SEVENTIETH REPORT

PUBLIC ACCOUNTS COMMITTEE (1981-82)

(SEVENTH LOK SABHA)

EXPENDITURE ON NEW SERVICE/ NEW INSTRUMENT OF SERVICE

MINISTRY OF FINANCE
(DEPARTMENT OF EXPENDITURE)

Action taken by Government on the recommendations of the Public Accounts Committee contained in their 41st Report (Seventh Lok Sabha)

सत्यमेव जयते

Presented to Lok Sabha on.........
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LOK SABHA SECRETARIAT
NEW DELHI

December, 1981/Pausa, 1903 (Saka)
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(1981-82)

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**Ceased to be a member from 15-1-1982 on his becoming Minister of State.

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this 70th Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 41st Report (Seventh Lok Sabha) on Expenditure on New Service/New Instrument of Service.

2. Considering the inflationary pressures on the economy over the years, the Committee had in their 41st Report, expressed the view that upward revision of the limits of expenditure set out in July, 1970, beyond which Parliament's approval should be taken, was called for. The Committee had desired the Ministry of Finance to examine the suggestions in this regard made by the Financial Advisers of different Ministries, in consultation with the C&AG of India and submit revised guidelines for consideration and approval by the Committee. In this Report, the Committee have examined the proposals for raising the limits of expenditure in the interest of speedy execution of the development programmes which require quick decision making. Subject to certain safeguards in the interest of accountability to Parliament, the Committee have agreed to the limits being raised in respect of items constituting New Service/ New Instrument of Service which require prior approval of Parliament or where report to Parliament is necessary. The Committee have stressed the need for revising ways and means to strengthen the system of internal finance as well as internal audit in consultation with the C&AG of India for better control over expenditure.

3. The Committee considered and adopted this Report at their sitting held on 4 January, 1982.

4. For reference facility and convenience, the recommendations and observations 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 III to the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the office of the Comptroller & Auditor General of India.

SATISH AGARWAL,
Chairman
Public Accounts Committee.

NEW DELHI:
January 11, 1982
Pausa 21, 1903 (*S*)

CHAPTER I

REPORT

1.1 This Report of the Committee deals with the action taken by Government on the recommendations or observations contained in their 41st Report (Seventh Lok Sabha) on paragraph 26 of the comptroller and Auditor General of India for the year 1978-79. Union Government (Civil) relating to Expenditure on 'New Service/ New Instrument of Service' which was presented to the Lok Sabha on 29 April, 1981.

1.2 Out of 19 recommendations or observations contained in the Report, Government have indicated the action taken or proposed to be taken by them in respect of all the recommendations.

1.3 The Action Taken Notes received from Government have been broadly categorised as follows:

(i) Recommendations or observations which have been accepted by Government.
S. Nos. 1-4, 5-16 and 18.

(ii) Recommendations or observations which the Committee do not desire to pursue in the light of the replies of Government.
S. No. 5

(iii) Recommendations or observations replies to which have not been accepted by the Committee and which require reiteration.
S. Nos. 17 and 19

(iv) Recommendations or observations in respect of which Government have furnished interim replies.
Nil.

1.4 The Committee will now deal with the action taken by Government on some of their recommendations.

Control over Expenditure

(Sl. Nos. 17 and 19 paras 1.63 and 1.65).

1.5 Deploring the laxity in control over expenditure and urging the Government to strengthen the internal finance and internal audit (para 1.63, sl. no. 17) and also calling for upward revision of the limits of expenditure set out in July 1970 due to inflationary pressures on the economy (Para 1.65 sl. no. 19) the Committee had observed:

"Strictly speaking no money can be spent on New Service/ New Instrument of Service without prior approval of Parliament. The Committee take a very serious view of the repeated violations by Ministries/Departments of the guidelines issued by the Ministry of Finance in pursuance of the recommendations made by the Public Accounts Committee. The Committee deprecate the tendency on the part of the Ministries/Departments to continue to spend large sums of money without Parliament's authority year after year. The Committee consider that these cases are illustrative of laxity in control over expenditure on the part of internal finance of the Ministries/Departments. The Committee recommend that the matter should be discussed by the Ministry of Finance with the C&AG of India with a view to devising ways and means to strengthen the system of internal finance as well as internal audit so that such serious financial improprieties could be detected at an early stage and it may be possible to take remedial action within the financial year itself.

In view of the foregoing and also taking into consideration the inflationary pressures on the economy over the years, the Committee consider that upward revision of the limits of expenditure set out in July 1970, beyond which Parliament's prior approval should be taken, is called for. The Committee have taken notice of the proposals made by the Financial Advisers of different Ministries as reproduced in para 1.40 of this Report. The Committee desire that the Ministry of Finance should examine the suggestions in consultation with the Comptroller and Auditor General of India and submit revised guidelines proposed to be issued to the Ministries for consideration and approval by the Public Accounts Committee.

1.6. In their Action Taken Note dated 22 October, 1981 the Ministry of Finance, Department of Economic Affairs have stated:

"In pursuance of the Committee's recommendations draft guidelines for determining expenditure on 'New Service'/ 'New Instrument of Service' and for strengthening the system of financial control to ensure strict observance thereof have been drawn up and got vetted by Audit. The monetary limit for 'new works' proposed at Rs. one crore in this Ministry's earlier note (item VI) (ii) of paragraph 1.40 of the Report is being reduced to Rs. 50 lakhs at the instance of Audit. A copy* of the draft is now submitted for consideration and approval by the Committee.

(Pl. see Appendix I)

1.7. The Committee note that in pursuance of the recommendation made in their 41st Report (7th Lok Sabha) with regard to the question of upward revision of the limits of expenditure set out in july, 1970 beyond which prior approval of Parliament should be taken, Government have submitted revised proposals after consultation with Audit for consideration of the Committee. Some of the important changes proposed to be made are as follows:—

I. **Capital Expenditure**

Additional investment in loans to existing Public Sector Companies

1. For additional fund requirements of term lending institutions (viz. Industrial Development Bank of India, Agricultural Refinance and Development Corporation, National Bank for Agricultural & Rural Development, Export-Import Bank of India, Rural Electrification Corporation, Shipping Development Fund Committee, National Co-operative Development Corporation, Industrial Finance Corporation, Industrial Reconstruction Corporation of India etc.) the limits will be twice those specified for Public Sector Companies/Corporations. Where an institution does not have paid up capital, the limits will be applied with reference to Central loans outstanding against it at the end of the previous financial year.

2. For financing projects under construction, within the approved cost estimates already brought to the budget provisions beyond the monetary limits prescribed aboe will be permissible subject to availability of savings in the Grant. A report of such cases to Parliament will, however, be necessary.

3. Short term (working capital) loans, repayable within five years will not be treated as 'New Instrument of Service'

but will require to be reported to Parliament. The present time limit is one year in such cases.

4. In respect of loans to Port Trusts, Delhi Municipal Corporation and other local bodies, Khadi and Village Industries Commission, Tea Board, Coffee Board etc., the limits prescribed for public sector companies will apply with reference to Central Loans Outstanding against them at the end of the previous financial year.

Expenditure on New Works (Land, Buildings and/or Machinery)

The present limit of Rs. 25 lakhs will be raised to Rs. 50 lakhs. Limits for re-appropriation out of savings in this case will be above Rs. 10 lakhs but not exceeding Rs. 50 lakhs.

II. **REVENUE EXPENDITURE**

Grants-in-aid to statutory and other public institutions:

1. Limits in the case of institutions in receipt of grant-in-aid of more than Rs. one crore will be 10 per cent of the Budget provision or Rs. 2 crores, whichever is less.

2. The above limits will also apply to institutions which are substantially financed by grants-in-aid from Government and public sector undertakings.

3. Where a lumpsum provision is made for providing grant-in-aid under a particular scheme in the absence of institution-wise break-up at the time the provision is made, the aforesaid limits will not apply to releases to such institutions within the budgeted provision. The details will, however, be reported to Parliament.

Subsidies and grants under Export Promotion Schemes

The provision for export promotion schemes is henceforth proposed to be exhibited under three sub-heads *viz.* (i) Product Promotion and Commodity Development, (ii) Grants-in-aid to Export Promotion and Market Development Organisations and (iii) Export Credit Development. As against the present limit of Rs. one crore, prior approval of Parliament will be required whenever it become necessary to augment the total provision under anyone of the above heads by more than Rs. 3 crores.

Food Subsidy

In this case expenditure above Rs. 1 crore but not exceeding Rs. 3 crores can be met by reappropriation of savings subject to report to Parliament. In case of expenditure above Rs. 3 crores, prior approval of Parliament will be required.

Payments against Cess Collections

Limits as applicable to grants-in-aid to statutory or public institutions will apply.

Write off of Government loans

Expenditure above Rs. 1 lakh (individual cases) will attract the provision of prior approval of Parliament.

P & T, Railways & Defence

The proposed limits including those relating to works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence and that for investment in Ordnance Factories, the limit of Rs. 1 crore prescribed for additional investment in an existing departmental undertaking will be applicable with reference to investment in all the factories as a whole. Civil Works, which do not form part of any project of the departmental undertakings (Ordnance Factories) will be treated as ordinary Defence Works. As such, prior approval of Parliament will be necessary if the cost of individual works exceeds Rs. 50 lakhs (as against Rs. 25 lakhs so far) and in cases where the individual works cost Rs. 10 lakhs or more but not exceeding Rs. 50 lakhs, a report to Parliament will be required. A list of such works will be supplied to Director of Audit, Defence Services.

The Committee also note that the Ministries/Departments would observe the following checks to ensure that any expenditure likely to attract limits of 'New Service/New Instrument of Service' is not incurred by re-appropriation:—

(i) A specific certificate would be recorded in each case involving augmentation of sanctioned provision by the IF/Budget Section of the Ministry/Department on receipt of related proposals to the effect that the proposed augmentation attracts/does not attract limits of 'New Service/New Instrument of Service'.

(ii) The Pay and Accounts Officers would examine each expenditure sanction from the 'New Service' 'New Instrument of Service' angle, especially those involving investments, loans, grants-in-aid, subsidies, new works, etc. All doubtful cases would be put up to the Controller of Accounts/Financial Advisers.

(iii) If in any exceptional case, the expenditure, whether partly or fully, on a 'New Service'/'New Instrument of Service' has been incurred inadvertently and this fact comes to notice within the financial year, an advance from the Contingency Fund would be obtained during the year itself to cover the expenditure already incurred as also for the expenditure likely to be incurred before a Supplementary Grant for that Service becomes available.

1.8. Considering the inflationary pressures on the economy since the guidelines were last revised in July 1970 and also taking into account the widening area of developmental programmes which have to be executed by Government agencies within a stipulated time frame and which require quick decision making, the Committee have no objection to the limits being raised in respect of expenditure on 'New Service'/New Instrument of Service (as specified in Appendix I) beyond which Parliament's prior approval/report to Parliament would be necessary. The Committee however recommend the following changes in the draft guidelines. (Note 2 under the nature of transaction entitled "I-Capital Expenditure")

1.9. Under the proposed guideline it is provided as follows:

"For additional fund requirements of term lending institutions (Industrial Development Bank of India, Agricultural Refinance and Development Corporation, National Bank for Agricultural & Rural Development, Export-Import Bank of India, Rural Electrification Corporation, Shipping Development Fund Committee, National Cooperative Development Corporation, Industrial Finance Corporation, Industrial Reconstruction Corporation of India, etc.) the limits will be twice those specified above. Where an institution does not have paid up capital, the limits will be applied with reference to Central loans outstanding against it at the end of the Previous financial year."

The Committee feel that the limit should be raised to twice those specified under the above heading only in respect of those term lending institutions where the institution is under the audit of

C&AG. Where there is no audit by the C&AG, the limit should be only as specified under the above heading.

(Note 4 under the nature of transaction entitled "I—Capital Expenditure")

1.10. Under the proposed guideline it is provided as follows:

> "Short term (working capital) loans, repayable within five years will not be treated as "New Instrument of Service" but will require to be reported to Parliament."

The Committee feel that relaxation in the matter of not treating short term (working capital) loans as 'New Instrument of Service' which are repayable within 5 years should apply to public Sector Undertakings. For short term (Working capital) loans to other companies, the original repayability condition of one year should remain.

Heading 'C' under the nature of transaction entitled

I—Capital Expenditure

1.11. While agreeing to the addition of Khadi and Village Industries Commission, Tea Board and Coffee Board to the existing list of bodies, the Committee feel that 'other local bodies' may be deleted. The word 'etc.' may also be deleted. Note 2 Under the nature of transaction entitled I Capital Expenditure: D—Private Sector Companies/ Private institutions.)

1.12. The Committee find that in the case of loans to statutory and other Public institutions, limits as applicable to private sector companies/institutions are proposed to be applied for purposes of seeking prior approval of Parliament or reporting to Parliament. In this category the Government has also included loans to State Public Sector Enterprises. The Committee feel that instead of "State Public Sector Enterprises" only "joint sector enterprises" in which the State Governments and Central Government have both a share may be mentioned.

Note 2 under the nature of transaction Revenue Expenditures

F Grants-in-aid to statutory and other public institutions

1.13. Under the above category it is provided that where an institution is in receipt of grants-in-aid upto Rs. 1 crore all grants-in-aid to them above Rs. 10 lakhs will require previous approval of

Parliament. Where the institution is in receipt of grants in aid of more than Rs. 1 crore, 10 per cent of the Budget provision or Rs. 2 crore, whichever is less, will require previous approval of Parliament.

Note 2 provides as follows:

> "The above limits will also apply to institutions which are substantially financed by grants-in-aid from Government
>
> and public sector undertakings."

The Committee feel that the note should be reworded as follows to make the intention clear :

> "The above limits will also apply to institutions which are substantially financed by grants-in-aid from Government and to public sector undertakings in receipt of grants-in-aid."

because grants in aid given by public sector undertakings if any could not be a New Service under the Constitution as there is no outgo from the Consolidated Fund of India.

Item H "'Subsidies and Grants under Export Promotion Schemes" under II Revenue Expenditure

1.14. Under the proposed guideline, the following limits have been proposed for augmentation of total provision under the Export Promotion Schemes.

Reporting to Parliment	*Prior approval of Parliament*
Above Rs. I crore but not exceeding Rs. 3 crores	Above Rs. 3 crores

The Committee feel that the limits should be "above Rs. 50 lakhs but no exceeding Rs. 2 crores" and "above Rs. 2 crores" under the respective headings in order to have effective Parliamentary Scrutiny.

Item N "Write off of Government loans" under the heading "Revenue Expenditure"

1.15. The Committee observe that Government has for the first time prescribed a limit of 'above Rs. 1 lakh (individual cases) for writing of Govt. loans without specific approval of Parliament. In other words, if an amount of "above Rs. 1 lakh (individual cases) is required to be written off, prior approval of Parliament is necessary. While this be a welcome feature, the Committee feel that a limit of (Rs. 50,000 to Rs. 1 lakh) should also be prescribed for reporting the same to Parliament.

1.16. The Committee expect that the higher limits now set down will go a long way in obviating the cases of default on the part of the Ministries/Departments as were noticed in the Audit Report 1978-79 and reported in the PAC Report (41st—Seventh Lok Sabha). The Committee would however stress the need on the part of the Ministry of Finance to devise ways and means to Strengthen the system of internal finance as well as internal audit so that the limits now proposed to be set in the matter of report to or prior approval of Parliament in the matter of New Service/New Instrument of Services are not exceeded. The Committee desire that concrete steps in this direction should be taken in consultation with the C&AG of India.

CHAPTER II

RECOMMENDATIONS OR OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendations

1.47. In pursuance of the recommendations made by the Public Accounts Committee, the Ministry of Finance issued instructions in July, 1970 setting down the limits to be observed in respect of expenditure on New Service/New Instrument of Service beyond which prior approval of Parliament was required or report to Parliament was necessary alongwith the ensuing batch of Supplementary Demands for Grants/Notes on Demands for Grants.

1.48. The Committee observe that in addition to the three cases reported by Audit as a result of test check of accounts for the years 1977-78 and 1978-79, Ministries have reported another 13 cases where the prescribed limits were exceeded and the expenditure constituted New Service of New Instrument of Service, but neither prior approval of Parliament was taken nor the expenditure was reported to Parliament before close of the financial year of these 13 cases, one relates to each of the years 1974-75, 1976-77, 1977-78 and 1978-79; two relate to the year 1975-76 and the remaining seven relate to 1979-80.

(Serial No, 1 and 2 Paras 1.47 and 1.48 of 31st Report of the Public Accounts Committee—7th Lok Sabha).

Action taken

The observations of the Committee have been noted.

[Min. of Finance, Deptt. of Economic Affairs O.M. No. F.7(46) B(RA)/81 dated 22-10-81].

Action taken by the Ministry of Energy/Deptt. of Power

The observations of the Committee have been noted for further guidance.

[Ministry of Energy (Department of Power) O.M. No. G-20017/81-Bud, dated 17/10|81].

Action taken by Deptt. of Science and Technology

The observations of the Committee have been noted by the Department.

[Deptt. of Science and Technology O. M. No. 25018/27/81-Accounts dated 6-10-1981].

Recommendations

1.49. The Committee find that the Delhi Administration incurred an additional expenditure of as much as Rs. 2401.84 lakhs in 1979-80 by way of Grants-in-aid to Delhi Development Authority for slum clearance (Rs. 264.11 lakhs), resettlement colonies and other schemes (Rs. 494.09 lakhs), funds to Delhi Development Authority for Jhuggi Jhompari Removal Scheme (Rs. 632.63 lakhs); loans to Delhi Development Authority for water supply and drainage schemes (Rs. 100.00 lakhs), rural piped water supply scheme (Rs. 140 lakhs), regularisation of unauthorised colonies (Rs. 249.01 lakhs), electrification in resettlement colonies etc. (Rs. 500 lakhs) and loans to Delhi Tourism Development Corporation (Rs. 25 lakhs). The explanation put forth is that the expenditure was incurred under the impression that additional requirements could be met by reappropriation of available savings.

1.50. The Committee are constrained to observe that large expenditure of over Rs. 24 crores was incurred by Delhi Administration during 1979-80 without obtaining the prior approval of Parliament. The Committee do not consider this as a plausible reason as the possibility of re-appropriation is not relevant to the question of New Service. The Committee desire that the displeasure of the Committee would be communicated to the authorities concerned and they should be asked to ensure that such grave irregularities do not recur.

[S. Nos. 3 and 4 paras 1.49 and 1.50 of 41st Report of PAC—7th Lok Sabha].

Action taken by the Ministry of Home Affairs

The observations of the Public Accounts Committee were communicated to Delhi Administration on 16th May, 1981. The Delhi Administration have stated that from 1980-81 the instructions relating to New Service/New Instrument of Service are being complied with. However, suitable instructions are again being issued by them to all the administrative Secretaries and Heads of Departments to ensure strict compliance of these instructions.

[M.H.A. O.M. No. U 15015/1/81-Delhi dated 26th October, 1981].

Action taken by Deptt. of Economic Affairs

This Ministry concurs in the action taken note submitted by the Ministry of Home Affairs.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F. 7(56)-B(RA)/81 dated 26th October, 1981].

Recommendations

1.52. The Committee further find that the Department of Science and Technology paid Rs. 77.94 lakhs to the Bose Institute, Calcutta, in 1977-78 against the budgetary provision of Rs. 40 lakhs. The additional requirement arose mainly for the laboratory building for which a token provision of Rs. 2 lakhs had been included in the budget. Here again the explanation given is that the Department was under the impression that with the inclusion of the token provision for the laboratory building in the budget, additional funds for its construction would be provided by reappropriation from savings.

1.53. It is seen from the Department's reply that the additional Grant-in-aid Rs. 37.94 lakhs was released in instalments during 1977-78 Bulk of the amount (Rs. 27.44 lakhs) was released from the laboratory building in July, 1977 (Rs. 8.00 lakhs), October, 1977 (Rs. 10.00 lakhs) February 1978 (Rs. 6.00 lakhs) and March 1978 (Rs. 3.44 lakhs). The remainder amount of Rs. 10.5 lakhs was released in five instalments to meet other expenditure. The Department of Science and Technology have admitted that the Ministry of Finance was not consulted before the release of the additional amount. Reference was made to that Ministry much afterwards in November, 1977 on receipt of audit objection.

1.54. As enough time was available to obtain a supplementary grant during the course of the financial year, the Committee cannot but deprecate the manner in which the extent guidelines were flouted in this case.

[S. No. 6,7 and 8 Para 7.52 to 1.54 of 41st Report of PAC (Seventh Lok Sabha)].

Action taken by the Department of Science and Technology

The observations of the Committee have been noted by the Department for strict compliance.

[Deptt. of Science & Tech. O. M. No. 25018(2)/81- A/cs dated 24-8-1981].

Action taken by Deptt. of Economic Affairs

This Ministry concurs with the action taken notes submitted by the Deptt. of Science & Technology.

[Deptt. of Economic Affairs O.M. No. F 7(46)-B(RA)/81 dated 20-10-1981].

Recommendations

1.55. Two other instances of lapses on the part of the Department of Science and Technology have been brought to the notice of the Committee. One is the release of an additional amount of Rs. 72 lakhs to the National Remote Sensing Agency, Hyderabad in 1975-76 and Rs. 19.22 lakhs to the Raman Research Institute, Bangalore in 1976-77, in both the cases, the expenditure was met under the impression that additional requirements could not be met by re-appropriation of available savings.

1.56. The Committee trust that the Department of Science and Technology will ensure that the prescribed procedure is followed in future.

[S. Nos 9 and 10 Para 1.55 to 1.56 of 41st Report of PAC (Seventh Lok Sabha)].

Action taken by the Department of Science & Technology.

The above noted directives of the Committee have been noted for compliance. All Officers in DST entrusted with the issue of sanctions, financial Scrutiny and payment of grant-in-aid to Scientific bodies and Government Undertakings have been requested to not carefully the foregoing directives of the Committee and the instructions contained in Ministry of Finance, Department of Economic Affairs O.M. No. 8(60)8-69 dated 27-7-1970 and also to ensure strict observance of the limits specified for 'New Service', New Instrument of Service in future.

[Deptt. of Science and Tech. M. No. 25018(2)/81-Acs dated 24-8-1981].

Action taken by Deptt. of Economic Affairs

This Ministry concurs in the action taken notes submitted by the Department of Science and Technology.

[Deptt. of Economic Affairs O.M. No. F. 7(46)-B(RA)/81 dated 22-10-1981].

Recommendations

Some more instances of such financial irregularity reported to the Committee pertain to the Ministry of Planning (Department of Statistics). The Department released additional grants to the Indian Statistical Institute, Calcutta, amounting to Rs. 27.70 lakhs in 1974-75 and Rs. 23.33 lakhs in 1975-76. Here again the additional requirements were met by reappropriation from available savings and no report to Parliament was made.

[S. No. 77 Para 1.57 of 41st Report of PAC (7th Lok Śabha)].

Action taken by the Ministry of Planning (Department of Statistics)

The recommendation of Public Accounts Committee has been noted for compliance.

[Ministry of Planning, Department of Statistics O.M. No. G. 25015/1/80-Bgt dated the 16th October, 1981].

Recommendation

Para 1.58. A more serious lapse of this nature occurred in 1978-79 when additional grants-in-aid to the tune of Rs. 74.53 lakhs were made to the Institute. As this exceeded the prescribed limit of Rs. 30 lakhs, prior approval of Parliament was necessary. In this case, sanction for payment of the additional amount of grants-in-aid was issued in February, 1979 after obtaining the approval of the Ministry of Finance to the revised estimates for 1978-79. The Secretary, Department of Expenditure admitted in evidence that "In the case of Indian Statistical Institute, there has been a lapse. We should have taken a Supplementary Demand"

Para 1.59. The Committee regret that even the Ministry of Finance did not exercise the requisite amount of vigilance in this case and the additional expenditure was reported to Parliament only in the subsequent year *viz.* 1979-80 after the irregularity was pointed out by Audit in January, 1980. The Committee trust that such instances will not be allowed to recur and the Ministries will ensure that Parliament's approval is not taken for granted.

[S. No. 12 and 13 Paras 1.58 and 1.59 of 41st report of PAC 7th Lok Sabha)].

Action Taken by the Ministry of Planning (Department of Statistics)

The recommendation of Public Accounts Committee has been noted for compliance.

[Ministry of Planning, Department of Statistics O.M. No. G. 25015/1/80-Bgt dated the 16th October, 1981].

Action taken by Deptt. of Economic Affairs

The observations of the Committee have been noted by this Ministry. This Ministry also concurs in the action taken notes submitted by the Ministry of Planning (Department of Statistics).

[Deptt. of Economic Affairs O.M. No. F. 7(46)-8(RA)/81 dated 22-10-1981].

Recommendation

Para 1.60. The Committee observe that in none of the 16 cases (plus three more cases reported by Audit) reported to them, advance from the Contingency Fund of India was taken. In fact, the cases came to notice of the Ministry of Finance only after the event that is when these were pointed out by Audit or even later, when enquiries were made at the instance of the Committee. The list is not exhaustive as replies have yet to be received from a few Ministries.

Para 1.61. The Committee desire that the Ministries/Departments which have not yet furnished the requisite information should be asked to do so within three months and the Committee should be appraised of the position.

[S. Nos: 14 and 15 Paras 1.60 and 1.61 of 41st Report 7th Lok Sabha].

Action taken

Apart from the details of cases incorporated in paragraphs 1.25 and 1.27 of the Report, no other case of non-observance of limits of

'New Service/New Instrument of Service' until 1979-80 has been reported by the Ministries/Departments.

[Ministry of Finance (DEA) O.M. No. F. 7(46)-B(RA)/81 dated 6-7-1981].

Recommendation

The Committee find that the instructions issued in this behalf by the Ministry of Finance in December 1965 were reiterated in June 1967. It was stressed that advance from the Contingency Fund of India should invariably be obtained before incurring any expenditure for the particular service for which the advance is asked for. It was further decided that if in an exceptional case the expenditure has already been incurred on a 'New Service' whether partly or fully due to inadvertence and this fact is noticed before the close of the year, an advance from the Contingency Fund should be asked for during the year itself to cover the expenditure already incurred as also for the expenditure, if any, likely to be incurred before a supplementary grant for that service be made available.

[Serial No. 16 Para 1.62 of 41st Report of the Public Accounts Committee—7th Lok Sabha].

Action taken

The observations of the Committee have been noted. These instructions are being reiterated.

[Deptt. of Economic Affairs O.M. No. F. 7(46)-B(RA)/81 dated 22-10-1981].

Recommendation

The Committee take note of the contention of the Ministry of Finance that amendment of the Constitution is not necessary considering the small number of cases that have been reported over the last few years since the matter was last reviewed by the Committee. The Committee also take note of the findings recorded by the Attorney General of India in January 1979 reproduced below (for details please (see Appendix II):

"I take the view that the expenditure from the Consolidated Fund for a new activity or a new form of investment can be regarded as an item of "new service" within the contemplation of Article 115(I)(a) and likewise relatively large expenditure arising out of an important expansion of the existing activity, being only a new instrument of service, would fall within Article 115 (1) (a) ......

The limits fixed to provide for effective Parliamentary control over Government expenditure are in order since that is not a question of any constitutional provision but one based on pragmatic considerations."

[Serial No. 18 Para 1.64 of 41st Report of the Public Accounts Committee—7th Lok Sabha].

Action taken

The observations of the Committee have been noted.

[Deptt. of Economic Affairs O.M. No. 7(46)-B(RA)/81 dated 22-10-1981].

CHAPTER III

RECOMMENDATIONS OR OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES OF GOVERNMENT

Recommendation

During the same year viz., 1979-80, the Department of Chemicals & Fertilizers incurred an additional expenditure of Rs. 262 lakhs by way of loan to Hindustan Antibiotics Limited for repayment of outstanding Government loans and interest thereon. The additional funds were obtained by reappropriation of savings and a report to Parliament was made in the detailed demands for Grants for 1980-81. The Committee would like to be informed why prior approval of Parliament was not obtained in this case.

[S. No. 5, Para 1.51 of 41st Report of PAC (Seventh Lok Sabha)]

Action taken by Department of Chemicals & Fertilizers

Hindustan Antibiotics Limited had defaulted in the payment of interest on Government loans to the extent of Rs. 266.02 lakhs, out of which Rs. 101.52 lakhs related to the year 1978-79 and Rs. 164.50 lakhs to the year 1979-80. A decision was taken on 14-3-1980 that those outstanding payments should be adjusted. The amount was provided on 28th March, 1980 by reappropriation within the Grant. This adjustment did not result in any net cash outgo from the Consolidated Fund of India because to the extent of the release by adjustment Government revenues were credited with the interest payments.

2. On the basis of the paid up capital of Hindustan Antibiotics Limited, the limit beyond which prior approval of Parliament is required to be obtained is Rs. 200 lakhs. Thus, there was an excess release of Rs. 62 lakhs to Hindustan Antibiotics Limited in that year. The reappropriation was made on 28th March, 1980 so as to avoid default on the part of Hindustan Antibiotics Limited in the payment of outstanding interest.

3. Prior approval of the Parliament could not be obtained as only a few days were left in the close of the financial year. A report was,

however, made to the Parliament immediately at the first available opportunity through a statement appended to the Detailed Demands for Grants of this Department for the year 1980-81.

[Department of Chemicals & Fertilizers O.M. No. 10(2)/80-Fin.I (C&F) dated the 24th October, 1981.]

Action taken by Deptt. of Economic Affairs

This Ministry concurs in the action taken note submitted by the Department of Chemicals and Fertilisers.

[Ministry of Finance (Department of Economic Affairs) O.M. No. F. 7 (46)-B(RA)/81 dated 26th October, 1981].

CHAPTER IV

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

Recommendation

Para 1.63 Strictly speaking no money can be spent on New Service/New Instrument of Service without prior approval of Parliament. The Committee take a very serious view of the repeated violations by Ministries/Departments of the guidelines issued by the Ministry of Finance in pursuance of the recommendations made by the Public Accounts Committee. The Committee deprecate the tendency on the part of the Ministries/Departments to continue to spend large sums of money without Parliament's authority year after year. The Committee consider that these cases are illustrative of laxity in control over expenditure on the part of internal finance of the Ministries/Departments. The Committee recommend that the matter should be discussed by the Ministry of Finance with C & A G of India with a view to devising ways and means to strengthen the system of internal finance as well as internal audit so that such serious financial improprieties could be detected at an early stage and it may be possible to take remedial action within the financial year itself.

Para 1.65 In view of the foregoing and also taking into consideration the inflationary pressures on the economy over the years, the Committee consider that upward revision of the limits of expenditure set out in July 1970, beyond which Parliament's prior approval should be taken, is called for. The Committee have taken note of the proposals made by the Financial Advisers of different Ministries as reproduced in para 1.40 of this Report. The Committee desire that the Ministry of Finance should examine the suggestions in consultation with the Comptroller and Auditor General of India submit revised guidelines proposed to be issued to the Ministries for consideration and approval by the Public Accounts Committee.

[Serial No. 17 and 19 paras 1.63 and 1.65 of 41st Report of the Public Accounts Committee (7th Lok Sabha)]

Action taken

In pursuanse of the Committee's recommendations draft guidelines for determining expenditure on 'New Service'/'New Instrument of Service' and for strengthening the system of financial control to ensure strict observance thereof have been drawn up and got vetted by Audit. The monetary limit for 'new works' proposed at Rs. one crore in this Ministry's earlier note (item VI (ii) of paragraph 1.40 of the Report) is being reduced to Rs. 50 lakhs at the instance of Audit. A copy of the draft is now submitted for consideration and approval by the Committee.

[Ministry of Finance (Department of Economic Affairs) O. M. No. F. 7(46)-B(RA)/81 dated 22-10-1981.]

Draft

Revised guidelines on 'New Service'/'New Instrument of Service' proposed to be issued to Ministries/Departments

The financial limits to be observed in determining cases relating to 'New Service'/'New Instrument of Service' prescribed in this Ministry's O.M. No. F. 8(60)-B/69 dated the 27th July, 1979 have been reviewed in pursuance of the recommendations of the Public Accounts Committee (7th Lok Sabha) in their 41st report. The revised limits, which have been drawn up in consultation with the Comptroller and Auditor General of India and have been approved by the Public Accounts Committee in their....report are annexed.*

2. As the Ministry of Agriculture, etc. are aware, the term 'New Service', appearing in article 115(1) (a) of the Constitution, has been held as referring to expenditure arising out of a new policy decision, not brought to the notice of Parliament earlier, including a new activity or a new form of investment. Likewise, relatively large expenditure arising out of important expansion of an existing activity is treated as a "New Instrument of Service" which is a slight variant of the term "New Service". The basic principle is that no expenditure can be incurred from the Consolidated Fund of India on a 'New Service'/'New Instrument of Service' without prior approval of Parliament through a Supplementary Grant. That is to say, the powers of Ministries/Departments to reappropriate savings available under some sub-head(s) in a Grant for meeting additional require-

*See Appendix I.

ments under other sub-head(s) within that Grant are subject to the aforsaid limits. As any non-observance of these limits reflects laxity in financial control, Ministries/Departments are requested to ensure strict adherence of these instructions in examining proposals for augmentation of sanctioned provisions.

3. Where in an emergent case of 'New Service'/'New Instrument of Service' it is not possible to wait for prior approval of Parliament, the Contingency Fund of India can be drawn up for meeting the expenditure pending its auditorisation by Parliament. Recourse to this arrangement should normally be taken only when Parliament is not in session. Such advances are required to be recouped to the Fund by obtaining a Supplementary Grant in the immediately next Session of Parliament. However, when Parliament is in Session, a Supplementary Grant should preferably be obtained before incurring any expenditure on a 'New Service'/'New Instrument of Service'. That is to say, recourse to Contingency Fund of India should be taken only in cases of extreme urgency; in such cases the following procedure recommended by the Sixth Lok Sabha Committee on Papers Laid on the Table in their 4th Report should be observed:

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

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

4. The following checks may be observed by the Ministries/Departments to ensure that any expenditure likely to attract limits of 'New Service'/'New Instrument of Service' is not incurred by re-appropriation.

(i) A specific certificate should be recorded in each case involving augmentation of sanctioned provision by the IF/Budget Section of the Ministry/Department on receipt of related proposals, to the effect that the proposed augmentation attracts/does not attract limits of 'New Service'/'New Instrument of Service'. Where the proposal is held to attract these limits the procedure indicated in paragraphs 2 or 3 above will, depending upon the circumstances of the case, have to be followed.

(ii) Subject to Paragraph 5 below, the Pay and Accounts Officers should examine each expenditure sanction from the 'New Service'/ 'New Instrument of Service' angle, especially those involving investments, loans, grants-in-aid, subsidies, new works, etc. All doubtful cases should be put up to the Controllers of Accounts/Financial Advisers.

If in any exceptional case, the expenditure, whether partly or fully, on a 'New Service'/'New Instrument of Service' has been incurred inadvertently and this fact comes to notice *within* the financial year, an advance from the contengency Fund should be obtained during the year itself to cover the expenditure already incurred as also for the expenditure likely to be incurred before a Supplementary Grant for that Service becomes available.

5. Having regard to the volume of Government transactions it is not possible to list out those which are not attracted by 'New Service' /'New Instrument of Service' limits. Broadly, however, expenditure on normal activities of Government (such as normal administrative expenditure—including that resulting from reorganisation of Ministries/Departments, holding of conferences, seminars, exhibitions, surveys, feasibility studies, etc., assistance to foreign Governments, contributions to international bodies and transfers to State and Union Territory Governments) is not attracted by the limits of 'New Service'/'New Instrument of Service'. Further, these limits are applicable only to expenditure which is subject to Vote of Parliament.

6. It should be noted that additional expenditure to the extent mentioned in column 2 of the annexed statement can be met by reappropriation, subject to report to Parliament, only if savings are available in the relevant Grant; otherwise a Supplementary Grant has to be obtained.

Report to Parliament should ordinarily be made through the ensuing batch of Supplementary Demands an failing this by adding an Annexure in the Detailed Demands of Ministry/Department for the ensuing year. Where possible a suitable mention of such cases may be made in the Notes on Demands for Grants of the Ministry/ Department. Mere exhibition of augmented provisions in the Revised Estimates included in the Demands for Grants will not be adequate to meet the requirement.

7. Where a doubt arises about the application of limits of 'New Service'/'New Instrument of Service', a reference may be made to the Budget Division for clarification.

8. A mention may also be made here about the 'New Service' Annexure which is appended to the main Demands for Grants. The purpose of this Annexure is somewhat different. It is intended to bring to the notice of Parliament the details of new schemes *i.e.* schemes for which the Budget includes provision for the first time so that these can receive special attention of Parliament. These schemes are normally to be taken up after the passing of Budget; the Vote on Account provisions are not intended to be utilised therefore. In cases of urgency, expenditure on a 'New Service' during Vote on Account period can, therefore, be incurred only by obtaining an advance from the Contingency Fund in the manner recommended by the Sixth Lok Sabha Committee on the Papers Laid on the Table, mentioned in paragraph 3 above. Such advances will be resumed to the Contingency Fund on enactment of Appropriation Act in respect of expenditure for the whole year.

CHAPTER V

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

—NIL—

NEW DELHI;
anuary 11, 1982.
'ausa 21, 1903 (*S*).

SATISH AGGARWAL,
Chairman
Public Accounts Committee.

APPENDIX I

FINANCIAL LIMITS TO BE OBSERVED IN DETERMINING CASES RELATING TO NEW SERVICE/NEW INSTRUMENT OF SERVICE

Nature of transaction	Limits upto which expenditure can be met by re-appropriation of savings in a Grant subject to report to Parliament.	Limits beyond which prior approval of Parliament is required for expenditure from the Consolidated Fund
1	2	3
1. *CAPITAL EXPENDITURE*		
A : Departmental Undertakings.		
(i) Setting up a new undertaking, or taking up a new activity by an existing undertaking		All cases
(ii) Additional investment in an existing undertaking	Above Rs. 50 lakhs but not exceeding Rs. 1 crore	Above Rs. 1 crore
B : Public Sector Companies/Corporations		
(i) Setting up of a new Company, or splitting up of an existing Company, or amalgamation of two or more Companies or, taking up a new activity by an existing Company		All cases
(ii) Additional investment in/loans to an *existing* company		
(a) When there is no Budget Provision	Above Rs. 10 lakhs but not exceeding Rs. 20 lakhs	Above Rs. 20 lakhs
(b) Where Budget Provision exists for investment and/or loans.		
Paid up Capital of the Company		
Up to Rs. 1 crore	Above Rs. 10 lakhs but not exceeding Rs. 20 lakhs	Above Rs. 20 lakhs
Above Rs. 1 crore and upto Rs. 25 crores	Above Rs. 1 crore but not exceeding Rs. 2 crores.	Above Rs. 2 crores.
Above Rs. 25 crores and upto Rs. 100 crores	Above Rs. 5 crores but not exceeding Rs. 10 crores.	Above Rs. 10 crores
Above Rs. 100 crores	Above Rs. 7.5 crores but not exceednig Rs. 15 crores	Above Rs. 15 crores

Note 1:—In computing additional requirements for applying the above limits, loan and capital investments, over and above the budget provisions therefor, should be taken together.

Note 2.—For additional fund requirements of term lending institutions (Industrial Development Bank of India, Agricultural Refinance and Development Corporation, National Bank for Agricultural and Rural Development, Export-Import Bank of India, Rural Electrification Corporation, Shipping Development Fund Committee, National Cooperative Development Corporation, Industrial Finance Corporation, Industrial Reconstruction Corporation of India, etc.) the limits will be twice these specified above. Where an institution does not have paid up capital, the limits will be applied with reference to Central loans outstanding against it at the end of the previous financial year.

Note 3.—For financing projects under construction, within the approved cost estimates already brought to the notice of Parliament, augmentation of budget provisions beyond the monetary limits prescribed above will be permissible subject to availability of savings in the Grant. A report of such cases to Parliament will, however, be necessary.

Note 4.—Short term (working capital) loans, repayable within five years will not be treated as 'New Instrument of Service' but will require to be reported to Parliament.

1	2	3
C. Port Trust, Delhi Municipal Corporation and other local bodies, Khadi Village Industries Commission, Tea Board; Coffee Board etc.		
Loans :	The limits prescribed for public sector companies will apply with reference to central loans outstanding against them at the end of the previous financial year.	
D. Private sector Companies/private institutions.		
(i) Investments to be made for the first time *except* in Units coming under Government Management with the approval of Parliament.		All cases.
(ii) Additional investments in or loans to an existing company/institution *including* private sector units coming under Government Management with the approval of Parliament.	Above Rs. 50 lakhs but not exceeding Rs. Rs. 1 crore	Above Rs. 1 crore

Note 1.—While applying these limits loans and capital investments are to be taken together.

Note 2.—In the case of loans to statutory and other public institutions (other than those mentioned under item C above) substantially, financed by grants-in-aid from Government e.g. University Grants Commission, Indian Institute of Technology etc. and State Public Sector enterprises, limits as applicable to private sector companies/institutions should be applied.

Note 3.—Where there is no Budget provision for investment/loans to a company/institution, prior approval of Parliament will be necessary for investment/loans exceeding Rs. 10 lakhs except in the case of units brought under Government Management.

1	2	3
E: Expenditure on new Works (Land buildings and/or Machinery);	Above Rs. 10 lakhs but not exceeding Rs. 50 lakhs	Above Rs. 50 lakhs
II. *Revenue Expenditure*		
F. Grants-in-aid to statutory and other public institutions :		
(i) Institutions in receipt of grant-in-aid upto Rs. 1 crore		Rs. 10 lakhs.
(ii) Institutions in receipt of grant--in-aid of more than Rs. 1 crore.		10% of the Budgets provision or Rs. 2 crores, whichever is less.

Note 1.—These limits will apply with reference to moneys disbursed by an individual Ministry/Development and **not** by the Government as a whole.

Note 2.—The above limits will also apply to institutions which are substantially financed by grants-in-aid from Government and public sector undertakings.

Note 3.—Where a lumpsum provision is made for providing grant in aid under a particular scheme in the absence of institution-wise break up at the time the provision is made, the aforesaid limits will not apply to releases to such institutions within the budgeted provision. The details will, however, be reported to Parliament.

1	2	3
G; Grants-in-aid to Private institutions other than for export promotion Schemes		
(i) Recurring		Above Rs. 5 lakhs
(ii) Non-recurring		Above Rs. 10 lakhs

Note 1.—In the case of recurring grants exceeding Rs. 5 lakhs per annum the financial implications should be reported to Parliament where the grant is to be made for 2 years or more.

Note 2.—The limits for non-recurring and recurring grants-in-aid will apply with reference to moneys disbursed by an individual Ministry/Department and not Government as a whole.

Note 3.—Where a lumpsum provision is made for providing grant-in-aid under a particular Scheme in the absence of institution-wise break up at the time the provision is made, the aforesaid limits will not apply to releases to such institutions within the budgeted provision. The details will, however, be reported to Parliament.

1	2	3
H: Subsidies and Grants under Export Promotion Schemes.	The budget provision should be split up as under :— (i) Product Promotion and Commodity Development (this sub-head will accommodate payments of cash compensatory support on all itmes of exports including textiles) (ii) Grants-in-aid to Export Promotion and Market Development Organisations (this sub-head would accommodate grants to Export Promotion Councils and other Organisations like Trade Development Authority, Indian Institute of Foreign Trade etc., for their establishment expenditure as well as developmental activities and also to recognised export houses for specified export promotion activities). (iii) Export Credit Development (this subhead will cover payments made to commercial banks towards interest subsidy under the Export Credit Subsidy Scheme)	

ANNEXURE

Amendments/modifications made in the Draft 70th Report on action taken by Government on the recommendations contained in the 41st Report of the PAC relating to Expenditure on New Service/New Instrument of Service

Page	Para	Line (s)	*Amendment/Modification*
4.	1.7(1)	7	*After* "Corporation", *add* "National Bank for Agricultural and Rural Development, Export Import Bank of India."
8.	1.9	10	*After* "Corporation" *add* "National Bank for Agricultural and Rural Development, Export-Import Bank of India."
11	1.16	10-11	*For* "It is not an outgo" *read* "there is no outgo"
11	1.18	1-3	*Delete* the sentence "The Committee feel. . . . . . Parliamentary scrutiny."
11.	1.18	4	*Delete* "therefore"
12	1.18	3	*Add* after the sentence "in order to have effective parliament scrutiny."
12	1.19	3	*For* "writing off" *read* "writting off Govt. loans"
15.	Note 2	3	*After* "Corporation" *add* "National Bark for Agricultural and Rural Development, Export—Import Bank of India."

APPENDIX III

CONCLUSIONS/RECOMMENDATIONS

S. No.	Para No.	Ministry/Deptt. concerned	Conclusion/Recommendation
1	2	3	4
1	1.8 to 1.16	Finance (Deptt. of Economic Affairs)	1.8. Considering the inflationary pressures on the economy since the guidelines were last revised in July 1970 and also taking into account the widening area of developmental programmes which have to be executed by Government agencies within a stipulated time frame and which require quick decision making, the Committee have no objection to the limits being raised in respect of expenditure on 'New Service'/'New Instrument of Service' (as specified in Appendix I) beyond which Parliament's prior approval/report to Parliament would be necessary. The Committee however recommend the following changes in the draft guidelines. (Note 2 under the nature of transaction entitled "I—Capitalist Expenditure". 1.9. Under the proposed guideline it is provided as follows: 'For additional fund requirements of term lending institutions (Industrial Development Bank of India, Agricultural Refinance and Development Corporation, National Bank for

1	2	3	4
			Agricultural & Rural Development, Export-Import Bank of India, Rural Electrification Corporation, Shipping Development Fund Committee, National Cooperative Development Committee, National Cooperative Development Corporation, Industrial Finance Corporation, Industrial Reconstruction Corporation of India, etc.) the limits will be twice those specified above. Where an institution does not have paid up capital, the limits will be applied with reference to Central loans outstanding against it at the end of the previous financial year."
			The Committee feel that the limit should be raised to twice those specified under the above heading only in respect of those term lending institutions where the institution is under the audit of C&AG. Where there is no audit by the C&AG, the limit should be only as specified under the above heading.
			(Note 4 under the nature of transaction entitled "I—Capital Expenditure").
			1.10. Under the proposed guideline it is provided as follows:
			"Short term (working capital) loans, repayable within five years will not be treated as :'New Instrument of Service" but will require to be reported to Parliament."

The Committee feel that relaxation in the matter of not treating short term (working capital) loans as 'New Instrument of Service' which are repayable within 5 years should apply to Public Sector Undertakings. For short term (working capital) loans to other companies, the original repayability condition of one year should remain.

(Heading 'C' under the nature of transaction entitled: "I—Capital Expenditure")

1.11. While agreeing to the addition of Khadi and Village Industries Commission, Tea Board and Coffee Board to the existing list of bodies, the Committee feel that 'other local bodies' may be deleted. The word 'etc.' may also be deleted.

(Note 2.—Under the nature of transaction entitled I—Capital Expenditure: D—Priavte Sector Companies/Private Institutions.)

1.12. The Committee find that in the case of loans to statutory and other Public Institutions, limits as applicable to private sector companies/institutions are proposed to be applied for purposes of seeking prior approval of Parliament or reporting to Parliament. In this category the Government has also included loans to State Public Sector Enterprises. The Committee feel that instead of "State Public Sector Enterprises" only 'Joint Sector Enterprises' in which the State Governments and Central Government have both a share may be mentioned.

1	2	3	4
			(Note 2.—Under the nature of transaction "Revenue Expenditure":
			F—Grants-in-aid to statutory and other public institutions) ......
			1.13. Under the above category it is provided that where an institution is in receipt of grants-in-aid upto Rs. 1 crore all grants-in-aid to them above Rs. 10 lakhs will require previous approval of Parliament. Where the institution is in receipt of grants in aid of more than Rs. 1 crore, 10 per cent of the Budget provision or Rs. 2 crore, whichever is less, will require previous approval of Parliament.
			Note 2 provides as follows:
			"The above limits will also apply to institutions which are substantially financed by grants-in-aid from Government and public sector undertakings."
			The Committee feel that the note should be reworded as follows to make the intention clear:
			"The above limits will also apply to institutions which are substantially financed by grants-in-aid from Government and to public sector undertakings in receipt of grants-in-aid."

because grants-in-aid given by public sector undertakings if any could not be a New Service under the Constitution as there is no outgo from the Consolidated Fund of India.

Item H—"Subsidies and Grants under Export Promotion Schemes" under II—*Revenue Expenditure*

1.14. Under the proposed guideline, the following limits have been proposed for augmentation of total provision under the Export Promotion Schemes.

Reporting to Parliament	*Prior approval of Parliament.*
Above Rs. 1 crore but not exceeding Rs. 3 crores.	Above Rs. 3 crores.

The Committee feel that the limits should be "above Rs. 50 lakhs but not exceeding Rs. 2 crores" and 'above Rs. 2 crores' under the respective headings in order to have effective Parliamentary scrutiny.

Item N—"Write off of Government loans" under the heading 'Revenue Expenditure'.

1.15. The Committee observe that Government has for the first time prescribed a limit of 'above Rs. 1 lakh' (individual cases) for writing off Govt. loans without specific approval of Parliament. In other words, if an amount of "above Rs. 1 lakh" (individual cases) is required to be written off, prior approval of Parliament is necessary.

1	23	4
		While this be a welcome feature, the Committee feel that a limit of (Rs. 50,000 to Rs. 1 lakh) should also be prescribed for reporting the same to Parliament. 1.16. The Committee expect that the higher limits now set down will go a long way in obviating the cases of default on the part of the Ministries/Departments as were noticed in the Audit Report 1978-79 and reported in the PAC Report (41st—Seventh Lok Sabha). The Committee would however stress the need on the part of the Ministry of Finance to devise ways and means to strengthen the system of internal finance as well as internal audit so that the limits now proposed to be set in the matter of report to or prior approval of Parliament in the matter of New Service/New Instrument of Services are not exceeded. The Committee desire that concrete steps in this direction should be taken in consultation with the C&AG of India.

P.A.C. No. 851

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PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF BUSINESS IN LOK SABHA (SIXTH EDITION) AND PRINTED BY THE GENERAL MANAGER, GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI.