

EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2006-07)

[Action Taken by the Government on the Observations/Recommendations of the
Committee contained in their Eightieth Report (14th Lok Sabha)]

**MINISTRY OF FINANCE
(DEPARTMENT OF EXPENDITURE)**

**PUBLIC ACCOUNTS COMMITTEE
(2010-11)**

TWENTY SIXTH REPORT

FIFTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

TWENTY-SIXTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(2010-11)

(FIFTEENTH LOK SABHA)

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APPROPRIATIONS (2006-07)

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MINISTRY OF FINANCE
(DEPARTMENT OF EXPENDITURE)



Presented to Lok Sabha on 24 February, 2011
Laid in Rajya Sabha on 24 February, 2011

LOK SABHA SECRETARIAT
NEW DELHI
February, 2011/Phalguna, 1932 (Saka)

P.A.C. No. 1933

Price: Rs. 72.00

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Fourteenth Edition) and printed by the General Manager, Government of India Press, Minto Road, New Delhi-110 002.

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2010-11)

Dr. Murli Manohar Joshi—*Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Ramen Deka
5. Shri Naveen Jindal
6. Shri Satpal Maharaj
7. Shri Bhartruhari Mahtab
8. Dr. K. Sambasiva Rao
9. Shri Yashwant Sinha
10. Shri Jitendra Singh (Alwar)
11. Kunwar Rewati Raman Singh
12. Shri K. Sudhakaran
13. Dr. M. Thambidurai
14. Shri D. Venugopal
15. Shri Aruna Kumar Vundavalli

Rajya Sabha

- *16. Vacant
17. Shri N. Balaganga
18. Shri Prasanta Chatterjee
19. Shri Kalraj Mishra
20. Shri N.K. Singh
21. Shri Tiruchi Siva
22. Prof. Saif-ud-Din Soz

SECRETARIAT

- | | | |
|--------------------------|---|---------------------|
| 1. Shri Devender Singh | — | Joint Secretary |
| 2. Shri M.K. Madhusudhan | — | Additional Director |

* Vacancy occurred *vice* Shri Ashwani Kumar has been appointed as Minister of State
w.e.f. 19th January, 2011.

INTRODUCTION

I, the Chairman, Public Accounts Committee (2010-11), having been authorised by the Committee, do present this Twenty-sixth Report (Fifteenth Lok Sabha) on action taken by the Government on the Observations/Recommendations of the Committee contained in their Eightieth Report (Fourteenth Lok Sabha) on '**Excesses over Voted Grants and Charged Appropriation (2006-07)**'.

2. The Eightieth Report was presented to Lok Sabha and laid in Rajya Sabha on 17th December, 2008. Replies of the Government to the Observations/Recommendations contained in the report were received from the Ministries of Defence, Railways, Corporate Affairs, Mines and Finance on 17th March, 2009, 31st August, 2009, 14th October, 2009, 26th October, 2009 and on 10th February, 2010, respectively. The Public Accounts Committee considered and adopted the Twenty-sixth Report at their sitting held on 3rd February, 2011. Minutes of the sitting are given at *Appendix—I*.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

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

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Eightieth Report (Fourteenth Lok Sabha) is given at *Appendix—II*.

NEW DELHI;
21 February, 2011
2 Phalgun, 1932 (Saka)

DR. MURLI MANOHAR JOSHI,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Eightieth Report (14th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2006-07)."

2. The Eightieth Report (14th Lok Sabha), which was presented to Lok Sabha on 17 December, 2008, contained eleven Observations/Recommendations. The Action Taken Notes on all the Observations/Recommendations have been received from the Ministries/Departments concerned and these have been categorised as under:—

(i) Observations/Recommendations that have been accepted by Government:

Recommendations Sl. Nos. 1,3, 4,5, 9, 10 and 11

(Para Nos. 50, 52, 53, 54, 58, 59 and 60)

(ii) Observations/Recommendations which the Committee does not desire to pursue in view of the replies received from Government:

Recommendations Sl. No. 7 and 8

(Para No. 56 and 57)

(iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Recommendation Sl. Nos. 2 and 6

(Para Nos. 51 and 55)

(iv) Observations/Recommendations in respect of which Government have furnished interim replies/no replies:

—NIL—

Gist of the Committee's Observations/Recommendations contained in the Eightieth Report (14th Lok Sabha)

3. The Eightieth Report of the PAC (14th Lok Sabha) dealt with cases of the Grants/Appropriations where money had been spent in excess of the amount authorised by the Parliament for specified services/purposes in the year 2006-07. The Committee's examination of the Appropriation Accounts of Union Government for 2006-07 revealed that an expenditure amounting to Rs. 37669.53 crore was incurred by various Ministries/Departments of Union Government in excess of the provisions sanctioned under 18 cases of 13 Grants/Appropriations. Out of this, Rs. 33049.27 crore excess

expenditure was recorded under the Appropriation No. 37 alone *i.e.* "Repayment of Debt" operated by the Ministry of Finance, which accounted for over 90 per cent of the total excess expenditure incurred by Civil Ministries/Departments and over 87 per cent of the total excess expenditure incurred. It was found that during the last seven years, the excess expenditure of the Union Government steeply increased from Rs. 230.45 crore in 2000-01 to a staggering figure of Rs. 37669.53 crore in 2006-07. The Committee's examination also revealed non-observance of prescribed financial rules as well as lack of proper computerized accounting systems resulting in the infringement of financial discipline. The various irregularities/deficiencies noted by the Committee are: (i) Recurring phenomenon and increasing trend of excess expenditure; (ii) Excess expenditure despite having supplementary Grants/Appropriations; (iii) Persistent excess expenditure in the Ministry of Railways; (iv) Misclassification of expenditure by the Ministry of Railways; (v) Delay in presentation of Appropriation Accounts—Railway; (vi) Delay in furnishing Explanatory Notes; and (vii) Delay in presentation of Excess Demands for Grants—Railways for Regularisation was also noticed by the Committee.

4. The Action Taken Notes furnished by the concerned Ministries/Departments have been reproduced in the relevant Chapters of this Report. The Committee will now deal with the Action Taken by the Government on some of their Observations/Recommendations made in the Eightieth Report, which needs reiteration or merit comments.

Inordinate Delay in furnishing ATNs

5. In accordance with the time schedule prescribed by the Committee in their Fifth Report (Fourth Lok Sabha), Notes indicating the Action Taken by Government on the Observations/Recommendations contained in their Eightieth Report (14th Lok Sabha) were required to be furnished by 16th June, 2009. An analysis of the receipt of ATNs from the Ministries/Departments revealed that there has been a delay ranging between 2 months 14 days to more than 7 months in respect of submission of replies. The delay as occurred is quantified as under:—

(ATNs due on 16.06.2009)

Sl. No.	Ministries/Departments	Date when complete ATNs were received	Delay
1.	Finance	10.02.2010	7 months 24 days
2.	Defence	17.03.2009	—
3.	Railways	31.08.2009	2 months 14 days
4.	Mines	26.10.2009	4 months 10 days
5.	Corporate Affairs	14.10.2009	3 months 28 days

6. **The Committee regret to point out that despite repeated assurances given by the various Ministries/Departments including the Ministry of Finance (Department of Expenditure) for timely submission of Action Taken Notes, most of the Ministries/Departments concerned, barring the Ministry of Defence, have not furnished the requisite Action Taken Notes within the prescribed time limit of six months. What is surprising is the fact that the Ministry of Finance (Department of Expenditure), being**

the nodal Ministry for monitoring the timely submission of Action Taken Notes, and supposed to act as a role model for other Ministries/Departments have also delayed furnishing of Action Taken Notes pertaining to them by more than 7 months. The Committee in their 54th Report (14th Lok Sabha) had observed that delays in furnishing Action Taken Notes have become a recurring phenomenon. The Committee deprecate that no permission for extension of time was sought by the Ministry of Mines and Ministry of Corporate Affairs when they were not in a position to furnish replies within the stipulated time which tantamounts to undermining the Parliamentary authority. The Committee desire that in future there should not be such delays and the Ministries concerned ought to take all possible steps to furnish the Action Taken Notes within the stipulated time. If any delay is anticipated in furnishing the requisite Action Taken Notes on account of any exigency, the concerned Ministry should invariably seek permission from the Committee for such delays stating clearly the reasons thereof.

Excess Expenditure incurred despite obtaining Supplementary Grants by Ministry of Railways — Grant No. 16—Assets—Acquisition, Construction and Replacement—Railway Funds.

7. The Committee in their 80th Report (14th Lok Sabha) noted that out of 18 cases, the excess expenditure of Rs. 37002.22 crore in 15 cases of Grants/Appropriations had occurred despite obtaining supplementary provisions of Rs. 356599.27 crore which proved the failure of the Ministries/Departments to assess requirements in the Ministries/Departments in monitoring the flow and trend of expenditure under various Grants/Appropriations. The Committee were perturbed to note that under Appropriation No. 34—Interest Payments and Appropriation No. 37—Repayment of Debt pertaining to the Ministry of Finance and Grant No. 16—Assets—Acquisition, Construction and Replacement—Railway Funds pertaining to the Ministry of Railways, the amount obtained as supplementary provision was higher than the excess expenditure incurred. The Committee had expressed concern that the excess expenditure had been incurred despite the fact that supplementary grants were obtained. The Committee therefore came to an inescapable conclusion that the concerned Ministries have failed not only in making realistic and pragmatic Budget Estimates but even the Supplementary Demands as projected could not bail them out from making excess expenditure. The Committee expected that in future the Ministries/Departments would make all out efforts in arresting the surging trend of excess expenditure by making the required and pragmatic figures during the stage of Supplementary Demands for Grants. It is, therefore, imperative that the Ministries/Departments should keep close watch over the trend of expenditure and when any need for additional funds arises they should assess realistically their requirement of funds in advance and approach Parliament by presenting Supplementary Demands for Grants in time. It is not expected of any Ministries/Departments to cross their financial limits after obtaining Supplementary Grants as has happened in many cases. The Committee further reiterated from their earlier Reports that the Ministries/Departments should review the existing mechanism and upgrade the computerization and networking system so that the progress of expenditure can be strictly monitored and timely action can be taken to ensure that expenditure does not arise beyond the limits sanctioned by Parliament.

8. The Ministry of Railways in their Action Taken Reply stated as under:

"The observations of the Committee have been noted. While it is the endeavour of the Ministry to make realistic assessment of the requirements, as far as possible, and seek supplementary demands accordingly, deviations occur because Railway being a vast organization and with last minute pressure on the field units where some of the demands may not be anticipated at the time of compiling of their projections. In the instant case of Demand No. 16—Assets—Acquisition, Construction and Replacement—Railway Funds, though the reported excess of Rs. 325.29 cr. comes to 2.6 per cent of the total sanctioned provisions under Railway Funds, the actual excess recommended for regularization viz., Rs. 121.33 cr. is less than 1% of the total Grant. This may kindly be considered as minor".

9. In their vetted comments on the aforesaid Action Taken Note Audit has stated as under:

"Ministry is requested to comment on the efficacy of the existing mechanism with it to monitor the expenditure so as to take timely action to keep the expenditure within the limit sanctioned by the Parliament".

10. The Ministry of Railways in their response to the aforesaid Audit observation has stated as under:

"The existing mechanism for expenditure monitoring at the level of Ministry of Railways in the context of 'Demand No. 16—Assets—Acquisition, Construction and Replacement' broadly comprises monthly/quarterly/periodical reviews of expenditure/progress under various plan heads. The trend of expenditure is complied by Accounts Directorate also and discussed in Board Meetings along with Plan Heads-wise feedback provided by the concerned Directorates. Whenever required necessary instructions are issued from the Ministry of Railways to the zonal railways to take effective steps to control or step up expenditure, as the case may be, under a particular plan head. The efficacy of the mechanism should be understood in the background of the scope of this demand. The demand deals with large number of plan heads and source heads under which grants/appropriations are obtained from the Parliament and finally these funds are utilized to execute numerous works spread over entire geographical area of the country. The data regarding estimates and expenditure is, therefore, collected from multiple sites and compiled at the divisional/zonal headquarters level before these are received in the Ministry of Railways and while advising back these estimates/expenditure limits to the executive authorities, its reverse route is followed. The process is bound to be very time consuming. The expenditure limits advised on the basis of estimates drawn long back, may not accommodate certain requirements arising late and also miss the fluctuating unit cost of material and labour due to which the assessed requirement in quantitative as well as in monetary terms, thereby grant/appropriations and supplementaries obtained from the Parliament on this basis sometime vary from the actual cost of execution at later date. In such a scenario, the magnitude of excess or saving normally witnessed in the context of Demand No. 16 should be

treated as normal and the efforts made and monitoring mechanism in place can be considered effective".

11. In their further vetted comments on the aforesaid Action Taken Reply, the Audit observed as under:

"The magnitude of excesses or savings normally witnessed in the context of Demand No. 16, even in view of the existing procedure brought out in the reply given by the Ministry of Railways, cannot be treated as normal. Ministry of Railways needs review of the existing mechanism and upgrade the computerization and networking system so that the progress of expenditure can be strictly monitored and timely action can be taken to ensure that expenditure does not arise beyond the limits sanctioned by Parliament".

12. The Ministry of Railways in their response to the aforesaid Audit observation stated as under:

"The observations of the Audit have been noted. A letter has been issued from Board to all the Zonal Railways/Units (copy enclosed) to maintain close coordination between the zonal headquarters and its subordinate offices both in assessing the requirement at the time of revised Estimates/Final Estimates and later on in disbursing fund allotted by Board based on grant approved by the Parliament and also keep the bookings up-to-date. To achieve this, Zonal Railways/Units have been emphasized to develop an effective computer network with their subordinate offices to keep the expenditure within the sanctioned limits".

13. The Committee are not inclined to accept the Ministry of Railways contention that the excess expenditure incurred on—Demand No. 16—Assets—Acquisition, Construction and Replacement—Railway Funds' to the tune of Rs. 315.29 crore should be treated as normal. The Committee are of the view that the Ministry of Railways should not merely go by the quantum of excess expenditure involved and as a matter of principle they ought to ensure that no excess expenditure is incurred. The Committee are constrained to observe that such a casual and inept attitude on the part of the Railways will lead to complacency at the zonal/divisional level and may result in further increase in the excess expenditure under this head. Though there may be some difficulties inaccurately forecasting the expenditure under this head, nevertheless there is always a scope for bringing down the excess expenditure to the bare minimum level. The Committee recommend that the Ministry of Railways should review/revamp their existing mechanism for expenditure monitoring so as to forecast the expenditure as accurately as possible. They further recommend that a web-based computer networking system should be developed whereby the Railway Board and various Zones, Divisions and field units are interconnected with each other so that there is smooth and regular flow of information relating to expenditure. The Committee would like to be apprised of the initiatives/measures taken by the Railways for bringing down the excess expenditure within three months of presentation of this Report to Parliament.

**Misclassification of expenditure incurred by Ministry of Railways
(Sl. No. 7, Para No. 55)**

14. In their 80th Report (14th Lok Sabha) the Committee had expressed serious concern over recurrence of large number of cases of misclassification of expenditure in Indian Railways Appropriation Accounts continuously over the years. The Committee had noted that during the year under review there were five cases of misclassification of expenditure reported under the 13 cases of excess registering Grants/Appropriations. The Committee had recommended to avoid such mistakes and desired perfection in the operation of accounting system of Ministry of Railways so that misclassification should not be repeated every year. The Committee had also drawn the attention of Ministry of Railways to their Fifty-fourth Report (14th Lok Sabha) wherein it was recommended for a thorough review of the system in order to eliminate chances of misclassification. Notwithstanding the earlier recommendations, the Committee had noted that misclassification had taken place in the previous year also and the needful was yet to be done to check the recurrence of misclassification. The Committee had desired to know the measures taken hitherto to address the problem so that Committee's recommendation gets due weightage and it helps Railways not only as a corrective measure in obviating misclassification but also act as preventive measure too. They have also recommended to fix responsibility for the negligence in duties.

15. The Ministry of Railways in their Action Taken reply, has stated as under:—

"Recommendations of the Public Accounts Committee regarding misclassification of expenditure have been noted for guidance. This Ministry have conveyed serious concern to the Zonal Railways for the misclassification of expenditure during 2006-07 and have called for the Action Taken Report against the incidence of individual item. As a result of review of the Action Taken Report received from the Zonal Railways, it has been noticed that the cases of misclassification are occurring due to lack of adequate attention being given at the time of preparation of vouchers. FA&CAOs of the Railways concerned have been directed to take urgent steps in implementation of instructions already existing for close and concurrent review of booking of expenditure at various levels; test check of allocations recorded on vouchers; prompt reconciliation of the subsidiary books with the General Books and fixing up of responsibility for lapses at suitable levels. Instructions issued to the Railways also provide for regular reporting on punitive action taken for errors detected on this account. As a result, a number of staff have been taken up by the Railway fixing responsibility for the lapses. Although the total elimination of instances of misclassification will be difficult to achieve in practice, mainly due to the sheer volume of transactions and their varying nature, it shall always be the endeavour of Ministry of Railways to avoid misclassification /mistakes and minimize the same".

16. In their vetted comments on the aforesaid Action Taken Note, Audit has stated as under:—

"Ministry of Railways is requested to place on record the copies of instructions issued in this regard. Ministry may place on record whether any thorough review

of the system, as desired by the Committee in its Fifty-fourth Report (14th Lok Sabha), was undertaken in order to eliminate chances of misclassification. Results of the review of the system may be placed on record".

17. The Ministry of Railways in their response to the aforesaid Audit Observations has stated as under:—

"Thorough review of the accounting system is done by this Ministry from time to time and instruction/guidelines are issued in order to eliminate the incidence of misclassifications/mistakes. These instructions are reiterated from time to time with a view to ensuring proper maintenance of accounts and more stringent scrutiny. Instructions issued to the Railways also provide for regular reporting on punitive action taken for errors detected on this account. However, it is difficult to ensure complete elimination of instances of misclassification in practice, mainly because of differences in the interpretation of the scheme of classification and accounting rules and partly because of the errors committed due to sheer volume and varying nature of transactions required to be handled at various level of the Railway organization. However, it is the endeavour of Ministry of Railways to keep the misclassification/mistakes at the minimum level".

18. In their further vetted comments on the aforesaid Action Taken Reply, the Audit observed as under:—

"Railways need to strengthen their internal check mechanism both at pre-audit and post audit stages, so that the cases of misclassification are detected at the initial stage and corrective action taken before closure of the annual accounts of the year".

19. The Ministry of Railways in their response to the aforesaid Audit Observations stated as under:—

"Instructions already exist for ensuring correct classification and to fix up staff for lapses in this regard. However, audit observations have been communicated to the Railways with the directives to strengthen the systems of pre and post-audit".

20. The Committee would like to point out that despite the contention of the Ministry of Railways that thorough review of accounting system is being done from time to time besides issue of instructions/guidelines for eliminating the incidence of misclassification of expenditure, the instances of mistakes in classification of expenditure continue to recur unabatedly. Obviously, there is something amiss in the whole process due to which such mistakes keep surfacing time and again. The Committee are of the view that mere issue of instructions/guidelines to the Zonal Railways will not suffice unless and until it is backed by sustained monitoring and fixation of responsibility were guidelines are flouted to ensure that these instruction are followed in letter and spirit by the field units. The Committee recommend that the Ministry of Railways should set up a special cell at the Railway Board level so that the cases of misclassification of expenditure at Zonal/Divisional level are monitored at regular intervals, with a view to take immediate corrective

measures to contain the same and fix responsibility in case of negligence. They also recommend that Railways should strengthen their internal expenditure check/monitoring mechanism both at pre-audit and post-audit stages so that the cases of misclassification are detected at initial stage and corrective action taken before closure of the accounts of the year. The Ministry in conjunction with C&AG of India should also put in a proper accounting practices and standards to obviate recurrence of instances of misclassification. The Committee would like to be apprised of the steps taken by the Ministry in this regard within three months of presentation of this Report to Parliament.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation No. 1

The scrutiny of the Appropriation Accounts of Union Government for 2006-07 by the Public Accounts Committee has revealed that during the year under review an expenditure of Rs. 37669.53 crore has been incurred by five Ministries/Departments of Union Government in excess of the provisions sanctioned under 18 cases entailing 13 grants/appropriations during the year 2006-07. The Committee are particularly distressed to observe that as was the case in the preceding year also, the bulk of the excess expenditure *i.e.* Rs. 36637.16 crore had occurred in two Appropriations *i.e.* Appropriation No. 34 — Interest Payments (Rs. 3587.89 crore) and Appropriation No. 37 — Repayment of Debt (Rs. 33049.27 crore), operated by the Ministry of Finance, which alone accounted for over 97 per cent of the total excess expenditure incurred during the year under review *i.e.* 2006-07. The excess expenditure during the year pertains to the Grants/Appropriations operated by the Ministries/Departments of Finance, Defence, Railways, Company Affairs and Mines. Whilst scrutinizing the Appropriation Accounts, the Committee have noted that there is a surge in regard to the excess expenditure involving Ministry of Defence and there is also a registered excess in the remaining two Ministries under scrutiny *viz.* Ministry of Finance and Ministry of Railways. Notwithstanding the fact that the excess expenditure of the latter two Ministries mentioned above are proportionately not as high as the preceding year *i.e.*, 2005-06, yet the Committee view any excess expenditure as serious and they have been recommending in this regard for past several years through their Reports. The Committee are constrained to observe that some Ministries/Departments of Union Government continue to display indifferent attitude towards rules laid down for containing the expenditure within the authorized limits. While viewing this state of affairs with grave concern, the Committee would like to emphasize and reiterate from their past Reports that the Secretary, Department of Expenditure in the Ministry of Finance should strongly and effectively draw the personal attention of the concerned Secretaries in the Ministries/Departments of the Union Government depicting excess expenditures to ensure financial discipline, which is all the more necessary now with the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 in operation. The Committee also desire the Ministry of Finance, being a nodal Ministry to control the exchequer of the Government of India to impress upon all the Ministries to ensure rigid enforcement of prescribed financial rules and procedure so as to contain the instances of excess expenditure to the bare minimum. It is also recommended that action should also be taken to deal sternly with cases where any slackness is noticed in observance of prescribed financial rules.

[Sl. No. 1, Paragraph 50 of Eightieth Report of PAC (Fourteenth Lok Sabha)]

Action Taken by the Ministry of Finance (Department of Expenditure)

In so far as specific instances of excesses occurred under Appropriation No. 34 — Interest Payments and Appropriation No. 37 — Repayment of Debt are concerned, the Action Taken Notes have already been submitted by this Ministry in reply to recommendation Nos. 52 and 53 of the report under reference. Ministry of Finance, being the Nodal Ministry in respect of expenditure management, has consistently been taking effective steps to regulate the expenditure within the sanctioned grant by line Ministries. Further, the Budget Circular 2010-11 issued on 11.9.2009 to all Ministries, in para 5 referred to the PAC's 23rd Reprt (13th Lok Sabha) on the excesses over voted grants and charged appropriations (1998-99) and suggested that effective co-ordination between various estimating and disbursing authorities be put in place with the help of sound data-base and other IT facilities so that the excess expenditure could be avoided altogether. It was emphasized that PAC's directive may be complied with in order to avoid excess expenditure in the 'Appropriation-Interest Payments'. Further, an Office Memorandum has been issued to all Secretaries of Govt. of India, who are chief Accounting Authorities of their Departments advising them to ensure rigid enforcement of prescribed financial rules and to see that no instance of excess expenditure takes place in future for reasons which can be anticipated and taken care of in advance either in BE or Supplementary grants. They have also been advised that any slackness in observance of prescribed financial rules noticed in this regard may be sternly dealt with. Further, after preparation of ATNs in respect of recommendations in 54th Report of PAC, a series of meetings were taken with FAs of concerned Departments to impress upon them to see that excess expenditure do not take place. It is also relevant to mention that all secretaries to GoI were advised by secretary, Expenditure that starting Financial year 2010-11 the position of ATNs in respect of the important Audit observations included in the Annual Report as well as those included in earlier Annual Reports may also be furnished in the Annexure to the Annual Report. In order to ensure that a correct and comprehensive position of ATNs pending and finalized, during the year in reported to the Parliament, it was also advised that the information of pending ATNs be got vetted from the Audit before its publication in their Annual Reports. Furthermore, in the last meeting taken by the Finance Minister on 29.10.2009 with all Financial Advisers, he drew attention to the concern expressed by the Public Accounts Committee of the Parliament on the inordinate delay in submission of Action Taken Reports in respect of the Paras included in the Reports of the C&AG. Attention was drawn to the large volumes of outstanding ATNs from Department of Revenue, Defence, Railways and Posts. All concerned Financial Advisers were also advised to furnish a separate quarterly report on pending ATNs without fail.

This has been vetted by Audit *vide* U.O. No. RR/1-57/09-10/1157 dated nil.

Action Taken by the Ministry of Corporate Affairs

During the financial year 2006-07 an amount of Rs. 10 crore was sanctioned to this Ministry under Major Head-5475-Capital outlay on other General Economic Services. The total expenditure of Rs. 36.8040 crore was worked out towards payment to State Government Agencies and UTI Infrastructure Limited for purchase of built up Office space at Bangalore and Chennai and construction of Office complexes at Jaipur,

Cuttack and Chandigarh. Since the prescribed proforma for seeking Supplementary Grant provided for the figures to be reflected in crores of rupees, (upto two digits after decimal) a Supplementary Grant of Rs. 26.80 crore was asked for and was agreed to by Ministry of Finance against the estimated expenditure of Rs. 26.8040 crore which should have been rounded off to Rs. 26.81 crore instead of Rs. 26.80 crore. Inadvertently, the Supplementary Grant asked was Rs. 26.80 crore against which the Ministry incurred an amount of Rs. 26.8040 crore thereby incurring an excess expenditure of Rs. 40,000/-.

In future while seeking Supplementary Grant, if any, the projected amount will be rounded off to the nearest higher crore of rupees to avoid any excess expenditure.

[Ministry/Department of Ministry of Corporate Affairs, O.M. No. 10/2/08-IFD, dated 14.10.09]

Action Taken by the Ministry of Mines

The proposal for regularization of excess of expenditure of Rs. 3.17 lakh occurred in the charged portion of the revenue Section of the Grant No. 63 in respect of Ministry of Mines has been sent to Ministry of Finance in the budget session of the Lok Sabha for seeking necessary Parliamentary approval.

This has been vetted by Audit *vide* their U.O. No. AMG-I/V.V./ATN/2009-10/250-252, dated 24th August, 2009.

[Ministry of Mines, O.M. No. 3(38)/2006-IF, dated 21.10.2009]

Action Taken by the Ministry of Defence

The above para relates to excess expenditure incurred by various Ministries/Departments of Union Government. In regard to Ministry of Defence, during the year 2006-07 excess expenditure occurred in one demand only *i.e.* Demand No. 22 (Army) for Rs. 667.17 crore which is less than 2% of the total excess expenditure. The excess expenditure under this grant has been addressed in detail in Para 13 of this Report.

The main thrust of the observation is regarding the excess expenditure [to the tune, of Rs. 37669.53 crores that had occurred in Four Grants in Civil (Rs. 36637.20 crore), Eight Grants in Railways (Rs. 365.16 crore) and in C:\WINDOWS\hinhem.scr.Defence Services-Army (Rs. 667-17 crore).

The Committee desires the Ministry of Finance, being a nodal Ministry to control the exchequer of the Government of India to impress upon all the Ministries to ensure rigid enforcement of prescribed financial rules and procedure so as to contain the instances of excess expenditure to the bare minimum. It is also recommended that action should also be taken to deal sternly with cases where any slackness is noticed in observance of prescribed financial rules. Hence, the action in this regard is mainly to be taken by the Ministry of Finance.

However, all the budget-estimating authorities of Defence Services have been advised to keep strict watch on the expenditure and ensure that expenditure should be as per the grant and in case any saving/excess in expenditure is visualized its provision should be made at RE stage.

Action Taken by the Ministry of Railways

The observations of the Committee have been noted. While the above recommendation is mainly directed towards Ministry of Finance, to contain the instances of excess expenditure to bare minimum, across various Ministries of Government of India, as referred to in the observations above, the reported excess under both *charged* and voted of Ministry of Railways is Rs. 167.03 cr. While under voted part alone the excess is Rs. 149.37 cr. Both these excesses comes to 0.1% of the total grant and thus can be considered as minor.

Audit *vide* their U.O. No. 9-RA-III/2-1/2008, dated 21.4.2009 made following observations:

The percentage variation under charged portion worked out to 25.95 per cent which is substantial and action needs to be taken to curb such huge variation.

Ministry's comments

The concern of the Audit has been noted. Instructions are issued from time to time to zonal Railways to realistically assess the decretal payments likely to come up during the financial year. However, the unpredictability of the time when exactly these cases will be ripe for payments and slowness in finalization of the decretal proceedings and arbitration process either results in savings of charged appropriations, if the cases anticipated to finalize in the year do not materialize, or excess expenditure when more cases than anticipated finalized in the year.

Audit *vide* their U.O. No. 36-RA-III/2-1/2008, dated 17.6.2009 have vetted the Action Taken.

[Ministry of Railways' case No. 2008-BC-PAC/XIV/80, dated 31.08.2009]

Observation/Recommendation No.3

"As per the extant procedure it is imperative that explanatory notes in respect of the excess registering Grants/Appropriations are submitted to the Committee by the Concerned Ministries/Departments immediately after the presentation of relevant Appropriation Accounts to Parliament. The Committee note that explanatory notes in respect of excess registering Grants/Appropriation during 2006-2007 pertaining to Appropriation. Accounts Civil and Defence Services were due for submission on 7th December, 2007. However, to the utter dismay of the Committee the explanatory notes, regarding Appropriation Accounts—Civil in respect of Ministry of Finance, Mines, Company Affairs were delayed by more than four, five and seven months respectively. The explanatory notes pertaining to Appropriations Accounts — Defence services were received after a delay of more than nine months. The Committee take a very serious view of the inordinate delay in furnishing the explanatory notes to the Committee after they were received by them from the Department of Economic Affairs (Ministry of Finance). These two specific cases are in regard to Appropriation No. 34 — Interest Payments and Appropriation No. 37 — Repayment of Debt where a delay of more than three months and almost two months was caused by Monitoring Cell (Ministry of Finance — Department of Expenditure) and this delayed information was actually

received by the Committee on 6th May 2008 and 1st May, 2008. The Committee would like to know the specific reasons in these two cases. The Committee in their earlier Report on the subject (54th Report — 14th Lok Sabha) had reiterated that as it is incumbent upon all the Ministries to furnish the explanatory notes along with the Appropriation Accounts to enable the Committee to finalize their Report early for regularization of excess expenditure, the Ministry of Finance should ensure that the explanatory notes are submitted to the Committee without any delay whatsoever. Any deviation in this regard would be strictly viewed. The Committee also recommended that as a systemic check, the Ministry of Finance in consultation with Comptroller and Auditor-General of India should put in place a centralized computerized networking monitoring system to check the status of the preparation of Explanatory Notes at every stage by various Ministries/Departments so that any delay on this count is effectively prevented. However, it has been noticed that the Ministry of Finance itself unduly delayed the submission of their explanatory notes to the Committee. The Committee therefore recommend that the Ministry of Finance, which also has fully operative Monitoring Cell in the Department of Expenditure for coordinating with concerned Ministries/Departments, should enquire into the reasons for the delay of submission of explanatory notes by concerned Ministries/Departments and apprise the Committee of the same. The Committee, in unequivocal terms recommend that, in future, if any delay occurs in furnishing Explanatory Notes, the reasons for the same should be clearly mentioned along with the notes."

[Sl. No. 3, Para 52 of 80th Report of PAC (14th Lok Sabha)]

Action Taken by the Ministry of Finance (Department of Expenditure)

Regarding delay in furnishing the Explanatory Notes for Appropriation No. 34 (Interest Payments) and Appropriation No. 37 (Repayment of Debt), it is stated that Monitoring Cell had received these explanatory notes in the month of February/March, 2008. However, the same were inadvertently linked with other Explanatory Notes and thus got delayed which is regretted. The official concerned has been directed to be more vigilant in future and appropriate corrective measures have been taken to avoid recurrence of such incidents.

Monitoring Cell forwards the explanatory notes as soon as these are received from the Ministries/Departments. However, in some cases when the requisite enclosures are not received from Ministries/Departments, the forwarding of Explanatory Notes gets delayed. Monitoring Cell is impressing upon Ministries/Departments to exercise more caution and to ensure that all the necessary enclosures/papers have been readily enclosed.

Regarding preparation of Centralised Computerised monitoring system for monitoring of Explanatory Notes, it is mentioned that such a system has already been developed by Monitoring Cell and necessary entries are being made. Ministries/Departments are regularly reminded to send the explanatory note as on time.

This has been vetted DGACE's *vide* their U.O.No. RR/1/55/09-10/1160, dated nil

[MF (EXP) U.O. No. 1/80/2009-MC, dated 5th February, 2010]

Action Taken by the Ministry of Corporate Affairs

Strict guidelines have been issued to follow closely the instructions issued by the Ministry to avoid recurrence of any expenditure.

[Ministry/Department of Ministry of Corporate Affairs, O.M. No. 10/2/08-IFD, dated 14.10.09]

Action Taken by the Ministry of Mines

The valuable recommendations of the Hon'ble Committee has been noted for compliance in future for submitting explanatory notes in time.

This has been vetted by Audit *vide* their U.O.No. AMG-1/V.V./ATN/2009-10/250-252, dated 24th August, 2009.

[Ministry of Mines, O.M. No. 3 (38)/2006-IF, dated 21.10.2009]

Action Taken by the Ministry of Defence

This para mainly relates to timely submission of explanatory notes in respect of excess registering grants/appropriations immediately after presentation of relevant Appropriation Accounts to Parliament to enable the Committee to finalise their Report early for regularization of excess expenditure. The Committee has urged to the Ministry of Finance being the nodal Ministry, to ensure that explanatory notes are submitted to the Committee without any delay whatsoever.

So far as excess expenditure in Defence Services is concerned, the Ministry of Defence has noted the observation and recommendation of the Committee and all out efforts are made for timely submission of relevant explanatory notes after getting these vetted by Director-General of Audit, Defence Services.

Observation/Recommendation No. 4

Scrutiny of select cases of excess registering Grants/Appropriations reveals that under Appropriation No. 37—Repayment of Debt, the Ministry of Finance had incurred an expenditure of Rs. 1480938.37 crore over and above the total sanctioned provision of Rs. 1447889.10 crore, which included supplementary provisions of Rs. 349581.44 crore obtained in March, 2007. The excess expenditure under this appropriation is the net effect of total excess of Rs. 126066.08 crore and total savings of Rs. 93016.80 crore under various sub-heads of this appropriation. The Committee note with concern that given the savings under various sub-heads, the overall excess expenditure under this appropriation would have been evidently higher than the present figures. The Committee further note that Appropriation No. 37—Repayment of Debt alone recorded the highest excess expenditure among the excess registering Grants/Appropriations during the year 2006-2007, which accounted for more than 90 per cent of the total excess expenditure incurred by the Civil Ministries/Departments and over 87 per cent of the total excess expenditure incurred during the year. The explanatory note furnished by the Ministry of Finance have stated that 'supplementary provision for lower amount of Rs. 30583.46 crore was sought in view of likely savings under repayment of Ways and Means Advances to be taken into account for

re-appropriation.' The above assertion of the Ministry is unacceptable as the excess expenditure of such large magnitude had occurred inspite of a huge amount of Supplementary Grants having been obtained in this case. The Committee is not oblivious of the fact that the Ministry of Finance had been making appropriations in excess of the budgeted figures under this appropriation repeatedly for the past four years now. The Committee are dismayed that this has become a repetitive phenomenon and the Ministry of Finance are unable to check its recurrence. The Ministry of Finance are expected to display itself as role model for other Ministries as it is the nodal Ministry for adhering to the established financial procedure and enforcing system of checks and balances. The Committee recommend that regularization of excess in future would be used only exceptionally when the compelling circumstances so desire. This is possible only when realistic projections are made by the Ministries in the Appropriation Accounts as well as during the Supplementary stage. The Committee have been informed through the Explanatory Notes furnished by the Ministry of Finance that Reserve Bank of India (RBI) has set up a Working Group to undertake study of the instances and reasons for inaccuracies in estimation of expenditure pertaining to Repayment of Debt and Interest Payments over last five years and to make recommendations to improve the quality of the estimates and its better monitoring during the financial year. The Ministry have also stated that the report in this regard is expected to be submitted shortly. While taking note of this development, the Committee would like to be intimated about the recommendations of the Working Group set up by RBI at the earliest.

[Sl. No. 4, Para 53 of Eightieth Report of Public Accounts Committee
(Fourteenth Lok Sabha)]

Action Taken by the Ministry of Finance (Department of Economic Affairs)

Excess expenditure of Rs. 33049.72 crore, was the net result of total excess of Rs. 126066.08 crore and total savings of Rs. 93016.80 crore under various sub-heads of the Appropriation No. 37—Repayment of Debt. The excess expenditure was mainly due to higher investment and hence discharge in 14 days Intermediate Treasury Bills by State Governments, more discharge of 364 days Treasury Bills, more expenditure in connection with encashment of securities and other related expenditure in respect of Asian Development Bank, preference of more claims by bond holders for redemption relating of Special Bearer Bonds and redemption of bonds under 6.5% Savings Bonds (Non-Taxable), 2003 by the bond holders by exercising the option of premature encashment available in the scheme than anticipated.

2. Under 364 Days Treasury Bills excess expenditure was Rs. 999.33 crore which was due to more discharge of treasury Bills anticipated. Under 14 Days Intermediate Treasury Bills, an excess expenditure of Rs. 124945.80 crore occurred due to higher investment by State Governments on account of higher availability of short term surplus funds. However, the excess in both cases did not involve any cash outgo as it is netted against repayment of borrowings.

3. Estimates of expenditure in respect of repayment of 364 days Treasury Bills, particularly 14 days Intermediate Treasury Bills are difficult to project with a high

degree of accuracy. 14 days Intermediate Treasury Bills are the main instruments used by State Governments for parking their surplus short term cash balances and the Central Government has no option but to accept such investments through issue of 14 days Intermediate Treasury Bill. In the event of persistent surplus cash balances, the investments are rolled over but accounted for as expenditure and then reinvestment. In essence, these are cash management instruments of State Governments. Since these expenditure are matched by receipts, they also do not involve any cash outgo.

4. The estimates of 'Repayment of Debt' are framed on the basis of inputs furnished by RBI, the Debt Manager of the Government of India. While every effort is made to project estimates as accurately as possible, the need to further improve estimation techniques is acknowledged. RBI has been advised to review the same from time to time, so that the variations may be kept at the minimum given the fact that these estimates are difficult to access accurately.

5. Closer Coordination between RBI and the concerned divisions in the Ministry of Finance including the office of Chief Controller of Accounts (Finance) for concurrent synchronization of Budget Estimates with actuals is being worked out. Estimation methodology is also being reviewed by adopting more suitable/appropriate models for estimation purposes. This revision in methodology should more realistic forecast of the estimates, and reduce the incidence of inaccurate estimations leading to excess expenditure.

6. Besides regular reviews to improve the quality of estimates and monitoring of expenditure pertaining of Repayment of Debt, a Working Group comprising officers of Ministry of Finance, Chief Controller of Accounts and Reserve Bank of India was constituted to study the present system for estimating expenditure pertaining to Repayment of Debt and Interest payments and make recommendations for improving the quality of the estimates and its better monitoring. Relevant extracts of the recommendation of the said Working Group are as follows:—

- The broken period Interest, premium, discount and interest on market loans have been budgeted and accounted for as separate streams to enable greater precision in the estimation and reporting process from the Union Budget 2008-09.
- The dated securities (market loans) and their dates of issue during the fourth quarter has been identified in advance so that coupon payments/premium/discount/broken period interest could be estimated based on projections of secondary market yield from 2007-08 (Revised Estimate) and will be continued in future also.
- To estimate the discharge of Intermediate T-Bills for the period January-March, a new model apart from the two alternative models as recommended by the Working Group has been developed to eliminate underestimation from 2007-08 (Revised Estimate).
- The amount of discharges (BE) of Normal ITBs in the ensuing year has been estimated at by multiplying the amount of discharges during the

current year (RE) with the annualized quarterly average rate of growth in discharges exhibited during Q4 of the previous year and Q1, Q2, and Q3 of the *current year* from the Union Budget 2008-09.

- New method of 3-month (quarterly) moving averages to make estimation of discharges of 91-days Auction Treasury Bills has been applied from 2008-09(BE).
- For better reconciliation between IDMD (which prepares the estimates) and CAS, Nagpur (which is the record-keeper of government transactions) before forwarding budgetary estimates to the Government, IDMD has furnished the requisite data in the format specified by Central Accounts Section, Nagpur from the year 2008.
- The discount rate on ITBs would be assumed to be equal to the prevailing rate for RE and BE projections to arrive at the amount of discount payments for RE of the current year and BE for the ensuing year. The recommendations was adopted for 2007-08 (RE) and 2008-09 (BE).
- The method suggested by the Working Group that RBI may reckon six previous auction results for estimation of discount rate to be applied on ATBs (Normal) in line with ATBs (MSS) instead of three previous auctions results was adopted for estimation of discount rate in respect of 2007-2008 (RE) and 2008-09 (BE).
- The quarterly average growth model was adopted for the estimation of BE on issuances of ATBs in respect of 91-days T-Bills. The method as suggested by the Working Group was suitably modified to arrive at reasonable estimates for issuances of 182/364-days T-Bills. The issuances were multiplied to the discount rate estimated by applying the formula as recommended by the Working Group.
- After taking into account the past trend of the cash flows and adding an uncertainty component as recommended by the Working Group, the BE for 2008-09 has been projected to estimate discharges and interest on W.M.A.
- From April 1, 2008 onwards, discount on MSS Treasury Bills is being booked at the time of issuance only at CAS Nagpur on the same lines as is being done for Normal T-Bills at PAD Mumbai.
- Estimation in respect of various Relief/Savings Bonds under Compensation Bonds are received nomenclature-wise, as recommended by the Working Group, from Union Budget 2008-09.
- The assumptions behind the estimation process in respect of calculation of GFD, share of net market borrowings in financing GFD, average coupon, etc., are provided to the Government at the BE (2008-09) stage that may use the information for further refinement.
- Necessary instructions have been issued to State Bank of India *vide* letter No. DGBA/CDD.12794/11.16.001/2007-08, dated June 17, 2008 for

submission of claims for reimbursement strictly within the same financial year, in order to avoid delay in settlement and booking the expenditure in the Government account.

7. This has been vetted by Audit *vide* its U.O. No. RR/1-1/09-10/191, dated June 5, 2009.

[Ministry of Finance, Department of Economic Affairs O.M. No. 9(5)-W&M/2009, dated 25-6-2009]

Observation/Recommendation No. 5

It is disconcerting to note that the Ministry of Railways have incurred a substantial excess expenditure of Rs. 325.29 crore under Grant No. 16—Assets—Acquisition, Construction and Replacement—Railway Funds. The Committee find that the Ministry of Railways had actually procured supplementary grants of Rs. 1276.57 crore under this 'Grant'. Scrutiny of the explanatory notes clearly reveals that the items under excess accounts should have been planned for in a better manner as it relates mainly to the ongoing projects of the Railways such as New Lines, Gauge Conversion, Track Renewal and others. Had the Ministry of Railways done due diligence effectively and ensured timely implementation of projects, this excess, as the Committee can see, could have been avoided. The Committee therefore recommend that Ministry of Railways, in future should do their due diligence before making budgetary projections, as well as Supplementary projections in all Grants/Appropriations so that this stage of seeking approval for excess is obviated and established financial practices of not exceeding the Parliamentary approval is projected.

[Sl. No. 5, Para No. 54 of 80th Report of PAC (14th Lok Sabha)]

Action Taken by the Ministry of Railways

The observations of the Committee have been noted. As already submitted in reply to recommendation No. 51, it is the endeavour of the Ministry of Railways to seek Supplementary Demands for Grants after assessing the additional demand as realistically as possible. In the instant case of Grant No. 16—Assets—Acquisition, Construction and Replacement—Railway Funds, though the reported excess of Rs. 325.29 cr. comes to 2.6 per cent of the total sanctioned provisions under Railway Funds, the actual excess recommended for regularization *viz*, Rs. 121.33 cr. is less than 1% of the total Grant under Railway Funds. This may kindly be considered as minor.

Audit *vide* their U.O. No. 9-RA-III/2-1/2008, dated 21-4-2009 have vatted the Action Taken.

[Ministry of Railways, case No. 2008-BC-PAC/XIV/80, dated 31-08-2009.]

Observation/Recommendation No. 9

According to Audit, some of the Ministries/Departments have not furnished contributory reasons for incurring excess expenditure over voted Grants/Charged Appropriations during 2006-2007 to them as mentioned in Paras 24 and 35 of this Report. Specifically, the Ministry of Company Affairs, in Grant No. 16—Ministry of

Company Affairs, the Ministry of Defence in Grant No. 22—Defence Services—Army and the Ministry of Finance (Department of Economic Affairs) in Appropriation No. 37—Repayment of Debt have not furnished the contributory reasons to the Audit for incurring excess expenditure. It is astonishing to note for the Committee that the Ministries/Departments have not furnished the information to the Audit for inclusion in their Report. The Committee desire that the Concerned Ministries should, atleast now take necessary action and furnish the reasons to the Audit under intimation to the Committee.

[Sl. No. 9, Para 58 of Eightieth Report of Public Accounts Committee
(Fourteenth Lok Sabha)]

Action Taken by the Ministry of Finance (Department of Economic Affairs)

The excess expenditure of Rs. 33049.27 crore, was the net result of total excess of Rs. 126066.07 crore and total savings of Rs. 93016.80 crore under various sub-heads of the Appropriation No. 37—Repayment of Debt. The excess expenditure was mainly due to higher investment and hence discharge in 14 days Intermediate Treasury Bills by State Governments (Rs. 124945.80 crore), more discharge of 364 days Treasury Bills (Rs. 999.33) crore, more expenditure in connection with encashment of securities and other related expenditure in respect of Asian Development Bank (Rs. 1.22 crore), preference of more claims by bond holders for redemption relating to Special Bearer Bonds (Rs. 2.74 crore) and redemption of bonds under 6.5% Savings Bonds (Non-Taxable), 2003 by the bond holders (Rs. 97.54 crore) by exercising the option of premature encashment available in the scheme than anticipated.

2. The reasons for excess expenditure as mentioned in Para 7.1 of Report of Comptroller and Auditor General of India No. 13 of 2007. Union Government (Accounts of the Union Government) has adequately been covered under Action Taken Note on Para 7.3 (APPENDIX-VIIA-Sl. No. 18 to 21) mentioned in Report No. 13 of 2007 of Comptroller and Auditor General of India and has since been furnished to the Audit *vide* this Ministry's F. No. 9 (4)-W&M/2008, dated 6.02.2009.

3. This has been vetted by Audit *vide* its U.O. No. RR/1-1/09-10/191, dated June 5, 2009.

[Ministry of Finance, Department of Economic Affairs O.M. No. 9(5)-
W&M/2009, dated 25.6.2009]

Action Taken by the Ministry of Corporate Affairs

During the financial year 2006-07 an amount of Rs. 10 crore was sanctioned to this Ministry under Major Head-5475-Capital outlay on other General Economic Services. A Supplementary Grant of an amount of Rs. 26.8040 crore was requested from Ministry of Finance with the approval of AS&FA and an equivalent amount was offered as savings out of Revenue Budget. In the Main Grant of Ministry of Finance, the Sanctioned Budget Estimates (SBE) figures were rounded off to crore of rupees as per normal practice and the Supplementary Grant of Rs. 26.80 crore was approved.

However, the actual expenditure incurred was Rs. 26.8040 crore as per the projections of this Ministry. This was inadvertently done under the assumption that

the entire projected amount of Rs. 26.8040 crore has been approved though the actual Supplementary Grant was shown as Rs. 26.80 crore. Thus, the discrepancy to the tune of Rs. 40.000 only was due to in advertent rounding off amount to the nearest crore.

DGACR called for Explanatory Note of the Ministry through CCA on excess expenditure of Rs. 40.000 *vide* their letter dated 12.7.07 received in the Ministry on 22.08.07. A reply was sent by the Ministry to Principal Accounts Office on 21.09.07. The Office of the DGACR returned the vetted reply to the audit para on 20.03.08. A copy of Explanatory Note in the prescribed proforma duly signed by Addl. Secretary was sent to DGACR on 22.05.08. DGACR *vide* letter dated 29.05.08 made some corrections in the body of note. A reply after correcting the Explanatory Note was sent to DGACR on 18.06.08. In the meantime Lok Sabha Secretariat (PAC Branch) also sent an O.M. dated 12.06.08 to examine the chapter from C&AG Report No. 13 of 2007. The Lok Sabha Secretariat was also provided with the detailed background note concerning Ministry of Corporate Affairs *vide* letter dated 23.06.08. The Office of the DGACR finally vetted the Action Taken Report and stated *vide* letter dated 11.07.08 that they have no comments to offer.

The excess expenditure has been regularized *vide* Notification dated 21st July, 2009 issued by Department of Economic Affairs (Budget Division).

[Ministry/Department of Ministry of Corporate Affairs
O.M. No. 10/2/08-IFD, Dated 14.10.09]

Action Taken by the Ministry of Defence

In so far as Ministry of Defence is concerned, the contributory reasons for incurring excess expenditure over Voted Grants/Charged Appropriations during 2006-2007 have been given in the Appropriation Accounts 2006-2007, which have already been placed/presented in the Parliament on 07.12.2007, elaborating the reasons duly vetted by the Audit.

Observation/Recommendation No. 10

Summarily, the Committee note that excess expenditure has become a repetitive occurrence inspite of the Committee's intervention through their past reports. The cases of Ministries/Departments. Finance, Defence, Railways, Company Affairs and Mines have evidently failed to address these unhealthy practices and the scenario has no change for better from that of last year. These Ministries should have done their financial due diligence at the time of initiating budgetary process as well as during the stage of supplementary projections. In the case of Ministry of Railways, the excess could have been avoided as most of the heads and sub-heads under which excess has occurred pertains to the ongoing projects. The role of Ministry of Finance as the nodal agency in ensuring financial discipline also projects a dismal scenario. The Committee will deal more specifically on the recommendation of their earlier Reports on the subject mainly the Fifty-fourth Report (14th Lok Sabha) whilst considering their Action Taken Report. At this stage the Committee would only reiterate that the instances of incurring excess expenditure are not repeated against except for addressing rare and exceptional circumstances.

[Sl. No. 10, Paragraph 59 of Eightieth Report of PAC (14th Lok Sabha)]

Action Taken by the Ministry of Finance (Department of Expenditure)

The recommendations of the Hon'ble Committee has been noted. As explained earlier in reply to recommendation No. 50, an Office Memorandum has been issued to all Secretaries of Govt. of India, who are Chief Accounting Authorities of their Departments advising them to ensure rigid enforcement of prescribed financial rules and to see that no instance of excess expenditure takes place in future for reasons which can be anticipated and taken care of in advance either in BE or Supplementary Grants. They have also been advised that any slackness in observance of prescribed financial rules noticed in this regard may be sternly dealt with. Further, the Budget Circular 2010-11 issued on 11.9.2009, in para. 5 referred to the PAC's 23rd Report (13th Lok Sabha) on the excesses over voted grants and charged appropriations (1998-99), and suggested that effective coordination between various estimating and disbursing authorities be put in place with the help of sound data-base and other IT facilities so that the excess expenditure could be avoided altogether. It was emphasized that PAC's directive may be complied with in order to avoid excess expenditure in the 'Appropriation-Interest Payments'. It is also relevant to mention that all Secretaries to GoI were advised by Secretary, Expenditure that starting Financial year 2010-11 the position of ATNs in respect of the Audit observation included in the Annual Report as well as those included in earlier Annual Reports may also be furnished in the Annexure to the Annual Report. In order to ensure that a correct and comprehensive position of ATNs, pending and finalized, during the year is reported to the Parliament, it was also advised that the information of pending ATNs to get vetted from the Audit before its publication in their Annual Reports. Further more, that in the last meeting taken by Finance Minister on 29.10.09 with all Financial Advisers, he drew attention to the concern expressed by the Public Accounts Committee of the Parliament on the inordinate delay in submission of Action Taken Reports in respect of the Paras included in the Reports of the C&AG. Attention was drawn to the large volumes of outstanding ATNs from Revenue, Defence, Railways and Posts and advised to furnish a separate quarterly report on pending ATNs by all concerned Financial Advisers without fail.

This has been vetted by Audit *vide* U.O. No. RR/1-57/09-10/1157, dated -Nil-

Action Taken by the Ministry of Corporate Affairs

Observations/Directions of Hon'ble Committee have been noted for strict compliance.

[Ministry/Department of Ministry of Corporate Affairs,
O.M. No. 10/2/08-IFD, Dated 14.10.09]

Action Taken by the Ministry of Mines

In the case of Ministry of Mines, the excess expenditure Rs. 3,16,785 had occurred under charged portion during 2006-07. It needs to be pointed out that the excess expenditure under charged portion has not occurred in 2007-08. Valuable recommendations of the Hon'ble Committee have been noted by this Ministry. Efforts are being taken to avoid repeat of any instances of incurring excess expenditure.

This has been vetted by Audit *vide* their U.O. No. AMG-I/VV/ATN/2009-10/ 250-252, dated 24th August, 2009.

[Ministry of Mines, O.M. No.3 (38)/2006-IF, dated 21.10.2009]

Action Taken by the Ministry of Defence

In this para the Committee's main observation pertains to the trend of excess expenditure year after year. The Committee has desired that the Ministries should have done their financial due diligence at the time of initiating budgetary process as well as during the stage of supplementary projections. The action in this regard might be taken by the Ministry of Finance, being the nodal agency.

So far as Ministry of Defence is concerned, instructions already exist to exercise strict control on progress of Defence Expenditure in order to avoid any large-scale savings or excess under any grant relating to Defence Services. Regular meeting of the Departmental Monitoring Groups are held to monitor the progress of expenditure effectively to achieve the objective and to ensure that the funds allocated are fully utilized. Efforts shall be made for better implementation of various instructions issued on monitoring of Defence Expenditure.

Action Taken by the Ministry of Railways

The position of recurring excess expenditure on the Railways has been examined and it is submitted that in 2006-07, *i.e.* the year under review, while number of excess registering Grants/Appropriations has come down from 11 in the previous year to 8, the total excess reported also comes to 0.3 per cent of the total sanctioned provisions, which is comparable to figures of 2001-02. This can be appreciated from the table given below:

(Rs. in crore)

Year	Total sanctioned provision for Railways	Total Excess	% of excess to total provision	No. of excess registering Grants/Appropriations
2000-01	61826	0.14	0.0002	5
2001-02	69206	211	0.30	8
2002-03	72282	324	0.45	11
2003-04	77205	1137	1.47	9
2004-05	83543	2152	2.58	10
2005-06	98312	2322	2.36	11
2006-07	114930	365	0.32	8

Audit *vide* their U.O. No. 55-RA-III/2-1/2008, dated 18.8.2009 have vetted the Action Taken with remarks "Seen Thanks".

[Ministry of Railways' Case No. 2008-BC-PAC/XIV/80, dated 31.08.2009]

Observation/Recommendation No. 11

Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in Paragraph-13 of this Report be regularised in the manner prescribed in Article 115(1) (b) of the Constitution of India.

[Sl. No. 11, Paragraph 60 of Eightieth Report of PAC (Fourteenth Lok Sabha)]

Action Taken by the Ministry of Finance (Department of Economic Affairs)

As recommended by the Public Accounts Committee, the Demands for Excess Grants for Expenditure of the Central Government (excluding Railways) relating to 2006-2007 were submitted to Parliament in the Budget Session, 2009. The Parliament has passed the Excess Demands for Grants. Necessary Appropriation Bill for regularising the money drawn in excess of the amounts authorised by the Parliament for the year 2006-2007, has also been passed and the corresponding Act published in the Gazette of India (Extraordinary) Part II, Section I, dated 21.07.2009 as Act No. 30 of 2009, after obtaining assent of the President. In view of this, the excess amount drawn in 2006-2007 stands regularised. Action taken in this regard is, therefore, completed.

This Note has been vetted by Audit *vide* their U.O. No. RR/1-22/09-10/482, dated the 10th August, 2009.

[Ministry of Finance, Department of Economic Affairs (Budget Division),
New Delhi-110 001 O.M. No. F. 7 (1)-B (SD)/2009, dated 17 August, 2009]



2006-2007 के संबंध में

केन्द्रीय सरकार के व्यय के लिए अतिरिक्त अनुदानों की मांगें

(रेलवे को छोड़कर)

DEMANDS FOR EXCESS GRANTS

for

EXPENDITURE OF THE CENTRAL GOVERNMENT

(Excluding Railways)

RELATING TO

2006-2007

संविधान के अनुच्छेद 115 के खण्ड (1) (ख) के अनुसरण में लोक सभा में प्रस्तुत

**Presented to the Lok Sabha in pursuance of clause (1) (b) of Article 115
of the Constitution**

[राष्ट्रपति की सिफारिश, जो मांगों को प्रस्तुत करने के लिए संविधान के अनुच्छेद 115

के खण्ड (1) (ख) और (2) के साथ पठित अनुच्छेद 113 के खण्ड (3) के

अधीन आवश्यक है, प्राप्त कर ली गई है]

**[The recommendation of the President, required under clause (3) of Article 113
read with clauses (1)(b) and (2) of Article 115 of the Constitution for making the
Demands has been obtained]**

जुलाई/July, 2009

परिचायक टिप्पणियां

इस खण्ड में निहित अनुदानों की अतिरिक्त मांगों कतिपय मांगों/विनियोगों के तहत जिनमें संसद द्वारा उस वर्ष के लिए अनुमोदित धनराशि से अधिक व्यय हुआ, वर्ष 2006-07 के दौरान वास्तविक व्यय को दर्शाती है।

2. वर्ष 2006-07 में 100 अनुदानों और 5 विनियोगों में से 3 अनुदानों और 2 विनियोगों के तहत जिनके लिए कुल 37,304.37 करोड़ रुपए की राशि प्रदान की गई थी, अधिक व्यय हुआ। इनमें से राजस्व भाग के तहत 4,255.09 करोड़ रुपए और पूंजी भाग के तहत 33,049.28 करोड़ रुपए का अधिक व्यय हुआ।

3. संबंधित मांगों के अधिक व्यय के कारणों का ब्यौरा इस पुस्तिका में निहित अधिक व्यय के लिए मांग विवरणियों में दिया गया है।

4. उपर्युक्त अधिक व्यय की सरकारी लेखा समिति द्वारा जांच की गई है जिन्होंने अपनी अस्सीवीं रिपोर्ट (चौदहवीं लोक सभा) के पैरा 13 के साथ पठित पैरा 60 में भारत के संविधान के अनुच्छेद 115(1) (ख) के अधीन इनका विनियमन किए जाने की सिफारिश की है।

INTRODUCTORY NOTES

The Demands for Excess Grants contained in this Volume represent the actual expenditure incurred during 2006-2007 under certain Demands/Appropriations which are in excess of the amounts granted by the Parliament for that year.

2. Out of 100 Grants and 5 Appropriations in 2006-2007, the excess expenditure occurred in 3 Grants and 2 Appropriations amounting to a total of Rs. 37,304.37 crore. Out of this, the excess of Rs. 4,255.09 crore occurred under Revenue Section and Rs. 33,049.28 crore under Capital Section.

3. The reasons for excess expenditure in respective demands have been explained in the Excess Demand Statements contained in this booklet.

4. The above excess have been scrutinised by the Public Accounts Committee, who, *vide* paragraph 60 read with paragraph 13 of their Eightieth Report (Fourteenth Lok Sabha), have recommended their regularisation under Article 115 (1) (b) of the Constitution of India.

2006-2007 DEMANDS FOR EXCESS GRANTS

वर्ष 2006-2007 के दौरान संसद द्वारा स्वीकृत अनुदानों/विनियोगों से हुए अतिरिक्त व्यय को दर्शाने वाला विवरण

Statement showing the expenditure incurred in excess of the Grants Voted/Appropriations made by Parliament during 2006-2007

क्रम सं०	अनुदान/विनियोग की संख्या और शीर्षक	Sr. No.	No. & Title of Grant/Appropriation	अंतिम अनुदान/ विनियोग Final Grant/ Appropriation रुपए Rs.	वास्तविक व्यय Actual Expenditure रुपए Rs.	अतिरिक्त व्यय Excess Expenditure रुपए Rs.	पृष्ठों का संदर्भ Ref. to pages
I. EXPENDITURE MET FROM REVENUE							
22.	राजस्व से पूरा किया गया व्यय स्वीकृत	22.	Defence Services - Army	Voted: 33191,04,00,000	33858,20,95,590	667,16,95,590	2
34.	रक्षा सेवा-थल सेना	34.	Appropriation -				
	विनियोग-ब्याज		Interest Payments	Charged: 150691,85,00,000	154279,73,97,248	3587,88,97,248	3
	भुगतान		Ministry of Mines	Charged: 4,75,00,000	4,78,16,785	3,16,785	5
63.	खान मंत्रालय	63.					
	जोड़-राजस्व से पूरा किया गया व्यय		Total - Expenditure met from Revenue	183887,64,00,000	188142,73,09,623	4255,09,09,623	
			Charged: 150696,60,00,000	154284,52,14,033	3587,92,14,033		
			Voted: 33191,04,00,000	33858,20,95,590	667,16,95,590		
II. EXPENDITURE MET FROM CAPITAL							
16.	पूंजी से पूरा किया गया व्यय स्वीकृत	16.	Ministry of Company Affairs	Voted: 36,80,00,000	36,80,40,000	40,000	1
37.	कम्पनी कार्य मंत्रालय	37.	Appropriation -				
	विनियोग-ऋण की		Repayment of Debt	Charged: 1447889,10,00,000	1480938,37,17,342	33049,27,17,342	4
	वापसी अदायगी		Total - Expenditure met from Capital	1447925,90,00,000	1480975,17,57,342	33049,27,57,342	
	जोड़-पूंजी से पूरा किया गया व्यय		Charged: 1447889,10,00,000	1480938,37,17,342	33049,27,17,342		
			Voted: 36,80,00,000	36,80,40,000	40,000		
	कुल जोड़		GRAND TOTAL	1631813,54,00,000	1669117,90,66,965	37304,36,66,965	
			Charged: 1598585,70,00,000	1635222,89,31,375	36637,19,31,375		
			Voted: 33227,84,00,000	33895,01,35,590	667,17,35,590		

मांग संख्या DEMAND NO. 16

कम्पनी कार्य मंत्रालय

MINISTRY OF COMPANY AFFAIRS

कम्पनी कार्य मंत्रालय के अधीन कम्पनी कार्य मंत्रालय के संबंध में 31 मार्च, 2007 को समाप्त हुए वर्ष के लिए अनुदानों से अधिक व्यय की गई धनराशि।

Amount expended in excess of the Grants for the year ended 31st March, 2007, in respect of the **MINISTRY OF COMPANY AFFAIRS** under **MINISTRY OF COMPANY AFFAIRS**.

स्वीकृत: चालीस हजार रुपए।

Voted: Forty thousand rupees.

भाग	अन्तिम अनुदान	वास्तविक व्यय	अतिरिक्त व्यय
Section	Final Grant	Actual Expenditure	Excess
	रुपए Rs.	रुपए Rs.	रुपए Rs.
पूंजी Capital			
स्वीकृत Voted:	36,80,00,000	36,80,40,000	40,000

10,00,00,000 रुपए के मूल अनुदान को मार्च, 2007 में प्राप्त 26,80,00,000 रुपए के पूरक अनुदान द्वारा बढ़ाया गया। 36,80,00,000 रुपए के अंतिम अनुदान की तुलना में वास्तविक व्यय 36,80,40,000 रुपए रहा परिणामस्वरूप 40,000 रुपए का अतिरिक्त व्यय हुआ जिसे कि नियमित किए जाने की आवश्यकता है। अतिरिक्त व्यय अनुदानों की पूरक मांगों को मांगते समय करोड़ रुपए के निकटतम आंकड़ों के पूर्णांकन में असावधानी बरतने के कारण हुआ।

The original grant of Rs. 10,00,00,000 was augmented by a supplementary grant of Rs. 26,80,00,000 obtained in March, 2007. Against the final grant of Rs. 36,80,00,000 the actual expenditure was Rs. 36,80,40,000 resulting in an excess expenditure of Rs. 40,000 which requires regularisation. The excess expenditure was incurred due to inadvertent rounding off figures to the nearest crore of rupees while seeking the Supplementary Demand for Grants.

मांग संख्या DEMAND NO. 22

रक्षा सेवा — थल सेना

DEFENCE SERVICE—ARMY

रक्षा मंत्रालय के अधीन रक्षा सेवा-थल सेना के संबंध में 31 मार्च, 2007 को समाप्त हुए वर्ष के लिए अनुदान से अधिक व्यय की गई धनराशि।

Amount expended in excess of the Grant for the year ended 31st March, 2007, in respect of the **DEFENCE SERVICES—ARMY** under **MINISTRY OF DEFENCE**.

स्वीकृत: छह सौ सड़सठ करोड़ सोलह लाख पंचानवे हजार पांच सौ नब्बे रुपए।

Voted: Six hundred sixty-seven crore sixteen lakh ninety-five thousand five hundred ninety rupees.

भाग	अन्तिम अनुदान	वास्तविक व्यय	अतिरिक्त व्यय
Section	Final Grant	Actual Expenditure	Excess
	रुपए Rs.	रुपए Rs.	रुपए Rs.
राजस्व Revenue			
स्वीकृत Voted:	33191,04,00,000	33858,20,95,590	667,16,95,590

33191,04,00,000 रुपए के मूल और अन्तिम अनुदान की तुलना में वास्तविक व्यय 33858,20,95,590 रुपए था जिसके परिणामस्वरूप 667,16,95,590 रुपए का अधिक व्यय हुआ जिसे विनियमित किए जाने की आवश्यकता है। इस व्यय आधिक्य का कारण प्रत्याशित महंगाई भत्ते से अधिक की स्वीकृति, सैन्यदलों की गतिविधियों में वृद्धि, विदेशी सेनाओं के साथ संयुक्त अभ्यास, सेना मुख्यालयों पर अधिकारियों की अस्थायी ड्यूटी/पाठ्यक्रमों की आवृत्ति में वृद्धि तथा प्रत्याशा से अधिक भंडारों का कार्यान्वयन, आपूर्तिकर्ताओं द्वारा अंतिम समय तक बिलिंग के कारण अतिरिक्त बुकिंग और डीजीएसएंडडी दर संविदा मद, नेशनल कैडेट कोर मुख्यालय द्वारा 64 पूर्णकालिक महिला अधिकारियों की नई नियुक्ति के व्यय की मॉनिटरिंग न करना और पिछले वर्ष की आपूर्ति आदेशों का भुगतान करना है।

Against the original and final grant of Rs. 33191,04,00,000 the actual expenditure was Rs. 33858,20,95,590 resulting in an excess expenditure of Rs. 667,16,95,590 which requires regularisation. The excess expenditure was incurred due to sanction of higher Dearness Allowance *vis-a-vis* anticipated Dearness Allowance, increased movement of troops, Joint Exercises with foreign armies, increase in frequency of courses/ temporary duty of officers at Army Headquarters and more than anticipated materialisation of stores, as also, excess booking due to last minute billing by the suppliers and DGS&D rate contract items, non-monitoring of expenditure on fresh appointment of 64 Whole Time Lady Officers by Headquarter National Cadet Core and payment of previous year's supply orders.

संख्या No. 34 (विनियोग) (APPROPRIATION)

ब्याज भुगतान

INTEREST PAYMENTS

वित्त मंत्रालय के अंतर्गत ब्याज भुगतान के संबंध में 31 मार्च, 2007 को समाप्त हुए वर्ष के लिए विनियोग से अधिक व्यय की गई राशि।

Amount expended in excess of the Appropriation for the year ended 31st March, 2007, in respect of the Appropriation-**INTEREST PAYMENTS** under the **MINISTRY OF FINANCE**.

भारित : तीन हजार पांच सौ सतासी करोड़ अठासी लाख सत्तानवे हजार दो सौ अड़तालीस रुपए।

Charged: Three thousand five hundred eighty-seven crore eighty-eight lakh ninety-seven thousand two hundred forty eight rupees.

भाग Section	अन्तिम विनियोग Final Appropriation रुपए Rs.	वास्तविक व्यय Actual Expenditure रुपए Rs.	अतिरिक्त व्यय Excess रुपए Rs.
राजस्व Revenue			
भारित Charged:	150691,85,00,000	154279,73,97,248	3587,88,97,248

145822,60,00,000 रुपए की मूल विनियोग की राशि को मार्च, 2007 में 4869,25,00,000 रुपए का पूरक विनियोग प्राप्त कर बढ़ाया गया। 150691,85,00,000 रुपए के अन्तिम विनियोग की तुलना में 154279,73,97,248 रुपए का वास्तविक व्यय हुआ जिसके फलस्वरूप 3587,88,97,248 रुपए का अतिरिक्त व्यय हुआ जिसे विनियमित किए जाने की आवश्यकता है। भुगतानों का आधिक्य और बाजार ऋणों के तहत पिछले भुगतानों अनुमत बट्टा के कारण पुनर्निगम तंत्र के जरिए चुनिंदा प्रतिभूतियों पर अधिक ब्याज भुगतान के कारण अतिरिक्त व्यय हुआ। 91/182/364 दिवसीय राजकोषीय हुंडियों के अधिक निर्गम पर बट्टे का भुगतान; राज्य सरकारों द्वारा अधिक निवेश के कारण 14-दिवसीय राजकोषीय हुंडियों पर अधिक ब्याज का भुगतान; बाजार स्थिरीकरण योजना के तहत अधिक दिनांकित प्रतिभूतियों के निर्गम पर ब्याज का भुगतान; क्षतिपूर्ति और अन्य बॉण्डों पर अधिक ब्याज का भुगतान;

The original appropriation of Rs. 145822,60,00,000 was augmented by a supplementary appropriation of Rs. 4869,25,00,000 obtained in March, 2007. Against the final appropriation of Rs. 150691,85,00,000 the actual expenditure was Rs. 154279,73,97,248 resulting in an excess expenditure of Rs. 3587,88,97,248 which requires regularisation. The excess expenditure was incurred due to payment of more interest on securities selected through re-issue mechanism due to spill over payments and discount allowed thereon under Market Loans; payment of discount on higher issuance of 91/182/364 Day Treasury Bills; payment of more interest on 14 Days Treasury Bills due to more investment by State Governments; payment of interest on issue of more dated securities under Market Stabilisation

फ्रांस और जर्मनी सरकार से प्राप्त ऋणों पर विनियम दर परिवर्तन के कारण अधिक ब्याज का भुगतान; अंतरराष्ट्रीय पुनर्निर्माण और विकास बैंक (आईबीआरडी) ऋणों का अधिक निकासी पर ब्याज की दर में बढ़ोतरी के कारण ब्याज का भुगतान, कुडनकुलम नाभिकीय विद्युत परियोजना के लिए 'यूएसएसआर सरकार से ऋण' के तहत निधियों का अधिक आहरण; एशियाई विकास बैंक से ऋणों पर ब्याज की दर में वृद्धि; अन्य राज्य भविष्य निधि में अधिक जमा राशियों के कारण ब्याज का भुगतान, डाक बीमा और जीवन वार्षिकी कोष; सेवानिवृत्त हो रहे सरकारी कर्मचारियों के लिए जमा योजना और ऐसी योजनाओं के एजेंटों को कमीशन के पिछले दावों का भुगतान; औद्योगिक कामगारों के लिए कुटुम्ब पेंशन सह जीवन बीमा निधियों में पेंशन निधि के संबंध में नियोक्ता द्वारा अधिक अंशदान पर ब्याज का भुगतान, केन्द्र सरकार कर्मचारी समूह बीमा योजना से कम आहरण के कारण अधिक ब्याज का भुगतान; अफीम और क्षारोद अवमूल्यन प्रारक्षित निधि से अधिक व्यय; रेलवे विकास निधि, रेलवे पेंशन निधि और रेलवे पूंजी प्रारक्षित निधि में अधिक अनुवृद्धि पर भुगतान किया गया ब्याज; राष्ट्रीय रक्षा निधि पर अधिक ब्याज का भुगतान; वर्ष के दौरान तेल विपणन-कम्पनियों को विभिन्न कूपन दरों वाले विशेष बॉण्डों के निर्गम पर ब्याज का भुगतान (852.20 करोड़ रुपए); और विनियम दर में परिवर्तन के कारण एसडीआर के उपयोग के लिए अंतरराष्ट्रीय मुद्रा कोष को अधिक प्रभार का भुगतान करने के कारण अधिक व्यय हुआ। उपरोक्त वर्णित अतिरिक्त व्यय विनियोग के विभिन्न उप-शीर्षों के अंतर्गत 5874,02,85 हजार रुपए के कुल अतिरिक्त और 2286,13,88 हजार रुपए की कुल बचत का निवल परिणाम थी।

Scheme; payment of more interest on Compensation and other Bonds; payment of higher interest on loans from Government of France & Germany due to exchange rate variation; payment of interest due to increase in rate of interest and more drawals of loan from International Bank for Reconstruction and Development (IBRD), higher withdrawal of funds under 'Loans from the Government of U.S.S.R.' for Kudankulam Nuclear Power Project; increase in rate of interest on loans from Asian Development Bank; Payment of interest on account of higher deposits in Other State Provident Fund, Postal Insurance and Life Annuity Fund, Deposit Schemes for retiring Government employees and payment of past claims of commission to agents of such schemes; payment of interest on higher contribution by employer towards pension fund in Family Pension-cum-Life Assurance Funds for Industrial Workers, payment of more interest due to less withdrawals from the Central Government Employees Group Insurance Scheme; more expenditure from Opium and Alkaloid Factories Depreciation Reserve Fund; interest paid on higher accretion in Railway Development Fund, Railway Pension Fund and Railway Capital Reserve Fund; payment of more interest on National Defence Fund; payment of interest on issue of Special Bonds to Oil Marketing Companies, carrying different coupon rates (Rs. 852.20 crore) during the course of year; and payment of higher charges to International Monetary Fund for utilization of SDRs due to exchange rate variation. The above mentioned excess expenditure was the net result of total excess of Rs. 5874,02,85 thousand and total savings of Rs. 2286,13,88 thousand under various sub-heads of the Appropriation.

संख्या No. 37 (विनियोग) (APPROPRIATION)

ऋण का पुनर्भुगतान

REPAYMENT OF DEBT

वित्त मंत्रालय के अंतर्गत ऋण के पुनर्भुगतान—विनियोग के संबंध में 31 मार्च 2007 को समाप्त वर्ष के लिए विनियोग से अधिक व्यय की गई राशि।

Amount expended in excess of the Appropriation for the year ended 31st March 2007, in respect of the Appropriation—**REPAYMENT OF DEBT** under the **MINISTRY OF FINANCE**.

भारित: तैंतीस हजार उनचास करोड़ सत्ताईस लाख सत्तर हजार तीन सौ बयालीस रुपए।

Charged: Thirty-three thousand and forty-nine crore twenty-seven lakh seventeen thousand three hundred forty two rupees.

भाग	अन्तिम विनियोग	वास्तविक व्यय	अतिरिक्त व्यय
Section	Final Appropriation	Actual Expenditure	Excess
	रुपए Rs.	रुपए Rs.	रुपए Rs.

पूँजी Capital

भारित Charged: 1447889,10,00,000 1480938,37,17,342 33049,27,17,342

1098307,66,00,000 रुपए के मूल विनियोग को मार्च, 2007 में 349581,44,00,000 रुपए का पूरक विनियोग प्राप्त करके बढ़ा दिया गया। 1447889,10,00,000 रुपए के अन्तिम विनियोग की तुलना में वास्तविक व्यय 1480938,37,17,342 रुपए हुआ जिसके फलस्वरूप 33049,27,17,342 रुपए का अतिरिक्त व्यय हुआ जिसको विनियमित किए जाने की आवश्यकता है। राज्य सरकारों द्वारा 14-दिवसीय मध्यवर्ती राजकोषीय हुंडियों में अधिक निवेश और अधिक भुगतान, 364-दिवसीय राजकोषीय हुंडियों में अधिक भुगतान, एशियाई विकास बैंक के संबंध में प्रतिभूतियों के नकदीकरण पर अधिक व्यय और अन्य संबंधित व्यय, बॉण्डधारकों द्वारा विशेष धारक बॉण्ड संबंधी मोचन हेतु अधिक दावों की तरजीह और बॉण्डधारकों द्वारा योजना में उपलब्ध परिपक्वतापूर्व नकदीकरण के विकल्प का प्रत्याशा से अधिक प्रयोग कर 6.5 प्रतिशत बचत बॉण्ड (कर-योग्य भिन्न), 2003 के तहत बॉण्डों के मोचन के कारण यह अधिक व्यय हुआ।

The original appropriation of Rs. 1098307,66,00,000 was augmented by a supplementary appropriation of Rs. 349581,44,00,000 obtained in March, 2007. Against the final appropriation of Rs. 1447889,10,00,000 the actual expenditure was Rs. 1480938,37,17,342 resulting in an excess expenditure of Rs. 33049,27,17,342 which requires regularisation. This excess expenditure was incurred due to higher investment and hence discharge in 14 days Intermediate Treasury Bills by State Governments, more discharge of 364 days Treasury Bills, more expenditure in connection with encashment of securities and other related expenditure in respect of Asian Development Bank, preference of more claims by bond holders for redemption relating to Special Bearer Bonds and redemption of bonds under 6.5% Savings Bonds (Non-Taxable), 2003 by the bond holders by exercising the option of

विदेशी ऋण' के तहत अधिक व्यय विनिमय दर परिवर्तन, जापान बैंक ऑफ इंटरनेशनल को-ऑपरेशन के ऋण की पूर्व-अदायगी और कतिपय ऋणों की अधिक वापसी अदायगी के कारण हुआ जिसका अनुमान के समय प्रत्याशा नहीं थी। बजट अनुमान (ब.अ.) और पूरक मांगों 2006-2007 के 1447889.10 करोड़ रुपए के मुकाबले संशोधित अनुमान और अंतिम मांग क्रमशः 1444578.10 करोड़ रुपए और 1444139.76 करोड़ रुपए रही। तथापि, 1480938.37 करोड़ रुपए का वास्तविक व्यय हुआ, जिसके परिणामस्वरूप 33049.27 करोड़ रुपए का अधिक व्यय हुआ। 14-दिवसीय मध्यवर्ती राजकोषीय ढुंडियों के तहत संशोधित अनुमान और अंतिम मांग 780000 करोड़ रुपए के बजट अनुमान (ब.अ.) के मुकाबले 1169311 करोड़ रुपए मानी गई। इस प्रकार, 389311 करोड़ रुपए [अर्थात् 1169311 करोड़ रुपए (-) 780000 करोड़ रुपए] की शेष राशि में से 83507.54 करोड़ रुपए का पुनर्विनियोजन लघु शीर्ष से तथा 305803.46 करोड़ रुपए पूरक मांग के रूप में लिए गए। तथापि, 14-दिवसीय मध्यवर्ती राजकोषीय बिलों के अंतर्गत 1169311.00 करोड़ रुपए की अन्तिम आवश्यकता की तुलना में 1210749.26 करोड़ रुपए का वास्तविक व्यय हुआ जिसके फलस्वरूप अकेले 14-दिवसीय मध्यवर्ती राजकोषीय बिलों के अंतर्गत 41438.26 करोड़ रुपए का अतिरिक्त व्यय हुआ। 14-दिवसीय राजकोषीय बिलों के अंतर्गत अतिरिक्त व्यय अल्पावधि अधिशेष निधियों की उच्चतर उपलब्धता के कारण राज्य सरकारों द्वारा उच्चतर निवेश करने की वजह से हुआ। इस अतिरिक्त व्यय में कोई नकद व्यय शामिल नहीं था क्योंकि इसे उधारों की वापसी अदायगी में से घटाया गया था।

premature encashment available in the scheme than anticipated. Excess under 'External Debt' was due to exchange rate variation, prepayment of loan of Japan Bank of International Co-operation and more repayment of certain loans which could not be anticipated at the time of estimation. The revised estimates and final requirement were taken as Rs. 1444578.10 crore and Rs. 1444139.76 crore respectively against Budget Estimates (BE) plus Supplementary Demands 2006-2007 of Rs. 1447889.10 crore. However, the actual expenditure was Rs. 1480938.37 crore resulting in an excess expenditure of Rs. 33049.27 crore. Under 14 Days Intermediate Treasury Bills the revised estimates and final requirement were taken as Rs. 1169311 crore against Budget Estimates (BE) of Rs. 780000 crore. As such, out of balance amount of Rs. 389311 crore [i.e. Rs. 1169311 crore (-) Rs. 780000 crore], Rs. 83507.54 crore was re-appropriated from the minor head and Rs. 305803.46 crore was taken as Supplementary Demands. However, the actual expenditure under 14 Days Intermediate Treasury Bills was Rs. 1210749.26 crore against final requirement of Rs. 1169311.00 crore, as a result of which an excess expenditure of Rs. 41438.26 crore occurred under 14 Days Intermediate Treasury Bills alone. The excess expenditure under 14 Days Treasury Bills was due to higher investment by State Governments on account of higher availability of short term surplus funds. The excess did not involve any cash outgo as it is netted against repayment of borrowings.

मांग संख्या DEMAND NO. 63

खान मंत्रालय

MINISTRY OF MINES

खान मंत्रालय के अधीन खान मंत्रालय के संबंध में 31 मार्च, 2007 को समाप्त हुए वर्ष के लिए अनुदान से अधिक खर्च की गई धनराशि

Amount expended in excess of the Grant for the year ended 31st March, 2007, in respect of the MINISTRY OF MINES under MINISTRY OF MINES.

भारित: तीन लाख सोलह हजार सात सौ पचासी रुपए।

Charged: Three lakh sixteen thousand seven hundred eighty five rupees.

भाग Section	अन्तिम अनुदान Final Grant रुपए Rs.	वास्तविक व्यय Actual Expenditure रुपए Rs.	अतिरिक्त व्यय Excess रुपए Rs.
राजस्व Revenue			
भारित Charged:	4,75,00,000	4,78,16,785	3,16,785

10,00,000 रुपए के मूल अनुदान को मार्च, 2007 में प्राप्त 4,65,00,000 रुपए के पूरक अनुदान द्वारा बढ़ाया गया। 4,75,00,000 रुपए के अंतिम अनुदान की तुलना में वास्तविक व्यय 4,78,16,785 रुपए था जिसके परिणामस्वरूप 3,16,785 रुपए का अधिक व्यय हुआ जिसे विनियमित किए जाने की आवश्यकता है। यह अधिक व्यय विभिन्न न्यायालयों के आदेशों के शीघ्र कार्यान्वयन के कारण भारतीय भूवैज्ञानिक सर्वेक्षण द्वारा भुगतान की जाने वाली विधिक क्षतिपूर्ति के संबंध में हुआ।

The original grant of Rs. 10,00,000 was augmented by supplementary grant of Rs. 4,65,00,000 obtained in March, 2007, Against the final grant of Rs. 4,75,00,000 the actual expenditure was Rs. 4,78,16,785 resulting in an excess expenditure of Rs. 3,16,785 which requires regularisation. The excess expenditure was incurred due to immediate implementation of orders of various courts regarding legal compensation paid by Geological Survey of India.

Action Taken by the Ministry of Corporate Affairs

The excess expenditure of Rupees forty thousand incurred during 2006-07 has since been regularized through the Demands for Excess Grants relating to 2006-07 having been passed by Parliament and assented to by the President of India on 20th July, 2009 and having been published on 21st July, 2009 in the Gazette of India (Extra ordinary) Part-II, Section-1, Act No. 30 of 2009. (Ministry of Finance, D/o Economic Affairs (Budget Division) letter No. 7(1)-B (SD)/2009 dated 21st July, 2009 (copy enclosed).

[Ministry/Department of Ministry of Corporate Affairs
O.M. No. 10/2/08-IFD, Dated: 14.10.09].

No. G-20018/4/2007-BGT
Government of India
Ministry of Corporate Affairs

“A” Wing, 5th floor, Shastri Bhawan
New Delhi, the 16th April, 2009.

OFFICE MEMORANDUM

Subject:—Excess expenditure over sanctioned grant for the year 2006-07—Reg.

During the year 2006-07, a case has come to light wherein there has been excess expenditure over and above the sanctioned budget (including supplementary grant) under one of the Object Heads. Although, the excess expenditure was very nominal and incurred inadvertently, the matter has been taken cognizance of by the Public Accounts Committee of Parliament, who have taken a serious view of the same. The Public Accounts Committee (PAC) has desired that all the Ministries should ensure rigid enforcement of prescribed financial rules and procedures, so as to contain the instances of excess expenditure to the bare minimum. The Committee has also recommended that action should also be taken to deal sternly with cases where any slackness is noticed in observance of prescribed financial rules.

The above instructions of the PAC may be noted for strict compliance by all concerned.

It may please be ensured that the sanctioned budget under various Object Heads is not exceeded in any case, failing which, a serious view will be taken

Sd/-
(R.C. Tully)

Under Secretary to the Govt. of India.

1. All Pay & Accounts Officers, Ministry of Corporate Affairs.
2. All Regional Directors/Registrars of Companies/Official Liquidators.
3. Secretary, MRTP Commission, New Delhi.
4. Director General I&R, New Delhi.
5. Secretary, Company Law Board, New Delhi.
6. Director, SFIO, New Delhi.
7. Secretary, Competition Commission, New Delhi.
8. Deputy Secretary, NCLT, New Delhi.
9. Principal Pay & Accounts Officer, Lok Nayak Bhawan, New Delhi.
10. IF Division, MCA.
11. All Officers /Sections at the Headquarters.

एफ० 7(1)/बी (एसडी)/2009

वित्त मंत्रालय
आर्थिक कार्य विभाग
(बजट प्रभाग)

नई दिल्ली, दिनांक 21 जुलाई, 2009

विषय: 2006-2007 से संबंधित अतिरिक्त अनुदानों की मांगें (रेलवे को छोड़कर)

अधोहस्ताक्षरी को यह कहने का निदेश हुआ है कि वर्ष 2006-2007 की अतिरिक्त अनुदानों की मांगें (रेलवे को छोड़कर) लोक सभा ने पारित कर दी हैं। संसद ने संबंधित विनियोग (संख्या-2) विधेयक, 2009 भी पारित कर दिया है और भारत के राष्ट्रपति ने इसके लिए दिनांक 20 जुलाई, 2009 को अपनी स्वीकृति दे दी है और यह अधिनियम भारत के राजपत्र (असाधारण) भाग-II, खण्ड-I, दिनांक 21 जुलाई, 2009 में वर्ष 2009 के अधिनियम संख्या 30 के रूप में प्रकाशित किया गया है।

Sd/-

(वी० प्रकाश)

उप निदेशक (बजट)

F-7(1)—B (SD)/2009
Ministry of Finance
Department of Economic Affairs
(Budget Division)

New Delhi, the 21st July, 2009

Subject: Demands for Excess Grants (Excluding Railways) relating to 2006-2007.

The undersigned is directed to state that the Demands for Excess Grants (Excluding Railways) relating to 2006-2007 have been passed by the Lok Sabha. The connected Appropriation (No.2) Bill, 2009 has also been passed by Parliament and assented to by the President of India on the 20th July, 2009 and the Act has been published in the Gazette of India (Extra-ordinary) Part II, Section I dated the 21st July, 2009 as **Act No. 30 of 2009**.

Sd/-

(V. PRAKASH)

Deputy Director (Budget)

1. All financial Advisers in the Ministries/Departments.
2. The Finance Library (Publication Section) (10 Copies), It is requested that copies of the Gazette of India (Extra-ordinary) Part II, Section 1 dated the 21st July 2009 as **Act No. 30 of 2009** may be obtained from the Manager of Publication and supplied to the Comptroller and Auditor General of India, 10 - Bahadur Shah Zafar Marg, New Delhi- 110 002.

3. The Parliament Library, Lok Sabha Secretariat, New Delhi-110 001 (10 Copies).
4. The Lok Sabha Secretariat (PAC Branch), Parliament Annexe, New Delhi-110 001 (10 Copies).
5. The Comptroller and Auditor General of India, 10 - Bahadur Shah Zafar Marg, New Delhi-110 002 (10 Copies).
6. The Director General of Audit, Central Revenues, AGCR Building, New Delhi-110 002 (10 Copies).
7. The Director General of Audit, Posts & Telecommunications, Old Secretariat, Delhi-110 054 (10 Copies).
8. The Director General of Audit, Defence Services, New Delhi-110 001 (10 Copies).
9. The Controller General of Accounts, Lok Nayak Bhawan, New Delhi (10 Copies).
10. The Ministry of Planning, Planning Commission, Yojana Bhawan, New Delhi — 110 001.
11. The Adviser FR, Planning Commission, Yojana Bhawan, New Delhi-110 001
12. The Member FR, Planning Commission, Yojana Bhawan, New Delhi-110 001
13. Finance Secretary.
14. Secretary (Expenditure).
15. Secretary (Revenue).
16. Joint Secretary (Budget).
17. Joint Secretary (PF-I).
18. Joint Secretary (PF-II).
19. Director (SSB)/CAAA & Director (DD)/ Director (VS)/ DS (FRBM)/DS (NMJ)/ DS (RKS).
20. Director (OL) (10 Copies).
21. All USs/DDs DD (Hindi)/Sr. A.O./PAO/SOs (including PF- I & II) Budget Division.



2006-2007 के संबंध में
केन्द्रीय सरकार के व्यय के लिए अतिरिक्त अनुदानों की मांगें
(रेलवे को छोड़कर)

DEMANDS FOR EXCESS GRANTS
for
EXPENDITURE OF THE CENTRAL GOVERNMENT
(*Excluding Railways*)
RELATING TO
2006-2007

संविधान के अनुच्छेद 115 के खण्ड (1) (ख) के अनुसरण में लोक सभा में प्रस्तुत
Presented to the Lok Sabha in pursuance of clause (1) (b) of Article 115 of the
Constitution

[राष्ट्रपति की सिफारिश, जो मांगों को प्रस्तुत करने के लिए संविधान के अनुच्छेद 115 के खण्ड (1) (ख)
और (2) के साथ पठित अनुच्छेद 113 के खण्ड (3) के अधीन आवश्यक है, प्राप्त कर ली गई है]

[The recommendation of the President, required under clause (3) of Article 113
read with clauses (1)(b) and (2) of Article 115 of the Constitution for making
the Demands has been obtained]

जुलाई/July, 2009

अतिरिक्त अनुदानों की मांगें, 2006-2007 DEMANDS FOR EXCESS GRANTS (iii)

वर्ष 2006-2007 के दौरान संसद द्वारा स्वीकृत अनुदानों/विनियोगों से हुए अतिरिक्त व्यय को दर्शाने वाला विवरण

Statement showing the expenditure incurred in excess of the Grants Voted/Appropriations made by Parliament during 2006-2007

क्रम सं०	अनुदान/विनियोग की संख्या और शीर्षक	Sr. No.	No. & Title of Grant/Appropriation	अंतिम अनुदान विनियोग Final Grant/ Appropriation रुपए Rs.	वास्तविक व्यय Actual Expenditure रुपए Rs.	अतिरिक्त व्यय Excess Expenditure रुपए Rs.	पृष्ठों का संदर्भ Ref. to pages
I. EXPENDITURE MET FROM REVENUE							
1.	राजस्व से पूरा किया गया व्यय						
22.	रक्षा सेवा-थल सेना	स्वीकृत	22 Defence Service — Army	Voted: 33191,04,00,000	33858,20,95,590	667,16,95,590	2
34.	विनियोग-ब्वाज भुगतान	पारित	34 Appropriation — Interest Payments	Charged: 150691,85,00,000	154279,73,97,248	3587,88,97,248	3
53.	खान मंत्रालय	भारित	63 Ministry of Mines	Charged: 4,75,00,000	4,78,16,785	3,16,785	5
	जोड़ राजस्व से पूरा किया गया व्यय	भारित	Total - Expenditure met from Revenue	183887,64,00,000	188142,73,09,623	4255,09,09,623	
			Charged: 150696,60,00,000	154284,52,14,033	3587,92,14,033		
		स्वीकृत	Voted: 33191,04,00,000	33858,20,95,590	667,16,95,590		
II. EXPENDITURE MET FROM CAPITAL							
16.	पूँजी से पूरा किया गया व्यय	स्वीकृत	16 Ministry of Company Affairs	Voted: 36,80,00,000	36,80,40,000	40,000	1
37.	विनियोग-ऋण की वापसी अदायगी	भारित	37 Appropriation — Repayment of Debt	Charged: 1447889,10,00,000	1480938,37,17,342	33049,27,17,242	4
	जोड़-पूँजी से पूरा किया गया व्यय	भारित	Total - Expenditure met from Capital	1447925,90,00,000	1480975,17,57,342	33049,27,57,342	
			Charged: 1447889,10,00,000	1480938,37,17,342	33049,27,17,342		
		स्वीकृत	Voted: 36,80,00,000	36,80,40,000	40,000		
	कुल जोड़	भारित	GRAND TOTAL	1631813,54,00,000	1669117,90,66,965	37304,36,66,965	
			Charged: 1598585,70,00,000	1635222,89,31,375	36637,19,31,375		
		स्वीकृत	Voted: 33227,84,00,000	33895,01,35,590	667,17,35,590		

मांग संख्या Demand No. 16

कम्पनी कार्य मंत्रालय

MINISTRY OF COMPANY AFFAIRS

कम्पनी कार्य मंत्रालय के अधीन कम्पनी कार्य मंत्रालय के संबंध में 31 मार्च, 2007 को समाप्त हुए वर्ष के लिए अनुदानों से अधिक व्यय की गई धनराशि

Amount expended in excess of the Grant for the year ended 31st March, 2007 in respect of the MINISTRY OF COMPANY AFFAIRS under MINISTRY OF COMPANY AFFAIRS.

स्वीकृत चालीस हजार रुपए

Voted Forty Thousand Rupees

भाग	अंतिम अनुदान	वास्तविक व्यय	अतिरिक्त व्यय
Sections	Final Grant	Actual Expenditure	Excess
	रुपए Rs.	रुपए Rs.	रुपए Rs.
पूंजी Capital			
स्वीकृत Voted	36,80,00,000	36,80,40,000	40,000

10,00,00,000 रुपए के मूल अनुदान को मार्च, 2007 में प्राप्त 26,80,00,000 रुपए के पूरक अनुदान द्वारा बढ़ाया गया। 36,80,00,000 रुपए के अंतिम अनुदान की तुलना में वास्तविक व्यय 36,80,40,000 रुपए रहा। परिणामस्वरूप 40,000 रुपए का अतिरिक्त व्यय हुआ जिसे कि नियमित किए जाने की आवश्यकता है। अतिरिक्त व्यय अनुदानों की पूरक मांगों को मांगते समय करोड़ रुपए के निकटतम आंकड़ों में पूर्णांकन में असावधानी बरतने के कारण हुआ।

The Original grant of Rs. 10,00,00,000 was augmented by a supplementary grant of Rs. 26,80,00,000 obtained in March, 2007. Against the final grant of Rs. 36,80,00,000 the actual expenditure was Rs. 36,80,40,000 resulting in an excess expenditure of Rs. 40,000 which requires regularisation. The excess expenditure was incurred due to inadvertent rounding off figures to the nearest crore of rupees while seeking the Supplementary Demand for Grants.

Action Taken by the Ministry of Mines

This Ministry has already taken steps in this regard. The proposal for regularization of excess of expenditure of Rs. 3.17 lakh occurred in the charged portion of the Revenue Section of the Grant No. 63 in respect of Ministry of Mines has been sent to Ministry of Finance in the budget session of the Lok Sabha for seeking necessary Parliamentary approval.

This has been vetted by Audit *vide* their U.O. No. AMG-I/V.V./ATN/2009-10/250-252 dated 24th August 2009.

[Ministry of Mines O.M. No. 3(38)2006-IF dated, 21.10.2009]

Action Taken by the Ministry of Defence

The Government, in the Ministry of Defence, has no comments to offer on this recommendation of the Committee

Action Taken by the Ministry of Railways

The excess for the year 2006-07 will be got regularized in the forthcoming Budget Session of the Parliament.

Audit *vide* their U.O. No. 9-RA-III/2-1/2008 dated 21.4.2009 have vetted the Action Taken.

Ministry's Comments

The Excess for the year 2006-07 has since been regularized in this year's Budget Session of the Parliament.

[Ministry of Railways' case No. 2008-BC-PAC/XIV/80 dated, 31.08.2009]

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM GOVERNMENT

Observation/Recommendation No. 7

The Ministry of Railways have incurred excess expenditure aggregating to Rs. 2317 crore under 'Voted' portion of Grant No. 4,6,10 & 16 (Capital) and Rs. 5.29 crore under Charged Appropriation No. 3,4,5,6,7,8,9,10,11,13 & 16 (Railway Funds) during 2005-06. The Public Accounts Committee (2007-08), *vide* para 60 in their Fifty-fourth Report (14th Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations (2005-06)", which was presented to Lok Sabha and laid in Rajya Sabha on 24.8.2007 (Monsoon Session) had recommended its regularization. As per the extant procedures the Demands for Excess Grants (Railways) for 2005-06 should be taken up in the House in the session in which the Public Accounts Committee presents its report or in the following Session. However, the demands for Excess Grants (Railways) for 2005-06 have been presented to Lok Sabha in the subsequent Session *i.e.* Budget Session on 05.3.2008. Consequently, the present Excess Demands were not in conformity with the procedure laid down by the Public Accounts Committee. The Committee desire the Ministry of Railways to examine into the circumstances leading to this delay and inform the Committee thereof. They also recommend that necessary action should also be taken to avoid such recurrence in future.

[Sl. No. 7 Para No. 56 of 80th Report of PAC (14th Lok Sabha)]

Action Taken by the Ministry of Railways

The observations of the Committee have been noted. 54th Report of PAC was obtained from Lok Sabha Secretariat on 15.11.2007. The issue remained under correspondence with Audit till 25.9.2008. The finalized ATN was sent to PAC/Monitoring Cell on 06.10.2008 and the delay, though inordinate, is regretted.

Audit *vide* their U.O.No. 36-RA-III/2-1/2008 dated 17.6.2009 have observed that the following Audit observations and comments of Ministry of Railways *vide* U.O. No. 2008-BC-PAC/XIV/80 dated 03 June, 2009 may be appended to the Action Taken Note:

Audit observations

The explanations given by the Ministry are not in conformity with the points raised by the PAC. The committee presented its report in the Parliament on 24.8.2007. As per laid down procedure, Excess Grants (Railways) for 2005-06 should be presented in the same session (Monsoon Session) or in the following Winter Session. However, it was presented in subsequent Budget Session on 05.3.2008. Instead of explaining this delay, Ministry has given clarification for delay in presenting ATN to PAC.

As such, Ministry of Railways may clarify the delay in presenting Excess Grants (Railways) for 2005-06 to the Parliament on 05.03.2008 after presentation of PAC's Report on "Excesses Over Voted Grants and Charged Appropriation (2005-06)" on 24.8.2007.

Comments of the Ministry of Railways

54th Report of PAC was presented to Parliament on 24.8.2007 but the same was not received in this office. It was only after getting a reminder from Ministry of Finance that a copy of the Report was obtained from Lok Sabha Secretariat on 15.11.2007 when the Winter Session was in progress. This hardly left any time with Ministry to prepare the book on Excess Demand for Grants, completing various formalities involving consultation with Ministry of Law, seeking business with Lok Sabha Secretariat, recommendation from President of India etc. Therefore, the Excess was got regularized in the following Budget Session of Parliament.

[Ministry of Railways' case No. 2008-BC-PAC/XIV/80 dated 31-08-2009]

Observation/Recommendation (No.8)

It was found that the Appropriation Accounts—Railways (2006-07) have been presented to Parliament on 24-10-2008 (Monsoon Session). However, the Appropriation Accounts relating to Civil, Defence Services and Postal Services for the year (2006-07) were presented to Parliament on 07-12-2007 (Winter Session). As per the procedure, the Public Accounts Committee examines the explanatory notes furnished by the Ministries/Departments after the presentation of the Appropriation Accounts and presents a Report thereon to Parliament recommending regularization of the excesses under Article 115 (1) (b) of the Constitution. It was found that the presentation of Indian Railways Appropriation Accounts for the year 2006-07 was delayed by more than ten months after 07-12-2007 which in turn resulted into delay in regularization of excess expenditure of the Ministries of Finance, Defence and Railways should examine the reasons for such delay and intimate the same to the Committee. It is needless to point out at this stage that such a delay would not take place in future and the eventual delay in fulfilling Constitutional obligation is not repeated.

[SI No. 8 Para No. 57 of 80th Report of PAC (14th Lok Sabha)]

Action Taken by the Ministry of Railways

The schedule for laying the Appropriation Accounts in Parliament exists in the “**Budget Session of Parliament**” as laid down in Para 1.5 of the 88th Report of PAC (10th Lok Sabha). Ministry of Railways was not aware with any subsequent revision for pre-ponement of the schedule for presentation of Appropriation Accounts to Parliament in the month of December (Winter Session). Now that the new schedule has been indicated in the instant PAC report, the same will be followed.

Initially the date for laying Appropriation Accounts—2006-07 was fixed 06.05.2008 (in Budget Session). However, one day before the presentation of Appropriation Accounts, the Lok Sabha was adjourned and the Appropriation Accounts could not be presented to Parliament on 06-05-2008. Thereafter, in the next Session of Parliament,

the date for presentation was fixed on 24-10-2008 and the same were finally laid down in both the Houses of Parliament on 24-10-2008.

However, the revised schedule for laying the Appropriation Accounts has now been noted and sincere effort would be made to observe this schedule while compiling future Appropriation Accounts.

Audit *vide* their U.O. No. 9-RA-III/2-1/2008 dated 21-4-2009 made following observations:

ATN is returned as verified. However, Ministry is requested to put in place a suitable mechanism for watching and effective monitoring the progress of preparation and finalization of Appropriation Accounts so that these can be presented in the Parliament in the Winter Session with the Appropriation Accounts of Civil, Defence and Posts Services.

Ministry's Comments

Ministry of Railways is aware of the revised schedule of Appropriation Accounts fixed by the Public Accounts Committee for its presentation in Parliament during Winter Session. Accordingly, the instruction/schedule programme for finalization of various statements of Appropriation Accounts to various Zonal Railways/Pus have been circulated on 23.4.2009.

This has also been reiterated to GMs of the Zonal Railways/Pus to ensure that the Audit observations are promptly replied to and settled by holding discussions among the Audit and Accounts and if necessary, at the higher level, in such a way that prescribed schedule is not disturbed.

By taking concerted efforts we hope that Appropriation Accounts 2008-09 could be finalized in the last week of October, 2009 and we will be able to table these accounts in Parliament during Winter Session.

Audit *vide* their U.O. No. 36-RA-III/2-1/2008 dated 17-6-2009 have vetted the Action Taken.

[Ministry of Railways' case No. 2008-BC-PAC/XIV/80 dated 31.08.2009.]

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Observation/Recommendation (No. 2)

The Committee note with grave concern that out of 18 cases, the excess expenditure of Rs. 37002.22 crore in 15 cases of Grants/Appropriations had occurred despite obtaining supplementary provisions of Rs. 356599.27 crore. This proves the failure of the Ministries/Departments to assess requirement of additional funds but also the inadequacies in the institutional arrangements in the Ministries/Departments in monitoring the flow and trend of expenditure under various Grants/Appropriations. The Committee are also perturbed to note that under Appropriation No. 34—Interest Payments and Appropriation No. 37—Repayment of Debt pertaining to the Ministry of Finance and Grant No. 16—Assets-Acquisition, Construction and Replacement—Railway funds pertaining to the Ministry of Railways, the amount obtained as supplementary provision was higher than the excess expenditure incurred. The Committee further note that the excess expenditure in the two appropriations operated by the Ministry of Finance *i.e.* in the "Appropriation-Interest Payments" persisted during the years 2005-2006 to 2006-2007 and in the "Appropriation-Repayment of Debt" persisted during the past four years *i.e.* 2003-2004 to 2006-2007. It is onerous duty of the Committee to point out in this Report that it is evident from the Appropriation Accounts under scrutiny that the excess expenditure have been incurred despite the fact that supplementary grants were obtained. The Committee therefore come to an inescapable conclusion that the concerned Ministries have failed not only in making realistic and pragmatic Budget Estimates but even the Supplementary Demands as projected could not bail them out from making excess expenditure. The Committee expect that in future the Ministries/Departments would make all out efforts in arresting the surging trend of excess expenditure by making the required and pragmatic figures during the stage of Supplementary Demands for Grants. The Committee do not expect the Ministries/Departments to fall into excess expenditure even after obtaining Supplementary Grants which is seen to have been repeatedly happening in many cases. It is, therefore, imperative that the Ministries/Departments should keep close watch over the trend of expenditure and when any need for additional funds arises they should assess realistically their requirement of funds in advance and approach Parliament by presenting Supplementary Demands for Grants in time. It is not expected of any Ministry/Department to cross their financial limits after obtaining Supplementary Grants as has happened in many cases. The Committee further reiterate from their earlier Reports that the Ministries/Departments should review the existing mechanism and upgrade the computerization and net working system so that the progress of expenditure can be strictly monitored

and timely action can be taken to ensure that expenditure does not arise beyond the limits sanctioned by Parliament.

[Sl. No. 2, Paragraph 51 of Eightieth Report of PAC (14th Lok Sabha)]

Action taken by the Ministry of Finance (Department of Economic Affairs)

The recommendations made by the Public Accounts Committee have been noted.

Repayment of Debt

2. The provisions relating to 'Repayment of Debt' are for repayment of internal as well external debt on their due dates. The estimates for repayment of Internal Debt are framed on the basis of inputs furnished by RBI, the Debt Manager of the Government. Similarly, the estimates for repayment of external debt are furnished by the office of the Controller of Aid Accounts and Audit.

3. Estimates of expenditure in respect of repayment of 91 days Treasury Bills, particularly 14 days Intermediate Treasury Bills are difficult to project with a high degree of accuracy. 14 days Intermediate Treasury Bills are main instruments used by State Governments for parking their surplus short term cash balances and the Central Government has no option but to accept such investments through issue of 14 days Intermediate Treasury Bill. In the event of persistent surplus cash balances, the investments are rolled over but accounted for as expenditure and then reinvestment. In essence, these are cash management instruments of State Governments. Since these expenditures are matched by receipts, they also do not involve any cash outgo.

4. The excess under 6.5% Savings Bonds, 2003 (Non-Taxable) was due to higher encashment of bonds than anticipated by the bond holders by exercising the option of premature encashment available in the scheme. Similarly, the excess was on account of more than anticipated discharge of 364 days treasury bills.

Interest Payments

5. The entire expenditure included in the Appropriation—Interest Payments is classified as '*Charged*' on the Consolidated Fund of India under article 112(3)(c) of the Constitution of India. The Appropriation — Interest Payments is centralized appropriation which provides for interest charges on Central Government's debt obligations, both internal and external, interest payable on provident funds, special deposits with the Government besides depreciation and other reserve funds of commercial departments, like Railways. Provisions for management of debt and other liabilities of the Central Government are also included in this Appropriation. The excess expenditure, during the financial year 2006-2007, was largely due to payment of more interest on various instruments under internal debt and few cases under external debt in Appropriation No. 34—Interest Payments.

6. The estimates of interest payments are framed based on inputs from a number of agencies including Ministries/Departments and Reserve Bank of India. Estimates of repayment of internal debt and interest payments thereon are made by Reserve Bank of India. While every effort is made to project estimates as accurately as possible, the need to further improve estimation techniques is acknowledged. Since the bulk of the

estimates of repayment of debt and interest payments are on 'internal debt', Reserve Bank of India has been advised to review the same from time to time, so that the variations may be kept at the minimum given the fact that these estimates are difficult to assess accurately.

7. In order to improve the quality of estimation of Repayment of Debt and Interest Payments, Reserve Bank of India was requested to constitute a 'Working Group' with representation from the Budget Division and the Office of Chief Controller of Accounts (Finance). Among the steps being taken to improve quality of estimation under these Appropriations based on recommendations of the 'Working Group' includes web-based connectivity between RBI, Budget Division and CCA (Finance), Ministry of Finance and periodic updation of the estimates during the year so as to seek supplementary demands for grants when required. Relevant extracts of the recommendations of the 'Working Group' are as follows:

- The broken period interest, premium, discount and interest on market loans have been budgeted and accounted for as separate streams to enable greater precision in the estimation and reporting process from the Union Budget 2008-09.
- The dated securities (market loans) and their dates of issue during the fourth quarter has been identified in advance so that coupon payments/premium/discount/broken period interest could be estimated based on projections of secondary market yield and will be continued in future also.
- To estimate the discharges of Intermediate Treasury Bills for the period January-March, a new model apart from the two alternative models as recommended by the Working Group has been developed to eliminate underestimation.
- The amount of discharges (BE) of Normal Intermediate Treasury Bills in the ensuing year has been estimated at by multiplying the amount of discharges during the current year (RE) with the annualized quarterly average rate of growth in discharges exhibited during Q4 of the previous year and Q1, Q2 and Q3 of the *current* year from the Union Budget 2008-09.
- New method of 3-month (quarterly) moving averages to make estimation of discharges of 91-day Auction Treasury Bills has been applied from 2008-09 (BE).
- For better reconciliation between Internal Debt Management Department (IDMD) (which prepares the estimates) and Central Accounts Section (CAS), Nagpur (which is the record keeper of Government transactions) before forwarding budgetary estimates to the Government, IDMD has since noted the requisite data in the format specified by Central Accounts Section, Nagpur from the year 2008.
- The discount rate on Intermediate Treasury Bills would be assumed to be equal to the prevailing rate for RE and BE projections to arrive at the amount of discount payments for RE of the current year and BE for the ensuing year. The recommendation was adopted for 2008-09 (BE).

- The method suggested by the Working Group that RBI to reckon six previous auction results for estimation of discount rate to be applied on Auction Treasury Bills (Normal) in line with Auction Treasury Bills (Market Stabilisation Scheme) instead of three previous auctions results was adopted for estimation of discount rate in respect of 2007-08 (RE) and 2008-09 (BE).
- The quarterly average growth model was adopted for the estimation of BE on issuances of Auction Treasury Bills in respect of 91-day Treasury Bills. The method as suggested by the Working Group was suitably modified to arrive at reasonable estimates for issuances of 182/364-days Treasury Bills. The issuances were multiplied to the discount rate estimated by applying the formula as recommended by the Working Group.
- After taking into account the past trend of the cash flows and adding an uncertainty component as recommended by the Working Group, the BE for 2008-09 has been projected to estimate discharges and interest on Ways & Means Advance.
- From April 1, 2008 onwards, discount on Market Stabilisation Scheme Treasury Bills is being booked at the time of issuance at Central Accounts Section, Nagpur on the same lines as is being done for Normal Treasury Bills at Public Accounts Department, Mumbai.
- Estimation in respect of various Relief/Savings Bonds under Compensation Bonds is received nomenclature-wise, as recommended by the Working Group, from Union Budget 2008-09.
- The assumptions behind the estimation process in respect of calculation of GFD, share of net market borrowings in financing Gross Fiscal Deficit, average coupon, etc., are provided to the Government at the BE (2008-09) stage that were used for further refinement.
- Necessary instructions have been issued to State Bank of India for submission of claims for reimbursement strictly within the same financial year, in order to avoid delay in settlement and booking the expenditure in the Government account.

8. The estimates for the year 2007-08 were worked out in respect of Appropriation 'Repayment of Debt' and 'Interest Payments' on the basis of Working Group recommendations and there has been no excess in these Appropriations in 2007-08.

9. This has been vetted by the Audit *vide* U.O. No. RR/1-18/09-10/335, dated 13.07.2009.

[File No. F.6(1)-B(AC)/2009 dated 28.07.2009]

Action Taken by the Ministry of Corporate Affairs

As far as the Ministry of Corporate Affairs is concerned, the amount of Supplementary Grant required was Rs. 26,8040 crore. While seeking Supplementary Grant the figure in the prescribed proforma was inadvertently shown as Rs. 26,80 crore after rounding off the figure of Rs. 26,8040 crore (upto two digits after decimal) instead

of Rs. 26.81 crore, thereby, incurring an excess expenditure of Rupees forty thousand against the allocated Supplementary Grant.

Budget Module already exists in the system. The implementation process is under progress.

[Ministry/Department of Ministry of Corporate Affairs,
O.M. No. 10/2/08-IFD dated: 14.10.09]

Action Taken by the Ministry of Mines

This Ministry has noted and implemented the suggestions of the Hon'ble Committee through monitoring the expenditure periodically and taking constant efforts for avoiding any excess expenditure.

This has been vetted by Audit *vide* their U.O. No. AMG-I/V.V./ATN/2009-10/250-252 dated 24th August, 2009.

[Ministry of Mines O.M.NO. 3(38)/2006-IF dated 21.10.2009]

Action Taken by the Ministry of Railways

The observations of the Committee have been noted. While it is the endeavour of the Ministry to make realistic assessment of the requirements, as far as possible, and seek supplementary demands accordingly, deviations occur because Railway being a vast organization and with last minute pressures on the field units where some of the demands may not be anticipated at the time of compiling of their projections. In the instant case of Demand No. 16 - Assets — Acquisition, Construction and Replacement — Railway Funds, though the reported excess of Rs 325.29 cr. comes to 2.6 per cent of the total sanctioned provisions under Railway Funds, the actual excess recommended for regularization *viz.*, Rs. 121.33 cr. is less than 1% of the total Grant. This may kindly be considered as minor.

Audit *vide* their U.O. No. 9-RA-III/2-1/2008 dated 21-4-2009 made following observations:

Ministry is requested to comment on the efficacy of the existing mechanism with it to monitor the expenditure so as to take timely action to keep the expenditure within the limit sanctioned by the Parliament.

Ministry's comments

The existing mechanism for expenditure monitoring at the level of Ministry of Railways in the context of 'Demand No. 16- Assets - Acquisition, Construction and Replacement' broadly comprises monthly/quarterly/periodical reviews of expenditure/progress under various plan heads. The trend of expenditure is compiled by Accounts Directorate also and discussed in Board Meetings alongwith Plan Heads-wise feedback provided by the concerned Directorates. Whenever required necessary instructions are issued from the Ministry of Railways to the zonal railways to take effective steps to control or steps up expenditure, as the case may be, under a particular plan head. The efficacy of the mechanism should be understood in the background of the scope of this demand. This demand deals with large number of plan heads and source heads

under which grants/appropriations are obtained from the Parliament and finally these funds are utilised to execute numerous works spread over entire geographical area of the country. The data regarding estimates and expenditure is, therefore, collected from multiple sites and compiled at the divisional/zonal headquarters level before these are received in the Ministry of Railways and while advising back these estimates/expenditures limits to the executive authorities, its reverse route is followed. The process is bound to be very time consuming. The expenditure limits advised on the basis of estimates drawn long back, may not accommodate certain requirements arising late and also miss the fluctuating unit cost of material and labour due to which the assessed requirement in quantitative as well as in monetary terms, thereby grant/appropriations and supplementaries obtained from the Parliament on this basis sometime vary from the actual cost of execution at later date. In such a scenario, the magnitude of excess of saving normally witnessed in the context of Demand No. 16 should be treated as normal and the efforts made and monitoring mechanism in place can be considered effective.

Audit *vide* their U.O. No. 36-RA-III/2-1/2008 dated 17-6-2009 have observed that the following observations may be appended to the Action Taken Note:

The magnitude of excesses or saving normally witnessed in the context of Demand No. 16, even in view of the existing procedure brought out in the reply given by the Ministry of Railways, cannot be treated as normal. Ministry of Railways needs review of the existing mechanism and upgrade the computerization and networking system so that the progress of expenditure can be strictly monitored and timely action can be taken to ensure that expenditure does not arise beyond the limits sanctioned by Parliament.

Ministry's comments

The observations of the Audit have been noted. A letter has been issued from Board to all the Zonal Railways/Units (copy enclosed) to maintain close coordination between the zonal headquarters and its subordinate offices both in assessing the requirement at the time of revised Estimates/Final Estimates and later on in disbursing funds allotted by Board based on grant approved by the Parliament and also keep the bookings up-to-date. To achieve this, Zonal Railways/Units have been emphasized to develop an effective computer network with their subordinate offices to keep the expenditure within the sanctioned limits.

Audit *vide* their U.O. No. 55-RA-III/2-1/2008 dated 18-8-2009 have regretted the Action Taken with the remarks "Seen Thanks".

[Ministry of Railways, case No. 2008-BC-PAC/XIV/80 dated 31.08.2009]



M.S. Khan
Additional Members (Budget)

भारत सरकार रेल मंत्रालय, (रेलवे बोर्ड)
नई दिल्ली-110001
GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAYS BOARD)
NEW DELHI-110001

D.O.No. 2008-B-142

New Delhi, dated 28-07-2009

My dear

Sub: Excess over Voted Grants and Charged Appropriations (2005-06 & 2006-07).

Public Accounts Committee (PAC) and Comptroller and Auditor General of India (C&AG) have been severely critical of the instances of excess expenditure over the grants approved by the Parliament and appropriations authorized. In the context of 2005-06 and 2006-07, the PAC has raised question on the efficacy of the existing monitoring mechanism to control/restrict the expenditure within the limits sanctioned by the Parliament. Both Revenue and Works Grants/Appropriations have received attention of the PAC wherein excess has occurred. The position of the Railways was explained to the PAC through Action Taken Notes (ATNs) on 84th Report and 80th Report of the PAC (14th Lok Sabha) on "Excess over Voted Grants and Charged Appropriations" (2006-07 and 2005-06 respectively)", highlighting the vastness of the railway network spread over the entire geographical area from where the data is collected & communicated back, and the gap between the time when the estimates of expenditure are prepared at the initial level and when the grants/appropriations are sought from Parliament and communicated back, and also the escalation in the cost of material and labour etc. due to this time gap. The PAC has, however, not been impressed with this stand and categorically asked for review of the existing mechanism and upgrade the computerization and networking system to mitigate the inherent flaws so that the progress of expenditure can be strictly monitored and timely action taken to ensure that expenditure does not arise beyond the limits sanctioned by Parliament.

Ministry of Railways also feel need for an effective change in the existing mechanism both for timely and accurate assessment of the requirement leading to request to the Parliament for grant of the demand and also for monitoring the expenditure against the allotment made to them by Railway Board. Experience shows that bookings made by zonal railways/units during the first three quarters of the year are relatively very low as compared to that at the end of the last quarter which jump drastically at the fag end of the financial year. It undoubtedly, indicates some laxity in the existing booking practice. Also, it is seen that the actual expenditure varies substantially from the allotments fixed by Board in Revised Estimates (RE) and Final Modification (FM). Needless to mention that the allotments made in the RE forms the basis for the amount of Supplementary Grants/Appropriations to be obtained from Parliament in final session of the financial year. The Final Modification Estimates are normally received after the final supplementary has already been presented to the Parliament, hence no opportunity

is left at this juncture to obtain another supplementary. Heavy demand in FM for additional allotment over the RE, and spending more funds in anticipation of allotment, or in disregard of the available allotment, is unwarranted.

In view of the above, I may emphasis upon a close coordination between the Zonal headquarters and its subordinate offices/authorities both in assessing the requirement at the time of RE/FM, and later on in disbursing/spending of the funds allotted by Board based against the grant approved by the Parliament and also keep the booking up-to-date.

The Railways/Units may take concrete steps to comply with the concerns of the PAC to review the existing requirement of assessment and expenditure monitoring mechanism and *develop an effective computer network* to keep the expenditure within the sanctioned limits.

With best wishes,

Yours sincerely,

Sd/-

(M.S. Khan)

The Financial Advisor & Chief Accounts Officers,
All Indian Railways/Units

Observation/Recommendation (Sl. No. 6)

It is also disconcerting to note that the instances of misclassification of expenditure continue to recur unabatedly in Indian Railways Appropriation Accounts. This is an oft-repeated concern expressed by the Committee. A large number of cases of misclassification of expenditure had been noticed continuously over the years. During the year under review, there were five cases of misclassification of expenditure reported under the 13 cases of excess registering Grants/Appropriations. Recurrence of misclassification is unacceptable to the Committee and the Committee strongly recommend to avoid such mistakes and desires that perfection in the operation of accounting system is displaced by Ministry of Railways so that misclassification should not be repeated every year. Here the Committee would also like to draw attention of Ministry of Railways that in their Fifty-fourth Reports (14th Lok Sabha) had categorically recommended for a thorough review of the system in order to eliminate chances of misclassification. Notwithstanding the earlier recommendations, the Committee note that misclassification has taken place in the current year also. The needful is yet to be done to check the recurrence of misclassification, the Committee would like to know the measures taken hitherto to address the problem so that Committee's recommendation gets due weightage and it helps Railways not only as a corrective measure in obviating misclassification but also act as preventive measure too. The Committee also recommend to fix responsibility for the negligence in the duties of care.

[Sl. No. 6 Para No. 55 of 80th Report of PAC (14th Lok Sabha)]

Action Taken by the Ministry of Railways

Recommendations of the Public Accounts Committee regarding misclassification of expenditure have been noted for guidance. This Ministry have conveyed serious concern to the Zonal Railways for the Misclassification of expenditure during 2006-07 and have called for the Action Taken Report against the incidence of individual item. As a result of review of the Action Taken Reports received from the Zonal Railways, it has been noticed that the cases of misclassifications are occurring due to lack of adequate attention being given at the time of preparation of vouchers. FA&CAOs of the Railways concerned have been directed to take urgent steps in implementation of instruction already existing for close and concurrent review of booking of expenditure at various levels; test check of allocation recorded on vouchers; prompt reconciliation of the subsidiary books with the General Books and fixing up of responsibility for lapses at suitable levels. Instructions issued to the Railways also provide for regular reporting on punitive action taken for errors detected on this account. As a result, a number of staff have been taken up by the Railway fixing responsibility for the lapses.

Although the total elimination of instances of misclassification will be difficult to achieve in practice, mainly due to the sheer volume of transactions and their varying nature, it shall always be the endeavour of Ministry of Railways to avoid Misclassifications/Mistakes and minimize the same.

Audit *vide* their U.O.No. 9-RA-III/2-1/2008 dated 21-4-2009 made following observations:

Ministry of Railways is requested to place on record the copies of instructions issued in this regard. Ministry may place on record whether any thorough review of the system, as desired by the Committee in its Fifty-fourth Report (14th Lok Sabha), was undertaken in order to eliminate chances of misclassification. Results of the review of the system may be placed on record.

Ministry's Comments

Thorough review of the accounting system is done by this Ministry from time to time and instruction/guidelines are issued in order to eliminate the incidence of misclassifications/mistakes (copy enclosed). These instructions are reiterated from time to time with a view to ensuring proper maintenance of accounts and more stringent scrutiny. Instructions issued to the Railways also provide for regular reporting on punitive action taken for errors detected on this account.

However, it is difficult to ensure complete elimination of instances of misclassification in practice, mainly because of differences in the interpretation of the scheme if classification and accounting rules and partly because of the errors committed due to sheer volume and varying nature of transactions required to be handled at various level of the Railway organization. However, it is the endeavour of Ministry of Railways to keep the Misclassification/Mistakes at the minimum level.

Audit *vide* their U.O.No. 36-RA-III/2-1/2008 dated 17-6-2009 have observed that the following observations may be appended to the Action Taken Note:

"Railways need to strengthen their internal check mechanism both at pre-audit and post-audit stages, so that the cases of misclassification are detected at the initial stage and corrective action taken before closure of the annual accounts of the year".

Ministry's Comments

Instructions already exist for ensuring correct classification and to fix up staff for lapses in this regard. However, audit observations have been communicated to the Railways with the directives to strengthen the systems of pre and post-audit.

This has been seen and vetted by Audit *vide* their U.O.No. 55-RA-III/2-1/2008 dated 18-8-2009 with the remarks "Seen Thanks".

Sd/-

(B.N. MOHAPATRA)
Executive Director (Accounts)
Railway Board

[Ministry of Railways' case No. 2008-BC-PAC/XIV/80, dated 31-08-2009]

M.S. Khan

Additional Member (Budget)

D.O. No. 2008 APP/4-12/2007-08

Dated 29.01.2009

My dear/Dear Ms. **,

Sub.:— Misclassification of expenditure

—

The Public Accounts Committee has commented adversely on the lapses that had occurred by way of misclassification of expenditure in the Accounts of the Railways for the year 2006-07. The Committee have further stressed the need to probe such lapses and fix responsibility.

The persistence of the problem has resulted not only in adverse written communication from PAC to the Ministry, but also exposes the Board to repeated embarrassment during oral evidence.

In this regard your attention is invited towards FC (Rlys.'s D.O. letter No. 2004/APP/4-12/2003-04 dated 07.03.2005, addressed to the General Managers of all Zonal Railways/PUs/Units & copy endorsed to FA&CAOs, expressing concern over the increasing trend of the items of misclassifications and mistakes in accounting as reflected in Annexure 'J' of Appropriation Accounts. It was advised that the machinery may be tightened up at various levels to restrict the factors contributing to these items and a copy of Railway Board's letter suggesting certain measures to arrest the recurring incidence of misclassifications and other mistakes was attached along with D.O. *ibid*.

While reviewing the Appropriation Accounts—2006-07 Annexure 'J'—Statement of Misclassifications and Other Mistakes detected, it has been observed that the position is quite unsatisfactory. The number of items figuring in Annexure 'J' for the 2002-03 to 2007-08 years of your Railway is given as under:—

Rlys.	2003-04	2004-05	2005-06	2006-07	2007-08 (as advised by Rlys.)
ER	13	14	08	11	13
NR	12	17	21	19	28
NC	18	16	09	13	15
SR	17	25	25	20	15
SC	08	15	14	13	18
SW	10	15	12	16	25
WR	07	04	02	05	04

From the above, it is clear that the instructions/guidelines issued by the Railway Board from time to time have not borne the desired results. Instead of eliminating/

minimizing the number of incidence of misclassifications, their trend appears to have increased year after year, which is a matter of grave concern.

The increasing trend of misclassifications and other mistakes reflected in the Annual Appropriation Accounts of the railways has reached such a stage that it requires your personal attention. It is, therefore, advised that the matter may be given serious attention. A detailed report on the subject may please be furnished to the Board at the earliest.

Kindly acknowledge receipt.

Yours sincerely,

Sd/-

(M.S. Khan)

**FA&CAOs.

S. Shri/Smt. Arjun Rakshit/ER, Gurdeep Singh/NR, Vandana Singhal/NC, Vijaya Kanth/SR, S. Chandrasekaran/SC, Radha Variyar/S.W. and S. Ananthanarayanan/W. Railways.

Vijayalakshmi Viswanathan
Ph: 23382754

D.O. No. 2004.APP/4-12/2003-04

New Delhi, dated 7.03.2005

Dear Shri **,

Sub:—Statement of Misclassifications and Other Mistakes detected—
Annexure 'J'—2003-04.

As you are aware, Public Accounts Committee takes a very serious view on items of Misclassifications/Mistakes reflected in the Appropriation Accounts of the Ministry of Railways. Persistence/deterioration in this regard not only results in adverse written communication to the Ministry, but also exposes Board to repeated embarrassment during Oral Evidence.

In this regard, your personal attention is invited to the then Addl. Member (Budget)'s D.O. letter No. 2000 APP/7-2/PAC/Para 15 dated 13.10.2000 addressed to the General Managers/C.A.Os of All Indian Railways and a letter dated 11.02.2002 to General Managers a copy endorsed to FA&C.A.Os (copy enclosed), *vide* which the guidelines/instructions for curbing the increasing trend of Misclassifications and Other Mistakes were circulated for strict adherence.

In spite of the above instructions, a very large number of items of Misclassifications and Other Mistakes detected have again been included in Annexure 'J'—2003-04 and submitted by the various Zonal Railways/Units and the position has deteriorated as compared to last year, which is matter of grave concern.

A review of items reveals that some of the items requiring adjustments were pertaining to periods prior to 2003-04, but were not adjusted during 2003-04. Also, there are some items of misclassification between Minor-head/Sub-head/Detailed-head of grant not effecting the grant as a whole which do not merit inclusion in Annexure 'J' in terms of para 8.1 of Railway Board's letter No. 2004.APP/6-1/2003-04 dated 27-05-2004, however, these are also to be rectified. Moreover, the items which have previously appeared in Annexure 'J' due to misclassifications and are subsequently appearing due to non-rectification could have been avoided, if timely action had been taken as per the provision laid down in Para 922 of Indian Railway Financial Code (Vol.I)

As a result of detailed discussions held with audit at the Railway Board's level, some of these items could be dropped from Annexure 'J' for 2003-04, subject to reiteration of the existing instructions regarding booking of expenditure and earnings.

In order to curb the increasing trend of Misclassifications and Other Mistakes, there is an urgent need to reiterate the above instructions and tighten the machinery at

various levels. Concerted efforts need to be made to restrict the factors contributing to these items of misclassifications and mistakes in accounting.

Enc./As above

With best wishes,

Yours sincerely,

Sd/-

(Vijaylakshmi Viswanathan)

**General Managers/C.A.Os.,

S. Shri S.B. Ghosh Dastidar/CR, Shyam Kumar/ER, R.R. Jaruhar/NR, J.P. Batra/NE, A.K. Sanwalka/NF, Ramesh Chandra/SR, T.N. Perti./SC, R.R. Bhandari/SE, M.Z. Ansari/WR, J.P. Batra/EC, S.R. Choudhuri/E.Co, I.P.S. Anand/NC, S.B. Bhattacharya/NW, T.N. Perti/SW, D.K. Gupta/WC, A.K. Jain. NF (Const.), Pramod Kumar/SEC, R. Sivadasan/CLW, R. Sharma/DLW, Shivendra Kumar/ICF, MD. Sirazuddin/RCF, A.K. Gupta/DMW, Shivendra Kumar/RWF, Budh Prakash/CORE/ALD, P. Sudhakar/Metro/Kol., C.K. /MTP/Ch. and S.P. Vatsa/MTP/Mumbai.

Copy to FA&CAOs, All Indian Railways along with a copy of letter No. 2000 APP/7-2/PAC/Para 15 dated 13.10.2000 and 11.02.2002 for immediate action.

Encl./As above

Sd/-

(Sudhir Mathur)

Executive Director (Accounts)
Railway Board

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
RAILWAY BOARD

No. 2000 APP/7-2/PAC/Para 15

Dated 11.02.2002

The General Managers /C.A.Os.,
All Indian Railways.

Sub.:—Misclassification of expenditure.

Reference Para 1 of the then Additional Member (Budget)'s D.O. letter of even number dated 13-10-2000 (a copy enclosed for ready reference), the following instructions for curbing the increasing trend of Misclassifications and Other Mistakes are required to be strictly adhered to. These instructions are in addition to the instructions which have already been circulated earlier from time to time.

- Test check of at least 25% of vouchers, bills, pay orders etc. by the officers of Executive offices before its submission to Accounts office may be done as a regular measure.
- Complete check of allocation by the Accounts office staff, 25% check at the level of Section Officers and 10% check at the level of Gazetted Officers may be conducted. Failure to provide correct allocation by doing necessary corrections can form a performance rating factor for Finance and Bills passing section staff.
- The adjustments of transfer of materials from one unit to another do not materialise for want of funds during the year which results in the belated adjustments. This can be avoided if the transaction is adjusted in the same year's account and the material is collected/received where funds are actually available.
- The executives should plan out for the materials to be received during the financial year and provision of funds to release the bills. In case funds are not available, necessary arrangement like re-appropriation of funds may be planned so that the bills are not carried over to the next financial year.
- All stores transactions from one unit to other unit must be completed during the financial year itself.
- A set of proper allocation is advised to each dealer for his portion through ready concordance card showing the charges and allocation. Other allocations should be frozen for the year.

- Periodical workshops may be conducted in order to increase general awareness amongst the staff dealing with the allocation of charges in all Executive departments including Accounts.
- In view of the computerisation of Accounts and Executive offices the allocation can be computer generated as per activities of the units so as to avoid manual interference in allocating the expenditure.
- Since the accounts are computerised, the user should be made to enter the details of activity and the allocations generated by the software using the master data to eliminate the chances of misclassification of expenditure.

Kindly acknowledge receipt.

Sd/-

(R. Sivadasan)
Executive Director (Accounts)
Railway Board

Copy to F.A & C.A. Os, All Indian Railways for immediate action.

Sd/-

(R. Sivadasan)
Executive Director (Accounts)
Railway Board

P. Rajagopalan
Additional Member (Budget)

D.O. No. 2000 APP/7-2/PAC/Para 15

Dated 13-10-2000

Dear Shri ** ,

Sub:— Misclassification of expenditure

The Public Accounts Committee has taken a serious view of the recurring misclassifications that arise in the Annual Accounts of the Railways and has called for a comprehensive review of accounting systems in this regard. The increasing trend of misclassifications and other mistakes reflected in the Annual Appropriation Accounts of the railways does indicate the need for improvement through **changes in our system of working and better monitoring mechanisms.**

All pay orders, pay bills, stores/works bills, adjustment vouchers etc., are initially accorded a classification by the office that originates the transaction. This may be the office of an AEN, DPO, PWI/IOW, Stores Officer etc. Thus the first check on misclassifications must be exercised at the point of origin. For this it is necessary to introduce certain stringent measures for supervision and improvement in accuracy. Besides this, accountability of persons recording and checking the allocation of expenditure needs stricter monitoring. A few areas requiring urgent action are given below.

(1) A review of the nature of misclassifications that arise in the annual accounts highlights one specific area that needs in depth examination. This is accountal of transactions where an individual consignee is required to allocate expenditure on labour/material between two or more grants/minor heads. For eg:

- APWI may receive sleepers meant for maintenance under grant 4 as well as CTR works under Gt. 16. Allocation on the adjustment memos, should be based on quantity used in each work. Instead, very often, there is a tendency to book the entire quantity to one head.
- Material used for Wagons received in work shops for modification is often charged to POH cost.

A study may be conducted jointly by officers of the Accounts and other departments (Engineering, Electrical, Mechanical etc.), to determine measures that can be taken to prevent misclassification of expenditure in such cases. The report of the Railway may be sent to Board by 03-11-2000 so that a suitable P.O.O. may be prepared for uniform implementation on all railways.

(2) The budget allotment and related classification of expenditure for each unit

where transactions originate-cash/adjustment should be correlated and identified. This may be frozen for the year and stamps prepared for the limited classifications that can be operated by that unit. In a computerised environment this can be taken care of by the application software to limit the classification of expenditure that can be operated.

For eg:- classification of expenditure indicated on issue notes for stores would be correlated to the consignee and the range of choice can be limited and predetermined.

(3) All purchase orders/agreements/pay orders should carry correct classification of expenditure. This will be the responsibility of the agreement signing and vetting officers.

(4) Training modules and practical workshops must be held for both accounts and executive staff on correct allocation of expenditure.

(5) A list of relevant classification of expenditure details must be given to each member of staff in the transaction originating unit and bill passing/voucher processing staff in the Accounts Office, under clear acknowledgement.

(6) At present most vouchers are given an allocation at clerical levels in the executive offices and these are rarely reviewed by the Executive Officers. Test checks on allocation of expenditure may be made mandatory at gazetted level in the executive offices.

(7) Errors detected in the test check carried out at gazetted level must be brought to the notice of the controlling FA&CAO/PHOD and a report on the punitive measures taken may be sent quarterly to Board (EDA).

Please arrange to issue suitable instructions to your officers for ensuring that errors in classification of expenditure, delay in adjustment and other mistakes are prevented through better monitoring and training of staff. A feed back on the action taken on the areas highlighted above may be sent to me at the earliest so that Board may report compliance to the Public Accounts Committee.

Kindly acknowledge receipt.

Yours sincerely,

Sd/-

(P. Rajagopalan)

**General Managers/CAOs.

S. Shri Rajendra Nath/CR, Rana/ER, Mehta/NR, Garg/NE, Bisht/NF, Ajit Kishore/SR, Krithivasan/SC, Thoopal/SE, V.D. Gupta/WR, Rana/Metro/Cal, O.P. Gupta/DLW, Malhotra/ICF, Ojha/RCF, Wadhwa/DCW, Ramachandran/W&AP, Sharma/CLW, Amar Singh/MTP/Ch., Goyal/MTP/MB.

Copy to F.A. & C.A. Os for immediate action on items mentioned at 1 to 7 above.

Sd/-

(Anjali Goyal)

Director Finance (CCA)

Railway Board

CHAPTER V
OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT
HAVE FURNISHED INTERIM REPLIES

—NIL—

NEW DELHI;
21 February, 2011

2 Phalgun 1932 (Saka)

DR. MURLI MANOHAR JOSHI,
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE TWENTY-FIRST SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2010-11) HELD ON 3RD FEBRUARY, 2011

The Committee sat on Thursday, the 3rd February, 2011 from 1130 hrs. to 1250 hrs. in Room No. '62', First Floor, Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Shri Ramen Deka
4. Shri Naveen Jindal
5. Shri Bhartruhari Mahtab
6. Shri Yashwant Sinha
7. Shri Jitendra Singh (Alwar)
8. Kunwar Rewati Raman Singh
9. Shri K. Sudhakaran
10. Dr. M. Thambidurai
11. Shri Aruna Kumar Vundavalli

Rajya Sabha

12. Shri N. Balaganga
13. Shri Prasanta Chatterjee
14. Shri Kalraj Mishra
15. Shri N.K. Singh
16. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri M.K. Madhusudhan — *Additional Director*
3. Shri Sanjeev Sharma — *Deputy Secretary*
4. Shri D.R. Mohanty — *Deputy Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri R.S. Mathrani — Director General of Audit (Central Expenditure)
2. Shri C.M. Sane — Pr. Director of Audit (Air Force & Navy)
3. Ms. Ahladini — Director (Central Expenditure)
4. Shri Bhawani Shankar — Director (Economic Service & Ministries)

2. At the outset, the Chairman welcomed the Members and the representatives of the Office of the C&AG to the sitting of the Committee. The Chairman, then, apprised that the meeting was convened to consider six Draft Reports of the Committee. Accordingly, the Committee took up the following Draft Reports for consideration:

- (i) *****
- (ii) *****
- (iii) Draft Report on Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Eightieth Report (Fourteenth Lok Sabha) on **“Excesses Over Voted Grants and Charged Appropriations (2006-07)”**;
- (iv) *****
- (v) *****
- (vi) *****

3. After some discussions, the Committee adopted the Draft Reports mentioned at Sl. Nos. (i) to (v) with some modifications/amendments. While considering the Draft Reports mentioned at Sl. Nos. (iv) and (v), the Committee desired that the C&AG should conduct thorough audit of the Centrally Sponsored Schemes by devising a suitable mechanism in consultation with the Ministry of Finance so as to assure that the funds released by the Union to the States are spent in the prescribed manner to meet the intended objectives. The Committee also underlined the need for another audit of the Mid Day Meal Scheme in the six defaulting States namely Kerala, Jharkhand, Uttar Pradesh, Andhra Pradesh, Nagaland and Bihar. The Chairman requested the Members to give their respective suggestions to the Audit in this regard.

4. *****

5. The Committee authorized the Chairman to finalise the five Reports adopted by them, in light of their suggestions and the factual verifications received from the audit and present the same to the House on a date convenient to him.

6. The Chairman thanked the Members for their valuable suggestions on the consideration of the Draft Reports.

The committee then adjourned.

*****Matter does not pertain to this Report.

APPENDIX II

(Vide para 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR EIGHTIETH REPORT (FOURTEENTH LOK SABHA)

(i) Total No of Observations/Recommendations	—	11
(ii) Observations/Recommendations of the Committee which have been accepted by the Government:	—	Total: 7 Percentage-63.60%
Sl. Nos. 1, 3, 4, 5, 9, 10 and 11		
(iii) Observations/Recommendations which the Committee do not desire to pursue in view of The replies received from the Government	—	Total: 2 Percentage-18.20%
Sl. Nos. 7 and 8		
(iv) Observations/Recommendations in respect of Which replies of Government have not been Accepted by the Committee and which require Reiteration:	—	Total: 2 Percentage-18.20%
Sl. Nos. 2 and 6		
(v) Observations/Recommendations in respect of Which government have furnished interim Replies:	—	Total: 0 Percentage-0%
-NIL-		