

PUBLIC ACCOUNTS COMMITTEE
(2001-2002)

TWENTY-THIRD REPORT

(THIRTEENTH LOK SABHA)

**EXCESSES OVER VOTED GRANTS
AND
CHARGED APPROPRIATIONS(1998-99)**

**Presented to Lok Sabha on: 25.07.2001
Laid in Rajya Sabha on : 25.07.2001**

**LOK SABHA SECRETARIAT
NEW DELHI
July 2001/Sravana 1923 (SAKA)**

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COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(2001 - 2002)

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Shri Narayan Datt Tiwari - Chairman

MEMBERS

LOK SABHA

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3. Shri M.O.H. Farooq
4. Shri Vijay Goel
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20. Shri Onward L. Nongtdu
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22. Prof. Ram Gopal Yadav

SECRETARIAT

1. Shri P.D.T. Achary - Joint Secretary
2. Shri Devender Singh - Deputy Secretary
3. Shri R.C. Tiwari - Assistant Director

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Twenty-Third Report (Thirteenth Lok Sabha) on “Excesses over Voted Grants and Charged Appropriations (1998-99).”

2. The Appropriation Accounts relating to Postal Services and Telecommunication Services were laid on the Table of the House on 05 May, 2000, while the Appropriation Accounts relating to Civil and Defence Services were laid on the Table of the House on 15 May, 2000 and those for Railways on 25 August, 2000.

3. The Committee examined the cases of excess expenditure incurred by various Ministries/Departments of Union Government in 1998-99 on the basis of relevant Appropriation Accounts, observations of Audit as contained in the Reports of the C&AG for the year ended 31 March, 1999, the explanatory notes and other information furnished by the various Ministries/Departments concerned. They also took oral evidence of the Ministry of Finance at their sitting held on 15 September, 2000 on the subject matter. The Committee considered and finalised this Report at their sitting held on 13 July, 2001. Minutes of the sitting form Part-II of the Report.

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

5. The Committee would like to express their thanks to the Ministries/Departments concerned for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

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

**NARAYAN DATT TIWARI,
CHAIRMAN,
PUBLIC ACCOUNTS COMMITTEE**

NEW DELHI;

18 July, 2001

27 Asadha, 1923 (Saka)

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REPORT

EXCESS EXPENDITURE OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (1998-99)

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1. ANNUAL APPROPRIATION ACCOUNTS OF THE UNION GOVERNMENT

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

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

1. Civil
2. Defence Services
3. Postal Services
4. Telecommunication Services
5. Railways

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

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

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

- (a) *that the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which have been applied or charged;*
- (b) *that the expenditure conforms to the authority which governs it; and*
- (c) *that every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by competent authority.*

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

2. UNION GOVERNMENT APPROPRIATION ACCOUNTS FOR 1998-99

2.1 The following table indicates the dates on which the five Appropriation Accounts of Union Government for the year 1998-99 were laid on the Table of the House:-

Appropriation Accounts	Date on which laid on the Table of the House
Civil	15.05.2000
Defence Services	15.05.2000
Postal Services	05.05.2000
Telecommunications Services	05.05.2000
Railways	25.08.2000

2.2 The results of the examination by Audit of aforesaid Appropriation Accounts (1998-99) have been brought out in the following Audit Reports:-

Sl. No.	Appropriation Accounts	Report in which audit findings are highlighted
1	Civil	Part-II of Audit Report No.1 of 2000
2.	Defence Services	Chapter-I of Audit Report No.7 of 2000
3.	Postal Services	Chapter-7 of Audit Report No.6 of 2000
4.	Telecommunications Services	Chapter-2 of Audit Report No.6 of 2000
5.	Railways	Chapter-I of Audit Report No.9 of 2000

2.3 In this Report, the Committee have examined the cases of those grants/ appropriations where moneys have been spent in excess of the amount authorised by Parliament for specified services for the year 1998-99 and which now require regularisation by Parliament under Article 115(1)(b) of the Constitution of India.

2.4 The Committee took oral evidence of the representatives of the Ministry of Finance on 15 September, 2000 on the issue relating to the excess expenditure incurred by various Ministries/Departments over sanctioned grants/appropriations during the financial year 1998-99 with particular reference to the grants/appropriations operated by the Ministry of Finance.

3. RULES LAID DOWN FOR CONTROL OF EXPENDITURE

3.1 Article 114(3) of the Constitution stipulates that subject to the provisions of articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law

passed in accordance with the provisions of article 114. The Constitution also specifies under article 267(1) that Contingency Fund of India will be at the disposal of the executive to enable advances to be made for the purposes of meeting unforeseen expenditure pending authorisation of such expenditure by Parliament by law under articles 115 and 116.

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

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

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

4. PROCEDURE FOR REGULARISATION OF EXCESS EXPENDITURE

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

4.2 According to the procedure laid down for the regularisation of excesses in expenditure, the Ministries and Departments of Government of India are required to furnish to the Public Accounts Committee explanatory notes containing the reasons for or circumstances leading to the excesses under each excess registering grant/ appropriation by 31 May or immediately after the presentation of the relevant Appropriation Accounts, whichever may be later. Thereafter, the Public Accounts Committee proceed to examine, in the light of explanatory notes/ evidence furnished by the Ministries, the circumstances leading to such excesses and present a report thereon to Parliament recommending regularisation of the excesses subject to such observations/recommendations as they may choose to make. Pursuant to the Report of the Committee, Government initiate necessary action to have the excesses regularised by Parliament, under Article 115(1)(b) of the Constitution, either in the same Session in which the Committee present their Report or in the following Session.

5. EXCESS EXPENDITURE OVER VOTED GRANTS AND CHARGED APPROPRIATIONS DURING 1998-99

5.1 Cases of excess registering Grants/Appropriations

A scrutiny of the Union Government Appropriation Accounts for the year 1998-99 revealed the following position about the number of cases of excess registering grants/appropriations and the break-up of excess expenditure during the year under review:

Sl. No.	Appropriation Accounts	No. of excess registering Grants/ Appropriations	No. of cases	Amount of Excess (In Rupees)
1	Civil	42	56	11824,46,23,484
2.	Defence Services	3	3	283,91,49,315
3.	Postal Services	--	--	-
4.	Telecommunication Services	1	1	300,85,14,000
5.	Railways	9	9	346,74,76,277
	Total	55	69	12755,97,63,076

5.2 Excess disbursements in different Appropriation Accounts

The Audit analysis of the Appropriation Accounts has revealed the excess disbursements in the different Appropriation Accounts as under:

		(in unit of Rs.)			
		Civil	Telecomm-unications	Defence Services	Railways
Voted	Revenue	71507265254	3008514000	2749327145	3461074896
	Capital	17563431383	--	--	--
Charged	Revenue	28915924639	--	--	5720054
	Capital	258002208	--	89822170	681327
	Total Excess	118244623484	3008514000	2839149315	3467476277
Excess covered by the Second Batch of Supplementary Grant which came into force only after closure of the financial year		111127727074	3008514000	2839149315	--
Excess not covered by the Second Batch of Supplementary Grants		7116896410	--	--	3467476277
Total		118244623484	3008514000	2839149315	3467476277

5.3 Non-enforcement of Second Batch of Supplementary Demands

5.3.1 The Second Batch of Supplementary Demands for Grants 1998-99 could not be passed by Parliament before closure of the financial year 1998-99. Explaining the position in this regard, the Finance Secretary informed the Committee vide his communication dated 10 April, 1999 as under:-

“This is regarding the Appropriation Act authorising expenditure included in the second batch of Supplementary Demands for Grants 1998-99. The second batch of Supplementary Demands for Grants was presented in both the Houses of Parliament on 10th March, 1999. These demands were discussed, voted and passed by Lok Sabha on 17th March, 1999. The connected Appropriation Bill was also passed by Lok Sabha and transmitted to Rajya Sabha Secretariat on the same day. However, the Rajya Sabha was adjourned on 19th March, 1999 to 12th April, 1999 without any discussion on the Appropriation Bill.

Under these circumstances, the Bill was deemed to have been passed by both the Houses of Parliament on 31st March, 1999 a moment before mid-night under the provisions of article 109(2) and article 109(5) of the Constitution of India read with Section 9(1) of the General Clauses Act, 1897. Since this Appropriation Act authorising additional expenditure in the financial year 1998-99 would have come into force only after the close of financial year, no expenditure included in the second batch of peculiar circumstances, it was decided to incur the expenditure, which could then be regularised by presenting Excess Demands for Grants to Parliament under article 115 of the Constitution. The regularisation would, of course, be based on the recommendation of the Public Accounts Committee, as per prescribed procedure, after the examination of the report of the Comptroller and Auditor General of India on the excess expenditure.”

5.3.2 The Communication dated 10 April, 1999 sent by the Finance Secretary is appended to this Report as Appendix-I.

5.3.3 During evidence, the Secretary, Department of Economic Affairs deposed before the Committee, as under:

“The Supplementary Demands were presented in Lok Sabha and were adopted on the 17th of March almost around midnight. And Rajya Sabha adjourned on the 19th of March. 14 days period under the Constitution really ends sometime around 31st March, or after that. It actually gets adopted only after fourteen days.We consulted the Law Ministry whether the 14 day period falls within 31st or not. And the Law Ministry advised us that it will not. So, we called on the Chairman, PAC. We also kept the C&AG informed about this. The Chairman, PAC informally advised us that whatever procedures were there internally should be complied with and that the PAC and the C&AG should be kept informed. We followed that advice. We went to the Cabinet and got the proposal approved. And we kept both C&AG and PAC informed about it. This was an extraordinary situation.”

5.3.4 The disbursement thus covered by the Second Batch of Supplementary Demands for Grants will also, therefore, require to be regularised under Article 115 of the Constitution.

5.4 Excess disbursements under Appropriation Accounts (Civil)

5.4.1 The scrutiny of the Appropriation Accounts (Civil) indicated the details of total excess disbursements, including those of second batch of supplementary grants which could not come into force during the year, as under:

Excess disbursements under Appropriation Accounts (Civil)			
	Total Excess Expenditure	Included in second batch of supplementary demands (March 1999)	Not included in the second batch of supplementary demands of March 1999.
Revenue	Rupees	Rupees	Rupees
<i>Voted</i>	71507265254	71302375221	204890033
<i>Charged</i>	28915924639	22572061064	6343863575
Capital			
<i>Voted</i>	17563431383	16995328739	568102644
<i>Charged</i>	258002208	257962050	40158
Grand Total	118244623484	111127727074	7116896410

5.4.2 Audit scrutiny also revealed that out of the total excess of Rs.11824.46 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 disbursements of Rs.711.69 crore in six grants and one appropriation under revenue as well as capital sections in Civil Ministries. However, the total excess disbursements of Rs.118244623484 under Appropriation Accounts (Civil) including those occurring on account of non-materialisation of second batch of Supplementary Grants during the year will require regularisation.

5.5 Excess disbursements under Appropriation Accounts (Railways)

The explanatory note furnished by the Ministry of Railways for regularisation of excess expenditure incurred by them over voted Grants/Charged Appropriations during 1998-99 revealed that there was a misclassification of expenditure of (+) Rs. 2,41,84,107 under "Grant No.6 - Working Expenses-Repairs and Maintenance of Carriages and Wagons; (+) Rs.68,68,520 under Grant No.8: Operating expenses - Rolling Stock and Equipment; (+) Rs.4,74,686 under Appropriations No.11 - Working expenses - Staff welfare and Amenities, (+) Rs. 1,57,262 under Appropriation No.16 - Assets - Acquisition, Construction and Replacement - Other Expenditure - Capital and (-) Rs.51,14,859 under Grant No.5 - Working Expenses - Repairs and Maintenance of Motive Power. Taking into account the effect of these cases of misclassification, the actual excess expenditure relating to Railways worked out to Rs.349,40,45,993 instead of Rs.346,74,76,277 as indicated in the relevant Appropriation Accounts.

5.6 Total excess expenditure requiring regularisation under Article 115 of the Constitution.

Thus the amount of actual excess expenditure during the year 1998-99 which requires regularisation by Parliament under Article 115(1)(b) of the Constitution is of the order of Rs.12758,63,32,792 incurred in 69 cases under excess registering Grants/Appropriations. The Appropriation Accounts-wise details of actual excess expenditure requiring regularisation are given as under:

5.7 Details of Voted Grants/Charged Appropriation registering excess disbursements

The details of Voted Grants/Charged Appropriations under which the actual expenditure had exceeded the sanctioned provisions during the year 1998-99 are given below:

Sl. No.	No. & Name of Grant/Appropriation			Ministry/ Department	Excess Expenditure (in unit of Rupees)
	APPROPRIATION ACCOUNTS (CIVIL)				
-	VOTED GRANTS			-	
-	Revenue Section			-	
1	1	-	Agriculture	Agriculture	317, 80, 70, 646
2	11	-	Department of Sugar and Edible Oils	Sugar and Edible Oils	67, 12, 39, 867
3	13	-	Department of Commerce	Commerce	27, 70, 72, 682
4	17	-	Ministry of Defence	Defence	65, 07, 97, 355
5	18	-	Defence Pensions	Defence	1346, 79, 42, 021
6	25	-	Ministry of External Affairs	External Affairs	3, 01, 92, 735
7	26	-	Department of Economic Affairs	Finance (Economic Affairs)	361, 10, 09, 746
8	28	-	Payments to Financial Institutions	Finance (Economic Affairs)	2566, 76, 44, 785
9	34	-	Pensions	Finance (Expenditure)	1372, 45, 32, 713
10	35	-	Audit	Finance (Expenditure)	18, 55, 75, 524
11	37	-	Direct Taxes	Finance (Revenue)	47, 38, 24, 923
12	38	-	Indirect Taxes	Finance (Revenue)	26, 17, 33, 290
13	41	-	Department of Indian Systems of Medicine and Homoeopathy	Indian Systems of Medicine and Homoeopathy	3, 46, 82, 815
14	43	-	Ministry of Home Affairs	Home Affairs	12, 77, 53, 908
15	45	-	Police	Home Affairs	129, 11, 62, 469

16	47	-	Transfers to Union Territory Governments	Home Affairs	83, 41, 00, 000
17	52	-	Industrial Development and Industrial Policy and promotion	Industrial Development and Industrial Policy and promotion	52, 09, 21, 182
18	54	-	Department of Heavy Industry	Heavy Industry	357, 33, 63, 103
19	56	-	Information, Films and Publicity	Information & Broad Casting	87, 63, 692
20	60	-	Election Commission	Law & Justice	1, 02, 57, 795
21	78	-	Ministry of Steel	Steel	11, 14, 37, 037
22	80	-	Roads	Surface Transport	57, 92, 551
23	81	-	Ports, Lighthouses and shipping	Surface Transport	113, 84, 53, 043
24	95	-	Rajya Sabha	Rajya Sabha Secretariat	2, 42, 56, 656
25	96	-	Lok Sabha	Lok Sabha Secretariat	11, 08, 68, 525
26	98	-	Secretariat of the Vice President	The Secretariat of Vice President	36, 99, 304
27	99	-	Andaman and Nicobar Islands	Home Affairs	22, 71, 77, 822
28	100	-	Chandigarh	Home Affairs	93, 79, 38, 422
29	101	-	Dadra and Nagar Haveli	Home Affairs	14, 03, 42, 287
30	102	-	Daman and Diu	Home Affairs	8, 32, 88, 835
31	103	-	Lakshadweep	Home Affairs	12, 33, 69, 521

Capital Section

32	5	-	Department of Chemicals and Petro-Chemicals	Chemicals and Petro-Chemicals	2, 95, 00, 000
33	11	-	Department of Sugar and Edible Oils	Sugar and Edible Oils	79, 69, 57, 561
34	28	-	Payments to Financial Institutions	Finance (Economic Affairs)	1381, 70, 04, 738
35	31	-	Loans to Government Servants etc.	Finance (Economic Affairs)	56, 81, 02, 644
36	47	-	Transfers to Union Territory Governments	Finance (Economic Affairs)	9, 48, 00, 000
37	54	-	Department of Heavy Industry	Heavy Industry	63, 26, 33, 250
38	63	-	Ministry of Mines	Mines	59, 88, 99, 335

39	73	-	Department of Rural Employ- ment & Poverty Alleviation	Rural Employment and Poverty Alleviation	50, 00, 00, 000
40	78	-	Ministry of Steel	Steel	12, 99, 00, 000
41	81	-	Ports, Lighthouses and Shipping	Surface Transport	37, 84, 83, 214
42	87	-	Ministry of Water Resources	Water Resources	64, 22, 483
43	101	-	Dadra & Nagar Haveli	Home Affairs	1, 07, 28, 158

CHARGED APPROPRIATIONS

Revenue Section

44	17	-	Ministry of Defence	Defence	49, 31, 217
45	29	-	Appropriation – Interest Payments	Finance (Economic Affairs)	28,82, 38, 63, 575
46	35	-	Audit	Finance (Expenditure)	1, 22, 08, 882
47	72	-	Department of Rural Development	Rural Development	14, 55, 482
48	75	-	Department of Science & Technology	Science & Technology	3, 49, 587
49	83	-	Urban Development	Urban Affairs & Employment	41, 58, 985
50	94	-	Appropriation - Staff, Household and Allowances of the President	The President Secretariat	3, 09, 63, 765
51	95	-	Rajya Sabha	Rajya Sabha Secretariat	1, 88, 020
52	100	-	Chandigarh	Home Affairs	3, 78, 05, 126

Capital Section

53	54	-	Department of Heavy Industry	Heavy Industry	5, 02, 00, 000
54	57	-	Broadcasting Services	Information and Broadcasting	19, 80, 719
55	87	-	Ministry of Water Resources	Water Resources	17, 57, 81, 331
56	100	-	Chandigarh	Home Affairs	3, 00, 40, 158

APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

Voted Grants

Revenue Section

57	19	-	Defence Services – Army	Defence	131, 68, 13, 931
58	20	-	Defence Services – Navy	Defence	143, 25, 13, 214
59	23	-	Capital Outlay on Defence Services	Defence	8, 98, 22, 170

APPROPRIATION ACCOUNTS (TELECOMMUNICATION SERVICES)

VOTED GRANTS

Revenue Section

60	16	-	Telecommunication Services	Communications (Dept. of Telecommunication)	300, 85, 14, 000
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APPROPRIATION ACCOUNTS (RAILWAYS)

VOTED GRANTS

Revenue Section

61	5	-	Working Expenses - Repairs and Maintenance of Motive Power	Railways	8,39,12,168*
62	6	-	Working Expenses - Repairs and Maintenance of Carriages and Wagons	Railways	23, 91, 08, 557**
63	8	-	Working Expenses - Rolling Stock and Equipment	Railways	1,00,27,165***
64	13	-	Working Expenses - Provident Fund, Pension and other Retirement Benefits	Railways	315, 39, 64, 774

CHARGED APPROPRIATIONS

Revenue Section

65.	3	-	Working Expenses – General Superintendence and Services	Railways	25, 520
66	4	-	Working Expenses - Repairs and Maintenance of Permanent Way & Works	Railways	7, 25, 436
67	9	-	Working Expenses – Operating Expenses – Traffic	Railways	36, 60, 589
68	11	-	Working Expenses - Staff	Railways	17, 83, 195****

			Welfare and Amenities		
Capital Section					
69	16	-	Assets - Acquisition, Construction and Replacement - Other Expenditure -Capital	Railways	8, 38, 589*****
				Total:	12758,63,32,792

* *There was an excess expenditure of Rs.8,90,27,027 under this appropriation. However, after taking into account the misclassification of expenditure of Rs.(- 51,14,859), the real excess expenditure under this grant requiring regularisation worked out to Rs.8,39,12,168.*

** *There was an excess expenditure of Rs.21,49,24,450 under this Grant. However, after taking into account the misclassification of expenditure of Rs.2,41,84107, the real excess expenditure under this grant requiring regularisation worked out to Rs.23,91,08,557.*

*** *There was an excess expenditure of Rs.31,58,645 under this Grant. However after taking into account the misclassification of expenditure of Rs.68,68,520, the real excess expenditure under this grant requiring regularisation worked out to Rs.1,00,27,165.*

**** *There was an excess expenditure of Rs.13,08,509 under this Appropriation. However, after taking into account the misclassification of expenditure of Rs.4,74,686, the real excess expenditure under this Appropriation requiring regularisation worked out to Rs.17,83,195.*

***** *There was an excess expenditure of Rs.6,81,327 under this Appropriation. However, after taking into account the misclassification of expenditure of Rs.1,57,262, the real excess expenditure under this Appropriation requiring regularisation worked out to Rs.8,38,589.*

5.8 Persistent excess expenditure

It is also observed that incurrence of excess expenditure has been a recurring phenomenon in the past and despite recommendations of the successive Public Accounts Committee and issuance of instructions by the Ministry of Finance (Department of Expenditure) in pursuance thereof, Ministries/ Departments of the Union Government continue to indulge in excess expenditure year after year. The table given below indicates the position regarding excess expenditure incurred by various Ministries/Departments during the last five years:-

(Rs. in crore)

Year	No. of Excess registering Grants/Appropriations	Excess Expenditure
1994-95	15	481.09
1995-96	9	745.80
1996-97	21	706.72
1997-98	10	530.41

1998-99 (year under review)	55	12758.63
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6. DELAY IN FURNISHING EXPLANATORY NOTES

6.1 As per the extant practice, the Ministries and Departments of Government of India are required to furnish the explanatory notes to the Public Accounts Committee in respect of those grants/appropriations which register excess expenditure in a particular financial year. In terms of time schedule prescribed in this regard, the Ministries/Departments concerned are required to furnish such notes, duly vetted by Audit, by 31 May of second following year to which the accounts relate or immediately after the presentation of relevant Appropriation Accounts to the House whichever is later. The Monitoring Cell in the Department of Expenditure has been entrusted with the task of coordination, collection and timely submission of explanatory notes from different Ministries/Departments on the basis of the recommendations made by the Committee in Paragraph 65 of their First Report (11th Lok Sabha).

6.2 In the past, the successive Public Accounts Committee had taken a very serious view of any delay in submission of these notes by the Ministries/ Departments of Union Government and even recommended fixation of responsibility for any laxity shown in this regard. The Secretary, Department of Expenditure had brought the observations of the Committee in this regard to the notice of all Secretaries of Government of India vide his D.O. letter dated 25.01.1997. However, various Ministries/Departments continued to default on this count.

6.3 As per prescribed time schedule, the explanatory notes in respect of excess registering grants during 1998-99 became due for submission to Public Accounts Committee on 31.05.2000 in the case of Postal Services, Telecommunication Services, Defence Services and Ministries covered under Civil Sector; and 25.08.2000 in the case of Accounts relating to Railways. However, the explanatory notes in respect of the following grants/appropriations were furnished belatedly to the Committee as would be seen from the following statement:-

(Due Date for Submission 31.05.2000)

Sl. No.	No. and Name of Grant			Date of Presentation of relevant Appropriation Accounts	Date of sending of Explanatory Notes	Period of delay
1	11	-	Department of Sugar and Edible Oils	15.05.2000	11.07.2000	1½ months
2.	13	-	Department of Commerce	-do-	20.07.2000	1½ months
3	28	-	Payments to Financial Institutions	-do-	13.07.2000	1½ months
4.	29	-	Appropriation – Interest Payments	-do-	05.10.2000	4 months (+)
5.	31	-	Loans to Government Servants	-do-	23.02.2001*	8 months (+)
6.	37	-	Direct Taxes	-do-	26.06.2000	27 days
7.	38	-	Indirect Taxes	-do-	16.06.2000	17 days
8.	43	-	Ministry of Home Affairs	-do-	27.11.2000	5 months (+)
9.	45	-	Police	-do-	30.11.2000	6 months

						(+)
10.	47	-	Transfers to Union Territory Governments	-do-	08.09.2000	3 months (+)
11.	56	-	Information, Films and Publicity	-do-	30.08.2000	3 months (+)
12.	73	-	Department of Rural Employment and Poverty Alleviation	-do-	23.02.2001	8 months (+)
13.	99	-	Andaman and Nicobar Islands	-do-	28.02.2001	9 months (+)
14.	100	-	Chandigarh	-do-	19.04.2001*	10 months (+)
15.	101	-	Dadra & Nagar Haveli	-do-	19.04.2001*	10 months (+)
16.	102	-	Daman & Diu	-do-	19.04.2001*	10 months (+)
17.	103	-	Lakshadweep	-do-	05.03.2001	8 months (+)

* Unvetted Notes i.e., without getting factually verified from the Office of the C&AG

7. EXAMINATION OF SELECT CASES OF EXCESS EXPENDITURE.

In the succeeding Paragraphs, the Committee have dealt with some of the prominent cases of excess expenditure during 1998-99, in the light of the facts brought out in the relevant Appropriation Accounts, audit observations thereon, oral evidence tendered before the Committee and the explanatory notes furnished by the Ministries/Departments concerned.

A. APPROPRIATION ACCOUNTS (CIVIL).

7.1 GRANT NO. 25 (REVENUE SECTION -VOTED) - MINISTRY OF EXTERNAL AFFAIRS

7.1.1 Under "Revenue Section (Voted) of Grant No.25 ", the original provision was Rs.1891.68 crore. This was augmented to Rs.1891.69 crore by obtaining Supplementary Grant of Rs.1.00 lakh. As against this, the Ministry of External Affairs incurred an actual expenditure of Rs.1894.70 crore resulting in an excess expenditure of Rs.3.02 crore 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.

7.1.2. The reasons for excess expenditure incurred under various sub-heads of the Grant as contained in the explanatory note furnished by the Ministry of External Affairs are reproduced at *Appendix-II*.

7.1.3 Scrutiny by the Committee revealed the following prominent cases of excesses under various Major-heads/Sub-heads of the Grant as under:-

(i) M.H. "2052"- "Secretariat-Ministry of External Affairs". The excess of Rs. 191.31 lakh occurred mainly due to increase in air fares, hotel tariffs, payment of second instalment of arrears and Partial Payment of arrears of rent to N.D.M.C.

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(ii) “S.H. - 2061.00.101 “ Embassies and Missions”. The excess of Rs. 2927.50 lakh was on account of payment of second instalment of arrears as per recommendations of V Central Pay Commission, implementation of indexation Scheme of Foreign Allowance, general increase of rents world-wide and depreciation of Indian Rupee vis-à-vis major foreign currencies.

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(iii) S.H. - 2061.00.800.07 Special Delegations”. The excess of Rs. 392.86 lakh was due to additional expenditure on visits abroad by Hon’ble President, Vice-President and Prime Minister under special circumstances.

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(iv) Sub-head - 2061.00.80.77 - Grants to Institutions. Excess of Rs.498.93 lakh was mainly due to enhancement of Grants-in-aid to the Indian Council for Cultural relations following extra ordinary hike in tuition fees for the foreign students in most of the Universities and additional expenditure on opening of a Cultural Centre in Colombo and Chair in Osh, Kyrghyzstan.

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(v) Sub-head - 3605.00.101.09 - Aid to Bangladesh. The excess of Rs.2113.11 lakh was due to additional aid commitments for supply of rice, wheat, maize as flood relief.

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(vi) Sub-Head - 3605.00.101.10 - Aid to Bhutan. The excess of Rs. 2677.56 lakh was due to additional aid commitments relating to Tala and Kurichu projects for maintaining the pace of construction.

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(vii) Sub-head - 3605.00.101.17 - ITEC Programmes. The excess of Rs.1069.57 lakh was due to additional aid commitments under Indian Technical and Economic Cooperation Programme and increase in international air fares and training charges of some of the Institutes.

7.2 APPROPRIATION NO.29 (REVENUE SECTION –CHARGED) - INTEREST PAYMENTS- MINISTRY OF FINANCE

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7.2.1 During the year 1998-99, the total provision under “Revenue Section (Charged) of Appropriation No.29 - Interest Payments” was Rs.750,00.00 crore. However, the actual expenditure incurred was Rs.778,82.39 crore which resulted in excess expenditure of Rs.2882.39 crore. According to the Ministry of Finance (Department of Economic Affairs) - the excess expenditure was the net result of total excesses of Rs.5105.35 crore and total savings of Rs.2222.96 crore under various sub-heads of the Appropriation.

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7.2.2 The explanatory note furnished by the Ministry of Finance (Department of Economic Affairs) on this aspect is reproduced at Appendix-III. The major reasons for excess expenditure as enumerated in the explanatory note of the Ministry are enhanced market borrowing, more payments under different bonds schemes, more claims received for payments, exchange rate variation, more drawals under loans, higher interest payment etc.

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7.2.3 It is seen from the explanatory note furnished by the Ministry that one of the main reasons for excess expenditure under this grant was an expenditure of Rs.1798.10 crore which had occurred under a single head viz., M.H. 2049-01-101- interest on market loans. According to the Ministry, this was due to recourse to enhanced market borrowings to bridge the resource gap.

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7.2.4 On being enquired about the enhanced market borrowings, the representative of the Ministry stated during evidence:-

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“What really happens is that these borrowings are spread over the entire year. From year to year, the seasonality changes, depending on the market and our requirement. We have tried to analyse the trend. It is a little bit difficult to make an accurate estimate of the interest payments. As compared to RE of the last five to six years, for example in 1993-94 there was a saving of Rs.759 crore; in 1994-95, there was an excess of Rs.60 crore; in 1995-96, the saving was Rs.1,955 crore. So, in a way, there is a variation every year on account of this. It is difficult to estimate the interest charges because the number of estimating agencies and the number of disbursing agencies are very large. But I would like to suggest that this is a matter that should be gone into in some detail. We would also like to see whether we could do a little more streamlining of the information systems. Even from January to March, the estimation is becoming very difficult in the last three months. So, we will have to have some way of estimating and including this in the last Supplementary. In fact, during the last few years, every year there has been a saving or a shortfall.”

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7.2.5 Elaborating further on this, another representative of the Ministry deposed:

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“..... the market borrowing is really a function of our fiscal deficit. The fiscal deficit is really the borrowing the Central Government is doing. If we have a fiscal deficit of Rs.18,000 crore in the last year, a major part of it was the function of market borrowings and the remaining by Public Provident Fund balances and various other balances. So, the larger the fiscal deficit, the larger will be the open market borrowing..... That is the only way in which the Government can meet the gap between the expenditure and the receipts. If our tax receipts are lower than what our expenditure is, the gap, which is the fiscal deficit, has to be filled up by open market borrowings. “

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7.2.6 In reply to another related query, the witness deposed:

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“..... So, the suggestion is that we should curtail the level of borrowing because ultimately more, borrowings means, more repayment liabilities, more interest liabilities and all that. So, then the only way is to have a more balanced budget so that fiscal deficit is lower”.

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7.3 GRANT NO.31 (CAPITAL SECTION –VOTED) - LOANS TO GOVERNMENT SERVANTS ETC.- MINISTRY OF FINANCE

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7.3.1 The Ministry of Finance incurred an excess expenditure of Rs.56.81 crore over and above the sanctioned provision of Rs.432.49 crore under “Capital Section (Voted) of Grant No.31 – Loans to Government Servants etc.”. According to the information furnished by the Ministry of Finance (Department of Economic Affairs), the total excess of Rs.65.90 crore was partly offset by the saving of Rs.9.09 crore under various sub-heads of the Grant.

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7.3.2 A copy of the explanatory note furnished by the Ministry of Finance (Department of Economic Affairs) on the excess expenditure under this Grant is enclosed at **Appendix-IV**. The scrutiny of the

explanatory note reveals that the excess under this grant was mainly due to under assessment of the expenditure likely to be incurred during 1998-99.

7.3.3 Explaining the reasons for excess expenditure, the Ministry of Finance (Department of Economic Affairs) in their explanatory note inter-alia stated :-

“At the time the final allocations were made by the Ministry of Finance on 18th March 1999, the latest available account information was pertaining to January, 1999. Therefore, we had no means of factoring the increase in expenditure during February, 1999 or say in the first half of March, 1999 while deciding the final allocations. Since the offices of the Ministries/Departments are fairly widespread throughout the country, it is understandable that it was not feasible for them to limit the actual expenditure within the final allocations (under-pitched on the basis of relatively lower disbursements upto January, 1999). It would be seen that the excess is the result of assessment of the expenditure likely to be incurred during 1998-99 while making final allocations based on the then latest available information from January, 1999 accounts”.

7.4 GRANT NO.81 (REVENUE SECTION –VOTED) – PORTS LIGHTHOUSES AND SHIPPING – MINISTRY OF SURFACE TRANSPORT

7.4.1 The original provision of Rs.325.32 crore under this Grant was augmented to Rs.353.37 crore by obtaining Supplementary Grant of Rs. 28.05 crore. The Ministry, however, incurred an excess expenditure of Rs.113.85 crore in Revenue Section (Voted) of the Grant during 1998-99.

7.4.2. The explanatory notes furnished by the Ministry of Surface Transport on the excess expenditure under this Grant is enclosed at **Appendix-V**.

7.4.3 According to the explanatory note furnished by Ministry of Surface Transport, the excess expenditure had occurred mainly under the following sub-heads.

<u>Sl. No.</u>	<u>Sub-head</u>	<u>Amount (Rs. In crore)</u>	<u>Contributory reasons as stated by Ministry</u>
-	-	-	-
1.	<u>2852.06.102.12- Grants for implementation of VRS</u>	<u>3.90</u>	<u>Payment of Grants-in-aid to Hindustan Shipyard Ltd. for Voluntary Retirement Schemes to be met out of National Renewal Fund</u>
2.	<u>3051.01.108.01 – Maintenance and dredging in Haldia Channel by Calcutta Port Trust</u>	<u>71.09</u>	<u>Reimbursement to Calcutta Port Trust of additional expenditure incurred on dredging and maintenance of Hooghly river and shipping Channel leading to Haldia.</u>
3.	<u>3051.01.1-8.02- River Dredging and Maintenance of River Hooghly and Haldia</u>	<u>16.42</u>	<u>-do-</u>

	<u>Channel by Calcutta Port Trust and Haldia Channel</u>		-
			-
			-
			-
4.	<u>3051.03.101.05 – General Reserve Fund</u>	<u>34.39</u>	<u>More realisation of light dues during 1998-99.</u>
			-
			-

7.4.4 Incidentally it may be pointed out that the Ministry of Surface Transport had also incurred excess expenditure of the order of Rs.9.46 crore during 1994-95 and Rs.36.54 crore during 1997-98 under the sub-head “General Reserve Fund”. While expressing their unhappiness over unrealistic budgetary projection made under this sub-head, the Public Accounts Committee in Para 47 of their 6th Report (13th Lok Sabha) had desired the Ministry of Surface Transport (Department of Shipping) to carefully review the efficacy of their budgetary mechanism and apply necessary correctives wherever required.

7.4.5 In their explanatory note, the Ministry stated the remedial measures taken by them to avoid excess expenditure, as under:-

“In order to avoid recurrence of such excesses in future, further steps are being taken to tighten the internal arrangement and the control system so that the expenditure is kept at the final grant level. 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/schemes and taking up the matter with various authorities associated with the job and Ministry of Finance so that optimum use of budget provision is made and realistic figures are provided to avoid any excess at later stage. The physical and financial progress of various schemes/projects in the annual budget is monitored by holding review meetings thereon. Apart from this, on the spot study of certain important schemes is undertaken. The accounting procedure has been strengthened to work within time frames, in order to avoid any excess of expenditure in future.”

B. APPROPRIATION ACCOUNTS (RAILWAYS)

7.5 GENERAL ANALYSIS

7.5.1 A scrutiny of Appropriation Accounts of Railways revealed that there was an overall excess of Rs.346.75 crore over the authorized provision under Four grants (5,6,8 & 13) and five appropriations (3,4,9,11 & 16 -Capital). Taking into account the effect of misclassifications in the accounts, the actual excess requiring regularisation worked out to Rs.349.40 crore as brought out earlier in this Report.

7.5.2 The following table indicates the amount of supplementary provisions obtained in excess registering grants/appropriations, the extent of misclassification of expenditure under those grants and the excess expenditure requiring regularisation:

(in unit of Rs.)					
<u>Sl. NO.</u>	<u>No. & Name of Grant/Appropriation</u>	<u>Supplementary provision</u>	<u>Excess Expenditure</u>	<u>Effect of misclassification of expenditure</u>	<u>Actual excess expenditure requiring regularisation</u>
<u>Voted Grants</u>					
-					

1.	5	=	<u>Working Expenses - Repairs and Maintenance of Motive Power</u>	=	<u>8,90,27,027</u>	<u>(-) 51,14,859</u>	<u>8,39,12,168</u>
2.	6	=	<u>Working Expenses - Repairs and Maintenance of Carriages and Wagons</u>	<u>72,00,00,000</u>	<u>21,49,24,450</u>	<u>2,41,84,107</u>	<u>23,91,08,557</u>
3.	8	=	<u>Operating Expenses - Rolling Stock and Equipment</u>	<u>16,00,00,000</u>	<u>31,58,645</u>	<u>68,68,520</u>	<u>1,00,27,165</u>
4.	13	=	<u>Provident Fund, Pension and other Retirement Benefits</u>	<u>1528,89,81,000</u>	<u>315,39,64,774</u>	=	<u>315,39,64,774</u>
<u>Charged Appropriations</u>							
-							
5.	3	=	<u>Working Expenses – General Superintendence and Services</u>	<u>8,00,000</u>	<u>25,520</u>	=	<u>25,520</u>
6.	4	=	<u>Working Expenses - Repairs and Maintenances of permanent way and Works</u>	<u>23,67,000</u>	<u>7,25,436</u>	=	<u>7,25,436</u>
7.	9	=	<u>Working Expenses – Operating Expenses – Traffic</u>	=	<u>36,60,589</u>	=	<u>36,60,589</u>
8.	11	=	<u>Working Expenses - Staff Welfare and Amenities</u>	<u>1,20,000</u>	<u>13,08,509</u>	<u>4,74,686</u>	<u>17,83,195</u>
9.	16	=	<u>Assets – Acquisition, Construction and Replacement - Other Expenditure – Capital</u>	<u>672,24,000</u>	<u>6,81,327</u>	<u>1,57,262</u>	<u>8,38,589</u>

7.5.3 In the Action Taken Notes on the recommendations contained in the Sixth Report of PAC (13th Lok Sabha), the Ministry of Railways stated as under:-

“There is a constant endeavour in this Ministry to control the incidence of excess expenditure.

The Railways are in the process of implementing a computer based Financial Management Information Systems(FMIS), amongst others, on different Zonal Railways. Software for budget preparation is also being upgraded. These would enable the field units and Zonal Railways to assess the fund requirements more realistically and also lead to better expenditure control.”

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7.5.4 The complete text of the explanatory notes furnished by the Ministry of Railways for regularisation of excess expenditure incurred during 1998-99 is enclosed at **Appendix-VI**.

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7.5.5 A scrutiny of the explanatory note furnished by the Ministry of Railways revealed that Grant No.13 - Provident Fund, Pension and other Retirement benefits accounted for an excess of Rs.315.40 crore. It is also seen from the explanatory note that the actual expenditure exceeded the total sanctioned provision mainly under the following Minor heads:

a) Superannuation and Retiring Pension. (Rs.125.45 crore), due to increased volume of payments at revised rates for superannuation Pension as well as for the settlement of pre-1986 pension cases as per Vth Pay Commission’s recommendations, the exact impact of which could not be assessed earlier.

b) Commuted Pension (Rs.70.04 crore), due to increase in rate of commutation and also due to payment of arrears of old cases as per recommendations of Vth Pay Commission

c) Family Pension. (Rs.27.75 crore), due to receipt of more debits from different disbursing authorities at the fag end of the year, mainly pertaining to pre-1986 pension cases settled as per recommendations of Vth Pay Commission.

d) Death-cum-Retirement Gratuity (Rs.98.05 crore), due to more payment for finalisation of arrears on account of revision of rates and more settlement of cases as per Vth Pay Commission’s recommendations.

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7.5.6 The scrutiny of Committee revealed that under “Grant No.13- Provident Fund, Pension and other Retirement benefits”, the Ministry had been incurring persistent excess expenditure. While Rs.37.91 crore excess expenditure was incurred in 1995-96 (22nd Report – 11th Lok Sabha), Rs.23.85 crore excess expenditure was registered in 1996-97) (1st Report – 12th Lok Sabha) under this Grant.

7.6 PERSISTENT EXCESS EXPENDITURE IN THE MINISTRY OF RAILWAYS.

7.6.1 The past trends of expenditure in the Ministry of Railways indicate that excess expenditure in the Ministry of Railways has been a recurring phenomenon as it would be seen from the following table:

(Rs. in crore)

<u>Year</u>	<u>No. of Excess registering Grants/Appropriations</u>	<u>Excess Expenditure</u>
<u>1991-92</u>	<u>9</u>	<u>294.01</u>

<u>1992-93</u>	<u>3</u>	<u>539.28</u>
<u>1993-94</u>	<u>8</u>	<u>1216.83</u>
<u>1994-95</u>	<u>5</u>	<u>392.10</u>
<u>1995-96</u>	<u>4</u>	<u>603.27</u>
<u>1996-97</u>	<u>11</u>	<u>191.34</u>
<u>1997-98</u>	<u>7</u>	<u>160.34</u>
<u>1998-99</u>	<u>9</u>	<u>349.40</u>

7.6.2 It is seen from the above table that during the year 1998-99 the Ministry of Railways have witnessed rise in the number of excess registering grants as well as in aggregate excess expenditure as compared to earlier year.

7.7 MISCLASSIFICATION OF EXPENDITURE

7.7.1 The scrutiny of Appropriation Accounts (Railways) reveals that a large number of cases of misclassification of expenditure had again occurred even during the year 1998-99. While expressing their unhappiness over the manner in which accounts were maintained by Railway Administrations where glaring errors escaped unnoticed and could be rectified only after the finalisation of Appropriation Accounts, the Committee in Paragraph 53 of their 6th Report (13th Lok Sabha) had desired the Ministry of Railways to pay attention to this aspect so as to eliminate chances of misclassification of expenditure. The Committee had also expected the Ministry of Railways to ascertain the reasons for each case of misclassification and take conclusive action against the officials found responsible for lapses in all such cases.

7.7.2 In their action taken note on 6th Report of PAC (13th Lok Sabha), the Ministry of Railways inter-alia stated:

“The Misclassification/Mistakes which are of an avoidable nature are viewed seriously and the circumstances under which they occurred are examined for taking appropriate follow-up action. It will continue to be the constant endeavour of the Railways to minimise the incidence of misclassifications”.

7.7.3 The scrutiny by Committee revealed that out of 9 excess registering Grants/Appropriations in Railways, the mistakes of misclassification were committed in 5 Grants/Appropriations, namely, Grant Nos. 5,6,8 and Appropriation Nos.11 and 16 - Capital. The Grant/Appropriation-wise amount involved in the misclassification are given in paragraph 7.5.2.

8. CONCLUSIONS AND RECOMMENDATIONS

8.1 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 authorized 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 19 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 Committee observe that since the Second Batch of Supplementary Demands for Grants were not approved by Parliament till 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 coordinator 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.

8.2 While scrutinising the total excess expenditure, the Committee have found that out of total excess of Rs.11824.46 crore under Appropriation Accounts (Civil), excess of Rs.11,112.77 crore occurred as the Appropriation Act authorizing 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 disbursements 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.11824.46 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 the Rs.12758,63,18,792 which now requires regularisation by Parliament under Article 115(1)(b) of the Constitution.

8.3 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/Appropriations 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.

8.4 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 atleast four Sub-heads of the Grant, 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.

8.5 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.

8.6 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 in 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 original 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 any 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.

8.7 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.

8.8 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 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 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.

8.9 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 atleast at the time of obtaining supplementary provisions in March 1999. Since there was usually no uncertainty in the outgo on pensions and drawal 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 Estimates stage for meeting the pensionary liabilities.

8.10 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 earlier 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 officials 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 officials. 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 taken by the Ministry of Railways in this regard within a period of 3 months.

8.11 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 the Article 115(1)(b) of the Constitution of India.

*NARAYAN DATT TIWARI,
Chairman,
Public Accounts Committee*

*NEW DELHI;
18th July, 2001
27 Asadha 1923 (Saka)*