture companies in which the Central Government has equity holdings, instructions should be given to all Government nominees on the Boards of Directors of these companies to ensure a minimum level of dividend as mentioned in para 5.1 above.

5.4 Administrative Secretaries must ensure compliance both in regard to the stipulation for minimum dividend payment and issue of bonus shares.

6. All other non-tax receipts should be suitably enhanced with a view to ensuring that at least costs incurred by the Government are recovered for services provided.

7. Allied with this subject is the issue of time and cost over-runs of projects. Most plan projects and programmes show that there are substantial cost and time over-runs. Several factors account for this variance: initial lower cost estimates, lack of provision for contractual cost, escalations and inflation; frequent changes in the design of the project and other factors. Increased costs and project delays not only lead to avoidable extra expenditure but also to delay in delivery of goods and services to the people.

7.1 The revised procedure for approval of investment by the PIB lays down stringent rules for approval of revised cost estimates. The primary objective of this exercise is to effectively discourage the time and cost over-runs of major projects and programmes. Extant instructions in this regard enjoining that each Ministry and Department, while posing investment proposals for clearance by the PIB, include measures which they propose to take to enhance the efficiency and productivity of public outlays in the sector. Moreover, they are required to provide a credible financing pattern of the project including their ability to raise resources in the capital market. Further, every Ministry and Department should prioritise projects in the context of resources to ensure that available resources are not thinly spread on on-going portfolios leading to time and cost over-runs. These guidelines should be strictly followed by each Ministry and Department.

7.2 The Department of Programme Implementation has also issued detailed guidelines in regard to monitoring of major and mega projects with a view to ensuring that projects are completed within the approved cost and scheduled time. These guidelines should also be strictly followed.

8. It has been mentioned earlier that most financial estimates are based on past norms and yardsticks which have ceased to be relevant. These norms do not take into account the far-reaching changes in information technology, use of better communication systems and EDP facilities. Even though there has been a marginal reduction in the overall manpower of the Government, the total expenditure on pay and

allowances (excluding defence personnel) has nearly doubled during the last 5 years from Rs. 9838 crores in 1991-92 to an estimated level of Rs. 18958 crores in 1996-97.

8.1 The rate of growth of expenditure on this account is neither desirable nor sustainable. It is, therefore, incumbent on the part of every Ministry and Department to reduce their manpower to the maximum extent possible and in the shortest time possible, especially keeping in view phasing out of redundant and inefficient projects and schemes. With a view to enforcing this decision, the Ministry of Finance will not provide any real increase in budgetary allocations for pay and allowances from the year 1997-98. The Staff Inspection Unit (SIU) is being restructured and in conjunction with the Financial Advisers will work out the revised and reduced manpower requirements consequent on these changes. Each Ministry and Department at the time of formulation of their budget estimates must also indicate a separate plan for reduction in manpower and also provide an integrated expenditure reduction programme.

9. The existing accounting system is geared more towards recording of transactions rather than to providing meaningful data for management decisions. It will be Government's endeavour to re-model the existing accounting systems by introducing accrual accounting a self-balancing General Ledger System (GLS) and review the present classification system to cater to the needs of accrual accounting and the GLS. Instructions in this regard will issued separately.

10. To recapitulate, action is required to be taken on the following:—

- (i) All on-going programmes and schemes, both plan and non-plan, should be carefully reviewed, scrutinised and evaluated to determine their continued relevance. This exercise should be completed before September 1, 1998;
- (ii) Deviations of expenditure from the prescribed budgetary ceilings should be stopped forthwith, FAs will be directly accountable for unauthorised expenditure above the appropriations;
- (iii) A monthly cash flow of revenue and expenditure should be worked out by the Financial Advisers with a view to ensuring that there is no over-spending;
- (iv) Secretaries to the Government should review the cash flow every month to ensure greater convergence of revenue inflows and expenditure outflows;
- (v) Loan and grants should be linked to one month's requirement and should be netted by adjusting moneys due from such grantees and loanees;
- (vi) It should be ensured that all profit-making PSEs which are essentially commercial enterprises must declare a minimum dividend on equity of 20% or a minimum dividend pay out of

- 20% of post-tax profits, whichever is higher. The minimum dividend pay out in respect of Oil, Petroleum, Chemicals and other infrastructure sectors should be 30% of post-tax profits;
- (vii) All profit making companies must also issue bonus shares to the Government;
 - (viii) All profit making Joint Venture companies must also give a minimum dividend of 20% on Government equity holding;
 - (ix) All other non-tax receipts should be revised so that at least the cost of the service is recovered;
 - (x) Guidelines issued by the Department of Expenditure and Department of Programme Implementation to avoid time and cost over-runs should be strictly followed;
 - (xi) Manpower should be reduced to the maximum extent possible, MOF will not provide any real increase in budgetary allocation for pay and allowances from 1997-98 onwards.

To

All Secretaries to GOI (By name)
 All Heads of Public Sector Enterprises
 All FAs (By name)
 All Chief Secretaries of State Governments with the request that they may consider issuing similar instructions in respect of their State Governments.

Action Taken (Ministry of Communications—Deptt. of Telecom)

In view of the facts explained in ATN on Para 87 it is submitted that there is no serious inadequacy/shortcoming in the Budgeting procedures in the DoT.

This has been vetted by the Director General of Audit (P&T), Delhi-110 054, vide his U.O. No. RR.III/1(b)400/1993-94/43 dated 17.5.96.

Sd/-
 (G.C. IYER)
 Member (Finance)

File No. 1-596—B
 Dated: 04.06.96

Action Taken (Ministry of Defence)

The recommendation of the Committee has been noted.

In the continuing efforts made towards achieving greater precision and accuracy in estimation and exercise of financial control, the assessment of requirement of funds by different estimating authorities at various budgetary review stages in a financial year are reviewed with reference to

existing commitments and the previous years actual expenditure. Such reviews are helpful in identifying and rendering the shortcomings/defects in the existing system to make the budgetary exercise more precise and realistic.

Though certain refinements in the budgetary system have been achieved, the necessity to eliminate the large scale savings/excesses over voted grant has been further emphasized. The Services/Departments and Integrated Financial Advisers were stressed to be more cautious and accurate while projecting their demands/additional demands and that their projections should be factual and barest minimum, *vide* MOD(FIN) ID No. 2584/B-L/95 dated 22.9.95 (copy enclosed).

Sd/-
(D. LAHIRI)
ADDL. FA(D) & JS

MOD (FIN) FILE NO. 10(1)/B-L/96/PC-II

MINISTRY OF DEFENCE (FIN/BUDGET)

SUBJECT:—*Formulation of budgetary estimates and monitoring of Defence expenditure.*

Instructions have been issued from time to time on the importance of formulating the budgetary estimates on the most realistic basis and to keep constant review and control on expenditure to conform it to the allocations made.

In spite of repeated instructions, instances of unrealistic estimation of requirement at initial stage as well as at supplementary demand/re-appropriation have occurred and adversely commented upon by the C&AG of India. It has also been adversely commented upon by the PAC. In some cases the supplementary demands were wholly or partially surplus to the requirement.

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

It is further stressed that the Services/Departments and IFAs need to be more cautious and accurate while projecting their supplementary

demands, if any, to avoid saving/excess. The additional demand should be factual, barest minimum depending upon the actual requirements/obligations in rare and emergent cases.

Sd/-
(D. LAHIRI)
Addl. FA(D) & JS
Tel. 3012915

All Joint Secretaries/Addl. FAs., IFAs,
Addl. DGFP, DNP, D Fin P, DGNOC, DGOF
DPR&M, DGQA.
M of D (Fin) I.D. No. 2584/B-I/95 dated 22.9.95.

Action Taken (Ministry of Railways—Railway Board)

The observations of the Committee have been noted. Instructions are being issued to the Railways.

The Audit have been seen and vetted the above ATN *vide* their UO No. 8RA-III-RR/12-8/95 dt. 26.4.96.

Sd/-
(Vandana Singhal)
Executive Director, F(RFFC)
Railway Board.

[Ministry of Railways (Rly. Board)'s OM No. 95-BC-PAC-X/110
dt. .8.96.]

Recommendation

97. Subject to the observations made in the preceding paragraphs, the Committee also recommend that the expenditure referred to in Paragraph 12 of this Report be regularised in the manner prescribed in Article 115(1)(b) of the Constitution of India.

[S.No. 20 Appendix-XII,
Para 97 of 110th Report of PAC (10th Lok Sabha)]

Action Taken (Ministry of Railways—Railway Board)

In view of the above the Excess Expenditure for 1993-94 is being regularised in the ongoing 16th Session of 10th Lok Sabha.

The Audit have been seen and vetted the above ATN *vide* their UO No. 8RA-III-RR/12-8/95 dt. 26.4.96.

Sd/-
(Vandana Singhal)
Executive Director, F(RFFC)
Railway Board.

[Ministry of Railways (Rly. Board)'s OM No. 95-BC-PAC-X/110
dt. .8.96.]

Action Taken (Ministry of Finance—Deptt. of Economic Affairs)

The Demands for Excess Grants (excluding Railways) for 1993-94 were passed by the Lok Sabha on 26.7.1996. The connected Appropriation Bill as passed by Lok Sabha was returned by Rajya Sabha on 30.7.1996. This was assented to by the President of India on 31.7.1996.

This has been vetted by Audit *vide* their U.O. No. RR/1-49/95-96/496 dated 21.8.1996.

Sd/-
(C.M. VASUDEV)
Additional Secretary (Budget)
[F.No. 4(2)-B(SD)/95]

CHAPTER III

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

Recommendation

In this context, the Committee further recommend that the Ministry of Finance should consider the feasibility of introducing a system of letter of credit in the case of each grant so that the expenditure do not cross the sanctioned limits of the grant.

[Sl. No. 3, Appendix No. XII, Para 80 of the 110th Report of Public Accounts Committee. (10th Lok Sabha)]

Action Taken (Ministry of Finance—Deptt. of Expenditure)

The above recommendation of the Public Accounts Committee relating to introduction of a system of Letter of Credit in each Grant to control the excess expenditure in the voted grants/appropriations has been examined in consultation with the Budget Division and the Departments of Telecom and Posts and the Ministry of Railways.

In the departmentalised system of payment, as a general rule, all payments are made by the Pay & Accounts Officers after pre-check. It is the duty of the Pay & Accounts Officer to see that there is provision of funds authorised by the competent authority fixing the limit within which expenditure can be incurred, expenditure incurred is in accordance with the financial rules and there exists sanction of the competent authority. Drawing and disbursing officers of the offices located outside the same station as the Pay & Accounts Officer, are permitted to draw funds from the Public Sector Banks accredited to the concerned Ministry/Department for making payments of certain categories after sanction from the competent authority. Instead of making one time allocation, these are distributed through quarterly assignment by Pay & Accounts Officer by placing the drawing & disbursing officers with cheque drawing powers in account with accredited Public Sector Bank by means of Letter of Credit for the net amount of requirement. The paying branch is responsible to ensure that at no time the amount assigned in the Letter of Credit is exceeded. As regards non-cheque drawing, drawing and disbursing officers, the expenditure monitoring is done by the Pay & Accounts Officer through pre-check of bills before payment. The Pay & Accounts Officer maintains an expenditure control register drawing and disbursing officer-wise and ensures that expenditure is not in excess of the sanctioned

limit. In the civil ministries, the expenditure control system and Letter of Credit system is already there.

In case of Departments of Telecom., Posts & Railways, the introduction of the system of Letter of Credit has not been found to be feasible. A copy each of the communication received from these Departments is enclosed. It would, however, be seen that there already exists an expenditure control system in one form or the other in these departments/ministries, too.

Sd/-

(D. SWARUP)

Joint Secretary to the Government of India.

Ministry of Finance,
Department of Expenditure,
E-Coord. Branch U.O. No. 12 (1)E-Coord./96 dated 28.11.97

Birkhe Ram
Executive Director Finance (Budget)

Government of India
Ministry of Railways
(Railway Board)

D.O. No. 96-B-322(Main)

New Delhi, dated 2.1.1997.

Dear Shri Swarup,

Please refer to your office O.M. No. 12(1)E-Coord./96 dated 16.9.96 regarding introducing the system of "Letter of Credit" on Railways on the recommendations of Public Accounts Committee (Tenth Lok Sabha) contained in their 110th Report on Appropriation Accounts of Union Government for 1993-94. In this connection, it is advised that the system of "Letter of Credit" on Railways is not feasible for the reasons that Railways operate 16 Demands for Grants whereas most of other ministries are having only one Demand for Grant. The Indian Railways are divided into several zones and divisions. There are large number of Drawing Officers on Railways who issue cheques not only on their headquarters but also on the outstation banks. In some of the cases more than one functional department operate the same Demand for Grant. The sizeable percentage of expenditure is also non-cash expenditure *i.e.* inter-railway transactions/adjustments which do not pass through the banking system.

Indian Railways have also an existing system of monitoring Demand-wise expenditure and a strict watch is invariably kept. Permissible re-appropriations are also resorted to. The instances of excess over budgetary allocations, in the face of such large number of transactions and huge budget are also minimal.

Indian Railways are also exercising Exchequer control which is quite analogous to Letter of Credit limitations.

In view of the above, it will not be possible for the Railways to introduce the system of "Letter of Credit".

Sd/-
(Birkhe Ram)

Shri D. Swarup,
Joint Secretary,
Ministry of Finance (Expenditure),
North Block,
New Delhi.

Department of Telecommunications
Budget Section

No. 1-33/96-B

Dated 4.12.96

SUB: *Action Taken on the recommendations contained in 110th Report of PAC (10th Lok Sabha) on Appropriation Accounts of Union Government for 1993-94—Para 80 of Letter of Credit.*

Ministry of Finance, Deptt. of Expenditure may kindly refer to their letter No. 12(1)E(Coord.)/96 dated 16.9.96 wherein we have been asked to consider the feasibility of introducing the system of Letter of Credit in the deptt. of Telecom. as recommended by the PAC.

2. In the Deptt. of Telecom. there are about 1100 Drawing and Disbursing Offices which are under the accounting jurisdiction of Circle Accountants numbering 46 as on date. The Department remits its receipts and draws its cash requirements from over 1200 branches of Reserve Bank of India, State Bank of India and its subsidiary banks spread all over the country. Drawal of money from the banks by DOT is not limited to Grants of the Deptt. but also include Refund of Earnest money deposits, Advances/Withdrawals from Provident Funds etc. and remittances to Banks include receipts on account of Earnest money deposits, bond money and Licence Fee from the operators of Basic and Value Added Telecom. Services etc. In view of the voluminous work due to large number of transactions as stated above introducing the system of Letter of Credit may not be feasible for the Deptt. of Telecom.

3. In this connection, it is added that with effect from 1993-94 the Deptt. of Telecom has introduced a system of fixing the cash drawal limits for each Unit based on allotment of funds released at different Budgetary stages and reviewing the actual drawals *vis-a-vis* ceilings fixed periodically

and this system has not only resulted in ensuring drawals within the ceilings fixed but also kept the expenditure within Budget Grants.

This issues with the approval of Member(F).

Sd/-
V. Nagabhushanam,
Director (PFR),
Tel: 3715103

Shri D. P. Roy,
Director,
Department of Expenditure.

Copy of the letter No. 13-2/96-BGT(PA)/2648 dated 15 November, 1996 from Shri M.S.S. Subramanayan, Director (PA-I) addressed to Shri D. P. Roy, Director, Deptt. of Expenditure.

Dear Shri Roy,

Please refer to your office OM. No. 12(1)/E-Coord./96 dated September 03, 1996 in connection with Action Taken Note on the recommendations contained in the 110th Report of the Public Accounts Committee (Tenth Lok Sabha) on Appropriation Accounts of the Union Government for the year 1993-94.

2. The network of the Department of Post is executed through approximately 1.52 lakhs Post Offices located at different places all over the country. Of these, number of Head Post Offices and Sub-Post Offices having money drawing powers cater to the requirements of all the 1.52 lakh Post Offices, are not only drawing and disbursing money from the functional point of view and as per the grants made available to the concerned Drawing and Disbursing Officers but also receive and disburse money from and to the members of the public in respect of various agency functions viz. various Small Savings Schemes like Saving Bank, Cash Certificate I.P.Os., B.P.Os, payment of Pension to Railway Pensioners, E.P.F. Pension, Military Pension, Mahila Samaridhi Yojana, etc. which amounts to crores of rupees on month to month basis. The cash received in the post offices are accounted for by the Post Masters against the relevant head and at the end of the day any cash balances in excess of the prescribed cash balances liabilities are deposited into the bank. Thus drawal of money from the Bank by the Post Offices, is not limited to the Grants of the Department but also relates to the public account which is neither voted by the Parliament nor is required to be included in the Grants of the Department as the same cannot be estimated based on the trend of transactions. Thus the letter of Credits system may not be feasible for the Department of Post as far as the Post Offices are concerned.

3. However, the system of letter of Credit is already in consideration

of the Department in respect of Civil/Electrical divisions entrusted with project works of the Department.

This issues with the approval of JS & FA.

With regards,

Sd/-
(M.S.S. SUBRAMANYAN)

Shri D. P. Roy,
Director,
Department of Expenditure,
Ministry of Finance,
North Block,
New Delhi.

Recommendation

The Committee are of the strong opinion that this case is also indicative of the lapse at all levels in the Ministry of Railways in keeping a close watch over the trend of expenditure during the year under two distinct Heads "Capital" and "Capital Fund" under Grant No. 16. Evidently, the Railway authorities miserably failed to take corrective action to rectify the mistake even at the stage of final compilation of the accounts. Although the Ministry are stated to have evolved a fully computerised system of monthly financial review of various levels of management, the Committee are in no doubt that such reviews were not effective atleast in this case. The Committee deplore the failure of the Ministry of Railways at various levels which resulted in gross distortion of Accounts for 1993-94 and they would like responsibility to be fixed for the same. The Committee also trust that necessary action would atleast now be taken by the Ministry to ensure that such misclassifications resulting in distortion of figures in accounts do not recur in future.

[S.No. 5 Appendix-XII Para 82 of 110th Report of PAC (10th Lok Sabha)]

Action Taken (M/o Railways — Railway Board)

"It is submitted that while distinct criteria apply to the expenditure chargeable to each source of finance namely Capital, Depreciation Reserve Fund, Development Fund and Open Line Works—Revenue, there is no fundamental difference between the nature of expenditure chargeable to Capital and that chargeable to Capital Fund. Only the sources are different—'Capital' being provided as budgetary support, and Capital Fund being available through appropriation from "Excess" or the surplus after meeting the working expenses of Railways and dividend payment to the General Revenues. The areas of expenditure to be brought under Capital and Capital Fund are being identified in consultation with the Audit. As far as the year 1993-94 is concerned, which was the first year in which expenditure was booked to Capital Fund, the Railways had been booking all Capital expenditure under the head 'Capital' and thus there was not possibility of a review of the progress of expenditure separately under these two heads. It was only at the close of the financial year that an indication of the bifurcation of expenditure between these two was conveyed to the Railways while communicating authorisation for the final grant for the year. Pending the issue of complete guidelines with the concurrence of Audit, such an indication through the final grant was in the nature of *ad-hoc* instructions. Apparently the *modus operandi* for the implementation of these instructions was not correctly appreciated on three

Railways who did not transfer the booking of expenditure under the head 'Inventories' from Capital to Capital Fund. This led to a distortion in that the gross booking of expenditure under Capital showed an excess of Rs. 1149.18 crore while there was a shortfall of Rs. 1369.55 crore in the expenditure booked under Capital Fund, with respect to the corresponding authorised grants. Admittedly, these variations are substantial and come under different segment of the voted grants between which reappropriation is not permissible. However, there is no overall financial impact on account of these variations. Considering that 1993-94 was the first year of the operation of the Capital Fund and the other facts and circumstances brought out herein, it is requested that the Committee may take a view on the observed discrepancies.

As far as the year 1994-95 is concerned the Ministry of Railways have taken care to ensure that the aberrations that occurred in the accounts for 1993-94 were not repeated. Railways are now booking the expenditure under these two heads separately as per interim instruction issued during July, 1995. The Computerised system of monthly financial review was fully operational throughout the year 1994-95 and this is continued in the current year.

Proposals on the booking of expenditure as between Capital and Capital Fund have been submitted to Audit for vetting and are expected to be finalised shortly. Every effort will be made to make sure that distortion of figures in the Accounts do not recur."

Audit to whom the above comments were sent for vetting have observed as follows vide their U.O. No. 15 RA-III-RR/12-8/95 dated 22.5.1996:—

- (i) The Ministry may inform the Public Accounts Committee about the precise action taken by them to finalise the modalities for the operation of Capital Fund, keeping in view of the Audit observations communicated to them under Deputy Comptroller and Auditor General of India's D.O. letter No. 116-RA-III-RR/12.8.92 dated 11.1.96 to Financial Commissioner. Ministry may also indicate in the Action Taken Note the date by which the modalities are likely to be finalised. To that extent the last paragraph of the Draft ATN needs revision.
- (ii) Final copy of the Action Taken Note as submitted to the Public Accounts Committee may be sent to Audit also.

Board's observations on the above mentioned audit observations are as follows:—

The observations made by Audit in their D.O. letter dated 11.1.1996 have been replied to on 27.6.1996. Further action to finalise the modalities for operation of Capital Fund will be taken as soon as Audit's clearance is received.

Sd/-

(Vandana Singhal)

Executive Director, F(RFFC)

Railway Board.

[M/o Railways (Railway Board's) O.M. No. 95-BC-PAC-X/110
dated .8.1996]

Recommendation

The Committee are constrained to observe yet another deviation from the prescribed financial principles by the Department of Post which introduced a new scheme called "Mahila Samridhi Yojana" in October, 1993 but failed to take any decision on accounting of expenditure under this scheme till the close of the financial year in March, 1994. The net result was that an expenditure of Rs. 45 lakhs on this scheme was incurred and booked under a head where funds were neither provided originally nor were made available by re-appropriation. The Committee take a serious view of this aberration and they would like the Department of Post to explain the circumstances which led to delay in taking accounting decision in this case and their failure to provide funds by way of re-appropriation in incurring of expenditure on this scheme.

[Sl.No. 8, Appendix XII, Para 85 of 110th Report of PAC (10th Lok Sabha)]

Action Taken (Ministry of Communication—Deptt. of Post)

The Scheme of Mahila Samridhi Yojana was introduced with effect from 1st October, 1993. Mahila Samridhi Yojana is basically a saving scheme meant for rural adult women. As such like in any other schemes the accounting procedure was formulated by provisionally adopting Ministry of Finance Heads for deposits/withdrawal and interest payments. Subsequently it was clarified by Ministry of Finance that the Department of Women and Child Welfare Head of Account have to be given as the 50% of small savings involved cannot be given as loan to State Governments on this account. Therefore, the expenditure to be incurred by the Department of Post and recoveries on this account to be obtained from Department of Women and Child Development also took some time.

This has the approval of JS & FA.

Sd/-
(O.P. Veer)
Dy. Director General
(PAF)

OM No. 13-2/95-BGT(PA)/1503

Dated: 21.8.1996

Recommendation

In this context, the Committee during the course of their examination found that in Revenue Section (Voted) of Grant No. 51 Department of Industrial Development, there was a saving of Rs. 525.37 crores in 1993-94. Curiously enough, the savings in this Grant exceeded even the Supplementary provision of Rs. 508.47 crores obtained by the Department in December, 1993 and March, 1994. On scrutiny of the explanatory note furnished by the Department, the Committee found that substantial savings under this Grant were mainly in the two heads of account viz. (i) Transfer to National Renewal Fund (NRF) (Rs. 320 crores) and (ii) Workers Compensation Package and implementation of Voluntary Retirement Scheme in Public Sector Undertakings (Rs. 140.05 crores). According to the Department, the entire provision of Rs. 320 crores under NRF could not be transferred to the Public Accounts as anticipated because the Transaction of Business Rules and the operational modalities under NRF could not be finalised during that year. The Committee's further examination has revealed that this matter is still pending decision. Similarly, the budgetary provision of Rs. 140.05 crores under Worker Compensation Packages and implementation of Voluntary Retirement Scheme in Public Sector Undertakings remained unutilised due to non-materialisation of the scheme. Obviously, the Department projected their budgetary requirements under the aforesaid two heads without taking into account the ground realities relating to finalisation of operational modalities of NRF and the implementation of Workers Compensation Package and implementation of Voluntary Retirement Scheme in Public Sector Undertakings. The Committee cannot but express their displeasure over the failure of the Department in making a realistic assessment of their requirements particularly while seeking the supplementary demands at the fag end of the financial year in March, 1994. The Committee trust that the department of Industrial Development would draw suitable lessons from this experience and exercise due farsightedness and caution while estimating their requirement of funds for various schemes in future.

[Sl.No. 11 Appendix XII, Para 88 of 110th Report of the Public Accounts Committee (10th Lok Sabha)]

Action Taken (M/o Industry—Deptt. of Industrial Development)

The recommendation of the Hon'ble Committee is suggestive in nature and has been noted for compliance in future. However, this Department would reiterate its earlier stand as also explained by Secretary (ID) in his oral evidence tendered before the Hon'ble Committee on 5th July, 1995 that the supplementary grant of Rs. 320 crore was sought

only on the advice of the Ministry of Finance. The National Renewal Fund is maintained in the Public Account so that budgetary allocations to the National Renewal Fund do not lapse at the end of any financial year. It would be note-worthy that the transfer of budget allocations for the National Renewal Fund into the Public Account takes place only with the approval of Ministry of Finance which also decides the quantum of funds to be ultimately transferred.

This has been vetted by Audit *vide* their U.O. No. RR/19-2/95-96/527 dated 30.8.1996.

Sd/-
(P.G. Mankad)
Secretary

[Ministry of Industry, Department of Industrial Development O.M.
No. 14(9)/95-IRS dated 20.9.1996.]

CHAPTER IV

**RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH
HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH
REQUIRE REITERATION**

—NIL—

CHAPTER V

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

Recommendation

The Committee note that the Ministry of Railways incurred an overall excess expenditure to the tune of Rs. 1216.83 crores under eight Grants/Appropriations operated by them during the year 1993-94. This excess expenditure of sizeable magnitude occurred mainly under Grant No. 16 (Capital) which alone accounted for an excess of Rs. 1149.18 crores. The Ministry of Railways informed the Committee during evidence that the excess expenditure under Grant No. 16 (Capital) was due to "a wrong understanding of the accounting principles" as the expenditure under inventory was to have been booked under Grant No. 16 (Capital Fund) under which the relevant budgetary provisions were made. The Committee have also been informed that the "Capital Fund" was practically operated for the first time in 1993-94. According to the Ministry of Railways, instructions about operation of this fund with reference to Rules of Allocations were issued in May, 1993 but these instructions did not delineate the areas of expenditure which should be charged to these two sources, i.e., "Capital" and "Capital Fund". In their defence, the Ministry of Railways have also pleaded that it was a sort of technical excess in view of the savings in "Capital Fund" under this Grant. The Committee are not inclined to agree with the assertions made by the Railway Ministry in this regard as "Capital" and "Capital Fund" are two different heads under Grant No. 16 and no re-appropriation of funds *inter-se* is stated to be permissible. On the other hand, they are of firm belief that this case is clearly illustrative of the lackadaisical approach followed by the Ministry of Railways in working out a proper accounting procedure for booking of expenditure under two distinct Heads, "Capital" and "Capital Fund" under Grant No. 16. This has frustrated the very purpose of creating the "Capital Fund" as recommended by the Railway Convention Committee in 1993. The Committee are informed that the proper procedure for allocating expenditure of capital nature to "Capital" and "Capital Fund" was not evolved in time even for 1994-95 accounts. Although the Ministry of Railways are stated to have referred the draft procedure to audit in February 1995, the procedure proposed by the Ministry offended against the basic prohibition on reappropriation between "Capital" and "Capital Fund". The Ministry are reported to have issued instructions only as an interim measure for operation of Capital Fund from accounts for July

1995. The Committee take a serious view of the unconscionable delay that has occurred in the matter. The Committee trust that necessary action would now at least be taken by the Ministry of ensure that a sound and proper system of allocation of capital expenditure between "Capital" and "Capital Fund" is worked out in consultation with Audit and communicated to the field formations so that the aberrations that occurred in the accounts for 1993-94 are avoided. The Committee would like to be kept informed of the procedure worked out by the Ministry.

[Sl.No. 4 Appendix XII Para 81 of 110th Report of PAC
(10th Lok Sabha)]

Action Taken (M/o Railways—Railway Board)

As desired by the Committee, the Ministry of Railways have taken care to ensure that the aberration pointed out by the Committee while reviewing the accounts for 1993-94 were not repeated during 1994-95. Interim instructions have also been issued to ensure that expenditure under Capital and Capital Fund is booked separately right from the beginning of the year.

The matter regarding finalisation of modalities for operation of Capital Fund is under discussion with Audit. They have made certain observations in this regard which have been replied to on 27.6.96. Further action will be taken as soon as Audit clearance is received.

The Audit have been and vetted the above ATN *Vide* their U.O.I. No. 57- RAIII-RR/12-8/95 dated 12.8.96.

(Vandana Singhal)
Executive Director (REFC)
Railway Board.

[Ministry of Railways (Railway Board)'s O.M. No. 95-BC-PAC-N-110
dated -08-1996.]

Recommendations

Under Revenue Section (Voted) of Grant No. 33—Pension, the Central Pension Accounting Office (CPAO) in the department of expenditure had incurred an expenditure of Rs. 6.41 crores over and above the sanctioned provisions of Rs. 809.27 crores which included supplementary provisions of Rs. 66.63 crores obtained in March 1994. Significantly, excess expenditure under this grant has been recurring feature since 1991-92. The Committee's scrutiny of the Appropriation accounts has revealed that but for the savings under various sub-heads, the overall excess expenditure under this grant would have been much more as excess of Rs. 52.22 crores alone had occurred under the head "2071—Civil-Superannuation and Retirement Allowances Ordinary pensions." Surprisingly, the excess expenditure under this head had occurred despite obtaining supplementary Grant of Rs. 42.84 crores in March, 1994. The Committee's examination has further revealed that unnecessary supplementary grants of Rs. 23.14 crores were obtained by the CPAO in March, 1994 under three distinct sub-heads and the same remained wholly unutilised as the savings under those sub-heads exceeded the supplementary provisions. The Committee consider it to be an instance displaying lack of proper monitoring of trend of expenditure under various sub-heads as well as failure to assess actual requirement of funds even at the fag end of the year. While attributing excess expenditure under this grant to the increase in the number of pensioners than anticipated and grant of periodical dearness relief to pensioners, the Department conceded during evidence that they did not have the complete details in their Data Bank in respect of pensioners who retired prior to 1.1.90. Obviously, any estimation of the budgetary requirements under the Grant-Pension in the absence of complete data would be nothing but an exercise based on guess work which would lead only to variations between the budgetary provisions projected and the actual expenditure under various heads of this Grant. The Committee trust that concerted efforts would be made by the Department to collect and compile the requisite data in the shortest possible time so that their budget estimates do not go away as at present. The Committee would also like the CPAO office to revamp their existing set up with a view to building a sound accounting information system for keeping an unremitting vigil over the actual trend of expenditure *vis-a-vis* the sanctioned provisions under various heads of this Grant so as to effectively check the recurring feature of excess expenditure under this Grant.

[Sl. No. 9 Appendix XII, Para 86 of 110th Report of Public Accounts Committee (1995-96) 10th Lok Sabha]

Action Taken (M/o Finance—Deptt. of Expenditure)

1. Construction of Data Bank

Efforts have been initiated to collect and compile the data of Central Civil Pensioner, who retired before 01.01.90 *i.e.*, prior to formation of this office but living and still drawing pension through Public Sector Banks/Treasuries/Pay and Account Officer's Counter. For this purpose, help of all the Accounting Organisation, Public Sector Banks and Accountants General has been sought to obtain the statement of such surviving pensioners who retired prior to 01.01.90 but still drawing pension through the counters of Pay and Account Offices, branches of Public Sector Banks and Treasuries respectively *vide* this office letter CPAO/A&B/45/DATA Bank/95-96/1508 — 1614 Dated 12.7.1995 (Copies enclosed) and subsequent reminders of even No. 1876—1901 and 1931—1990 dated 14.09.1995 and 3316—3342 dated 3.1.1996 (Copies enclosed). As soon as the information from all the agencies is received, we hope to complete the compilation of the Data Bank soon.

2. Effective Measures taken to obviate recurring excess

As regards measures taken to improve the accounting Information system to effective check the recurrence of excess expenditure it is intimated that:—

- (a) All the accounting organisations have been requested to furnish the estimates more accurately and realistically *vide* this office letter No. CPAO/A&B/44/PAC/1497—1557 dated 7.7.1995 and Further reminder of even No. 3026—72 dated 22.12.1995 (*copy enclosed*).
- (b) All the accounting organisations were also requested to conduct quarterly review of projections and actual expenditure on 1st June, 1st October and 1st January every year *vide* this office letter mentioned at S.No. (a) above. They have been also asked to intimate the result of such review to this office also.
- (c) They have been also requested to furnish their actual requirement on the basis of expenditure incurred by them upto December, 1995 at the time of regularisation of funds by 31st January, 1996, *vide* the *ibid* letters so as to avoid infructuous surrender/re-appropriation of funds. Another reminder No. CPAO/A&B/44/PAC/1995/3694—3731 on 5.2.1996 has been issued to all accounting organisations in this regard.
- (d) Now, CPAO have started quarterly review of flow of expenditure at Central Pension Accounting Office level on 1st January, 1st April, 1st July and 1st November.

As a result of these measures, this office has controlled the expenditure effectively which is evident from the following table:—

GRANT NO. 33—PENSION—REVENUE SECTION (VOTED)
(Rs. in crores)

Year	Budget Estimates	Revised Estimates	Actuals	Excess over Revised Estimates	% of Variations of Revised Estimates Excess(+) Savings(-)
1991-92	548.84	548.84	581.35	32.51	5.92%
1992-93	600.15	682.80	698.68	15.88	2.32%
1993-94	742.64	809.27	815.68	6.41	0.79%
1994-95	906.96	931.62	931.57	-0.05	-0.01%

This has been vetted by Audit *vide* their U.O. No. RR/1-41/95-96/437 dated 2nd August 1996.

Sd/-
(D. Swarup)

Joint Secretary to the Government of India.

Ministry of Finance
Department of Expenditure
E(Coord.) Branch O.M. No.12 (1) E-Coord./96 dated

Copy of CPAO's letter No. CPAO/45/AB Data Bank/95-96/1508—1533
dated 11.7.1993

To

Shri B.S. Sharma,
Chief General Manager,
R.B.I., Central Office DGBA,
C-7, Bandra Kurla Complex,
Bandra (East),
BOMBAY- 400 051

SUB: *Information arising out of the Public Accounts Committee Report on the Appropriation Accounts 1993-94 on Central Civil Pensions.*

Sir,

While furnishing a reply to the Report of the Comptroller & Auditor General of India No. 1 of 1995 for the year ended 31st March, 1994 the Public Accounts Committee had queried as to when we will be able to

complete the updating of the Data Bank of the Central Civil pensioners who retired prior to 1st January, 1990.

2. This office was set up on 1.1.90. From that date onwards every PPO has a distinct 12 digit Code Number which is permanently housed in our Data Bank. However, we have the following problems:

- (a) We do not have updated list of Central Civil Pensioners who retired prior to 1.1.90 and are still alive and continuing to draw pension, either themselves or Family Pension by the eligible dependents.
- (b) In respect of those who retired after 1.1.90 but have ceased to be pensioners as a result of death of the pensioner and/or death of the eligible family member so that they are out of the Pensions Roles held by the link Branches/Paying Branches of the Public Sector Banks.
- (c) Our difficulty for Projection and accounting of pension expenditure is also aggravated by the fact that the pension payment scrolls received at CPAO do not exactly conform to the Columns of Annexure XII of the Scheme for Payment of Pensions (Revised Edition December - 93) showing the break-up Category-wise as detailed under 'A' to 'H'.

3. In view of the difficulties as at (a) to (c) above the Central Pension Accounting Office which is responsible for formulating the Budget for the Central Civil Pension and its expenditure, is finding it difficult to give realistic estimates of the number of pensioners and the estimated expenditure thereof. Therefore, we seek your assistance, *as a one-time measure* to give us relevant information to the Central Civil Pensioners of all Categories, including former Presidents of India, MPs of Lok Sabha & Rajya Sabha, Central Freedom Fighters and all Categories of Central Government Employees (other than Defence, Railways, Telecommunication and Postal). A nominal Roll of surviving Pensioners as on 1.8.95 may please be sent to this office in the enclosed form through Link Branches.

4. We request you to kindly issue suitable instructions so that the above information in a consolidated form is sent to us by the concerned

Link Branches latest by 30th September, 1995. In order to expedite the matter we have endorsed a copy of this letter also to the General Manager/Chairman/Executive Director of all the Public Sector Banks.

Sd/-

(B. KRISHNARAO)
Chief Controller (Pensions)

Encl: as above.

Copy of CPAO's letter No. CPAO/A&B/Data Bank/95-96/1535—1561
dated 12.7.1995

To

CCAs/CCA

SUB: Information arising out of the Public Accounts Committee Report on the Appropriation Accounts 1993-94 on Central Civil Pensions.

Sir,

While furnishing a reply to Report of the Comptroller & Auditor General of India No. 1 of 1995 for the year ended 31st March, 1994 the Public Accounts Committee had queried as to when we will be able to complete the updating of the Data bank the Central Civil Pensioners who retired prior to 1st January, 1990.

2. This office was set up on 1.1.90 from that date onwards every PPO has a distinct 12 digit Code Number which is permanently housed in our Data Bank. However, we have the following problems:

- (a) We do not have updated list of Central Civil Pensioners who retired prior to 1.1.90 and are still alive and *continuing to draw Pension*, either themselves or Family Pension by the eligible dependents.
- (b) In respect of those who retired after 1.1.90 were drawing pension through PAO but have ceased to be pensioner as a result of death of the pensioner and/or death of the eligible family member so that they are out of the Pension Rolls held by your PAO.

3. In view of the difficulties above, the Central Pension Accounting Office which is responsible for formulating the Budget for the Central Civil Pension and its expenditure, is finding it difficult to give realistic estimates of the number of pensioners and the estimated expenditure thereof. Therefore, we seek your assistance, *as a one-time measure* to give us relevant information to enable us to make realistic estimate of the pension expenditure for the Central Civil Pensioners including Central Freedom

Fighters and all Categories of Central Government Employees. A Nominal Roll of surviving Pensioners as on 1.8.95 may please be sent to this office in the enclosed format.

4. We request you to Kindly issue suitable instructions to all PAOs so that the above information in a consolidated form is sent to us through your Principal Accounts Office latest by 30th September, 1995.

Sd/-

(B. KRISHNARAO)
Chief Controller (Pensions)
Encl: as above.

Copy to :

1. The Controller General of Accounts, Min. of Finance, Deptt. of Expenditure, Lok Nayak Bhavan, New Delhi.
2. FA (Finance), Min. of Finance, Deptt. of Expenditure, New Delhi.

Sd/-

(B. KRISHNARAO)
Chief Controller (Pensions)

Copy of CPAO's letter No. CPAO/A&B/Data Bank/95-96/1562—1593
dated 12.7.1995

To

Shri
Accountant General (A&B)

SUB: Information arising out of the Public Accounts Committee Report on the Appropriation Accounts 1993-94 on Central Civil Pensions.

Sir,

While furnishing a reply to Report of the Comptroller & Auditor General of India No. 1 of 1995 for the year ended 31st March, 1994 the Public Accounts Committee had queried as to when we will be able to complete the updating of the Data Bank of the Central Civil Pensioners who retired prior to 1st January, 1990.

2. This office was set up on 1.1.90. From that date onwards every PPO has a distinct 12 digit Code Number which is permanently housed in our Data Bank. However, we have the following problems:

- (a) We do not have updated list of Central Civil Pensioners who retired prior to 1.1.90 and are still alive and continuing to draw pension, either themselves or Family Pension by the eligible dependents.
- (b) In respect of those who retired after 1.1.90 were drawing pension

through Treasuries but have ceased to be pensioner as a result of death of the pensioner and/or death of the eligible family member so that they are out of the Pension Rolls held in your office/ Treasury.

3. In view of the difficulties above, the Central Pension Accounting Office which is responsible for formulating the Budget for the Central Civil Pension and its expenditure, is finding it difficult to give realistic estimates of the number of pensioners and the estimated expenditure thereof. Therefore, we seek your assistance, *as a one-time measure* to give us relevant information to enable us to make realistic estimation of the pension expenditure for the Central Civil Pensioners including Central Freedom Fighters and all Categories of Central Government Employees (other than Defence, Railways, Tele-communication and Postal). A Nominal Roll of surviving Pensioners as on 1.8.95 may please be sent to this office in the enclosed format.

4. It is requested that suitable instructions may please be issued by your office to the concerned Treasuries to obtain the information as per the format and sent to this office duly consolidated in respect of all treasuries by 30th September, 1995.

Sd/-

(B. KRISHNARAO)
Chief Controller (Pensions)
Encl: as above.
Copy to :

1. DACR, New Delhi. For the kind attention of DG (Audit). as this matter was explained in the oral evidence of PAC on 5th July 95, we have, as a special case addressed this letter to all the Accountants General to avoid delay. However, your office may also please issue suitable further instructions to enable us to obtain the required data by 30th Sept., 95

2. The Controller General of Accounts, Min. of Finance, Deptt. of Expenditure, Lok Nayak Bhavan, New Delhi.

3. Financial Adviser, Min. of Finance, Deptt. of Expenditure, North Block, New Delhi.

Sd/-

(B. KRISHNARAO)
Chief Controller (Pensions)

Copy of CPAO's letter No. CPAO/A&B/Data Bank/95-96/
1594—1614 dated 12.7.1995

To

As per list attached.

*SUB: Information arising out of the Public Accounts Committee Report
on the Appropriation Accounts 1993-94 on Central Civil Pensions.*

Sir,

While furnishing a reply to the Report of the Comptroller & Auditor General of India No. 1 of 1995 for the year ended 31st March, 1994 the Public Accounts Committee had queries as to when we will be able to complete the updating of the Data Bank of the Central Civil Pensioners who retired prior to 1st January, 1990.

2. This office was set up on 1.1.90. From that date onwards every PPO has distinct 12 digit Code Number which is permanently housed in our Data Bank. However, we have the following problems:

- (a) We do not have updated list of Central Civil Pensioners who retired prior to 1.1.90 and are still alive and continuing to draw pension, either themselves or Family Pension by the eligible dependents.
- (b) In respect of those who retired after 1.1.90 were drawing pension through PAO but have ceased to be pensioner as a result of death of the pensioner and/or death of the eligible family member so that they are out of the Pension Rolls held by your PAO.

3. In view of the difficulties as above, the Central Pension Accounting Office which is responsible for formulating the Budget for the Central Civil Pension and its expenditure, is finding it difficult to give realistic estimates of the number of pensioners and the estimated expenditure thereof. Therefore, we seek your assistance, as a *one-time measure* to give us relevant information to enable us to make realistic estimate of the pension expenditure for the Central Civil Pensioners including Central Freedom Fighters and all categories of Central Government Employees. A Nominal Roll of surviving Pensioners as on 1.8.95 may please be sent to this office in the enclosed format.

4. We request you to kindly issue suitable instructions to all the PAOs so that the above information in a consolidated form is sent to us through your principal Accounts Office latest by 30th September, 1995.

Sd/-

(JAYDEB DAS)

Controller of Accounts

Encl: as above.

COPY OF LETTER NO. CPAO/A&B/45/DATA BANK/95-96
1971—1990 DATED 14.9.95

INFORMATION ARISING OUT OF THE PUBLIC ACCOUNTS
COMMITTEE REPORT ON THE APPROPRIATION ACCOUNT
1993-94 ON CENTRAL CIVIL PENSION

Dear Sir,

Please refer my D.O.No. CPAO/A&B/45/DATA Bank/95-96/
1594—1614 dated 12.7.95 requesting for a consolidated list showing the
list of surviving pensioners of family pensioners who retired prior to 1.1.90
and still drawing pension as on 1.8.95 either themselves or through their
families.

2. I have not received any acknowledgement for the above letter (copy
enclosed for ready reference alongwith the proforma). I do hope you have
already issued suitable instructions to all PAOs and others and you would
kindly send me one consolidated information in respect of your Ministry/
Department by 30th September, 95. As this is a very important issue
arising out of Public Account Committee's oral evidence. I shall be
grateful for your personal urgent intervention.

Sd/-

(DAL CHAND)

Dy. Controller of Accounts.

Encl. as above.

All CAs/PAOs/Dy. CAs

ANNEXURE TO LETTER NO. CPAO/A&B/45/
DATA BANK/95-96

STATEMENT SHOWING LIST OF PENSIONERS WHO RETIRED
PRIOR TO 01 JANUARY 1990 BUT ARE ALIVE AND DRAWING
PENSION AS ON 1.08.95 EITHER THEMSELVES OR THEIR
FAMILIES

S.NO.	NAME OF PEN- SIONER	CATE- GORY OF PEN- SIONER/ PENSION	DATE OF LAST RETIRE- MENT	LAST OFFICE WHERE FROM RETIRED
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3	4	5	6	8
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NOTE:

PLEASE STATE THE CLASS OF PENSION AGAINST EACH AS SUPERANNUATION PENSION (INCLUDES VOLUNTARY RETIREMENT VALID PENSION AND COMPULSORY RETIREMENT, FAMILY PENSION, MEMBERS OF PARLIAMENT (RAJYA SABHA & LOK SABHA, FORMER PRESIDENTS OF INDIA, HIGH COURT JUDGES, SUPREME COURTS JUDGES.

COPY OF LETTER NO. CPAO/A&B/45/DATA BANK/95-96
1931-62 DATED 14.9.95

INFORMATION ARISING OUT OF THE PUBLIC ACCOUNTS
COMMITTEE REPORT ON THE APPROPRIATION ACCOUNT
1993-94 ON CENTRAL CIVIL PENSION

Dear Sir,

Please refer my D.O.No. CPAO/A&B/45/DATA Bank/95-96/
1582-1594 dated 12.7.95 requesting for a consolidated list showing the
list of surviving pensioners of family pensioners who retired prior to

1.1.90 and still drawing pension as on .8.95 either themselves or through their families.

2. I have not received any acknowledgement for the above letter (copy enclosed for ready reference alongwith the proforma). I do hope you have already issued suitable instructions to all your Insurance Offices under your jurisdiction. Kindly send me one consolidated information by 30th September, 95. As this is a very important issue arising out of Public Account Committee's oral evidence. I shall be grateful for your personal urgent intervention.

Sd/-
(B. KRISHNARAO)
Chief Controller (Pension)

Encl. as above.
All AGs

COPY OF LETTER NO. CPAO/A&B/45/DATA BANK/95-96
1953—1970 DATED 14.9.95

INFORMATION ARISING OUT OF THE PUBLIC ACCOUNTS
COMMITTEE REPORT ON THE APPROPRIATION ACCOUNT
1993-94 ON CENTRAL CIVIL PENSION

Dear Sir,

Please refer my D.O.No. CPAO/A&B/45/DATA Bank/95-96/
1594—1614 dated 12.7.95 requesting for a consolidated list showing the list of surviving pensioners of family pensioners who retired prior to 1.1.90 and still drawing pension as on 1.8.95 either themselves or through their families.

2. I have not received any acknowledgement for the above letter (copy enclosed for ready reference alongwith the proforma). I do hope you have already issued suitable instructions to all your AOs and others and you would kindly send me one consolidated information in respect of your Ministry/Department by 30th September, 95. As this is a very important issue arising out of Public Account Committee's oral evidence. I shall be grateful for your personal urgent intervention.

Sd/-
(B. KRISHNARAO)
Chief Controller (Pension)

Encl. as above.
All CGAs

COPY OF LETTER NO. CPAO/A&B/45/DATA BANK/95-96
1876—1901 DATED 14.7.95 addressed to all Banks

INFORMATION ARISING OUT OF THE PUBLIC ACCOUNTS
COMMITTEE REPORT ON THE APPROPRIATION ACCOUNT
1993-94 ON CENTRAL CIVIL PENSION

Dear Sir,

Please refer my D.O.No. CPAO/A&B/45 DATA Bank/
95-96/1508—1533 dated 12.7.95 requesting for a consolidated list
showing the list of surviving pensioners of family pensioners who
retired prior to 1.1.90 and still drawing pension as on 1.8.95 either
themselves or through their families.

2. I have not received any acknowledgement for the above
letter (copy enclosed for ready reference alongwith the proforma). I
do hope you have already issued suitable instructions to all your
link Branches etc. and you would kindly send me one consolidated
information in respect of your Link bank by 30th September, 1995.
This is a very important issue arising out of Public Accounts
Committee's oral evidence. I shall be grateful for your personal
urgent intervention.

Sd/-

(B. KRISHNARAO)
Chief Controller (Pension)

Encl. as above.
All Banks.

COPY OF LETTER NO. CPAO/A&B/45/DATA BANK/95-96
Vol. II/3316—3342 DATED 10.2.96

To

All GMs/Dy. GMs of Public Sector Banks

SUBJECT: *Information arising out of the Public Accounts
Committee report on the Appropriation Account 1993-94
on Central Civil Pensions in respect of those who
retired prior to 1.1.90 and are still drawing pension.*

Dear Sir,

Please refer copy of D.O. letter No. CPAO/A&B/45/
DATA BANK/95-96/1508-1533 dated 11.7.95 addressed to
Shri B.S. Sharma, Chief General Manager, RBI copy to you
regarding urgent submission of the above information by 30th

September, 1995. This point was reiterated in the Standing Committee meetings taken by the CGA on 26-27.4.95 at Hyderabad and on 21.7.95 at Bangalore.

2. We had requested for a consolidated information in respect of all the Central Civil Pensioners, including Central Freedom Fighters, who retired prior to 1.1.90 and are still alive and drawing pension either themselves or by their families/dependents.

3. I regret to say that this information in a consolidated form has not been received from your Bank although the last date was 30th September, 1995. In a very few cases, piecemeal information has been sent by some Paying Branches directly to CPAO. Even this information is highly incorrect because under the column 'category' Paying Branches are writing words like 'Defence', 'Railway', 'Air Force' etc. Obviously, no one has looked at it and the Paying Branches have also not understood that we are calling for information only in respect of Central Civil pensioners and Central Freedom Fighters and that category means Superannuation, Family Pension, pension to Supreme/High Court Judges, pension to MPs, pension to former Presidents of India or pension to Central Freedom Fighters, as clearly explained in the Annexure XII of pension payment scrolls introduced in 1989 and modified in Dec. 93. CPAO has nothing to do with pensioners of Defence, Railway, Air Force, P&T etc.

4. I am enclosing a copy of another reminder addressed to the Chief General Manager, RBI, Bombay, dated 20.12.95 alongwith a copy of the format in which the information is required. I would once again request you to kindly get this information collected from all your Link Branch/ Reimbursing Banks and send a consolidated information in respect of pensioners who retired prior to 1.1.90 but are alive and drawing pension as on 31.12.95.

5. As this is a one-time requirement for complying with the directions given by the PAC, I hope you would appreciate the importance and urgency and send us the information, duly consolidated, latest by 9th February, 1996 in the proforma as annexed. In case you can send this consolidated information in computed floppy in the same format, we would appreciate as it would make our task very easy.

Sd/-

(B.KRISHNA RAO)
Chief Controller (Pension)

Encl: letter format

Copy to:

1. The Controller General of Accounts, Min. of Finance, Deptt. of Expenditure, Lok Nayak Bhavan, New Delhi.

2. Shri B.S. Sharma, Chief General Manager, Reserve Bank of India,
C-7, Bandra Kurla Complex, Bandra (East) Bombay - 400051.

Sd/-
(B. KRISHNA RAO)
CHIEF CONTROLLER (Pension)

COPY OF LETTER NO. CPAO/A&B/44/PAC/1995/1497-1557
DATED 7.7.95

Dear

Directive from PAC on 5.7.95 for making realistic Budget Estimates on account of Pension Expenditure, Grant No. 33 (32 in 1995-96) — Major Head 2071 and 2235 and the various Sub/Minor Heads therein.

Inspite of instructions issued *vide* this office letter No. MF/CPAO/A&B/8/93-94/306 dated 29.10.93 and No. MF/CPAO/A&B/8/94-95/1311/1313—1371 dated 18.1.95 some very large excess/savings have occurred under various Sub-Heads in Grant No. 33 in the Appropriation Accounts 1993-94.

2. The Public Accounts Committee during oral evidence on 5th July, 1995 to review the excess/savings under this Grant for the year 1993-94 have passed some adverse comments on the excess and savings shown in the 7 Sub-Heads of Grant No. 33 as well as the overall excess expenditure in the Grant as revealed in the Appropriation Account 1993-94. The Public Accounts Committee has therefore directed that estimates must be made more realistically and the concerned Heads of Departments/Officers must review these estimates at appropriate level periodically, at the time of preparation of B.E. at the time of submitting requirements for Supplementary Grant and at the time of projecting final requirements in December/January to reduce excess/savings.

3. It is noted with concern that the proforma circulated along with above mentioned two letters is either not being completed or vague reasons lie not available etc. is being given Columns are self-explanatory, especially Column No. 3 regarding the number of anticipated pensioners, Column No. 10 'reasons for excess/savings'.

4. The proforma is once again enclosed, duly modified. It is requested that proforma may please be completed at the time of submission of Budget Estimates, at the time of submitting supplementary requirements and at the time of final projections, got signed by an officer not below the level of Deputy Secretary/Deputy Director/Under Secretary/Pay and Accounts Officer. Reviews of projection and actual expenditure should be carried out quarterly on 1st June, 1st October and 1st January. Necessary corrections, the resultant surrenders/demands for additional expenditure should be communicated without delay and if need through

FAX (No. 6117326) or by telegram to this office. This is especially relevant for final projections which are generally received in the month of January and this office is not left with much time to review before giving final projections to enable the Ministry of Finance to carry out last minute reappropriation/appropriation.

5. In future responsibility is to be fixed in respect of any large variations, if the same cannot be justified due to unforeseen reasons/circumstances.

Sd/
(B. KRISHNA RAO)

Encl: as above.

COPY TO THE CHAIRMAN, PUBLIC ACCOUNTS COMMITTEE,
LOK SABHA, PARLIAMENT HOUSE ANNEXE,
NEW DELHI-110 001 FOR INFORMATION.

Sd/
Chief Controller (Pension)

COPY OF D. O. NO. CPAO/A&B/44/PAC/1995/3036—72
DATED 22.12.95

SUBJECT: Directive from Public Accounts Committee for correct estimation of expenditure 1995-96 under Grant No 32—Pensions and Quarterly Review.

Dear,

You would kindly recall the concern expressed by Public Accounts Committee during its oral evidence on 5.7.95 was conveyed to you in my D.O. No. CPAO/A&B/PAC/1995/1497—1551 dated 7.7.96 on the above mentioned subject. While placing the report in both the Houses of Parliament on 5th and 6th December, 1996, the Public Accounts Committee has again highlighted the requirement of making correct estimates in respect of expenditure under different Major Heads and Sub-Heads under the composite grant No. 32—Pensions.

2. In the D.O. letter dated 7.7.95, we had requested the following:—

- (a) Before of projections and actual expenditure on 1st June, 1st October and 1st January every year.
- (b) Completion of the proforma enclosed with the above mentioned DO letter at the time of submitting BE, RE and for final projection.
- (c) Urgent communication of corrections, surrenders/demands under any of the major/Sub Heads through FAX/ telegram/ speed post.

(d) Fixing responsibility for variations.

3. I am once again enclosing proforma. I am sure you have already out the review on 1st June and 1st October and will be carrying out the third review on 1st January as suggested in the DO dated 7th July, 1995. I would now request you to kindly complete the enclosed proforma and give your final projection for year 1995-96 based on the actual expenditure upto 31st December, 1995. The proforma duly completed should reach this office by 31.1.96, showing clearly the reasons in columns 6 and 9 for variations.

4. I am sure you would appreciate the importance of this proforma reaching us by 31st January, 1996 because we have to inform the Ministry of Finance by 15th February, 1996 the final projections under this grant for all the Major Heads and Sub Heads so as to avoid excess/savings in the grant and adverse comments from DACR or PAC.

Sd/
(B. KRISHNA RAO)

Encl: as above,
Copy for information to:

1. Smt. Aruna Makhan, FA (F), Ministry of Finance North Block, New Delhi.

2. Shri A.M. Sehgal, Jt. CGA, Ministry of Finance Department of Expenditure, Lok Nayak Bhavan, New Delhi.

Sd/
(B. KRISHNA RAO)

COPY OF D.O. NO. CPAO/A&B/44/PAC/1995/3694—3731
DATED 5.2.1996

SUBJECT: Directive from Public Accounts Committee for correct estimation of expenditure 1995-96 under Grant No. 32—Pensions and Quarterly Review.

Sir,

Please refer D.O. NO. CPAO/A&B/44/PAC/1995/ 3020—52 dated 22.12.95 on the above subject from the undersigned.

2. The Final projection for the year 1995-96 based on Actual Expenditure upto 31.12.95 is still awaited from your office though it was due by 31st Jan. 96. Please send urgently the above information in the prescribed proforma already enclosed with the above mentioned D.O. We have to intimate the Ministry of Finance by 15th Feb., 96 the final

projections under this grant for all the Major Heads and the Sub-Heads so as to avoid excess / savings in the grant for year 1995-96.

Sd/-
(B. KRISHNA RAO)
Chief Controller (Pension)

Copy for information to:

1. Smt. Aruna Makhan, FA (F), Ministry of Finance North Block, New Delhi.
2. Shri A. M. Sehgal, Jt. CGA, Ministry of Finance; Department of Expenditure, Lok Nayak Bhavan, New Delhi.

Sd/-
(B. KRISHNA RAO)

NEW DELHI;
27 November, 2000

06 Agrahayana, 1922 (Saka)

NARAYAN DATT TIWARI,
Chairman,
Public Accounts Committee.