PUBLIC ACCOUNTS COMMITTEE
(1999-2000)

SIXTH REPORT

(THIRTEENTH LOK SABHA)

EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (1997-98)

Presented to Lok Sabha on : 27.04.2000
Laid in Rajya Sabha on: 27.04.2000

L O K S A B H A S E C R E T A R I A T
N E W D E L H I
April, 2000 / Vaisakha 1922 (SAKA)

CONTENTS

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1999-2000)

Shri Narayan Datt Tiwari - Chairman

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SECRETARIAT

1. Shri P.D.T. Achary - Joint Secretary
2. Shri Devender Singh - Deputy Secretary
3. Shri B.S. Dahiya - Assistant Director

$ Ceased to be the Members of the Committee on completion of their tenure in Rajya Sabha w.e.f. 2 April, 2000

*** Ceased to be a Member of the Committee on completion of his tenure in Rajya Sabha w.e.f. 27 January, 2000**

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Sixth Report (Thirteenth Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations (1997-98)."

2. The Appropriation Accounts relating to Civil, Postal Services, Telecommunication Services and Railways were laid on the Table of the House on 29 October, 1999 and those for Defence Services on 14 December, 1999.

3. The Committee examined the cases of excess expenditure incurred by various Ministries/Departments of Union Government in 1997-98 on the basis of relevant Appropriation Accounts, observations of Audit as contained in the Reports of the C&AG for the year ended 31 March, 1998, the explanatory notes and other information furnished by the various Ministries/Departments concerned. They also took oral evidence of the Ministries of Communications (Department of Telecommunications), Railways (Railway Board) and Surface Transport at their sittings held on 21 January, 2000; 3 February, 2000 & 24 March, 2000 and 23 March, 2000 respectively on the subject matter. The Committee considered and finalised this Report at their sitting held on 20 April, 2000. Minutes of the sitting form Part-II of the Report.

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

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

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

NARAYAN DATT TIWARI,
CHAIRMAN,
PUBLIC ACCOUNTS COMMITTEE

NEW DELHI';
24 April, 2000
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4 Vaisakha , 1922 (Saka)

R E P O R T

EXCESS EXPENDITURE OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (1997-98)

INTRODUCTORY

A. ANNUAL APPROPRIATION ACCOUNTS OF THE UNION GOVERNMENT

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

2. Presently, five separate Appropriation Accounts are presented to Parliament according to different sectors of activities of the Union Government viz., Civil, Defence Services, Postal Services, Telecommunication Services and Railways. The Appropriation Accounts relating to grants/appropriations (in a Demand for Grants, provision for the charged expenditure is called an appropriation and that for voted is called a grant.) covered under civil sector are prepared by the Controller General of Accounts in Ministry of Finance and those pertaining to grants/appropriations for Defence Services, Post, Telecommunications, and Railways are prepared by the respective Ministries. These Appropriation Accounts are audited and certified by the Comptroller and Auditor General of India who also submits separate Audit Reports thereon to the President who, in turn, causes them to be laid before each House of Parliament in terms of Article 151 of the Constitution of India.

3. After their presentation to Parliament, these annual Appropriation Accounts of the Union Government and Audit Reports thereon stand referred to the Public Accounts Committee for examination under the provisions of Rule 308** of Rules of Procedure and Conduct of Business in Lok Sabha.

4. In scrutinising the Appropriation Accounts of the Government of India and the report of the C&AG thereon, it is the duty of the Committee to satisfy themselves- that the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which have been applied or charged; that the expenditure conforms to the authority which governs it; and that every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by competent authority.

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

B. Union Government Appropriation Accounts for 1997-98

5. The following table indicates the dates on which the five Appropriation Accounts of the Union Government for the year 1997-98 were laid on the Table of the House:-

Appropriation Accounts	Date on which laid on the Table of the House
Civil	29.10.1999
Defence Services	14.12.1999
Postal Services	29.10.1999
Telecommunication Services	29.10.1999
Railways	29.10.1999

** This Rule defines the functions of the Public Accounts Committee

6. The results of the examination by Audit of aforesaid Appropriation Accounts (1997-98) have been brought out in the following Audit Reports:-

Sl. No	Name of Appropriation Accounts	Report in which audit findings are highlighted
1.	Civil	Part-II of Audit Report No.1 of 1999
2.	Defence Services	Chapter-I of Audit Report No. 7 of 1999
3.	Postal Services	Chapter 7 of Audit Report No.6 of 1999
4.	Telecommunication Services	Chapter 2 of Audit Report No. 6 of 1999
5.	Railways	Chapter-I of Audit Report No. 9 of 1999.

7. The scrutiny of the Union Government Appropriation Accounts for the year 1997-98 and the audit observations thereon have revealed that a large number of Ministries/Departments have defaulted, in one area or the other, in observing the prescribed financial rules. The Committee will be presenting their Reports to Parliament separately on Appropriation Accounts, in due course, covering the various aspects of exchequer control and defaults in observance of financial rules and regulations on the basis of the written information made available and oral evidence tendered before the Committee by the Ministries/Departments concerned.

8. In this Report, the Committee have dealt with the cases of those grants/appropriations where moneys have been spent in excess of the amount authorised by Parliament for specified services in the year 1997-98 and which require regularisation by Parliament under Article 115(1)(b) of the Constitution of India.

C. Procedure for Regularisation of Excess Expenditure

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

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

Rules laid down for control of expenditure

11. Article 114(3) of the Constitution stipulates that subject to the provisions of articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law passed in accordance with the provisions of article 114. The Constitution also specifies under article 267(1) that Contingency Fund of India will be at the disposal of the executive to enable advances to be made for the purposes of meeting unforeseen expenditure pending authorisation of such expenditure by Parliament by law under articles 115 and 116.

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

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

Further, Government of India's Decision (6) below Rule 66 clearly mentions that the authority administering a grant/appropriation and not the Audit Officer/Accounts Officer is ultimately responsible for the control of expenditure against the grant/appropriation.

14. Indian Railway Financial Code, Volume-I also addresses the issue of excesses over grants in so far as Railway finances are concerned . According to paragraphs 371 of this code, the Railway administration shall be responsible to ensure that no expenditure is incurred in excess of the Budget allotments made to them and the General Manager should report the position to the Railway Board and apply for additional funds should it become apparent at any time that the grant for the year is likely to be exceeded for any cause whatsoever. The codal provisions under paragraph 369 embodies that it is the responsibility of the Railway Board to ensure that the total expenditure against a grant voted by Parliament or appropriation sanctioned by the President does not exceed the amount of the grant or appropriation (including supplementary provisions).

15. Similar provisions also exist under paragraphs 782 and 783 of P&T Manual, Volume II which, *inter-alia* prescribe that control in relation to budget allotments must secure that expenditure is not incurred under any head in excess of the funds allotted to that head. It has also been clarified that Heads of Circles must realise that unless their allotments are actually increased by the higher authority or special authority is formally conveyed to them to spend in excess, they will be held responsible that the funds allotted to them for expenditure under each head are not exceeded.

II. EXCESS EXPENDITURE OVER VOTED GRANTS AND CHARGED APPROPRIATIONS DURING 1997-98

16. A scrutiny of the Union Government Appropriation Accounts for the year 1997-98 has revealed the following position about the number of cases of excess registering grants/appropriations and the break-up of excess expenditure during the year under review:-

Sl. No.	Appropriation Accounts	No. of cases of excess registering Grants/appropriations[1]*	Amount of excess (in Rupees)
1.	Civil	2	13,66,08,367
2.	Defence Services	--	--
3.	Postal Services	--	--
4.	Telecommunication Services	1	356,41,00,000
5.	Railways	7	161,73,30,944
	Total	10	5,31,80,39,311

However, the explanatory note furnished by the Ministry of Railways for regularisation of excess expenditure incurred by them over Voted Grants/Charged Appropriations during 1997-98 has revealed that there was a misclassification of expenditure of (+) Rs.60,85,304 under Grant No.8 – operating Expenses – Rolling Stock and Equipment and (-) Rs.2,00,37,815 under Grant No.16-Assets- Acquisition, Construction and Replacement –Railway Funds. After taking into account the effect of these cases of misclassification, the actual excess expenditure relating to Railways worked out to Rs.160,33,78,433 instead of Rs.161,73,30,944 as indicated in the relevant Appropriation Accounts. Thus, the amount of actual excess expenditure during the year 1997-98 which requires regularisation by Parliament under Article 115(1)(b) of the Constitution is of the order of Rs.530,40,86,800 incurred in 10 cases under excess registering grants/appropriations.

17. The details of these 10 cases where moneys have been spent in excess of the amounts authorised for the services during the year 1997-98 are given below:-

Sl. No	No.& Name of Grant/ Appropriation	Ministry/ Department	Final Grant	Actual Expenditure	Excess Expenditure
1.	2.	3.	4.	5.	6.
I. Appropriation Accounts (Civil)					
VOTED GRANTS					
(In units of Rupees)					
REVENUE SECTION					
1.	80-Ports,Light houses and shipping	Surface Transport	281,09,00,000	294,74,98,367	13,65,98,367
CAPITAL SECTION					
2.	47-Transfers to Union Territory Governments	Home Affairs	283,46,00,000	283,46,10,000	10,000
II - Appropriation Accounts (Telecommunication Services)					
REVENUE SECTION					
3.	14-Tele-communication Services	Communi-cations(Deptt. of Tele-Communi-cations)	15214,43,00,000	15570,84,02,812	356,41,02,812
III.Appropriation Accounts (Railways)					
VOTED GRANTS					
4.	8-Operating Expenses- Rolling	Railways	1919,45,89,000	1957,49,27,455	38,03,38,455*–*

	Stock & Equipment				
5.	10- Operating Expenses – Fuel	Railways	4628,46,00,000	4667,04,80,429	38,58,80,429
1.	2.	3.	4.	5.	6.
6.	14-Appropri-ation to Funds-Depreciation Reserve Fund, Development Fund, Pension Fund,Capital Fund	Railways	6751,00,00,000	6816,22,70,549	65,22,70,549
7.	16-Assets-Acquisition, Construction & Replacement – Railway Funds	Railways	4095,58,26,000	4114,72,76,107	19,14,50,107** **
CHARGED APPROPRIATIONS					
8.	3 - General Super-intendence and Services	Railways	1,42,000	1,59,943	17,943
9.	4 - Repair & Main- tenance of Permanent way & Works	Railways	4,57,000	8,48,493	3,91,493
10.	9- Operating Expenses – Traffic	Railways	4,72,000	74,53,968	69,81,968

The above statement reveals that out of 10 cases of excess over Voted Grants/Charged Appropriations, the excess expenditure in six cases was over Rs. 10 crore each. In the case of Civil Accounts, the excess expenditure of over Rs.10 crore had occurred under Voted portion of Revenue Section of Grant No.80 –

Ports, Lighthouses and Shipping. In the case of Telecommunication Services the lone grant No.14-Telecommunication Services incurred excess expenditure of Rs.356.41 crore which is 67.19 per cent of total excess expenditure occurred during the year under review. In the case of grants/appropriations administered by the Ministry of Railways an excess expenditure amounting to Rs.160.34 crore (inclusive of misclassification of expenditure) was incurred in seven cases out of which an excess of over Rs.10 crore each was recorded in four cases with their Grant No.14 taking a lead with an excess of Rs.65.23 crore followed by excesses of Rs.38.64 crore under Grant No.8, Rs.38.59 crore under Grant No.10 and Rs.17.14 crore under Grant No.16 (Railway Funds).

18. The complete text of explanatory notes furnished by the Ministries/Departments concerned with the regularisation of excess expenditure incurred during the year 1997-98 is reproduced in Appendices I to IV of this Report.

A scrutiny of the relevant accounts and explanatory notes reveals that the excess expenditure during 1997-98 had occurred even after the Ministries/Departments obtained supplementary grants/appropriations in nine cases to meet their additional requirement as is evident from the table given below:-

Sl. No.	No.& Name of Grant/ Appropriation	Amount of supplementary Grant/Appropriation (Rs. in crore)	Amount of Excess Expenditure (Rs. in crore)
1.	47-Transfers to Union Territory Governments	24.62	.001
2.	80-Ports, Lighthouses and Shipping	47.87	13.66
3.	14-Department of Telecommunications	185.49	356.41
4.	Railways – Grant/ Appropriation Nos.(3,4, 9,10,14 & 16 (Railway Funds)	1327.40	160.34

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

Year	No. of Excess registering Grants/ Appropriations	Excess Expenditure (Rs. in crore)
1993-94	16	1240.35
1994-95	15	481.09
1995-96	9	745.80
1996-97	21	706.72
1997-98	10	530.41

III. Examination of select cases of Excess Expenditure

21. In the succeeding paragraphs, the Committee have dealt with some of the prominent cases involving excess expenditure during 1997-98 in the light of the facts brought out in the relevant Appropriation Accounts and audit observations thereon, the explanatory notes furnished by the Ministries/Departments concerned and the oral evidence tendered by the representatives of the selected Ministries/Departments.

(A) Appropriation Accounts (Civil)

Revenue section (Voted) of Grant No.80-Ports, Lighthouses and Shipping

22. Under Revenue section (Voted) of Grant No.80-Ports, Lighthouses and Shipping, the Ministry of Surface Transport incurred an expenditure of Rs.294.75 crore against the total sanctioned provision of Rs.281.09 crore resulting in an excess expenditure of Rs.13.66 crore although supplementary grant of Rs.47.87 crore was obtained in August, 1997 and March, 1998.

23. The complete text of the reasons for excess expenditure incurred under various sub-heads of this Grant, as furnished by the Ministry of Surface Transport is reproduced at Appendix-II.

24. In their explanatory note, the Ministry stated that the excess of Rs.13.66 crore was the net effect of total excess of Rs.53.45 crore and total savings of Rs.39.79 crore under various sub-heads of the Grant. A scrutiny of the explanatory note reveals that bulk of the excess expenditure was registered under MH 3051-Port and Lighthouses-05 General Reserve Fund which alone accounted for an excess of Rs.36.54 crore as against the original provision of Rs.21.52 crore during 1997-98. Explaining this excess, the Secretary (Shipping) stated during evidence:

"……The Directorate of Light Houses follows a different accounting system. The dues of the Light House Department are collected by the customs authorities. The Directorate estimates the Budget estimates in the beginning, taking into account their expenditure as well as their dues that are likely to be collected. Accordingly they are authorised under their rules to incur their expenditure upto the budget provisions. But the excess collected goes to the Consolidated Fund of India. In this case, there was excess realisation of the light dues during 1997-98. Therefore, this excess expenditure which is due to more receipts of light dues has been shown. This amount has been transferred to General Reserve Fund."

25. In reply to a related question why supplementary provision for this excess expenditure could not be made, the Secretary (Shipping) deposed:

"…The point made by you is well taken. This would be rectified during the supplementary grants on the basis of actual accruals of the customs for the previous year. We will take care of this aspect and rectify the excess. There may be some excess but the figures show that the excess has been enormous here. So, the realisation of dues has not been estimated on a realistic basis….."

26. The Committee's scrutiny of this Grant also reveals that this minor head "General Reserve Fund" had also registered on excess expenditure of Rs.9.46 crore during the year 1994-95 with the same contributory

reasons.

27. It is also noticed from the explanatory note furnished by the Ministry that excess expenditure of the order of Rs.2.79 crore was incurred under minor heads "Minor Ports' and "Lighthouses and Lightships" due to payment of salary and arrears consequent on implementation of Vth Pay Commission Report.

Appropriation Accounts (Telecommunication Services)

Revenue Section (Voted) of Grant No.14-Department of Telecommunications

28. The Appropriation Accounts of the Telecommunication Services reveals that there was an overall excess of Rs.356.41 crore over the authorised provisions in the Revenue section (Voted) of Grant No.14 during the year 1997-98.

29. The explanatory note on the circumstances leading to excess expenditure during the year 1997-98 as furnished by the Department of Telecommunications is reproduced at Appendix-III.

30. It is seen from the explanatory note furnished by the Department of Telecommunications that the excess under this Section is cumulative effect of excess under MH 3231 – Appropriation from Telecom Surplus (Rs.432.37 crore), MH.2852-Industries – Expenditure met from National Renewals Fund (Rs.11.49 crore), MH.3451 – Secretariat (Rs.0.22 crore) set off by savings under MH.3225-Working Expenses (Rs.50.46 crore) and MH.3275 – Other Communication Services (Rs.37.21 crore) as indicated below:-

(Rs. In crore)

Major Head	Sanctioned Grant	Actuals	Variations
3451-Secretriat	3.45	3.67	(+)0.22
2852-Industries	20.01	31.50	(+)11.49
3225-Telecom Services(W.E)	8444.03	8393.57	(-)50.46
3230-Dividend to Genl Revenue	286.50	286.50	----
3231-Appropriation from` Telecom Surplus	6313.97	6746.34	(+)432.37
3275-Other Comm. Services	146.47	109.26	(-) 37.21
TOTAL	15214.43	15570.84	(+)356.41

31. It may be pointed out that the excess expenditure over the sanctioned budget in the Revenue Section (Voted) of this Grant has been a recurring feature since 1995-96 as would be seen from the following table:-

(Rs. in crore)

Year	Amount of Excess

	Expenditure
1995-96	60.49
1996-97	448.07
1997-98	356.41

32. One of the main reasons for excess expenditure during all these years has been more appropriations made from Telecommunication Surplus to Capital Reserve Fund than the budgeted amounts. According to the Department of Telecommunications, excess appropriations were made to Capital Reserve Funds due to more surplus available on account of more Revenue receipts and less working expenses.

33. Incidentally, it may be pointed out that the Department of Telecommunications had been persistently making excessive appropriations than the budgeted figures excess under the head "Capital Reserve Fund" from 1995-96 as per details given below:-

Year	Quantum of excess expenditure (Rs. in crore)
1995-96	556.85
1996-97	960.45
1997-98	1467.56

34. Expressing their displeasure over this excess expenditure, the PAC in Paragraph 54 of their 1st Report (12th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (1996-97)" had, *inter-alia,* observed as follows:-

"The Committee's examination of the Appropriation Accounts of the Telecommunication Services revealed that the Department of Telecommunications registered an aggregate excess expenditure of Rs.448.07 crore under Revenue section (voted) of Grant No.14 during the year 1996-97. According to the Department, this excess expenditure was mainly attributable to excessive appropriations made to the Reserve Funds on account of more surplus having been generated due to realisation of more revenue and incurring of less working expenses during the year under review. A scrutiny of explanatory note furnished in this regard revealed that the Department had exceeded the authorised provisions by Rs.943.95 crore for appropriation from Telecom surplus which was partly off set by the savings of Rs.504.34 crore under "Working Expenses". The Committee's detailed analysis of the Appropriation Accounts for the preceding two years, however, revealed that the Department of Telecommunications had persistently made such appropriations from Telecom surplus to Reserve Funds in excess of authorised provisions to the extent of Rs.259.28 crore in 1994-95 and Rs.520.28 crore in 1995-96. Incidently, both those years witnessed large scale unspent balances under "Working Expenses" amounting to Rs.605.88 crore in 1994-95 and Rs.419.22 crore in 1995-96 . Taking note of this recurring trend of excess expenditure of similar nature leading to excessive appropriations to Reserve Funds from 1994-95 onwards, the Committee feel convinced that the Department of Telecommunications had been vitiating the budgetary process and generating a sort of artificial surplus for enhancing appropriations to their Reserve Funds by registering large scale savings under various heads relating to “Working Expenses of the Telecommunication Services”. While expressing their displeasure over the manner in which the Department had indulged in making increased appropriations to their Reserve Funds in excess of the amounts authorised by Parliament, the Committee desire that the Department should urgently undertake a thorough review of their budgetary systems in right earnest so as to avoid excess expenditure and violation of budgetary ceilings of this nature in future”.

C. Appropriation Accounts (Railways)

35. During 1997-98, the Ministry of Railways incurred an excess expenditure of Rs.161.73 crore under seven grants/appropriations. The details of these excess registering grants/ appropriations have already been given in paragraph 17 of this Report.

36. The complete text of the explanatory notes furnished by the Ministry of Railways for regularisation of excess expenditure incurred during 1997-98 is enclosed at Appendix IV.

37 A scrutiny of the explanatory note furnished by the Ministry of Railways reveals that “Grant No. 8 – Operating Expenses – Rolling Stock and Equipment” accounted for an excess of Rs.38.03 crore. It is also seen from the explanatory note that the actual expenditure exceeded the total sanctioned provisions under minor head “Carriages and Wagons” (Rs.12.17 crore) on account of increased maintenance activity and under minor head “Traction (Other than Rolling Stock) and General Electrical Services” (Rs.99.56 crore) due to more contractual payments made for direct power supply and adjustment of more debits at enhanced rates due to revision in power tariffs. It is also seen from the explanatory note that the Ministry did not take any supplementary provision to meet their excess requirement of funds under this Grant.

38. Incidentally, the Grant No.8-Operating Expenses –Rolling Stock and Equipment has been persistently recording excess expenditure from the year 1993-94 onwards as per details given below:-

Year	Amount of Excess expenditure (Rs. in crore)
1993-94	35.56
1994-95	1.82
1995-96	7.77
1996-97	24.13
1997-98	38.03

39. Further, out of the total seven Minor Heads under this Grant, there has been persistent excess in the Minor head “Traction (other Rolling Stock) & General Electrical Services” since 1990-91 onwards as is evident from the table given below:-

Year	Amount of Excess expenditure

	(Rs. in crore)
1990-91	15.22
1991-92	28.53
1992-93	18.98
1993-94	23.94
1994-95	16.32
1995-96	12.19
1996-97	29.68
1997-98	99.56

40. The scrutiny of Grant No. 10-Operating Expenses – Fuel has revealed that there was an overall excess expenditure of Rs.38.59 crore during the year 1997-98 against the sanctioned provision of Rs.4628.46 crore.

41. The detailed scrutiny of this Grant has revealed that the Grant has three Minor Heads i.e., Electric Traction, Steam Traction and Diesel Traction to record the cost of fuel consumed for traction purpose. In respect of the Minor Head "Electric Traction" there was an excess expenditure of Rs.105.16 crore. After setting off the saving of Rs.66.57 crore under the other two Minor Heads, the net excess under this Grant was Rs.38.59 crore. According to the Ministry the excess expenditure of Rs.105.16 crore under Minor Head "Electric Traction" was mainly due to incurrence of more expenditure on account of increased Electric Traction activity and revision in tariff rates of Electricity by the various Electricity Boards. It would be seen from the explanatory note furnished by the Ministry that a Supplementary Grant of Rs.160.31 crore was obtained in March, 1998 to meet the increase in cost of HSD oil and Electricity Tariff.

42. The Committee's examination of Grant No. 14 – Appropriation to Funds-Depreciation Reserve Fund, Development Fund, Pension Fund and Capital Fund also revealed that out of the total expenditure incurred by the Ministry of Railways during the year 1997-98, this Grant alone accounted for an excess expenditure of Rs.65.23 crore against the total sanctioned grant of Rs.6751 crore. In this regard the Audit in a note submitted to the Committee during evidence have, inter-alia highlighted: "The amount for such appropriation is fixed by Railway Convention Committee of the Parliament. The Railway Convention Committee in their Third Report (11th Lok Sabha) had agreed with the proposal of the Ministry of Railways that the contribution to the DRF for 1997-98 may be kept at Rs.2000 crore, subject to minor adjustments and the capacity of the system to generate internal resources. Similarly, the Committee fixed Rs.1024 crore as the amount of appropriation to Capital Fund. Against the budgeted contribution of Rs.2000 crore to DRF, the Ministry actually appropriated only Rs.1904 crore to DRF and transferred Rs.96 crore by reappropriation to Capital Fund. This resulted in Capital Fund being appropriated in excess by Rs.165.89 crore over the budgeted level of Rs.1024 crore, as fixed by the Railway Convention Committee. On the other hand, the actual expenditure from DRF was Rs.1983.28 crore against the Revised Estimate of Rs.1904 crore (Original Budget Rs.2000 crore). The reappropriation of Rs.96 crore, purportedly under the delegated powers of the Ministry against the level fixed by the Parliamentary Committee and in the light of actual expenditure was not convincing."

Misclassification of expenditure

43. The scrutiny of the relevant Appropriation Accounts reveals that the misclassification of expenditure has

become a recurring phenomenon in the case of Railway Accounts and a large number of cases of misclassification of expenditure had again occurred even during the year 1997-98. The following table indicates the number of cases of misclassification of expenditure during the last four years:-

Year	No. of cases
1994-95	33
1995-96	54
1996-97	80
1997-98	80

44. Taking a serious view of the recurring nature of misclassification of expenditure, the Public Accounts Committee in paragraph 56 of their First Report (12th Lok Sabha) presented to Parliament on 8 December, 1998 had desired that stringent measures be taken to avoid such misclassifications in future and responsibility fixed for the glaring errors. In their action taken note, the Ministry stated that :-

"Cases of misclassification of expenditure, broadly fall under two categories viz., those arising out of differences of opinion regarding to the interpretation of allocation rules and those resulting from lack of adequate care at the time of preparation of vouchers. The cases which arise as a result of lack of care and which, could therefore, have been avoided have been viewed seriously. Responsibility of concerned staff/officers has been fixed and they have been taken up for the lapses. It is hoped, that, with the above measures, the incidence of avoidable misclassifications will come down. The instructions to the various levels will once again be reiterated so that the rules are correctly understood and followed by all concerned."

CONCLUSIONS AND RECOMMENDATIONS

45. The Committee find that an expenditure of the order of Rs.530.41 crore had been incurred by four Ministries/Departments of the Union Government in excess of the funds authorised by Parliament under 10 grants/appropriations during the year 1997-98. The Committee are particularly distressed to observe that as in the preceding year, the bulk of the excess expenditure i.e., Rs.356.41 crore had occurred under the loan grant operated by the Department of the Telecommunication which alone accounted for over 67 per cent of the total excess expenditure incurred during the year under review. Amazingly, the quantum of excess expenditure had exceeded even Rs.10 crore each in as many as six out of total 10 grants/appropriations which registered excess expenditure. What is still more disconcerting is the fact that this excess expenditure had occurred despite obtaining the supplementary provisions amounting to Rs.1585.37 crore in nine cases of excess registering grants/appropriations. Considering the fact that supplementary funds in most of these cases were obtained in March 1998, the Committee are in no doubt that the Ministries/Departments concerned had once again failed to assess their actual requirement of funds even at the fag-end of the year when they had adequate data on the trend of expenditure as well as their committed liabilities. An analysis of the reasons for excess expenditure during 1997-98, which have been discussed in some details in the succeeding paragraphs of this Report, clearly indicate that lack of proper accounting information systems and non-observance of prescribed financial rules were the main contributory features for incurrence of expenditure beyond limits sanctioned by Parliament. Although the Constitution as well as the General Financial Rules and the provisions in various Departmental codes clearly stipulate that no money shall be drawn from the Consolidated Fund of India except under appropriation made by law and that no expenditure shall be incurred over and above the total grants or

appropriations authorised by Parliament by law for a financial year except after obtaining supplementary funds or an advance from the Contingency Fund, the Committee are constrained to observe that some Ministries/Departments of Union Government continue to display callous attitude towards rules laid down for containing the expenditure within the authorised limits. While viewing this state of affairs with grave concern, the Committee would like to emphasise that the Secretary, Department of Expenditure in the Ministry of Finance should strongly and effectively draw the personal attention of the Secretaries in all the Ministries/Departments of the Union Government to bear in mind that excess expenditure is "unauthorised" expenditure and that the authority administering a grant/appropriation would be held personally responsible for the control of expenditure against the sanctioned provisions in terms of the instructions issued by Department of Expenditure on 17.10.94 in pursuance of the recommendation made by the Committee in paragraph 1.20 of their 60th Report (10th Lok Sabha). The Committee also desire the Department of Expenditure to impress upon all the Ministries to ensure rigid enforcement of prescribed financial rules and procedures so as to contain the instances of excess expenditure only to genuine and inevitable payments. Steps should also be taken to deal sternly with cases where any slackness is noticed in observance of prescribed financial rules.

46. In this context, the Committee further recommend that the Department of Expenditure should issue clear-cut instructions to all the Ministries/ Departments laying down that the explanatory notes on excess expenditure wherever incurred during the year 2000-2001 and onwards, should invariably be furnished to the Committee giving explicit details of the circumstances which led to overall excess under a grant or appropriation; the specific action taken by the grant administering authority in the Ministry/Department concerned to obtain additional funds or an advance from the Contingency Fund wherever the existing provisions were not found sufficient and consequently the grant as a whole got exceeded and action taken to fix responsibility in case of default in observance of prescribed financial rules.

47. The Committee find from their scrutiny of select cases of excess registering grants that under Revenue Section(Voted) of Grant No.80-Ports, Lighthouses and Shipping, the Ministry of Surface Transport had incurred an expenditure of Rs.13.66 crore over and above the sanctioned provisions of Rs.281.09 crore which included supplementary provisions of Rs.47.87 crore obtained in August 1997 and March 1998. The Committee's scrutiny of the Appropriation Accounts has revealed that but for the savings under various sub-heads, the overall excess expenditure under this grant would have been much more as an excess of Rs.36.53 crore alone had occurred under the sub-head "General Reserve Fund". According to the information made available to the Committee, the Directorate of Lighthouses follows a different accounting system whereby the dues of the Lighthouse Department are collected by customs authorities and the same goes to Consolidated Fund of India as receipts which are subsequently transferred to "General Reserve Fund" after deducting actual expenditure under Revenue Section. Although the Ministry have pleaded that there was no cash flow under this sub-head and only book adjustment was carried out at the end of the financial year, yet the fact remains that the budgetary projections under this head went awry to such an extent that the grant as a whole got exceeded. During his deposition before the Committee, the Secretary (Shipping) also conceded that the excess under this head had been enormous and the realisation of dues had not been estimated on a realistic basis. Incidentally, this sub-head had also registered an excess expenditure of Rs.9.46 crore during the year 1994-95 with the same contributory reasons. While expressing their unhappiness over unrealistic budgetary projections made under this sub-head, the Committee desire the Ministry of Surface Transport (Department of Shipping) to carefully review the efficacy of their budgetary mechanism and apply necessary correctives wherever required. They would also like to be apprised of the precise steps taken in the right direction.

48. During the course of their examination of the cases of excess expenditure the Committee found that the Revenue Section (Voted) of Grant No.14-Telecommunication Services recorded an overall excess of Rs.356.41 crore during the year 1997-98. In their explanatory note to the Committee, the Department of Telecommunication attributed this excess expenditure mainly to the increased appropriation made from Telecom Surplus on account of enhanced generation of revenue due to more receipts from VSNL. Significantly, the Department of Telecommunication Services had been persistently making appropriations in excess of the budgeted figures from Telecom surplus to their Reserve Funds during the preceding three years. Taking note of this recurring trend of excess expenditure of similar nature from 1994-95 onwards, the Committee in their first Report (12th Lok Sabha) had inter-alia, observed that the Department of Telecommunications had been vitiating the budgetary process and generating a sort of artificial surplus for enhancing appropriations to their Reserve Funds by registering large scale savings under working expenses of the Telecommunication Services and desired that the Department should undertake a thorough review of their budgetary system in right earnest so as to avoid excess expenditure and violation of budgetary ceilings of this nature in future. Although, the Department have once again pleaded that the appropriations of surplus to Reserve Funds is an accounting adjustment of the operating surplus of the Department and does not involve any cash outgo, yet the fact remains that the expenditure estimates of the Department were not framed realistically and there were large scale savings in a number of sub-heads under working expenses. While expressing their unhappiness over this dismal state of affairs, the Committee desire the Department of Telecommunications to critically examine and analyse the reasons for recurring phenomenon of excess expenditure of this nature and take remedial measures to revamp their budgetary systems so that violations of budgetary ceilings of this nature are avoided in future.

49. The Committee note from the Appropriation Accounts of the Ministry of Railways for the year 1997-98 that an expenditure aggregating Rs.161.73 crore had been incurred over and above the sanctioned provisions under seven grants/appropriations operated by the Ministry of Railways. After taking into account the effect of misclassification, the actual excess expenditure requiring regularisation worked out to Rs.160.34 crore instead of Rs.,161.73 crore as depicted in the relevant Appropriation Accounts. To the utter dismay of the Committee, excess expenditure of over Rs.10 crore each had been incurred under all the four cases of excess registering grants. What is still more disturbing is the fact that this excess expenditure had occurred despite obtaining supplementary provisions amounting to Rs.1327.40 crore in six cases out of seven excess registering grants/appropriations. Evidently, the Railways have once again failed not only in keeping the required vigil over the trend of expenditure but also in assessing properly their actual requirement of funds even while seeking supplementary provisions at the fag-end of the year. It is rather distressing that inspite of repeated exhortations by the Committee for ensuring strict observance of financial principles to contain the excess expenditure to the barest minimum, the Ministry seem to have taken no appropriate steps in right direction. In view of the persisting trend of excess expenditure being incurred by Railways year after year, the Committee feel that the budget wings and accounting formations both at the level of Railway Board and Zonal Railways need to be modernised and fine tuned to take advantages of the advances made in the field of information technology so as to evolve a reliable mechanism with a view to ensuring regular flow of requisite information from the field formations for the purposes of framing expenditure estimates on a realistic basis as well as for taking timely action to contain the expenditure within the budgetary allocations. The Committee would like to be apprised of precise steps taken in this regard.

50. The Committee note that Grant No.8 – “Operating Expenses – Rolling Stock and Equipment” registered an excess expenditure of Rs.38.64 crore. Distressingly, the Ministry of Railways did not procure any supplementary funds to meet their additional requirement of funds under this grant particularly when excess

expenditure under this grant has been a recurring feature from 1993-94 onwards. Surprisingly enough, a scrutiny of the explanatory note furnished by the Ministry revealed that an excess of Rs.111.73 crore had occurred under two minor heads viz., "Carriages and Wagons" (Rs.12.17 crore) and "Traction (other than Rolling Stock) and General Electrical Services" (Rs.99.56 crore). What is still worse is the fact that the minor head "Traction (other than Rolling Stock) and General Electrical Services" has been persistingly recording excess expenditure from 1990-91. Clearly, the Ministry of Railways have not drawn any lessons from their past experience. In the opinion of the Committee, this endemic tendency on the part of Ministry of Railways to exceed the budgetary ceilings under this grant is a sad commentary on the manner in which this grant is being administered by the Ministry. The Committee hope that the Ministry of Railways would atleast now act by taking concrete measures to effect improvements in the management of this grant.

51. Under Grant No.10 – Operating Expenses – Fuel, the Ministry of Railways obtained supplementary provisions of the order of Rs.160.31 crore in March 1998 to meet the increase in cost of HSD oil and Electricity tariff and yet incurred an overall excess of Rs.38.59 crore under this grant during 1998-99. The Committee however, find that while the minor head "Electric Traction" finally registered an excess expenditure of Rs.105.16 crore mainly due to revision in tariff rates of electricity by the various State Electricity Boards etc., the minor head "Diesel Traction" recorded a saving of Rs.56.38 crore mainly due to less consumption of HSD oil. This clearly shows that the Ministry have not been able to anticipate and assess the precise requirement of funds under this grant even in the closing month of March 1998 when they sought supplementary provisions. The Committee are of the view that unless some tangible and innovative steps are taken to ensure the realistic assessment of requirement of funds by the Zonal Railways, the position is not going to improve. The Committee would like to be apprised of the steps taken by the Ministry of Railways in this direction.

52. The Ministry of Railways also incurred an excess expenditure of Rs.65.23 crore under Grant No.14 – Appropriation to Funds. As in the past, the Ministry have pleaded that the excess under this grant is in the nature of "technical excess" arising from improved financial results during that year. The Committee's examination however, revealed that while the Railway Convention Committee in their Third Report (11th Lok Sabha) had agreed with the proposal of the Ministry of Railways that the contribution to the Depreciation Reserve Fund (DRF) for 1997-98 might be kept at Rs.2000 crore subject to minor adjustments and the capacity of the system to generate internal resources, the Ministry subsequently reduced the appropriation to DRF by Rs.96 crore and enhanced the allocations to capital fund by an equal amount. The end result at the close of the accounts for the year was that the amount of Rs.1904 crore appropriated to DRF was far less than the actual expenditure of Rs.1983.28 incurred from this fund while the Capital Fund was credited with Rs.1189.89 crore which was in excess by Rs.165.89 crore over the original budgeted level. In the absence of any plausible explanation, the Committee are unable to comprehend as to what prompted the Ministry to reduce the contributions to DRF particularly when there is a crying need to meet the expenditure on replacement and renewal of the existing assets of the Railways. At this stage, the Committee can only expect the Railways to review the efficacy

and rationale of their system of making appropriations to different Railway Fund under this grant.

53. The Committee are perturbed to find that the instances of misclassification of expenditure continue to recur unabatedly in Railway Accounts despite issuance of instructions by the Ministry of Railways in pursuance of the oft-repeated concern expressed by the Committee. Surprisingly, as many as 80 cases of misclassifications in expenditure were noticed in the accounts of 1997-98 and this misclassification even effected the quantum of excess expenditure under the grants of the Railways as a whole. While expressing their unhappiness over the

manner in which accounts were maintained by Railway Administrations where glaring errors escaped unnoticed and could be rectified only after the finalisation of Appropriation Accounts, the Committee would like the Ministry of Railways to pay attention to this aspect so as to eliminate chances of misclassification of expenditure. The Committee also expect the Railways to ascertain the reasons for each case of misclassification and take conclusive action against the officials found responsible for lapses in all such cases.

54. Subject to the observations made in the preceding paragraphs, the Committee also recommend that the expenditure referred to in Paragraph 16 of this Report be regularised in the manner prescribed in Article 115(1)(b) of the Constitution of India.

NARAYAN DATT TIWARI,
CHAIRMAN,
PUBLIC ACCOUNTS COMMITTEE

New Delhi
24 April, 2000
4 Vaisakha ,1922(Saka)

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[1] * In the Appropriation Accounts, the expenditure incurred by the various Ministries/Departments is exhibited under two distinct sections viz., Revenue and Capital which is further classified into grant or appropriation portions. According to the Note below Rule 71 of General Financial Rules, since voted and charged portions as also the Revenue and Capital sections of a Grant/Appropriation are distinct and re-appropriation inter-se is not permissible, an excess in any one section or portion is treated as an excess in the Grant or Appropriation.

* There was an excess expenditure of Rs.38,03,38,455 under this Grant. However, after taking into account the misclassification of expenditure of Rs.60,85,304 the real excess expenditure under this Grant requiring regularisation worked out to Rs.38,64,23,759.

** There was an excess expenditure of Rs.19,14,50,107 under this Grant. However, after taking into account the misclassification of expenditure of Rs.(-) 2,00,37,815 the real excess expenditure under this grant requiring regularisation worked out to Rs.17,14,12,292.