

**PUBLIC ACCOUNTS COMMITTEE  
(2002-2003)**

**FORTIETH REPORT**

**(THIRTEENTH LOK SABHA)**

***EXCESSES OVER VOTED GRANTS AND CHARGED  
APPROPRIATIONS (2000-2001)***

Presented to Lok Sabha on: 19 December, 2002

Laid in Rajya Sabha on : 19 December, 2002

LOK SABHA SECRETARIAT  
NEW DELHI

December, 2002

Agrahayana, 1924(Saka)

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**COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE  
(2002 - 2003)**

Sardar Buta Singh - Chairman

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2. Shri K.V. Rao - Joint Secretary
3. Shri Devender Singh - Deputy Secretary
4. Shri B.S.Dahiya - Under Secretary

## INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present the Report on their behalf, do present this Fortieth Report (Thirteenth Lok Sabha) on “Excesses over Voted Grants and Charged Appropriations (2000-2001)”.

2. The Committee examined the cases of excess expenditure incurred by various Ministries/Departments of Union Government in 2000-2001 on the basis of relevant Appropriation Accounts, observations of Audit as contained in the Reports of the C&AG for the year ended 31 March, 2001, the explanatory notes and other information furnished by the various Ministries/Departments concerned. The Committee considered and finalised this Report at their sitting held on 17 December, 2002. (\*) Minutes of the sitting form Part II of the Report.

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

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

5. 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;  
17 December, 2002  
26 Agrahayana 1924 (Saka)

SARDAR BUTA SINGH,  
Chairman,  
Public Accounts Committee

# REPORT

## **Excess expenditure over Voted Grants and Charged Appropriations (2000-2001)**

### **Introductory**

#### **1. ANNUAL APPROPRIATION ACCOUNTS OF THE UNION GOVERNMENT**

1.1 The Appropriation Accounts of the Union Government are prepared every year showing the details of expenditure actually incurred on various specified services by Government in a financial year compared with the grants/appropriations authorised by Parliament for those particular services in that financial year as specified in the Schedules appended to the Appropriation Acts. This includes the grants voted by Parliament for particular services in terms of Articles 114 and 115 of Constitution and also the expenditure required to be charged on the Consolidated Fund of India in terms of Articles 112(3) and 293(2) of the Constitution.

1.2 Presently, five Appropriation Accounts are presented to Parliament according to different sectors of activities of the Union Government:. These Appropriation Accounts exhibit the total sanctioned grant/appropriation, actual disbursements and unspent provisions/excess for the grant/appropriation as a whole during the financial year. The five Appropriation Accounts presented to Parliament are as under:-

Civil

Defence Services

Postal Services

Telecommunication Services

Railways

1.3 The Appropriation Accounts in respect of Grants/Appropriations covered under Civil Sector are prepared by the Controller General of Accounts in the Ministry of Finance and those pertaining to Grants/Appropriations for Defence Services, Postal Services, Telecommunication Services and Railways are prepared by the respective Ministries. All these Appropriation Accounts are audited and certified by the Comptroller and Auditor General of India who also submits separate Audit Reports thereon to the President who, in turn, causes them to be laid before each House of parliament in terms of Article 151 of the Constitution of India.

1.4 The annual Appropriation Accounts of the Union Government and Audit Reports thereon on presentation to Parliament stand referred to the Public Accounts Committee for examination under the provisions of Rule 308 of Rules of Procedure and Conduct of Business in Lok Sabha.

1.5 In scrutinizing the Appropriation Accounts of the Government of India and the reports of the Comptroller and Auditor General of India thereon, it is the duty of the Committee to satisfy itself-

that the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which have been applied or charged;

that the expenditure conforms to the authority which governs it; and

that every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by competent authority.

1.6 If any money has been spent on any service during a financial year in excess of the amount granted by the House for that purpose, the Committee examine with reference to the facts of each case the circumstances leading to such an excess and make such recommendations as it may deem fit.

1.7

## **2. UNION GOVERNMENT APPROPRIATION ACCOUNTS FOR 2000-2001**

2.1 The following table indicates the dates on which the five Appropriation Accounts of Union Government for the year 2000-2001 were laid on the Table of the House:-

Appropriation Accounts	Date on which laid on the Table of the House
Civil	15.03.2002
Defence Services	22.03.2002
Postal Services	16.04.2002
Telecommunication Services	16.04.2002
Railways	22.03.2002

2.2 The results of the examination by Audit of aforesaid Appropriation Accounts (2000-2001) are contained in the following Reports of the C&AG for the year ended 31 March, 2000:-

Sl. No.	Appropriation Accounts	Report in which audit findings are highlighted
1	Civil	Chapter 8 of Audit Report No.1 of 2002
2.	Defence Services	Chapter I of Audit Report No.7 of 2002
3.	Postal Services	Chapter 7 of Audit Report No.6 of 2002
4.	Telecommunication Services	Chapter 2 of Audit Report No.6 of 2002
5.	Railways	Paragraph 1.8 of Audit Report No.9 of 2002

2.3 In this Report, the Committee have examined the cases of those grants/appropriations where moneys have been spent in excess of the amount authorised by Parliament for specified services for the year 2000-2001 and which now require regularisation by Parliament under Article 115(1)(b) of the Constitution of India.

## **3. RULES LAID DOWN FOR CONTROL OF EXPENDITURE**

3.1 Article 114(3) of the Constitution stipulates that subject to the provisions of articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law passed in accordance with the provisions of article 114. The Constitution also specifies under article 267(1) that Contingency Fund of India will be at the disposal of the executive to enable advances to be made for the purposes of meeting unforeseen expenditure pending authorisation of such expenditure by Parliament by law under articles 115 and 116.

3.2 Further, Rule 71 of General Financial Rules clearly enjoins that no expenditure shall be incurred which may have the effect of exceeding the total grant or appropriation authorised by Parliament by law for a financial year, except after

obtaining a supplementary grant or appropriation or an advance from the Contingency Fund.

3.3 Annexure “A” to Rules 66 and 75 of the General Financial Rules lays down the detailed procedure to be followed by the Pay and Accounts Offices (PAOs) regarding check against provision of funds. This procedure prescribes that where a payment would lead to excess over the provision under any “unit of appropriation”, the payment may be made by PAO only on receipt of an assurance in writing from the Ministry/Head of Department controlling the grant that necessary funds to accommodate the expenditure will be provided for in time by issue of re-appropriation order etc. In cases of inevitable payments towards the close of the financial year where the grant as a whole is likely to get exceeded, the orders of the Financial Adviser on behalf of the Chief Accounting Authority would have to be sought.

3.4 Indian Railway Financial Code, Volume-I also addresses the issue of excesses over grants in so far as Railway finances are concerned. According to paragraphs 371 of this code, the Railway administration shall be responsible to ensure that no expenditure is incurred in excess of the Budget allotments made to them. Similar provisions also exist under paragraphs 782 and 783 of P&T Manual, Volume II which, inter-alia prescribe that control in relation to budget allotments must secure that expenditure is not incurred under any head in excess of the funds allotted to that head.

#### **4. PROCEDURE FOR REGULARISATION OF EXCESS EXPENDITURE**

4.1 Any expenditure incurred by the Union Government in excess of the authorised grants/appropriations in a financial year requires regularisation by Parliament in terms of Article 115(1)(b) of the Constitution which stipulates that if any money had been spent on any service during a financial year in excess of the amount granted for that service and for that year, the President should cause to be presented to the House of People a demand for such excess.

4.2 According to the procedure laid down for the regularisation of excess expenditure, the Ministries and Departments of Government of India are required to furnish to the Public Accounts Committee explanatory notes containing the reasons for or circumstances leading to the excesses under each excess registering grant/appropriation alongwith the relevant Appropriation Accounts. Thereafter, the Public Accounts Committee proceed to examine, in the light of explanatory notes/evidence furnished by the Ministries, the circumstances leading to such excesses and present a report thereon to Parliament recommending regularisation of the excesses subject to such observations/recommendations as they may choose to make. Pursuant to the Report of the Committee, Government initiate necessary action to have the excesses regularised by Parliament, under Article 115(1)(b) of the Constitution, either in the same Session in which the Committee present their Report or in the following Session.

#### **5. Excess disbursements**

5.1 As per Article 114(3) of the Constitution, no money is to be withdrawn from the Consolidated Fund of India except under appropriations made by law passed in accordance with the provisions of this Article. Further GFR 71 stipulates that no

disbursements be made which might have the effect of exceeding the total grant or appropriation authorized by Parliament by Law for a financial year except after obtaining a Supplementary Grant or an advance from the Contingency Fund.

5.2 The following table indicates the number of excess registering grants/appropriations and the break-up of excess expenditure as seen from the relevant Appropriation Accounts for the year 2000-2001:

Sl. No.	Appropriation Accounts	No. of excess registering grants/ Appropriations	No. of cases	Amount of excess expenditure (in unit of Rs.)
1.	Civil	1	1	43,72,665
2.	Defence Services	1	1	229,69,86,853
3.	Postal Services	1	2	17,26,000
4.	Telecommunication Services	-	-	-
5.	Railways	4	5	11,25,130
	Total	7	9	230,42,10,648

## 6. Details of excess registering Grants/Appropriations

6.1 The details of 7 voted Grants/Charged Appropriations under which the expenditure had exceeded the sanctioned provisions during the year under review are given below:

(in units of Rs.)

Sl. No.	No. & Name of Grants/ Appropriation	Ministry/ Deptt.	Final Grant	Actual expenditure	Excess expenditure
APPROPRIATION ACCOUNTS (CIVIL)					
Capital-voted					
1.	Deptt. of agriculture & co-operation (M/o Agriculture)	Agriculture (Deptt. of Agriculture & cooperation)	1353900000	1358272665	43,72,665
APPROPRIATION ACCOUNTS (DEFENCE SERVICES)					
Revenue-Voted					
2.	21- Defence Ordnance Factories	Defence	580,20,00,000	809,89,86,853	229,69,86,853



APPROPRIATION ACCOUNTS (POSTAL SERVICES)					
Revenue-Charged					
3.	11-Postal Services	Communications (Deptt. of Post)	2,50,000	9,64,000	7,14,000
Capital-Charged					
4.	11-Postal Services	-do-	38,65,000	48,77,000	10,12,000
APPROPRIATION ACCOUNTS (RAILWAYS)					
Revenue-Charged					
5.	3-General Supdt. And Services	Railways	2,06,000	2,10,942	4,942
6.	6-Repairs & Maintenance of Carriages & Wagons	-do-	1,00,000	1,41,204	41,204
7.	7-Repairs & Maintenance of Plant & Equipments	-do-	-	33,182	33,182
Capital-Charged					
8	16-Assets- Acquisition, and Construction and Replacement OLWR	-do-	-	28,664	28,664
9.	16 – Assets- Acquisition Construction and Replacement- Capital	-do-	641,04,000	651,21,138	13,27,548*

\*There was an excess expenditure of Rs.10,17,138 under this appropriation. However, after taking into account the misclassification of expenditure of Rs.3,10,410, the real excess expenditure under this grant requiring regularization worked out to Rs.13,27,548

6.2 The above statement indicates that out of 7 excess registering Grants/Appropriations, the Grant No.21-Defence Ordnance Factories alone recorded the highest excess expenditure i.e. Rs.229,69,86,853 during 2000-2001 which is 99.67 percent of the total excess expenditure incurred by Union Government during this period. In the case of postal Services both the Sections of the Grant i.e. Revenue Charged (Rs.7,14,000) and Capital- Charged (Rs.10,12,000) disclosed total excess expenditure of Rs.17,26,000. In the case of appropriations administered by Ministry of Railways an excess expenditure amounting to Rs.14,35,540 (inclusive of misclassification of expenditure of Rs.3,10,410 under Appropriation No.16-Capital) was incurred in 5 cases of 4 excess registering appropriations, out of which Appropriation No.16 – Capital alone incurred excess expenditure of Rs.13,27,548 which is approximately 92% of the whole excess expenditure incurred by the Ministry of Railways during 2000-2001. It would also be seen that the expenditure of Rs.33,182 and Rs.28,664 has occurred without any budget provision under Appropriation No. 7 & 16 – OLWR respectively operated by the Ministry of Railways.

## **7. Excess expenditure on account of misclassification**

7.1 The explanatory note furnished by the Ministry of Railways for regularization of excess expenditure incurred by them over charged Appropriation during 2000-2001 reveals that there was a misclassification of expenditure of Rs.3,10,410 under Appropriation No.16 – Assets – Acquisition, Construction and Replacement – Capital. After taking into account the effect of this misclassification, the actual excess relating to Railways worked out to Rs.14,35,540 instead of Rs.11,25,130 as indicated in the relevant Appropriation Accounts.

8. Total excess expenditure requiring regularisation under Article 115(I)(b) of the Constitution.

8.1 Thus, the amount of actual excess expenditure during the year 2000-2001 which requires regularization by Parliament under Article 115(1)(b) of the Constitution is of the order of Rs.230,45,21,058 incurred in 9 cases of 7 excess registering grants/appropriations.

8.2 The explanation given by the defaulter Ministries/Departments for the excess expenditure incurred are reproduced at Appendices I - IV. The Committee would examine and discuss some of these in the succeeding paragraphs.

9. Excess expenditure despite obtaining supplementary Grants/Appropriations

9.1 According to the prescribed financial Rules, no expenditure should be incurred which might have the effect of exceeding the total grant or appropriation authorised by Parliament by law for a financial year except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund. A scrutiny of the relevant appropriation Accounts, however, revealed that the excess expenditure during 2000-2001 had been occurred even after obtaining supplementary grant of Rs.182,54,000 in 4 out of 9 cases of excess registering grants/appropriations. The relevant details in this regard are given below:

(in unit of Rs.)

Sl. No.	No. & Name of Grant/Appropriation	Amount of Supplementary Grant/Appropriation	Amount of Excess expenditure
	Appropriation Accounts (Civil)		
1.	1 – Department of Agriculture and cooperation	1,00,000	43,72,665
	Appropriation Accounts (Postal Services)		
2.	11 – Postal Services (Revenue-Charged) (Capital-Charged)	1,50,000 38,65,000	7,14,000 10,12,,000
	Appropriation Accounts (Railways)		
3.	16 – Assets – Acquisition, Construction and Replacement – Capital	141,04,000	13,27,548
	Total	182,19,000	74,26,213

9.2 It is seen from above table that in the case of Grant No.1 – Department of Agriculture and Cooperation and Grant No.11 – Postal Services (Revenue -Charged) the quantum of excess expenditure incurred is even higher than the Supplementary Grants obtained.

### 10. Surrender of funds

10.1 Surrender is a budgetary device by which the portion of grant or appropriation not utilised by the spending departments gets communicated to the Ministry of Finance and accepted by the latter, which can be reallocated to any other sector. The scrutiny of Appropriation Accounts for the year 2000-2001 indicates that in the following cases of excess registering Grants the surrender of funds were made though no unspent provisions were available for surrender under these cases:

(In thousand of Rs.)

Sl. No.	No. & Name of Grant/Appropriation	Excess expenditure incurred	Surrender of funds
	Appropriation Accounts (Civil)		
1.	1 – Department of Agriculture and cooperation	43,72	17,14,45
	Appropriation Accounts (Defence Services)		
2.	21 – Defence Ordnance Factories	229,69,87	1,07,00

10.2 It is apparent from the above table that under Grant No.1 – Department of Agriculture and Cooperation surrendered funds despite incurring excess expenditure under the Grants.

## 11. Recurring Phenomenon of excess expenditure

11.1 The excess expenditure has been a recurring phenomenon in the past. The table given below indicates the position regarding excess expenditure incurred under the excess registering grants during the past decade:

(In thousand of Rs.)

Financial Year	No. of Excess registering grants/appropriations	Excess expenditure
1989-90	20	976.82
1990-91	19	900.24
1991-92	12	398.28
1992-93	13	689.06
1993-94	16	1,240.35
1994-95	15	481.09
1995-96	09	745.80
1996-97	21	706.72
1997-98	10	530.41
1998-99	55	12,758.63
1999-2000	11	57.36
2000-2001	07	230.45

11.2 It is seen from the above table that the excess expenditure which came down to the extent of Rs.57.36 crore only during 1999-2000 suddenly rose upto Rs.230.45 crore during 2000-2001.

11.3 Taking note of the decreasing trend in excess expenditure during 1999-2000, the Committee in Paragraph 7.1.1 of their 30th Report (13th Lok Sabha) on “Excesses over voted Grants and charged Appropriations (1999-2000)” had, inter-alia, observed as follows:

“The Committee are pleased to note that excess expenditure of Rs.57.36 crore was incurred during 1999-2000 as compared to Rs.12758.63 crore in 1998-99, Rs.530.41 crore in 1997-98 and Rs.706.72 crore in 1996-97. The Committee also view with some relief that the number of excess registering Grants/Appropriations has also come down from 55 in 1998-99 to 11 in 1999-2000 and that the “Postal Services” and “Telecommunication Services” have not registered any excess expenditure under the Grants/Appropriations operated by them during 1999-2000. While complimenting the Ministries and Departments for their endeavour to substantially arrest, and in some cases totally eliminate the growing tendency of excess expenditure, the Committee are optimistic that with effective monitoring of the flow of expenditure the Government would completely wipe out the practice of incurring excess expenditure rendering it a relic of the past.”

## 12. Delay in submission of explanatory notes on excess expenditure

12.1 As per the extant practice, the Ministries and Departments of Government of India are required to furnish the explanatory notes to the PAC in respect of excess registering grants/appropriations in a particular financial year. The Monitoring Cell in the Department of Expenditure has been entrusted with the task of coordination, collection and timely submission of explanatory notes from different Ministries/Departments on the basis of the recommendations made by the Committee in paragraph 65 of their First Report (11th Lok Sabha).

12.2 The successive PACs have been voicing serious concern over delay in submission of explanatory notes on excess expenditure by the concerned Ministries/Departments. The Committee in para 8.3 of their 23rd Report (13th Lok Sabha) recommended that from the financial year 2001-2002 onwards, the details in respect of each excess registering Grants/ Appropriation be prepared by the concerned Ministries/Departments and forwarded to the Ministry of Finance within such a time limit that these explanatory notes could be made simultaneously available alongwith the Appropriation Accounts to the Public Accounts Committee.

12.3 Following the recommendation of the Committee, the office of the Controller General of Accounts (CGA) has prescribed a procedure requiring Ministries/Departments to furnish Explanatory Notes alongwith the Appropriation Accounts to the Public Accounts Committee.

12.4 While the Explanatory Notes relating to Ministry of Defence and Railways were received within the stipulated period, the explanatory notes relating to the Grant operated by Department of Posts were received only on 22 July, 2002, after the delay of more than 3 months though the Appropriation Accounts were laid on the Table of the House on 16.04.2002. Similarly, the duly vetted Explanatory Notes on excess expenditure incurred under Grant No. -1 Department of Agriculture and Cooperation are yet to receive though the Appropriation Accounts (Civil) was laid on the Table of the House on 15.03.2002.

### **13. Examination of some Selected Grants/Appropriations Appropriation Accounts (Defence Services)**

#### **Grant No.21 – Defence Ordnance Factories**

13.1 The scrutiny of Appropriation Accounts (Defence Services) indicates that the voted section of Grant No.21- Defence Ordnance Factories registered excess expenditure to the tune of Rs.229.70 crore during 2000-2001 as under:

(Rs. in crore)

No. & Name of Grant	Sanctioned provision	Actual expenditure	Excess expenditure
21-Defence Ordnance Factories	580.20	809.90	229.70

13.2 The explanatory note on the circumstances leading to excess expenditure during the year 2000-2001 as furnished by Ministry of Defence is reproduced at Appendix-II.

13.3 The Ministry of Defence in their explanatory note submitted to the committee have stated that the excess of Rs.229.70 crore was the net effect of total excess of Rs.3.93 crore, shortfall in supply to services of Rs.313.22 crore, total savings of Rs.86.38 crore and surrender of Rs.1.07 crore under various sub-heads of the Grant.

13.4 The sub-heads under which excess of Rs.5 lakh and above occurred under this Grant are indicated below with contributory reasons as furnished by Ministry of Defence::

(Rs. in crore)

No. & Name of Sub-head	Sanctioned provision	Re-appropriation	Final provision	Actual Expenditure	Excess with reference to final provision	Contributory reasons as stated by the Ministry of Defence
“106-Renewal and Replacement”	250.00	(-)50.00	200.00	203.93	3.93	Payments made to DGS&D against supply of machineries under Rate Contract
“901-904-Deduct Recoveries”	(-)5391.17	(-)131.22	(-)5522.39	(-)5209.17	313.22	Shortfall in issues to Army in respect of Ammunition and vehicles

13.5 It is seen from Audit Report that Budget Estimates for the grant relating to Ordnance Factories are prepared after taking into account anticipated recoveries against the supplies to be made to Army, Navy and Air Force etc. Audit scrutiny of the grant revealed that the actual recoveries fell short of the estimates to the tune of Rs.313.22 crore. The main reason attributed by the Ministry for the shortfall in recoveries was due to non-materialisation of supplies to Army in respect of ammunition and vehicles.

13.6 The Ministry in their explanatory note have stated that in order to avoid excess expenditure in future, the observations contained in Para 8 of the 14th Report of PAC (13th Lok Sabha) have been circulated to all the estimating authorities for information and strict compliance vide MoD(Fin.)ID No. 10(3)/B-I/2000 dated 11.7.2002. It has also been observed that excess expenditure of Rs.68,658 was also incurred during the year 1999-2000 under this Grant.

13.7 The scrutiny of Grant No.21 also reveals that under Revenue Section (Voted) of the Grant, the Ministry of Defence surrendered Rs.1.07 crore though there were no unspent provisions under the Grant, on the contrary the Ministry had to incur the excess expenditure of Rs.229.70 crore.

13.8 The committee ascertained/found from their scrutiny that no supplementary provisions were obtained under this Section of the Grant in order to avoid excess expenditure.

#### **14. Appropriation Accounts (Postal Services)**

14.1 A perusal of the Appropriation Accounts of Postal Services reveals that there was an overall excess expenditure of Rs.17,26,000 over the sanctioned provision under Revenue-Charged (Rs.7,14,000) and Capital-Charged (Rs.10,12,000) Sections of Grant No.11 – Postal Services – during the year 2000-2001. The details of excess expenditure under this grant are as below:

Grant No.11 – Postal Services  
(In unit of Rs.)

Original Grant	Supplementary Grant	Total grant	Actual expenditure	Excess expenditure
Revenue – Charged				
1,00,000	1,50,000	2,50,000	9,64,000	7,14,000
Capital – Charged				
NIL	38,65,000	38,65,000	48,77,000	10,12,000
			Total excess Expenditure :	17,26,000

14.2 It would be seen from the above table that under Revenue - Section (Charged) of the Grant, the total provision was Rs.100 thousand. This was augmented to Rs.250 thousands by obtaining supplementary Grant of Rs.150 thousands. Against this, the expenditure of Rs.964 thousands was incurred resulting in excess of Rs.714 thousands.

14.3 No provision had originally been made under Capital Section (Charged) of the Grant. The Department of Posts took a supplementary grant of Rs.38,65 thousands subsequently. The Ministry, however, incurred an expenditure of Rs.48,77 thousands resulting in excess expenditure of Rs.10,12 thousands.

14.4 The complete text of the explanatory notes furnished by the Department of Posts for regularisation of excess expenditure incurred during 2000-2001 is enclosed at Appendix-III.

14.5 Explaining the reasons for excess expenditure under this Grant, the Ministry in their explanatory note have stated that excess expenditure under both the Sections of the Grants was incurred to honour the Court judgement. As the court judgement was received at the fag end of the year, it was not possible to obtain Supplementary Grant. According to them, there was no other alternative but to incur the expenditure in order to honour the court judgement.

## **15. Appropriation Accounts (Railways) Grants/Appropriations operated by the Ministry of Railways**

15.1 Out of 16 Voted Grants and 12 Charged Appropriations operated by Ministry of Railways (Railway Board), excess expenditure aggregating Rs.0.14 crore has been incurred under three Revenue appropriations and two capital appropriations during 2000-2001 as detailed below:

(In unit of Rs.)

No. & Name of Sub-head	Final Grant	Actual Expenditure	Misclassification of expenditure	Actual excess Expenditure requiring regularisation
3 – General Superintendence and Services	2,06,000	2,10,942	--	4,942

6 – Repairs & Maintenance of Carriages & wagons	1,00,000	1,41,204	---	41,204
7 – Repairs & Maintenance of Plant and Equipments	---	33,182	---	33,182
16 – Assets – Acquisition Construction and Replacement – Open Line Works Revenue	---	28,664	---	28,664
16 – Assets – Acquisition – construction and Replacement Capital	6,41,04,000	6,51,21,138	3,10,410	13,27,548
Total excess expenditure: 14,35,540				

15.2 The above table indicates that the Appropriation No.16-Assets-Acquisition, Construction and Replacement-Capital alone incurred excess expenditure to the tune of Rs.13,27,548 which is approximately 92% of the whole excess expenditure incurred by the Ministry of Railways during 2000-2001.

15.3 It is also seen from the above table that excess expenditure of Rs.33,182 and Rs.28,664 was incurred under Appropriations No.7 – Repairs and Maintenance of Plant and Equipments and 16 – Assets – acquisition construction and Replacement – Open Line Works Revenue respectively but there was no sanctioned provision available under these appropriations.

15.4 The complete text of the reasons for excess expenditure incurred under aforesaid appropriations, as furnished by the Ministry of Railways is reproduced at Appendix-IV.

## 16. Persistent excess expenditure by the Ministry of Railways

16.1 The following table shows the excess expenditure incurred during the period 1991-92 to 2000-2001 by Ministry of Railways:

(Rs. in crore)

Year	No. of cases	Excess expenditure
1991-92	9	294.01
1992-93	3	539.28
1993-94	8	1216.83
1994-95	5	392.10
1995-96	4	603.27
1996-97	11	191.34
1997-98	7	160.34
1998-99	9	349.40
1999-2000	8	56.79
2000-2001	5	0.14

16.2 It is seen from the above table that during 2000-2001 the Ministry of Railways witnessed significant decline in number of excess registering grants/appropriations as well as in aggregate excess expenditure as compared to earlier years.



## **17. Persistent excess expenditure under Appropriation No.3 – General Superintendence and Services.**

17.1 The Committee's further scrutiny of Appropriation Accounts (Railways) has revealed that the Appropriation No.3-General Superintendence and Services had been showing recurring trend of excess expenditure during the years 1996-97 to 2000-2001 as seen below:

No. & Name of Appropriation	Year	Excess expenditure
3-Working Expenses-General Superintendence and Services	1996-97	5,59,900
	1997-98	17,943
	1998-99	25,520
	1999-2000	1,37,852
	2000-2001	4,942

17.2 Commenting on the recurring phenomenon of excess expenditure during the years 1997-98 to 1999-2000 in respect of Appropriation No.3, 4 and 9, the Committee in their 30th Report (13th Lok Sabha) presented to Parliament on 21.03.2002 had desired the Ministry of Railways to carefully examine their existing system of preparation of Budget estimates and the system of monitoring with a view to replace the same by new mechanism which could be pragmatic enough to ensure not only preparation of realistic and meaningful budget but also timely initiation of corrective steps in case of aberrations during the financial year.

17.3 In their Action Taken Note submitted to the Committee, the Ministry have stated that the Railways have a well set mechanism of monitoring and control. According to them, the present mechanism and procedures have no major defects. However, to strengthen the system, the Committee's observations are being circulated to the Railways.

## **18. Appropriation No.16-Assets-Acquisition, construction and replacement-capital**

18.1 A scrutiny of the explanatory note furnished by the Ministry of Railways reveals that "Appropriation No.16-Assets-Acquisition, Construction and Replacement-Capital" alone accounted for an excess of Rs.13.27,548 which is approximately 92% of the total excess expenditure incurred by the Ministry of Railways during 2000-2001. The Ministry have stated that the actual expenditure exceeded the provision as more decretal payments than anticipated materialized towards the end of the year.

18.2 It is also seen from the explanatory note furnished by the Ministry of Railways that the Supplementary Appropriation of Rs.141.04 lakhs was sanctioned for additional payments towards satisfaction of court decrees. The charged Appropriation, however, proved to be inadequate.

## **19. Misclassification of expenditure by the Ministry of Railways**

19.1 The scrutiny by the Committee revealed that there was a misclassification of Rs.3,10,410/- under appropriation No.16 – Assets- Acquisition, Construction and Replacement - Capital on account of expenditure relating to Charged Appropriation having been wrongly booked as Voted.

19.2 In their Action Taken Note on the recommendation contained in the 30th Report of PAC (13th Lok Sabha) regarding elimination of the chances of misclassification, the Ministry of Railways inter-alia, stated in their Action Taken Note:

“Recommendations of the Public Accounts Committee regarding misclassification of expenditure have been noted. In view of the recurring trend of misclassifications, a special study has recently been carried out by the individual Railway/Unit to determine measures that can be taken to prevent misclassification of expenditure in frequently recurring cases of misclassification of expenditure and submit their Reports to Ministry of Railways. On the basis of these reports a detailed set of instructions have been prepared and communicated to the General Managers of All Indian Railways vide Railway Board’s letter No. 2000.APP/7-2/PAC/Para 15 dated 11.02.2002 for their implementation. These instructions are in addition to the instructions which have already been circulated earlier from time to time. It is hoped, that, with the above measures, the incidence of avoidable misclassifications will come down.”

## **Conclusions and Recommendations**

20.1 The Committee note that an expenditure of Rs.230.45 crore has been incurred in excess of the sanctioned provision in 9 cases under 7 Grants/ Appropriations during 2000-2001. It has been observed that out of 7 excess registering Grants/Appropriations, the grant No. 21 – Defence Ordnance Factories alone recorded the highest excess expenditure i.e. Rs. 229.70 crore which is 99.67 percent of the total excess expenditure incurred by the Union Government during this period. It has also been observed that Grant No. 11 – Postal Services which has not witnessed any excess expenditure during the years 1996-97, 1997-98, 1998-99 and 1999-2000 have suddenly incurred an excess expenditure of Rs.17,26,000 under Revenue-Charged (Rs.7,14,000) and Capital- Charged (Rs.10,12,000) sections of the Grant during 2000-2001. In the case of appropriations administered by Ministry of Railways an excess expenditure amounting to Rs. 14,35,540 was incurred under three Revenue and two capital appropriations, out of which Appropriation No.16–Assets–Acquisition, Construction and Replacement - Capital alone incurred excess expenditure to the tune of Rs.13,27,548 which is approximately 92% of the whole excess expenditure incurred by the Ministry of Railways during the year under review. The Committee note that the excess expenditure which had come down to the extent of Rs.57.36 crore only during 1999-2000 suddenly rose upto Rs.230.45 crore during 2000-2001. The Committee find that excluding the excess expenditure of Ministry of Defence, the excess expenditure under other Grants has come down remarkably. The Committee, therefore, reiterate their earlier recommendations that with proper budget accounting system and monitoring of expenditure flow and timely utilisation of the enabling provision of seeking supplementary grants, excess expenditure can surely be avoided.

20.2 The Committee also observe that excess expenditure during 2000-2001 had occurred even after obtaining Supplementary Grants of Rs.182.19 thousands in 4 out of 9 cases of excess registering grants/appropriations. In the case of Grant No.1 – Department of Agriculture and Cooperation and Grant No. 11 – Postal Services (Revenue – Charged) surprisingly, the excess expenditure incurred is even higher than the supplementary Grants obtained. This should so happen, despite clear stipulation in the Financial Rules that no expenditure should be incurred which might have the effect of exceeding the total grant or appropriation authorised by Parliament by law for a financial year except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund, is a matter of greater anxiety and concern. The Committee view such cases as clear instances of inefficacious planning, lack of foresight and monitoring on the part of budget controlling authorities.

20.3 Another instance of bad budgeting is revealed in the surrender of funds. Although the General Financial Rules (GFR) clearly stipulate that the portion of a grant or appropriation not utilised by the spending departments has to be communicated to the Ministry of Finance for its reallocation elsewhere. The Committee are constrained to observe that during 2000-2001 in excess registering Grant No. 1 – Department of Agriculture and Cooperation and Grant No. 21 – Defence Ordnance Factories, surrender of funds was made though no unspent provisions were available for surrender. The Committee consider it a sad reflection on the adequacy of coordination and information accounting system and also a collective failure on the part of programme division and Budget Controlling authorities in the respective Ministries/Departments.

20.4 The Committee are unhappy to note delay in submission of explanatory notes by the Department of Posts and Department of Agriculture and Cooperation during 2000-2001. The Committee note that in pursuance of their recommendation made in their 23rd Report (13th Lok Sabha), the Controller General of Accounts has prescribed a procedure which require Ministries/Departments to furnish explanatory notes alongwith the Appropriation Accounts to the Public Accounts Committee well in time. The Committee hope that the explanatory notes on excess expenditure be made available to the Public Accounts Committee alongwith the Appropriation Accounts failing which they would consider it a cogent enough ground to send for the Departmental head for their oral examination.

20.5 The Committee note that against the sanctioned provision of Rs.580.20 crore under Grant No. 21 – Defence Ordnance Factories, the Ministry of Defence incurred expenditure of Rs.809.90 crore resulting in an unrecovered excess of Rs.229.70 crore. The Ministry in their explanatory note have stated that the excess of Rs.229.70 crore was the net effect of total excess of Rs.3.93 crore, shortfall in supply to services of Rs.313.22 crore, total savings of Rs.86.38 crore and surrender of Rs.1.07 crore under various sub-heads of the Grant. The Committee have observed that no supplementary provisions were obtained under this Section of the Grant in order to avoid excess expenditure. The reasons explained by the Ministry lead the Committee to an obvious conclusion that the Ministry of Defence have, at no stage, been able to precisely anticipate, assess and provide for the funds actually required by them under the various heads of Grant. The excess has occurred mainly under the Heads “106 – Renewal and Replacement” (Rs.3.93 crore) due to Payments made to DGS&D against supply of machineries under Rate contract and “901 – 904 – Deduct Recoveries” (Rs.313.22 crore) due to shortfall in issues to Army in respect of ammunition and vehicles. It has also been observed that excess expenditure of Rs.68,658 was also incurred during the year 1999-2000 under this Grant. As usual the Ministry have informed that in order to avoid recurrence of any excess in future, the observations contained in para 8 of the 14th Report of the PAC (13th Lok Sabha) has been circulated to all the estimating authorities for information and strict compliance. The Committee are optimistic that the Ministry of Defence would ensure strict observance of the existing instructions so as to avoid excess expenditure.

20.6 In the course of their examination of Appropriation Accounts (Postal Services) for 2000-2001, the Committee found that there was an overall expenditure of Rs.17,26,000 over the sanctioned provision under Revenue-Charged (Rs.7,14,000) and Capital-Charged (Rs.10,12,000) sections of Grant No.11 – Postal Services. They also found that this excess expenditure had occurred despite obtaining a total supplementary grant of Rs.40,15,000 under both the sections of the Grant. On scrutiny of the explanatory note furnished by the Department of Post, the Committee find that excess expenditure under both the Sections of Grant was incurred to honour the Court judgement. The Committee do not accept the stock reply of the Department that the excess expenditure occurred due to receipt of court judgement at the fag end of the year and that it was not possible to obtain Supplementary Grant. The Committee would like to be apprised of the exact date when the court judgement was passed and the date when received in the Ministry.

20.7 The scrutiny of the Appropriation Accounts (Railways), by the Committee reveals that out of 16 Voted Grants and 12 Charged Appropriations operated by

Ministry of Railways (Railway Board), excess expenditure aggregating Rs.0.14 crore has occurred under three Revenue and two Capital appropriations during 2000-2001. The Appropriation No. 16-Assets-Acquisition, Construction and Replacement-Capital alone incurred excess expenditure to the tune of Rs.13,27,548 which is approximately 92% of the whole excess expenditure incurred by the Ministry of Railways during 2000-2001. The Committee's examination has further revealed that excess expenditure of Rs.33,182 and Rs.28,664 was incurred unauthorisedly under Appropriations No.7-Repairs and Maintenance of Plant and Equipments and 16 – Assets – acquisition Construction and Replacement – Open line works Revenue respectively. Similarly, excess expenditure has persistently occurred during 1996-2001 in respect of Appropriation No. 3 – Working Expenses – General Superintendence and Services.

An analysis of the reasons for excess expenditure over authorised allocations furnished by the Ministry indicates that defective estimation of monetary requirements, lack of proper and timely review and monitoring of the flow of expenditure and avoidable misclassification have contributed to excesses. Though the overall excess expenditure in the Railways has come down progressively, the committee would like to reiterate the need for more greater accuracy in estimation of monetary requirements and better budgetary control so as to avoid excess expenditure.

20.8 Another instance of bad budgeting is revealed in the operation of Appropriation No. -16- Assets - Acquisition, Construction and Replacement – Capital under which excess expenditure requiring regularisation works out to Rs. 13,27,548. What is more regrettable is the fact that supplementary Appropriation of Rs. 141,04,000 sanctioned for satisfying court decrees proved inadequate leading to excess expenditure on account of decretal payments. The Committee while deploring such a casual approach, are of the considered view that excess expenditure incurred after seeking supplementary provision was wholly unwarranted and avoidable.

20.9 The Committee note that there was a misclassification of Rs. 3,10,410/- under Appropriation No. 16 – Assets - Acquisition, Construction and Replacement - Capital on account of expenditure relating to charged Appropriation having been wrongly booked as voted. In their action taken notes on the 30th Report of the committee (13th Lok Sabha), the Ministry of Railways have assured that the recommendation of PAC regarding misclassification of expenditure have been noted. The committee also note that pursuant to their earlier recommendation, the measures suggested by the special study conducted by the Railways in this behalf, have been communicated as instructions to the General Managers of the Railways. While appreciating the efforts made by the Ministry of Railways to prevent misclassification of expenditure, the Committee hope that with the strict implementation of the proposed measures the Ministry of Railways would be able to overcome the problem of misclassification of expenditure in future.

20.10 Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in Paragraph 8.1 of this Report be regularized in the manner prescribed in Article 115(1)(b) of the Constitution of India.

New Delhi;  
17 December, 2002  
26 Agrahayana, Saka (1924)

SARDAR BUTA SINGH  
Chairman,  
Public Accounts Committee