FOURTEENTH REPORT

PUBLIC ACCOUNTS COMMITTEE
(2000-2001)

THIRTEENTH LOK SABHA

EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (1996-97)

[Action Taken on 1st Report of Public Accounts Committee (12th Lok Sabha)]

सत्यमेव जयते

Presented to Lok Sabha on 18 December, 2000
Laid in Rajya Sabha on 18 December, 2000

LOK SABHA SECRETARIAT
NEW DELHI

December, 2000/Agrahayana 1922 (Saka)

CONTENTS

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 Chhattrapal 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 Fourteenth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their First Report (12th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (1996-97)".

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
6 *Agrahayana* 1922 *(Saka)*

NARAYAN DATT TIWARI,
Chairman,
Public Accounts Committee.

CHAPTER—I

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations and observations in their First Report (12th L.S.) on "Excesses Over Voted Grants and Charged Appropriations (1996-97)" which was presented to Lok Sabha on 8 December, 1998. The Report contained 10 recommendations/observations.

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

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

Sl. Nos. 2—6 & 8—10

(Paragraph Nos. 49—53, 55—57)

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

-NIL-

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

Sl. Nos. 1 & 7

(Paragraph Nos. 48 & 54)

Recommendations and observations in respect of which Government have furnished interim replies/no replies:

-NIL-

3. The Committee will now deal with the action taken on some of their recommendations/observations.

Delay in submission of Action Taken Notes

4. In accordance with the time schedule prescribed by the Committee in their 5th Report (4th L.S.), notes on the action taken by Government on the recommendations and observations contained in the First Report of the

Committee (12th L.S.) were required to be furnished by the concerned Ministries/Departments latest by 7 June, 1999. An analysis of the receipt of Action Taken Notes, however, discloses the following position:

Sl. No.	Para No.	Ministry/Department concerned	Date of submission	Delay
1.	48	Finance (Expenditure)	24.02.2000	More than 8 months
2.	49	Finance (Expenditure)	24.02.2000	—
3.	50	Finance (Expenditure)	06.05.1999	—
4.	51	Tourism	13.03.2000	More than 9 months
5.	52	Finance (Economic Affairs)	18.02.1999	More than 8 months
6.	53	Urban Affairs & Employment	14.09.1999	More than 3 months
7.	54	Communications (Telecommunications)	03.06.1999	
8.	55	Railways	31.12.1999	More than 6 months
9.	56	Railways	31.12.1999	More than 6 months
10.	57	Finance (Expenditure & Economic Affairs),	30.07.1999	More than 1 month
		Communications (Telecommunications)	03.06.1999	
		Railways	31.12.1999	More than 6 months

5. The Committee are constrained to point out that despite their repeated exhortations about the submission of Action Taken Notes within six months from the date of presentation of a report to Parliament, some Ministries/ Departments of Government of India are yet to adhere to the prescribed time schedule. Such delays are unacceptable. The Committee desire that the Government should examine the causes of such delays and make earnest efforts to ensure that action taken notes are finalised by all concerned Ministries/Departments with utmost expedition so as to be furnished to the Committee within the time limit prescribed.

Excess expenditure over Voted Grants and Charged Appropriations (Sl. No. 1, Para No. 48)

6. While commenting on excess expenditure incurred by various Ministries/Departments during the year 1996-97 the Committee in Paragraph 48 of their 1st Report (12th Lok Sabha) had desired that the Ministry of Finance (Department of Expenditure) should effectively impress upon the Secretaries in all the Ministries/Departments of Union Government to bear in mind that excess expenditure is "unauthorised expenditure" and it betrays lack of financial discipline. They would also like the Department of Expenditure to devise a strong mechanism for strict

application of prescribed financial rules and deal sternly with cases of any deviations from established financial principles so as to curb the undesirable tendency of incurring expenditure having the effect of exceeding the grant or appropriation authorised by Parliament by law for a financial year.

7. In their Action Taken Note, the Ministry of Finance (Department of Expenditure) have stated as follows:

> "This Ministry has noted the observations of the PAC. The occurrence of excess expenditure despite the above financial regulations and instructions tends to prove that neither are these Rules being strictly followed in many cases, not are the requisite functions being discharged as required. This Ministry has, therefore, issued instructions to all the Secretaries to the Government of India *vide* Secretary(E)'s letter No. 12(1)/E.Coord./99 dated 17th February, 2000 to devise a suitable mechanism, as appropriate to the needs of the concerned Departments to ensure a proper check on a periodical basis on flow of expenditure through an overseeing by the concerned Financial Adviser, who may review overflow of expenditure every month and keep the concerned Secretary informed for appropriate action. This Ministry feels that if a monthly review is made by the F.A. and the concerned Secretary, occurrence of excess expenditure may be kept in check."

8. **While examining the Appropriation Accounts for the year 1996-97, the Committee were particularly alarmed to note that 21 grants/appropriations had registered excess in sharp contrast to the preceding three years when the number of excess registering grants/appropriations showed a steady decline from 16 in 1993-94 to 15 in 1994-95 and 9 in 1995-96. With a view to obviating recurrence of such lapses in future, the Committee had in Para 48 of their 1st Report (12th Lok Sabha) desired the Department of Expenditure to devise a strong mechanism for strict application of prescribed financial Rules and deal sternly with cases of any deviations from established financial principles so as to curb the undesirable tendency of incurring expenditure exceeding the grant or appropriation authorised by Parliament by law for a financial year. In their Action Taken Notes the Ministry of Finance (Department of Expenditure) have stated that they have issued instructions to all the Secretaries to the Government of India to devise a suitable mechanism, appropriate to the needs of the concerned Departments to ensure a proper check on a periodical basis on flow of expenditure through an overseeing by the concerned Financial Adviser, who may review overflow of expenditure every month and keep the concerned Secretary informed for appropriate action. The Committee find that due to better monitoring of the expenditure flow, the excess expenditure was progressively reduced which occurred under 10 grants/appropriations in 1997-98. The Committee wish to emphasise that it is the primary**

responsibility of the Ministry of Finance, being the nodal agency to carry out effective supervision in the interest of exchequer control. The Committee therefore reiterate the need for constant review and the monitoring of instructions issued by the Ministry of Finance (Department of Expenditure) so as to reduce excess expenditure to the barest minimum.

Violation of Budgetary Ceilings
(Sl. No. 7, Para No. 54)

9. While commenting on the excess expenditure of Rs. 448.07 crore incurred by the Ministry of Communications (Department of Telecommunications) during 1996-97 under the Revenue Section (Voted) of Grant No. 14 Telecommunication Services, the Committee in Paragraph 54 of their First Report (12th Lok Sabha) had observed as follows:

> "The Committee's examination of the Appropriation Accounts of the Telecommunication Services revealed that the Department of Telecommunications registered an aggregate excess expenditure of Rs. 448.07 crore under Revenue Section (Voted) of Grant No. 14 during the year 1996-97. According to the Department, the excess expenditure was mainly attributable to excess appropriations made to the Reserve Funds on account of more surplus having been generated due to realisation of more revenue and incurring of less Working Expenses during the year under review. A scrutiny of explanatory note furnished in this regard revealed that the Department had exceeded the authorised provisions by Rs. 943.95 crore under "Working Expenses". The Committee's detailed analysis of the Appropriation Accounts for the preceding two years however, revealed that the Department of Telecommunications had persistently made such extent of Rs. 259.89 crore in 1994-95 and Rs. 520.28 crore in 1995-96. Incidently, both those years witnessed large scale unspent balances under "Working Expenses" amounting to Rs. 605.88 crore in 1994-95 and Rs. 419.22 crore in 1995-96. Taking note of this recurring trend of excess expenditure of similar nature leading to excessive appropriations to Reserve Funds from 1994-95 onwards, the Committee feel convinced that the Department of Telecommunications had been vitiating the budgetary process and generating a sort of artificial surplus for enhancing appropriations from Telecom surplus to Revenue Funds in excess of authorised provisions to the extent of Rs. 259.89 crore in 1995-96. Taking note of this recurring trend of excess expenditure of similar nature leading to excessive appropriations to Reserve Funds from 1994-95 onwards, the Committee feel convinced that the Department of Telecommunications had been vitiating the budgetary process and generating a sort of artificial surplus for enhancing appropriations to their Reserve Funds by registering large scale savings under various heads relating to

"Working Expenses of the Telecommunication Services". While expressing their displeasure over the manner in which the Department had indulged in making increased appropriations to their Reserve Funds in excess of the amounts authorised by Parliament, the Committee desire that the Department should urgently undertake a thorough review of their budgetary systems in right earnest so as to avoid excess expenditure and violation of budgetary ceilings of this nature in future."

10. In their Action Taken Reply, the Ministry of Communications have stated as under:

"…….When there is increase under Revenue or savings under Working Expenses, surplus goes up. This has the effect of increasing the Appropriation to Reserve Fund and thus enhances the Grant. During the year 1996-97 the excess was mainly under the M.H. 3231-Appropriation from Telecom Surplus which was due to more revenue receipts (mainly due to more receipts from VSNL and MTNL due to the year end adjustments made by these PSUs) and savings under Working Expenses (mainly under Interest on Bonds, Redemption of Bonds and lease charges and Interest on Referred Payments) which could not be anticipated at the time of finalising the last batch of supplementary grant during February 1997."

11. They have also stated:

"During March 1997 it was not possible to assess the likely revenue and expenditure under Working Expenses and the resultant surplus of the Department which could crystallise only after the accounts were closed during August 1997 as Revenue and Expenditure are initially booked in over 500 accounting units."

12. The reply of the M/o Communications clearly strengthens the feeling of the Committee that there is absence of a proper system in the Department of Telecommunications for monitoring the flow of expenditure and that there is lack of periodic review. The Committee further observe that the excess expenditure under the same major head with the same contributory reasons had also recurred during the year 1997-98 which further substantiates that there is apparently some inherent defect in the estimation of expenditure. The Committee, therefore, desire that the existing procedures should be re-examined critically and suitably revised on an urgent footing, so as to minimise if not altogether eliminate recurrent excesses under this major head of the Grant. The Committee would also like to be apprised of the steps taken in this direction.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee's detailed examination of the Appropriation Accounts for 1996-97 has also revealed that the excess expenditure in 16 grants/appropriations had occurred even after obtaining the supplementary provisions of Rs. 736.17 crore. In the light of the fact that supplementary grants/appropriations were obtained in most of the cases in March 1997, the Committee are convinced that the Ministries/Departments concerned have once again displayed their failure in making realistic assessment of their requirement of funds even at the fag end of the year when they had adequate data on the trend of expenditure and their committed liabilities. Evidently, the supplementary provisions in all these cases were obtained without proper assessment with the result that even these additional funds proved inadequate to meet the actual requirements of the Ministries/Departments concerned. The Committee are of firm belief that these facts bring to sharp focus the inadequacies persisting in the institutional arrangements in the Ministries/Departments in not only realistically assessing their requirement of funds but also in monitoring the trend of expenditure under various heads of accounts. They, therefore, desire the Ministry of Finance (Department of Expenditure) to take concrete measures to ensure that all Ministries/Departments not only put their budget and accounting information systems on proper footing but also take timely corrective action to obtain required funds from Parliament so that no expenditure is incurred in excess of the authorised limits.

[Sl. No. 2, Appendix-IX Para 49 of the First Report of Public Accounts Committee (12th Lok Sabha).]

Action Taken by the Ministry of Finance

This Ministry has written to all the Ministries/Departments, within the suggestions made by the Public Accounts Committee, to take concrete measures to ensure that their budget and accounting systems are put on proper footing and timely corrective actions are taken to obtain requirement of funds from the Parliament so that no expenditure is incurred in excess of authorised limits.

This has been vetted by Audit vide their U.O. No. RR/1—25/98-99/1200 dated 17.1.2000

Sd/-
(USHA MATHUR)
Joint Secretary

[Ministry of Finance (Department of Expenditure) E-Coord. Branch U.O. No. 12(1)/E. Coord/99 dt. 17.02.2000]

No. 12(1) E. Coord./99
Government of India
Ministry of Finance
Department of Expenditure
E.Coord. Branch

New Delhi, 17th February, 2000

OFFICE MEMORANDUM

SUBJECT: *Action taken on Para 49 of the First Report of the Public Accounts Committee (12th Lok Sabha) on Excesses over Voted Grants and Charged Appropriations (1996-97)*

....

The undersigned is directed to invite attention to the adverse observations made by the Public Accounts Committee in Para 49 of their First Report (12th Lok Sabha) regarding excess expenditure over the grants/appropriations, notwithstanding the fact that the supplementary grants were obtained in most of the cases where such excesses have taken place. The committee have observed that the Ministries/ Departments have again displayed their failure in making realistic assessment of their requirement of funds in the fag end of the year when they had adequate data on the trend of expenditure and their committed liabilities. Evidently, the supplementary provisions in all these cases were obtained without proper assessment with the result that even these additional funds proved inadequate to meet the actual requirements of the Ministries/Departments concerned.

2. An effective expenditure management basically hinges upon a proper and as realistic an assessment as possible of funds required for an identified item of expenditure. It requires a careful scrutiny of all factors to avoid not only the excess but also to avoid savings. In case an occasion arises to make an assessment at the time of supplementary grant, it is all the more necessary that the assessment of funds should be as accurate as possible. It is, however, seen that the Ministries/Departments have still not been paying adequate and proper attention to the need for putting budgetary and accounting system in a proper perspective so as to make realistic assessment of funds.

3. In keeping with the recommendations of the PAC in Para 49 of their above mentioned Report, all the Ministries/Departments are directed to take concrete measures to ensure that their budget and accounting information system are put on proper footing and timely corrective actions

are taken to obtain requirement of funds from the Parliament so that no expenditure is incurred in excess of authorised limits.

Sd/-
(D.P. Roy)
Director

1. Ministries/Departments of the Govt. of India, as per standard mailing list.
2. All Financial Advisers by name.

Action Taken by Ministry of Railways

Though the number of Grants registering excess have increased over the previous years, the total excess both in absolute terms and as percentage of the total expenditure has reduced substantially as can be seen from the table given below:—

(Rs. in Crores)

Year	Total Expenditure on Railways	Total Excess	%age of Col. 3 to Col.2
1992-93	28399.22	538.82	1.90
1993-94	31399.11	1216.88	3.88
1994-95	33951.23	391.13	1.15
1995-96	37323.71	603.43	1.62
1996-97	40832.75	191.01	0.47

The consistent reduction in the total amount of excess has become possible as the Railways already have a well set mechanism of budgetary and financial control. The mechanism should, however, be geared up. Though the PAC's recommendation have specifically been addressed to the MOF, Ministry of Railways have also impressed upon the Railways the observation of the PAC, to take effective corrective measures for avoiding the incurrence of excess expenditure.

Sd/-
(P. Rajagopalan)
Officer on Spl. Duty (A)
[Ministry of Railways O.M. No. 98-BC-PAC/XII/1 dated 31-12-99]

Government of India
Ministry of Railways
(Railway Board)

No. 99-B-342/3 New Delhi, dated 19.4.99

The General Managers,
All Indian Railways,

SUBJECT: *Excess over Voted Grants/Charged Appropriations 1996-97.*

In 1996-97, Railway incurred an excess expenditure of Rs. 191 cr. as per the following details:—

(Rs. in Thousands)

Demand No.	Grant	Appropriation
3	..	5,60
4	14,70,94	
6	29,11,36	
7	13,03,47	
8	24,12,72	
9		5,43
	4,50,15	
12	28,48,60	
13	23,84,67	
16-Railway Fund	51,37,85	2,03,70
Total	189,19,76	

2. The number of excess grants/appropriations during 1996-97 have increased sharply in contrast to the preceding three years. In view of this, the Public Accounts Committee (PAC) (XII Lok Sabha) have made severe criticism of the Government including Railways causing embarrassment to the Board.

3. While Expressing their unhappiness over the situation, the PAC have critically observed the following:—

> "The Committee therefore, desire that the Ministry should effectively impress upon....to bear in mind that excess expenditure is 'unauthorised expenditure' and it betrays lack of financial discipline."

3.1 The Committee have, therefore, desired the need to devise a strong mechanism for strict application of prescribed financial rules and deal strenly with cases of any deviation from established financial principles so as to curb the undesirable tendency of incurring excess expenditure.

4. In certain instances the excess expenditure was incurred even after obtaining the Supplementary Grants/Appropriations. The PAC have taken a serious note of it, the PAC, in this regard, have desired the Ministry to take concrete measures to ensure that Budget and Accounting information system are put on proper footing so as to take timely corrective action to obtain required funds from Parliament well within time.

4.1 In this regard, it is seen that sometime the Railways do not furnish their Einal Modification Estimates, which form a useful basis for obtaining the Supplementary Grants, in time.

As a result of this, realistic assessment of the requirement for the Supplementary Grants becomes very difficult.

4.2 Although, a comprehensive mechanism of budgetary and financial control already exists on the Railways, what is missing is the strict observance of the financial discipline in this regard despite the fact that the need to contain the expenditure within the authorised grants has been stressed time and again. In this context it is stressed that Railways should follow a reliable system of recoding commitments for expenditure and control these effectively so as not to allow scope for excess over the grants Commitments in excess should not be incurred in anticipation of additional allotments by the Board. It may be noted that excess expenditure is unauthorised expenditure and betrays lack of financial discipline; it will invite a serious view from the Board.

5. The lapses in this regard are viewed seriously and the Railways are advised to exercise full financial discipline. No expenditure should be incurred over and above the authorised allotment without the approval of the competent authority under the rules of re-appropriation; and in no case, should it exceed the authorised grant. As soon as it is felt that a Grant is going to be exceeded, strict control on the expenditure out of it should be enforced until additional authorisation of funds comes through, either by re-appropriation at the Board's level or through Supplementary Grant approved by the Parliament, as the circumstance may permit, Timely submission of Budget/Supplementary estimates in this regard should also be ensured. The system of monitoring of expenditure *vis-a-vis the monthly budget proportion should be made more vigorous so as to exclude any possibility of excess over grant.*

Kindly acknowledge receipt.

Sd/-
(Jagmohan Gupta)
Joint Director, Finance (B)
Railway Board.

DA: As above.

Recommendation

In accordance with the time schedule prescribed, the Ministries/ Departments are required to submit to the Committee the explanatory notes in respect of excess registering grants/appropriations by 31 May of the second following year to which the accounts relate or immediately after the presentation of the relevant Appropriation Accounts to the House whichever is later. Taking note of persisting delays in furnishing the requisite explanatory notes, the Committee in paragraph 65 of their First Report (Eleventh Lok Sabha) had desired that in future the Monitoring Cell in the Department of Expenditure should be entrusted with the task of coordination, collection and timely submission to the Committee of relevant explanatory notes, duly vetted by audit, on excess expenditure in respect of all the Appropriation Accounts of the Union Government for the year 1995-96 onwards. The Committee also desired that the Secretaries of the administrative Ministries/Departments concerned should be held personally responsible for any delay in submission of the requisite explanatory notes. According to the information made available to the Committee, the Controller General of Accounts in the Department of Expenditure *vide* a communciation dated 31 January, 1997 had brought these observations of the Committee to the notice of Secretaries of the Ministries/Departments of Union Government. Subsequently, the Ministries concerned were also reminded by the Department of Expenditure at regular intervals to submit the relevant explantory notes on excess expenditure in time to the Committee in respect of Appropriation Accounts for the year under review. However, Ministries/Departments of Government continued to default on this account and the explanatory notes in respect of all the excess registering grants/appropriations during 1996-97 were made available to the Committee with a delay ranging from 15 days (in case of Grants operated by Ministry of Railways) to 4 months and 15 days (in case of Grant No. 56 Broadcasting Services). While taking a serious view of this delay on the part of the Ministries concerned, the Committee feel convinced that there is a crying need for improvement in the procedure for submission of explanatory notes on excess expenditure within the stipulated time. The Committee therefore, recommend that the Department of Expenditure should address this issue seriously and introduce a system whereby the explanatory notes on excess expenditure are prepared by the administrative Ministries/Departments concerned and got vetted from the Audit simultaneously with the relevant annual Appropriation Accounts. Such explanatory notes can subsequently be collected by the Monitoring Cell in the Department of Expenditure which should ensure submission of the same to the Committee strictly in accordance with the time schedule prescribed in this regard. The Committee trust that appropriate and urgent steps would be taken by the Department of Expenditure to revamp the procedure for submission of explanatory notes with a view to effecting improvement in right direction.

[Sl. No. 3 Appendix IX Para 50 of 1st Report of PAC (12th Lok Sabha)]

Action Taken by Ministry of Finance [Deptt. of Expenditure (Monitoring Cell)]

In the light of the recommendations of the Public Accounts Committee, detailed instructions have been issued to all the Ministries/Departments *vide* this office O.M. Nos. 1/1/99-MC dated 3.2.1999, G. 25018/CGA-AA/Policy-Ex. Gr/98-99 dated 26.3.99 to ensure that the Explanatory Notes on excesses over voted expenditure are submitted for vetting by Audit alongwith the Appropriation Accounts, so that delays do not occur in the finalisation of Explanatory Notes on Excess Expenditure. A copy of the instructions has also been furnished *vide* O.M.N. 1/1/99-MC dated 8.4.99 to (i) Financial Adviser, Ministry of Railways, (ii) Member (Finance), Department of Telecom, and (iii) Financial Adviser, Ministry of Defence, so that a similar procedure may also be evolved by them.

This has been vetted by Audit *vide* their U.O. No. RR/1-27/98-99/47 dated 20.4.1999.

Sd/-

(A.M. Sehgal)
Additional Controller General of Accounts.

[Min. of Finance (Deptt. of Expenditure) O.M. No.1/1/99-MC dated 3.5.99]

Action Taken by Ministry of Railways

The time schedule is being strictly adhered to and there will be no delay in presentation of Explanatory note to the Public Accounts Committee, by the Ministry of Railways, duly vetted by Audit.

Sd/-

(P. Rajagopalan)
Officer on Spl. Duty (A).

[Ministry of Railways O.M. No. 98-BC-PAC/XII/1 dated 31.12.99]

Recommendation

"The Committee find from their scrutiny of select cases of grants having registered excess expenditure that Capital section (voted) of Grant No. 8—Department of Tourism registered an excess expenditure of Rs. 3.72 crore mainly due to requirement of additional funds for development of Tourism Infrastructure in the country. A scrutiny of the explanatory note furnished by the Department of Tourism in this regard revealed that provisions for the activities relating to development of Tourism Infrastructure were kept under the Revenue section by the Department despite the fact that such activities were of capital nature. According to the Department, provisions were also simultaneously made in the Capital section in the Detailed Demands for Grants and this discrepancy could be detected by the Department only at the time of preparation of Appropriation Accounts for the 1996-97. Although the

Department of Tourism have pleaded that the discrepancies were sorted out at the Revised Estimates stage and that the whole problem was only of a technical nature, the Committee consider it to be an obvious case of sheer negligence at all levels in the Budget Wing of the Department of Tourism. The Committee also express their dissatisfaction over the lack of understanding and reconciliation displayed by the Department of Tourism which failed to take appropriate and timely remedial steps to rectify erroneous depiction of requirements of funds. They therefore, desire that responsibility must be fixed for the lapse in the instant case and trust that the Department of Tourism would be extra cautious while preparing their Budget Estimates."

[Sl. No. 4 Appendix IX Para 51 of First Report of PAC (1998-99) (12th Lok Sabha)]

Action Taken

Ministry of Tourism constituted a Committee consisting of Joint Secretary, Ministry of Tourism and Joint Secretary and Financial Advisor, Ministry of Civil Aviation and Tourism to inquire into the lapses in the case. A copy of the order constituting the Committee is enclosed (Annexure-I).

The Committee's Report has been received and is annexed herewith at Annexure-II. After going into the sequence of events which led to the lapses mentioned by PAC, the Committee in its findings has reported that the main reason responsible for the discrepancies, which has occurred, was the collective failure of the system rather than that of an individual over the years. In order to ensure that such lapses do not recur, the Committee has suggested remedial action to centralize the work of budget preparation, both Plan and Non-Plan, under the overall control of Financial Adviser. The follow up action on the suggestions made by the Committee has been initiated with a view to ensure that the above kind of lapses do no recur and the work relating to the preparation of the Budget Estimates functions in a smooth manner. A copy of instructions, issued to all concerned in this regard, is enclosed (Annexure-III).

Sd/-
(Asha Murty)
Joint Secretary.

This has been vetted by Aduit *vide* U.O. No. RR/1-31/98-99/1177 dated 1.2000

[Ministry of Tourism O.M. No. 4-PC (1' 97-Pt. dated 13.3.2000]

ANNEXURE I

Government of India
Ministry of Tourism

No.4-P&C(1)/97-Pt.

Dated: 21.5.1999

OFFICE ORDER

The Public Accounts Committee (1998-99) in its First Report on the subject "Excesses over Voted Grants and Charged Appropriations (1996-97)", presented to the 12th Lok Sabha on 8.12.98 have recommended as follows:

Recommendation

[Sl. No. 4 Appendix IX Para 51 of First Report of PAC (1998-99) (12th Lok Sabha)]

"The Committee find from their scrutiny of select cases of grants having registered excess expenditure that Capital section (voted) of Grant No. 8-Department of Tourism registered an excess expenditure of Rs. 3.72 crore mainly due to requirement of additional funds for development of Tourism Infrastructure in the country. A scrutiny of the explanatory note furnished by the Department of Tourism in this regard revealed that provisions for the activities relating to development of Tourism Infrastructure were kept under the Revenue section by the Department despite the fact that such activities were of capital nature. According to the Department, provisions were also simultaneously made in the Capital section in the Detailed Demands for Grants and this discrepancy could be detected by the Department only at the time of preparation of Appropriation Accounts for the year 1996-97. Although the Department of Tourism have pleaded that the discrepancies were sorted out at the Revised Estimates stage and that the whole problem was only of a technical nauture, the Committee consider it to be an obvious case of sheer negligence at all levels in the Budget Wing of the Department of Tourism. The committee also express their dissatisfaction over the lack of understanding and reconciliation displayed by the Department of Tourism which failed to take appropriate and timely remedial steps to rectify erroneous depiction of requirements of funds. They therefore, desire that responsibility must be fixed for the lapse in the instant case and trust that the Department of Tourism would be extra cautious while preparing their Budget Estimates."

2. In pursuance of the above recommendation it has been decided that a Committee consisting of Joint Secretary in the Ministry of Tourism and Financial Adviser, Ministry of Civil Aviation and Tourism is constituted to inquire into the lapses as mentioned in the recommendation of the Committee above.

3. The inquiry should be completed within a period of six weeks from the date of issue of this order.

4. This issue with the approval of competent authority.

Sd/-

(K.D. Tripathi)
Director.

Copy to:

(1) Joint Secretary, Ministry of Tourism
(2) Joint Secretary & Financial Adviser

Copy also to:

(1) PS to Secretary
(2) Director(P&C)
(3) US(B&A)
(4) F.C.

ANNEXURE-II

MINISTRY OF TOURISM

The Public Accounts Committee (1998-99) in its First Report on the subject "Excesses over Voted Grants and Charged Appropriations (1996-97)" presented to the 12th Lok Sabha on 8.12.98 have recommended as follows:

Recommendation

[Sl. No. 4 Appendix IX Para 51 of First Report of PAC (1998-99) (12th Lok Sabha)]

"The Committee find from their scrutiny of select cases of grants having registered excess expenditure that Capital section (voted) of Grant No. 8-Department of Tourism registered an excess expenditure of Rs. 3.72 crore mainly due to requirement of additional funds for development of Tourism Infrastructure in the country. A scrutiny of the explanatory note furnished by the Department of Tourism in this regard revealed that provisions for the activities relating to development of tourism Infrastructure were kept under the Revenue section by the Department despite the fact that such activities were of capital nature. According to the Department, provisions were also stimultaneously made in the Capital section of the Detailed Demands for Grants and this discrepancy could be detected by the Department only at the time of preparation of Appropriation Accounts for the year 1996-97. Although the Department of Tourism have pleaded that the discrepancies were sorted out at the Revised Estimates stage and that the whole problem was only of a technical nature, the Committee consider it to be an obvious case of sheer negligence at all levels in the Budget Wing of the Department of Tourism. The Committee also express their dissatisfaction over the lack of understanding and reconciliation displayed by the Department of Tourism which failed to take appropriate and timely remedial steps to rectify erroneous depiction of requirements of funds. They therefore, desire that responsibility must be fixed for the lapse in the instant case and trust that the Department of Tourism would be extra cautious while preparing their Budget Estimates."

2. In pursuance of the above recommendation, Ministry of Tourism set up a Committee comprising the Financial Advisor, Ministry of Civil Aviation and Tourism and Joint Secretary in the Ministry of Tourism to enquire into lapses as mentioned in the Report of the PAC *vide* Office Order No. 4-P&C(1)/97-Pt. dated 21.5.99.

3. The Committee sought the relevant files from the concerned Divisions of the Ministry of Tourism. The following files were made available to the Committee:—

Planning Division (P&C)

(i) F.No. 3-P&C(3)/95

(ii) F.No. 4-P&C(5)/95

(iii) F.No. 4-P&C(1)/97

Budget and Accounts Section

(i) F.No. G-20017/2/95-B&A.

(ii) F.No. G-25012/9/98-B&A(Part)

I.F. Division

F.No. 1-(6)/95-F.II

4. The Committee held two sittings on 15.9.99 and 17.9.99. The Committee went through the relevant records and also talked to the following officers from the concerned Divisions:—

1. Shri G.P. Pillai the then Section Officer in the IF Division.
2. Smt. Sujata Thakur the then Director in the Planning Division.
3. Shri Naval Kishore,
   Accounts Officer, B & A Section.

5. The Committee finds that unlike other Ministries/Departments where the entire work relating to Budget is handed in the Budget Section or the Integrated Finance Wing, the system being followed in the Ministry of Tourism is different in as much as the work is being handled in three different Divisions as follows:—

- — Planning Division — (P & C Desk) deals with the work relating to Plan Budget.
- — Budget and Accounts Section deals with the work relating to Non-Plan Budget and printing of the Detailed Demand for Grants of the Ministry.
- — I.F. Division combines the Budget and coordinates with the Ministry of Finance on receipt of the Budget proposals from P&C desk and the Budget and Accounts Section in respect of Plan and Non-Plan Budgets respectively.

6. Thus, there is no single officer or section responsible for handling the work relating to the Budget of the Department as a whole. The Committee therefore tried to establish the sequence of events in 1995-1996 which lead to the lapses mentioned in the report of the Public Accounts Committee.

7. From the records made available, the following chronological sequence of events emerged:—

19/20.1.96	I.F. Division (FC) forwards the Statement of Budget Estimates indicating RE 1995-96 and B.E. 1996-97 in respect of the Non-Plan Budget and R.E. 1995-96 in respect of the Plan Budget to the Ministry of Finance *vide* O.M.No. 1/6/95-F.II dated 20.10.96. The SBE is prepared on the basis of pre-budget discussions by the then Additional Secretary and Financial Advisor with Secretary (Expenditure) and further inter-action with the Ministry of Finance through notings on the file.
23.1.96	Deputy Secretary (Planning forwards the BE 1996-97 in respect of the Plan Budget based on Annual Plan approved by Planning Commission *vide* OM No. 3-P&C(3)/95 dated 23.1.96 indicating a total plan provision of Rs. 90.00 crores including Rs. 76.90 crores as Revenue Expenditure and Rs. 13.10 crores under the Capital expenditure.
23.1.96	A formal Statement of the Budget Estimates including the Plan B.E. for 1996-97 based on break-up of the Plan expenditure furnished by P&C Division is forwarded to the Ministry of Finance by I.F. Division.
1.2.96	The Ministry of Finance informs FA that the Budget for 1996-97 to be presented to Parliament would be only an interim one. Therefore the documents *viz* Detailed Demands for Grants and Performance Budget 1996-97 were not required to be presented at this stage and that they would be presented at the time of regular budget. Accordingly the processing of these documents be held over till formulation of the regular budget.
26.3.96	Dir. (P&C) forwards a Revised SBE 1996-97 in respect of Plan Budget to IF (FC) indicating re-adjustments in major heads under the Revenue and Capital Expenditure with the request that the same be forwarded to the Ministry of Finance for amending the earlier SBE forwarded to Ministry of Finance. Re-adjustments are stated to have been suggested after discussions with IF. As per the revised SBE, the total Plan Budget remains at Rs. 90 crores but the provisions under the Revenue and Capital heads are Rs. 72.95 and Rs. 17.05 crores respectively. Thus, the Revenue provision is reduced and capital provision is enhanced by an amount of Rs. 3.95 crores.

15.4.96 B&A Section issues a circular to all officers in the Department including IF indicating the Plan and Non-Plan Budget Estimates 1996-97. This clearly shows the Plan B.E. as Rs. 90.00 crores with the provision under the Revenue and Capital heads as Rs. 72.95 crores and Rs. 17.05 crores respectively.

6.6.96 The Ministry of Finance informs the FAs that the regular budget for 1996-97 would be presented some time in July, 1996. It requests that if any changes are required to be made in the provisions made in the interim budget in respect of non-plan expenditure, revised SBEs be furnished by 14.6.96. In respect of Plan Expenditure, the Planning Commission would communicate the allocation to each Ministry whereafter the estimates be furnished to the Budget Division.

21.6.96 Special Secretary (Planning Commission) informs Secretary (Tourism) that it had been decided that budgetary support for Annual Plan 1996-97 for the regular Budget will be the same as shown in the interim budget. Copy of this is faxed by Dir. (P&G) to F.C. on 25.6.96.

Additional Secretary (Budget), Ministry of Finance informs the Financial Advisor that while the total Plan allocation remains the same as in the interim budget, for B.E. 1996-97 there could be changes *inter se* among the various schemes within the overall total. It is requested that changes to be made in the regular budget as compared to interim budget should be conveyed to the Ministry of Finance by 27.6.96. A no change statement should also be furnished. If no information is received by that date, it would be presumed that no changes are required to be made.

27.6.96 IF (FC) informs Ministry of Finance that the Plan expenditure estimates for 1996-97 in respect of Department of Tourism are the same as in the interim Budget and there is no change.

Plan Budget figures are conveyed by Planning Division through a Fax to A.O. (B&A) for printing of Detailed Demand for Grants. The Plan B.E. 1996-97 is Rs. 90.00 crores with Rs. 72.95 crores in the Revenue Section and Rs. 17.05 crores in the Capital Section.

A.O.(B&A) forwards the material for Detailed Demand for Grants of the Department to IF Division for vetting.

2.7.96	Ministry of Finance (Budget Division) refers SBEs for regular Budget 1996-97 to IF Division for vetting. The SBEs are vetted by IF Division the same day.
5.7.96	IF (FC) forwards a statement to Ministry of Finance (Budget Division) showing changes in the provisions for Plan Expenditure to be made in the regular budget as compared to interim budget. The changes suggested are the same as conveyed by Planning Division on 26.3.96.

8. It is obvious from the sequence of events brought out above that failure to reconcile the figures included in the SBEs of the main Grant of the Ministry of Finance with the figures included in the Detailed Demands for Grants of the Department of Tourism led to the lapse mentioned by PAC. However, it is also obvious that the responsibility of ensuring this did not devolve on any individual or Section or Division. Hence the main reason responsible for the discrepancy occuring was the collective failure of the system rather than that of an individual over the years. Hence the Committee is unable to fix the responsibility on any one individual/ individuals in this case.

9. In order to ensure that such lapses do not recur, the Committee suggests the following remedial action:—

(a) As per the IF Scheme, the Budget Wing should be under the control and direction of the Financial Advisor. However, in the Ministry of Tourism, the Budget Section is working under a different Director/ Joint Secretary. This work should immediately be transferred under the Financial Advisor.

(b) All Budgeting work including Plan and Non-Plan budget should be handled by one Section namely the Budget and Accounts Section which should function under the control of the F.A.

(c) It should be the responsibility of Accounts Officer (B&A) who is a Gazetted Officer of the level of Section Officer to ensure the correctness of figures printed in the Detailed Demands for Grants and Main Demands for Grants of the Ministry of Finance.

(d) The Budget and Accounts Section may be suitably strengthened for this purpose with additional staff preferably from the Secretariat as they have the necessary experience.

Sd/- (P.K. Brahma) Financial Advisor	Sd/- (Asha Murty) Joint Secretary

ANNEXURE III

Government of India
Ministry of Tourism

O.M. NO.4-P&C(1)/97-Pt. Dated: 21.5.1999

OFFICE MEMORANDUM

SUBJECT: *Preparation of Budget Estimates*

The undersigned is directed to say that Public Accounts Committee *vide* recommendation No. 51 of its First Report (12th Lok Sabha) has recommended that the Department of Tourism should be extra cautious while preparing their budget estimates. The extracts of recommendation No. 51 from the First Report are enclosed for ready reference.

In the light of the above recommendation of Public Accounts Committee, all the officers/staff concerned with preparation of Budget Estimates are requested to take serious note of these recommendations. The concerned officers/staff should be extra careful in preparing Budget Estimates and the Revised Estimates and also take advance action in cases of reappropriation of allocations under different heads.

Sd/-
(P.K. Brahma)
Joint Secretary & Financial Advisor

1. US(B&A)Dir.(P&C)
2. AO(B&A)/AD(P&C)
3. B&A Section/P&C Section
4. F.C.
5. I.F. Division

Enclosure: As stated above

Recommendation

[Sl. No. 4 Appendix IX Para 51 of First Report of PAC (1998-99) (12th Lok Sabha)]

"The Committee find from their scrutiny of select cases of grants having registered excess expenditure that Capital section (voted) of Grant No. 8—Department of Tourism registered an excess expenditure of Rs. 3.72 crore mainly due to requirement of additional funds for development of Tourism Infrastructure in the country. A scrutiny of the explanatory note furnished by the Department of Tourism in this regard revealed that provisions for the activities relating to development of Tourism Infrastructure were kept under the Revenue section by the Department despite the fact that such activities were of capital nature. According to the Department, provisions were also simultaneously made in the Capital section in the Detailed Demands for Grants and this discrepancy could be detected by the Department only at the time of preparation of

Appropriation Accounts for the year 1996-97. Although the Department of Tourism have pleaded that the discrepancies were sorted out at the Revised Estimates stage and that the whole problem was only of a technical nature, the Committee consider it to be an obvious case of sheer negligence at all levels in the Budget Wing of the Department of Tourism. The Committee also express their dissatisfaction over the lack of understanding and reconciliation displayed by the Department of Tourism which failed to take appropriate and timely remedial steps to rectify erroneous depiction of requirements of funds. They therefore, desire that responsibility must be fixed for the lapse in the instant case and trust that the Department of Tourism would be extra cautious while preparing their Budget Estimates."

Copy also to:

1. PS to Secretary
2. DG/JS/ADG/F.A.
3. Dir.(AL)/Dir.(T)
4. US(G)/US(R)/US(A)
5. All officers at Headquarters
6. All Government of India Tourist Offices in India
7. All Government of India Tourist Offices abroad

Recommendation

The Committee are astonished to find another case where excess expenditure of Rs. 2.18 crore had occurred due to accounting lapse of erroneous booking of expenditure in the Revenue Section (Voted) of Grant No. 24—Department of Economic Affairs. The Committee's scrutiny of this grant revealed that a debit of Rs. 21.42 crore was wrongly raised against a Major Head ostensibly on the ground of "oversight". What is more regrettable is that the Department of Economic Affairs failed to detect this error before finalisation of the Appropriation Accounts particularly when the grant had registered an excess expenditure. The Committee takes a serious view of this lapse and they stress that mis-classification/erroneous booking of expenditure should in no case be allowed to result in excess expenditure. The Committee are of the firm opinion that enquiry should invariably be made in all such cases and responsibility fixed for the lapse.

[Sl. No. 5 Appendix IX Para 52 of Ist Report of PAC 12th Lok Sabha]

Action Taken

Smt. Radha Kadwal, Asst. Accounts Officer and Smt. Veena Kamboj, Sr. Accountant—the officials responsible for the lapse of erroneous booking of the expenditure, which has resulted in excesses over Voted Grants and charged Appropriation in Demand No. 24—Department of

Economic Affairs, have been formally warned and called upon to be careful in future.

This has been vetted by Audit vide their U.O. No. RR/1-28/98-99, 1447 dated 05.02.99.

Sd/-
(N.R. Rayalu)
Financial Adviser (Fin.)

[Ministry of Finance (Dept. of Economic Affairs) OM. No. F. 2/11/98 IFA, dated 10th February, 1999]

Recommendation

The Committee express their serious concern over another instance of deviation from the prescribed financial principles which resulted in an excess expenditure of Rs. 50.15 Crore in the Capital Section (Voted) of Grant No. 82—Urban Development—Urban Employment & Poverty Alleviation. On scrutiny of the explanatory note furnished in this regard, the Committee find that the Ministry of Urban Affairs & Employment had reappropriated a sum of Rs. 49.99 crore from Revenue Section to the Capital Section of the grant in total violation of the financial rules which clearly stipulate that savings in the Revenue Section are not available for re-appropriation in the Capital Section or vice-versa. What is still more shocking is the fact that the Ministry went ahead with their irregular re-appropriation order transferring the amount from Revenue section to the Capital Sction despite the Ministry of Finance having not agreed to the proposal and objection from their on Controller of Accounts who also did not accept such re-appropriation of funds. The Committee are not inclined to accept the assertions made by the Ministry that the savings to the tune of Rs. 100 crore were available under the Revenue Section and that those savings could be utilised to release the equity in the Capital Section in view of their proposal of token supplementary grant of Rs. 1.00 lakh having been approved by Parliament. On the other hand, the Committee are of the firm view that this case is clearly illustrative of failure of the Ministry to apprise Parliament in right perspective when token supplementary provisions were obtained. Evidently, the Ministry in their anxiety to release the equity capital to Delhi Metro Rail Corporation, made an attempt to reappropriate funds in infringement of the established financial principles. While accepting the regrets expressed by the Ministry for the lapse in the instant case the Committee trust that the Ministry of Urban Affairs & Employment would exercise greater care in future so as to help maintain the sanctity and propriety of financial rules.

[Sl. No. 6 Appendix-IX Para No. 53 of 1st Report of PAC (12th Lok Sabha)]

Action Taken

The conclusions/recommendations of the Hon'ble Public Accounts Committee have been respectfully noted.

It is assured that utmost care will be exercised to maintain the sanctity and propriety of Financial Rules in order that this type of lapse does not recur in future.

It is also submitted that instructions have been issued to all concerned to strengthen the monitoring mechanism and enforce budgetary discipline. Copies of this Ministry's O.M. No. G-20017/4/98-Bt. Dated 7.12.98 and G-25017/6/97-Bt. Dated 23.12.98 issued in this behalf may kindly be seen at Annexure I and II respectively.

This has been vetted by Audit *vide* their U.O. No. RR/I-33/98-99/595 dt. 27.8.99.

Sd/-
(Girish Bhandari)
Addl. Secretary & F.A.
[Ministry of Urban Development F. No. G-25017/6/97-Bt.
Dated 16th September, 1999.]

ANNEXURE I

No. G-20017/4/98-Bt.
Government of India
Ministry of Urban Affairs & Employment
(Budget Section)

New Delhi, dated the 7th December, 1998

OFFICE MEMORANDUM

SUBJECT: *Budget Estimates 1999-2000 in respect of Capital (Construction) works under Demand No, 83—Urban Development (Residential) and Demand No. 85—Public Works (Non-Residential).*

Every year, Plan outlays for the ensuing financial year for continuing as well as New Civil Works (Residential and Non-residential), relating to the Ministries of Agriculture, Human Resource Development, Health & Family Welfare, Labour & Employment, Shipping & Transport, Science & Technology, Communication, Industry, Mines, Non-Conventional Energy Sources, Supply, Crop Husbandry (Agri), Animal Husbandry, Dairy Development, Forestry & Wildlife, Scientific & Environmental Research, Meteorology are being intimated by them, during the month of January when the relevant Demands for Grants are just ready for being sent to the Press for final printing. Therefore, the outlays as intimated by them are included in the relevant Demands for Grants of this Ministry.

2. According to the instructions issued by this Ministry, the outlays so intimated for new works should cover civil works in respect of which land is available and other requirements have been finalised by the Administrative Ministry. Thus the Ministries concerned themselves have to ensure, in consultation with the concerned Chief Engineers of CPWD, that the Plan outlay, as intimated by them and included in the relevant Demands for Grants of this Ministry, is commensurate with the actual requirement of funds and, that, the expenditure to that extent is likely to be incurred by the CPWD during the financial year.

3. Lately it has come to notice that the allocations intimated by the Ministries are not related to the actual requirement and a significant part of such allocations remains unutilized. Clearly, there is a mismatch between the actual requirement of funds at site and the allocations made by the respective Ministries resulting in huge savings. Audit has commented adversely on these savings.

4. It is therefore essential that works outlay, as intimated by the respective Ministries/Deptts. should reflect the actual requirement of funds as may be mutually agreed to between CPWD and Ministries/

Deptts. Accordingly it is requested that it may be ensured that from 1999-2000 onwards the works outlay (Plan) intimated by them to this Ministry matches the actual requirement of funds as assessed by the CPWD.

Sd/-
(Girish Bhandari)
(AS & FA)

To

1. Financial Adviser, M/o Agriculture, Krishi Bhavan, New Delhi
2. FA, M/o Human Resource Development, Shastri Bhavan, New Delhi
3. FA, M/o Health & Family Welfare, Nirman Bhavan, New Delhi
4. FA, M/o Labour, Shram Shakti Bhavan, New Delhi
5. FA, M/o Shipping & Transport, Parivahan Bhavan, New Delhi
6. FA, M/o Science & Technology, Technology Bhavan, New Delhi
7. FA, M/o Communication, Sanchar Bhavan, New Delhi
8. FA, M/o Industry, Udyog Bhavan, New Delhi
9. FA, M/o Mines, Shastri Bhavan, New Delhi
10. FA, M/o Non-conventional Energy Sources, CGO Complex, Lodhi Road, New Delhi.
11. FA, Deptt. of Supply, Nirman Bhavan, New Delhi
12. FA, M/o Environment and Forests, CGO Complex, Lodhi Road, New Delhi,

Copy to :—

1. DG (W) CPWD,
2. All Chief Engineers, CPWD
3. Works Division, M/o UA&E.
4. CCA. M/o UA&E.

Sd/-
(Girish Bhandari)
(AS & FA)

ANNEXURE-II

No. G-25017/6/97-Bt.
Government of India
Ministry of Urban Affairs & Employment
(Budget Section)
New Delhi, dated the 23rd December, 1998

OFFICE MEMORANDUM

SUBJECT—*Follow up C&AG's Reports.*

The C&AG in its Reports have repeatedly pointed out irregularities such as excess/savings both in Revenue and Capital, under the Demands pertaining to this Ministry. There have been many instances of unnecessary supplementary grants/re-appropriation *i.e.* savings available far exceeded the Supplementary grant/Re-appropriation.

2. Another remark which is invariably being made by the C&AG in its Reports relates to rush of expenditure during the month of March, apart from non-receipt of large number of Utilisation Certificate in respect of Grants released by the Ministry.

3. In regard to Savings, the Audit have further observed that quite a sizable amount of such savings is neither utilised nor reported for surrender.

4. In the case of Dte. of Printing, below the line recoveries have never matched budget provision; also the Proforma Accounts and financial results in respect of the Government of India Presses were yet to be furnished from 1987-88 onwards. The Proforma Accounts and financial results in respect of the Deptt. of Publications from 1992-93 are also yet to be furnished.

5. The situation is particularly grim in respect of the Demands for Grants relating to Public Works, as also Major Heads 2216 & 4216 under the Demands for Grants which are operated by the CPWD. Relevant extracts from C&AG Report have been passed on to DG, CPWD. The actual expenditure exceeded the sanctioned provision under Demand No. 83—Public Works during the years 1995-96 and 1996-97.

6. Under the Financial Rules, excess expenditure over the grant is not permissible and it denotes lack of financial control and budgetary discipline. The excess expenditure has again to be submitted for a vote by the Parliament on the recommendation of the PAC. Likewise, there have been many cases every year relating to unnecessary supplementary grant, injudicious re-appropriation and non-surrendering of the entire savings before the close of financial year.

7. The observations contained in C&AG's Report not only reflect adversely on the working of the Ministry but as a consequence of these

observations, large number of Action Taken Notes are required to be furnished. This submission is also in arrears.

8. The need for initiating concerted action to check the irregularities pointed out in C&AG's Report and to enforce budgetary discipline and financial control needs no emphasis. It is, therefore, urged that steps may be taken to ensure that the type of irregularities pointed out above do not recur. Steps may also be taken to fix responsibility against the officers found to be lacking in this regard. Simultaneously, steps may be taken to strengthen the monitoring mechanism and other related procedure.

9. For the current year, effective monitoring on a fortnightly basis from January onwards may be adopted and reviewed at a sufficiently high level. It will be helpful if the reports of such review are forwarded to the undersigned.

Sd/-
AS & FA (UA&E)

To
1. JS(WA)/JS(US)/JS(HEPA)
2. DG. CPWD/Controller of Stationery/L&DO
3. Dte. of Printing/Dte. of Estates
4. Controller of Publications/NBO/TCPO
5. CCA
6. President Sect. (IFA), Rashtrapati Bhawan

Copy also forwarded for information and necessary action to:-

All Divisions and Desks in the Ministry.

Sd/-
Under Secretary (Bt.)

Recommendation

The Committee find from examination of Appropriation Accounts of the Railways that an expenditure aggregating Rs. 191.01 crore had been incurred over and above the sanctioned provisions in 11 cases of grants/appropriations obtained by the Ministry of Railways during 1996-97. After taking into account the effect of misclassifications noticed subsequently, the actual expenditure requring regularisation worked out to Rs. 191.34 crore. Surprisingly, the quantum of excess expenditure had exceeded even Rs. 10 crores in seven out of 11 cases of excess registering grants/appropriations during the year under review. What is still more disturbing is the fact that the number of excess registering grants/appropriations have recorded the highest in comparison to the preceding seven years. As in the past, the Ministry of Railways have attributed their excess expenditure mainly to such items which were of routine and of anticipatory nature. However, the Ministry have not explained in their note the precise reasons for their failure to make provision for those items at the time of preparing the original budget or at the time of seeking supplementary grants. The Committee are concerned to note that the excesses under the grants operated by Ministry of Railways has become a recurring phenomenon and the position has been deteriorating. The very fact that year after year, the excesses are attributed to almost the same causes indicates that no serious efforts have been made by the Ministry to go deeper into the malady and to apply necessary correctives. The Committee therefore, recommend that the Ministry of Railways should conduct an indepth review of their financial system so as to gear up their existing system of monitoring and expenditure control. The Committee expect that such a review would be undertaken on priority basis and Committee apprised of the same within six months from the presentation of this Report.

[Sl. No. 8 Appendix IX, Para 55 of the First Report of the PAC (12th Lok Sabha)]

Action Taken

It is submitted for the kind information of the Committee that though the number of cases of excess grants/appropriations has in fact increased during 1996-97, there is the mitigating feature that the excess expenditure has reduced substantially as compared to the previous years. This can be seen from the details given below.

It may also kindly be seen that the excess constitutes less than half a percent of the total:—

(Rs. in Crore)

Year	Total Exp. on Railways	Total Excess	% age of 2 to 1
1992-93	28399.22	538.82	1.90
1993-94	31393.11	1216.88	3.88
1994-95	33951.23	391.13	1.15
1995-96	37323.71	603.43	1.62
1996-97	40832.75	191.01	0.47

As desired by the Committee, an indepth review of the existing financial system has been conducted. Railways have a fairly sound system of expenditure management, the salient features of which are mentioned below:—

After the budget orders are communicated to the spending units, booking of expenditure is monitored against monthly budget proportions at the level of the spending units, the Zonal Railways headquarters and in the Ministry itself. Corrective action is directed wherever aberrations are noticed.

Cash outgo is separately regulated by the Ministry through the controlled release of cash authorisation on the basis of monthly and quarterly estimates received from the spending units and Zonal Railways headquarters.

Plan schemes are admitted into the budget after scrutiny of their relevance and urgency at the appropriate levels. After the schemes are sanctioned through the budget, detailed estimates are prepared for the purposes of obtaining technical sanction and authorising the spending units to incur expenditure. The progress of expenditure with reference to physical progress is monitored at different levels, duly taking note of liabilities to be incurred for materials, contractual payments, etc. Imbalances if any, between the physical and financial progress of work are addressed and corrected wherever required.

Expenditure data and reports based thereon have been computerised. A full fledged Financial Management Information System is being built up for further improving expenditure management and budgetary control.

It is submitted for the appreciation of the Committee that there are over 4000 activity classifications and about 30 primary units of expenditure, indicating the complexity of budgeting and concurrent monitoring of expenditure incurred by as many as nine Zonal Railways that control 60 Divisions. Viewed against these factors, the excess of 0.47% occurred during 1996-97 is perhaps to be considered as being consistent with a reasonably good measure of control of expenditure.

However, every effort will be made to further strengthen the system of expenditure control and minimise incidence of excess expenditure in future. The concern of the Committee is also being communicated to the Railways for taking adequate measures to avoid incidences of excess/savings. They are also being instructed to give precise and meaningful reasons in case of unavoidable excess/savings in the explanatory note and the appropriation accounts, as pointed out by the Committee.

Sd/-
(P. Rajagopalan)
Officer on Spl. Duty (A)

[Ministry of Railways O.M. No. 98-BC-PAC/XII/1 dated 31.12.99]

Government of India
Ministry of Railways
(Railway Board)

No. 99-B-342/3 New Delhi, dated .9.1999

The General Managers,
All India Railways,

SUB.: *Excess over Voted Grants/Charged Appropriations—1996-97*

In 1996-97, Railway incurred an excess expenditure of Rs. 191 cr. as per the following details:—

(Rs. in thousands).

Demand No.	Grant	Appropriation
		5,60
	14,70,94	
	29,11,36	
	13,03,47	
	24,12,72	..
	..	5,43
	4,50,15	
	28,48,60	
	23,84,67	..
	51,37,85	2,03,70
Total	189,19,76	2,14,73

2. The number of excess grants/appropriations during 1996-97 have increased sharply in contrast to the preceding three years, and the Public Accounts Committee (PAC) (XIIth Lok Sabha) have severely criticised the Government including Railways.

3. While expressing their displeasure over the situation, the PAC in Para 55 of their report have critically observed the following:—

> "The Committee find from examination of Appropriation Accounts of the Railways that an expenditure aggregating Rs. 191.01 crore had been incurred over and above the sanctioned provisions in 11 cases of grants/appropriations obtained by the Ministry of Railways during 1996-97. After taking into account the effect of misclassifications noticed subsequently, the actual expenditure requiring regularisation worked out to Rs. 101.34 crore. Surprisingly, the quantum of excess expenditure had exceeded

even Rs. 10 crores in seven out of 11 cases of excess registering grants/appropriations during the year under review. What is still more disturbing is the fact that the number of excess registering grants/appropriations have recorded the highest in comparison to the preceding seven years. As in the past, the Ministry of Railways have attributed their excess expenditure mainly to such items which were of routine and of anticipatory nature. However, the Ministry have not explained in their note the precise reasons for their failure to make provisions for those items at the time of preparing the original budget or at the time of seeking supplementary grants. The Committee are concerned to note that the excesses under the grants operated by Ministry of Railways have become a recurring phenomenon and the position has been deteriorating. The very fact that year after year, the excesses are attributed to almost the same causes indicates that no serious efforts have been made by the Ministry to go deeper into the malady and to apply necessary correctives. The Committee therefore, recommend that the Ministry of Railways should conduct an indepth review of their financial system so as to gear up their existing system of monitoring and expenditure control."

3.1. As desired by the Committee, a review of the existing financial system has been conducted. Railways have in place a well-set mechanism of budgeting and financial monitoring and control, which could perhaps be expected to be utilised to still better effect. Board has also been reiterating various instructions to Railways for regulating expenditure according to the sanctioned grants and has been urging the Railways to avoid cases of excess/savings. It is a matter of concern that despite this the Railways have failed to adhere to the sanctioned grants. In keeping with the observations made by the PAC it is urged that the system be so geared that no instance of any excess/savings occur, henceforth. Expenditure incurred *vis-a-vis* sanctioned grant has to be monitored more closely. No expenditure should be incurred beyond the authorised grants for any of the activities/Primary Unit.

3.2. It is also seen that at present the variations from the authorised grants are attributed to reasons which are routing and vague. The PAC has viewed this seriously. Board desire, therefore, that FA&CAOs should personally ensure that the reasons given for variations in the appropriation accounts and the explanatory note are convincing, precise and specific. The steps taken in this regard may please be conveyed to the Board in due course for information.

Kindly acknowledge receipt.

Sd/
(Jagmohan Gupta)
Joint Director Finance (B)
Railway Board.

DA: As above.

Government of India
Ministry of Railways
(Railway Board)

Recommendation

While examining the excess expenditure in the grants/appropriations operated by the Ministry of Railways during the year 1996-97, the Committee had also noticed cases of misclassification of expenditure effecting as many as six grants. The gravity and enormity of these lapses becomes starker in the light of the fact that similar instances had persistently recurred in the accounts of the Railways in the recent past. The Committee are not inclined to agree to the plea put forth by the Ministry of Railways that those cases were not of deliberate misclassification but were purely errors of judgement. The Committee are rather of the firm opinion that these misclassifications occurred mainly due to lack of understanding of or disregard to the financial rules at the various levels in the Ministry of Railways. The Committee, therefore, desire that stringent measures be taken to avoid such misclassifications in future and responsibility fixed for the glaring errors noticed in all such instances.

[Sl. No. 9 Appendix IX Para 56 of First Report of PAC (12th Lok Sabha)]

Action Taken

Recommendations of the Public Accounts Committee regarding misclassification of expenditure have been noted. Instructions exist for correct and meticulous allocation of expenditure and for close and concurrent review at all levels. Suitable levels have been prescribed at which approvals for transactions of specified value should be taken before carrying out adjustment. It is submitted in this connection that the total amount under misclassifications has reduced considerably in the last four years from Rs. 137.15 crore to Rs. 47.80 crore.

Cases of misclassification of expenditure, broadly fall under two categories *viz.* those arising out of differences of opinion regarding to the interpretation of allocation rules and those resulting from lack of adequate care at the time of preparation of vouchers. The cases which arise as a result of lack of care and which, could therefore, have been avoided have been viewed seriously. Responsibility of concerned staff/officers has been fixed and they have been taken up for the lapses. It is hoped, that, with the above measures, the incidence of avoidable misclassifications will come down. The instructions to the various levels will once again be reiterated so that the rules are correctly understood and followed by all concerned.

Sd/-
(P. Rajagopalan)
Officer on Spl. Duty (A)

[Ministry of Railways O.M. No. 98-BC-PAC/XII/1 dated 31.12.1999]

Recommendation

Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in paragraph 10 of this Report be regularised in the manner prescribed in Article 115 (1) (b) of the Constitution of India.

[Sl. No. 10 Appendix-IX Para 57 of First Report of PAC (12th Lok Sabha)]

Action Taken by the Ministry of Finance

The demands for Excess Grants (excluding Railways) for the year 1996-97 were passed by the Lok Sabha on 17.3.1999. The connected Appropriation Bill was deemed to have been passed by Rajya Sabha on 1.4.1999. This was assented to by the President of India on 1.4.1999.

This Note has been vetted by Audit *vide* their U.O. No. RR/1-29/98-99/150 dated 28.5.1999.

Sd/-
(J.S. Mathur)
Additional Secretary (Budget)

[Ministry of Finance Department of Economic Affairs Budget Division), New Delhi O.M. No. F4(2)B (SD)/99 dated 30.7.1999]

Action Taken by the Ministry of Railways

In compliance with the PAC's above recommendation, the Excess Demands for Grants (Railways) for 1996-97 have been regularised in the Budget Session of Parliament, in March 1999.

Sd/-
(P. Rajagopalan)
Officer on Spl. Duty (A)

[Ministry of Railways O.M. No. 98-BC-PAC/XII/1 dt. 31.12.99]

Action Taken by Deptt. of Telecommunications

Note for Public Accounts Committee for the regularisation of Excess over Voted Grant under Revenue Section duly vetted by Director-General Audit (P&T) under his U.O. No. RR. III/1(b) 400 App. A/c./96-97/404, dated 7.8.98 has been sent to Lok Sabha Secretariat in August 1998 for submission to Parliament.

This issues with the Approval of Member (Finance).

No. 1-2/99-B

19.3.1999

Sd/-
(Anne Moraes)
D.D.G.(BLF)

This has been vetted by the Additional Deputy Comptroller & Auditor General (P&T) Delhi-54 *vide* U.O. No. RRIII/App. A/cs 1 (b)400/96-97/28 dated. 11.5.99

[Ministry of Communications (Deptt. of Telecommunications) F.No. 1-2/99-B dated 03.06.99]

Sd/-
(N.D. Digani)
Asstt. Director General
Deptt. of Telecom., New Delhi.

CHAPTER III

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

—NIL—

CHAPTER IV

RECOMMENDATIONS AND OBSERVATIONS WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee note that an expenditure of the order of Rs. 706.72 crore had been incurred by various Ministries/Departments of the Union Government in excess of the provision authorised by Parliament under 21 grants/appropriations during the year 1996-97. The Committee are particularly astonished to find that bulk of this excess expenditure had been recorded under the lone grant operated by the Department of Telecommunications which accounted for over 63 percent of the total excess expenditure incurred during that year. Another disquieting aspect observed by the Committee is that excess expenditure of over one crore rupees had been incurred in as many as 16 cases out of which nine grants/ appropriations were operated by the Ministry of Railways. What is still more disturbing is the fact that the number of excess registering grants/ appropriations during 1996-97 had suddenly gone up to 21 in sharp contrast to the preceding three years when the number of excess registering grants/appropriations showed a steady decline from 16 in 1993-94 to 15 in 1994-95 and 9 in 1995-96. Obviously, the situation has taken a worse turn despite issuance of elaborate instructions at regular intervals by the Ministry of Finance in pursuance of the oft-repeated exhortations of the Public Accounts Committee in the past to contain the instances of excess expenditure to the barest minimum if not eliminate them altogether. The Committee view this situation with grave concern and are of the firm opinion that mere issuance and reiteration of instructions will not produce desired results and that there is an urgent and imperative need to devise an effective system to ensure rigid enforcement of all those instructions with a view to imparting financial discipline in the Ministries/Departments of Union Government. The Committee therefore desire that the Ministry of Finance (Department of Expenditure) should effectively impress upon the Secretaries in all the Ministries/Departments of Union Government to bear in mind that excess expenditure is "unauthorised expenditure" and it betrays lack of financial discipline. They would also like the Department of Expenditure to devise a strong mechanism for strict application of prescribed financial rules and deal sternly with cases of any deviations from established financial principles so as to curb the undesirable tendency of incurring expenditure having the effect of exceeding the grant or appropriation authorised by Parliament by law for a financial year.

[Sl. No. 1, Appendix-IX, Para 48 of the First Report of Public Accounts Committee (12th Lok Sabha)]

Action Taken by the Ministry of Finance (Deptt. of Expenditure)

The financial regulations prescribed under General Financial Rules *vide* Rules 65 to 71 lay down an effective mechanism and system on the part of a Department of the Central Government, on whose behalf a grant or appropriation is authorised by the Parliament, to exercise proper control on flow of expenditure from month to month so as to estimate the likelihood of not only savings but also the excess over grants and appropriations. These rules contain adequate procedural returns and forms to ensure against occurrence of the instances of excess expenditure. The primary responsibility of observing these regulations lies with the concerned administrative Departments through its Heads of Department and other controlling officers, if any, Disbursing Officers subordinate to them. Rule 71 specifically bars occurrence of excess expenditure. The Ministry of Finance, Department of Expenditure, have also issued various instructions from time to time to ensure that financial regulations for controlling expenditure are followed scrupulously so as to avoid occurrence of excess expenditure.

This Ministry has noted the observation of the PAC. The occurrence of excess expenditure despite the above financial regulations and instructions tends to prove that neither are these rules being strictly followed in many cases, nor are the requisite functions being discharged as required. This Ministry has, therefore, issued instructions to all the Secretaries to the Govt. of India *vide* Secretary(E)'s letter No. 12(1)/E.Coord./99 dated 17th February, 2000 (copy enclosed) to devise a suitable mechanism, as appropriate to the needs of the concerned departments to ensure a proper check on a periodical basis on flow of expenditure through an overseeing by the concerned Financial Adviser, who may review overflow of expenditure every month and keep the concerned Secretary informed for appropriate action. This Ministry feels that if a monthly review is made by the F.A. and the concerned Secretary, occurrence of excess expenditure may be kept in check.

The Audit has made the following observations:—

"Public Accounts Committee had clearly laid the responsibility with Department of Expenditure, to devise a suitable mechanism for strict application of financial rules and deal sternly with cases of any deviation from established Financial Principles so as to curb the undesirable tendency of incurring excess expenditure over grant/appropriation. The contention of the Department of Expenditure that it is not practicable to introduce a centralised system of monitoring nor does it appear to be the intention of Public Accouns Committee, is not agreeable to audit.

Department of Expenditure has failed to take up this responsibility and instead of working out a mechanism as desired by Public Accounts Committee in consultation with all the Ministries of Govt. of India, has entrusted the job to the decentralise system of integrated finance."

Comments of this Ministry on the views of Audit

The de-centralised system of integrated finance has been working satisfactorily, as would be evident from the figures of the last three years including 1996-97, as given below:—

Year	Total Grant/ Appropriation	Actual Expenditure	Saving	Excess	Percentage of excess w.r.t. Total Grant/ Appropriation
1994-95	401025.55	354389.87	46671.34	35.66	0.009
1995-96	437795.79	379696.00	58164.02	64.23	0.015
1996-97	486868.76	441307.48	45561.28	—	—

It may be seen that the excess has been in the range of 0.01% to 0.02% only. In fact, as pointed out by the Audit also, the bulk of the excess has been in case of P&T and Railways, which is mainly due to special reasons *viz.* appropriation of surplus revenue to reserve funds etc. This would imply that the system of de-centralised financial management has by and large been quite effective and does not appear to warrant any review though there could always be scope for tightening controls, streamlining procedures within the broad framework of the de-centralised system. The PAC has desired this Ministry to impress upon all Secretaries to the Government of India to bear in mind that excess expenditure is unauthorised expenditure. In other words, it is within the de-centralised system that the PAC has desired this Ministry to devise a mechanism. Accordingly, Secretaries to the Government of India have been advised to devise a suitable mechanism in consultation with the concerned Financial Adviser to keep a check on flow of expenditure so that instances of excess expenditure are avoided. Therefore, the scheme proposed by this Ministry is in conformity with the recommendations of the PAC.

In the circumstances, it may not be desirable or necessary to re-introduce a system of direct control of the Ministry of Finance in day to-day financial administration of various Ministries/Departments. This will bring in excessive centralisation, creating undesirable administrative delays and difficulties. The current thinking of the Government is to decentralise for the sake of administrative convenience and, therefore, introducing a centralised monitoring system may in fact be to put clock back and become counter productive. This Ministry is, therefore, of the view that the proposed scheme is in conformity with the recommendations of the PAC.

This has been vetted by Audit *vide* their U.O. No. RR/1-25/98-99/1200 dated 17.1.2000

Sd/-
(Usha Mathur)
Joint Secretary

[Ministry of Finance (Department of Expenditure) E-Coord. Branch
U.O. No. 12(1)/E-Coord./99 dt. 17.2.2000]

सत्यमेव जयते

D.O. No. 12(1)/E-Coord./99
सचिव
व्यय विभाग
वित्त मंत्रालय
भारत सरकार
SECRETARY
DEPARTMENT OF EXPENDITURE
MINISTRY OF FINANCE
GOVERNMENT OF INDIA
नई दिल्ली/NEW DELHI
Tel. : 3012929
: 3011663
Fax : 3017546

New Delhi, 17th February, 2000

Dear Secretary,

I write this in the context of adverse report made by the Public Accounts Committee in Para 48 of their Report (12th Lok Sabha) regarding excess expenditure over the grants authorised by the Parliament to the tune of Rs. 706.72 crores during the year 1996-97. In case of the Ministry of Railways and Deptt. of Telecom., the excesses are of a very high magnitude.

2. The PAC has taken a serious view of the matter on occurrence of such instances, despite the fact that detailed instructions are contained in GFRs *vide* Rules 65 to 71 along with various decisions of the Govt. of India thereunder. A number of instructions have been issued by this Department also in the past in the context of similar adverse remarks made by the PAC in their previous reports.

3. Recurrence of excess expenditure, therefore, reflects on lack of control by the concerned controlling officers. Needless to mention, expenditure incurred by any Department in excess of authorisations approved by the Parliament is totally irregular and should not take place in any circumstances. It also reflects a certain lack of care in budget estimation followed by a perhaps casual monitoring system.

4. A need for devising a suitable mechanism, appropriate to the particular requirements of each of the Departments with a view to ensure that a proper check is exercised on the flow of expenditure under every grant, that too, on a regular basis, is imperative. You may please take steps to put in place such a mechanism in consultation with your Financial Adviser, so that immediate and right steps are taken to avoid excess expenditure. The concerned FA may review the flow of expenditure every

month and shall keep you informed so that necessary corrective action may be taken immediately.

5. I would be grateful, if you could kindly keep me advised of the action taken and the system devised by your Department in this regard.

With regards,

Yours sincerely,
Sd/-
(C.M. Vasudev)

Copy to:—

All Secretaries to the Govt. of India

Action Taken by the Ministry of Railways

It is submitted that the excess expenditure of Rs. 191 cr. was incurred on Railways during 1996-97 in 8 Grants and 3 Appropriations. Though the number of Grants registering excess have increased over the previous years, the total excess both in absolute terms and as percentage of the total expenditure on Railways has reduced substantially as can be seen from the table given below:—

(Rs. in Crores)

Year	Total Expenditure on Railways	Total Excess	%age of Col. 3 to Col. 2
1992-93	28399.22	538.82	1.90
1993-94	31393.11	1216.88	3.88
1994-95	33951.23	391.13	1.15
1995-96	37323.71	603.43	1.62
1996-97	40832.75	191.01	0.47

Though the PAC's recommendation have specifically been addressed to the MoF, Ministry of Railways have also impressed upon the Railways the observation of the PAC, to take effective corrective measures for avoiding the incurrence of excess expenditure.

Sd/-
(P. Rajagopalan)
Officer on Spl. Duty(A)

[Ministry of Railways O.M. No. 98BC—PAC/XII/1 dated 31/12/99]

Recommendation

The Committee's examination of the Appropriation Accounts of the Telecommunication Services revealed that the Department of Telecommunications registered an aggregate excess expenditure of Rs. 448.07 crore under Revenue section (Voted) of Grant No. 14 during the year 1996-97. According to the Department, this excess expenditure was mainly attributable to excess appropriations made to the Reserve Funds on account of more surplus having been generated due to realisation of more revenue and incurring of less working expenses during the year under review. A scrutiny of explanatory note furnished in this regard revealed that the Department had exceeded the authorised provisions by Rs. 943.95 crore for appropriation from Telecom surplus which was partly off set by the savings of Rs. 504.34 crore under "Working Expenses". The Committee's detailed analysis of the Appropriation Accounts for the preceding two years however, revealed that the Department of Telecommunications had persistently made such appropriations from Telecom surplus to Reserve Funds in excess of authorised provisions to the extent of Rs. 259.89 crore in 1994-95 and Rs. 520.28 crore in 1995-96. Incidentally, both those years witnessed large scale unspent balances under "Working Expenses" amounting to Rs. 605.88 crore in 1994-95 and Rs. 419.22 crore in 1995-96. Taking note of this recurring trend of excess expenditure of similar nature leading to excessive appropriations to Reserve Funds from 1994-95 onwards, the Committee feel convinced that the Department of Telecommunications had been vitiating the budgetary process and generating a sort of artificial surplus for enhancing appropriations to their Reserve Funds by registering large scale saving under various heads relating to "Working Expenses of the Telecommunication Services." While expressing their displeasure over the manner in which the Department had indulged in making increased appropriations to their Reserve Funds in excess of the amounts authorised by Parliament, the Committee desire that the Department should urgently undertake a thorough review of their budgetary systems in right earnest so as to avoid excess expenditure and violation of budgetary ceilings of this nature in future.

(S.No. 7 Appendix-IX Para 54 of First Report of PAC—12th Lok Sabha)

Action Taken

During the year under review the excess is mainly under Appropriation of Surplus to Reserve Funds which is an accounting adjustment as explained in the Note annexed. However, observations of the Committee have been noted.

This issues with the approval of Member (Finance).

Sd/-
(Annie Moraes)
D.D.G. (BLF)

No. 1.2.99-B

19.3.1999

This has been vetted by the Additional Deputy Comptroller & Auditor General (P&T) Delhi-54 *vide* U.O. No. RRIII/App. A/Cs 1(b) 400/96-97/28 dtd. 11-5-99.

[Ministry of Communications (Deptt. of Telecommunications) F.No. 1-2/99-B dated 03-06-99]

Revenue Section of the Grant comprises mainly two Major Heads 3225-Telecom Services (Working Expenses) and 3231-Appropriation from Telecom Surplus. The provision made in B.E. 1996-97 under this Section is Rs. 12579.58 crores under voted portion as indicated below:—

(Rupees in crores)

Major Head	Plan	Non-Plan	Total
1	2	3	4
3451—Secretariat	—	2.00	2.00
2852—Industries (VRS)	2.00	—	2.00
3225—Telecom Services (W.E.)	50.00	7221.70	7271.70
3230—Dividend to General Revenues		272.00	272.00
3231—Appropriation from Telecom Surplus		4941.00	4941.00
3275—Other Communication Services	79.00	11.88	90.88
	131.00	12448.58	12579.58

From the diagram shown below it may be seen that when there is increase under Revenue or savings under Working Expenses, surplus goes up. This has the effect of increasing the Appropriation to Reserve Fund and thus enhances the Grant. During the year 1996-97 the excess was mainly under the M.H. 3231—Appropriation from Telecom Surplus which was due to more revenue receipts (mainly due to more receipts from VSNL and MTNL due to the year end adjustments made by these PSUs) and savings under Working Expenses (mainly under Interest on Bonds, Redemption of Bonds and Lease Charges and Interest on Deferred Payments) which could not be anticipated at the time of finalising the last batch of supplementary grant during February 1997.

Grant No. 14—Telecommunication Services
Revenue Section

Revenue	Telecom Services (Working Expenses)	Recoveries Under Working Expenses	Dividend	Appropriation from Telecom surplus (1-2-3-4)
(1)	(2)	(3)	(4)	(5)
Grant	Working Expenses—Dividend—Appropriation from Telecom Surplus (2-4-5)			Secretariat—Industries—Other Communication Services
		(6)		(7)

(Rupees in Crores)

	Sanctioned Grant	Actuals	Variation
2. Working Expenses	7271.70	6767.36	(-)504.34
4. Dividend	272.00	292.34	(+)20.34
5. Surplus (1-2-3-4)	4941.00	5884.95	(+)943.95
7. Secretariat, etc.	113.88	102.00	(-)11.88
6. Total			

	Estimates	Actuals	Variation
1. Revenue	11819.00	12266.09	(+) 447.09
3. Recoveries under WE	666.00	678.55	(+) 12.55

Contributors for excess of Rs. 448.07 crores

During March 1997 it was not possible to assess the likely revenue and expenditure under working expenses and the resultant surplus of the Department which could crystalise only after the accounts were closed during August 1997 as Revenue and Expenditure are initially booked in over 500 accounting units. The final position was as indicated below:—

(Rupees in Crores)

Major Head	Sanctioned Grant	Actual Expenditure	Variation
3451—Secretariat	2.00	2.27	(+) 0.27
2852—Industries (VRS)	2.01	6.60	(+) 4.59
3225—Telecom Services (W.E.)	7271.70	6767.36	(-) 504.34
3230—Dividend to General Revenues	272.00	292.34	+) 20.34
3231—Appropriation from Telecom Surplus	4941.00	5884.95	(+) 943.95
3275—Other Communication Services	109.87	93.13	(–) 1674
	12598.58	13046.65	(+) 448.07

From the above, it may be seen that Appropriation from Telecom Surplus is included for the purpose of working out the sanctioned grant, though the same is not expenditure in its real sense. This represents the surplus of the Department after meeting the working expenses and dividend liability from its revenue receipts and there is no cash outgo and in actual terms the Department deposited in its Reserve Funds Rs. 943.95 crores more than budgeted.

No. 13-10/98-B

This has been vetted by the Additional Deputy Comptroller & Auditor General (P&T) Delhi-54 *vide* U.O. No. RR III/App. A/Cs 1 (b) 400/96-97/28 dtd. 11.5.99.

[Ministry of Communications (Deptt. of Telecommunications) F.No. 1-2/99-B dated 03-06-99]

CHAPTER V

RECOMMENDATIONS AND OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES/NO REPLIES.

—NIL—