

# FORTY-FIFTH REPORT

## PUBLIC ACCOUNTS COMMITTEE (2002-2003)

THIRTEENTH LOK SABHA

### EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (1995-96 AND 1998-99)

[Action taken on the recommendations contained in 22nd Report of PAC  
(11th Lok Sabha) and 23rd Report of PAC (13th Lok Sabha)]



*Presented to Lok Sabha on 3-3-2003  
Laid in Rajya Sabha on 3-3-2003*

LOK SABHA SECRETARIAT  
NEW DELHI

*March, 2003/Phalguna 1924 (Saka)*

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

**Sardar Buta Singh — *Chairman***

**MEMBERS**

*Lok Sabha*

2. Shri Haribhai Chaudhary
3. Shri M.O.H. Farook
4. Dr. Madan Prasad Jaiswal
5. Shri Bhartruhari Mahtab
6. Dr. K. Malaisamy
7. Dr. M.V.V.S. Murthi
8. Shri Rupchand Pal
9. Shri Prakash Paranjpe
10. Shri Ramsagar Rawat
11. Shri N. Janardhana Reddy
- \*12. Vacant
13. Shri Kirit Somaiya
14. Shri Chinmayanand Swami
- \*\*15. Shri Brij Bhushan Sharan Singh

*Rajya Sabha*

16. Shri S. Agniraj
17. Shri Santosh Bagrodia
18. Shri Prasanta Chatterjee
19. Shri K. Rahman Khan
20. Shri Bachani Lekhraj
21. Dr. Alladi P. Rajkumar
22. Prof. Ram Gopal Yadav

**SECRETARIAT**

- |                        |                             |
|------------------------|-----------------------------|
| 1. Shri P.D.T. Achary  | <i>Additional Secretary</i> |
| 2. Shri K.V. Rao       | <i>Joint Secretary</i>      |
| 3. Shri Devender Singh | <i>Deputy Secretary</i>     |
| 4. Shri B.S. Dahiya    | <i>Under Secretary</i>      |

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\* Shri Chhattarpal Singh ceased to be Member of the Committee consequent upon his appointment as Minister on 29 January, 2003.

\*\*Elected on 7.8.2002 *vice* Dr. Sahib Singh Verma ceased to be Member of the Committee consequent upon his appointment as Minister on 1.7.2002.

## INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present the Report on their behalf, do present this Forty-Fifth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Twenty-Second Report (11th Lok Sabha) and Twenty-Third Report (13th Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations (1995-96 and 1989-99)".

2. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 25 February, 2003. 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 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;  
26 February, 2003  
7 Phalgun, 1924 (Saka)

SARDAR BUTA SINGH,  
*Chairman,*  
*Public Accounts Committee.*

## CHAPTER I

### REPORT

This Report of the Committee deals with the Action Taken by Government on the observations and recommendations contained in 22nd Report of Public Accounts Committee (11th Lok Sabha) and 23rd Report of Public Accounts Committee (13th Lok Sabha) on "Excesses over Voted Grants and charged Appropriations (1995-96)" and "Excesses over Voted Grants and Charged Appropriations (1998-99)" respectively.

2. The Twenty-Second Report (13th Lok Sabha) of the Public Accounts Committee on "Excesses over Voted Grants and Charged Appropriations (1995-96)" was presented to the House on 20 November, 1997. The Report contained Nine recommendations. Of these, three recommendations [Sl. No. 1 (Para 37), 2 (Para 38), and 9 (Para 45)] pertain to more than one Ministry/Department. All the Action Taken Notes on these recommendations/observations received from various Ministries/Departments belatedly have been accepted by the Committee and are reproduced at the *Appendix-I* of the Report. Similarly the Twenty-Third Report (13th Lok Sabha) of the Public Accounts Committee on "Excesses over Voted Grants and Charged Appropriations (1998-99)" was presented to the House on 25 July, 2001. The Report contained 11 recommendations. Of these, four recommendations [Sl. No. 1 (Para 8.1) 2 (Para 8.2), 3 (Para 8.3) and 11 (Para 8.11)] pertain to more than one Ministry/Department.

3. Action Taken Notes on the recommendations/observations received from various Ministries/Departments of the Government in respect of 23rd Report (13th Lok Sabha) are reproduced at the *Appendix-II* and have been categorised as follows:

Chapter-II      Observations/Recommendations that have been accepted by the Government:—

Sl. Nos. 1 (Para 8.1), 2 (Para 8.2), 3 (Para 8.3), 4 (Para 8.4), 6 (Para 8.6), 7 (Para 8.7), 9 (Para 8.9), 10 (Para 8.10) and 11 (Para 8.11)

Chapter-III      Observations/Recommendations which the Committee do not desire to pursue in the light of the replies received from the Government:—

Sl. No. 5 (Para 8.5)

Chapter-IV      Observations/Recommendations replies to which have not been accepted by the Committee and requires reiteration:—

Sl. No. 8 (Para 8.8)

Chapter-V      Observations/Recommendations in respect of which the Government have furnished interim replies:—

—NIL—

4. The Committee will now deal with action taken by the Government on some of their Recommendations/Observations.

#### **Delay in submission of Action Taken Notes**

5. Since the 23rd Report of Public Accounts Committee (13th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (1998-99)" was presented to Parliament on 25 July, 2001 the Action Taken Notes on the recommendations contained in the Report were required to be furnished to the Committee by 24 January, 2002. The Ministry/Department-wise details of ATNs and the date of submission of these notes to the Committee by the Ministry/Department concerned are given below:

Sl. No.	Para No.	Ministry/Department Concerned	Date on which ATN received	Delay (w.e.f the due date on 24.01.2002)	
				Months	Days
	8.1	Finance	19.08.2002	6	26
		Parliamentary Affairs	18.01.2002	—	—
2.	8.2	Finance	27.06.2002	5	3
		Defence	03.07.2002	5	9
		Telecom	28.03.2002	2	4
		Railways	18.03.2002		23
3.	8.3	Finance	07.02.2002	—	14
		Home Affairs	04.07.2002	5	10
4.	8.4	External Affairs	29.10.2002	9	5
5.	8.5	Finance (Eco. Affairs)	29.10.2002	9	5
	8.6	Finance (Eco. Affairs)	15.07.2002	5	22
	8.7	Surface Transport	21.01.2002		
8.	8.8	Railways (Railway Board)	18.03.2002		23
9.	8.9	Railways (Railway Board)	18.03.2002		23
10.	8.10	Railways (Railway Board)	18.03.2002		23
11.	8.11	Finance	27.06.2002	5	03
		Defence	03.07.2002	6	09
		Telecom	28.03.2002	2	04
		Railways	18.03.2002		23

6. From the above table, it is clear that the ATNs on the recommendations contained in 23rd Report (13th Lok Sabha) were received in time only from the Ministry of Parliamentary Affairs and Surface Transport. It also indicates that there were long delays of 5 to 9 months in submission of ATNs pertaining to Ministry of Finance. Ministries of Home Affairs and External Affairs also delayed for more than 6 months and 9 months respectively in submission of the ATNs pertaining to them.

7. It is further seen that there was recurring delay in submission of Action Taken Notes by the Ministry of Finance. The following table indicates the comparative position in this regard as disclosed in the earlier reports on "Excesses over Voted Grants and Charged Appropriations" for the last five years:

Sl. No.	Report to which Action Taken Notes relate	Delay in submission of Action Taken Notes by the Ministry of Finance
	1st Report (11th Lok Sabha)	3 years
2.	22nd Report (11th Lok Sabha)	48 months
3.	1st Report (12th Lok Sabha)	More than 8 months
4.	6th Report (13th Lok Sabha)	1 ½ months
5.	23rd Report (13th Lok Sabha)	9 months

8. Taking into account the persistent delay in the submission of Action Taken Notes, the Public Accounts Committee in Para 8 of their 35th Report (13th Lok Sabha) presented to the House in April 2002 had reiterated that given the will, and with a little effort, it should be possible for the Ministries/Departments to furnish the Action Taken Notes in much quicker time in any case, save in exceptional circumstances, within the prescribed period of six months from the presentation of the Report to the House. In response to this recommendation of the Committee, the Ministry of Finance issued instructions to all the Ministries/Departments of the Government on 23 May, 2002.

9. The Committee have been constantly emphasising, the need for ensuring that their recommendations receive prompt attention, and also for scrupulously observing the time-schedule prescribed in their 5th Report (4th Lok Sabha) for the submission of Action Taken Notes to the Committee. Though there has been perceptible improvement in submission of ATNs, in respect of some Ministries unconscionable delays continue to recur. There were delays of 5 to 9 months in submission of Action Taken Notes pertaining to the Ministry of Finance. Ministries of Defence, Home Affairs and External Affairs also delayed more than 7 months in the submission of the Action Taken Notes pertaining to them. The Committee are optimistic that with modern facilities of internetting and speedier means of communications, all the Ministries/Departments would ensure that Action Taken Notes are furnished to the Committee within the stipulated time with proof of tangible action.

#### **Delay in submission of explanatory notes Sl. No. 3 (Para 8.3)**

10. Expressing concern over the non-submission of the requisite explanatory notes on the excess expenditure incurred, the Committee in para 8.3 of 23rd Report (13th Lok Sabha) had recommended that from the financial year 2001-2002 onwards, the detailed explanatory notes in respect of each excess registering Grant/

Appropriation be prepared by the concerned Ministries/Departments and forwarded to the Ministry of Finance within such a time limit that these explanatory notes are also made simultaneously available alongwith the Appropriation Accounts to the Public Accounts Committee. The Committee would also like the Ministry of Finance to evolve a proper procedure in this regard and keep the Committee informed.

11. The Ministry of Finance (Department of Expenditure—Monitoring Cell) in their Action Taken Notes have stated that in pursuance of the aforesaid recommendation, the office of Controller General of Accounts has prescribed a procedure which will enable the Ministries/Departments to furnish explanatory notes alongwith the Appropriation Accounts to the Public Accounts Committee.

12. Similarly in response to the recommendation made by the Committee in Paragraph 38 of their 22nd Report (11th Lok Sabha), the Ministry of Finance (Department of Expenditure) had stated that the system of monitoring explanatory notes as well as Action Taken Notes had been completely over hauled in the "Monitoring Cell".

13. The Committee note that submission of Explanatory notes is an off-repeated exercise carried out by the concerned Ministries/Departments and the Committee therefore, see no other apparent reason save want of effective co-ordination between the responsible for delay in the submission of notes explaining the reasons and circumstances for such excess expenditure. The Committee feel that if the procedure prescribed by the Controller General of Accounts for timely submission of explanatory notes is adhered to scrupulously, such delays can surely be avoided.

**Excess expenditure under Grants/Appropriations operated by  
Ministry of Railways (Railway Board)  
Sl. No. 8 (Para 8.8)**

14. While commenting on the excess expenditure of Rs. 349.40 crore incurred by the Ministry of Railways (Railway Board) under four grants and five appropriations during 1998-99, the Committee in para 8.8 of their 23rd Report (13 Lok Sabha) had observed:

"The wide variations between the budgeted figures and the actual expenditure leads the Committee to an obvious conclusion that Ministry of Railways have failed to precisely anticipate, assess and provide for the funds actually required by them. There is no doubt that by a better control over expenditure and more accurate estimation of liabilities, much of the excess expenditure could have been avoided. The Committee observe that the Ministry while submitting Action Taken Notes on the earlier Report of the Committee (6th Report - 13th Lok Sabha) had informed that the Railways were in the process of implementing a computer-based Financial Management Information System (FMIS), besides other measures, on different Zonal Railways and Software for Budget preparation was also being upgraded. The Committee had been assured that these measures would enable the field units and Zonal Railways to assess the fund requirements

more realistically and also lead to better expenditure control. The Committee, however, find from the recurrence of huge excess expenditure during the year 1998-99 that the expenditure control measures stated to be initiated by the Railways have yet to show the desired improvement in the budgetary process in the Railways. What is more disturbing is the fact that the persistent trend in the incurring of excess expenditure by the Railways has remained unabated despite the measure stated to be adopted by the Railways. Obviously, the existing mechanism for control of expenditure has failed to effectively check the unabated trend of excess expenditure in different grants/appropriations. The Committee would, therefore, recommend that the Railways pinpoint the inadequacies and evolve an effective mechanism to bring continual and progressive systemic improvement in accurate estimation of budget requirements under various grants/appropriations".

15. The Ministry of Railways (Railway Board) in their Action Taken Notes stated that there is a constant endeavour in this Ministry to control the incidence of excess expenditure. As regards Financial Management & Information System (FMIS) and up-gradation of the Budget Software they have stated that these are still under the evolving stages, and their fruitfulness in assessment, monitoring and expenditure control can be evaluated only after they are fully implemented.

16. The Committee are distressed to point out that excess over authorised provisions under the Grants/Appropriations operated by Ministry of Railways continues to occur year after year. The Ministry of Railways in their Action Taken Notes on 6th Report (13th Lok Sabha) had informed the Committee that the Railways were in the process of implementing a computer based Financial Management Information System (FMIS) besides other measures on different Zonal Railways and Software for Budget preparation were also being upgraded. The Ministry in their Action Taken Notes on 23rd Report (13th Lok Sabha) have now stated that these are still under the evolving stages, and their fruitfulness in assessment, monitoring and expenditure control can be evaluated only after they are fully implemented. Needless to say the Committee would like the Railway Board to speed up the process of implementation of the new computer based Financial Management Information System so that excess/unauthorized expenditure is avoided.

#### **Misclassification of Expenditure** **Sl. No. 10 (Para 8.10)**

17. Taking note of the recurring trend of misclassifications without any visible sign of improvement, the Committee in Para 8.10 of their 23rd Report (13th Lok Sabha) had desired the Railway Board to enquire into the reasons and circumstances for preparing defective accounts, to identify the individual officers responsible for such mistakes and to initiate suitable corrective action thereon.

18. In their Action Taken Notes submitted to the Committee, the Ministry of Railways (Railway Board) have stated that as regards the cases of misclassifications

which arose due to different perceptions, Zonal Railways Units have been instructed to make efforts to discuss and sort out such cases in consultation with their Audit, in case of any disagreement, minutes of discussion together with Audit observations may be submitted to the Ministry of Railways for resolving with DAI (Railways) at the time of finalisation of Appropriation Accounts. For cases which arose as a result of lack of care and which could therefore have been avoided, responsibilities of concerned staff/officer has been fixed and they have been taken for the lapses.

19. They have further stated that a special study is being carried out by the individual Railway/Unit to determine measures that can be taken to prevent misclassification of expenditure in frequently recurring cases and the Reports thereof will be summarised to issue a detailed set of instructions for common implementation. According to them, it will be the constant endeavour of the Railways to reduce misclassification while allocating expenditure to the different heads of accounts.

20. Noticing the recurring trend of misclassifications of expenditure in the Railways, the Committee in para 8.10 of their 23rd Report (13th Lok Sabha) had asked the Railways to enquire into the reasons and circumstances for preparing defective accounts, to identify the individual officers responsible for such mistakes and to initiate suitable corrective action. While appreciating the steps taken by the Ministry to overcome this problem, the Committee hope that with the implementation of the FMIS, the Ministry of Railways would be able to avoid misclassifications of expenditure as well. The Committee would like to be apprised of the outcome of the special study being carried out to determine measures to be taken to prevent misclassification and the follow up action taken thereon.

## **APPENDIX-I**

### **ACTION TAKEN NOTES ON THE RECOMMENDATIONS CONTAINED IN 22ND REPORT OF PAC (11TH LOK SABHA) ON "EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (1995-96)"**

#### **Recommendation**

The Committee note that an expenditure of the order of Rs. 745.00 crore had been incurred by various Ministries/Departments of the Union Government in excess of the sanctioned provisions under nine grants during the year 1995-96. Distressingly, excess expenditure during the year under review had not only increased as compared to excess of Rs. 481.09 crore reported in the previous year 1994-95 but had also occurred in all the sectors of the Union Government activities viz., Civil, Defence Services, Postal Services, Telecommunication Services and Railways. The Committee are particularly astonished over the fact that this excess expenditure had occurred despite obtaining supplementary provision of Rs. 3270.31 crore in all the cases of excess registering grants. Another feature observed by the Committee is that the quantum of excess expenditure had exceeded over Rs. one crore in as many as seven out of the total nine grants which registered excess expenditure. The Committee view this state of affairs with grave concern and they feel that their oft-repeated concern for observing greater financial discipline and the instructions issued by the Ministry of Finance in pursuant thereto, has not yielded desired results. Evidently, certain Ministries/Departments of Government of India continue to incur expenditure beyond the sanctioned limits without due regard to the canons of financial propriety. The Committee are in no doubt that lack of proper monitoring of the progress of expenditure and failure to assess actual requirement of funds by the Ministries/Departments are the main factors giving rise to the present state of affairs. The Committee, therefore, desire that the Ministry of Finance should effectively impress upon the Ministries to strengthen their existing mechanisms so as to put their budgetary and accounting information systems on proper footing. Steps should also be taken to ensure strict observance of financial rules to minimise instances of excess expenditure and deal sternly with any aberrations noticed in following the prescribed rules.

[Sl. No. 1 Appendix VI Para 37 of 22nd Report of PAC (11th Lok Sabha)]

#### **Action Taken**

In terms of the General Financial Rules, 1963, the responsibility of proper monitoring of expenditure *vis-a-vis* framing of realistic budgetary estimates rests with Ministries/Departments of the Government of India. Section VII of the General Financial Rules, 1963 pertaining to "Control of Expenditure" lays down the provisions as are required to be followed to exercise control over expenditure against the sanctioned grants and appropriations placed at the disposal of the Department administratively concerned with the Grant(s). Rules 65 to 69 and the various Government of India's decisions thereon provide for the detailed procedure that should be followed for exercising such a control over expenditure against the sanctioned Grants. The Financial Advisers of the Ministries/Departments are

responsible for ensuring that the prescribed financial rules and procedures are invariably followed. The Heads of Departments had, accordingly, been advised *vide* D.O.No. 12(1)E-Coord./97 dt. 1.4.1997 (copy enclosed) from Secretary (Expenditure). The Ministries/Departments had also been advised to devise a suitable mechanism for tightening the control over exchequer. The Departments/Ministries *vide* letter No. 12(4) E-Coord/97 dated 6.1.1998 (copy enclosed) have now again been advised to be vigilant in the matter and deal sternly with any slackness, if noticed, in following the canons of financial propriety.

This has been vetted by the Audit *vide* U.O. No. RR/1-23/97-98/1406 dated 22/27th January, 1998.

Sd/-

(D. Swarup)  
Joint Secretary

[Ministry of Finance Department of Expenditure E-Coord. U.O. No. 12(3)E-Coord./97 dated 6.2.1998]

COPY O.M. NO. 12(4)E-COORD/97 DATED 6.1.98 FROM SHRI D.P. ROY,  
DIRECTOR(A), MIN. OF FINANCE (EXP.) TO FA DEFENCE, TELECOM.,  
POST, AND FINANCIAL COMMISSIONER (RAILWAYS)

\*\*\*\*\*

Subject:— Action taken on the recommendations contained in the Twenty  
Second Report of the Public Accounts Committee (Eleventh Lok  
Sabha) on Excesses over Voted Grants and Charged Appropriations  
(1995-96)

The undersigned is directed to enclose a copy of the recommendation contained  
in Para 37 of the 22nd Report of PAC (11th Lok Sabha).

2. This relates to expenditure incurred by the various Ministries/Departments  
of Union Govt. in excess of the sanctioned provisions under nine grants during the  
year 1995-96. The quantum of excess expenditure has exceeded Rs. 1 crore in as many  
as seven out of the nine grants which had registered excess expenditure. The Committee  
have adversely commented upon the lack of observance of canons of financial propriety  
by the Ministries/Departments. It has been emphasised that the existing mechanism  
of having budgetary control should be further tightened. In this connection, attention  
of the Ministries/Departments is invited to the D.O. No. 12(1)E-Coord./97 dated 1.4.97  
from Secy. (Exp.) (Copy enclosed) to all Secretaries/FAs of the Ministries/Departments  
wherein it was impressed upon all concerned that the instructions as issued by the  
Finance Ministry from time to time in this regard should be observed strictly. Also, it  
was required of the Ministries/Departments to devise a suitable mechanism to tighten  
exchequer control and deal sternly with cases where any slackness in following the  
prescribed financial Rules is noted.

3. Your Deptt. may like to take suitable action in the matter. ATN on the above  
mentioned para be forwarded to Lok Sabha Sectt. direct under intimation to this  
Department.

Sd/-  
(D.P. Roy)

COPY OF D.O. LETTER NO. 12(1)E-COORD/97 DATED 1ST APRIL, 1997 FROM  
SECRETARY (EXPENDITURE) TO ALL SECRETARIES AND FAs.

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The Public Accounts Committee in Para 62 (copy enclosed) of its first Report (Eleventh Lok Sabha) has adversely commented that the budget Estimates of the Ministries/Departments of the Government of India are not realistically prepared which leads to large scale savings or excess expenditure.

2. Section VII-Control of Expenditure of Chapter 5—Budget Grants and Appropriation of General Financial Rules (Rules 65 to 75) provide for detailed procedure that should be followed to control expenditure so that it neither leads to excess expenditure or large scale savings. This Ministry has also been issuing instructions from time to time that the Budget estimates should be prepared on realistic basis and proper monitoring of the progress of expenditure should be undertaken periodically. However, the position does not seem to have improved.

3. I shall, therefore, request that the instructions issued by the Ministry of Finance in the matter from time to time and the provisions contained in the financial rules are observed strictly to ensure that no expenditure is incurred in excess of the authorised limits. You may like to devise suitable mechanism for tightening the exchequer control and deal sternly with cases where any slackness in following the prescribed financial rules is noticed.

Sd/-  
(N.K. Singh)

## VII. CONTROL OF EXPENDITURE

Rule 65.(1) The Department of the Central Government administratively concerned or the authority on whose behalf a Grant or Appropriation is authorised by Parliament shall be responsible for the control of expenditure against the sanctioned grants and appropriations placed at its disposal and shall exercise its control through the Heads of Departments and other Controlling Officers, if any, and Disbursing Officers subordinate to them.

Note— An Administrator shall be regarded as a Head of Department for the purpose of the rules in this Section.

Rule 65.(2) In order that the control of Department over such expenditure may be effective and real and that the Controlling Officer should be in a position from month to month to estimate the likelihood of savings in and excesses over grants and appropriations, the procedure laid down in the following rules shall be observed by all departments and Controlling and Disbursing Officers subordinate to them, except where the Finance Ministry have agreed in writing to some other procedure.

Rule 66(1) The following procedure shall be followed by every drawing and disbursing officer in submitting claims for money:

- (i) He shall prepare and present separately bills for "charged" and "voted" expenditure.
- (ii) He shall enter on each bill the complete accounts classification from major head down to detailed head of account and state whether the expenditure is voted or charged. When a single bill includes charges falling under two or more detailed heads, the charges shall be distributed accurately over the respective heads.
- (iii) He shall enter on each bill the progressive total of expenditure up-to-date under the heads or sub-heads to which the bill relates, including the amount of the bill on which the entry is made.

Rule 66(2) In order to enable all concerned to watch expenditure especially against those portions of grants or appropriation which are particularly liable to fluctuation, the following procedure shall be followed:—

- (i) Every disbursing officer, and in respect of his own expenditure from portions of the grant or appropriation retained in his own hands, every Controlling Officer and Head of department, shall maintain a separate register in Form GFR 9, for each minor or sub-head of account with which he is concerned. In this shall be entered the necessary particulars of the charges drawn on each bill under the appropriate primary unit and detailed head. In respect of bills presented to and paid by PAOs, either the voucher number communicated by the PAO (through Form CAM 11 of the Civil Accounts Manual) or token numbers and date will be indicated in GFR 9. In the case of bills passed by a DDO under his cheque drawing powers, the relevant Serial Number given in his Bill register will, however, be indicated.
- (ii) On the third day of each month, a copy of the entries in this register, so far as these record sums actually drawn from his PAO, or under cheque drawing powers in the case of cheque drawing DDOs, during the preceding month, shall be sent in full details by the officer maintaining it to the Head of the department or other Controlling Officer. As certain of the entries in each month will represent bills which were not actually cashed before end of that month, the copy sent will include a few entries of a previous month for which the return is submitted. Adjustments on account of inward claim, etc., communicated by Pay and Accounts Officer directly to the DDO (and not to his Grant Controlling Officer) will also be included therein. If there be no entries in the register in any month, a 'nil' statement shall invariably be sent.
- (iii) In order to watch the receipt of the returns prescribed in the foregoing sub-clause the controlling Officer shall maintain a broadsheet in Form GFR 10, in which a serial number will be allotted to each individual disbursing officer. This broadsheet shall be carefully watched and reminders sent if any returns are not received by the 7th of the month, since the accuracy of the controlling Officer's accounts will depend upon the receipt of complete returns.

- (iv) On receipt of the returns from disbursing officers, the Controlling Officer shall carefully examine them and shall satisfy himself—
  - (a) that the accounts classification has been properly given;
  - (b) that progressive expenditure has been properly noted and the available balances worked out correctly;
  - (c) that expenditure up-to-date is within the grant or appropriation;
  - (d) that the returns have been signed by disbursing officers; and
  - (e) if he finds defects in any of these respects, he shall take immediate steps to rectify them.
- (v) When all disbursing officer's returns for a particular month have been received and found to be in order, the Controlling Officer shall prepare a statement in Form GFR 11, in which he will incorporate—
  - (a) the totals of the figures supplied by disbursing officers;
  - (b) the totals taken from his own registers in Form GFR 9;
  - (c) the totals of such adjustments under the various detailed heads as are communicated directly to him by the Accounts Officer on account of transfer entries and expenditure debited to the grant as a result of settlement of inward account claims and not reckoned by his DDOs.

If the Controlling Officer be not the Head of the department, he shall forward to the letter authority a copy of this statement, the copies of form GFR 9 submitted by disbursing officers and a copy of the month's entries in the register in Form GFR 9 maintained in his own office.

If any adjustment communicated by the Accounts Officer affects the appropriation at the disposal of a subordinate disbursing officer, the fact that it has been made shall be communicated by the Controlling Officer to the Disbursing Officer concerned.

- (vi) On receipt of all the necessary returns, the Head of the Department shall prepare an account in Form GFR 13, showing the complete expenditure from the grant or appropriation at his disposal up to the end of the preceding month.
- (vii) After the Appropriation Bill relating to Budget is passed the Ministries/ Departments of the Government of India shall furnish distribution of provisions in their Grants to the Concerned Heads of Departments who in turn shall be responsible for allocation thereof to their subordinate formations. The distribution of Budget provisions to the Heads of Departments and their subordinate formations shall also be communicated to the respectively Pay and Accounts Officers who shall exercise check against the allocation to each subordinate authority.

(viii) The Head of the Department and the Accounts Officer shall be jointly responsible for the reconciliation of the figures given in the accounts maintained by the Head of the Department with those appearing in the Accounts Officer's books. The reconciliation according to the procedure detailed in Annexure B to this Chapter should be made monthly, the initial responsibility resting with the Accounts Officer. The reconciliation need not be very close; its extent should be determined by the following considerations:—

- (a) that the account figures finally published will be those maintained by the Accounts Officer; and
- (b) that the main object of the reconciliation is to ensure that the departmental accounts are sufficiently accurate to render possible an efficient departmental control of expenditure.

Rule 66(3): The Head of the Department and his Controlling Officers shall take steps to maintain a careful watch over expenditure incurred from time to time on important non-recurring objects, such as grants and contributions, purchase of rations and purchase of uniforms.

In the case of expenditure relating to special occasions (*e.g.*, centenary celebrations) whose provision has not been made under a distinct head in the Demand for Grants, the controlling authority should arrange to maintain a suitable register showing the record of expenditure incurred thereon and keep proper watch over the progress of such expenditure against the sanctioned grant. Where, however, the allotment is substantial, a separate head of account should be opened in consultation with Ministry of Finance, Budget Division.

Note 1—Special rules for the control of expenditure in the other departments to which the procedural Rules in sub-Rules (1) to (3) of Rule 66 do not apply, will be contained in the departmental regulations and the Manuals of the Audit Officers/Accounts Officers concerned.

Note 2—The provisions of the rule which were relevant when Central Government DDOs were drawing their requirements from various Treasuries, will still be applicable to Departments under Union Territory Governments where the Treasury System is continuing and accounts have not been separated from audit.

Note 3—Detailed procedure regarding check against provision of funds which is contained in para 4.2.4. of the Civil Accounts Manual issued by the Controller General of Accounts, Ministry of Finance (Department of Expenditure), is reproduced as an Annexure to this Chapter.

Rule 67 deleted

Rule 68 deleted

Rule 69 : Surrender of Savings:—Departments of the Central Government shall surrender to the Finance Ministry, before the close of financial year, all the anticipated

savings noticed in the Grants or Appropriations controlled by them. The Finance Ministry shall communicate the acceptance of such surrenders as are accepted by them to the Audit Officer and/or the Accounts Officer, as the case may be, before the close of the year.

**Note 1**—The savings should be surrendered to Government immediately they are foreseen without waiting till the end of the year, unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time. No savings should be held in reserve for possible future excesses.

**Note 2**—Provision that cannot be profitably utilised should be surrendered. It is contrary to the interest of the Government that money should be spent hastily or in ill-considered manner merely because it is available or that the lapse of a grant could be avoided. The existence of likely savings should not be seized as an opportunity for introducing fresh items or expenditure which might wait till the next year.

**Note 3**—Rush of expenditure particularly in the closing months of the financial year shall be regarded as a breach of financial regularity and should be avoided.

## **ACTION TAKEN NOTE ON**

### **22ND REPORT OF THE PUBLIC ACCOUNTS COMMITTEE (1997-98) (ELEVENTH LOK SABHA) EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (1995-96).**

Name of Ministry

Ministry of Defence

The Committee note that an expenditure of the order of Rs. 745.80 crore had been incurred by various Ministries/Departments of the Union Government in excess of the sanctioned provisions under nine grants during the year 1995-96. Distressingly, excess expenditure during the year under review had not only increased as compared to excess of Rs. 481.09 crore reported in the previous year 1994-95 but had also occurred in all the sectors of the Union Government activities viz., Civil, Defence Services, Postal Services, Telecommunication Services and Railways. The Committee are particularly astonished over the fact that this excess expenditure had occurred despite obtaining supplementary provisions of Rs. 3270.31 crore in all the cases of excess registering grants. Another feature observed by the Committee is that the quantum of excess expenditure had exceeded over Rs. one crore in as many as seven out of the total nine grants which registered excess expenditure. The Committee view this state of affairs with grave concern and they feel that their oft-repeated concern for observing greater financial discipline and the instructions issued by the Ministry of Finance in pursuant thereto, has not yielded desired results. Evidently, certain Ministries/Departments of Government of India continue to incur expenditure beyond the sanctioned limits without due regard to the canons of financial propriety. The Committee are in no doubt that lack of proper monitoring of the progress of expenditure and failure to assess actual requirement of funds by the Ministries/Departments are the main factors giving rise to the present state of affairs. The committee, therefore, desire that the Ministry of Finance should effectively impress upon the Ministries to strengthen their existing mechanisms so as to put their budgetary and accounting information systems on proper footing. Steps should also be taken to ensure strict observance of financial rules to minimise instances of excess expenditure and deal sternly with any aberrations noticed in the following the prescribed rules.

[Para 37 of 22nd Report of PAC (11th Lok Sabha)]

#### **Action Taken by the Ministry**

Out of total excess of Rs. 745.80 crores incurred by the various Ministries/Departments of the Union Government, an amount of Rs. 7 lakhs only pertains to Defence Services. However, the need to eliminate any amount of savings/excess over voted grant has been further emphasized on the Services Departments and Integrated Financial Advisers/Monitoring Groups and they have been again asked to gear up their activities and project their estimates in a realistic manner and also monitor the progress of expenditure in a more accurate and vigilant manner strictly following the

canons of financial propriety. They have also been asked to fix responsibility for any excess expenditure over the voted allocation or for any significant savings. In this regard MOD(FIN)ID No. 10(6)/B-I/97 dated 12.12.97 also refers (copy enclosed).

Sd/-

(D. LAHIRI)  
Addl. FA (D) & JS

File No. 10(6)/B-I/97

## MINISTRY OF DEFENCE (FINANCE DIVISION)

### BUDGET-I

#### SUB: MONITORING AND CONTROL OF DEFENCE EXPENDITURE

\*\*\*\*\*

The Public Accounts Committee in their 22nd Report (11th Lok Sabha) have observed that certain Ministries/Departments of Government of India continue to incur expenditure beyond the sanctioned limits without due regard to the canons of financial propriety and are of the opinion that lack of proper monitoring of progress of expenditure and failure to assess actual requirement of funds lead to large scale savings or excess expenditure. The Committee had, therefore, desired that the Ministries should strengthen their existing mechanisms so as to put their budgetary and accounting information systems on proper footing. The Committee have further desired that steps should be taken to ensure strict observance of financial rules to minimise instances of excess expenditure and deal sternly with aberrations noticed in following the prescribed rules.

2. Instructions have been issued from time to time to the estimating authorities that they should be more cautious and accurate while preparing their budget estimates before projecting the same to the Ministry. In order to avoid any saving/excess, the demands should be factual, barest minimum depending on the actual requirement/obligations. Supplementary demands whenever projected should be in rare, emergent and inescapable cases which should be restricted and confined to the genuine and unforeseen expenditure that could not be envisaged at the time of preparation of annual budget or to meet the requirement, decision or developments which have taken place after the approval of the budget *i.e.* post budget decisions and not for continuing Schemes/programmes. The progress of expenditure should be constantly monitored in order to ensure that it is contained within the sanctioned budget.

3. Despite these instructions, due to unrealistic estimation of requirements as well as inadequate monitoring of progress of expenditure, instances of savings/excesses have been reported inviting adverse comments from Audit and PAC.

4. It is, therefore, once again emphasised that the budget estimating authorities/IFAs/Monitoring Groups should gear up their activities in a manner that their projections of Budget Estimates/Revised Estimates/Supplementary Demands are fully supported by the factual and realistic requirements. Full utilisation of fortnightly/weekly compilation of account being made available in the last quarter of the year may be made while finalising the final requirement of fund under each minor head at Modified Appropriation stage. Every expending authority should monitor the progress of the expenditure in a more accurate and vigilant manner strictly following the cannon of financial propriety and responsibility should be fixed for any excess expenditure over voted allocation or for any significant savings.

5. Further, instructions may also be issued by the Service Hqrs/Departments to lower formations to eliminate the instances of large savings/excesses over voted grants.

Sd/-

(D. LAHIRI)  
Addl. FA(D) & JS

All Joint Secretaries/Addl FAs/IFAs

Addl DGFP, DNP, D Fin P, DGO, CCR&D(R), DGQA, DGNCC DG Mil Farm.

MOD(FIN) I.D. No. 10(6)/B-I/97 Dated 12.12.97.

Copy to : CGDA

## MINISTRY OF COMMUNICATION

### DEPARTMENT OF POST

#### Recommendation

The Committee note that an expenditure of the order of Rs. 745.80 crore had been incurred by various Ministries/Departments of the Union Government in excess of the sanctioned provisions 9 under nine grants during the year 1995-96. Distressingly, excess expenditure during the year under review had not only increased as compared to excess of Rs. 481.09 crores reported in the previous year 1994-95 but had also occurred in all the sectors of the Union Government activities viz. Civil, Defense Services, Postal Services, Telecommunications Services and Railways. The Committee are particularly astonished over the fact that this excess expenditure had occurred despite obtaining supplementary provisions of Rs. 3270.31 crores in all the cases of excess registering grants. Another feature observed by the Committee is that the quantum for excess expenditure had exceeded over Rs. one Crore in as many as seven out of the total nine grants which registered excess expenditure. The Committee view this state of affairs with grave concern and they feel that their oft-repeated concern for observing greater financial discipline and the instructions issued by the Ministry of Finance in pursuant thereto, has not yielded desired results. Evidently, certain Ministries/Departments of Government of India continue to incur expenditure beyond the sanctioned limits without due regard to the canons of financial propriety. The Committee are in no doubt that lack of proper monitoring of the progress of expenditure and failure to assess actual requirement of funds by the Ministries/Departments are the main factors giving rise to the present state of affairs. The Committee, therefore, desire that the Ministry of Finance should effectively impress upon the Ministries to strengthen their existing mechanisms so as to put their budgetary and accounting information systems on proper footing. Steps should also be taken to ensure strict observance of financial rules to minimise instances of excess expenditure and deal sternly with any aberrations noticed in following the prescribed rules.

[Sl. No. PAC No. 1620 Appendix VI Para No. 37 of 22nd Report of PAC  
(11th Lok Sabha)].

#### Action Taken

The reasons for excess expenditure of Rs. 73.53 crores under grant No. 13 Postal Services, Department of Post during the year 1995-96 are given below.

1. The Department of Post had sought additional requirement of Rs. 293 crores (Non-Plan) in RE under following heads.

(Rs. in Crores)

- (i) (a) Dearness Allowances 22% during the year 1994-95  
Interim Relief @ 10% and payment of Arrears.
- (b) Interim Relief @ 10% and payment of Arrears for  
Departmental ED Employees w.e.f. April 95.

(Rs. in Crores)

(c)	Payment of Bonus for 94-95 and arrear of Bonus for 1994-95 due to increase in ceiling from Rs. 1600 to 2500	
(ii)	Payment of backlog of carried over liability of OTA due to large no. of vacancies.	
(iii)	Payment of Pensionary Charges (Due to DA increase sanction of two instalments of IR to pensioners and merger of 77% DA for DCRG).	
(iv)	Payment to Govt. Printing Presses towards printing of Postal Stationery	35.00
	<b>Total</b>	<b>293.00</b>

The Ministry of Finance only approved a Supplementary grant of Rs. 162.49 crores under Non-Plan and Plan respectively, which was not adequate to cover the requirements under mandatory payments.

2. In view of the recommendations contained in 1st Report of PAC (11th Lok Sabha) adequate fund based on the requirements were given by the Ministry of Finance in the year 1996-97 and no excess expenditure has been occurred in 1996-97.
3. The Department has a suitable mechanism right from regional office to Head quarter to control the expenditure over allotment. Excesses are mainly under mandatory payments required to be made by the Department on Salary, Wages, Pension etc. which can not be stopped in the interest of service.
4. Heads of the Circles/IFAs have been instructed to adhere to financial discipline while incurring expenditure. Besides monthly monitoring is being done to ensure effective expenditure control. Strict action is also being taken against those found guilty of violations.

Sd/-

(K.S. Menon)

Joint Secretary &amp; Financial Advisor

[Ministry of Communications, DoP OM No. 13-2/97 BGT(PA) 6578

Dated 21.07.98]

## MINISTRY OF RAILWAYS

### Recommendation

The Committee note that an expenditure of the order of Rs. 745.80 crore has been incurred by various Ministries/Departments of the Union Government in excess of the sanctioned provisions under nine grants during the year 1995-96. Distressingly, excess expenditure during the year under review has not only increased as compared

to excess of Rs. 481.09 crore reported in the previous year 1994-95 but had also occurred in all the sectors of the Union Government activities viz. Civil, Defence Services, Postal Services, Telecommunication Services and Railways. The Committee are particularly astonished over the facts that this excess expenditure had occurred despite obtaining Supplementary provisions of Rs. 3270.31 crore in all the cases of excess registering grants. Another feature observed by the Committee is that the quantum of excess expenditure had exceeded over Rs. one crore in as may as seven out of the total nine grants which registered excess expenditure. The Committee view this state of affairs with grave concern and they feel that their oft-repeated concern for observing greater financial discipline and the instruction issued by the Ministry of Finance in pursuant thereto, has not yielded desired results. Evidently, certain Ministries/Departments of Government of India continue to incur expenditure beyond the sanctioned limits without due regard to the canons of financial propriety. The Committee are in no doubt that lack of proper monitoring of the progress of expenditure and failure to assess actual requirement of funds by the Ministries/Departments are the main factors giving rise to the present state of affairs. The Committee, therefore, desire that the Ministry of Finance should effectively impress upon the Ministries to strengthen their existing mechanisms so as to put their budgetary and accounting information systems on proper footing. Steps should also be taken to ensure strict observance of financial rules to minimise instances of excess expenditure and deal sternly with any aberrations noticed in following the prescribed rules.

(S.No. 1 Appendix VI Para 37 of the 22nd Report of the Eleventh Lok Sabha)

#### **Action Taken**

The observations of the Committee have been noted. Instructions for avoiding excess expenditure have already been issued to the Railways on 11.6.1997 and are being reiterated.

(O.M. No. 97-BL-PAC/XI/22 dated 15.12.99)

Sd/-

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

#### **MINISTRY OF FINANCE DEPARTMENT OF EXPENDITURE MONITORING CELL**

#### **Recommendation of the Public Accounts Committee**

According to the time schedule prescribed, the Ministries 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 specific instances of delay in furnishing the

requisite explanatory note in time, 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 the relevant explanatory notes, duly vetted by audit, on excess expenditure/savings of Rs. 100 crores and above made in respect of all the Appropriation Accounts of the Union Government for the year 1995-96 onwards. The Committee have, however, been concerned to find that while the Ministry of Petroleum and Natural Gas had forwarded their explanatory notes to the Monitoring Cell for onward transmission to the Committee in April 1997, the same were not made available by that Cell to the Committee which themselves obtained the requisite notes from the Ministry in October, 1997. Distressingly, the requisite notes are still awaited from the Department of Urban Development which had failed to furnish the same despite being reminded by the Committee in the matter. The Committee take a serious view of this default and they desire that responsibility be fixed in the Department of Urban Development for laxity shown in this regard. The Committee would also like the Department of Expenditure to streamline systems in their Monitoring Cell to make it function in an efficient manner in future. The Committee may be apprised of the precise action taken in the matter within three months from the presentation of this Report.

[Sl. No. 2 Appendix VI Para 38 of 22nd Report of PAC (11th Lok Sabha)]

#### **Action taken by the Government**

The observations of the Committee have been noted and all concerned have been warned to be more careful in future, while dealing with the explanatory notes/ Action Taken Notes. Furthermore, the system of monitoring explanatory notes as well as Action Taken Notes has been completely over-hauled in the 'Monitoring Cell'. In future, all explanatory notes/Action Taken Notes received from the Ministries duly vetted by audit, will be sent to Lok Sabha Secretariat once every fortnight.

The action of furnishing explanatory notes in respect of grant relating to the Ministry of Urban Affairs & Employment is being taken by them separately.

This has been vetted by Audit *vide* their office U.O. No. RR/1-24/97-98/238 dated 16.6.1998

Sd/-

(A.M. SEHGAL)

ADDITIONAL CONTROLLER GENERAL OF ACCOUNTS

Ministry of Finance (Department of Expenditure) O.M. No. 1/22/97-MC  
dated 22.6.1998.

### **Observations**

According to the time schedule prescribed the Ministries are required to submit to the Committee the explanatory notes in respect of excess registering grants/appropriations by 31st 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 specific instances of delay in furnishing the requisite explanatory note in time, 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 the relevant explanatory notes, duly vetted by audit on excess expenditure/savings of Rs. 100 crore and above made in respect of all the Appropriation Accounts of the Union Government for the year 1995-96 onwards. The Committee have however, been concerned to find that while the Ministry of Petroleum and Natural Gas had forwarded their explanatory notes to the Monitoring Cell for onward transmission to the committee in April, 1997, the same were not made available by that Cell to the Committee which themselves obtained the requisite notes from the Ministry in October, 1997. Distressingly, the requisite notes are still awaited from the Department of Urban Development which had failed to furnish the same despite being reminded by the Committee in the matter. The Committee take a serious view of this default and they desire that responsibility be fixed in the Department of Urban Development for laxity shown in this regard. The Committee would also like the Department of Expenditure to streamline systems in their Monitoring Cell to make it function in an efficient manner in future. The Committee may be apprised of the precise action taken in the matter with three months from the presentation of this Report.

### **Action Taken by this Ministry**

Every effort was made to submit the Action Taken Notes (ATN) as promptly as possible as may be seen from the details furnished below:—

- (a) The ATN was initially furnished to the Director General of Audit, Central Revenue under Chief Controller of Accounts, Ministry of Urban Affairs and Employment letter No. G-23017/Pr. A.O./UD/R&A/AA/Gr. 81/95-96 dated 27.5.97 (Annexure I) which was returned by the Audit with some observations under their U.O. No. RR/11-2/97-98/383 dated 12.6.97 (Annexure II).
- (b) A revised ATN, in the light of observations made by Audit was furnished to the Audit under Ministry of Urban Affairs & Employment's letter No. G-25017/3/96-Bt. dated 24.7.97 (Annexure III). However, the Audit again returned the same under their U.O. No. RR/11-2/97-98/659 dated 8.8.97 (Annexure IV).
- (c) The ATN was further revised keeping in view the further observations of the Audit and resubmitted to the Audit under letter No. G-25017/3/96-Bt. dated 16.10.97, a copy of which was endorsed to the PAC Branch, Lok Sabha Secretariat. In this letter, the Audit was requested to vet the ATN within a week (Annexure V). However, the vetted ATN could not be

received earlier than their U.O. No. RR/11-2/97/98/1114 dated 27.11.97 (Annexure VI) and requisite number of copies of the same alongwith Hindi version was duly furnished to the PAC Branch under latter dated G-25017/3/96-Bt. dated 8.12.97 (Annexure VII).

- (d) It may, thus, kindly be seen that there were several agencies involved in finalisation of the ATN and the time was taken in the observance of the prescribed Administrative procedure. In any case, all concerned in the Ministry of Urban Affairs & employment have been warned and the delay is sincerely regretted. The Hon'ble Committee may kindly consider condoning the same.

This has been vetted by DG (Audit) *vide* their U.O. No. RR/11-2/97-98/93 dated 5.6.98.

Sd/-

(G.C. BHANDARI)

Joint Secretary & Financial Adviser (UA&E)

GOVERNMENT OF INDIA  
MINISTRY OF URBAN AFFAIRS & EMPLOYMENT

No. G23017/PRAO/UD/RA/GR/81/95-96

New Delhi, dated 27 May, 1997

To,

Shri B.M. Oza,  
Director General of Audit,  
Central Revenues,  
Indraprastha Estate,  
New Delhi.

Sub: Note for Public Accounts Committee for regularisation of excess expenditure under Revenue Section (Voted) of Grant No. 81-Public Works.

Sir,

I am directed to refer to your letter No. 35/C/R.II/L-81/96-97/584 dated 10th March, 1997 and to enclose 5 copies of the note for the Public Accounts Committee for regularisation of excess expenditure under Revenue Section (Voted) of Grant No. 81—Public Works as disclosed in the Union Government Appropriation Accounts (Civil) for 1995-96 duly signed by the JS & FA alongwith file No. 10(1)/96-B(DGW)/Audit Para.

You are requested to kindly get the enclosed note vetted for its placing before the PAC.

Yours faithfully,

Sd/-

Under Secretary (Budget)

Encl: As above.

Copy to:

1. Ministry of Finance (Shri P.N. Bhattacharyya), Additional Budget Officer, Deptt. of Economic Affairs-with reference to his letter No. 4(2)-B(SD)/97 dt 14.01.97.
2. Shri A.M. Sehgal, Addl. Controller General of Accounts, Ministry of Finance, Deptt. of Expenditure, Lok Nayak Bhawan, New Delhi.
3. Copy for file No. G-23011/10/95-Bt.

Sd/-

Under Secretary (Budget)

OFFICE OF THE DIRECTOR GENERAL OF AUDIT,  
CENTRAL REVENUES, NEW DELHI-110002.

Ministry of Urban Affairs and Employment may please refer to their letter No. G-23017/Pr. AO/UD/R&A/AA/Gr.81/1995-96 dated May, 1997 forwarding therewith draft Explanatory Note on excess expenditure incurred under Revenue Section (Voted) of Grant No. 81-Public Works, as disclosed in the Union Government Appropriation Accounts (Civil) for 1995-96.

2. The draft Explanatory Note has been examined and audit comments thereon are contained in the Annexure enclosed herewith.

3. It is requested that Revised Explanatory Note may be prepared after considering para 2 above and five copies thereof duly signed by the Secretary/Joint Secretary alongwith the Ministry's relevant files/documents properly linked and referenced, be sent to this Office for further vetting at the earliest.

4. A copy of the draft Explanatory Note alongwith the Ministry's file bearing No. 10(1)/96-B(DGW)/Audit Para is returned herewith

Sd/-  
(RAJENDRA KUMAR)  
AUDIT OFFICER (R-I)

Encls:-As stated above.

Ministry of Urban Affairs and Employment, Nirman Bhawan, New Delhi. (Under Secretary 'Budget')

DGACR's U.O. No. RR/11-2/97-98/383

Dated : 12-6-1997

**(i) Sub-head: A. 1(1)(1)-New Supplies and Repairs**

- (a) When the necessity for unavoidable urgent works was detected? The reasons for not obtaining adequate supplementary grant may be mentioned in the Note.
- (b) The break-up/name of urgent work may be given in the Note.

**(ii) Sub-head: A. 1(2)-Maintenance and Repairs**

- (a) What is the criteria for making budget estimate in respect of maintenance and repairs works? Whether all urgent/unavoidable maintenance and repairs works are covered by the criteria adopted by the Ministry? If not, whether any change is supposed therein? These may be mentioned in the Note.

**(iii) Sub-head: A.(1)(1)-Minor Works**

- (a) Why the provisions of urgent requirements not made before providing budget provisions under this head.
- (b) Whether the Ministry of Urban Affairs and Employment has ever represented their case seriously to the Ministry of Finance so that sufficient fund could be provided by the latter? If so, the details thereof may be given in the Note.
- (c) What were the unavoidable maintenance works undertaken which could not be anticipated while obtaining the supplementary grant in March, 1996?

**(iv) Sub-head: A.3(1)(1)-Directions and**

**(v) Sub-head: A. 3(1)(2) (1)-Regular Establishment**

- (a) It is seen from the "Head-wise Appropriation Accounts for 1995-96" that excess expenditure of Rs. 4618 thousands and of Rs. 2,32,35 thousands have been occurred under both the sub-heads respectively. These sub-heads may please be included and explained suitably in the Note.
- (b) The filling up of vacant posts is pre-planned procedure and the provision therefor could easily be made in the Budget Estimate. What are the reasons for not making budget estimate precisely?
- (c) What are the reasons for not obtaining adequate supplementary grant to meet the expenditure on Bonus, increased Dearness Allowance and Interim Relief? These may be mentioned in the Note.

**GENERAL**

- (vi) The draft Note has not been linked/referenced by the Ministry, the same may be got done now.
- (vii) Some pencil corrections have been made on the body of the draft Note which may also be adopted by the Ministry.

Sd/-  
(RAJENDRA SHARMA)  
AUDIT OFFICER (REPORT-I)

*ANNEXURE III*

No. G-25017/3/96-Bt.  
Government of India  
Ministry of Urban Affairs & Employment  
(Budget Section)

New Delhi, dated the 24th July, 1997.

The Principal Director of Audit,  
Economic & Service Ministries,  
A.G.C.R. Building,  
I.P. Estate, New Delhi.

Subject: Submission of ATN on C&AG Report No. 1 of 1997—Chapter XI  
regarding regularisation of Excess Expenditure incurred under Revenue  
Section (Voted) of Grant No. 81—Public Works.

I am directed to refer to Your U.O. No. RR/11-2/97-98/383 dated 12.6.97 on the  
subject mentioned above and to submit herewith 5 copies of revised ATN duly signed  
by J.S. & FA (UA&E) for your further necessary action alongwith file No. 10(1)/96-  
B(DGW)/Audit Para.

Yours faithfully,

Sd/-

(I.L. BANSAL)

Under Secretary to the Govt. of India

Copy alongwith the copy of the Revised ATN and Annexure containing Audit  
observations forwarded to:—

1. Principal Accounts Officer, Ministry of UA&E, Room No. 314-B,  
Nirman Bhavan, New Delhi.
2. D.G., C.P.W.D., Nirman Bhavan, New Delhi.

They are requested to keep in touch with the Audit and furnish any further  
information desired by them for early vetting of the ATN.

(I.L. BANSAL)

Under Secretary to the Govt. of India

OFFICE OF THE DIRECTOR GENERAL OF AUDIT,  
CENTRAL REVENUES, NEW DELHI-110002.

Ministry of Urban Affairs and Employment may please refer to their letter No. G-25017/3/96-Bt. dated 24th July, 1997 forwarding therewith Revised Explanatory Note on excess expenditure incurred under Revenue Section (Voted) of Grant No. 81—Public Works, as disclosed in the Union Government Appropriation Accounts (Civil) for 1995-96.

2. The Revised Explanatory Note has been examined and audit comments thereon are as under:—

- (i) Despite the Audit request *vide* this Office U.O. No. RR/11-2/97-98/383 dated 12th June, 1997, the Ministry has not explained the following:

**Sub-head A. 2(1)(1)-Minor works**

- (a) Whether the Ministry of Urban Affairs and Employment has ever represented their case to the Ministry of Finance so that sufficient fund could be provided by the latter? if so, the details thereof may be given in the Note.

- (ii) **Sub-head: A. 3(1)(1)-Directions and**

**Sub-head: A.3 (1)(2)(1)-Regular Establishment**

The Ministry's explanation that "the excess expenditure was met out by providing funds by re-appropriations as per requirement" is not tenable in Audit as in the Excess Note/Saving Note explanation is given on the result of original grant including supplementary grant minus actual expenditures therefrom excluding the re-appropriation, if any, made in the sub-head. As already requested by Audit, the Ministry may explain the following in the Note:—

- (a) The filling up vacant posts has to be an advance drill the provision therefor could easily be made in the Budget Estimate. What are the reasons for not making budget estimate precisely?
- (b) What are the reasons for not obtaining adequate supplementary grant to meet the expenditure on Bonus, increased Dearness Allowance and Interim Relief?
- (iii) Copy of the instructions issued to all Chief Engineers concerned by the Directorate General of Works, Central Public Works Department, has not been found appended with the Revised Note. This may now be appended with the Note.
- (iv) The correctness of the facts and figures mentioned in the Revised Note may please be ensured to Audit as the only Ministry's file bearing

No. 10(1)/96-B(DGW)/Audit-Para do not serve the purpose and the Ministry has not completely referenced/linked the Revised Note therewith.

- (v) Some pencil corrections have been made on the body of the Revised Note which may also be adopted by the Ministry.

3. It is requested that the Ministry may further revise the Note after replying to Para 2 above therein and five copies thereof duly signed by the Secretary/Joint Secretary alongwith the Ministry's File/Document properly linked and referenced, send to this office at the earliest for further vetting.

4. A copy of the Revised Note alongwith the Ministry's/File bearing No. 10(1)/96-B(DGW)/Audit para is returned herewith.

Sd/-  
(RAJENDRA KUMAR)  
AUDIT OFFICER/R. I

Encls:—As stated above.

Ministry of Urban Affairs and Employment (Budget Section), Nirman Bhawan,  
New Delhi.

(Shri I.L. Bansal, Under Secretary).

DGACR's U.O. No. RR/11-2/97-98/659

Dated:—8.8.97

CCA may kindly see for further necessary action to submit the revise ATN taken into account the pencil corrections and above note of the Audit Officer/R.I. The ATN has been returned by Audit with observation for the second time.

Sd/-  
US(Bt.)

CCA(Sh. P.P.S. Brar)

No. G-25017/3/96-Bt.  
Government of India  
Ministry of Urban Affairs & Employment  
(Budget Section)

New Delhi, dated the 16th October, 1997

Principal Director of Audit,  
Economic & Service Ministries,  
A.G.C.R. Building,  
I.P. Estate, New Delhi.

(Attention: Shri Rajendra Sharma, Audit Officer-R.I)

Subject: Submission of ATN on C&AG Report No. 1 of 1997—Chapter XI  
regarding regularisation of Excess Expenditure incurred under Revenue  
Section (Voted) of Grant No. 81—Public Works.

I am directed to refer to your U.O. No. RR/11-2/97-98/659 dated 8.8.97 on the  
subject mentioned above and to submit herewith copies of revised ATN duly signed  
by J.S.&F.A.(UA&E) for your further necessary action alongwith file No. 10(1)/96-  
B(DGW)/Audit Para. As the Lok Sabha Secretariat is pressing hard for submission of  
the ATN, the ATN may be vetted at the earliest. Secretary (UD) has minuted that  
vetted replies are to be obtained within a week.

Sd/-

(I. L. BANSAL)

Under Secretary to the Govt. of India

Copy to:—

- |  |   |   |
|--|---|---|
| 1. Principal Accounts Officer,<br>M/o UA&E, Room No. 314-B,<br>Nirman Bhavan, New Delhi. | } | They are requested to keep in touch<br>with the Audit and obtain the duly<br>vetted ATN within a week, as minuted<br>by Secretary (UD), for submission to the<br>Lok Sabha Sectt. |
| 2. Director General, CPWD,<br>Nirman Bhawan, New Delhi.                                  |   |   |

Lok Sabha Secretariat (Shri Rajiv Sharma, Under Secretary) w.r.t. their O.M. No.  
20/1/1/97-PAC dated 1.10.97. Every effort is being made to submit the duly vetted  
ATN to the Lok Sabha Secretariat (PAC Branch) as early as possible.

Sd/-

(I. L. BANSAL)

Under Secretary to the Govt. of India

OFFICE OF THE DIRECTOR GENERAL OF AUDIT  
CENTRAL REVENUES NEW DELHI-110002

Ministry of Urban Affairs and Employment, (Budget Section) may please refer to their O.M. No. G-25017/3/96-Bt. dated 16.10.97 regarding Explanatory note on excess expenditure incurred under Revenue Section (Voted) in Grant No. 81—Public Works, as disclosed in the Union Government Appropriation Accounts (Civil) for 1995-96.

2. The Revised ATN has been examined. The following audit comment may be included as vetting comments in the ATN.

"None of the explanations for excess expenditure are such as cannot be anticipated or are unusual."

Some pencil corrections have been made on the body of the Revised Note which may also be adopted by the Ministry.

3. It is requested that Final Action Taken Note may be prepared after considering Para 2 above and requisite number of copies thereof in English and Hindi versions duly signed by the Secretary/Joint Secretary sent to the Lok Sabha Sectt. (PAC Branch). A copy each of both the versions of Final ATN may also be sent to the Office of the Comptroller and Auditor General of India and to this office for reference and record.

4. A copy of revised ATN alongwith the Ministry's file bearing No. 10(1)/96-B(DGW)/Audit Para is returned herewith.

Sd/-  
(RAJENDRA KUMAR)  
Audit Officer/R.I

Ministry of Urban Affairs & Employment, Budget Section, New Delhi. (Shri I.L. Bansal, Under Secretary).

DGACR's U.O. No. RR/11-2/97-98/1114

Dated:—27.11.1997

Encls:—As stated above.

S. No. 21 (I)

No. G-25017/3/96-Bt.

Government of India

Ministry of Urban Affairs & Employment  
(Budget Section)

New Delhi, dated the 8th December, 1997

OFFICE MEMORANDUM

Subject: Submission of ATN on C&AG Report No. 1 of 1997 Chapter XI regarding regularisation of excess expenditure under Revenue Section (Voted of Grant No. 81-Public Works (1995-96).

The undersigned is directed to refer to Lok Sabha Secretariat (PAC Branch, O.M. No. 20/12/6/97/PAC dated 20th November, 1997 alongwith the 22nd Report of PAC (1997-98) Eleventh Lok Sabha relating to excess expenditure of Rs. 8.43 crores under Revenue Section (Voted) of Grant No. 81—Public works during 1995-96

2. In the observations/conclusions contained in Annexure-IV of the Report, it has been mentioned that the journal entry of Rs. 6.43 crores was not covered under the accounting procedure and that responsibility may be fixed for non-submission of the ATN on the Audit Para to the PAC in time. The observations of the Committee have been noted and a further report will be furnished in this regard.

In the meantime, it may be mentioned that the final in which was submitted to the Director General of Audit under this Ministry's O.M. of even number dated 16.10.97, has been vetted by them under their U.O. 27.11.97, a copy of which has been annexed to the ATN. Requisite number of copies of the ATN (40 English and 10 Hindi) are enclosed for further necessary action in regard to regularisation of the above excess expenditure under Article 115(b) of the Constitution.

Sd/-

(I.L. BANSAL)

Under Secretary to the Govt. of India

To

The Lok Sabha Secretariat,  
PAC Branch,  
Parliament House Annexe,  
New Delhi.

Copy alongwith the copy of ATN to:—

1. C&AG of India, Bhahadur Shah Zafar Marg, New Delhi.
2. Director General (Audit), Central Avenue, A.G.C.R. Building, New Delhi.
3. Monitoring Cell, Deptt. of Expenditure, Lok Nayak Bhavan, Khan Market, New Delhi.
4. D.G.(W), CPWD (F.O. to DG(W) Shri P.K. Roop Rai).
5. Chief Controller of Accounts, Ministry of Urban Affairs Employment.

Sd/-

(I.L. BANSAL)

Under Secretary to the Govt. of India

### **Recommendation of the Public Accounts Committee**

The Committee find from their scrutiny of select cases of excess registering grants that Revenue Section (Voted) of Grant No. 81—Public Works operated by the Deptt. of Urban Development recorded an excess expenditure of Rs. 8.43 crore during the year 1995-96. The Committee's examination of Audit observations on this Grant, however, revealed that the actual excess expenditure incurred under this Grant had exceeded the sanctioned provision by Rs. 15 crore but the Department reduced their expenditure to the extent of Rs. 6.43 crores through a journal entry for transfer of expenditure to the Public Accounts of India in violation of accounting procedure for stores transactions in Public Works Accounts. In the absence of requisite explanatory note from the Department, the Committee could not examine the precise circumstances leading to deviation from the prescribed financial rules while taking a serious view of that aberration the Committee desire the Deptt. of Urban Development to explain the circumstances which led to incorporation of a journal entry in the final accounts and also their failure to book the expenditure in the Public Accounts of India at the initial stage itself.

[Serial No. 3 Para 39 Appendix VI Para 6 of Twenty Second Report of PAC,  
(Eleventh Lok Sabha)]

### **Action Taken by Government**

This Ministry undertakes construction activities on its own behalf as well as on behalf of all other Departments of the Govt. of India. It also undertakes Deposit Works for autonomous bodies. For doing this work this Ministry operates on the Grants of 71 other Departments involving 132 Major Heads. In 1995-96 CPWD undertook construction activities of the order of Rs. 1500 crores of which over 400 crores was on account of other Ministries who had placed budgetary funds at its disposal. As per para 7.1.4(a) of CPWD Accounts Code, the cost of the acquisition of materials should be debited to the final Head of accounts or to the particular works for which they were required. Therefore, the materials which were required for specific works of other Ministries should have been directly debited against those particular works instead of first debiting under suspense head and then transferring the debit to the works. During the course of reconciliation of accounts it came to light that due to misclassification in 12 CPWD Divisions expenditure incurred on behalf of works done for the Ministries had been wrongly booked under Major Head 2059-Suspense Stock. In doing so, the expenditure, under the head 'Stock' went up. When the above misclassification came to light in October, 1996. A journal entry was made at the third stage of Appropriation Accounts for the year 1995-96 to rectify the same by giving minus debit to the head 'Stock' and debit to the Public Accounts head 'MPSSA'—The head 'MPSSA' was operated only as a temporary measure in order to transfer the amount to the correct head of account in the next financial year. The intention was to reflect the accurate picture of the expenditure under the head 'Stock' and not to reduce the expenditure under the head, as contended by the Audit.

This has been vetted by Audit vide U.O. No. RR/18/1/97-98/047. dated 21.04.98

Sd/-  
(GIRISH BHANDARI)  
Joint Secretary & F A.

**MINISTRY OF COMMUNICATION  
DEPARTMENT OF POST**

**Recommendations**

Under voted portion of Revenue Section of grant No. 13-Postal Services, Department of Post had incurred an excess expenditure of Rs. 73.53 crores during 1995-96. The Committee have informed that while the Department had sought supplementary funds to the extent of Rs. 293.00 crores to cater to their additional requirements under specific heads, a supplementary grant of Rs. 162.49 crores only was allocated which was not even sufficient to meet the requirements under the mandatory payments required to be made by the Department on salaries. Amazingly, the Committee's examination of the excess expenditure reported by the Department of Post during the preceding year had also revealed a similar situation whereby the Department was starved of supplementary funds by the Ministry of Finance. In the opinion of the Committee, the entire manner in which the funds under this grant are allocated by the Ministry of Finance needs to be examined thoroughly so as to avoid excess expenditure of this nature in future. The Committee, therefore, desire that the Ministry of Finance should undertake a proper analysis of the exact financial requirements of the Department of Post and provide the same in a rational manner. [S. No. PAC No. 1620, Appendix VI Para No. 40 of 22nd Report of PAC (11 Lok Sabha)]

**Action Taken :**

Based on recommendations of the PAC in their First Report (11th Lok Sabha) MoF allocated adequate funds required by the Department of Post during the year 1996-97.

A copy of the recommendations has however, been supplied to Ministry of Finance for examination of allocation of funds in a rational manner.

Sd/-

(K.S. Menon)

Joint Secretary & Financial Advisor.

[Ministry of Communications. DoP OM No. 13-2/97 BGT.(PA) 6578 Dated  
21.07.98.....].

No. 13-2/97-BGT(PA)/3828  
GOVERNMENT OF INDIA  
MINISTRY OF COMMUNICATIONS  
DEPARTMENT OF POSTS  
POSTAL ACCOUNTS WING  
BUDGET BRANCH  
DAK BHAWAN : SANDAD MARG  
NEW DELHI-110 001

Dated 23-12-97

To

The Secretary,  
Department of Expenditure,  
(Budget Division),  
North Block,  
New Delhi-110001.

Sir,

An extract of para 40 of Twenty Second Report of Public Accounts Committee, 1997-98. (11th Lok Sabha) is enclosed for undertaking a proper analysis of the exact financial requirement of Department of Post for allocation as recommended by Public Accounts committee.

Yours faithfully,

Sd/-  
(H.N. Pandey)  
ACCOUNTS OFFICER (BGT).

**MINISTRY OF COMMUNICATIONS**  
**DEPARTMENT OF TELECOMMUNICATIONS**

**Recommendation**

(Sl. No. 5 Appendix VI Para 41 of 22nd Report of Public Accounts Committee  
11th Lok Sabha)

The Committee find that the Revenue Section (voted) of Grant No. 14-Telecommunication Services recorded an overall excess of Rs. 60.49 crore during the year 1995-96. In their explanatory note to the Committee, the Department of Telecommunications attributed this excess expenditure mainly to the increased appropriation made from Telecommunication surplus to the Reserve Funds, which was stated to be due to realisation of more Revenue and incurrence of less working expenses during the year under review. The Committee's scrutiny of the relevant Appropriation Accounts surprisingly, revealed that there was an excess of a high order of Rs. 520.27 crore under the head "Appropriation from Telecommunication Surplus" despite obtaining supplementary appropriations of Rs. 804.70 crore on this account. Obviously, there were cases of savings of substantial magnitude under other heads which helped to a great extent in reducing the excess under this Grant as a whole to bring it to the level of Rs. 60.49 crore. Although the Department have pleaded that the appropriation of Surplus to Reserve Funds was an accounting adjustment of funding and did not involve any cash outgo, yet the fact remains that the expenditure estimates of the Department under this Grant went away to a large scale. While expressing their unhappiness over this dismal state of affairs, the Committee desire the Department of Telecommunications to carefully review their mechanism for framing of budget estimates and apply necessary correctives wherever required to make their budgetary exercise more realistic and meaningful. They would also like to be apprised of the precise steps taken in this regard.

**Action Taken Note**

Based on the actual Receipts and Expenditure under Revenue Section upto December, 1996 and the likely, receipts and expenditure during the remaining months of the financial year, larger surplus (Rs. 804.70 crores) was anticipated and hence Supplementary Grant under the head MH. 3231—Appropriation of Surplus to Reserve Funds was obtained. However, during the year actual revenue realised exceeded these revised estimates while actual working expenses were also less than revised estimates. This has already been indicated in the explanatory note submitted to the Committee, wherein it was stated that the savings under Working Expenses were mainly under interest on Bonds (Rs. 267.69 crores) and Lease Charges (Rs. 187.06 crores) for the reasons indicated therein.

All Units have been instructed to frame the estimates more realistically and the system of periodical review of expenditure *vis-a-vis* provisions has been strengthened so as to ensure that the budgetary exercise is more realistic.

This has been vetted by the D.G. Audit (P&T) vide O. No. RR.III/1(b)406/Chap. VI/95-96, dated 02.04.1998.

Sd/-  
(A. PRASAD)  
Member (Finance)

No. 1-2/98-B.

**22nd Report of the PAC (XI Lok Sabha) on Excesses over Voted Grants & Charged Appropriations (1995-96) Ministry of Railways**

**Recommendation**

The committee are concerned to find that four grants (Nos. 8, 12, 13 and 14) administered by the Ministry of Railways recorded an excess expenditure aggregating Rs. 603.43 crore during the year 1995-96 which worked to over 80 per cent of the total excess as reported that year by the various Ministries/Departments of the Union Government as a whole. The fact that the supplementary provisions were also obtained under all these four excess registering grants leads to an obvious conclusion that the Ministry of Railways had, at no stage, been able to precisely anticipate excess and provide for the funds actually required by them under these grants. Needless to say that there is a crying need for improvement in the mechanism of framing the Budget Estimates on a rational basis in the Ministry of Railways. The committee, therefore, desire that glaring instances for failure to make realistic assessment of requirement of funds should be critically examined and appropriate steps initiated to revamp the systems so that improvements may be made in right direction.

S.No. Appendix Para 42 the 22nd Report of the Eleventh Lok Sabha)

**Action Taken**

It is submitted that the Railways incurred excess expenditure only in four of the twelve Grants where supplementary provisions had been obtained. Out of the total excess of Rs. 603.27 crore, an amount of Rs. 552.63 crore belonged to Grant No. 14, viz. Appropriation to Funds. This is different from excess expenditure in the normal sense, of payments made over and above the authorised grant. Actually it is an amount coming from savings in working expenses (Rs. 215 crore), higher receipts (Rs. 242 crore) and some adjustment in dividend (Rs. 95 crore), so it is an excess only in a technical sense, which enabled Railways to place more funds in the Capital Fund.

The remaining amount of excess of Rs. 50 crore occurred largely in meeting the increased expenditure on operations, security and pensionary liabilities. They constitute very minor percentages of the respective grants.

Regarding the need for improvement in the budgetary mechanism and revamping the system as observed by the PAC, it is submitted that the Railways already have an established mechanism of budgetary formulation and control and concurrent monitoring. Instructions for avoiding excess expenditure have already been issued to the Railways on 11.6.1997 and are being reiterated.

## **22nd Report of the PAC (XI Lok Sabha) on "Excesses over Voted Grants & Charged Appropriations (1995-96)**

### **Ministry of Railways**

#### **Recommendation**

The Committee's examination have also revealed that out of the total expenditure of Rs. 603.43 crore, Grant No. 14 Appropriation to Funds alone had recorded a huge excess of over Rs. 552.63 crore. According to the Ministry, the excess under this Grant had occurred due to more surplus having been generated by the Railways during the year which was utilised for increasing the Appropriation under Capital Fund keeping in view the recommendations of the Railway Convention Committee (RCC). The Committee are, however, not inclined to accept this as a valid reason in view of the Audit findings that the Ministry of Railways had not implemented the similar recommendations made by RCC for Appropriation to Depreciation Reserve Fund (DRF) and the Pension Fund (PF). While agreeing with the Audit observations that less appropriations to DRF would have a definite bearing on the replacement of the existing capital assets, the Committee are also in no doubt that the Ministry's failure to make contributions to DRF as recommended by the RCC had resulted in generating artificial surplus in 1995-96 which was utilised by the Ministry for increasing the appropriation under the Capital Fund. At this stage, the Committee can only hope that the Ministry of Railways would undertake a review of the efficacy of their appropriations to various Railway Funds under this Grant and draw suitable lessons for future.

(S. No. 7 Appendix VI Para 43 of the 22nd Report of the Eleventh Lok Sabha)

#### **Action Taken**

It is submitted that appropriations to Depreciation Reserve Fund and Pension Fund are mainly dependent upon the requirement of funds during the year for the purposes served by them, as also the capacity of the Railways to generate funds through internal resources. It is a fact that the RCC had agreed to the Railways proposal of appropriation of Rs. 2650 crore to DRF for the year 1995-96. This was, however, subject to some adjustments that could be made keeping in view the Annual Plan outlay and the capacity of the system to generate internal resources.

The initial proposal of the Annual Plan 1995-96 at Rs. 7500 crore was submitted to the Planning Commission with Capital from the General Exchequer of Rs. 2500 crore. As this would have adequately taken care of the investment requirements, a substantial part of the internal resources was earmarked for DRF (Rs. 2650 crore). The Plan was, however, ultimately finalised with a substantially reduced Capital from the General Exchequer of Rs. 1150 crore only. It, therefore, became necessary to reallocate the internal resources, as a result of which, the DRF component also had to be reduced from Rs. 2650 crore to Rs. 2000 crore in the Budget Estimates for 1996-97.

The appropriation to DRF and Pension Fund, "as proposed by Ministry of Railways (MOR) and as accepted by RCC" and, as actually provided for during 1995-96, is produced below:

(Rs. in crores)

Funds	As proposed by MOR/ As advised by RCC	B.E. 95-96	R.E. 95-96	Actuals 95-96	
				Appropriation	Withdrawal
DRF	2650	2000	2060	2060	2027
Pension Fund	1900	1970	2090	2090	2117

It may be seen from the Table above, that the appropriation to the funds was kept more or less at the levels required for expenditure from these funds.

It may be mentioned here that after providing for appropriation to DRF and Pension Fund based on the actual requirements of these funds, the increased surplus of Rs. 553 crore generated at the end of the year, mainly on account of higher Traffic Receipts (Rs. 243 cr), saving in ordinary working expension (Rs. 215 cr.) and an adjustment in dividend (Rs. 25 cr.), was appropriated to the Capital Fund. There was, thus, no conscious attempt on the part of the Railways to reduce appropriation to DRF so as to increase the surplus.

It is also submitted that the Memorandum incorporating, *inter-alia*, the proposals of likely appropriations to various Railways Funds is normally submitted to RCC well before the formulation of the Annual Plan. These proposals are based on certain assumptions of physical activity and size of the Annual Plan which, however, subsequently undergoes a change depending upon the prevalent situation. The proposals for 1995-96 were formulated for submission to RCC in the month of Oct./Nov. '91 whereas the Railways Annual Plan for 1995-96 was approved by the Government in Feb. '95.

The Committee's observations are, however, noted for future budgetary proposals.

**ACTION TAKEN NOTE ON THE RECOMMENDATIONS CONTAINED IN THE  
TWENTY SECOND REPORT OF PUBLIC ACCOUNTS COMMITTEE (1997-98)  
(ELEVENTH LOK SABHA), ON "EXCESSES OVER VOTED GRANTS AND  
CHARGED APPROPRIATIONS (1995-96)".**

**Recommendations of the Committee**

44. Despite the Committee's repeated exhortations made from time to time in their earlier Reports to eliminate instances of misclassification of expenditure, the Ministry of Railways are yet to show improvements in this regard. The explanatory note furnished by the Ministry has once again revealed that there were instances of wrong booking of expenditure from Revenue to Capital sections or charged to Voted items or wrong credits to earnings under Grant No. 12. While taking a serious view of the manner in which the accounts were maintained by the Railway authorities where such errors escaped notice and could not be rectified even upto finalisation of Appropriation Accounts, the Committee would like that reasons for such glaring errors be ascertained and responsibility fixed for the lapses in all such cases. The Committee would also like to be apprised of the precise action taken in this regard.

**Action taken by the Government**

Recommendations of the Public Accounts Committee regarding misclassification of expenditure have been noted. Necessary instructions already exist for close and concurrent review of the booking of the expenditure at various levels; test check of allocations recorded on vouchers; prescription of suitable levels at which approvals for transactions of specified value should be taken before carrying out adjustments and fixing up of responsibility for clear lapses at suitable levels. These instructions are also being reiterated when detailed instructions are communicated for compiling the Appropriation Accounts with a view to ensuring proper maintenance of accounts and more stringent scrutiny. As a result of review thereof appropriate action has been taken. The measures initiated by the Ministry of Railways would minimise the incidence of misclassification.

The Ministry of Railways would like to submit that in the present system of furnishing the accounting allocations manually, total elimination of misclassifications will be extremely difficult to achieve in practice, because a vast number of staff handle an immense volume of transactions. This sometimes leads to errors specially when time is a constraint. In some cases, there is a difference in interpretation of accounting rules between the Ministry and the Audit.

(Ministry of Railways O.M. No. 98 APP/7-2/95-96/Para 44, dated -08-98).

Government of India  
Ministry of Finance  
Department of Economic Affairs  
(Budget Division)

**Recommendation of the Public Accounts Committee**

Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in para 5 of this Report be regularised in the manner prescribed in Article 115(1)(b) of the Constitution of India.

[Serial No. 9, Appendix VI, para 45 of the Twenty-second Report of the Public Accounts Committee (Eleventh Lok Sabha)].

**Action taken by the Government**

The Demands for Excess Grants (excluding Railways)\* for 1995-96, as detailed below, were passed by the Lok Sabha on 12-6-1998:—

S.No.	No. and name of Grant	Excess expenditure (Rs.)	
Revenue			
1.	13. Department of Posts	Voted	73,52,76,021
2.	14. Department of Telecommunications	Voted	60,48,91,516
3.	17. Defence Services	Voted	6,93,663
4.	81. Public Works	Voted	8,43,16,283
Capital			
5.	65. Ministry of Petroleum and Natural Gas	Voted	99,150
Grand Total		Voted	142,52,76,633

2. The connected Appropriation Bill as passed by the Lok Sabha was returned by Rajya Sabha on 27-6-1998 and assented to by the President of India on 7-7-1998.

3. This Note has been vetted by Audit *vide* their U.O. No. RR/1-25/97-98/557. dated 25-8-1998.

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

\* Separate action is taken by Railway Board as regards excess grants/appropriations relating to the Ministry of Railways.

Ministry of Finance, Department of Economic Affairs (Budget Division), File No. F. (4)-(2)-B(SD)/97. dated 18.2.1998.

**Action taken note on**

**22ND REPORT OF THE PUBLIC ACCOUNTS COMMITTEE (1997-98)  
(ELEVENTH LOK SABHA) EXCESSES OVER VOTED GRANTS  
AND CHARGED APPROPRIATIONS (1995-96)**

**Name of Ministry**

**Ministry of Defence**

Subject to the observations made in the preceding paragraphs, the Committee recommended that the expenditure referred to in paragraph 5 of this Report be regularised in the manner prescribed in article 115(1)(b) of the Constitution of India.

[Para 45 of 22nd Report of PAC (11th Lok Sabha)]

**Action taken by the Ministry**

As desired by the Committee necessary explanatory Notes for PAC, duly vetted by Audit, for regularisation of the excess of Rs. 6,93,663 have already been forwarded to the Ministry of Finance (Department of Economic Affairs) under this Ministry OM No. 17(1)/97/B-I, dated 14.5.97 (copy enclosed).

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

File No. 10(6)/B-I/97

No. F. 17(1)/B-I/97  
Government of India  
Ministry of Defence  
(Finance/Budget)

New Delhi, 14th May, 1997

OFFICE MEMORANDUM

NOTE FOR PUBLIC ACCOUNTS COMMITTEE FOR REGULARISATION OF  
EXCESS OVER VOTED PORTION OF GRANT NO. 17—DEFENCE SERVICE  
— ARMY AS DISCLOSED IN THE APPROPRIATION ACCOUNTS  
(DEFENCE SERVICES) FOR THE YEAR 1995-96

The undersigned is directed to forward herewith 50 copies of English version and 20 copies of Hindi version of the Note for P.A.C. for regularisation of excess over voted portion of Grant No. 17—Defence Services — Army for the year 1995-96 duly vetted by D.G.A.D.S.

Sd/-  
(Mukesh Singhal)  
A.F.A. (BUD-I)

Under Secretary (Budget),  
Ministry of Finance,  
Department of Economic Affairs,  
North Block, New Delhi.

Copy with enclosures to:—

- |                   |   |          |
|-------------------|---|----------|
| 1. DGADS          | — | 2 Copies |
| 2. C&AG           | — | 2 Copies |
| 3. CGDA           | — | 2 Copies |
| 4. Bud-II Section | — | 2 Copies |

Copy also to:—

Monitoring Cell, CGA, Ministry of Finance (Deptt. of Exp.) 7th Floor, Lok Nayak  
Bhawan, New Delhi-110 003.

**MINISTRY OF DEFENCE (FINANCE)**  
**BUDGET — I**

NOTE FOR PUBLIC ACCOUNTS COMMITTEE FOR REGULARISATION OF  
EXCESS OVER VOTED PORTION OF GRANT NO. 17.— DEFENCE SERVICE--  
ARMY AS DISCLOSED IN THE APPROPRIATION ACCOUNTS (DEFENCE  
SERVICES) FOR THE YEAR 1995-96.

**GRANT NO. 17 - DEFENCE SERVICES — ARMY**

Original Grant	Rs. 12842,94,00,000
Supplementary Grant	Rs. 499,64,00,000
Total Sanctioned Grant	Rs. 13342,58,00,000
Actual Expenditure	Rs. 13342,64,93,663
Excess Expenditure	Rs. 6,93,663
Surrender during the year	Rs. NIL

2. Against the Original Grant of Rs. 12842,94,00,000 augmented to Rs. 13342,58,00,000 by obtaining a supplementary grant of Rs. 499,64,00,000, an expenditure of Rs. 13342,64,93,663 has been incurred during 1995-96 resulting in an uncovered excess of Rs. 6,93,663.

3. The excess occurred under certain minor heads which was partly offset by saving under other minor heads leaving a net excess of only Rs. 6,93,663. The excess is negligible in the light of the total sanctioned grant of Rs. 13342.58 crores under this Grant. As a result of a continuous monitoring and control of expenditure, the gap between allocation and expenditure was reduced to bare minimum.

4. Detailed reasons for excess have been explained in the Appropriation Accounts (Defence Services) for 1995-96. In brief, the excess occurred due to escalation of various essential services, increase in maintenance liabilities and hike in prices.

5. With a view to ensure an effective monitoring and control of expenditure, the Inter Departmental Monitoring Groups have been advised to review the progress of expenditure and pending liabilities, on a fortnightly basis, during January, February and on weekly basis, in March, in addition to a normal monthly review of expenditure, so that the Services/Departments could make optimal use of the resources and also prevent occurrence of savings/excesses under various heads duly taking into account all factors viz. exchange rate variation in respect of foreign payments, actuals drawal from LCs, supply position in respect of contracts and progress of Civil works etc. *vide* Ministry of Defence (Fin) ID No. 3475/B-1/96, dt. 24.12.96 (copy enclosed).

Further, to avoid recurrence of such excess in future all expenditure controlling authorities have been requested to have strict control over expenditure and not to enter into commitments causing outgo beyond the budgetary allocations. In this connection, the Ministry of Defence (Fin.) ID. No. 3241/B-1/96 dated 26.11.96 and the

Ministry of Defence (Finance) I.D. No. 11(20)/ B-I/96 dated 27.2.97 may kindly be referred to (copy enclosed).

6. In the circumstances explained above, the excess of Rs. 6,93,663 may kindly be recommended for regularisation by the Parliament under Article 115(1)(b) of the constitution.

7. DGADS has seen.

Sd/-  
(D. LAHIRI)  
Addl. F.A. (D) & JS

File No. 17(1)/B-I/97

**MINISTRY OF COMMUNICATION  
DEPARTMENT OF POST**

**Recommendation**

Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in Paragraph 5 of this Report be regularised in the manner prescribed in Article 115(1)(b) of the Constitution of India.

[Sl. No. PAC No. 1620 Appendix VI Para No. 45 of 22nd Report of PAC (11th Lok Sabha)]

**Action taken**

Excess expenditure of Rs. 73.53 crores in Grant No. 13 during the year 1995-96 has been passed by the Lok Sabha and assented to by the President on 7th July, 1998.

[Copy of MoF, Department of Economic Affairs OM No. F4(2)-B(SD)/97 dated 9.7.98 is enclosed.]

Sd/-

(K.S. Menon)

Joint Secretary & Financial Advisor

[MOC, DOP OM No. 13-2/97 BGT(PA) 6578 dated 21.7.98]

**22nd Report of the PAC(XI Lok Sabha) on "Excesses over  
Voted Grants & Charged Appropriation (1995-96)**

**Ministry of Railways**

**Recommendation**

Subject to the observations made in the preceding paragraphs, the committee recommended that the expenditure referred to in Paragraph 5 of this Report be regularised in the manner prescribed in Article 115(1)(b) of the Constitution of India.

(S. No. Appendix Para 45 of the 22nd Report of the Eleventh Lok Sabha)

**Action Taken**

The "Demands for Excess Grants for 1995-96" has since been regularised by Parliament in June, 1998 (copy enclosed).

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

No. 97-B-342/5

New Delhi, dated 8.1.1998

The General Managers,  
All Indian Railways,

Sub: Excess over Voted Grants/Charged Appropriations.

In 1995-96, Railway incurred an excess expenditure of Rs. 603.27 cr. as per the following details:—

Rs. (in thousands)		
Demand No.	Grant	Appropriation
8	7,77,16	
12	4,96,23	
13	37,90,57	
14	552,63,29	
Total	603,27,25	

2. As the incidence of excess expenditure on Railways in 1995-96 was the highest amongst all the Ministries, the Public Accounts Committee (PAC) (XI Lok Sabha) in their 22nd Report have passed severe strictures. The most disturbing feature is that there was excess expenditure despite Supplementary Grants having been obtained in each case. The PAC has taken a very serious view of this and called for revamping the system to ensure realistic assessment of the requirement for funds as can be seen from the extracts of para 42 of the report reproduced below:—

"The committee are concerned to find that four grants (Nos. 8, 12, 13 and 14) administered by the Ministry of Railways recorded an excess expenditure aggregating Rs. 603.43 crore during the year 1995-96 which worked to over 80 per cent of the total excess as reported to that year by the various Ministries/ Departments of the Union Government as a whole. The fact that the supplementary provisions were also obtained under all these four excess registering grants leads to an obvious conclusion that the Ministry of Railways had, at no stage, been able to precisely anticipate excess and provide for the funds actually required by them under these grants. Needless to say that there is a crying need for improvement in the mechanism of framing the Budget Estimates on a rational basis in the Ministry of Railways. The committee, therefore, desire that glaring instances for failure to make realistic assessment of requirement of funds should be critically examined and appropriate steps initiated to revamp the systems so that improvements may be made in right direction".

3. It may also be mentioned here that in most of the cases, despite adequate provisions having been made, the Railways incurred excess expenditure. In other cases, where the allocation was not provided fully due to non availability of funds, the Railways should have ensured that such a expenditure was regulated so as to avoid the excess. It would, therefore, be desirable that reasons for excess are fully analysed so as to avoid such a recurrence in future.

4. Instructions have repeatedly been issued to avoid excess/savings in various funds but seemingly these are not being fully complied with, resulting in financial indiscipline. Attention in this regard is particularly invited to Board's letter No. 97-B-342/1 dated 11.6.97 whereby the need for strict observance of the existing mechanism of budgetary control was emphasised to bring about financial discipline. Instructions contained therein may be observed scrupulously. The lapses in this regard will be viewed seriously by the Board.

Kindly acknowledge receipt.

DA: As above.

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

## **APPENDIX-II**

**ACTION TAKEN NOTES ON THE RECOMMENDATIONS CONTAINED IN 23RD  
REPORT OF PAC (13TH LOK SABHA) ON "EXCESSES OVER VOTED GRANTS  
AND CHARGED APPROPRIATIONS (1998-99)"**

## **CHAPTER II**

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

#### **Recommendation**

"The Committee's examination of the Appropriation Accounts of union Government for 1998-99 has revealed that an expenditure of unprecedented magnitude of Rs. 12758.63 crore has been incurred by various Ministries/Departments in excess of the provisions authorised by Parliament under 55 Grants/Appropriations during the year. The Committee note that the second batch of supplementary demands for grants for 1998-99 was discussed, voted and passed by the Lok Sabha on 17th March 1999. The Committee also note that the connected Appropriation Bill was passed by the Lok Sabha and transmitted to Rajya Sabha on the same day but the Rajya Sabha adjourned on 19th March, 1999 to 12th April, 1999 without any discussion on the Appropriation Bill. In view of the requirement of Article 109(2) of the Constitution which gives a maximum of 14 days time to the Rajya Sabha to consider and return a Money bill, the Appropriation Bill transmitted to the Rajya Sabha on 19th March, 1999 could be deemed to have been passed only after the expiry of 14 days from its receipt in that House i.e. after the closure of the financial year on 31st March, 1999, the provisions for supplementary demands covered therein shall also require regularisation. The Committee, however, feel that had the Ministry of Parliamentary Affairs being the legislative co-ordinator of the Government, had acted with foresight and alacrity the Appropriation Bill could have as well been considered and sent to the Rajya Sabha within time. The Committee would, therefore, like the Ministry of Parliamentary Affairs and the Ministry of Finance to draw suitable lessons and avoid the recurrence of such instances in future."

[(S. No. 1 Appendix-VII Para 8.1 of 23rd Report of PAC) (13th Lok Sabha)]

#### **Action Taken by M/o Finance (Dep'tt. of Economic Affairs— Budget Division)**

After presentation of the General Budget on 28.2.1999, the final batch of Supplementary Demands for Grants was prepared and submitted to the Lok Sabha for consideration on 10th March 1999. The bill was included in the list of business for Lok Sabha for 15th March 1999 along-with the "Demands for Grants on Account (General) for 1999-2000" and the "Demands for Excess Grants (General) for 1996-97."

The Appropriation Bill relating to the Supplementary Demands for Grants (General) for 1998-99 was passed by the Lok Sabha at 12.21 a.m. on the 17th March 1999. The message regarding passing of the above Bill was sent by the Lok Sabha Secretariat to the Rajya Sabha Secretariat at 3.35 p.m. on the same day. As the Rajya Sabha had already adjourned for the day at 12.02 p.m., the message could not be reported in the Rajya Sabha on that day. After reporting of the message on

18th March, 1999, a Supplementary List of Business was to be issued by the Rajya Sabha Secretariat for consideration of the above Bill. However, before Supplementary List of Business could be issued, the House was again adjourned for the day at 12.07 p.m. on 18th March 1999. In view of this, consideration and return of the Bill was included in the List of Business of the Rajya Sabha for the next day *i.e.* the 19th March, 1999, after which the House was scheduled to adjourn for recess. However, on the 19th March 1999 also the House was adjourned 12.05 P.M. without transacting any Government Business including the Appropriation Bill under reference. As the House adjourned for recess, the Bill could not be considered and returned by the Rajya Sabha. Subsequently it was deemed passed by both the Houses of Parliament only on 31st March 1999 (midnight) under Article 109(5) of the Constitution.

From the above, it would be observed that the Ministry of Finance had taken timely action for submission of the Bill. The Bill, however, could not first be listed, and then, could not be taken up for consideration and return by the Rajya Sabha, due to early adjournment of the House on those days. Notwithstanding the above, efforts will be made in consultation with the Ministry of Parliamentary Affairs to avoid recurrence of such incidents.

The excess expenditure incurred during 1998-99 has since been regularised in the Budget Session, March 2002. The corresponding Appropriation Act has also been passed and published in Gazette of India Extraordinary Section-I, Part-II dated 27.3.2002 as Act No. 9 of 2002 (Copy enclosed).

This has been vetted by Audit *vide* DGACR'S U.O. No. RR/1-4/2001-02/306 dated 13th August, 2002.

Sd/

(D. SWARUP)

ADDITIONAL SECRETARY BUDGET

Ministry of Finance, Department of Economic Affairs, (Budget Division), New Delhi-110001 O.M. No. F. 4(60)-B(SD)/2001 dated 19.8.2002.

No. F. 1(26/02-L.I)  
Government of India (Bharat Sarkar)  
Ministry of Law, Justice and Company Affairs  
(Vidhi, Nyaya Aur Kampany Karya Mantralaya)  
Legislative Department (Vidhayee Vibhag)

New Delhi, the 27th March, 2002

**OFFICE MEMORANDUM**

Sub: The Appropriation (No. 2) Bill, 2002.

The undersigned is directed to forward herewith a copy of the Appropriation (No. 2) Bill, 2002, which received the assent of the President on the 27th March, 2002. The corresponding Act is being published in the Gazette of India, Extraordinary, Part II, Section 1, dated the 27th March, 2002 as Act No. 9 of 2002.

Sd/

(P.K. BANSAL)  
SUPERINTENDENT (LEGAL)

To

The Lok Sabha Secretariat,  
New Delhi.  
Encl: Assented copy.

No. F.1(26)/02-L.I.

New Delhi, the 27th March, 2002.

1. Copy forwarded for information to the Rajya Sabha Secretariat (Bill Office).
2. Copy forwarded to the Deptt. of Economic Affairs (Budget Divn.) with the request that they may also kindly scrutinize the Gazette copy of the Act as soon as it is received with a view to find out whether any printing mistakes have occurred in the Act as published.
3. Copy forwarded to the Publication Section.
4. Copy forwarded to the Information Officer, Ministry of Law, PIB, Shastri Bhavan.

Sd/

(P.K. BANSAL)  
SUPERINTENDENT (LEGAL)

**Action Taken by Ministry of Parliamentary Affairs**

1. As observed by the PAC in their recommendation, the Appropriation Bill relating to the Supplementary Demands for Grants (General) for 1998-99 was passed by the Lok Sabha at 12.21 a.m. on the 17th March, 1999 i.e. in the early morning of the 17th March, 1999. The message regarding passing of the above Bill was sent by the Lok Sabha Secretariat to the Rajya Sabha Secretariat at 3.35 p.m. on the 17th March, 1999. However, as the Rajya Sabha had already adjourned for the day at 12.02

p.m. on the 17th March, 1999 over the issue regarding allegations made by former Chief of Navy (Shri Vishnu Bhagwat), the message could not be reported in the Rajya Sabha on that day. As the Appropriation bill could not have been provided for consideration and return in the List of Business of the Rajya Sabha until its message had been reported in that House, the Bill was, therefore, not provided for in the List of Business of the Rajya Sabha for 17th March, 1999. The message was reported in the Rajya Sabha at 12.01 p.m. on the 18th March, 1999. After reporting of the message, a Supplementary List of Business was issued to the Rajya Sabha Secretariat for providing the above Bill, through Supplementary List of Business for the 18th March, 1999. However, before Supplementary List of Business could be issued by that Secretariat, the House was again adjourned for the day, at 12.07 p.m. on the 18th March, 1999. In view of this, Consideration and return of the Bill was provided in the List of Business of the Rajya Sabha for the next day viz the 19th March, 1999, when the House was scheduled to adjourn for recess to reassemble on the 12th April, 1999. However, on the 19th March, 1999 also, the House was adjourned without transacting any Government Business including the Appropriation Bill under reference at 12.05 p.m. over the issue of massacre of several persons in Bihar and also regarding demand for constitution of a JPC to look into allegations made by the former Chief of Navy. As the House adjourned for its recess, the Bill could not be considered and returned by the Rajya Sabha and subsequently it was deemed to have been passed by both the Houses of Parliament on the 31st March, 1999 (midnight) in view of the provisions of Article 109(5) of the Constitution.

2. From the above, it would be observed that so far as the Ministry of Parliamentary Affairs is concerned, it made every effort to provide the aforesaid Bill for consideration and return by the Rajya Sabha as soon as possible after its passage by the Lok Sabha. The Bill could not, first be listed and then, could not be taken up for consideration and return by the Rajya Sabha, due to its early adjournment of these days without transacting any Government business. Thus, it is obvious that this Ministry cannot be faulted for imprudence.

3. The Budget Session, 1999 had begun on the 22nd February, 1999. The Appropriation Bill relating to the Supplementary Demands for Grants (General) 1998-1999 (2nd batch) or any other Appropriation bill can be provided in the list of business, for introduction, consideration and passing only after presentation of related statements (Budget). In this case, the statement showing the Supplementary Demands for Grants in respect of the budget (General) for 1998-1999 was presented to the Lok Sabha only the 10th March, 1999 (Wednesday). It was provided in the list of business for Lok Sabha on the 15th March, 1999 (Monday) along-with the "Demands for Grants on Account (General) for 1999-2000" and the "Demands for Excess Grants (General) for 1996-97". They are provided together because of "Discussion and Voting" thereon, together. Further, a few intervening days are required for printing of the bills and circulation thereof among the Members.

4. Keeping in view the steps enumerated in (3) above, every effort will be made to avoid repetition of such incidents in future.

5. The job of regularization of the Second batch of Supplementary demands for grants for 1998-1999 is of Ministry of Finance (Department of Economic Affairs) (Budget Division), who are also required to prepare ATN on the same Para No. 8.1 of

the 23rd Report of PAC. Ministry of Finance (Budget Division), who was requested to indicate the latest position in this regard, have informed that the Second batch of Supplementary demands for grants for 1998-1999 has not been regularized so far. Ministry of Finance (Budget Division) have proposed to present the Second batch of Supplementary demands for grants for 1998-1999 to Parliament for regularization in the forthcoming Budget Session of Parliament. Copies of correspondence between Ministry of Parliamentary Affairs and Ministry of Finance in this regard are enclosed at Annexure 'A' and 'B'.

6. This has been vetted by Audit *vide* DGACR's U.O. No. RR/1-4/2001-02/1102 dated 10th January, 2002.

Sd/

(DR. M. RAHMAN)

SECRETARY TO THE GOVT. OF INDIA

Lok Sabha Secretariat, (PAC Branch), Parliament House Annexe, New Delhi.

F.No.6(1)/96-IFC dated 18.01.2002.

No.F.64(3)/2001-Leg.I  
Government of India  
Ministry of Parliamentary Affairs

86-B, Parliament House,  
New Delhi.

Dated: 26th November, 2001

OFFICE MEMORANDUM

Subject: Supplementary Demands for Grants (General) for 1998-99 (Second Batch)

The undersigned is directed to state that the Appropriation Bill relating to Supplementary Demands for Grants (General) for 1998-99 (Second Batch) was passed by the Lok Sabha on 17th March, 1999 but the same could not be passed by the Rajya Sabha before it adjourned for recess on 19th March, 1999. However, in term of provision of article 109(2) of the constitution the Bill being a money Bill was deemed to have been passed on the expiry of 14 days from its receipt in the Rajya Sabha. Since the requisite period of 14 days was completed after the closure of the financial year on 31st March, 1999, the Public Accounts Committee which examined the matter in their 23rd Report (13th Lok Sabha) observed that since the Demands were not approved by the Parliament till 31st March, 1999, the provisions for Supplementary Demands covered therein were required to be regularised. In this connection, Office of the Director General Audit, Central Revenue, have also made a reference to this Ministry *inter-alia* enquiring whether the above Demands have been regularised.

Ministry of Finance are requested kindly to intimate to this Ministry whether the Demands have since been regularised or are still to be regularised and in case they are yet to be regularised the time likely to be taken by the Ministry of Finance for their regularisation. The requisite information may kindly be furnished to this Ministry urgently to enable it to reply to the clarifications sought by the Office of the Director General of Audit.

Sd/

(K.K. THAKUR)

DEPUTY SECRETARY TO THE GOVT. OF INDIA  
TELE. NO. 3034844

Ministry of Finance,  
Department of Economic Affairs  
(Shrimati Soma Roy Barman, Director)  
New Delhi.

**F.No.4(60)-B(SD)/01  
Ministry of Finance  
Department of Economic Affairs  
(Budget Division)**

Dated the 20th December, 2001.

**Subject: Supplementary Demands for Grants (General) for 1998-99 (Second Batch).**

Ministry of Parliamentary Affairs may kindly refer to their O.M.No.64(3)/2001-Leg.I dated 26th November, 2001 on the above subject. It is observed that the excess expenditure of Rs. 8,89,22,170 in respect of Demand No. 23—Capital outlay on Defence Services, has been shown in the PAC Report as "excess expenditure under Revenue Voted Section". However, as per the proposal received from the Ministry of Defence for regularisation, the excess, was actually incurred in the "Capital Charged Section". Further, there are a few minor variations in the actual amounts shown in the PAC Report in certain grants as compared with the Appropriation Accounts for 1998-99.

2. It is proposed to request the PAC Secretariat to issue necessary corrections to its Report before the excess demand for grants are presented to Parliament for regularisation. As this exercise is likely to take some more time, it is proposed to present the Excess Demand for Grants 1998-99 to the Parliament for regularisation in the forthcoming Budget Session of Parliament.

Sd/-

(K.Y. Narasimhan)  
Deputy Secretary (Budget)

Ministry of Parliamentary Affairs,  
(Shri K.K. Thakur, Deputy Secretary),  
86-B, Parliament House,  
New Delhi.

**Recommendation**

While scrutinising the total excess expenditure, the Committee have found that out of total excess of Rs. 11,824.46 crore under Appropriation Accounts (Civil), excess of Rs. 11,112.77 crore occurred as the Appropriation Act authorising additional disbursements on the basis of second batch of supplementary demands for grants could not come into force before the close of the financial year 1998-99. Excluding this, there was excess disbursement of Rs. 711.69 crore in six grants and two appropriations under revenue as well as capital sections in Civil Ministries. However, the entire excess disbursements of Rs. 11,824.46 crore under Appropriation Accounts (Civil) will require regularisation. The Committee further observe that there is excess expenditure of Rs. 283.91 crore under Appropriation Accounts (Defence Services) and Rs. 300.85 crore under Appropriation Accounts (Telecommunication Services).

Under Appropriation Accounts (Railways), the excess expenditure shown is Rs. 346.75 crore but after taking into account the misclassification in five grants/appropriations, the total excess expenditure comes to Rs. 349.40 crore. The total excess disbursements over and above the provisions sanctioned by Parliament for the financial year 1998-99 thus works out to Rs. 1258,63,32,792 which now requires regularisation by Parliament under Article 115(1)(b) of the Constitution.

[Paragraph 8.2 of Twenty-Third Report of Public Accounts Committee  
(Thirteenth Lok Sabha)]

**Action Taken by M/o Finance (Deptt. of Economic Affairs-  
Budget Division)**

The Parliament have passed the Excess Demands for Grants (excluding Railways) for Rs. 12,409.33 crore for the year 1998-99 under Article 115(1)(b) of the Constitution. Action in this regard is therefore completed.

This Note has been vetted by Audit *vide* their U.O. No. DGACR/RR/1-5/2000-01/58 dated 3.6.2002.

Sd/-

(D. SWARUP)

Additional Secretary (Budget)

Ministry of Finance, Department of Economic Affairs (Budget Division), New Delhi-1  
O.M. NO. F4(60)-B(SD)/2001 dated 7.6.2002.

**MINISTRY OF FINANCE AND COMPANY AFFAIRS  
DEPARTMENT OF ECONOMIC AFFAIRS  
(BUDGET DIVISION)**

**Corrigendum**

A corrigendum to the final Action Taken Note issued *vide* this office letter of even number dated 7th June 2002 on the recommendations contained in paragraph 8.2 of the Twenty-Third Report of the PAC (13th Lok Sabha) on "Excess over Voted Grants and Charged Appropriations (1998-99)" is hereby issued as under:

Page	Heading	Line	For	Read
1	RECOMMENDATION	16	Rs. 1258,63,32,792	Rs. 12758,63,33,155

Sd/-

(D. SWARUP)

Additional Secretary (Budget)

Ministry of Finance and Company Affairs, Department of Economic Affairs (Budget Division), New Delhi-110 001 O.M. No. F.4(60)-B(SD)/2001 dated 21.10.2002.

### **Action Taken by the Ministry of Defence**

During the year 1998-99 there was excess under the following Grants pertaining to Defence Services:—

Demand No. 19—Defence Services—Army

Demand No. 20—Defence Services—Navy

Demand No. 23—Capital Outlay on Defence Services

The excess notes, duly vetted by Audit to regularise the excess in above mentioned Grants have already been furnished to the Ministry of Finance, Department of Expenditure (Monitoring Cell) on 29.2.2000 for onward transmission of the same to PAC for regularisation under Article 115(1)(b) of the Constitution of India.

Sd/-

(A.K. Chopra)

Addl. FA(A) & JS

File NO. 10(2)/B-I/2002.

### **Action Taken by the Deptt. of Telecommunications**

A note for the Public Accounts Committee for regularization of the excess expenditure of Rs. 300.85 crores that occurred under Revenue (Voted) of Grant No. 16-Department of Telecommunications as shown in the Union Government Appropriation Accounts (Department of Telecommunications) for 1998-99, has already been submitted (Copy enclosed).

Sd/-

(Anuradha Mitra)

D.D.G. (EAF)

File No. 1-16-2001—B

Dated: 19th October, 2001.

Government of India  
Ministry of Communications  
Department of Telecommunications  
(Budget Section)

Room No. 1008, Sanchar Bhavan, New Delhi 110 001.

**Sub:** Note for Public Accounts Committee in respect of Savings made in the Grant involving Rs. 100 crores and above and Regularisation of Excess over Grant during 1998-99 Demand No. 16

Note for Public Accounts Committee 70 copies in English and 35 copies in Hindi(i) in respect of Savings made in the Grant during 1998-99 involving Rs. 100 crores and above as disclosed in the Appropriation Accounts of Grant No. 16 and (ii) for regularisation of Excess over voted Grant under Revenue Section and charged appropriations of Grant No. 16 are enclosed for further necessary action please.

DA: As above

Sd/-

(G. SHANKARLINGAM)  
Asst. Director General (PF-I)  
Ph. No. 23717843, 23032290

The Under Secretary, Lok Sabha Secretariat (PAC Br. Par. Annexe, ND-1

I.D. No. 1-5/99-B dated 29th March, 2000

Copy to:

1. Ministry of Finance, Department of Economic Affairs Budget Division New Delhi with one copy of each of the Note to PAC (both English and Hindi versions) for information and necessary action.
2. Ministry of Finance, Department of Economic Affairs Monitoring Cell Lok Nayak Bhavan, Khan Market, New Delhi with English and Hindi version for information.
3. The Comptroller and Auditor General of India Bahadurshah Zafar Marg, New Delhi with one copy of each of Note to PAC (both English and Hindi version) for information.
4. Director General of Audit (P&T) Civil Lines, Delhi-31 with one copy of each of Note to PAC (both English and Hindi version) for information.

Government of India  
Ministry of Communications  
Department of Telecommunications

**Note for Public Accounts Committee for regularisation of excess expenditure in respect of excess occurred under REVENUE SECTION (Voted) of Grant No. 16- Department of Telecommunications as disclosed in the Union Government Appropriation Accounts (Department of Telecommunications) for 1998-99.**

**Revenue Section (Voted)**

	(Rupees in lakhs)
Original Grant	1814436.00
Supplementary Grant	42033.00
Total Grant	1856469.00
Actual Expenditure	1886554.14
Excess	30085.14

2. Under Revenue Section (Voted) of Grant No. 16-Department of Telecommunications for 1998-99 the total provision was Rs. 181443600 thousands. This was augmented to Rs. 185646900 thousands by obtaining Supplementary Grant of Rs. 4203300 thousands. Against this, the expenditure of Rs. 188655414 thousands was incurred resulting in excess of Rs. 3008514 thousands.

3. The excess of Rs. 3008514 thousands was the net effect of total excess of Rs. 11274306 thousands and total savings of Rs. 8265792 thousands under various sub-heads of the grant. The sub-heads under which excess of Rs. five lakhs and above occurred and reasons therefor are explained in the Annexure.

4. This has been vetted by Audit *vide* their U.O. No. RR III/App. A/cs 98-99/725 dated 17.2.2000.

D.A. Annexure.

Sd/-

(A. PRASAD)  
Member (Finance)

No. 1-5/99 B(i)

Dated 22.03.2000.

**ANNEXURE**  
(Rupees in Lakhs)

S.No.	Sub Head	Original Grant	Supplementary Grant	Total Grant	Actual Expenditure	Excess	Reasons for Excess
	<b>MH 3225-TS-WORKING EXPENSES</b>						
	C. 1(2)(3) Telephone Districts & Divisions	33158.04		33158.04	35457.85	2299.81	Due to more purchases of office equipment, new computers and furniture.
	C. 1(2)(5) General Manager Projects	819.85		819.85	833.82	13.97	Mainly under Salaries, Wages, TE, PPSS and ASP.
	C. 2(1)(1) Operational Training	741.82		741.82	811.42	69.60	Mainly under Salaries, DA, TE and OC which were partially compensated by savings under OE and PPSS. The variation is marginal.
4.	C. 3(1)(1) Control and Supervision	766.41		766.41	829.56	63.45	Mainly under Salaries and TE which was partially offset by savings under OTA, OE, RRT and ASP. The variation is marginal.
5.	C. 3(2) Store Accounting	296.19		296.19	336.77	40.58	Mainly under Salaries which was partially offset by savings under TE and OE.
6.	C. 3(3) Factories	4055.91		4055.91	5067.40	1031.49	Mainly under Salaries, DA, OTA and mainly under OC which was partially offset by savings under OE, PPSS and M&E. The excess expdt. Under OC was on account of more bonus payments than anticipated.
	C. 3(4) Misc. Expenditure	-11400.00		11400.00	-9469.92	1930.08	Variation was mainly due to less stock adjustment and rate revision than anticipated.
	C. 5(2)(3) Apparatus and Plants	60838.80		60838.80	64664.10	3825.30	Due to more maintenance works undertaken than anticipated.
8.	C. 5(2)(6) Amt. Trfd. from MH3201 P S on a/c of Rent on Joint Buildings.	100.00		100.00	154.42	54.42	More claim submitted by Deptt. of Posts than anticipated.
9.	C. 5(3)(1) Civil Engineering Establishment	10027.63		10027.63	11082.50	1054.87	Expdt. exceeded under Salaries, Wages, DA, OTA and OE partially offset by savings under TE, RRT, ASP, M&S and M&E. Variations are marginal.
10.	C. 5(4)(5) Telecom Engineering Centre	374.63		374.63	390.49	15.86	Mainly due to more works undertaken than anticipated.
	C. 5(4)(9) Telecom Factories	26.60		26.60	53.91	27.31	Mainly due to more works undertaken than anticipated.
	C. 5(5)(3) Est. for Project Instrn.	2674.53		2674.53	2878.43	203.90	Mainly under Salaries, DA, TE and ASP. Variation is marginal.
	C. 6(1)(1) Amt. Trfd. from MH 3201 PS	1200.00		1200.00	1480.42	280.42	Due to excess expenditure transferred from DoP than anticipated in their demand.
	C. 6(2)(1) Directorate & Circle Offices	1680.04		1680.04	1945.08	265.02	Mainly under Salaries, Wages and DA partially offset by savings under OE, PPSS, M&E and RRT. Estimates of salaries and DA were mis-classified under this head at the time of Demand projection.

S.No.	Sub Head	Original Grant	Supplementary Grant	Total Grant	Actual Expenditure	Excess	Reasons for Excess
15.	C 6(2)(4) Teleg. Offices & TCD		0	140.01	168.84	28.83	Mainly under Salaries and DA. Estimates of Salaries and DA were mis-classified under this head at the time of demand projection.
16.	C 7(1)(2)(1) Subsidies	10.00	0	10.00	25.90	15.90	Due to more release of subsidies to canteens than anticipated.
17.	C 7(1)(6) Amt. Trfd. from MH 3201 PS	1100.00	0	1100.00	1810.94	710.94	Due to inclusion of previous years pending claims in this year by DoP.
18.	C 8(1) Supn. & Retirement Allowances	20300.00	0	20300.00	26271.99	5971.99	Due to improper assessment of Pensionary arrears on account of V Pay Commission recommendations.
19.	C 8(2) Com. Value of Pension	900.00	0	900.00	6702.55	5802.55	Due to improper assessment of Pensionary arrears on account of V Pay Commission recommendations.
20.	C 8(3) Compassionate Allowances	15.00	0	15.00	22.99	7.99	Due to improper assessment of Pensionary arrears on account of V Pay Commission recommendations.
21.	C 8(4) Gratuities	1680.10	0	1680.10	6507.07	4826.97	Due to improper assessment of Pensionary arrears on account of V Pay Commission recommendations.
22.	C 8(6) Family Pension	2995.00	0	2995.00	5623.25	2628.25	Due to improper assessment of Pensionary arrears on account of V Pay Commission recommendations.
23.	C 10(2) Soc. Security & Welfare Programme	87.00	0	87.00	151.60	64.60	Mainly due to settlement of more claims than anticipated.
24.	C 10(3)(1) WC on Registration Fee	2795.00	0	2795.00	4792.29	1997.29	Mainly due to more new telephone connections released than anticipated.
25.	MH 3231 Appn. from Telecom Surplus E 1 Appn. to Capital Reserve Fund	639668.00	37983.00	77851.00	757304.90	79453.90	Due to increase in the Revenue receipts, reduction in Plan expenditure, savings in Salary, DA on account of inaccurate assessment of arrears payable on a/c of implementation of V Pay Commission recommendations and strict control over working expenses.
26.	MH 3275 F Other Com. Services F. Wireless Ptg. and Co. Ord. (Non Plan)	175.00	0	175.00	187.94	2.94	Mainly due to less expenditure under OTA, Publications and Hospitality (due to receipt of less number or bills for which provision was made) partly compensated by more expenditure under Salaries and OE due to implementation of recommendations of V CPC and hike in fares/prices.
27.	MH 3451 Secretariat Economic Services A 1 Secretariat	380.00	22.00	402.00	437.58	5.58	Mainly due to effect of V Pay Commission, hike in fares/prices.

S.No.	Sub Head	Original Grant	supplementary Grant	Total Grant	Actual Expenditure	Excess	Reasons for Excess
<b>MH 3226-Tb-WORKING EXPENSES</b>							
1	C1(2)(3) Telephone Districts & Divisions	33158.04		33158.04	36457.85	2299.81	Due to more purchases of office equipment new computers and furniture.
2	C1(2)(5) General Manager Projects	819.85		819.85	833.82	13.97	Mainly under Salaries, Wages, TE, PPSS and ASP
3	C2(1)(1) Operational Training	741.82		741.82	811.42	89.80	Mainly under Salaries, DA, TE and OC which we partially compensated by savings under DE and PPSS. The variation is marginal.
	C3(1)(1) Control and Supervision	766.41		766.41	829.88	83.45	Mainly under Salaries and TE which was partially offset by savings under OTA, OE, RRT and ASP. The variation is marginal.
	C3(2) Store Accounting	296.19		296.19	338.77	40.58	Mainly under Salaries which was partially offset by savings under TE and DE.
	C3(3) Factories	4055.91		4055.91	5087.40	1031.49	Mainly under Salaries DA, OTA and mainly under OC which was partially offset by savings under OE, PPSS and M&E. The excess expdr. Under OC was on account of more bonus payments than anticipated
	C3(4) Misc. Expenditure	11400.00		9989.42	1030.08		Variation was mainly due to less stock adjustment and rate revision than anticipated.
	C5(2)(6) Amt. infld. from MH-3201 P.S. on A/c 100.00			100.00	154.42	54.42	More claim submitted by Deptt. of Posts than anticipated. of Rent on Joint Buildings.
	C5(3)(1) Civil Engineering Establishment	10027.63		10027.63	11082.50	1054.87	Expdr. exceeded under Salaries, Wages DA, OTA and OE partially offset by savings under TE, RRT, ASP, M&S and M&E. variations are marginal.
10	C5(4)(5) Telecom Engineering Centre	374.63		374.63	380.49	15.86	Mainly due to more works under taken than anticipated
11	C5(4)(9) Telecom Factories	28.80		28.80	63.91	27.31	Mainly due to more works undertaken than anticipated.
12	C5(5)(3) Est. for Project Instn	2674.53		2674.53	878.43	203.90	Mainly under Salaries DA, TE and ASP, Variation is marginal.
13	C8(1)(1) Amt. Trd. from MH 3201 PS	200.00		1200.00	480.42	280.42	Due to excess expenditure transferred from DoP than anticipated in their demand
14	C8(2)(1) Directorate & Circle Offices	880.04		1880.04	945.08	285.02	Mainly under Salaries, wages and DA partially offset by savings under OE, PPSS < M&E and RRT. Estimates of salaries and DA were mis-classified under this head at the time of Demand projection

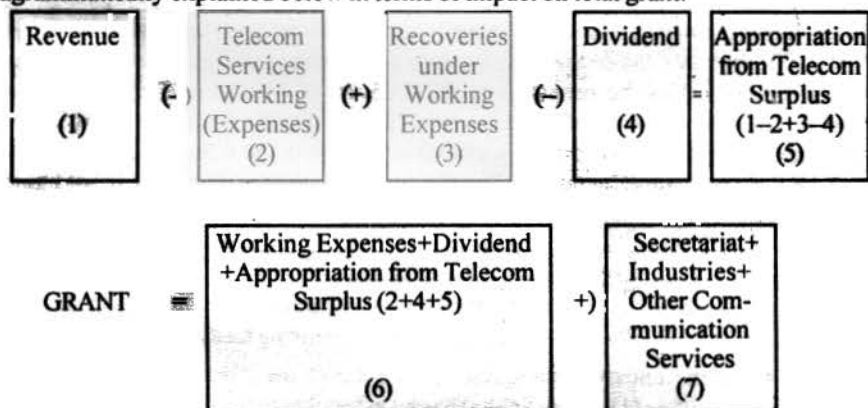
S.No.	Sub Head	Original Grant	Supplementary Grant	Total Grant	Actual Expenditure	Excess	Reasons for Excess
15	C6(2)(4) Telog Offices & TCO	140.01		140.01	188.84	28.83	Mainly under Salaries and DA, Estimates of Salaries and DA were mis-classified under this heads at the time of demand projection.
16	C7(1)(2)(1) Subsidies	10.00		10.00	25.90	15.90	Due to more release of subsidies to canteen than anticipated
17	C7(1)(6) Amt. Trfd. from MH 3201 PS	1100.00		1100.00	1810.94	710.94	Due to inclusion of previous years pending claims in this year by DoP
18	C8(1) Supn. & Retirement Allowances	20300.00		20300.00	28271.9	5971.99	Due to improper assessment of Pensionary arrears on account of V Pay Commission recommendations
19	C8(2) Com. Value of Pension	900.00		900.00	6702.55	5802.55	Due to improper assessment of Pensionary arrears on account of V Pay Commission recommendations
20	C8(3) Compassionate Allowances	15.00		15.00	22.99	7.99	Due to improper assessment of Pensionary arrears on account of V Pay Commission recommendations
21	C8(4)	1680.10		1680.10	6507.07	4828.97	Due to improper assessment of Pensionary arrears on account of V Pay Commission recommendations
22	C8(5) Family Pension	2995.00	0	2995.00	5623.25	2628.25	Due to improper assessment of Pensionary arrears on account of V Pay Commission recommendations
23	C10(2) Soc. Security & Welfare Programme	87.00	0	87.00	151.60	64.80	Mainly due to settlement of more claims than anticipated.
24	C10(3)(1) WC on Registration Fee	2795.00	0	2795.00	4792.29	1997.29	Mainly due to more new telephone connections released than anticipated
25	MH 3231 Appn. from Telecom Surplus E1 Appn. to Capital Reserve Fund	39868.00	7983.00	677851.00	57304.90	79453.90	Due to increase in the Revenue receipts, reduction in Plan expenditure, savings in Salary, DA on account of accounts assessment.
26	MH 3278 F Other Com. Services F1 Wireless Ptg. and Co. Ord. (Non Plan)	175.00	0	175.00	87.9412.94	Mainly due to less expenditure under OTA Publications and Hospitality (due to receipt of less number or bills for which provision was made) partly compensated by more expenditure under Salaries and OE due to implementation of recommendations of V CPC and hike in fares/prices.	
	MH 3451 Secretariat Economic Services A.1 secretariat	380.00	22.00	402.00	37.58	35.58	Mainly due to effect of V Pay Commission, hike in fares/prices

The excess of Rs. 300.85 Crores under this section constitutes 1.62 % of the total sanctioned grant and is the cumulative effect of excess under Secretariat and Appropriation of Telecom Surplus to Reserve Funds and savings under Working Expenses, Dividend to General Revenues, Other Communication Services and Industries—VRS as indicated below:—

(Rupees in Crores)			
Major Head	Sanctioned Grant	Actuals	Variations
3451—Secretariat	4.02	4.38	(+) 0.36
2852—Industries—VRS	16.85	15.14	(-) 1.71
3225—Telecom Services (WE)	11237.01	10840.88	(-) 396.13
3230—Dividend to Genl. Revenue	286.50	251.88	(-) 34.62
3231—Appn. from Telecom Surplus	6866.01	7646.05	(+) 780.04
3275—Other Comm. Services	154.30	107.21	(-) 47.09
<b>TOTAL</b>	<b>18564.69</b>	<b>18865.54</b>	<b>(+) 300.85</b>

From the above it may be seen that the excess is mainly under Appropriation of surplus to Reserve Funds which is not expenditure in real sense and does not involve any cash outgo.

The relationship between Revenue, Working Expenses and Surplus are diagrammatically explained below in terms of impact on total grant.



Efforts are being made to frame the estimates more realistically to avoid huge variations.

The Excess of Rs. 300.85 Crores under Revenue Section (Voted) may kindly be recommended for regularisation by Parliament under Article 115(1)(b) of the Constitution of India.

Sd/-

(A. PRASAD)  
Member (Finance)

No. 1-5/99 B (i)  
Dated 22.03.2000.

Sl. No. —Appendix  
Para 8.2. of 23rd Report of PAC (13th Lok Sabha)  
Action Taken by M/o Railways  
'Noted'

(U.V. Acharya)  
Adviser Finance

(Ministry of Railways O.M. No. 2001-BC-PAC/XIII/23 dt. 18.3.2002)

### Recommendation

While taking note of the fact that out of total expenditure of Rs. 12758.63 crore the excess expenditure of Rs. 1158.44 crore was owing to delay in passing of the Appropriation Bill, the Committee are saddened to note the delay in submission of explanatory notes by the concerned Ministries/Departments in respect of 17 Grants/Appropriation out of total 55 Grants/Appropriation registering, excess expenditure during 1998-99. The explanatory notes on excess registering Grants pertaining to Ministry of Home Affairs were received with the delay ranging from five months to 11 months while the explanatory notes on five Grants pertaining to Ministry of Finance were received with the delay ranging from one month to nine months. The Committee do not find any valid justification for the delay in submission of explanatory notes by the Ministries/Departments. The Committee are surprised to find that even the Ministry of Finance, despite being the nodal Ministry in the matter, delayed submission of the explanatory notes to the Committee. The Committee observe that their oft-repeated suggestions to make concerted efforts by the administrative Ministries/Departments to collect and compile timely the requisite information so as to submit the explanatory note to the Committee by the prescribed time schedule has not yielded any tangible result. With a view to put in place a speedy information accounting system and bring better financial management, the Committee recommend that from the financial year 2001-2002 onwards, the detailed explanatory notes in respect of each excess registering Grant/Appropriation be prepared by the concerned Ministries/Departments and forwarded to the Ministry of Finance within such a time limit that these explanatory notes are also made simultaneously available alongwith the Appropriation Accounts to the Public Accounts Committee. The Committee would like the Ministry of Finance to evolve a proper procedure in this regard and keep the Committee informed.

[S.No. 3 Appendix Para 8.3 of 23rd Report of PAC(13th Lok Sabha)]

#### Action taken by M/o Finance (Deptt. of Expenditure—Monitoring Cell)

The recommendation contained in para 8.3 of the 23rd Report of the Public Accounts Committee (13th Lok Sabha) has been brought to the notice of all Ministries/Departments for guidance and follow up action *vide* this Ministry's O.M.No. 1/23/2001-MC dated 22.8.2001. Further, in pursuance of aforesaid recommendation the office of Controller General of Accounts has prescribed a procedure which will enable Civil Ministries/Departments to furnish Explanatory Notes alongwith the Appropriation Accounts to the Public Accounts Committee. A copy of such a procedure as circulated to Ministries/Departments is added as Annexure-I. Other non-Civil Ministries/Departments *viz.* Railways, Defence, Posts and Telecommunications have also been requested to evolve a procedure in conformity with the Recommendation (Annexure-II).

This has been vetted by Audit *vide* their U.O. No. RR/1-6/01-02/1611 dated 24.1.2002.

Sd/-

(B.S. THAPLIYAL)

ADDITIONAL CONTROLLER GENERAL OF ACCOUNTS

Min. of Finance (Expenditure) O.M.No. 1/23/2001-MC dated 07.02.2002

No. G-25018/CGA-AA/Excess/2000-01/629

Ministry of Finance  
Department of Expenditure  
Controller General of Accounts  
Lok Nayak Bhawan, New Delhi 110003

Dated: 5th Sept., 2001

**OFFICE MEMORANDUM**

**Sub:—** Procedure for submission of Explanatory Notes on Excess Expenditure simultaneously with the relevant Appropriation Accounts.

The undersigned in directed to invite attention to this Office O.M. No. G-25018/CGA-AA/Policy Ex-Grants/98-99/1439-1441 dated 26th March 1999 (Copy enclosed) prescribing procedure for furnishing of Explanatory Notes on Excess Expenditure over Voted Grants and Charged Appropriations. The Public Accounts Committee (PAC) *vide* its recommendation contained in Para 8.3 of 23rd Report (13th Lok Sabha) on "**Excesses over Voted Grants and Charged Appropriations (1998-99)**" (Copy enclosed) have again reiterated that from the financial year 2001-2002 onwards, detailed Explanatory Notes in respect of each Excess Expenditure over Voted Grants and Charged Appropriations are to be prepared by the concerned Ministries/Depts. and forwarded alongwith Appropriation Accounts, so that these Explanatory Notes are made available to the PAC simultaneously alongwith the Appropriation Accounts.

2. In pursuance of the above recommendation of the PAC, following procedure is reiterated for implementation by the Principal Accounts Offices of departmentalised accounts organisation and grant controlling authorities for ensuring timely submission of Explanatory Notes:—

- (a) At the time of submission of Stage-II of the Headwise Appropriation Accounts to Audit and CGA's office, if any Grant or Appropriation is found to be registering an excess, the Principal Accounts Office will bring it to the notice of the grant controlling authority to prepare an Explanatory Note for obtaining approval of Secretary of the administrative Deptt./ Ministry through the Financial Adviser.
- (b) On receipt of intimation from the Principal Accounts Office, the grant Controlling Authority would take immediate action to prepare an Explanatory Note and ensure that it gets finalised within one month, but not later than completion of audit of Stage-II of the Headwise Appropriation Accounts of the concerned Grant. After finalisation of Explanatory Notes, five copies thereof duly approved and signed by the competent authority should be sent to audit for their vetting and two copies sent to the concerned Pr.CCAs/CCAs/CAs.
- (c) The concerned Pr.CCAs/CCAs/CAs will forward one copy of the Explanatory Note alongwith Headwise Appropriation Accounts (Stage-III)

to CGA's office. A confirmation that Explanatory Notes have been sent to audit for vetting should be included in the forwarding letter (quoting the letter No. and date through which it has been forwarded to Audit).

- (d) After submission of Stage-III of Audited Headwise Appropriation Accounts, effect of transfer entries/corrections (if any) in the Headwise Appropriation Accounts due to reconciliation, issue of corrigendum etc. should also be incorporated in the Explanatory Notes and revised Explanatory Notes submitted to Audit by the concerned Ministry, under intimation to CGA's office.
- (e) After Audit has vetted the Explanatory Note, one copy will be returned by Audit to the concerned Deptt./Ministry to enable them to furnish requisite number of copies of the Explanatory Notes (40 copies in English and 25 in Hindi) to the 'Monitoring Cell' (Deptt. of Expenditure) for onward transmission to Lok Sabha Sectt.

3. The contents of this O.M. may also be brought to the notice of the Administrative Ministry/Deptt. controlling the Grant/Appropriation by Pr.CCAs/CCAs/CAs/Dy.CAs.

Sd/-

(SANDESH KUMAR)

DY. CONTROLLER GENERAL OF ACCOUNTS

To

1. Office of the C&AG of India, New Delhi
2. Office of the DGACR, New Delhi
3. J.S. (Budget), Budget Division, Ministry of Finance (DEA), New Delhi
4. All FAs of Ministries/Deptts.
5. All Pr.CCAs/CCAs/CAs/Dy.CAs of Ministries/Deptts.
6. U.S., Monitoring Cell, Min. of Finance, Deptt. of Expenditure.

No. G-25018/CGA-AA/Policy -ExGr/98-99/1439-1441

Government of India  
Ministry of Finance  
Department of Expenditure  
Controller General of Accounts  
7th floor, Lok Nayak Bhawan  
Khan Market, New Delhi-110003.

Dated, the 26th March, 1999.

**OFFICE MEMORANDUM**

**Subject:—**Procedure for submission of Explanatory Note on Excess Expenditure simultaneously with the relevant Annual Appropriation Accounts.

The Public Accounts Committee (PAC) in its recommendation No. 50 of first Report (12th Lok Sabha) recommended that a system be introduced whereby the Explanatory Notes on Excess Expenditure are prepared by the administrative Ministries/ Depts. concerned and got vetted from the Audit simultaneously with the relevant annual Appropriation Accounts. As per Monitoring Cell O.M. No. 1/1/99-MC dt. 3-2-99 this recommendation is to be given effect immediately i.e. from the accounts for the year 1998-99 and onwards.

2. In this connection it is stated that the fact that a grant/appropriation is registering an excess gets established only when Stage II of the Headwise Appropriation Accounts is prepared. With a view to implement the recommendation of the PAC as discussed above, in relation to the Union Govt. Appropriation Accounts (civil) the following procedure is to be followed by Principal Accounts Officer:—

- (a) At the time of submission of Headwise Appropriation Accounts, Stage II, to Audit & CGA if any grant/appropriation is found to be registering an excess, a note intimating this fact should be sent by the Pr. Accounts Officer to the concerned Grant Controlling Authority for confirmation of excess.
- (b) The said authority is also requested to initiate action for preparation of Explanatory Note on Excess Expenditure, within one month but not later than completion of Audit of Stage II of Headwise Appropriation Accounts of the concerned grant, for vetting by Audit and thereafter submission to PAC.
- (c) After completion of audit of Stage II, while submitting the Audited Headwise Appropriation Accounts, with the approval of Chief Accounting Authority on the file, the Explanatory Note duly approved by the Chief Accounting Authority should also be submitted to Audit for vetting.
- (d) A confirmation to this effect should be indicated in the forwarding letter of submission of Stage III, an endorsement of which comes to this office alongwith two sets of audited Headwise Appropriation Accounts. This is necessary so that audit may not withhold clearance of condensed account in the absence of Explanatory Note.

3. After vetting of the explanatory note by the audit requisite number of copies of the duly vetted Explanatory Note would be sent by the Grant controlling Authority to Monitoring Cell in the Ministry of Finance for onwards transmission to Lok Sabha Secretariat.

4. The contents of this O.M. may also be brought to the notice of your Administrative Ministry/Deptt. controlling the grant.

Sd/-

(K.B.S. CHOPRA)

ADDL. CONTROLLER GENERAL OF ACCOUNTS

To

All C.C.A./C.A./Dy. C.A.s

Copy forwarded for information and necessary action to the Under Secretary, Monitoring Cell, Min. of Finance.

Copy also forwarded to the Director General of Audit, Central Revenues for information.

Sd/-

ASSTT. CONTROLLER GENERAL OF ACCOUNTS

#### **Action Taken by M/o Home Affairs**

**Grant No. 43—MHA & 45-Police**

It is submitted that Budget Division has to collect the requisite information from various Divisions of the Ministry for preparing the Explanatory Note. After preparation of the Explanatory Note on the excess expenditure, the same was inadvertently sent to Ministry of Finance, Deptt. of Economic Affairs on 9.5.2000, instead of getting the same vetted by the DG, Audit first. As per procedure the notes to Ministry of Finance are to be sent for regularisation of excess expenditure after the same is vetted by DG, Audit. However on this lapse coming to notice, the Explanatory Notes were again sent to DG, Audit on 6.9.2000 for vetting. These were received in the Ministry duly vetted by DG, Audit on 26.9.2000. Duly vetted Explanatory Notes were sent to the Ministry of Finance on 27.11.2000 and the Hindi version on 30.11.2000. The delay in submission of the Explanatory Note is regretted. The procedure prescribed by the Ministry of Finance from the year 2001-02 has been noted for strict future compliance.

#### **Grant No. 47—Transfers to Union Territory Governments**

The "Explanatory Note" explaining the excess under the Grant No. 47—Transfers to Union Territory Governments was prepared and sent to Office of DG, Audit, Central Revenues, AGCR Building on 24th April, 2000 for vetting. The Note was, however, returned by DG, Audit indicating the prescribed proforma in which the Note was

required to be prepared. Office of DG, Audit *vide* their U.O. Note dated 13.6.2000 had, *inter alia*, also suggested that explanation for excess under Revenue and Capital Section should be shown separately and revised explanatory note sent for further vetting. The revised "explanatory note" as directed by Audit was sent for vetting on 27.6.2000. The Audit vetted the explanatory note and forwarded the same to MHA *vide* their U.O. Note dated 22.8.2000. The vetted note was got translated into Hindi and the requisite number of copies in English and Hindi were forwarded to the Monitoring Cell, Deptt. of Expenditure, MOF on 7-9-2000. However, the procedure laid down in Deptt. of Expenditure O.M. dated 26.3.1999 for submission of Explanatory Note on Excess Expenditure has been noted for strict compliance in future.

#### **Grant Nos. 99 to 103, UTs (Without legislature)**

The Ministry has to collect the requisite information from the concerned Union Territories (without legislature) for preparing the explanatory notes. After preparation of the Explanatory Note on the excess expenditure, the same was sent to Ministry of Finance, Department of Economic Affairs in January/March, 2000, without getting the same vetted by DG, Audit first due to inadvertence. In fact, these notes were to be sent to the Ministry of Finance only after these were duly got vetted by DG, Audit. This lapse was, however, noticed very late. Duly vetted Action Taken Notes in respect of Grant No. 99 A&N Islands and 103—Lakshadweep were sent in March, 2001 to the Monitoring Cell of the Ministry of Finance.

In respect of Grant No. 100—Chandigarh, 101 —Dadra & Nagar Haveli and 102—Daman & Diu, the Explanatory Notes were sent to DG, Audit on 12th April, 2001 for vetting. However, these were received in the Ministry from DG, Audit with certain queries on 3rd May, 2001. Revised draft Explanatory Notes were again sent to DG, Audit for vetting on 29th May, 2001. These were received in the Ministry duly vetted by DG, Audit on 4th September, 2001. Duly vetted Explanatory Notes alongwith Hindi versions were sent to the Ministry of Finance, Department of Expenditure (Monitoring Cell) on 5th September, 2001.

The procedure prescribed by the Ministry of Finance from the year 2001-02 has been noted for strict compliance in future.

(Explanatory Note has been vetted by DGACR *vide* their U.O. No. RR1-6/2000-02/52, dated 31st May, 2002.)

Sd/-

(N.A. Viswanathan)

*Joint Secretary and Financial Adviser (Home)*

Ministry of Home Affairs, O.M. No. 28/8/2001-Bgt-I, dated 4th July, 2002

#### **Recommendation**

On scrutiny of select cases of grants/appropriations under Appropriation Accounts (Civil), the Committee have found that the Ministry of External Affairs incurred an excess expenditure of Rs. 3.02 crore under Revenue Section (Voted) of Grant No. 25 which was the net effect of total excess of Rs. 104.27 crore and total

unspent balances of Rs. 101.25 crore under various Sub-heads of the Grant. The scrutiny of explanatory notes reveal that substantial excess expenditure were incurred in at least four Sub-heads of the Grants, viz; Sub-head — “Embassies and Missions” — Rs. 29.28 crore, Sub-head — “Aid to Bangladesh” — Rs. 21.13 crore, Sub-head — “Aid to Bhutan” — Rs. 26.78 crore and Sub-head — “ITEC Programmes” — Rs. 10.70 crore. What has surprised the Committee is that majority of the reasons attributed for such excess expenditure were not such as could not have been anticipated by the Ministry at the budget preparation stage. The Committee are of the opinion that substantial part of the excess expenditure under this Grant could have been avoided by making adequate provisions to meet the anticipated liabilities. The Committee would, therefore, recommend the Ministry to accurately estimate their requirements of funds at budget preparation stage taking into account all probable inputs which tend to fluctuate the utilisation of funds during the year and thus to keep the expenditure within the limits of the amount sanctioned in the Grant by Parliament.

[Sl. No. 4 Appendix-VII, Para 8.4 of 23rd Report of PAC (13th Lok Sabha)]

#### **Action Taken**

The observations of the Committee have been noted by the Ministry for guidance and it has been brought to the notice of all concerned for compliance who provide initial estimates during the budget preparation exercise. Instructions have also been issued once again to the concerned authorities (copy attached) for strict monitoring of expenditure.

The monthly progressive expenditure received from various spending Divisions in the Ministry as well as from Missions/posts abroad is expected to help control/monitor expenditure on regular basis. The compilation of progressive expenditure statements and monitoring of funds and its reconciliation has already been started.

Sd/-

(M.M.K. Sardana)  
Addl. Secretary (FA)

No. Q/Bud/125/1/2001 Dated 09.5.2002

This has been vetted by audit *vide* D.G.A.C.R U.O. No. R.R./4-2/2001-02/82, dated 28.6.02

No. Q/Bud/125/1/2001  
Ministry of External Affairs  
(Finance Division)

**Subject    Unrealistic preparation of Budget Estimates and non-monitoring of expenditure.**

The Public Accounts Committee in their 23rd Report (13th Lok Sabha) had recommended the need to strictly observe the prescribed financial rules with regard to control of expenditure with a view to obviate "Excess over Voted Grant and Charged Appropriation." The Finance Division has been issuing guidelines to restrict expenditure within the Budget Estimates in order to avoid adverse comments. The guidelines are being circulated again.

2. A realistic month-wise expenditure plan may be prepared by the Division detailing the items of expenditure and proposed releases. This plan need to be reviewed monthly *vis-a-vis* the progressive expenditure, so as to gauge the variations and amend the plan accordingly. The Ministry of Finance also during the budget discussions emphasize the need to monitor expenditure in accordance with the allocated budget and not vice versa. It is therefore, necessary for all the Divisions/ Missions/Posts to strictly contain their expenditure within the allocations, as for any saving/excess of Rs. 100 crores and above, the Ministry is answerable to the Public Accounts Committee and would invite further criticism. It is also necessary that expenditure is maintained within the powers delegated to HOM/HOPs and also subject to availability of funds, within the existing budget allocations.

3. All Head of Divisions at Headquarters are also requested to ensure that details of expenditure and sanctions issued are properly maintained by the concerned sections in the progressive expenditure register. Reconciliation of the expenditure at the end of every month with the Book Section of CCA's office is also imperative. To avoid rush of expenditure in the last two months of the financial year and inevitable audit objections, the expenditure should be incurred in a uniform manner over the whole financial year. The expenditure plan should be made accordingly in the four quarters of the financial year.

4. All Heads of Divisions at Headquarters and HOMs/HOPs at Missions/Posts abroad are requested to note the above and issue instructions for strict compliance by the concerned officials.

Sd/-  
(Alok K. Sinha)  
Director (Finance)  
May 14, 2002

- (1) All Heads of Divisions at Headquarters
- (2) All HOMs/HOPs/Posts abroad
- (3) DG,ICCR, New Delhi
- (4) Chief Controller of Accounts, MEA, New Delhi

### **Recommendation**

The Committee find that there was an excess expenditure of Rs. 56.81 crore under the "Capital Section (Voted) of Grant No. 31—Loans to Government Servants etc." Under this grant, the total excess was Rs. 65.90 crore which was partly offset by the saving of Rs 9.09 crore under various sub-heads. The Ministry has conceded to their reply that the excess occurred due to under assessment of the expenditure likely to be incurred during 1998-99 while making final allocations. The Committee observe that the reasons adduced by the Ministry for the excess under different sub-heads are not such as could not have been adequately foreseen by the Ministry at the initial stage. The variation between the origin sanctioned provisions and the actual expenditure leads the Committee to an inescapable conclusion that the Ministry of Finance have not been able to precisely estimate, at are stage, the requirements of the funds under the Grant. The Committee recommend that the reasons for failure to make realistic assessment of the funds required under various sub-heads of the Grant and also further failure to take timely action for ensuring availability of adequate provisions of funds under the specific heads through supplementary grants be gone into with a view to taking concrete steps for revamping the system of Budget formulation to avoid recurrence of such situation.

[Para 8.6 of the 23rd Report of Public Accounts Committee (13th Lok Sabha)]

### **Action Taken**

With a view to revamping the system of making budgetary provisions for "Loans Government Servants etc.," all Ministries/Departments have been asked to review the requirement of loans to Government Servants on periodic basis so that savings, if any, a negligible and excess do not occur under any circumstances. A format has been devised consultation with the Controller General of Accounts through which Department-wise expenditure will be monitored month-wise so as to avoid rcurrence of large saving excesses. Further, additional funds will be released to various Ministries/Departments only after confirming that the previous allocations have been fully utilized.

This has been vetted by the Audit vide their U.O. No. RR/1-8/2001-02/88 dated 28.6.2002.

Sd/-

(D. Swarup)

Additi nal Secretary (Budget)

Lok Sabha Secretariat (PAC Branch)  
Parliament House Annexe  
New Delhi

File No. 2(11)-B(CDN)2000

**GOVT. OF INDIA  
MINISTRY OF ROAD TRANSPORT & HIGHWAYS AND  
MINISTRY OF SHIPPING**

**Recommendation**

(Sl. No. 7, Appendix-V, Para No. 8.7 of 23rd Report of PAC (13th Lok Sabha))

The Committee note that the Ministry of Surface Transport incurred an overall excess expenditure of Rs. 113.85 crore under Revenue Section Voted of Grant No. 81-Ports, Lighthouses and Shipping though the Committee had desired in Para 47 of their 6th Report (13th Lok Sabha) for careful review by the Ministry of the efficacy of their budgetary mechanism and for applying necessary corrective measures. The Ministry have, however, given assurance that in order to avoid recurrence of such excesses in future (i) all the concerned authorities are being specifically told to monitor the flow of expenditure with utmost prudence by keeping in view the progress of work of each project/scheme and by taking up the matter with various authorities associated with the job and the Ministry of Finance, (ii) the physical and financial progress of various schemes/projects in the annual budget is monitored by holding review meetings thereon (iii) on-the-spot study of certain important schemes is undertaken, and (iv) the accounting procedure has been strengthened to work within time frames. The Committee trust that the proposed measures would be implemented rigorously by the Ministry to ensure realistic estimates of their budgetary requirements under various sub-heads of the Grant and also avoidance of such variations between the sanctioned provision and actual expenditure under the Grant.

**Action Taken**

The proposed remedial measures in the Action Taken Note in respect of excess expenditure of Rs. 113.85 crore under Revenue Section of Grant No. 81-Ports, Lighthouses and Shipping are being followed regorously by the Ministry to ensure realistic estimates of their budgetary requirements.

In order to streamline the system of collection of light dues and projection of estimates, a Committee set up under the Chairmanship of Chief Controller of Accounts has gone through the various details and has recommended certain guidelines for monitoring the collection of light dues and for preparing the realistic Budget Estimates. The recommendations of the Committee have been accepted by the Govt. and are being implemented by the Deptt. PAO (LHLS) has been directed to restrict booking at the level of allocation and not allow excess; even under this head which is meant for transfer of fund to General Reserve Fund. Copy of D.O. letter No. G-25018/PPAO/ATN/PAC/99-2000/1675-78 dt. 20.9.2000 is enclosed herewith.

The Deptt. is also following the guidelines of Ministry of Finance to avoid any excess expenditure. There has been large variation in the GRF in the past, which is due to receipt of more light dues. Though, care is being taken now in the projection of light dues, department may perhaps, has not been able to check completely on little variation under General Reserve Fund as collection of light dues depends upon the increase/decrease of vessel traffic.

As a remedial measure, during the year 2000-2001, booking under this head has been restricted to the amount of budget provision only.

The remedial measures indicated in the Explanatory Note are a continuous process and are being strictly complied with as noted by the Committee in para 8.7 of their Report. The flow of expenditure under various heads is being regularly monitored with a view to minimise variations between sanctioned provision and actual expenditure.

Taking Note of variations between sanctioned provision and actual expenditure, Secretary (Shipping) had at the Port Chairman's Conference held in December, 2000 asked Major Ports to realistically project their requirements for Plan Works. Hindustan Shipyard Ltd. and Cochin Shipyard Ltd. have also been advised to make realistic assessment of budgetary requirement and vigorous monitoring of Plan Outlay utilisation. Copies of letters No. Sy/12011/1/98-CSL dt. 10.5.99 & SY-12011/1/98-CSL dt. 2.3.2001 are enclosed in this regard.

To obviate the procedural problems such as delay in issue of Letter of Credit by the States, availability of insufficient Bank of Sanction, slow progress of work and delay in reimbursement of expenditure incurred by State PWDs due to cumbersome Reimbursement Payment Procedure etc., the Ministry of Road Transport & Highways has already introduced Direct Payment Procedure in 13 States, which is likely to be extended to the remaining States during the financial year 2001-02. Attempts are being made to have better coordination with States/UT Govts. so that the schemes could be received in the Ministry well in time.

Monitoring system is being strengthened. Work-wise critical review meeting are being taken on quarterly basis. Monthly reports from Regional Officers of this Ministry are being obtained. The sanction of new work is being issued in the first 3-4 months of the beginning of the financial year so that sufficient Bank of Sanction is available for incurring expenditure for most part of the financial year. State PWDs have been advised to award the work quickly.

Addl. Secretary & Financial Adviser

This has been vetted by Audit vide U.O. No. RR/22-6/2001-02/1083 dt. 8.01.2002.

Dear Shri

Kindly refer to my D.O. letter No. G.25018/PPAO/ATN/PAC/99-2000 dated 10th July, 2000 regarding observations/recommendations of PAC on "Excess over voted Grants and Charged Appropriation (1997-98).

2. As far as realistic projection of light dues collection and GRF in Budget Estimates is concerned, it is pointed out that from the year 1996-97 to 1999-2000, the Budget Estimates for GRF was not projected on the basis of actual expenditure in any of these years and the expenditure has been far exceeding the Budget Estimates in all the years.

3. In the years 1996-97 to 1998-99, the C&A G in these years of reports has made observations on excess expenditure. If the Budget Estimates are projected with reference to the actuals, the observation of the C&A G could have been avoided.

(Rs. in crores)

Year	B.E.	R.E.	Actual	Comments
1996-97	23.45	23.18	31.18	C&A G Audit Para was raised
1997-98	21.52	17.77	58.06	-do-
1998-99	19.22	21.99	53.61	-do-
1999-2000	20.88	20.88	48.21	C&AG audit para is likely to be raised
2000-2001	39.50	-		

With regards,

Yours sincerely,

Sd/-  
(M. PRAN KONCHADY)

Sh. M. Ramachandran  
Joint Secretary (Shipping)  
Ministry of Surface Transport  
New Delhi.

Copy forwarded for information and necessary action to:

1. The Controllers-General of Accounts, O/o C.G.A., Ministry of Finance, Lok Nayak Bhawan, New Delhi.
2. Sh. J. Ramakrishna, Director-General, Light Houses and Lightships, NOIDA.
3. The P.A.O. (LHLS), NOIDA with a direction not to allow excess expenditure booking under Major Head 3051.03.101.05-General Reserve Fund.

Sd/-

CHIEF CONTROLLER OF ACCOUNTS

सभी पत्र सचिव, भारत सरकार, पोत परिवहन विभाग, जल, भूतल परिवहन मंत्रालय को उनके नाम पर नहीं बल्कि पद के पते पर भेजे जाने चाहिए।

तार: "ट्रान्सपोर्ट"

All communications should be addressed to the Secretary to the Government of India, Department of Shipping, Ministry of Surface Transport by title NOT by name.

Telegram: 'TRANSPORT'

Telex: 031-61157, 61158, 61159 VAHN IN

भारत सरकार  
Government of India  
जल, भूतल परिवहन मंत्रालय  
MINISTRY OF SURFACE TRANSPORT  
(Department of Shipping)  
ट्रान्सपोर्ट भवन/Transport Bhawan  
1, संसद मार्ग/1, Parliament Street  
नई दिल्ली-110001/New Delhi-110001

No. SY-12011/1/98-CSL.

DT. 02-03-2001

The Chairman cum Managing Director,  
Cochin Shipyard Limited,  
COCHIN

Sub: Slow progress of Plan Scheme—Regarding

Sir,

I am directed to invite attention of CSL, to this Ministry letters of even number dated 10-05-1999 and 05-06-2000 requesting CSL to submit the projects/schemes well in time to avoid last minute rush of expenditure and to inform that this Ministry has been getting adverse comments from Audit and other parties for poor budgeting and not exercising sufficient care while framing budgetary requirements.

2. It is seen that these comments have arisen due to the fact that CSL during the year 1999-2000 did not submit the projects/schemes in time with the result that the BE provision of Rs. 10 crores was slashed to Rs. 5.00 crores at RE stage. It is requested that in future CSL should submit the proposals for release of funds well in time to avoid unnecessary cut at RE stage and adverse comments from audit.

3. It is further requested that CSL should ensure that at least 50% of the allocation is claimed within the first 6 months of the financial year.

Yours faithfully,

Sd/-

(G. R. KHETARPAL)

Under Secy. to the Govt. of India



एम० रामचन्द्रन  
M. Ramachandran, I.A.S.  
संयुक्त सचिव  
Joint Secretary  
Tel. No.: 3710189  
Fax: 011-3722855

भारत सरकार  
Government of India  
जल भूतल परिवहन मंत्रालय  
MINISTRY OF SURFACE TRANSPORT  
ट्रांसपोर्ट भवन/Transport Bhawan  
1, संसद मार्ग/1, Parliament Street  
नई दिल्ली-110001/New Delhi-110001

D.O. No. SY-12011/1/98-CSL

May 10th, 1999.

Dear Rear Admiral Whig,

As you are aware in order to ensure timely and effective utilisation of plan funds for upgrading the shipbuilding and ship repair facilities, this Ministry has been emphasising on timely submission of Plan schemes to the Ministry. As a step towards this end, we had addressed a letter No. SY-12011/1/98 dated 16th April, 1999 requesting you to submit the new plan proposal/release of funds for the year 1999-2000 for continuing schemes with the following requisites —

- (i) Board's approval for the new schemes
- (ii) Utilization Certificates for the funds released during the previous year(s)
- (iii) Written undertaking to the effect that the funds will be utilised for the purpose for which released
- (iv) Complete justification for the scheme/release.

2. The financial and physical progress of each scheme sanctioned during 1998-99 may also be reported.

3. I am also happy to inform you that the IX Plan allocation of CSL has been enhanced from Rs. 65.00 crores to Rs. 90.00 crores and the details of schemes/programmes to be taken up under the enhanced provision during the entire plan period (year-wise) may be sent to us immediately. It may also be indicated as to whether the funds could be required, i.e., likely requirement at RE stage this year and at BE stage during the remaining two years of the current Plan.

With regards,

Yours sincerely,

Sd/-

(M. Ramachandran)

Rear Admiral R. K. Whig  
Chairman & Managing Director  
Cochin Shipyard Ltd.  
Cochin.

### Recommendation

Further analysis of the excess expenditure incurred by the Railways reveals that excess expenditure to the tune of Rs. 315.40 crore had been incurred under a single Grant namely "Grant No. 13—Provident Fund, Pension and other Retirement Benefits". The Committee observe that in the past also there was excess expenditure of Rs. 37.91 crore in 1995-96 and Rs. 23.85 crore in 1996-97 under this Grant. The excess of Rs. 315.40 crore during 1998-99 constitutes 8.21 per cent of the final Grant. Bulk of it is attributed mainly to increased volume of payments at revised rates for superannuation Pension, commuted Pension, family Pension and finalisation of arrears on account of revision of rates and more settlement of cases as per Fifth Pay Commission's recommendations. Taking into account the reasons adduced by the Railways the Committee are led to believe that much of the expenditure could have been foreseen and adequately provided for at-least at the time of obtaining supplementary provisions in March, 1999. Since there was usually no uncertainty in the outgo on pensions and drawl of commuted pension by Pensioners, the magnitude of entitlements could have been ascertained to the very close of actuals. As the excesses under this Grant is on the increase, the Committee would like the Ministry of Railways to examine whether there are any inherent defects in the existing procedure so as to take remedial measures for ensuring that adequate provisions are made at least at the Revised Estimate stage for meeting the pensionary liabilities.

[Sl. No. 9 Appendix VII Para 8.9 of 23rd Report of PAC (13th Lok Sabha)]

### Action Taken

The Excess incurred in Demand No. 13 in 1998-99 occurred mainly due to the delayed implementation of the recommendations of the V Central Pay Commission. It may be recalled that Government took many decisions on the implementation of the FCPC recommendations relating to retirement benefits in 1998-99 itself and issued orders in piecemeal, making it difficult to implement them in the same year. Further, the exact assessment of the requirement of funds in the Budget/Supplementary Estimates was also difficult in view of the fact that the Railways look after a very large strength of over 10 lakh pensioners, who have settled all over the country and get their pension through an intricate network of banks, post offices and other outlets

The B.E. 1998-99 provided for a pension outgo of only Rs. 2300 cr. as the retirements were deferred for two years *w.e.f.* May 1998. But as various other Government orders started pouring in and it became clear that the expenditure would increase over and above the B.E. a supplementary grant of more than 1500 cr. was obtained in Demand No. 13 taking the total sanctioned pension outgo to Rs. 3830 cr. The actuals, however, were Rs. 315 cr. more than the higher sanctioned grant.

The present mechanism and procedure have no major visible/inherent defects. The pension expenditure due to FCPC has since stabilised and there has been no excess expenditure in 1999-2000 and 2000-01.

Sd/-

(U.V. Acharya)  
Adviser Finance.

(Ministry of Railways O.M. No. 2001-BC-PAC/XIII/23 Dt. 18.03.2002)

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

No. 2001-B-342

New Delhi, dated 12.12.2001  
24.12.2001

The General Managers,  
All Indian Railways,

Sub.: Excess over voted Grants/Charged Appropriations—1998-99

In 1998-99, Railways incurred an excess expenditure of Rs. 349 cr. in the following Demands:

(Rs. in thousands)

Demand No.	Grant	Appropriation
		25
		725
	8,39,12	
	23,91,09	
	1,00,27	
		36,61
		17,83
	315,39,65	
		8,39
	348,70,13	

The above "Excess" has been viewed seriously by the Public Accounts Committee (PAC) (13th Lok Sabha), *vide* their 23rd Report. The Committee has expressed serious concern in case of Grant No. 13 where the Railways have incurred excess expenditure of Rs. 315.40 cr. even after obtaining supplementary grant of more than Rs. 1500 cr. and has concluded that the Railways do not seem to have realistically assessed the requirement of funds under the Demand No. 13 at any stage.

Observations of the PAC have been detailed in **Annexure** to this letter.

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

The lapses in maintaining the financial discipline have been viewed seriously and the Railways are advised to exercise proper financial discipline. No expenditure should be incurred over and above the authorised allotment without the approval of the competent authority as per the rules of re-appropriation; and in no case, should the expenditure exceed the authorised grant. As soon as it is felt that a Grant is going to be exceeded, strict control on the expenditure should be exercised until additional authorisation comes through, either by re-appropriation at the Board's level or through

a Supplementary Grant obtained from Parliament. Timely submission of Budget/ Supplementary estimates in this regard should also be ensured. The system of monitoring of expenditure *vis-à-vis* the monthly budget proportion should be made more rigorous so as to ensure that there is no excess over grant.

Kindly acknowledge receipt.

Sd/

(Anand Prakash)  
Joint Director, Finance (Budget)  
Railway Board

DA: As above

### **Recommendation**

The Committee are distressed to find that a large number of cases of misclassification of expenditure under various grants/appropriations had been a recurring phenomenon in the Railways. The Committee in their Report *i.e.* 6th Report (13th Lok Sabha), had desired that the Ministry of Railways should eliminate chances of misclassification of expenditure and also to ascertain the reasons for each case of misclassification and take conclusive action against the official found responsible for lapses in all such cases. The Committee, however, find that out of 9 excess registering grants/appropriations, mistakes of misclassification were committed in as many as 5 grants/appropriations involving crores of rupees. From the extent of scaling misclassifications during 1998-99, it is evident that no sincere efforts have been made by the Ministry to devise a mechanism to seriously address this issue and to bring down the cases of misclassifications. Obviously such misclassifications indicate not only apparent inadequacies in the accounting system in the Railways but also glaring lapses on the part of accounting official. Taking note of the recurring trend of misclassifications without any visible sign of improvement, the Committee strongly recommend the Railways to enquire into the reasons and circumstances for preparing such defective accounts, to identify the individual officers responsible for such mistakes and to initiate suitable corrective action. The Committee would like to be apprised of concrete action by the Ministry of Railways in this regard within a period of 3 months.

[Sl. No. 10 Appendix VII Para 8.10 of 23rd Report of PAC (13th Lok Sabha)]

### **Action Taken**

Recommendations of the Public Accounts Committee regarding misclassification of expenditure have been noted. An in-depth review of the booking of expenditure at various levels was undertaken. As a result thereof, the cases of misclassification have broadly been divided under two categories *viz.* those arising out of differences of opinion regarding the interpretation of allocation rules and those resulting from lack of adequate care at the time of preparation of vouchers. As regards the cases which arose due to different perceptions, Zonal Railways/Units have been instructed to make out the efforts to discuss and sort out such cases in consultation with their

Audit, in case of any disagreement, minutes of discussion together with Audit observations may be submitted to the Ministry of Railways for resolving with DAI (Railways) at the time of finalisation of Appropriation Accounts. For cases which arose as a result of lack of care and which could therefore have been avoided, responsibility of concerned staff/officers has been fixed and they have been taken up for the lapses.

In view of the recurring trend of misclassifications, a special study is being 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 the Reports thereof will be summarised to issue a detailed set of instructions for common implementation. It will be the constant endeavour of the Railways to reduce misclassification while allocating expenditure to the different heads of accounts.

Sd/-

(U.V. Acharya)  
Adviser Finance

(Ministry of Railways O.M. No. 2001-BC-PAC/XIII/23 Dt. 18.03.2002)

### **Recommendation**

Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in Paragraph 5.6 of this report be regularised in the manner prescribed in Article 115(1)(b) of Constitution of India.

[Sl. No. 11, Paragraph 8.11 of Twenty-Third Report of PAC (Thirteenth Lok Sabha), Excesses over voted Grants and Charged Appropriations (1998-99)]

### **Action Taken by M/o Finance (Deptt. of Economic Affairs— Budget Division)**

As recommended by the Public Accounts Committee, the Demands for Excess Grants (excluding Railways) for the year 1998-99 were submitted to Parliament in the Budget Session, 2002. The Parliament has passed the Excess Demands for Grants. Necessary Appropriation Bill for regularising the money drawn in excess of the amounts authorised by the Parliament for the year 1998-99, has also been passed and the corresponding Act published in the Gazette of India Extraordinary, Part II, Section I dated 27.03.2002 as Act 9 of 2002, after obtaining assent of the President. In view of this the excess amount drawn in 1998-99 stands regularised. Action taken in this regard is therefore completed.

This Note has been vetted by Audit *vide* their U.O. No. DGACR/RR/1-9/2000-01/56 dated 3.6.2002

Sd/-

(D. SWARUP)  
Additional Secretary (Budget)

Ministry of Finance, Department of Economic Affairs (Budget Division),  
New Delhi-110 001

O.M. No. F.4 (60)-B(SD)/2001 dated 7.6.2002

### **Action Taken by Deptt. of Telecommunications**

A note for the Public Accounts Committee for regularization of the excess expenditure of Rs. 300.85 crores that occurred under Revenue (Voted) of Grant No. 16-Department of Telecommunications as shown in the Union Government Appropriation Accounts (Department of Telecommunications) for 1998-99, has already been submitted (Copy enclosed).

Sd/-

(Anuradha Mitra)  
D.D.G. (EAF)

File No. 1-16/2001-B dated 19th October, 2001

This has been vetted by D. G. Audit *vide* their UO No. RRIII/1(b)4/(9) App. A/CS 1998-99/709 dated 14.1.2002.

With Remarks:—

"Seen Thanks" This office has no further comments.

### **ACTION TAKEN NOTE ON TWENTY THIRD REPORT OF PUBLIC ACCOUNTS COMMITTEE (THIRTEENTH LOK SABHA) REGARDING "EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (1998-99)".**

Name of the Ministry

Ministry of Defence

### **Recommendation**

Subject to the observations made in the preceding paragraphs the Committee recommended that the Expenditure referred to in paragraph 5.6 of this Report be regularised in the manner prescribed in the Article 115(1)(b) of the Constitution of India.

[Sl. No. 11 of Appendix-VII, Para 8.11 of 23rd Report of PAC 2001-2002  
(13th Lok Sabha)]

### **Action Taken by the Ministry**

During the year 1998-99 there was excess under the following Grants pertaining to Defence Services:-

- Demand No. 19-Defence Services—Army
- Demand No. 20-Defence Services—Navy
- Demand No. 23-Capital Outlay on Defence Services

The excess notes, duly vetted by Audit to regularise the excess in above mentioned Grants have already been furnished to the Ministry of Finance, Department of Expenditure (Monitoring Cell) on 29.2.2000 for onward transmission of the same to PAC for regularisation under Article 115(1)(b) of the Constitution of India.

Sd/-

(A.K. Chopra)  
Addl. FA(A)&JS

File No. 10(2)/B-1/2002

**Action Taken by Ministry of Railways**

As recommended by the Committee, the excess expenditure incurred during 1998-99 has since been regularised in the Winter Session of Parliament, 2001.

Sd/-  
(U.V. Acharya)  
Adviser, Finance

(Ministry of Railways O.M. No. 2001-BC-PAC/XIII/23 Dt. 18.3.2002)

### CHAPTER III

#### RECOMMENDATIONS OR OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE GOVT.

##### Recommendation

The scrutiny of Revenue Section (Charged) of Appropriation No. 29—'Interest Payments', has revealed that the Ministry of Finance incurred an excess expenditure of Rs. 2882.39 crore during 1998-99 which was the net result of total excess of Rs. 5105.35 crore and total savings of Rs. 2222.96 crore under various Sub-heads of the Appropriation. The various reasons for excess expenditure under different Sub-heads of this Appropriation include enhanced market borrowings, more payments under different bonds schemes, more claims received for payment, exchange rate variation, more drawals under loans, higher interest payment etc. While attributing excess expenditure under this Appropriation, the representative of Ministry of Finance conceded during evidence that there was variation every year on account of this and it was difficult to estimate the interest charges because the number of estimating agencies and number of disbursing agencies were very large. The Committee observe that any estimation of the budgetary requirements in the absence of complete data would, obviously, be nothing but an exercise based on guess work which would lead only to variations between the budgetary provisions projected and actual expenditure incurred under various heads of this Appropriation. The Committee do not accept the stand of the Ministry of Finance that the multiplicity of estimating agencies and disbursing agencies leads to variation in budgetary requirements. The Committee are of the considered view that in the IT age with internetting facilities available, effective coordination between various estimating and disbursing authorities can be procured and with the help of sound data base and the mechanism of obtaining Supplementary Demands, it should be quite possible for the Ministries to avoid excess expenditure altogether.

[Para 8.5 of Twenty third Report of the Public Accounts Committee (13th Lok Sabha) on the excesses over voted grant and charged appropriations.]

##### **Action Taken by the Ministry of Finance (Deptt. of Economic Affairs, Budget Division)**

The expenditure of the Government of India on account of payment of interest is dependent on the debt stock amount and also on estimated borrowings it undertakes (both internal and external) for financing its expenditure in that year. Government has to take recourse to market borrowing during the year to bridge the gap between non-debt receipts and expenditure. Among the factors responsible for the fluctuations between the estimated and actual interest payments of the Government, the most

significant one is the interest on market borrowing. From the year 1992-93, the Government has been borrowing from the market at the market related rates. These rates are determined by the auctions conducted by the Reserve Bank of India. Since these rates depend on the liquidity in the market and other related factors, it is very difficult to precisely estimate interest payments on the internal borrowing of the Government during the year.

2. Another factor, which contributes to variation between the estimates and the actual expenditure, is the exchange fluctuations of the Rupee *vis-a-vis* foreign currencies. While payment of interest on foreign loans raised, are made in respective foreign currencies, it is accounted for in rupee terms. It is difficult to precisely estimate the exchange rate fluctuations. It, therefore, becomes difficult to estimate the quantum of interest required to be paid during the year on external debt. Through mid-term reviews, the interest payments are adjusted at the Revised Estimate stage of the financial year. In the year 1998-99, after the mid-term review an amount of Rs. 2,248 crore was proposed as Supplementary Demands for Grants over and above Rs. 75,000 crore provided in the Budget of the year.

3. The excess expenditure had, however, occurred as the Appropriation Bill authorising the additional expenditure included in the last batch of Supplementary Demands was not deemed to have been passed before the close of the financial year. Lok Sabha had passed the Supplementary Demands for Grants and the Appropriation Bill on 17th March, 1999, and remitted the Appropriation Bill to Rajya Sabha on the same day *i.e.* 17th March, 1999. The Appropriation Bill was not, however, returned by the Rajya Sabha within the prescribed time limit of 14 days in the same financial year which ended on 31st March, 1999, as it was adjourned on 19th March, 1999 without any discussion on the Appropriation Bill. The President's Assent was, therefore, taken on 1.4.1999, on completion of the mandatory period of 14 days.

4. However, in view of the observations made by Public Accounts Committee, it is proposed to reiterate the need to ensure that excess expenditure does not occur through effective coordination between various estimating and disbursing authorities and effective use of IT facilities by issue of necessary instructions through the 'Budget Circular' issued annually to all Ministries/Departments.

5. This has been vetted by Audit *vide* their U.O. No. RR/1-17/2001-02 dt. 11.10.2002.

Sd/-  
(D. Swarup)  
Additional Secretary (Budget)

No. F. 6(3)-B(AC)/2001 dated 24.10.2002

Lok Sabha Secretariat,  
Parliament House Annexe,  
New Delhi.

**SPECIAL INSTRUCTIONS RELATING TO ESTIMATES TO BE  
INCLUDED IN DEMANDS FOR GRANTS CONTROLLED BY  
BUDGET DIVISION**

4.2 Interest Payments: Estimates for interest on provident fund balances of employees, including Group 'D' employees, and on various deposits in the Public Account including Reserve Funds, deposits of Commissioners of Payments and other items for inclusion in the Appropriation "Interest Payments" will be furnished by the Controllers of Accounts and by the Ministry of Railways (Railway Board), Ministry of Defence (Finance Division), Departments of Posts and Telecommunications, Director of Accounts, Andaman & Nicobar Islands and Goa, Daman & Diu (for Daman & Diu) and respective Accountants General in respect of other Union Territory Administrations. The Finance Wings of the Ministries/ Departments are advised that the estimates of "Interest Payments" will be furnished by their Controllers of Accounts to Budget Division. Any increase or decrease in Revised Estimates for the current year and in Budget Estimates for the next year will also be explained suitably by the estimating authority, while furnishing estimates for Budget Division.

It may please be noted that Public Accounts Committee, in its 23rd Report of the Public Accounts Committee (13th Lok Sabha) on the excesses over voted grant and charged appropriation (1998-99), suggested that effective coordination between various estimating and disbursing authorities be put in place with the help of sound data base and other IT facilities so that the excess expenditure could be avoided altogether. It is therefore emphasized that effective coordination between various estimating and disbursing authorities with the use of IT facilities may be enforced to avoid excess expenditure in the 'Appropriation—Interest Payments'.

## **CHAPTER IV**

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

#### **Recommendation**

The aggregate amount of excess expenditure under four grants (5,6,8 & 13) and five appropriations (3,4,9, 11 & 16-Capital) administered by Minister of Railways (Railway Board) during the year 1998-99 was Rs. 349.40 crore. An analysis of the reasons for excess expenditure over authorised allocations indicates that as in the past, defective estimation of requirement of funds, lack of proper and timely review and monitoring of funds, failure to anticipate and provide fully for cost of materials etc. have mainly contributed to the excess expenditure. What is still more disturbing is the fact that supplementary grants were obtained in seven out of nine excess registering grants/appropriations. The wide variations between the budgeted figures and the actual expenditure leads the Committee to an obvious conclusion that Ministry of Railways have failed to precisely anticipate, assess and provide for the funds actually required by them. There is no doubt that by a better control over expenditure and more accurate estimation of liabilities, much of the excess expenditure could have been avoided. The Committee observe that the Ministry while submitting Action Taken Notes on the earlier Report of the Committee (6th Report—13th Lok Sabha) had informed that the Railways were in the process of implementing a computer-based Financial Management Information systems (FMIS), besides other measures, on different Zones Railways and Software for Budget preparation was also being upgraded. The Committee had been assured that these measures would enable the field units and Zonal Railways to assess the fund requirements more realistically and also lead to better expenditure control. The Committee, however, find from the recurrence of huge excess expenditure during the year 1998-99 that the expenditure control measures stated to be initiated by the Railways have yet to show the desired improvement in the budgetary process in the Railways. What is more disturbing is the fact that the persistent trend in the incurring of excess expenditure by the Railways has remained unabated despite the measures stated to be adopted by the Railways. Obviously, the existing mechanism for control of expenditure has failed to effectively check the unabated trend of excess expenditure in different grants/appropriations. The Committee would, therefore, recommend that the Railways pinpoint the inadequacies and evolve an effective mechanism to bring continual and progressive systemic improvement in accurate estimation of budget requirements under various grants/appropriations.

Sl. No. 8 Appendix VII Para 8.8. of 23rd Report of PAC (13th Lok Sabha)

### Action Taken

There is a constant endeavour in this Ministry to control the incidence of excess expenditure. As is seen from the table given below, the incidence of excess expenditure on Railways has been declining over the years:

(Rs in cr.)			
Year	Total expenditure on Railways	Excess incurred	% of
(1)	(2)	(3)	(3) to (2)
1992-93	28399	539	1.90
1993-94	31393	1217	3.88
1994-95	33951	391	1.15
1995-96	37324	603	1.62
1996-97	40833	191	0.47
1997-98	47720	160	0.34
1998-99	52770	349	0.66

In 1998-99, the excess has increased slightly to 0.66% against the previous year's 0.34%. In this regard, it is submitted that the bulk of the excess in 1998-99 has been registered under Demand No. 13. Out of the excess of Rs. 349 cr., Rs. 315 cr. is accounted for in Demand No. 13 alone which works out to almost 91% of the total excess. Apart from this, the excess registered in 1998-99 works out to merely Rs. 34 cr. or 0.66% of the overall sanctioned grant and is the minimum in the preceding many years.

The Excess in Demand No. 13 has occurred mainly due to the delayed implementation of the recommendations of the V Central Pay Commission. It may be recalled that Government took many decisions on the implementation of the FCPC recommendations relating to retirement benefits in 1998-99 itself and issued orders in piecemeal, making it difficult to implement them in the same year. Further, the exact assessment of the requirement of funds in the Budget/Supplementary Estimates was also difficult in view of the fact that the Railways look after a very large strength of over 10 lakh pensioners, who have settled all over the country and get their pension through an intricate network of banks, post offices and other outlets.

The assessment of the pension outgo was further complicated by the retirement age being raised to 60 years and the consequent deferment of retirements for two years *w.e.f.* May 1998. Accordingly the BE 1998-99 provided for a pension outgo of only Rs. 2300 cr. However, a series of orders relating to refixation of pension were issued, resulting in enhanced outgo. As a consequence a supplementary grant of more than Rs. 1500 cr. was obtained in Demand No. 13 taking the total sanctioned pension outgo to Rs. 3830 cr. The actuals, however, were Rs. 315 cr. more than the higher sanctioned grant.

As regards FMIS and up-gradation of the Budget Software it is submitted that these are still under the evolving stages, and their fruitfulness in assessment,

monitoring and expenditure control can be evaluated only after they are fully implemented.

The observations of the Committee are noted for guidance and are being reiterated to the Railways (copy enclosed).

Sd/-  
(U.V. Acharya)  
Adviser Finance.

[Ministry of Railways, O.M. No. 2001-BC-PAC/XIII/23, dt. 18.3.2002]

### **Recommendations**

Further analysis of the excess expenditure incurred by the Railways reveals that excess expenditure to the tune of Rs. 315.40 crore had been incurred under a single Grant namely "Grant No. 13—Provident Fund, Pension and other Retirement Benefits". The committee observe that in the past also there was excess expenditure of Rs. 37.91 crore in 1995-96 and Rs. 23.85 crore in 1996-97 under this Grant. The excess of Rs. 315.40 crore during 1998-99 constitutes 8.21 per cent of the final Grant. Bulk of it is attributed mainly to increased volume of payments at revised rates for superannuation Pension, commuted Pension, family Pension and finalisation of arrears on account of revision of rates and more settlement of cases as per Fifth Pay Commission's recommendations. Taking into account the reasons adduced by the Railways, the Committee are led to believe that much of the expenditure could have been foreseen and adequately provided for at-least at the time of obtaining supplementary provisions in March 1999. Since there was usually no uncertainty in the outgo on pensions and drawl of commuted pension by Pensioners, the magnitude of entitlements could have been ascertained to the very close of actuals. As the excesses under this Grant is on the increase, the Committee would like the Ministry of Railways to examine whether there are any inherent defects in the existing procedure so as to take remedial measures for ensuring that adequate provisions are made at least at the Revised Estimate stage for meeting the pensionery liabilities.

[Sl. No. 9 Appendix VII Para 8.9 of 23rd Report of PAC (13th Lok Sabha)]

### **Action Taken**

The Excess incurred in Demand No. 13 in 1998-99 occurred mainly due to the delayed implementation of the recommendations of the V Central Pay Commission. It may be recalled that Government took many decisions on the implementation of the FCPC recommendations relating to retirement benefits in 1998-99 itself and issued orders in piecemeal, making it difficult to implement them in the same year. Further, the exact assessment of the requirement of funds in the Budget/Supplementary Estimates was also difficult in view of the fact that the Railways look after a very large strength of over 10 lakh pensioners, who have settled all over the country and get their pension through an intricate network of banks, post offices and other outlets.

The B.E. 1998-99 provided for a pension outgo of only Rs. 2300 cr. as the retirements were deferred for two years *w.e.f.* May 1998. But as various other

Government orders started pouring in and it became clear that the expenditure would increase over and above the B.E., a supplementary grant of more than 1500 cr. was obtained in Demand No. 13 taking the total sanctioned pension outgo to Rs. 3830 cr. The actuals, however, were Rs. 315 cr. more than the higher sanctioned grant.

The present mechanism and procedure have no major visible/inherent defects. The pension expenditure due to FCPC has since stabilised and there has been no excess expenditure in 1999-2000 and 2000-01.

Sd/-  
(U. V. Acharya)  
Adviser Finance.

[Ministry of Railways, O.M. No. 2001-BC-PAC/XIII/23, dt. 18.03.2002].

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

No. 2001-B-342

New Delhi, dated 12.12.2001

The General Managers,  
 All Indian Railways.

**Sub: Excess over Voted Grants/Charged Appropriations—1998-99**

In 1998-99, Railways incurred an excess expenditure of Rs. 349 cr. in the following Demands:—

*(Rs. in thousands)*

Demand No.	Grant	Appropriation
3		25
4	..	7,25
5	8,39,12	
6	23,91,09	
8	1,00,27	..
9		36,61
11	..	17,83
13	315,39,65	
16-Capital		8,39
<b>Total</b>	<b>348,70,13</b>	<b>70,33</b>

The above "Excess" has been viewed seriously by the Public Accounts Committee (PAC) (13th Lok Sabha), *vide* their 23rd Report. The Committee has expressed serious concern in case of Grant No. 13 where the Railways have incurred excess expenditure of Rs. 315.40 cr. even after obtaining supplementary grant of more than Rs. 1500 cr. and has concluded that the Railways do not seem to have realistically assessed the requirement of funds under the Demand No. 13 at any stage.

Observations of the PAC have been detailed in *Annexure* to this letter.

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

The lapses in maintaining the financial discipline have been viewed seriously and the Railways are advised to exercise proper financial discipline. No expenditure should be incurred over and above the authorised allotment without the approval of the competent authority as per the rules of re-appropriation; and in no case, should the expenditure exceed the authorised grant. As soon as it is felt that a Grant is going

to be exceeded, strict control on the expenditure should be exercised until additional authorisation comes through, either by re-appropriation at the Board's level or through a Supplementary Grant obtained from Parliament. 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 rigorous so as to ensure that there is no excess over grant.

Kindly acknowledge receipt.

Sd/-  
(Anand Prakash)  
Joint Director, Finance (Budget),  
Railway Board.

DA: As above

## **CHAPTER V**

### **RECOMMENDATIONS OR OBSERVATIONS IN RESPECT OF WHICH GOVT. HAVE FURNISHED INTERIM REPLIES/NO REPLIES**

**-Nil-**

**NEW DELHI;**  
**26 February, 2003**  
**7 Phalgun 1924 (Saka)**

**SARDAR BUTA SINGH**  
*Chairman,*  
*Public Accounts Committee.*

### APPENDIX III

#### *Conclusions and Recommendations*

Sl. No.	Para No.	Ministry/ Department	Conclusions/Recommendations
2	3		4
9	Finance (Economic Affairs), Defence, Home Affairs, External Affairs, Railways, Communications (Department of Telecom.)	The Committee have been constantly emphasising, the need for ensuring that their recommendations receive prompt attention, and also for scrupulously observing the time-schedule prescribed in their 5th Report (4th Lok Sabha) for the submission of Action Taken Notes to the Committee. Though there has been perceptible improvement in submission of ATNs, in respect of some Ministries unconscionable delays continue to recur, There were delays of 5 to 9 months in submission of Action Taken Notes pertaining to the Ministry of Finance. Ministries of Defence, Home Affairs and External Affairs also delayed more than 7 months in the submission of the Action Taken Notes pertaining to them. The Committee are optimistic that with modern facilities of internetting and speedier means of communications, all the Ministries/Departments would ensure that Action Taken Notes are furnished to the committee within the stipulated time with proof of tangible action.	
2.	13	Finance (Expenditure -Monitoring Cell)	The Committee note that submission of Explanatory notes is an often-repeated exercise carried out by the concerned Ministries/Departments and the Committee therefore, see no other apparent reason save want of effective co-ordination between the responsible for delay in the submission of notes explaining the reasons and circumstances for such excess expenditure. The Committee feel that if the procedure prescribed by the Controller General of Accounts for timely submission of explanatory notes is adhered to scrupulously, such delays can surely be avoided.
3.	16	Railways (Railway Board)	The Committee are distressed to point out that excess over authorised provisions under the Grants Appropriations operated by Ministry of Railways continues to occur year after year. The Ministry of Railways in their Action Taken Notes on 6th Report (13th Lok Sabha) had informed the Committee that the Railways were in the process of implementing a computer based

1	2	3	4
			<p>Financial Management information Systems (FMIS) besides other measures on different Zonal Railways and Software for Budget preparation were also being upgraded. The Ministry in their Action Taken Notes on 23rd Report (13th Lok Sabha) have now stated that these are still under the evolving stages, and their fruitfulness in assessment, monitoring and expenditure control can be evaluated only after they are fully implemented. Needless to say the Committee would like the Railway Board to speed up the process of implementation of the new computer based Financial Management Information system so that excess/unauthorized expenditure is avoided.</p>
4.	20	Railways (Railway Board)	<p>Noticing the recurring trend of misclassifications of expenditure in the Railways, the committee in para 8.10 of their 23rd Report (13th Lok Sabha) had asked the Railways to enquire into the reasons and circumstances for preparing defective accounts, to identify the individual officers responsible for such mistakes and to initiate suitable corrective action. While appreciating the steps taken by the Ministry to overcome this problem, the Committee hope that with the implementation of the FMIS, the Ministry of Railways would be able to avoid misclassifications of expenditure as well. The Committee would like to be apprised of the outcome of the special study being carried out to determine measures to be taken to prevent misclassification and the follow up action taken thereon.</p>

## PART II

### MINUTES OF THE TWENTIETH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2002-2003) HELD ON 25TH FEBRUARY, 2003

The Committee sat from 1600 hrs to 1630 hrs. on 25th February, 2003 in Committee Room "B", Parliament House Annexe, New Delhi.

#### PRESENT

Shri N. Janardhana Reddy — *In the Chair*

#### MEMBERS

##### *Lok Sabha*

2. Shri M.O.H. Farook
3. Dr. M.V.V.S. Murthi
4. Shri Rupchand Pal
- Shri Kirit Somaiya

##### *Rajya Sabha*

6. Shri Santosh Bagrodia
7. Shri Prasanta Chatterjee
8. Shri K. Rahman Khan
9. Shri Bachani Lekhraj

#### LOK SABHA SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Shri Devender Singh — *Deputy Secretary*
3. Shri R.C. Kakkar — *Under Secretary*
4. Shri B.S. Dahiya — *Under Secretary*

2. In the absence of Chairman, the Committee chose Shri N. Janardhana Reddy to act as Chairman for the sitting Under Rule 258(3) of Rules of Procedure of Conduct of Business in the House.

3. The Committee then took up for consideration the following draft Reports:

(i) \*\*\*\*                      \*\*\*\*                      \*\*\*\*                      \*\*\*\*

(ii) \*\*\*\*                      \*\*\*\*                      \*\*\*\*                      \*\*\*\*

(iii) Action Taken on the recommendations contained in 22nd Report of PAC (11th Lok Sabha) and 23rd Report of PAC (13th Lok Sabha) relating to "Excess Over Voted Grants and Charged Appropriation (1995-96) and (1998-99)"

4. The Secretariat briefed the Committee on the draft Reports, The Committee adopted the Reports without any modifications and amendments.

5. The Committee also authorised the Chairman to finalise these draft Reports in the light of verbal and consequential changes, if any, arising out of factual verification by Audit and present the same to the Houses in the current session of Parliament.

*The Committee then adjourned.*

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