

**PUBLIC ACCOUNTS COMMITTEE  
(1975-76)**

**(FIFTH LOK SABHA)**

**TWO HUNDRED & SEVENTEENTH REPORT**

**ACCOUNTING & PROCEDURAL MATTERS**

**DEPARTMENT OF ECONOMIC AFFAIRS**

**AND**

**MINISTRY OF FINANCE (DEFENCE)**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1976/Vaisakha, 1898(S)*

*Price Re. 0.60*

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA  
SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Sl. No.	Name of Agent
<b>ANDHRA PRADESH</b>		<b>MAHARASHTRA</b>	
1.	Andhra University General Co-operative Stores Ltd., Waltair (Visakhapatnam).	10.	M/s. Sunderdas Gianchand, 601. Girgaum Road, New Princess Street, Bombay-2.
2.	G.R. Lakshmipaty Chetty and Sons, General Merchants and News Agents, Newpet, Chandra-giri, Chittoor District.	11.	The International Book House, (Private) Limited, 6, Ash Lane, Mahatma Gandhi Road, Bom-bay-1.
<b>ASSAM</b>		12.	The International Book Service, Deccan Gymkhana, Poona-4.
3.	Western Book Depot, Pan Bazar, Gauhati.	13.	Charles Lambert & Company, 10, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.
<b>BIHAR</b>		14.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	15.	Deccan Book Stall, Fergusson College Road, Poona-4.
5.	M/s. Crown Book Depot, Upper Bazar, Ranchi.	16.	M. & J. Services, Publishers Representatives, Accounts & Law Book Sellers, Bahri Road, Bombay-15.
<b>GUJARAT</b>		<b>MYSORE</b>	
6.	Vijay Stores, Station Road, Anand.	17.	People Book House, Opp. Jaganmohan Palace, Mysore.
7.	The New Order Book Company, Ellis Bridge, Ahmedabad-6	<b>RAJASTHAN</b>	
<b>HARYANA</b>		18.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.
8.	M/s. Prabhu Book Service, Nai Subzi Mandi, Gurgaon.	19.	M/s. Usha Book Depot, 585 A, Chitra Bazar, Tripolia, Jaipur.
<b>MADHYA PRADESH</b>		<b>UTTAR PRADESH</b>	
9.	Modern Book House, Shiv Vilas Palace, Indore City.	20.	Law Book Company, Sardar Patel Marg, Allahabad-1.

CORRIGENDA TO  
217th Report of P.A.C.  
(5th Lok Sabha)  
(Presented on 27.4.1976)

---

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
1	1.3	8	of	or
6	1.15	16	suggestion	suggested
12	Subject	1	Grantes	Grants
16	3	5	of the	of this

## CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1975-76) . . . . .	(iii)
INTRODUCTION . . . . .	(v)
REPORT—	
I. Regularisation of Excesses over Voted Grants and Charged Appropriations . . . . .	I
II. Annual Production Accounts of Army and Naval Bakeries. . . . .	7
III. Statements of Pre-partition period Losses and Irregularities . . . . .	9
APPENDICES	
I. Ministry of Finance, Department of Economic Affairs, Note No. F. 5(8)-B/72, dated 1-1-1974 . . . . .	12
II. Ministry of Finance, Department of Economic Affairs (Budget Division), Note No. F 5(8)-B/72, dated the 15th May, 1975 . . . . .	15
III. Paragraph 15 of the Report of the Central Public Accounts Committee on the Accounts for the year 1929-30 . . . . .	17
IV. Ministry of Finance (Defence) (Budget) U.O.No. 205(9)/74/B-III/3619/B-II, dated the 21st November, 1975 . . . . .	18
V. Ministry of Finance (Defence) U.O. No. 201(33/74)-Bud. III/3788-B. II/75, dated 28-11-1975 . . . . .	20
VI. Summary of Conclusions and Recommendations . . . . .	22

## PART II\*

Minutes of the sitting of the Public Accounts Committee held on the 21st April, 1976 . . . . .

\*Not printed. One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library.

**LIST OF MEMBERS OF PUBLIC ACCOUNTS COMMITTEE**  
**(1975-76)**

**CHAIRMAN**

**Shri H. N. Mukerjee**

**MEMBERS**

2. Shri T. Balakrishniah
3. Shri Chandulal Chandrakar
4. Shri Chandrika Prasad
5. Shri Darbara Singh
6. Shri C. C. Gohain
7. Shri Pampan Gowda
8. Shri Raja Kulkarni
9. Shri Shyam Sunder Mohapatra
10. Shri Priya Ranjan Das Munshi
11. Shri Narendra Singh
12. Shri Noorul Huda
13. Shri Shibban Lal Saxena
14. Shri N. K. Sanghi
15. Shri Somchand Solanki
- \*16. Shri Mohammed Usman Arif
- \*17. Shrimati Pratibha Singh
- \*18. Shri V. B. Raju
19. Shri Gulabrao Patil
- \*20. Shri T. K. Srinivasan
- \*21. Dr. K. Mathew Kurian
22. Shri Rabi Ray

**SECRETARIAT**

**Shri Avtar Singh Rikhy—Additional Secretary.**

**Shri H. G. Paranjpe—Chief Financial Committee Officer.**

**Shri N. Sunder Rajan—Senior Financial Committee Officer.**

---

\*Ceased to be Member of the Committee consequent on retirement from Rajya Sabha w.e.f. 2-4-1976.

## INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee, do present on their behalf this Two Hundred and Seventeenth Report on Accounting and Procedural Matters.

2. The Report has emerged as a result of consideration by the Committee of certain suggestions made by the Ministry of Finance, Department of Economic Affairs, and the Ministry of Finance (Defence) relating to changes in procedure being followed at present in respect of—

- (i) Submission to the Committee of Explanatory Notes on Excesses over Voted Grants/Charged Appropriations;
- (ii) Inclusion of Production Accounts of the Army and Naval Bakeries and Financial Review thereon in the Commercial Appendix to the Appropriation Accounts (Defence Services); and
- (iii) Submission to the Committee of Statements showing losses and other irregularities relating to pre-partition period finally dealt with by the Government of India.

3. The Committee considered and finalised the Report at their sitting held on the 21st April, 1976. Minutes of the said sitting form Part II\* of the Report.

4. A statement showing the conclusions/recommendations of the Committee is appended to the Report (Appendix VI). For facility of reference, these have been printed in thick type in the body of the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in the examination of the subjects by the Comptroller and Auditor General of India.

NEW DELHI;  
April 24, 1976.

Vaisakha 4, 1898 (S)

H. N. MUKERJEE,  
Chairman,  
Public Accounts Committee.

---

\*Not printed. One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library.

## I

### REGULARISATION OF EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS

1.1. Under Article 115(1) (b) of the Constitution, 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 the People a demand for such excess.

1.2. The question of delay in the regularisation of excesses over Voted Grants and Charged Appropriations has come up before Parliament from time to time. In the 13th Session of the Lok Sabha (July to September 1956), when Government approached Parliament for regularising excesses relating to the year 1951-52, Members drew pointed attention to the delay in the regularisation of the expenditure. The consensus of opinion was that a procedure should be devised whereby the excesses could be regularised expeditiously so as to ensure that the time lag between the detection of the excesses and their regularisation by Parliament was reduced to the inevitable minimum.

1.3. This question was considered by the Public Accounts Committee (1956-57) who laid down a revised procedure for the regularisation of Excesses, according to which, the Ministries of the Government were required to furnish to the Committee, 'in the shortest time possible, but at any rate not exceeding four weeks' after the Appropriation Accounts disclosing excesses are laid on the Table of the House, explanatory notes containing the reasons for or circumstances leading to the excesses under each grant of appropriation. Thereafter, the Public Accounts Committee would proceed to examine, in the light of the explanatory notes furnished by the Ministries, the circumstances leading to the excess and present a separate report to Parliament, recommending regularisation of the excesses, subject to such observations/recommendations as they may choose to make. Thereafter, Government would initiate necessary action to have the excesses regularised by Parliament, under Article 115 of the Constitution, either in the same Session in which the Committee present their Report or in the following session.<sup>1</sup>

1.4. Despite this revised procedure, delays continued to occur in the furnishing of the explanatory notes on excesses to the Com-

---

<sup>1</sup>Public Accounts Committee (1956-57), 21st Report, November 1956, paragraphs 8 and 9, pp. 3-4.

mittee. Successive Public Accounts Committees had commented upon such delays in the past and the Public Accounts Committee (1965-66) had, *inter alia*, urged the Ministry of Finance 'to devise ways and means to avoid such chronic delays' on the part of the Ministries.<sup>2</sup>

1.5. Since there was no improvement in the position and delays in the submission of the explanatory notes persisted, the question again came up before the House on 20 and 26 August 1968 during the course of discussions on the Demands for Excess Grants relating to the year 1965-66, when the Members expressed concern over the delay in the regularisation of excesses by Parliament.

1.6. The Public Accounts Committee (1968-69), therefore, drew the attention of the Ministry of Finance to the concern expressed by Members in the House and asked the Ministry to re-examine the whole matter, in consultation with the Comptroller and Auditor General of India, and to suggest concrete steps to be taken to ensure that excesses were not only brought before Parliament at the earliest possible opportunity but also that the explanatory notes of the Ministries, duly vetted by Audit, were furnished to the Committee within the minimum time possible.<sup>3</sup>

1.7. After examining the matter, as desired by the Committee, the Ministry of Finance informed the Public Accounts Committee (1968-69) that it was proposed to lay down the following procedure for being observed in future:

"(i) As soon as the Appropriation Accounts are finalised by Audit and sent to the Press for the first proof, Audit will inform the Ministries concerned of the cases in which Excesses have occurred, under intimation to the Budget Division of the Ministry of Finance. It is expected that this will be done by the end of December each year.

(ii) The concerned Ministries will be required to take steps to ensure that the Notes for submission to the Committee are furnished to the Budget Division latest by the 1st of March.

(iii) The Notes will be examined in the Budget Division as and when received and will be forwarded to Audit for vetting within 15 days of their receipt.

---

<sup>2</sup>Public Accounts Committee (1965-66), 45th Report, (3rd L.S.), March 1966, paragraph 1.5, p. 1.

<sup>3</sup>Public Accounts Committee (1968-69), 31st Report (4th L.S.), October 1968, paragraph 3.6, p. 37.



- (iv) Audit will return the Notes duly vetted within a fortnight of their receipt, to the concerned Ministries direct, under intimation to the Budget Division after which the Ministries will be required to submit the Notes to the Committee immediately after the presentation of the Appropriation Accounts to Parliament or by the 10th April whichever is later.
- (v) After the Committee have examined the Notes submitted by the Ministries and presented their Reports on the Excesses relating to Civil, Defence and P&T Grants/Appropriations, which presumably will be possible before the end of the Budget Session, the Demands for Excess Grants will be presented by the Ministry of Finance in the Budget Session, if possible or in the next following session of Parliament. Similar action will, it is, hoped, be taken by the Ministry of Railways also.
- (vi) The Ministries will be required to reconcile their departmental figures of expenditure with those booked in the Accounts Offices throughout the year so that all discrepancies are reconciled in time, in turn making it possible for them to furnish the Notes explaining the Excesses within the period indicated in (ii) above."

The Ministry had further stated:

"If the above time schedule is approved by the Public Accounts Committee, every effort will be made to implement it with effect from the Excesses relating to 1967-68. If, however, for any reason, it is not found possible to adhere to the above time schedule a further submission will be made to the Committee for revising the proposed time schedule."<sup>4</sup>

1.8. The Committee considered these proposals and while expressing their broad agreement with the suggestions of the Ministry of Finance contained in the preceding paragraph, the Committee had, however, expressed reservations about the procedure for the submission of the explanatory notes, duly vetted by Audit, direct to the Committee by the concerned Ministries [*vide* item (iv) in the preceding paragraph] and had observed as follows:

"...their experience of the receipt of direct Notes on Excesses from the individual Ministries has not been

---

<sup>4</sup>*ibid*, paragraphs 3.7 and 3.8, pp. 37-38.

very happy. They, therefore, desire that the submission of Notes on Excesses, duly vetted by Audit, should be centralised in the Budget Division of the Ministry of Finance, who should be responsible for furnishing them to the Committee immediately after the presentation of the Appropriation Accounts to Parliament or by the 10th of April, whichever is later."

Subject to this modification, the Committee had recommended that the procedure suggested by the Ministry of Finance may be introduced with effect from the excesses relating to the year 1967-68 and that the new procedure should also be followed, with necessary modifications, by the Ministry of Railways in respect of Grants relating to that Ministry.<sup>5</sup>

1.9. Delays in the submission of explanatory notes on excesses, however, continued to occur, year after year, resulting in delays in the finalisation of the Committee's reports on excesses. Deprecating such delays, the Public Accounts Committee (1973-74), had also asked the Ministry of Finance to 'take urgent steps to ensure prompt and timely submission of the notes on excesses' in future."

1.10. Subsequently, in a note dated 1 January 1974, the Ministry of Finance (Department of Economic Affairs), while requesting that, in view of certain practical difficulties experienced at various stages in adhering to the prescribed schedule, the date of submission of the explanatory notes on excesses to the Committee may be extended to 31 May instead of 10 April, also reiterated their earlier suggestion made in 1968 that the notes returned by Audit to the concerned Ministries, after vetting, would be submitted direct to the Committee by the concerned Ministries. The note received in this regard from the Ministry is reproduced in Appendix I and the relevant extract relating to the procedure for the submission of the notes to the Committee is reproduced below:

"Audit will return the Notes, duly vetted, within a fortnight of their receipt, to the concerned Ministries direct, under intimation to the Budget Division, after which the Ministries will be required to take necessary action to submit the finalised Notes to the Committee immediately."

---

<sup>5</sup>*Ibid.*, paragraphs 3.9 and 3.10, pp. 38-39.

<sup>6</sup>Public Accounts Committee (1973-74), 96th Report (5th L.S.), September 1973, paragraph 2.2, p. 7.

1.11. This note from the Ministry was considered by the Public Accounts Committee (1974-75) on 5 April 1974. The Committee, while agreeing to the suggestion that the explanatory notes may be furnished to them by 31 May or immediately after the presentation of the Appropriation Accounts to Parliament, whichever was later, did not, however, make any specific comment on the proposal of the Ministry that these notes, duly vetted by Audit, may be submitted directly to the Committee by the concerned Ministries instead of routing them through the Ministry of Finance. The apparent implication was that the Committee desired the continuance of the existing practice of the centralisation of the responsibility for the submission of these notes in the Budget Division of the Ministry of Finance.

1.12. The Committee had also expressed regret that delays in the submission of the explanatory notes in respect of the excesses relating to the year 1972-73 had continued to occur and, in their 134th Report (Fifth Lok Sabha) had observed as follows:

“The Committee very much regret to note that in spite of their having agreed to the submission of the explanatory notes on excesses over Voted Grants and Charged Appropriations by 31st May, instead of 10th April, or immediately after the presentation of the Appropriation Accounts to Parliament, whichever is later, delays in submission of the explanatory notes in respect of excesses during the year 1972-73 have continued to occur in spite of the Committee's earlier recommendations. Out of the 36 explanatory notes relating to excesses during the year, 10 notes were received in June and 2 notes in July 1974, and the last note in respect of Grant No. 57—‘Information and Publicity’ was received only on the 5th July 1974. In this connection, the Committee would like to recall their clear directive to the Ministry of Finance that the revised time schedule should be strictly adhered to. Owing to the delays in the submission of the notes, the finalisation of this Report by the Committee has been delayed. As the Committee are anxious that excesses over Voted Grants and Charged Appropriations are brought before Parliament as expeditiously as possible, they would like the Ministry of Finance to appropriately take up the question of delay with the concerned Ministries/Departments with a view to ensure that the prescribed time schedule is strictly adhered to in future.”<sup>7</sup>

---

<sup>7</sup>Public Accounts Committee (1974-75), 134th Report (5th L.S.), August 1974, paragraph 2.6, p.8.

1.13. The Ministry of Finance (Department of Economic Affairs), in a note dated 15 May, 1975 (reproduced in Appendix II), reverted to their earlier suggestion made in 1968 and reiterated in January 1974 and stated that much of the avoidable delay in the submission of the notes to the Committee could be eliminated if Audit, after vetting the draft explanatory notes, returned them direct to the Ministries concerned for submission to the Committee, without the intervention of the Department of Economic Affairs.

1.14. This matter was considered by the Public Accounts Committee (1975-76). While examining the Excesses over Voted Grants and charged Appropriations relating to the year 1973-74, the Committee, in their 180th Report (Fifth Lok Sabha), on the subject, presented to Parliament on 7 August 1975, had observed:

“As regards the suggestion made by the Ministry of Finance regarding the revised procedure to be adopted for the furnishing of the explanatory notes to the Committee, this would be considered separately in due course and the Committee’s decision communicated.”

1.15. The Committee have considered the suggestion made by the Department of Economic Affairs that the Explanatory Notes on Excesses over Voted Grants and Charged Appropriations should be submitted directly to the Committee by the Ministries/Departments concerned, without their intervention. A similar suggestion had been made by the Department earlier in 1968 and again in 1974, but it had not found favour with the Committee. Drawing on their experience, the Public Accounts Committee (1968-69) had specifically desired that the responsibility for the submission of the Explanatory Notes should be centralised in the Budget Division of the Ministry of Finance. The Public Accounts Committee (1973-74) approached again on the subject, while agreeing to extend the time limit prescribed for the submission of Notes, did not offer any specific views on the suggestion, which implied that they favoured the continuance of the existing practice. The present Committee are also of the view that the procedure suggestion by the Department of Economic Affairs would prove to be cumbersome and may not really facilitate their work. Besides, as the agency finally responsible for exercising budgetary control, it would be more appropriate if the Department of Economic Affairs co-ordinates the submission of the Notes to the Committee. The Committee are, therefore, unable to accept the Department’s suggestion and reiterate that the procedures should be streamlined by the Budget Division of the Department of Economic Affairs so as to ensure that the notes explaining the excesses over Demands are submitted after due scrutiny and by the prescribed date to the Committee.

## II

### ANNUAL PRODUCTION ACCOUNTS OF ARMY AND NAVAL BAKERIES

2.1. In pursuance of the recommendation of the Central Public Accounts Committee contained in paragraph 15 of their Report on the Accounts for the year 1929-30 (Appendix III), the Production Accounts of the Army and Naval Bakeries and Financial Review thereon are included in the Commercial Appendix to the Appropriation Accounts (Defence Services), placed on the Tables of the Houses of Parliament every year during the Budget Session.

2.2. In a communication dated 21 November 1975, (reproduced in Appendix IV), the Ministry of Finance (Defence) have stated that the expenditure on the Army and Naval Bakeries has been declining from year to year on account of various reasons such as the winding up of some of the Bakeries, fall in production, etc.

2.3. The following statement furnished by the Ministry indicates the production of and expenditure on the Army and Naval Bakeries during the period 1970-71 to 1973-74:—

<i>Production in Kilograms</i>							
Expenditure in lakh Rupees							
Year	Army Bakeries		Naval Bakeries		Total expenditure on all bakeries (3+5)	Total Defence Expenditure	Expenditure on Bakeries as % of total Defence Expenditure
	Production	Expenditure	Production	Expenditure			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1970-71	8,09,533	9.95	6,03,869	6.70	16.65	1,14,811.67	.0014 %
1971-72	2,86,102	4.25	1,78,8,024	2.10	6.35	1,44,135.18	.0004%
1972-73	2,57,141	3.80	72,901	0.96	4.76	1,55,226.17	.0003%
1973-74	2,07,482	3.10	83,429	1.14	4.24	1,60,976.86	.0003%

2.4. Since the expenditure on Bakeries now forms an insignificant percentage of the total Defence Expenditure, the Ministry have pointed out that the Army and Naval Bakeries do not seem to require the type of special treatment being given to them at present and have sought, in consultation with the Comptroller & Auditor General of India, the Committee's approval for the discontinuance of the exhibition of the Annual Production Accounts of the Army and Naval Bakeries and Financial Review thereon in the Commercial Appendix to the Appropriation Accounts (Defence Services) from 1975-76 onwards.

2.5. In view of the position explained by the Ministry of Finance (Defence), the Committee have no objection to the proposed discontinuance, from the year 1975-76 onwards, of the exhibition of the Annual Production Accounts of the Army and Naval Bakeries and Financial Review thereon in the Commercial Appendix to the Appropriation Accounts (Defence Services).

### III

#### STATEMENTS OF PRE-PARTITION PERIOD LOSSES AND IRREGULARITIES

3.1. Losses and other irregularities relating to the pre-partition period reported to the Government of India for regularisation are not being included in the printed Appropriation Accounts of Defence Services for the post-partition period. Instead, complete statements of such losses and irregularities, finally dealt with during a year, duly scrutinised by Audit, are submitted to the Public Accounts Committee separately every year, with the object of keeping the Committee informed of the action taken by Government in respect of the outstanding pre-partition transactions.

3.2. In a communication dated 28 November 1975 (reproduced in Appendix V), the Ministry of Finance (Defence) have, *inter alia*, stated that the total value of losses and other irregularities relating to the pre-partition period and finalised during the past five or six years had gone down considerably and that the reports in this regard for the years 1972-73 and 1973-74 had not disclosed any losses or irregularities. The Ministry have also furnished the following statement indicating the amount of losses, etc. relating to the pre-partition period for each of the previous 11 years:

Rupees in thousand]					
Year	A	B	C	D	I
1963-64 . . . . .	413	754	..	..	..
1964-65 . . . . .	250	2207	..	..	..
1965-66 . . . . .	49	542	..	..	..
1966-67 . . . . .	291	405	..	..	..
1967-68 . . . . .	642	..	I	..	..
1968-69 . . . . .	19	..	..	..	..
1969-70 . . . . .	48	50	..	..	..
1970-71 . . . . .	..	4	..	..	..

Year	A	B	C	D	I
1971-72 . . . . .	13	..	..	..	..
1972-73 . . . . .	..	..	..	..	..
1973-74 . . . . .	..	..	..	..	..

*Note :* A: Total amount of cash losses etc. pertaining to the pre-partition period, finally dealt with during the year.

B: Store losses pertaining to the pre-partition period, finally dealt with during the year.

C: Infructuous expenditure pertaining to the pre-partition period finally dealt with during the year.

D: Ex-gratia payments made during the year.

I: Cases of non-maintenance or irregular maintenance of accounts, relating to the pre-partition period, finally dealt with during the year.

3.3. The Ministry have pointed out in this connection that the statements in respect of losses and irregularities which occurred more than a generation back could hardly serve any useful purpose at this stage and that the work involved in their preparation and scrutiny may not be commensurate with any results likely to be achieved. It has, therefore, been suggested by the Ministry, in consultation with the Comptroller and Auditor General of India, that it would, perhaps, be adequate if specific cases of losses or irregularities pertaining to the pre-partition period and actually dealt with finally during the year are brought to the notice of the Public Accounts Committee as and when they arise and that the present practice of preparation of detailed statements when these are mere 'Nil' statements is discontinued. The approval of the Committee has, accordingly, been sought by the Ministry to the adoption of the revised procedure suggested from the Accounts for the year 1974-75.

3.4. The Committee have considered the suggestion made by the Ministry of Finance (Defence), in consultation with the Comptroller and Auditor General of India, in regard to the preparation and submission of statements of losses and other irregularities relating to the pre-partition period finally dealt with by the Government of India during a year. They agree to the adoption of the revised procedure now suggested from the Accounts for the year 1974-75, namely, that it would be adequate if specific cases of such losses or irregularities actually dealt with finally during a year are brought



to their notice as and when they arise, and that the present practice of preparation and submission of detailed statements even when these are only 'Nil' statements is discontinued.

NEW DELHI;  
24th April, 1976.  

---

Vaisakha 4, 1898 (S).

H. N. MUKERJEE,  
Chairman,  
Public Accounts Committee.

## APPENDIX I

(Vide Para 1.10)

No. F. 5(8)-B/72

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Department of Economic Affairs)

New Delhi, the 1st January, 1974

### NOTE

**SUBJECT:** Regularisation of the Excesses over Voted Grants and Charged Appropriations under Article 115 of the Constitution.

According to the procedure for preparation and submission of Notes to the Public Accounts Committee for regularisation of excesses over 'Voted' Grants/'Charged' Appropriations applicable from the excesses for 1967-68 and thereafter, the Notes, duly vetted by Audit, have to be submitted to the Public Accounts Committee immediately after the presentation of the Appropriation Accounts before Parliament or 10th April, whichever is later. While approaching the Public Accounts Committee for approving the above procedure *vide* this Ministry's No F.5(20)-B/68 dated the 6th October, 1969, it was mentioned that if it was not found possible to adhere to the above time schedule a further submission would be made to the Public Accounts Committee for revising the same.

2. Experience has shown that despite best efforts, it has not been possible to adhere to the due date for submission of Notes to the Public Accounts Committee. The Committee had commented on this delay in paragraph 2.2 of their Twenty-ninth Report (Fifth Lok Sabha). The matter was considered in July, 1972 and it was proposed to Audit that in view of the delay at various stages, the Public Accounts Committee might be approached to extend the date of submission of Notes. The Audit, while agreeing that the date needed to be extended, stated that as they were trying to expedite the closing of accounts, the proposal might be deferred for the time being.

3. The delay in submission of the Notes for regularisation of excesses disclosed in the Appropriation Accounts for 1971-72 was com-

mented upon by the Public Accounts Committee in their Ninety-sixth Report (Fifth Lok Sabha). The matter has again been examined in consultation with Audit who have agreed that till such time as the treasuries are able to render accounts in time, the date for submission of the Notes for regularisation of excesses in a year may be extended to 31st May of the second following year. It is proposed to lay down the following revised time schedule for being observed in future:

- (i) As soon as the Appropriation Accounts are finalised by Audit, they will inform the Ministries concerned of the cases in which excesses have occurred, under intimation to the Budget Division of the Ministry of Finance. It is expected that this will be done by the middle of February. However, in order to enable the Ministries to initiate timely action in the matter, a preliminary list of excesses will also be sent by Audit to the Ministries concerned at the time when the Appropriation Accounts are sent to the Press for the first proof.
- (ii) The concerned Ministries will be required to take effective steps to ensure that the Notes for submission to the Committee are furnished to the Budget Division latest by the middle of April.
- (iii) The Notes will be examined in the Budget Division, as and when received, and will be forwarded to Audit for vetting within 15 days of their receipt. However, in those cases where the draft Notes disclosed erroneous adjustments or misclassification and there is disagreement between the Ministry and the Audit in regard thereto, a longer time would be required for the final scrutiny of the Notes.
- (iv) Audit will return the Notes, duly vetted, within a fortnight of their receipt, to the concerned Ministries direct, under intimation to the Budget Division, after which the Ministries will be required to take necessary action to submit the finalised Notes to the Committee immediately.
- (v) The whole process will be completed and the Notes submitted to the Public Accounts Committee by 31st May or immediately after the presentation of the Appropriation Accounts to Parliament, whichever is later.
- (vi) After the Committee have examined the Notes submitted by the Ministries and presented their Reports on the Ex-

cesses relating to Civil, Defence and Posts and Telegraphs Grants/Appropriations, the Demands for Excess Grants will be presented by the Ministry of Finance in the next following session of Parliament. Similar action will, it is hoped, be taken by the Ministry of Railways also.

- (vii) The Ministries will be required to reconcile their departmental figures of expenditure with those booked in the Accounts Offices throughout the year so that all discrepancies are reconciled in time, in turn making it possible for them to furnish the Notes explaining the Excesses by the date indicated in (ii) above.

4. If the above time schedule is approved by the Public Account Committee, every effort will be made to implement it with effect from the Excesses relating to 1972-73. If, however, the proposed time schedule needs a revision in the light of any subsequent developments, a further submission will be made to the Committee for revising it.

5. This has been seen by Audit.

## APPENDIX II

(Vide para 1.13)

No. F.5(8)-B/72

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

(Budget Division)

New Delhi, the 15th May, 1975.

**SUBJECT:** Regularisation of the Excesses over Voted Grants and Charged Appropriations under Article 115 of the Constitution—Submission of explanatory notes to the Public Accounts Committee.

In this Ministry's Note No. F5(8)-B/72 dated 1-1-1974 submitted to the Committee, on the subject mentioned above, it was *inter alia* proposed *vide* Clause (iv) of paragraph 3 thereof that:

“Audit will return the Notes, duly vetted within a fortnight of their receipt, to the concerned Ministries direct, under intimation to the Budget Division, after which the Ministries will be required to take necessary action to send the finalised notes to the Committee immediately.”

2. In the Lok Sabha Secretariat's O.M. No. 4/1/73/PAC dated 16-4-74, while the Committee's approval of the proposal in Clause (v) was communicated to this Ministry, both the O.M. as well as the Hundred and Thirty-fourth Report (paragraph 2.5) is silent in regard to the proposal in Clause (iv) of the Ministry's Note dated 1-1-1974.

3. The proposal in clause (iv) was made, mainly, to eliminate the time wasted in routing the Notes back by Audit through the Department of Economic Affairs. At present, on return of the Notes by Audit after vetting, the Department of Economic Affairs is required to forward the papers to the Ministries concerned for preparing the requisite number of copies, signed by the Appropriate officer not below the rank of Joint Secretary and send the same again to the Department of Economic Affairs for onward transmission to the Lok Sabha Secretariat. Since the draft Notes are subjected to the scrutiny of the Department of Economic Affairs, before they are sent to Audit

for vetting, it does not appear necessary for this Ministry to see the Notes again on return from Audit. Much of the avoidable delay in the submission of the Notes to the Committee, can be eliminated if Audit, after vetting, returns the draft Notes to the Ministries concerned for submission to the Committee, without intervention of the Ministry.

4. It is, therefore, requested that the suggestion in Clause (iv) of paragraph 3 of this Ministry's Note dated 1-1-1974 may kindly be approved by the Committee, whereupon this Ministry will issue suitable instructions to all concerned in this regard so that the revised/procedure may be followed with effect from the Notes on the Excess Expenditure relating to 1973-74.

Sd/-

(B. MAITHREYAN)

*Joint Secretary to the Govt. of India.*

To

The Chairman and Members,  
Public Accounts Committee.

### **APPENDIX III**

(Vide para 2.1)

*Para 15 of Report of the Central Public Accounts  
Committee on the Accounts for the year 1929-30*

#### **ARMY DEPARTMENT**

R15. As regards trading accounts on the military side, the Public Accounts Committee last year proposed to await the result of the joint examination by the Directors of Army and Commercial Auditors to the necessity for preparation and publication of such trading accounts for the Army Ordnance and Clothing Factories and for other manufacturing or producing concerns of the Army. We have been furnished with a Memorandum on the subject by the Director of Army Audit showing the results of the joint examination by him and the Director of Commercial Audit. At the instance of the Military Accounts Committee, which considered the Military Appropriation Accounts, this Memorandum is being examined by the Military Authorities, the Military Accountant-General and the Financial Adviser, Military Finance. We prefer to await the views of the Military authorities and the Military Accounts Committee before we make any specific recommendations, but we have no hesitation in endorsing the observations of the latter that, from the point of view of the Government and the tax-payer, it is of vital importance to ensure that the actual cost of production of articles manufactured by Government concerns is reasonable.

## APPENDIX IV

(Vide para 2.2)

MINISTRY OF FINANCE (DEFENCE)

(Budget)

**SUBJECT:** Appropriation Accounts Defence Services—exhibition of Annual Production Accounts of Army and Naval Bakeries and financial review thereon in the Commercial Appendix thereto.

The Commercial Appendix included in the Appropriation Accounts Defence Services, placed on the Tables of the two Houses of Parliament every year during the Budget Session, contains, *inter alia*, the production accounts of the Army and the Naval Bakeries and financial review thereon. These are apparently being exhibited in the Appropriation Accounts Defence Services at the instance of the Public Accounts Committee *vide* item R.15 in respect of Report of the Central Public Accounts Committee on the accounts of Report of the year 1929-30.

2. It is noticed from the annual production accounts of the Army and the Naval Bakeries that the expenditure on the Bakeries has been declining from year to year for various reasons such as winding up of some of the Bakeries, fall in production etc. The figures in this regard during the past few years are given below:

Year	Expenditure on Army Bakeries	Production	Expenditure on Naval Bakeries	Production	Total expenditure on all Bakeries (2 + 4)	Total Defence expenditure	Expenditure on Bakeries as % of total Defence Expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Rs. in lakhs	Kg.	Rs. in lakhs	Kg.	Rs. in lakhs	Rs. in lakhs	
1970-71	9.95	8,00,533	6.70	6,03,869	16.65	1,14,811.67	.0014%
1971-72	4.25	2,86,102	2.10	1,78,024	6.35	1,44,135.18	.0004%
1972-73	3.80	2,57,141	0.96	72,901	4.76	1,55,226.67	.0003%
1973-74	3.10	2,07,482	1.14	83,429	4.24	1,60,976.86	.0003%



It will be seen from Column 8 above that expenditure on Bakeries now forms an in significant percentage of the total Defence expenditure.

3. In view of this position, the Army and the Naval Bakeries do not seem to require the type of special treatment being given to them at present. Accordingly, the matter was taken up with the Comptroller and Auditor General of India for deleting the exhibition of Annual Production Accounts of Bakeries in the Commercial Appendix to Appropriation Accounts, Defence Services.

4. In reply, we have been informed that while the Comptroller and Auditor General of India agrees that there is hardly any point now in including the production accounts and financial review of Defence Bakeries in the Commercial Appendix to the Appropriation Accounts, he considers that approval of the Public Accounts Committee should be obtained by this Ministry.

5. The approval of the P.A.C. is, therefore, solicited for the proposed discontinuance of the exhibition of Annual Production Accounts of the Army and the Naval Bakeries and financial review thereon in the Commercial Appendix to the Appropriation Accounts Defence Services from 1975-76 onwards.

[U.O. No. 205(9)/74/B-II, I/3619/BII, dated 21-11-1975].

## **APPENDIX V**

**(Vide Para 3.2)**

### **MINISTRY OF FINANCE (DEFENCE)**

**SUBJECT: Appropriation Accounts, Defence Services—Statements of Losses|Irregularities relating to pre-partition period, finally dealt with by the Government of India during the year.**

Losses and other irregularities relating to the pre-partition period reported to the Government of India for regularisation are not being included in the printed Appropriation Accounts of Defence Services for the post-partition period. Instead, complete statements of such losses, etc., finally dealt with during a year, duly scrutinised by DADS, are submitted to the Public Accounts Committee separately every year, apparently with the object of keeping the PAC informed of the action taken by Government in respect of outstanding pre-partition transactions.

2. It was, however, seen that the total value of losses and other irregularities relating to pre-partition period and finalised during the last 5 to 6 years has gone down considerably and the reports for the last 2 years viz., 1972-73 and 1973-74 have been 'nil'. In this connection a statement giving the amount of losses, etc., relating to the pre-partition period shown in the reports for each of the previous 11 years is enclosed. It was also felt that the statements in respect of losses|irregularities which occurred more than a generation back, can hardly serve any useful purpose at this stage and the work involved in their preparation, scrutiny and submission to the Public Accounts Committee may not be commensurate with any results likely to be achieved.

3. A suggestion was, therefore, made to the Comptroller and Auditor General of India that the preparation of these statements may be discontinued. In reply, we have been informed that the C&AG agrees that it would be adequate if specific cases of losses/irregularities pertaining to the pre-partition period and actually dealt with finally during the year are brought to the notice of the Public Accounts Committee as and when they arise and that the present practice of preparation of detailed statements when these are mere 'nil' statements is discontinued. However, since the complete statements of losses and irregularities relating to the pre-

partition period are being submitted to the Public Accounts Committee regularly each year, approval of the Public Accounts Committee is solicited to the revised procedure suggested above being followed from the Accounts for the year 1974-75.

[U.O. No. 201 (33/74)-Bud. III|3788-B-II|75, dt. 28.11.1975]

*Enclosure to Appendix V*

*Statement showing the Amount of Losses etc. Relating to Pre-Partition Period shown in the Reports for 11 Years*

(Rupees in Thousands.)

	A	B	C	D	I
1963-64 . . . . .	413	754	..	..	..
1964-65 . . . . .	250	2207	..	..	..
1965-66 . . . . .	49	542	..	..	..
1966-67 . . . . .	291	405	..	..	..
1967-68 . . . . .	642	—	1	..	..
1968-69 . . . . .	19	..	..	..	..
1969-70 . . . . .	48	50	..	..	..
1970-71 . . . . .	..	4	..	..	..
1971-72 . . . . .	13	..	..	..	..
1972-73 . . . . .	..	..	..	..	..
1973-74 . . . . .	..	..	..	..	..

Notes : A: Total amount of cash losses etc. pertaining to the pre-partition period finally dealt with during the year.

B: Store losses pertaining to the pre-partition period finally dealt with during the year.

C: Infructuous expenditure pertaining to the pre-partition period finally dealt with during the year.

D: Ex-gratia payment made during the year.

I: Cases of non-maintenance or irregular maintenance of accounts, relating to the pre-partition period, finally dealt with during the year.

## APPENDIX VI

### Summary of Conclusions|Recommendations

S. No.	Para No.	Ministry/Department	Conclusions/Recommendations
1	2	3	4
1	1.15	Finance (Deptt. of Economic Affairs)	<p>The Committee have considered the suggestion made by the Department of Economic Affairs that the Explanatory Notes on Excesses over Voted Grants and Charged Appropriations should be submitted directly to the Committee by the Ministries Departments concerned, without their intervention. A similar suggestion had been made by the Department earlier in 1968 and again in 1974, but it had not found favour with the Committee. Drawing on their experience, the Public Accounts Committee (1968-69) had specifically desired that the responsibility for the submission of the Explanatory Notes should be centralised in the Budget Division of the Ministry of Finance. The Public Accounts Committee (1973-74) approached again on the subject, while agreeing to extend the time limit prescribed for the submission of Notes, did not offer any specific views on the suggestion, which implied that they favoured the continuance of the existing practice. The present Committee are also of the view that the procedure suggested by the Department of Economic Affairs would prove to be cumbersome and may not really</p>

facilitate their work. Besides, as the agency finally responsible for exercising budgetary control, it would be more appropriate if the Department of Economic Affairs coordinates the submission of the Notes to the Committee. The Committee are, therefore, unable to accept the Department's suggestion and reiterate that the procedures should be streamlined by the Budget Division of the Department of Economic Affairs so as to ensure that the notes explaining the excesses over Demands are submitted after due scrutiny and by the prescribed date to the Committee.

- |   |     |                   |   |         |
|---|-----|-------------------|---|---------|
| 2 | 2.5 | Finance (Defence) | In view of the position explained by the Ministry of Finance (Defence), the Committee have no objection to the proposed discontinuance, from the year 1975-76 onwards, of the exhibition of the Annual Production Accounts of the Army and Naval Bakeries and Financial Review thereon in the Commercial Appendix to the Appropriation Accounts (Defence Services).                                 | 1<br>33 |
| 3 | 3.4 | Do.               | The Committee have considered the suggestion made by the Ministry of Finance (Defence), in consultation with the Comptroller and Auditor General of India, in regard to the preparation and submission of statements of losses and other irregularities relating to the pre-partition period finally dealt with by the Government of India during a year. They agree to the adoption of the revised |         |
-

---

procedure now suggested from the Accounts for the year 1974-75, namely, that it would be adequate if specific cases of such losses or irregularities actually dealt with finally during a year are brought to their notice as and when they arise, and that the present practice of preparation and submission of detailed statements even when these are only 'Nil' statements is discontinued.

---

