

**PUBLIC ACCOUNTS COMMITTEE  
1962-63**

**TENTH REPORT**

**(THIRD LOK SABHA)**

**Works Expenditure—fixing a limit for new works which  
should be executed only after obtaining Parliamentary  
approval.**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1963/Chaitra, 1885 (Saka)*

*Price : 45 nP.*

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**SECRETARIAT**

**Shri H N. Trivedi—Deputy Secretary.**

**Shri Y. P. Passi—Under Secretary.**

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\*Expired on the 14th March, 1963.

## INTRODUCTION

As authorised by the Public Account Committee, I hereby present this Tenth Report on the Works Expenditure—fixing a limit for new works which should be executed by the various Ministries of the Government of India (other than the Ministry of Defence) only after obtaining Parliamentary approval.

2. The Committee examined this matter at their sitting held on the 14th January, 1963.

3. This Report was considered and approved by the Committee at their sitting held on the 15th April, 1963.

4. A brief record of the proceedings of these sittings has been maintained and forms part of this Report (Part II).\*

5. A statement showing the summary of the principal conclusions/recommendations of the Committee has been appended to this Report (Appendix VII). For facility of reference, these have been printed in thick type in the body of the Report.

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

7. The Committee would also like to express their thanks to the officers of the Ministries of Finance and Railways for their co-operation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI:  
16th April, 1963.  
26th Chaitra, 1885 (Saka).

MAHAVIR TYAGI,  
Chairman,  
Public Accounts Committee.

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## **WORKS EXPENDITURE—FIXING A LIMIT FOR NEW WORKS WHICH SHOULD BE EXECUTED ONLY AFTER OBTAINING PARLIAMENTARY APPROVAL.**

1. Public Accounts Committee (1954-55), in para 10 of their Thirteenth Report had observed that the practice obtaining in the P. & T. Department of executing works not provided for in the Budget was unsatisfactory as it affected the efficiency of Parliamentary control. The Committee had recommended that new works should be undertaken only by obtaining supplementary grants or utilising the savings by taking a token vote.

In pursuance of this recommendation, the Ministry of Finance (Department of Economic Affairs) submitted a Memorandum dated the 19th June, 1959 (Appendix I) for the consideration of the Committee. While considering the proposals contained in this Memorandum, the Committee (1960-61) felt that certain clarifications were necessary. These were furnished in the Ministry's Memorandum dated the 31st January, 1962 (Appendix II). It was explained in these Memoranda that under the existing procedure the Ministries were free to utilise the provision for 'major works' included in the Budget for new works, provided the expenditure did not involve expenditure on 'new service'. The term 'new service' not being susceptible of precise definition, its application was left to be decided by the evolution of a body of case law on the basis of decisions taken by Government in consultation with the Public Accounts Committee and Audit. In practice, a distinction was drawn between a 'new form of service' and a 'new instrument of service'. While a supplementary grant was always obtained before undertaking new works which constituted 'new forms of service', this was not done for works, which might be treated as 'new instruments of service' as there was no prescribed monetary limit above which such works should be treated as requiring a specific vote of Parliament. The Ministry agreed that it was necessary to fix a monetary limit in respect of new works for being treated as 'new instruments of service' which should be undertaken only after obtaining Parliamentary approval.

The Ministry felt that in the context of large development plans of Government and the relatively higher price structure, the limit for new works requiring Parliamentary approval should be such as would, without creating administrative difficulties, provide effective Parliamentary control over essential proposals of Government expenditure. Accordingly, the Ministry desired to fix a limit of Rs. 10

lakhs, but after protracted discussions with the Comptroller & Auditor General, it was then agreed (June, 1959) to propose a limit of Rs. 2 lakhs for civil works and Rs. 4 lakhs for P. & T. works. A higher limit was to be considered separately in respect of works under the Ministry of Railways. As regards works for the Defence Services, no limit was proposed to be prescribed as their works programme could not be publicised.

Subsequently, in a Memorandum dated the 27th December, 1962, (Appendix III), the Ministry revised its earlier proposals. It felt that the limit to be fixed should be such as would provide effective Parliamentary control over major proposals of Government expenditure and leave those which were not of any great significance individually to the executive within the overall provisions sanctioned by Parliament under the grants concerned. In this context and in view of the state of Emergency in the country, the limits of Rs. 2 lakhs and Rs. 4 lakhs proposed earlier were considered low in the light of the present day scale of Government expenditure. The Ministry accordingly proposed for the consideration of the Committee that a limit of Rs. 25 lakhs or above should be fixed for all works including civil works, Posts and Telegraph works, roads, communications and civil aviation works which should be undertaken only after obtaining specific Parliamentary approval or an advance from the Contingency Fund.

The Committee discussed these proposals with the representatives of the Ministry of Finance. The Secretary, Ministry of Finance (Economic Affairs) explained that, while it was good from the point of view of administration that all works should have specific approval of Parliament, it was not possible to do so keeping in view the pressure of Parliamentary work and the need to ensure speedy execution of works.

Referring to the Ministry's Memorandum of June, 1959, wherein it was proposed that civil works costing more than Rs. 2 lakhs and P. & T. works costing more than Rs. 4 lakhs should be executed after obtaining Parliamentary approval, or by taking an advance from the Contingency Fund, the Committee enquired how the Ministry justified the higher limit of Rs. 25 lakhs proposed in its subsequent Memorandum of December 1962. It was explained that two limitations prescribed by Parliament were already in existence. First, before a new service was to be introduced, specific Parliamentary approval, irrespective of the amount involved, was necessary. Secondly, the total amount sanctioned by Parliament for a particular grant could not be exceeded nor diverted to another grant. It was urged that within the amounts sanctioned by Parliament the Executive



should have the power to reappropriate according to the needs of the moment and, that, in the context of the present emergency, when it was all the more necessary to streamline procedures, a sufficiently high limit was desirable as regards works, which should be undertaken after specific Parliamentary approval. The representative of the Ministry of Finance added that even in 1959 the limit proposed was Rs. 10 lakhs, which was brought down only due to the insistence of the Comptroller and Auditor General. He stated further that the limit for the purpose envisaged should be in relation to the limit as regards works, the lists of which were appended to the original budget. Until the year 1962-63 the practice was to include in the civil and P. & T. Budgets supporting annexures, giving details of new major works costing more than Rs. 20,000 individually. Accordingly, in the Budget for the year 1962-63, 429 pages were said to have been taken in giving details of such works. The Ministry felt that giving of such meticulous details did not serve any practical purpose and proposed with effect from the Budget for 1963-64 to, include details of works which were estimated to cost Rs. 5 lakhs or over. In the Ministry's view, if details were to be given of works costing Rs. 5 lakhs or over, the new limit should be Rs. 25 lakhs as regards new works which should be undertaken after obtaining Parliamentary approval. (The Committee note from the Budget Estimates for the year 1963-64 that the Ministry of Finance have already introduced the practice of appending to the Budget Estimates the details of works costing Rs. 5 lakhs or more).

At the instance of the Committee a statement has been furnished by the Ministry of Finance giving the number of non-budgeted civil and P. & T. works costing more than Rs. 5 lakhs, which were executed during 1958-59, 1959-60 and 1960-61 without obtaining the approval of Parliament (Appendix IV). From this statement, it will be seen that the total number of non-budgeted works, which were executed without obtaining the approval of Parliament, was as high as 208 during the year 1960-61 for works costing more than Rs. 5 lakhs. The Committee feel that this tendency to undertake a large number of non-budgeted works during the course of the year without obtaining the approval of Parliament requires to be checked.

Since the estimates set forth the anticipated programme for the year and the Parliamentary grants are obtained on the strength of that evidence of the intentions of departments, it is incumbent on the latter to carry out that programme as far as is consistent with the interests of the public service. Hence, the true justification in the application of savings to non-budgeted works is to be sought in the urgency of such requirement rather than in the fact that money is available which Parliament had voted for different purposes. If

money is available and spent on services which might otherwise have been allowed to wait, it may suggest that diversion of funds is allowed, as a matter of normal routine, for items not originally contemplated. Departures from the general rule, that the full cost of a service should be brought to the notice of Parliament at the time of its inception by inclusion in the estimates should be restricted to urgent cases which could not be foreseen, and which could not, without serious detriment to the public service, be postponed until the specific sanction of Parliament can be obtained. At the same time, the Committee do feel that a certain amount of discretion should be left to the executive departments to utilise any surpluses available within the grant to meet a deficiency elsewhere in the same grant. If this discretion is exercised wisely it tends to economy; for, if a surplus under a particular sub-head is not permitted to be utilised to meet a deficiency under another sub-head within the same grant, there would be a tendency to make additional provision under each sub-head in the original estimates. Such a provision would place additional funds at the disposal of the departments concerned with the resulting tendency to spend rather than to surrender a surplus. The Committee also appreciate that in view of the changing economy of the country, the Budget estimates, which are prepared 14 to 15 months in advance of the close of the financial year, cannot anticipate all the new works that may have to be taken up during the course of the year. The State of Emergency in the country has further accentuated the need of flexibility in procedures so as to make for efficient discharge by Government of its responsibilities. Accordingly, the Committee agree subject to the introduction of safeguards as mentioned below, that Ministries should have the power to reappropriate funds available within a sanctioned grant to works, including civil works, P. & T. works, roads, communications and civil aviation works, estimated to cost less than Rs. 25 lakhs each, provided they do not constitute a 'new form of service', as proposed by the Ministry of Finance. New works in these categories estimated to cost above this limit should be undertaken after obtaining a supplementary grant or an advance from the Contingency Fund. It was agreed that this arrangement would be subject to an annual review in the light of the works sanctioned by Government.

2. While discussing this subject, it would be useful to refer to the practice obtaining in the United Kingdom in this regard. The British convention as regards reappropriation of funds is described in the following passage:—

"This discretion is exercised by the Treasury, not by the spending Department concerned. The Treasury alone can sanction the use of savings under one sub-head to

meet excess expenditure under another sub-head—a process which is known as 'virement'. It does not give such sanction automatically or lightly but considers each case carefully in the light of circumstances and considers in particular whether excess expenditure under a given sub-head should not, after all, be submitted for Parliamentary approval. The Treasury has always been jealous of its discretion to draw up a precise code of rules laying down when virement should be or should not be exercised. But it has agreed with the view of the Public Accounts Committee that services which are large or novel or contentious or which, while small, at the outset, involve heavy liabilities in future years, ought not, save in very exceptional circumstances, be undertaken, without previous authority of Parliament and, therefore, ought not to be financed by the exercise of virement."\*\*

The Committee inquired whether, following this convention in U.K., it should not be made compulsory to obtain approval of the Finance Ministry before savings are diverted to new works not provided for in the original Budget. Secretary, Ministry of Finance (Economic Affairs) said that the procedure to consult another Ministry and convince its officers would genuinely cause delay and he felt that such savings as could be effected here and there by additional scrutiny might not be commensurate with the loss of Government time. He added that a speedy and flexible operation of a Plan of vast magnitude on which was being superimposed a defence effort, called for a high degree of delegation of power. The Committee concede that there is some force in this argument. At the same time, they feel that giving full powers upto the limit of Rs. 25 lakhs as regards reappropriation of funds to the administrative ministries concerned, might lead to loose budgeting and encourage the tendency to provide undue cushion for undertaking works without recourse to the process of obtaining Parliamentary approval. **In order to see that the Finance Ministry may act as an effective instrument to promote proper budgeting, the Committee suggest that reappropriation of funds to new works estimated to cost Rs. 10 lakhs or more each should require prior approval of the Ministry of Finance. In other words, the delegation of powers to reappropriate funds for new works costing Rs. 10 lakhs or more, but not exceeding Rs. 25 lakhs, will operate in this sense that instead of coming to Parliament, the concerned Ministries will come to the Finance Ministry, so that the merits and urgency of the works, might**

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\*\*The British Budgetary System by Sir Herbert Brittain—p. 235

undergo a fresh assessment by an authority, independent of the Ministry. [The Secretary, Department of Economic Affairs considered the suggestion as reasonable.]

3. With a view to maintaining proper Parliamentary control of expenditure, the Committee desire that a detailed report should also be made to Parliament regarding new works estimated to cost Rs. 10 lakhs or more each not included in the original Budget, but sanctioned during the course of the financial year. [In the course of discussions, the Secretary, Ministry of Finance (Economic Affairs) agreed to make such a report three or four times a year.]

4. To a suggestion from the Committee that the powers of re-appropriation to new works should be exercised only for the execution of new works, which become essential during the course of the year, the Secretary, Ministry of Finance (Economic Affairs) stated that it would be difficult to lay down criteria to determine the essentiality of works. While the Committee agree that criteria for deciding essentiality of works cannot be rigidly laid down, it should be possible for the Ministries concerned to exercise their own judgment in circumstances of each case, whether the work is of such an urgent and essential nature as cannot be postponed in public interest. The Committee desire that this should prominently be brought to notice of all concerned. The Committee have no doubt that the golden rule, that new works, which are novel or contentious, or which, while small at the outset, involve heavy liabilities in future years ought not, save in very exceptional circumstances, be undertaken without previous authority of Parliament, will be strictly observed by the Ministry of Finance.

5. The Ministry of Railways in its Office Memorandum dated the 11th January, 1963 (Appendix V) stated that the nature and magnitude of expenditure of a capital nature on the Railways would merit consideration of a higher limit for new works undertaken in that Ministry. The Ministry proposed that a specific vote of Parliament might be obtained before commencement of line capacity and similar other works like remodelling of station yards, etc., if these were estimated to cost more than Rs. 2 crores each. The Ministry urged that there were a large number of works involving such expenditure and there would be unavoidable factors which would require such works being taken up during the course of the year in order to meet the needs of transport in proper time, depending on the variations in the pattern of traffic. The Ministry also proposed that works estimated to cost more than Rs. 50 lakhs but less than Rs. 2 crores that may be sanctioned in the course of the year outside the works listed in the Budget and funds for which were found from within the sanctioned grant, should be listed in a separate annexure to the subsequent annual Budget.

In his evidence before the Committee the Additional Member (Finance), Railway Board, further elucidated the proposals of the Ministry of Railways. He explained that, where a 'new form of service' was introduced on the railways (which would cover, for instance, construction of a new line or acquisition of a line from a company), specific Parliamentary approval therefor would be obtained, irrespective of the expenditure involved. Execution of works like line capacity works, and remodelling of yards to meet increased demands for transport, however, fell in the category of new instruments of an existing service. In para 10 of the Audit Report, Railways 1961, two cases of works estimated to cost Rs. 12.47 crores and Rs. 2.09 crores respectively were reported to have been executed without obtaining supplementary grants. Accepting the suggestion of Audit, which was endorsed by the Public Accounts Committee in their Fortieth Report that works of such magnitude, even though they were not new constructions, should not be executed without prior approval of Parliament, the Ministry of Railways, in August, 1962, listed a number of works involving more than Rs. 2 crores each for the specific vote of Parliament by way of Supplementary Demands. The representative of the Ministry of Railways added that the capital cost of Railway works in a year being several times more than that of P. & T. and other Departments individually, and the fact that the changing needs of transport required undertaking of many new works in the course of the year, much higher limits than those fixed for other Departments should be considered for the Railways as regards new works, which should be undertaken with specific Parliamentary approval. He, further, stated that works costing more than Rs. 20 lakhs, even within budget provisions, were put up for approval by the Minister of Railways. He, therefore, urged for the acceptance of the proposals of the Ministry of Railways given in its Memorandum.

As regards listing of works individually in the Budget documents, the Additional Member (Finance), Railway Board, stated that for the last many years, the practice was to include every work costing more than Rs. one lakh each. **The Committee feel that as in the case of Civil and P. & T. Works, it would be sufficient to show details of works individually costing more than Rs. 5 lakhs in the Budget Estimates of the Railways.**

6. As regards the other proposals of the Ministry of Railways contained in their Memorandum the Committee decided to consider them in the light of the difficulties actually encountered. At their instance the Ministry of Railways has furnished along with an Office Memorandum a statement showing the number of works estimated to cost more than Rs. 5 lakhs, which were not included in the Budget

estimates but subsequently sanctioned and executed during each of the financial years 1958-59, 1959-60 and 1960-61 (Appendix VI).

"The statement shows that,

- (a) 7, 4 and 30 works costing more than Rs. 5 lakhs but less than Rs. 25 lakhs,
- (b) 12, 4 and 35 works costing more than Rs. 5 lakhs but less than Rs. 50 lakhs,

were taken up for execution during the years 1958-59, 1959-60 and 1960-61 respectively, as against the total number of such works costing upto Rs. 2 crores (but above Rs. 5 lakhs) of 13, 4 and 39 respectively."

The Ministry has stated that the year 1960-61 is a more representative year than the earlier years as indicating what the future years' requirements are likely to be. The Ministry has also drawn attention to the fact that the new works costing between Rs. five lakhs and Rs. 20 lakhs included in the Budget for 1963-64 are as many as 185 and new works costing Rs. 20 lakhs and more, which have been proposed in the Budget for 1963-64 number 75. The details of five works costing above Rs. 50 lakhs but less than Rs. 2 crores sanctioned during the course of the year 1962-63 have been mentioned in Appendix (IC) in the Explanatory Memorandum on the Railway Budget 1963-64\*. The Ministry has urged that, if a specific vote of Parliament were to be obtained even in the cases such as these, as and when they arise, there would be an increase of work all round, besides certain practical difficulties by way of securing business allocation during a session of Parliament, etc.

The Committee agree that there is a case for fixing a substantially higher limit for the Railways in comparison with other (civil) Ministries, in so far as the powers of reappropriation are concerned.

\*These Works are mentioned below:—

S. No.	Particulars of Work	Anticipated cost (In lakhs of rupees)
1.	Remodelling of Kanchrapara Workshop for undertaking overhaul of Electric Locomotives and Electric Multiple unit coaches (Eastern Railways).	50.58
2.	Provision of Divisional Office building a Dhanbad (Non-airconditioned) and Staff Quarters (Eastern Railway).	
3.	Provision of a direct link between Joychandipahar and Rukni (Southern Railway).	70.00
4.	Remodelling of Santragachi Yard (South-eastern Railway).	101.59
5.	Electrification of Rourkela—Birmittapur (Railway Electrification).	74.00

The Committee concur in the proposal of the Ministry of Railways that it should have the power to reappropriate funds available within a sanctioned Grant to works estimated to cost not more than Rs. 2 crores each, provided that they do not constitute a new form of service. They also recommend that a list of non-budgeted new works costing more than Rs. 25 lakhs each should also be placed before Parliament. The Committee would like to make it clear that these powers of reappropriation to incur expenditure on non-budgeted works costing more than Rs. 25 lakhs each should be exercised by the Ministry of Railways only for undertaking new works, which might become necessary to meet the urgent demands of transport.

NEW DELHI;  
16th April, 1963.  
26th Chaitra, 1885 (Saka).

MAHABIR TYAGI,  
Chairman,  
Public Accounts Committee.

## APPENDIX I

No. F. 5 (18)-BII/55

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

New Delhi, the 19th June, 1959

### MEMORANDUM

**SUBJECT:—***Works expenditure—fixing a limit for new works which should be executed only after obtaining Parliamentary approval.*

The Public Accounts Committee, in para 10 of their Thirteenth Report, observed that the present practice of the Departments in executing works without funds was most unsatisfactory as it affected the efficiency of Parliamentary control. The Committee accordingly recommended that the new works should be undertaken only by obtaining Supplementary Grants or utilising the savings by taking a token vote.

2. Under the existing procedure the Ministries are free to utilise the provision for 'Major Works' included in the Budget for new works, provided the expenditure does not involve expenditure on a 'new service'. It has, however, been recognised that the term 'new service', is not susceptible of precise definition and its application has been left to be decided by the evolution of a body of case law on the decisions taken by the Government in consultation with the Public Accounts Committee and Audit. The practice that has developed in India is to draw a distinction between a 'new form of service' and a 'new service' in all cases, it could be treated as a 'new instrument of service' where it is of major importance and the expenditure involved is relatively large. The term 'new instrument of service' has thus been understood to include an important extension of a previous specific commitment or facility, provided the amount involved is appreciable. Thus, in declaring a service as a 'new instrument of service' the main criterion is the amount that it is expected to cost and once an item is accepted as a 'new instrument of service' it has to be treated as a 'new service'.



3. The practice followed in exhibiting the details of new major works in the budget volumes in support of the provisions included therein is briefly as follows:

- (1) Defence budget does not give any details of its works programme.
- (2) In the Civil and P. & T. Budgets supporting Annexure give details of new major works costing more than Rs. 20,000 individually.
- (3) In Railways, details of the actual works for which provision is made in the budget (except works costing not more than Rs. 1 lakh each for which a lump sum is included) are given in the pamphlet "Works, Machinery and Rolling Stock Programme of each Railway."

4. The matter has been very carefully considered by the Government and they agree that for securing more effective Parliamentary control over expenditure a reasonable limit has to be fixed beyond which new works should be undertaken only after obtaining Parliament's approval. The Committee would no doubt appreciate that the existing limit of Rs. 20,000 in respect of new major works would be extremely low for this purpose. That limit would entail numerous applications for Supplementary grants for items of little significance and would cause practical difficulties in working. The limit for new works requiring Parliamentary approval should, therefore, in the context of large development Plans of the Government and the relatively higher price structure, be such as would, without creating administrative difficulties, provide effective Parliamentary control over essential proposals of Government expenditure. The Government of India have therefore come to the conclusion that in so far as works expenditure is concerned a limit of Rs. 2 lakhs in the case of civil departments other than the P. & T. and Rs. 4 lakhs in the case of the P. & T. Department would be suitable and that new works costing Rs. 2 lakhs (Rs. 4 lakhs in the case of the P. & T. Department) or above should be undertaken only after obtaining a Supplementary Grant, whether token or otherwise or, if necessary, by an advance from the Contingency Fund of India. The higher limit of Rs. 4 lakhs has been proposed in the case of the P. & T. Department because of the large number of works which that Department has to execute and the fact that it is often called upon to execute urgent works on behalf of other Ministries like Defence, Railways etc. These limits will not apply to the Defence Services, whose works programme cannot be publicised. They will not apply also to the Railway Ministry for the reasons explained in the following paragraph.

5. The Ministry of Railways are of the view that a limit of Rs. 2 or Rs. 4 lakhs is extremely low for their requirements. One crossing loop in a station can easily cost as much as Rs. 5 lakhs and a mile of 90 lb. track in a B. G. Yards excluding earthwork, signalling, etc., costs as much as Rs. 2 lakhs. Facilities of this kind have very often to be provided in a number of stations on a section or in a yard to meet traffic requirements which may develop suddenly. The Ministry of Railways accordingly feel that in a commercial concern like the Railways whose sole object is to meet promptly the demands for transport, it would increase work all round if advances from the Contingency Fund were asked for all sudden requirements costing more than Rs. 2 or Rs. 4 lakhs. The Ministry of Railways would accordingly be approaching the Committee separately for fixing a higher limit for Railway works.

6. The approval of the Public Accounts Committee is requested to the proposals contained in para 4 above. Suitable instructions will thereafter be issued to the Civil and P. & T. Departments for obtaining prior approval of the Parliament for executing new major works costing Rs. 2 lakhs (Rs. 4 lakhs in the case of the P. & T. Department) or above.

7. This note has been seen and concurred in by the Comptroller and Auditor General.

Sd./ SHIV NAUBH SINGH,

*Joint Secretary to the Govt. of India.*

## APPENDIX II

No. F. 5(18)-BII/55

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

*New Delhi, the 31st January, 1962*

### MEMORANDUM

**SUBJECT:—***Works expenditure—fixing a limit for new works which should be executed only after obtaining Parliamentary approval.*

The Public Accounts Committee had recommended in paragraph 10 of their Thirteenth Report that new works should be undertaken only by obtaining Supplementary Grants or utilizing the savings by taking a token vote. The recommendation made by the Committee was carefully considered and the Committee were informed in this Ministry's Memorandum No. F. 5(18)-B-II/55 dated the 19th June, 1959, that with a view to secure more effective Parliamentary control over expenditure, works costing Rs. 2 lakhs or more in the case of Civil Departments and Rs. 4 lakhs in the case of Posts & Telegraph Department should be undertaken only after obtaining a Supplementary Grant, whether token or otherwise, as the case may be, or an advance from the Contingency Fund of India. In this connection, the Lok Sabha Secretariat have, in their Office Memorandum No. 2(1) (56)-PAC/59 dated the 9th February, 1961, intimated that the Committee desires to be furnished with a list of instances Ministry-wise in which the existing limit for new works had led to difficulties, the nature of the difficulties and whether the procedure had resulted in delaying the execution of works.

2. The "existing limit of Rs. 20,000" mentioned in this Ministry's Memorandum of 19th June 1959 referred to above was only for purpose of listing the details of new works in the annexure supporting the Demands for Grants of the Civil and P. & T. Budgets and not for obtaining a Supplementary Grant. As explained in the Memorandum, the Ministries are at present free to utilise the provision included for major works for new works provided the expenditure

does not involve expenditure on a "new service". The expression "new service", however, is not susceptible of any precise definition and has been left to be decided by the evolution of a body of case law on the decisions taken by Government in consultation with the Committee and the Audit from time to time. In practice, a distinction is drawn between a "new form of service" and a "new instrument of service". While a Supplementary grant has always been obtained before undertaking new works which constituted "New forms of Service", a Supplementary vote has not been obtained for works which might be treated as "New Instruments of Service" in the absence of a prescribed monetary limit above which such works should be treated as requiring a specific vote of Parliament. That is why, following the recommendations made by the Committee, it was agreed to fix a monetary limit in respect of new works for being treated as "new instrument of service" which should be undertaken only after obtaining Parliamentary approval.

3. The Memorandum of 19th June 1959 also explains the reasons why the limit to be fixed for this purpose should be such as would, without creating administrative difficulties and applying for large number of Supplementary Grants for works of little significance, provide effective Parliamentary control over assential proposals of Government expenditure. A limit of Rs. 20,000 for this purpose, in the context of the large development Plans undertaken by the Government and the relatively higher price structure, would be extremely low and would cause serious administrative bottlenecks. In fact, the original intention was to fix a limit of Rs. 10 lakhs but after protracted discussions with the Comptroller and Auditor General, it was agreed, with his concurrence, to set a limit of Rs. 2 lakhs for Civil works, and Rs. 4 lakhs for P. & T. works and for Railways, who were asking for much higher limit, the matter was left to be settled by the Ministry of Railways directly with the Committee.

4. The Public Accounts Committee is accordingly requested to approve the limit for new works of Rs. 2 and 4 lakhs for Civil and P. & T. Department respectively. After the Committee has approved, suitable instructions will be issued to the Departments to obtain the prior approval of the Parliament for executing works in excess of these limits.

5. This note has been seen and concurred in by the Comptroller and Auditor General of India.

Sd./- SHIV NAUBH SINGH,

*Joint Secretary to the Govt. of India.*

### APPENDIX III

No. F.5(18)-BII/55

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

*New Delhi, the 27th December, 1962*

#### MEMORANDUM

**SUBJECT:**—*Works Expenditure—fixing a limit for new works which should be executed only after obtaining Parliamentary approval.*

Following the observations made in paragraph 10 of the Public Accounts Committee's Thirteenth Report, the Committee were informed in this Ministry's Memorandum of even number of 19th June, 1959 that works costing Rs. 2 lakhs or more, in the case of Civil Departments, and Rs. 4 lakhs or more, in the case of Posts and Telegraphs Department, would be undertaken only after taking a Supplementary Grant, whether token or otherwise, or, as the case may be in advance from the Contingency Fund of India. The approval of the Committee was requested, on receipt of which suitable instructions were to be issued to the Departments concerned. The proposal was further clarified, as was desired by the Committee, in this Ministry's Memorandum of even number of 31st January, 1962.

2. The question of the limit for works which should be executed after obtaining Parliamentary approval has been reconsidered in consulting with the Comptroller and Auditor General. It is felt that the limit to be fixed should be such as would provide effective Parliamentary control over major proposals of Government expenditure and leave those which are not of any great significance individually to the Executive within the overall provisions sanctioned by Parliament under the Grants concerned. In this context and in the light of the conditions prevailing at present, the limits of Rs. 2 lakhs and Rs. 4 lakhs proposed earlier would involve a large number of Supplementary Grants to be submitted to Parliament and result in its valuable time being taken for examining the proposals, which, individually, in the light of the present day scale of Government expenditures, would not be of any particular consequence. Such a course

would be undesirable at any time, but more so during the present national emergency, when every effort has to be made to streamline administrative procedures and remove delays and bottlenecks. It is accordingly proposed for the consideration of the Committee that a limit of Rs. 25 lakhs or above should be fixed for all works including Civil Works, Posts & Telegraphs works, roads, communications and Civil Aviation works, which should be undertaken only after obtaining specific Parliamentary approval or an advance from the Contingency Fund. This limit will not apply to the works of the Defence Services or of the Railways for the reasons already explained in the earlier Memorandum of 19th June, 1959.

3. The above proposal is for the approval of the Public Accounts Committee. After the Committee has approved, suitable instructions will be issued for the guidance of all concerned.

4. This note has been seen by the Comptroller and Auditor General of India who is in general agreement with the proposal made above.

SHIV NAUBH SINGH,

*Joint Secretary to the Govt. of India.*

**APPENDIX IV**  
**No. F.3 (70)-B/62**  
**GOVERNMENT OF INDIA**  
**MINISTRY OF FINANCE**  
**(DEPARTMENT OF ECONOMIC AFFAIRS)**

New Delhi, the 18th March, 1963

**OFFICE MEMORANDUM**

**SUBJECT:—Works Expenditure—Fixing a limit for new works which should be executed only after obtaining Parliamentary approval.**

The undersigned is directed to invite a reference to the Lok Sabha Secretariat O.M. No. 2/1/56/62/PAC, dated 22-1-1963 on the above subject and to enclose herewith a statement showing the number of works costing Rs. 5 lakhs and above executed during 1958-59, 1959-60 and 1960-61 without obtaining prior approval of Parliament.

(Sd/-) A. R. SHIRALI,  
 Additional Budget Officer  
 to the Govt. of India.

To

The Secretary, Lok Sabha Secretariat,  
 P.A.C. Branch (Shri H. N. Trivedi), New Delhi.

*Statement showing the number of non-budgeted works, which were executed without obtaining the approval of Parliament.*

Name of the Ministry	Year	Works costing more than Rs. 5 lakhs but not more than Rs. 10 lakhs	Works costing more than Rs. 10 lakhs but not more than Rs. 20 lakhs	Works costing more than Rs. 20 lakhs but not more than Rs. 25 lakhs	Works costing more than Rs. 25 lakhs
1	2	3	4	5	6
Ministry of Works, Housing & Rehabilitation.	1958-59	91	36	9	13

	2	3	4	5	6
Ministry of 1959-60	110	42	8	14	
Transport & Commu- nications (Civil Works including Roads)	1960-61	111	56	7	19
Ministry of 1958-59	6	4	1	4	
Transport & 1959-60	7	4	—	6	
Communica- tions					
(P&T Works 1960-61	7	4	—	4	
and Ports)					
TOTAL 1958-59	97	40	10	17	
1959-60	117	46	8	20	
1960-61	113	60	7	23	



**APPENDIX V**  
**GOVERNMENT OF INDIA**  
**MINISTRY OF RAILWAYS**  
**(RAILWAY BOARD)**

No. 61-B(C)-Rlys./30

New Delhi, dated 11th January, 1963

**OFFICE MEMORANDUM**

**SUBJECT:—Parliamentary approval for works of large magnitude.**

The Public Accounts Committee, in their 40th Report (Second Lok Sabha), observed as under—*vide* Appendix XIV, S. No. 10:—

“The Committee feel that while the nature of the service should as a rule be the determining factor, to decide whether an item of expenditure constituted a “New Service” the volume of expenditure involved cannot be ignored from the point of effective parliamentary control. The Committee, therefore, consider it necessary that Parliament should be apprised and their financial approval taken in advance of commencing works involving large amounts of expenditure as in the cases referred to in para 9 of the Report.”

2. This recommendation was considered by the Ministry of Railways; in the Memorandum submitted to the Public Accounts Committee regarding this item, the following were offered as the Ministry of Railways' comments:—

“Generally speaking works involving large amounts of expenditure are included and itemised separately in the Budget presented to Parliament. However, in the few cases when commencing works involving large amounts of expenditure as in the cases referred to in para 9 of the Report as a result of post-budgetary developments, the observations of the Committee will be borne in mind.

This has been seen by Audit.”

3. The Public Accounts Committee, in their First Report (3rd Lok Sabha), have made the following observation, *vide* Appendix II—S.No. 31:—

“No comments.”

4. The recommendation, in the Public Accounts Committee's 40th Report (2nd Lok Sabha) referred to above is based on Paras 9—11 of the Main Report, the cases leading to this recommendation being line capacity works costing more than Rs. 2 crores each. It has accordingly been agreed, in consultation with the Comptroller and Auditor General of India, that a specific Vote of Parliament would have to be obtained before commencement of line capacity and similar other works like remodelling of station yards, etc., if they are estimated to cost more than Rs. 2 crores each and if they have not been already included in an approved budget. It is considered that this arrangement would meet the needs of the case, as it would take into account the nature and magnitude of expenditure of a capital nature on the Railways and the large number of works involving such expenditure as well as the unavoidable factors which would require such works being taken up during the course of the year so as to be able to meet the needs of transport in proper time, depending on the variations in the pattern of traffic.

5. In addition to the above, a further measure has also been agreed, in consultation with the Comptroller and Auditor General of India. This is that works estimated to cost even less than Rs. 2 crores, but of a substantial magnitude *viz.*, estimated to cost more than Rs. 50 lakhs each, which may be sanctioned in the course of the year outside the works listed in the budget (these are not expected to be many) and funds for which are found from within the sanctioned grant, would be listed in a separate annexure to the subsequent annual (regular) budget.

6. In this connection, it may be mentioned that all works estimated to cost more than Rs. 20 lakhs each are invariably approved by the Minister for Railways, ever since the former Parliamentary Standing Committee for Finance was abolished.

7. In addition to the above, in respect of items of 'New Service', such as construction of New Lines and purchase of Railway Lines, the prior approval and vote of Parliament or an advance from the Contingency Fund of India would be obtained, as hitherto, before undertaking the work.

8. This has been seen by Audit.

(Sd/-) K. S BHANDARI,  
Director, Finance, Railway Board.

**APPENDIX VI**  
**GOVERNMENT OF INDIA**  
**MINISTRY OF RAILWAYS**  
**(RAILWAY BOARD)**

No. 61-B(C)-Rlys./30.

New Delhi, 8th March, 1963

**OFFICE MEMORANDUM**

**SUBJECT:**—*Works expenditure—fixing a limit for New Works which should be executed only after obtaining Parliamentary approval.*

**REF:**—*Lok Sabha Secretariat's O.M. No. 2/1/56/62/PAC, dated 22-1-1963.*

The statement enclosed furnishes details of the number of works which were not included in the original Budget Estimates but were subsequently sanctioned and executed during 1958-59, 1959-60 and 1960-61, classified according to the financial limits indicated.

2. The year 1960-61 is a more representative year than the earlier years, as indicating what the future years' requirements are likely to be. It will be seen that, out of a total number of 44 works taken in hand in the course of this year, though not included in the original budget, there were as many as 14 works costing more than Rs. 20 lakhs each—five of them costing over Rs. 2 crores each. The changing requirements of traffic necessitated urgent undertaking of the aforesaid works which, on the increasing price levels, were in the higher ranges of cost.

3. Some further clarification is also necessary. The nature and magnitude of expenditure of a capital nature on the Railways has to be taken into account. Innumerable works have to be executed on the Railways, from year to year, more so in the context of the large scale developments in the country's economy. It will be seen, from the Budget documents, (pages 105 to 121 of the 'Works, Machinery & Rolling Stock Programme of Railways for 1963-64—Part I'), that 'New Works' costing between Rs. 5 lakhs and Rs. 20 lakhs included in the Budget for 1963-64 are as many as 185. 'New Works'

costing Rs. 20 lakhs and more, which have been proposed in the Budget for 1963-64, are 75 in number—vide Appendix I(A), pps. 36 to 40 of the Explanatory Memorandum on the Railway Budget for 1963-64. Although the works required to be executed, by and large, are foreseen and included in the Budget, as indicated above, some works have to be taken up during the course of the year, so as to be able to meet the changing needs of transport in proper time, depending on the variations in the pattern or load of traffic, etc. Deferment of such works would not be desirable and has, therefore, to be obviated to the extent feasible. The Railways are a far flung organisation and the necessity for such works may arise from time to time, at different places; considering that, in comparison with a large number of works which are included in the original budget itself, the other works taken up during the course of the year are few, it is felt that Parliamentary control over works of large magnitude would not really be vitiated by the adoption of the proposals submitted to the Committee in this Ministry's Memorandum of even number, dated 11-1-1963. An indication of the number and nature of such works costing above Rs. 50 lakhs, but less than Rs. 2 crores each, which have been sanctioned during the course of the year 1962-63, is given in Appendix I(C) in page 62 of the Explanatory Memorandum on the Railway Budget for 1963-64. If a specific vote of Parliament were to be obtained even in the cases such as these, as and when they arise there would be an increase of work all round, besides certain practical difficulties by way of securing business allocation during a session of Parliament, etc.

As mentioned in the earlier Memorandum, all works estimated to cost more than Rs. 20 lakhs are invariably approved by the Minister for Railways, who has taken the place of the former Parliamentary Standing Committee for Finance for this purpose.

In the circumstances, the Ministry of Railways would respectfully request that the procedure already submitted to the Public Accounts Committee for approval may be favourably considered as a working arrangement which, while simplifying work for the Ministry of Railways and the Parliament, would at the same time secure the necessary Parliamentary control.

This has been seen by Audit, who have stated that the figures given in the statement are under their verification.

(Sd/-) C. T. VENUGOPAL,

*Addl. Member, Finance, Railway Board.*

*Statement showing the number of works which were not included in the Budget Estimates but subsequently sanctioned and executed during each of the financial years 1958-59, 1959-60, and 1960-61.*

	More than 5 lakhs to 10 lakhs	More than 10 lakhs to 20 lakhs	More than 20 lakhs to 25 lakhs	25 lakhs to 50 lakhs	50 lakhs to 1 crore	1 crore to 2 crores	Over two crores	Total
1958-59	1	6	..	5	1	..	..	13
1959-60	1	2	1	..	..	..	2	6
1960-61	24	6	..	5	1	3	5	44

## APPENDIX VII

### *Summary of main conclusions/recommendations*

S. No.	Para No.	Ministry concerned	Conclusions/Recommendations
1	2	3	4
1	1	<b>Finance</b> <hr style="width: 100%;"/> All Ministries (except Defence and Railways)	The Committee agree, subject to the introduction of safeguards as mentioned in subsequent paras that Ministries should have the power to reappropriate funds available within a sanctioned grant to works, including civil works, P. & T. works, roads, communications and civil aviation works, estimated to cost less than Rs. 25 lakhs each, provided they do not constitute a 'new form of service', as proposed by the Ministry of Finance. New works in these categories estimated to cost above this limit should be undertaken after obtaining a supplementary grant or an advance from the Contingency Fund. It was agreed that this arrangement would be subject to an annual review in the light of the works sanctioned by Government.
2	2	Do.	In order to see that the Finance Ministry may act as an effective instrument to promote proper budgeting, the Committee suggest that reappropriation of funds to new works estimated to cost Rs. 10 lakhs or more each should require prior approval of the Ministry of Finance. In other words, the delegation of powers to reappropriate funds for new works costing Rs. 10 lakhs or more, but not exceeding Rs. 25 lakhs, will operate in this sense that instead of coming to Parliament, the concerned Ministries will come to the Finance Ministry, so that the merits and urgency of the

1	2	3	4
			works might undergo a fresh assessment by an authority, independent of the Ministry. [The Secretary, Department of Economic Affairs considered the suggestion as reasonable.]
3	3	Finance <hr/> All Ministries (except Defence and Railways)	With a view to maintaining proper Parliamentary control of expenditure, the Committee desire that detailed report should also be made to Parliament regarding new works estimated to cost Rs. 10 lakhs or more each not included in the original Budget, but sanctioned during the course of the financial year. [In the course of discussions, the Secretary, Ministry of Finance (Economic Affairs) agreed to make such a report three or four times a year.]
4	4	Do.	While the Committee agree that criteria for deciding essentiality of works cannot be rigidly laid down, it should be possible for the Ministries concerned to exercise their own judgment in circumstances of each case, whether the work is of such an urgent and essential nature as cannot be postponed in public interest. The Committee desire that this should prominently be brought to notice of all concerned. The Committee have no doubt that the golden rule, that new works, which are novel or contentious, or, which, while small at the outset, involve heavy liabilities in future years, ought not, save in very exceptional circumstances, be undertaken without previous authority of Parliament, will be strictly observed by the Ministry of Finance.
5	5	Railways	The Committee feel that as in the case of Civil and P. & T. works, it would be sufficient to show details of works individually costing more than Rs. 3 lakhs in the Budget Estimates of the Railways.

1

2

3

4

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6      6    Railways

The Committee concur in the proposal of the Ministry of Railways that it should have the power to reappropriate funds available within a sanctioned grant to works estimated to cost not more than Rs. 2 crores each, provided that they do not constitute a new form of service. They also recommend that a list of non-budgeted new works costing more than Rs. 25 lakhs each should also be placed before Parliament. The Committee would like to make it clear that these powers of reappropriation to incur expenditure on non-budgeted works costing more than Rs. 25 lakhs each should be exercised by the Ministry of Railways only for undertaking new works, which might become necessary to meet the urgent demands of transport.

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Proceedings of the 14th <sup>14th</sup> sitting of the Public Accounts Committee held on Monday, the 15th April, 1963.

The Committee sat from 15.00 hrs. to 17.00 hrs.

**PRESERVE**

Shri Mahavir Tyagi - Chairman

**Members**

2. Shri Bhakti Dargshan
3. Shri Hem Raj
4. Sardar Kapsar Singh
5. Dr. P. Maridial
6. Dr. G.S. Melkote
7. Shri Mohan Swarup
8. Shri Prakash Vir Shastri
9. Shri Ramati K. Bharathi
10. Shri Nawab Singh Chaudhan
11. Shri Lalji Pandey

Shri C.S. Menon - Adml. Dy. C & A.C. (Rlys).  
 Shri P.K. Rau - D.A.F.S. / A.C.C.A.  
 Shri P.D. Seth - D.A.F.S.

**Secretaries**

Shri H.N. Privedi - Deputy Secretary.  
 Shri Y.P. Pansi - Under Secretary

At the outset, the Committee gave expression to their deep sense of loss and sorrow over the passing away of Shri Jai Maran Vyas, a sitting member of the Committee. The Committee stood in silence for a minute as a mark of respect to his memory.

The Committee then considered and approved the following draft Reports with a few modifications here and there:

- (i) Draft Tenth Report on Works Expenditure - fixing a limit for new works which should be executed only after obtaining Parliamentary approval.
- (ii) Draft Eleventh Report on Para 57 of Audit Report (Defence Services) 1960 and action taken on the outstanding recommendations relating to the Defence Services Accounts.

~~The Committee also expressed the Committee's appreciation necessary by the Chairman, P.A.C.~~

The Committee authorised the Chairman to sign the Reports and present them to Lok Sabha. They also authorised Shri Daryabhad V. Patel/Shrimati K. Bharathi to lay a copy each of the Reports on the Table of Rajya Sabha.

The Committee then adjourned till 15.00 hours on the 16th April, 1963.

- Jayana Book Depot, 48. Dhanwantra Medical  
Chapparwala Kuan, & Law Book House, 52. Shri N. Chaoba Singh,  
Karol Bagh, New Delhi. 1522, Lajpat Rai Mar- Newspaper Agent,  
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Kalkaji, New Delhi-19. Narankari Colony,  
Kingsway Camp, Delhi-9.



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