

60 Accounts Committee

13-94. (No. 614-694)

60

Sabha

**EXCESSES OVER VOTED GRANTS
AND CHARGED APPROPRIATIONS
(1990-91) AND ACTION TAKEN ON
51ST REPORT OF PUBLIC ACCOUNTS
COMMITTEE (10TH LOK SABHA)**

**PUBLIC ACCOUNTS
COMMITTEE
1993-1994**

TENTH LOK SABHA



LOK SABHA SECRETARIAT
NEW DELHI

SIXTIETH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1993-94)

(TENTH LOK SABHA)

**EXCESSES OVER VOTED GRANTS AND
CHARGED APPROPRIATIONS (1990-91) AND
ACTION TAKEN ON 51ST REPORT OF PUBLIC
ACCOUNTS COMMITTEE (10TH LOK SABHA)**



Presented to Lok Sabha on 23 February, 1994
Laid in Rajya Sabha on 23 February, 1994

LOK SABHA SECRETARIAT
NEW DELHI

February, 1994/Phalguna, 1915 (Saka)

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**CORRIGENDA TO 60TH REPORT OF THE PUBLIC ACCOUNTS
COMMITTEE (LOTH LOK SABHA)**

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PUBLIC ACCOUNTS COMMITTEE
(1993-94)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Sixtieth Report on Excesses Over Voted Grants/Charged Appropriations as disclosed in the Appropriation Accounts—Civil, Defence, Railways, Telecommunications and Postal Services for the year 1990-91 and action taken by Government on recommendations of the Public Accounts Committee contained in their 51st Report (10th Lok Sabha) on Excesses Over Voted Grants and Charged Appropriations for the year 1989-90.

2. The excess expenditure during the year 1990-91 which requires regularisation by Parliament is of the order of Rs. 900.24 crores under 19 grants/appropriations. The Committee have observed that this excess expenditure had occurred despite obtaining supplementary provision of Rs. 1374.86 crores under 13 out of 19 grants those registered excess expenditure. In the light of the fact that bulk of the supplementary provisions are made at the fag-end of the year when the Ministries have sufficient data for estimating their actual requirements of funds, the Committee have found no plausible explanation for incurring substantial excess expenditure under these grants or appropriations. Another feature observed by the Committee is that excess expenditure of over Rs. 1 crore had occurred in as many as 11 cases out of the total 19 cases of excesses over Voted Grants and Charged Appropriations during 1990-91. The Committee have, therefore, desired that concrete steps should be taken by the Ministry of Finance to impress upon the Ministries to devise effective mechanism for proper and continuous monitoring over the progress of expenditure and indepth examination of the requirements of funds so that the excess expenditure may be kept to the barest minimum if not eliminated altogether. They have also desired that the authorities administering a grant/appropriation should be held personally responsible for the control of expenditure against sanctioned provisions and any slackness in following the established financial discipline should be sternly dealt with.

3. During the course of examination of the Appropriation Accounts, the Committee have also noticed large scale savings aggregating Rs. 43872.55 crores in 244 items during 1990-91 of which Appropriation Accounts (Civil) alone reported savings of Rs. 42644.26 crores in 206 items. The Committee have also observed that 150 items (both Revenue and Capital Sections of Voted Grants and Charged Appropriations) of expenditure under various Appropriation Accounts have registered savings of over Rs. 1 crore each and that saving had exceeded even more than Rs. 100 crores each in 14 items under Civil Accounts and two items under Defence Services and one item in Telecommunication Services. The Committee have noticed

with concern that over the years the quantum of savings has sharply increased and has assumed a high magnitude during the year under review. In the opinion of the Committee, such savings indicate both poor budgeting and shortfall in performance and it is unfortunate that these should have occurred in developmental areas of economy such as Agriculture, Rural Development, Power etc. The Committee have, accordingly, desired the Ministry of Finance to address themselves to this issue seriously and take appropriate measures to overcome this unfortunate situation. The Committee have also desired that in future detailed notes in respect of the savings made in a Grant or Appropriation during each year involving Rs. 100 crores and above be furnished to them alongwith the explanatory notes regarding excess expenditure incurred.

4. The Committee examined the excess expenditure in the light of explanatory notes (Appendices I to VIII) furnished by the Ministries/ Departments of Government of India and finalised the Report at their sitting held on 16 February, 1994. Minutes of the sitting form Part-II of the Report.

5. The Committee's 51st Report (10th Lok Sabha) on Excesses Over Voted Grants and Charged Appropriations for the year 1989-90 was presented to the House on 30 April, 1993. The Action Taken Notes furnished by Government in pursuance of the recommendations contained in that Report were also considered at the aforesaid sitting and have been dealt with in Chapter-II of the Report.

6. For facility of reference and convenience, the recommendations and conclusions 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 the Appendix-X to the Report.

7. 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.

NEW DELHI;
21 February, 1994

2 Phalgun, 1915 (Saka)

BHAGWAN SHANKAR RAWAT,
Chairman,
Public Accounts Committee.

PART I

CHAPTER I

EXCESS EXPENDITURE OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (1990-91)

1.1 This Chapter deals with the excess expenditure incurred by various Ministries and Departments of Government of India over Voted Grants and Charged Appropriations as disclosed in the Appropriation Accounts of Civil, Defence Services, Railways and Telecommunication Services for the year 1990-91. The Appropriation Accounts of Postal Services for the year 1990-91 do not disclose any excess expenditure.

Excess Expenditure

1.2 The break-up of excess expenditure *vis-a-vis* the total sanctioned provision under the grants/appropriations which had registered excess as seen from the relevant Appropriation Accounts for the year 1990-91 is given below:

Sl. No.	Appropriation Accounts	No. of excess registering grants/appropriations	Total sanctioned provision (Rs).	Amounts of excess expenditure (Rs.)	Percentage of excess to sanctioned provisions
1.	Civil	9	3074,86,00,000	523,11,13,973	17%
2.	Defence Services	1	2139,61,00,000	1,44,05,869	.06%
3.	Railways	8	15987,83,17,000	273,07,51,084	1.7%
4.	Telecommunication Services	1	2377,62,00,000	103,17,60,756	4.3%
5.	Postal Services	—	Nil	—	—
		19	23579,92,17,000	900,80,31,682	3.82%

1.3 However, after taking into account the effect of misclassification of expenditure in the case of Railways Accounts (under Revenue Section of Grant Nos. 9, 10, 13, 16 and Capital Section of Grant No. 16), the actual excess expenditure relating to Railways worked out to Rs. 272,51,46,820. As a result of these misclassifications of expenditure, the amount of actual excess expenditure during the year 1990-91 which requires regularisation under Article 115(i) (b) of the Constitution is of the order of

Rs. 900,24,27,418 incurred over sanctioned provision of Rs. 23579,92,17,000 under 19 excess registering Grants/Appropriations.

1.4 The details of Voted Grants/Charged Appropriations under which the actual expenditure exceeded the sanctioned provisions during the year under review are given below:

Sl. No.	No. & Name of Grant/Appropriation	Ministry/Department	Final Grant	Actual expenditure	Excess
1	2	3	4	5	6
<i>(in units of Rupees)</i>					
<i>Appropriation Accounts (Civil)</i>					
<i>Voted Grants</i>					
<i>Revenue Section</i>					
1.	13—Defence Pensions	Defence	1669,67,00,000	1669,78,51,872	11,51,872
2.	93—Lakshadweep	Home Affairs	39,07,00,000	39,10,55,524	3,55,524
3.	94—Chandigarh	Home Affairs	1,74,66,00,000	1,75,82,10,312	1,16,10,312
<i>Capital Section</i>					
4.	7—Department of Commerce	Commerce	1166,03,00,000	1687,11,80,697	521,08,80,697
5.	22—Min. of Environment & Forests	Environment & Forests	655,00,000	655,68,488	68,488
6.	93—Lakshadweep	Home Affairs	12,46,00,000	12,47,25,597	1,25,597
B. CHARGED APPROPRIATIONS					
<i>Revenue Section</i>					
7.	13—Defence Pensions	Defence	33,00,000	33,51,425	51,425
8.	94—Chandigarh	Home Affairs	5,09,00,000	5,41,31,704	32,31,704
<i>Capital Section</i>					
9.	94—Chandigarh	Home Affairs	1,00,00,000	1,36,38,354	36,38,354
<i>Appropriation Accounts</i>					
<i>Defence Services</i>					
<i>Voted</i>					
10.	16—Defence Services—Air Force	Defence	2139,61,00,000	2141,05,05,869	1,44,05,869

1	2	3	4	5	6
		<i>Appropriation Accounts Telecommunication Services Voted Grants</i>			
	<i>Capital Section</i>				
11.	11—Telecommunication Services	Communication	2377,62,00,000	2480,79,60,756	103,17,60,756
		<i>Appropriation Accounts Railways Voted Grants</i>			
	<i>Revenue Section</i>				
12.	9—Working Expenses Traffic	Railways	1394,75,47,000	1416,80,58,914	22,06,19,644*
13.	10—Working Expenses—Operating— Expenses Fuel	Railways	1723,73,92,000	1724,79,35,056	1,12,74,056**
14.	13—Working Expenses—Provident Fund, Pension and other Retirement Benefits.	Railways	882,14,78,000	901,21,05,626	19,05,56,103@
15.	14—Appropriation to funds—Deprecia- tion Reserve Fund, Development Fund, Pension Fund, Accident Compensation, Safety and Passenger Amenities Fund and Revenue Reserve Fund	-do-	3108,25,00,000	3165,24,15,636	56,99,15,636

16.	15—Dividend to General Revenues— Repayment of Loans taken from General Revenues and Amortisation of over-capitalisation	-do-	989,14,79,000	991,55,30,765	2,40,41,765
17.	16—Assets—Acquisition, construction & Replacement 'Other Expenditure'— Railway Funds.	-do-	2348,00,63,000	2344,26,94,786	1,61,56,893 ⁰⁰
B. CHARGED APPROPRIATION					
18.	11—Revenue—Working Expenses Staff Welfare and Amenities	Railways	98,000	1,30,327	32,327
19.	16—Assets Acquisition construction and Replacement—'Other Expendi- ture'— 'Capital'	-do-	5547,77,60,000	5717,02,06,974	169,25,50,396'

- * After having the misclassification of Rs. 1,07,730 the real excess expenditure requiring regularisation works out to Rs. 22,06,19,644.
- ** After taking into account the misclassification of Rs. 7,31,000 the real excess expenditure requiring regularisation works out to Rs. 1,12,74,056.
- After taking into account the (-) misclassification of Rs. 71,523, the real excess expenditure requiring regularisation works out to Rs. 19,05,56,103.
- After taking into account misclassification of Rs. (-) 64,74,893, the real excess requiring regularisation under Railway Funds works out to Rs. 161,56,893.
- * After taking into account the misclassification of Rs. (+) 1,03,422 the real excess requiring regularisation under capital section (Voted) works out to Rs. 169,25,50,396.

1.5 It would be seen from the above table that out of 19 cases of excess over Voted Grants/Charged Appropriations, excess expenditure over a crore of rupees had occurred in as many as 11 cases. In the case of Civil Accounts, 9 Grants/Appropriations had recorded an excess expenditure aggregating Rs. 523.11 crores out of which only 2 grants had registered excess expenditure over rupees one crore with Grant No. 7— Department of Commerce (Capital Section) alone accounting for an excess expenditure of as high as Rs. 521.09 crores. If the case of Defence Services, alone Grant (No. 16 — Defence Services — Air Force) registered excess expenditure of Rs. 1.44 crores. In the case of grants/appropriations administered by Ministry of Railways, an actual excess expenditure aggregating Rs. 272.51 crores had occurred under 8 grants/appropriations (Revenue and Capital) out of which 7 grants (Revenue and Capital) had recorded an excess of over rupees one crore each with Grant No. 16 (Capital) taking a lead with huge excess of Rs. 169.25 crores followed by significantly high excesses of Rs. 56.99 crores, Rs. 22.06 crores and 19.06 crores under Revenue section of Grant Nos. 14, 9 and 13 respectively. In the case of Grant No. 11 Telecommunication Services, an excess expenditure of Rs. 103.18 crores had been incurred in the Capital Section.

1.6 A scrutiny of the relevant Appropriation Accounts also reveals that excess expenditure during 1990-91 had occurred even after obtaining supplementary grants amounting to Rs. 1374.86 crores in 13 out of 19 grants/appropriations those registered excess expenditure. The prominent among these are tabulated below:

(In crores of Rs.)

No. & Name of Grant	Ministry/ Department	Amount of Supplementary grant	Amount of Excess Expenditure
7—Deptt. of Commerce	Commerce	789.38	521.09
11—Telecommunication Services	Communications	47.63	103.18
Grants—10,11,13 & 16 of Railways	Railways	292.83	191.06*

1.7 The excess expenditure has been a recurring phenomenon in the past. The table below indicates the position regarding excess expenditure

* After taking into account the effect of misclassification of expenditure under the relevant cases.

incurred under the excess registering grants/appropriations during the last decade:

(Rs. in crores)		
Year	No. of excess registering Grants/Appropriations	Excess Expenditure
1981-82	20	462.69
1982-83	21	365.15
1983-84	12	115.82
1984-85	9	64.87
1985-86	29	441.72
1986-87	25	384.39
1987-88	21	304.15
1988-89	26	367.08
1989-90	20	976.82
1990-91	19	900.24

1.8 Commenting on the declining trend in the excess expenditure during the years 1980-81 to 1984-85, the Public Accounts Committee had in Paragraph 2.6 of 57th Report (8th Lok Sabha) observed as follows:

“The Committee are glad to observe that during the last five years i.e., 1980-81 to 1984-85, there was noticeable decline in the aggregate amount of excess expenditure as well as in the number of grants/charged appropriations that recorded excess expenditure during the year 1984-85. The excess expenditure of Rs. 462.69 crores was at its peak during 1981-82 and it was reduced to Rs. 64.87 crores during 1984-85. The number of grants which registered excess expenditure during the years 1980-81, 1981-82, 1982-83 and 1983-84 were 27, 20, 21 and 12 respectively, while the number of grants which registered excess expenditure during 1984-85 were 9. It would seem that the Ministries/Departments of Govt. of India have begun to realise that excess expenditure is tantamount to unauthorised expenditure and lack of financial discipline. The Committee hope that the Ministries would further tighten their financial control and see that the declining trend is sustained. The Committee of course would like to see excess expenditure being eliminated altogether.”

1.9 However, the table given above reveals that the declining trend was not sustained after 1984-85 and the position altered significantly in the subsequent year and the excess expenditure registered an unprecedented rise to Rs. 976.82 crores during the year 1989-90.

Delay in furnishing explanatory Notes

1.10 As per prescribed time schedule, the Ministries and Departments of Govt. of India are required to furnish the explanatory notes to the Public Accounts Committee in respect of excess registering grants immediately after the presentation of the relevant Appropriation Accounts to the

House or by 31 May whichever is later. The dates on which the Appropriation Accounts for the year 1990-91 were presented to the House and the dates on which the explanatory notes were actually furnished to the Committee are as below:

Appropriation Accounts	No. of Grants Appropriations	Ministry/ Department	Date of Presentation of relevant Appropriation Accounts	Date on which explanatory notes furnished	Delay
Civil	7—Department of Commerce	Commerce	5.5.1992	2.7.1993	Over 13 months@
	13—Defence Pensions	Defence	-do-	5.11.1992	Over 5 months @
	22—Ministry of Environment and Forests	Environment & Forests	-do-	17.11.1992	Over 5 months@
	93—Lakshadweep	Home Affairs	-do-	1.6.1993	Over 12 months@
	94—Chandigarh	Home Affairs	-do-	22.2.1993	Over 8 months@
Defence Services	16—Defence Services—Air Force	Defence	21.7.1992	23.7.1992	2 days*
Telecommunication Services	11—Telecommunication Services	Communications	21.7.1992	20.9.1993	14 months*
Railways	Appropriation—11 Grants—9,10,13,14,15,16	Railways	12.5.1992	2.6.1992	2 days@

1.11 The table given above indicates that while the explanatory notes for excess registering grants/appropriations relating to Defence Services and Railways were almost received in time, the explanatory Notes in respect of grants/appropriations covered under Appropriation Accounts—Civil and Telecommunication Services were received with delays ranging from 5 to 14 months.

SAVINGS

1.12 While there was a sizeable amount of excess expenditure during 1990-91 over voted grants and charged appropriations, the year also witnessed large scale savings. During the course of the scrutiny, the Committee noticed that the Appropriation Accounts relating to Civil, Defence Services, Railways, Postal and Telecommunication Services for the year 1990-91 showed an aggregate savings of Rs. 43872.55 crores under Voted Grants and Charged Appropriations. The break-up of savings

@ From 31 May, 1992.

* From the date of presentation of relevant Appropriation Accounts.

vis-a-vis the total sanctioned provisions which had registered savings as seen from the relevant Appropriation Accounts for the year 1990-91 is given below:

Savings

S.No.	Appropriation Accounts	Total Grants/ Appropriations	Total Savings (Rs. in crores)
1.	Civil	225415.43	4244.26
2.	Defence Services	14353.56	498.45
3.	Railways	5634.75	169.39
4.	Telecommunication Services	4166.58	537.25
5.	Postal Services	1363.00	23.20
		250933.32	4372.55

1.13 The table given below indicates the total number of items where savings occurred under the relevant Appropriation Accounts for the year 1990-91; number of items where savings were more than Rs. 1 crore; and the number of items with savings above Rs. 100 crores in each such grant/appropriation.

Sl. No.	Name of Appropriation Accounts	Total No. of items showing savings	No. of items having savings above Rs. 1 crore	No. of items having savings above Rs. 100 crore
1.	Civil	206	128	14
2.	Defence	9	7	2
3.	Railways	23	12	—
4.	Telecommunications	3	1	1
5.	Postal	3	2	—
		244	150	17

1.14 It would be seen from the above table that out of total 244 items of savings under various grants/appropriations, there were as many as 150 items where savings were more than Rs. 1 crore and above out of which 17 items recorded savings of more than Rs. 100 crores each.

1.15 A more detailed analysis of those cases where savings exceeded rupees one hundred crores in a grant or appropriation, emerging from the

scrutiny of relevant Appropriation Accounts is given in the following Table:

(in crores of Rs.)

Sl. No. and No. Name of Grant/ Appropriation	REVENUE	Saving	CAPITAL	Saving
	Amount of Grant/ Appropriation		Amount of Grant/ Appropriation	
CIVIL ACCOUNTS				
1. 2—Other Services of Deptt. of Agriculture & Cooperation	384.94	126.79	—	—
2. 4—Deptt. of Rural Development	3142.62	159.73	—	—
3. 5—Deptt. of Fertilizers	5670.85	275.73	—	—
4. 20—Deptt. of Power	—	—	2588.76	244.09
5. 23—Ministry of External Affairs	837.21	230.11	—	—
6. 24—Deptt. of Economic & 7. Affairs	517.57	105.70	240.15	224.69
8. 25—Currency, Coinage and Stamps	—	—	209.01	109.33
9. 28—Appropriation— Interest Payments	21850.00	351.75	—	—
10. 29—Transfer to State Govts.	—	—	14196.59	186.58
11. 31—Appropriation— Repayment of Debt	—	—	119870.59	38147.92
12. 32—Deptt. of Expenditure	107.08	100.91	—	—
13. 73—Ministry of Textiles	705.61	156.62	—	—
14. 80—Atomic Energy	—	—	592.32	172.49
DEFENCE SERVICES				
15. 17—Defence Ordnance factories	386.80	160.33	—	—
16. 18—Capital Outlay on Defence Services	—	—	4795.64	243.75
TELECOMMUNICATION SERVICES				
17. 11—Telecommunication Services	4166.27	537.03	—	—

1.16 As would be seen from the above Table, in the case of Civil Accounts, there were 8 cases under Revenue Section and 6 cases under Capital section where the savings under a grant or appropriation exceeded Rupees one hundred crores. In the case of Telecommunications and Defence Services, the number of such cases was 1 and 2 respectively.

1.17 The extent of savings over the years had engaged the attention of Public Accounts Committee on earlier occasions also. The following Table indicates the quantum of overall savings as disclosed by various Appropriation Accounts for the years 1983-84 to 1990-91:

(Rs. in crores)	
Year	Total savings
1983-84	7209.03
1984-85	5663.96
1985-86	19621.42
1986-87	4191.73
1987-88	32330.74
1988-89	72774.04
1989-90	38006.78
1990-91	43872.55

1.18 On scrutiny of relevant Appropriation Accounts for the years 1988-89 to 1990-91 it was seen that 'Appropriation — Repayment of Debt' alone had registering substantially high savings as indicated in table given below:

Year	Total Savings	Savings under 'Appropriation — Repayment of Debt'	Percentage of savings under 'Appropriation — Repayment of Debt' to total savings
(Rupees in crores)			
1988-89	72774.04	68771.55	94.5
1989-90	38006.78	32200.63	84.7
1990-91	43872.55	38147.52	86.95

1.19 The Committee note that an expenditure of sizeable magnitude of Rs. 900.24 crores had been incurred in excess of the aggregate sanctioned provision of Rs. 23579.92 crores under 19 grants/appropriations during the year 1990-91. The percentage of excess expenditure to the sanctioned provision under relevant grants/appropriations during the year 1990-91 works out to 3.82 as against 2.60 per cent. during the year 1989-90. The

Committee are particularly astonished at the substantially high excess expenditure of 17% over the sanctioned provisions in the case of Civil Ministries/Departments (excluding Railways, Post and Telecommunications services). The Committee view this deteriorating position with grave concern. They express their unhappiness over the fact that their oft-repeated concern for observing greater financial discipline to contain the excess expenditure has not yielded desired results and the various Ministries/Departments of Government of India continued to indulge in spending beyond the sanctioned limits.

1.20 While examining the excess expenditure incurred during 1984-85, the Committee had in Paragraph 2.6 of their 57th Report (8th Lok Sabha) expressed satisfaction over the declining trend of excess expenditure during the years 1980-81 to 1984-85 and had hoped that the declining trend would be sustained. However, the hope of the Committee was belied in the subsequent years when the position altered and took a worse turn in 1989-90 when the excess expenditure touched an unprecedented high of Rs. 976.82 crores under 20 grants/appropriations. The situation during the year under report i.e. 1990-91 is also no better and presents a dismal picture of the prevailing state of affairs in preparation of budget estimates and control of expenditure by the various Ministries/Departments of Government of India. What is further distressing is the fact that the excess expenditure in 1990-91 had occurred in 13 grants/appropriations in which Supplementary Grant of Rs. 1374.86 crores was obtained. In the light of the fact that bulk of the supplementary provisions are made at the fag-end of the year when the Ministries have sufficient data for estimating their actual requirements of funds, the Committee find no plausible explanations for incurring substantial excess expenditure under these grants or appropriations. Another feature observed by the Committee was that excess expenditure of over Rs. 1 crore had occurred in as many as 11 cases out of the total 19 cases of excesses over Voted Grants and Charged Appropriations during 1990-91. Surprisingly, excess expenditure had exceeded rupees one crore each in all the grants operated by Ministry of Railways in which excess expenditure had occurred. This reinforces the Committee's view that lack of proper monitoring of the progress of expenditure and failure to assess actual requirements of funds in time by the concerned Ministries/Departments are the main factors giving rise to excess expenditure. The Committee have no doubt that the problem of excess expenditure can be tackled effectively only by keeping unrelenting vigil over the trend of expenditure and by assessing properly the actual need of funds at the revised estimates stage as well as supplementary grant stage. The Committee, therefore, desire that concrete steps should be taken by the Ministry of Finance to impress upon the Ministries to devise effective mechanisms for proper and continuous monitoring over the progress of expenditure and indepth examination of the requirements of funds so that the excess expenditure may be kept to the barest minimum if not eliminated altogether. They also desire that the authorities administering a grant/

appropriation should be held personally responsible for the control of expenditure against the sanctioned provisions and any slackness in following the established financial discipline should be sternly dealt with.

1.21 The Committee find that out of the 19 grants/appropriations which recorded excess expenditure during the year 1990-91, while the explanatory notes to the Committee in respect of Railways and Defence Services were furnished almost within the prescribed time limit (viz., by 31 May or immediately after presentation of the relevant Appropriation Accounts whichever is later), there was inordinate delay in submission of the explanatory notes relating to all the grants/appropriation covered under Civil Accounts ranging from over 5 months to 13 months and that in the case of Telecommunication Services was 14 months. The inordinate delays of 12, 13 and 14 months in respect of explanatory notes pertaining to the Ministries of Home Affairs, Commerce and Communications are in no way justifiable since the Ministry of Finance have already laid down a time schedule for completing action at various stages involved in the finalisation/vetting of the explanatory notes with a view to avoiding delay in submission thereof to the Committee. The Committee take a serious view of this delay on the part of the Ministries concerned in furnishing the explanatory notes and desire that the responsibility be fixed for any laxity in this regard. The Committee would also like the Ministry of Finance to analyse and apprise them of the precise reasons for persisting delays in submission of explanatory notes and take corrective measures to ensure timely submission of explanatory notes in future.

1.22 While there had been a sizeable amount of excess expenditure over Voted Grants and Charged Appropriations, during 1990-91, the Committee are astonished to note that the year also witnessed large scale savings. The Committee's scrutiny of the Appropriation Accounts of Civil, Defence, Railways, Telecommunication Services and Postal in this regard revealed that savings aggregating Rs. 43,872.55 crores had occurred in as many as 244 items during the year 1990-91. Out of these, the Appropriation Accounts (Civil) alone accounted for savings of Rs. 42,644.26 crores in 206 items of expenditure under both Voted Grants and Charged Appropriations. The Committee also observe that 150 items of expenditure under various Appropriation Accounts have registered savings of over Rs. 1 crore each. What has surprised the Committee most is the fact that savings have exceeded even more than Rs. 100 crores each in 14 items of expenditure under Civil Accounts and two items under Defence Services and one item in Telecommunication Services. The Committee desire the Ministry of Finance to investigate the circumstances which led to a substantial savings of Rs. 100 crores and above in a Grant or Appropriation during 1990-91 and take suitable remedial steps.

1.23 The Committee find that under Appropriation No. 31 — Repayment of Debt — administered by Ministry of Finance there was saving of Rs. 38,148 crores during the year 1990-91. The Appropriation Account

revealed that the saving had mainly occurred due to lesser discharge of Treasury Bills and more renewal of ad hoc Treasury Bills than anticipated. The Committee observe that savings of significantly high magnitude under the above mentioned Appropriation have become a recurring phenomenon in the recent past. The scrutiny of the Appropriation Accounts (Civil) in this regard revealed that savings of the order of Rs. 68,771.55 crores, Rs. 32,200.63 crores and Rs. 38,147.52 crores had occurred under the particular appropriation during the years 1988-89, 1989-90 and 1990-91 respectively. The Committee are of the view that such large scale savings make budgeting a mockery. Evidently, the whole system of preparation of budget needs to be improved so as to make it more realistic and to ensure that the variations between the estimates and the actuals are minimised. The Committee desire that the Ministry of Finance should look into the matter and take appropriate corrective action.

1.24 The Committee are concerned to note that over the years the quantum of savings has sharply increased and it has assumed a high magnitude during the year under review. In the opinion of the Committee such savings indicate both poor budgeting and shortfall in performance and it is unfortunate that it should have occurred in developmental areas of economy such as Agriculture, Rural Development, Power etc. Clearly, the Ministries are not exercising due farsightedness while forecasting their monetary requirements with the result that substantial savings had taken place leading to inefficient utilisation of funds sanctioned by Parliament. The Committee would like the Ministry of Finance to address themselves to this issue seriously and take appropriate measures to overcome this unfortunate situation. They also desire that in future detailed notes in respect of the savings made in a Grant or Appropriation during each year involving Rs. 100 crores and above be furnished to the Committee alongwith the explanatory notes regarding excess expenditure incurred.

1.25 In the succeeding paragraphs, the Committee have dealt with some of the more glaring cases involving excess expenditure arising out of the examination of various Appropriation Accounts.

APPROPRIATION ACCOUNTS (CIVIL)

Capital Section (Voted) of Grant No. 7 — Department of Commerce

1.26 Under Capital Section (Voted) in Grant No. 7 — Department of Commerce, against the total Grant of Rs. 1166,03,00,000 (Original Grant of Rs. 376,65,00,000 and the Supplementary Grant of Rs. 789,38,00,000) there was an actual expenditure of Rs. 1687,11,80,697 resulting in an excess of Rs. 521,08,80,697 which is to be regularised.

1.27 The Ministry of Commerce informed the Committee that the excess expenditure had occurred under following Head:—

(Rs. in thousands)

Major Head 7605

EE. —	Advance to Foreign Governments	
EE. 3 —	Loans to Government of Romania	
EE. 3 (1) —	Technical Credits incorporated in Trade Agreements	5,91,00

EE. 5 —	Loans to Government of USSR	
EE. 5 (1) —	Technical Credits incorporated in Trade Agreements	56,00,00

1.28 Technical Credits to Foreign Governments having a Trade and Payment Agreement with India providing for all payments between the two countries are to be made in non-convertible Indian Rupees. According to the Ministry of Commerce, the Technical Credits by their very nature are not a real expenditure but are short-term temporary advances and are intended to sustain the flow of exports of Indian goods and services to those countries in the face of temporary shortage of rupees, funds in their accounts in India. The Ministry stated that the Technical Credits were thus in the nature of an export promotion measure to assist the Foreign Governments concerned to maintain the tempo of their purchases from India notwithstanding seasonal gaps in the payment situation. Tracing the background of the excess expenditure incurred in Technical Credits, the Ministry in their note stated:—

“The year 1990-91 ended with an excess expenditure of Rs. 532.44 crores on Technical Credit. This was mainly due to the excess drawals of Technical Credit by USSR, due to a large level of Indian exports and insufficient imports from that country. It is pertinent to mention here that in the case of USSR, there is no ceiling from drawal of Technical Credit. In the case of other Rupee Payment Area countries, however, the maximum limit of drawal of Technical Credit is fixed at the time of conclusion of Trade Agreements.”

1.29 Recounting the reasons for the excess drawal of Technical Credit, the Ministry in their note stated:—

- “i) Exports to Soviet Union exceeded the Trade Plan Provision by about Rs. 107 crores (export Rs. 5407 crores against Trade Plan provision of Rs. 5300 crores) during 1990.
- ii) Imports from Soviet Union lagged behind by about Rs. 88 crores (Imports Rs. 3412 crores as against the Trade Plan Provision Rs. 3500 crores) during 1990.
- iii) The dramatic erosion of the system of State orders in Soviet Union and the disruption of vertical and horizontal planning in the economy led to non-fulfilment of trade plan provisions of various items: Most notably export of metal scrap, steel products, pig iron, etc. In many cases the manufacturing units concerned were not prepared to export to India against Rupee Payment, notwithstanding the Inter-governmental agreements reflected in the Trade Plan.
- iv) In some other cases imports could not be effected to the full extent of the Trade Plan due to lack of demand or incomplete control over demand on the Indian side. For instance, the implementation of the Trade Plan in items such as menthanol, polythylene, pvc, raw hides,

was low because these items are in the Open General Licence. In the machinery sector, the import of Air Transportation means from the USSR suffered a set back due to non-allocation of required funds to the Ministry of Defence.

- v) Certain other factors unrelated to changes in either the Soviet or the India economy also contributed to a lower level of imports from USSR. The most important of these was the Gulf war and the general situation in the Gulf from August 1990 onwards. The USSR had been supplying to us Crude Oil on Rupee Payment from Iraq. The developments in the Gulf interrupted these supplies and some time elapsed before these were resumed directly from the USSR. This meant that there were significant shortfalls in the implementation of the Trade Plan Provision for Crude Oil which is a very major item in the import leg of the Trade Plan."

1.30 As regards the budgetary control exercised over the expenditure on Technical Credit, the Ministry stated:

- "i) The concern of the Government of India at the large amounts of Technical Credit being drawn was repeatedly expressed to the Soviet Government at different levels. It was impressed upon the Soviet side that the facility should be used only as a temporary ways and means advance.
- ii) Following high level discussions with the Soviet side in December-January 1990-91, it was agreed that the Technical Credit drawn would not exceed the level of about Rs. 750 crores by the end of the financial year 1991-92.
- iii) To check exports in excess of Trade Plan Provisions, a contributory factor to the high Technical Credit level, a system of pre-registration of export contract for Rupee Payment Area countries was gradually introduced from August 1990 onwards. This system was originally put in the place for different items in the agricultural sector; but has since been extended to cover all items of export.
- iv) It was continuously emphasized to the Soviet side that the most positive way to deal with the problem of imbalance in trade was to increase Soviet exports to India. Thus in the Trade Plan for 1991 the provision for import from USSR was increased from Rs. 3500 crores (in 1990) to Rs. 4330 crores in 1991. On the other hand the provision for Indian exports was reduced from the 1990 level of Rs. 5300 crores to Rs. 5081 crores.

- v) In anticipation of a large Technical Credit utilization then provided for in the B.E, the Government moved to take a Supplementary Grant of Rs. 789 crores. Accordingly, the provision for Technical Credit was enhanced to Rs. 1069 crores for the budgeted level of Rs. 280 crores only.

Despite these efforts in the year 1990-91 ended with an excess expenditure given the very large number of variants which determine the volume and magnitude of two-way trade flow between India and the USSR, the rapidly changes international economic and political scenario and the dramatic changes the Soviet polity and economy is undergoing, the precise extent of the imbalance in trade could not have been forecast accurately at any point of time. However, in terms of the prescribed procedures rupee accruals in the Soviet accounts during the subsequent year would first be utilised for the liquidation of the outstanding Technical Credit carried forward from the previous years."

1.31 However, the Audit has made following observations on the explanations furnished by the Ministry of Commerce:

"Against the original provision of Rs. 280 crores towards Technical Credits for the erstwhile U.S.S.R. for the year 1990-91, a supplementary provision of Rs. 789.38 crores was obtained in March, 1991. Thus against a total provision of Rs. 1069.38 crores the expenditure incurred was Rs. 1655.91 crores resulting in an excess of Rs. 586.53 crores. A scrutiny of the average monthly outstanding balance from December, 1989 to March 1991, which stood at Rs. 660.23 crores during 1989-90 (December to March) and at Rs. 1322.25 crores during 1990-91, has revealed that the Technical Credits were no longer ways and means advance to bridge the temporary imbalances in the trade, even prior to the changes took place in the erstwhile U.S.S.R. While on the one hand India advanced technical credit to the erstwhile U.S.S.R., it took loan of Rs. 214.69 crores in 1989-90 and Rs. 295.27 crores in 1990-91 against project imports. In addition credit purchases have been made for defence imports (The size of such imports have not been made available to audit yet, although the matter has been taken up with Department of Economic Affairs). Had the purchases been made in cash, drawal of Technical Credit to that extent would not have been required. Had a policy of pre-payment of Soviet credit been adopted in view of surplus exports over imports, the Government would not have been required to give heavy amount of Technical Credit to U.S.S.R. and would have liquidated substantial part of its Soviet debt liability. The Ministry of Commerce has not specifically clarified as to why cash purchases/pre-paying the debt was not considered.

Since the Technical Credit has ceased to be in the nature of a temporary ways and means advance but has itself acquired the form of a regular loan, as admitted by the Ministry, this fact should have been recognised by the Ministry and a considered decision taken by Government to reconsider the utility of this instrument of supporting two way trade flows in view of long term and persistent nature of India's surplus of exports over imports, which steadily rose from Rs. 355 crores in 1987-88 to Rs. 2707 crores in 1990-91."

1.32 Incidentally, it may be pointed out that the Ministry of Commerce had also incurred excess expenditure of the order of Rs. 523.98 crores during 1989-90 under the sub-head "EE.5(1)-Loans to Government of USSR—Technical Credits incorporated in Trade Agreements". Taking note of this excess expenditure, the Public Accounts Committee had in Paragraph 1.22 of their 51st Report (10th Lok Sabha) *inter alia* observed as follows:—

"The Committee are constrained to observe that in spite of the fact that a Supplementary Grant of Rs. 199.98 crores was obtained by the Ministry in March, 1990 and strict watch is claimed to have been maintained on the drawals of Technical Credit by the Ministry from December, 1989 onwards, the Ministry of Commerce have miserably failed to assess the actual quantum of Supplementary Grant required to be obtained for "Loans to Government of USSR" due to which huge amount of excess expenditure of the order of Rs. 410.66 crores was left uncovered. The Committee take a serious view of the complacency on the part of the Ministry and emphasize that the Ministry of Commerce should keep a close watch over the trend of expenditure during the year and issue necessary guidelines to all the concerned to avoid such recurrence in future."

1.33 The Committee note that the Ministry of Commerce incurred an overall excess expenditure to the tune of Rs. 521.09 crores under Capital Section (Voted) of Grant No. 7—Ministry of Commerce. This occurred due to the excess expenditure of the order of Rs. 586 crores under the sub-head 'EE.5(1)-Loans to Government of USSR—Technical Credits incorporated in Trade Agreements'. Pertinently, the Ministry had also incurred an excess expenditure of Rs. 523.98 crores under the same sub-head during the previous year i.e. 1989-90. On scrutiny of the Appropriation Accounts, the Committee found that against the original provision of Rs. 280 crores for Technical Credits for the erstwhile USSR for the year 1990-91, a supplementary provision of Rs. 789.38 crores was obtained in March 1991. Thus, against a total provision of Rs. 1069.38 crores, the expenditure incurred was Rs. 1655.91 crores resulting in an excess of Rs. 586.53 crores. While explaining the reasons for the failure in undertaking proper budgeting in this regard, the Ministry in their explanatory note have stated that given the very large number of variants which determined the volume and magnitude of a two way trade flow between India and USSR, the rapidly changing international economic and political scenario and the dramatic changes the Soviet polity and economy was undergoing, the precise

extent of the imbalance in trade could not have been forecast accurately at any point of time.

In view of the fact that excess expenditure of a similar magnitude had been incurred during the previous year as well, the Committee desire that the circumstances which led to the incurrence of excess of sizeable amount, even after an amount of Rs. 789.38 crores was obtained as Supplementary Grant at the fag-end of the year, should be thoroughly looked into and responsibility fixed. The Committee would like to be apprised of the action taken in this regard.

APPROPRIATION ACCOUNTS (DEFENCE)

Grant No. 16—Defence Services—Air Force (Revenue Voted)

1.34 Against the original grant of Rs. 2078,63,00,000 augmented to Rs. 2139,61,00,000 by obtaining a Supplementary Grant of Rs. 60,98,00,000, the Ministry of Defence incurred an excess expenditure of Rs. 1,44,09,869 in Revenue Section (Voted) under Grant No. 16—Defence Services—Air Force during 1990-91.

1.35 According to the note (Appendix-VI) furnished by the Ministry for regularisation of excess expenditure, the excess expenditure had occurred under the following Minor heads:

Minor Head 105-Transportation (Rs. 38,57,614)

1.35 The Original provision made under this Minor Head amounting to Rs. 50,00,00,000 was enhanced to Rs. 55,30,00,000 by re-appropriation of Rs. 5,30,00,000. The actual expenditure however, was Rs. 55,68,57,614 resulting in an excess of Rs. 38,57,614.

The excess of Rs 39 lakhs over the Final Grant was due to bulk adjustments of expenditure under Rail charges at the end of the year, partly offset by saving under (i) Travelling and Outstation Allowances due to less movement of personnel, (ii) Air Transportation Charges, due to non-payment to Air India for transportations of stores, (iii) Sea and Inland water charges, due to lower receipt of stores and (iv) Hired Transportation charges, due to restriction of allotment of funds.

Minor Head 111—Works (Rs. 8,49,93,599)

The original provision made under this Minor Head was Rs. 149,98,00,000 which was enhanced to Rs. 175,00,00,000 by obtaining a Supplementary Grant of Rs. 25,02,00,000. The actual expenditure, however, was Rs. 183,49,93,599 resulting in an excess of Rs. 8,49,93,599.

The excess of Rs. 850 lakhs over the final Grant was under (i) Maintenance of Buildings, Communication, Maintenance and operation of Installations, due to higher bookings than anticipated and increase in rates of water and electricity and (ii) Departmental charges, due to higher

bookings than estimated, partly offset by saving under Major Works, due to non-adjustment of cost of stores.

Minor Head 200—Special projects (Rs. 36,93,003)

The original provision made under this Minor Head was Rs. 8,75,00,000 which was reduced to Rs. 6,00,00,000 by minus re-appropriation of Rs. 2,75,00,000. The actual expenditure, however was Rs. 6,36,93,003 resulting in an excess of Rs. 36,93,000.

The excess of Rs. 37 lakhs over the Final Grant was due to higher outgo on Pay and Allowances and clearance of bills of Public Sector Undertakings received earlier than anticipated, partly offset by lower payment for work services than anticipated.

The above excess was partly offset by savings under other minor heads leaving a net excess of Rs. 1,44,05,869.

1.36 Under Revenue Section (Voted) of Grant No. 16-Defence Services-Air Force, the Ministry of Defence incurred an expenditure of Rs. 1.44 crores over and above the sanctioned provision of Rs. 2139.61 crores during 1990-91 although a Supplementary Grant of Rs. 60.98 crores was obtained by them. On scrutiny of the explanatory note furnished by the Ministry the Committee found that Minor head 111—Works alone recorded an excess of Rs. 8.50 crores. Obviously, the large scale savings under various other units of the Grant did help to a grant extent in minimising the otherwise higher excess expenditure. What has surprised the Committee is that this excess of Rs. 8.50 crores has been attributed to maintenance of buildings, communication, maintenance of operation of installations etc., which in no way can be described as of unforeseen nature. The Committee are constrained to observe that this only depicts the poor budgetary control exercised by the Ministry of Defence over Grant No. 16. Although the instructions for framing the budget estimates on realistic basis and for exercising a close and constant watch over the trend of expenditure are stated to have been already in existence in the Ministry, the Committee feel that mere issue of instructions is not enough if there is no effective monitoring machinery to ensure strict compliance of those instructions. The Committee trust that the Ministry would atleast now take suitable steps with due promptitude to ensure strict observance of those instructions so as to make budgetary control more realistic and meaningful.

Appropriation Accounts (Telecommunication Services Grant No. 11—Telecommunication Services (Capital Section-Voted)

1.37 In the Capital Section (Voted) of Grant No. 11—Telecommunication Services, there was an excess expenditure of Rs. 103.18 crores during 1990-91 against the sanctioned provision of Rs. 2377,62,00,000 (Original Grant Rs. 2329,99,00,000 and Supplementary Grant Rs. 47,63,00,000).

1.38 According to the Ministry of Communications, this excess has occurred under one of the Plan Schemes mainly, Local Telephone Systems due to more receipt of cables and subscribers equipment and under Non-Plan under "Stores Suspense Account" mainly under "General Stores" due to less issues to Capital and partly under 'Factory Stores' due to more receipt from Manufacture Suspense.

1.39 The Committee note that against the final provision of Rs. 2377.62 crores sanctioned under Capital Section (Voted) of Grant No. 11-Telecommunication Service, crores Ministry of Communications incurred expenditure of the order of Rs. 2480.79 crores resulting in an uncovered excess of Rs. 103.18 crores inspite of the fact that a supplementary grant of Rs. 47.63 crores was obtained by the Ministry. The wide variation between the original budgeted figures and the actual expenditure leads the Committee to an obvious conclusion that the Ministry of Communications have, at no stage, been able to precisely estimate and provide for the funds actually required by them under the Grant. Unfortunately, the supplementary provision sought by the Ministry proved inadequate leaving the balance for Parliament to regularise subsequently. The Committee desire that the reasons for failure to make realistic assessment of funds required as also to take timely action for ensuring adequate provisions for funds under the specific heads registering excess expenditure be investigated with a view to taking concrete steps for revamping the Budget Wing so that such a situation does not recur.

APPROPRIATION ACCOUNTS (RAILWAYS)

1.40 Out of 16 Voted Grants and 12 Charged Appropriations operated by Ministry of Railways an overall excess expenditure of Rs. 273.08 crores occurred under 6 Grants in Revenue Section (Nos. 9, 10, 13, 14, 15 and 16), 1 Grant in Capital Section (No. 16) and one Charged Appropriation (No. 11).

1.41 The table given below indicates the amount of supplementary provisions obtained in excess registering grants/appropriation, the extent of misclassification of expenditure under those grants and the excess expenditure requiring regularisation :

No. & Name of excess registering grant/appropriation	Suppl. Provision	Actual excess expenditure during the year	Effect of misclassification of expenditure	Excess expenditure requiring regularisation
(In units of Rs.)				
1. Appropriation No. 11—Working Expenses—Staff Welfare & Amenities	31,000	32,327	Nil	32,327

No. & Name of excess registering grant/appropriation	Suppl. Provision	Actual excess expenditure during the year	Effect of misclassification of expenditure	Excess expenditure requiring regularisation
(In units of Rs.)				
2. Grant No. 9—Revenue Working Expenses—Traffic	Nil	22,05,11,914	1,07,730	22,06,19,644
3. Grant No. 10—Revenue—Working Expenses—Operating Expenses—Fuel	122,45,07,000	1,05,43,056	7,31,000	1,12,74,056
4. Grant No. 13—Revenue—Working Expenses—Provident Fund, Pension and other Retirement Benefits	41,67,49,000	19,06,27,626	(-)71,523	19,05,56,103
5. Grant No. 14—Appropriation to Funds	Nil	56,99,15,636	Nil	56,99,15,636
6. Grant No. 15—Dividend to General Revenues	Nil	2,40,41,765	Nil	2,40,41,765
7. Grant No. 16—Railway Funds	26,23,83,000	2,26,31,786	(-)64,74,893	1,61,56,893
8. Grant No. 16—Capital	102,47,50,000	169,24,46,974	1,03,422	169,25,50,396

1.42 It would be seen from the above table that supplementary grants were obtained in 5 out of 8 excess registering grants/appropriations. The table also reveals that 5 Grants were effected by misclassification of expenditure. The reasons attributed by the Ministry of Railways for the excess expenditure of the Grants/Appropriations *inter alia* included, inter Railway adjustment of rolling stock, leasing charges to IRFC, more expenditure under contingency expenditure, allowances, superannuation payments etc. The complete text of the explanatory note of the Ministry is reproduced in Appendix VIII to this Report.

1.43 As regards misclassifications, the Ministry have merely stated that they had occurred on account of wrong booking erroneously. It would be pertinent to point out that the Committee had also noticed instances

of misclassification of expenditure in the case of Railway Accounts for the years 1988-89 and 1989-90. This has been dealt with by the Committee in Chapter II of this Report while dealing with the action taken by the Ministry on the recommendations contained in the relevant earlier Report of the Committee.

1.44 The Committee note that during the year 1990-91, an expenditure aggregating Rs. 273.08 crores had been incurred over and above the sanctioned allocation (including supplementary provisions) of Rs. 15987.83 crores under six Grants in Revenue Section; one Grant in Capital Section and one Charged Appropriation operated by the Ministry of Railways. After taking into account the effect of misclassification, the actual excess expenditure requiring regularisation worked out to Rs. 272.51 crores out of which Grant No. 16—Capital alone recorded a huge excess of Rs. 169.25 crores followed by substantially high excesses of Rs. 56.99 crores, Rs. 22.06 crores and 19.06 crores under Revenue Section of Grant Nos. 14, 9 and 13 respectively. In their explanatory notes, the Ministry of Railways have attributed the excess *inter alia* to inter Railway adjustment of rolling stock, leasing charges to IRFC, more expenditure under allowances, superannuation payments etc. Apparently, many of these items are of routine and anticipatory nature. However, the Ministry have not explained in their notes the precise reasons for the failure to make provisions for those items either at the time of preparation of the original budget or at the time of seeking supplementary demand. Clearly, the Ministry of Railways have not drawn any lessons from their past experience and have again failed to exercise adequate care in assessing their requirements of funds. The Committee consider it imperative that the Ministry of Railways should not only prepare their budget estimates with adequate application of mind but also keep constant and effective watch over the trend of expenditure and that the need for additional funds should be realistically assessed in advance and Parliament invariably approached in time for supplementary grants so as to contain the scope of excess expenditure. The Committee therefore, desire the Ministry of Railways to take effective steps to ensure strict observance of the financial rules so as to achieve the desired results.

1.45 Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in Para 1.3 of this Report be regularised in the manner prescribed in Article 115(1) (b) of the Constitution of India.

CHAPTER II

REVIEW OF ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR 51ST REPORT (10TH LOK SABHA) ON EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS DURING 1989-90

2.1 The Fifty-first Report (10th Lok Sabha) of the Public Accounts Committee on Excesses over Voted Grants and Charged Appropriations for the year 1989-90 was presented to Lok Sabha on 30 April, 1993. The Report contained 15 recommendations/observations. Of these 4 recommendations (Sl. Nos. 3, 4, 5 and 14) relate to more than one Ministry.

2.2 Action taken notes on these recommendations/observations received from various Ministries are re-produced at Appendix IX. The recommendations have been categorised as follows:

- (i) Recommendations or observations which have been accepted by Government:
Sl. Nos. 3, 4, 7—12 and 14
- (ii) Recommendations or observations which the Committee do not desire to pursue in view of the replies received from Government.
Sl. No. 6
- (iii) Recommendations or observations replies to which have not been accepted by the Committee and which require reiteration.
Sl. No. 13
- (iv) Recommendations or observations in respect of which Government have furnished interim or no replies.
Sl. Nos. 1, 2, 5 and 15

2.3 The Committee will now deal with the action taken by Government on some of their recommendations.

Misclassification of expenditure

(S. No. 13, Paragraph 1.39)

2.4 While commenting on certain cases of misclassification of expenditure by the Ministry of Railways during 1989-90, the Committee in paragraph 1.39 of their 51st Report (Tenth Lok Sabha) had recommended:

“The Committee also find misclassification of expenditure to the extent of Rs. (–)1,33,64,077 in Appropriation No. 44 and Grant

Nos. 5 and 16, operated by the Ministry of Railways during 1989-90 which is indicative of the faulty budget control and lack of vigilance on the part of the spending units of the Ministry where misclassification escaped notice and could not be rectified in time. The gravity of the lapse becomes more serious when viewed in the light of the fact that similar lapses were noticed by the Committee in the Accounts for the year 1988-89. With a view to obviate the recurrence of such lapses in future the Committee recommend that these lapses should be enquired into and responsibility fixed. The Committee would like to be apprised of the concrete action taken in this matter."

2.5 In their action taken note, the Ministry of Railways have stated as follows:

"Recommendations of the Public Accounts Committee regarding misclassifications of expenditure has been noted and necessary instructions have been issued to all the concerned Railways. The Railways have been asked to fix responsibility for the cases of misclassifications that have been pointed out by PAC for the year 1989-90. Railways have also been directed to ensure that requisite measures are taken for eliminating the scope of misclassification.

The Committee would, however, appreciate the fact that the Indian Railways being a very large organisation, the work of preparing and passing bills and vouchers, which involve allocation of expenditure to the correct Heads of Accounts, is spread over large number of units of the Zonal Railways, Construction and Production units. It may not always be possible for the units to ensure a zero error working system. The percentage of misclassification to total expenditure for the year 1989-90 is a very minor figure as the following table would indicate:

Year	Amount of misclassification as per Explanatory Note submitted to PAC	Actual Gross Amount of Exp. under App.4, Grant 5 & 16	Percentage of misclassification to total Exp. i.e. Col.2 to 3
(1)	(2)	(3)	(4)
1989-90	(-)1,33,64,077	7981,82,82,541	0.017

It will, however, be the constant endeavour of the Railways to eliminate misclassification completely while allocating expenditure to the different heads of Account.

In para 1.40 of Chapter I of this Report, the Committee have pointed out cases of misclassification of items arising out of the Appropriation Account for the year 1990-91 also.

2.6 While examining the excess expenditure in the Grants/Appropriations operated by the Ministry of Railways during the year 1989-90, the Committee had noticed four cases of misclassification of expenditure in Appropriation No. 4 and Grants Nos. 5 and 16. The Committee had also observed that the gravity of those lapses became more serious when viewed in the light of the fact that similar lapses had also occurred in the Accounts of the Railways for the year 1988-89. With a view to obviating recurrence of such lapses in future, the Committee had recommended in para 1.39 of their 51st Report (10th Lok Sabha) that such lapses should be enquired into and responsibility fixed. In their Action Taken Note, Ministry of Railways have stated in general terms that the Railways have been asked to fix responsibility in the cases of misclassifications pointed out by the Committee for the year 1989-90 and that they have also been directed to ensure that requisite measures are taken for eliminating the scope of misclassifications. However, the Committee find from the Appropriation Accounts (Railways) for 1990-91 that misclassifications of expenditure had occurred in as many as 5 cases in the Grants Nos. 9, 10, 13 and 16 (both under Revenue and Capital Section). They are distressed to note that despite their persistent exhortations and the assurances made by the Ministry of Railways from time to time, there does not appear to be any perceptible improvement in eliminating misclassifications. The Committee, therefore, desire that the Ministry of Railways should review the efficacy of the instructions issued in this regard in the light of persistent occurrences of such misclassifications and any instance of misclassification of expenditure should be sternly dealt with. The Committee should also be informed about the officers held responsible for these misclassifications and the action taken against them.

NEW DELHI;
21 February, 1994

2 Phalgun, 1915(S)

BHAGWAN SHANKAR RAWAT,
Chairman,
Public Accounts Committee.

PART II

MINUTES OF THE 19TH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 16 FEBRUARY, 1994

The Committee sat from 1500 hrs. to 1600 hrs. on 16 February, 1994 in Committee Room 'B', Parliament House Annexe.

PRESENT

CHAIRMAN

Shri Bhagwan Shankar Rawat

MEMBERS

2. Shri Nirmal Kanti Chatterjee
3. Dr. K.V.R. Chowdary
4. Shri Sharad Dighe
5. Shri Srikanta Jena
6. Shri Rama Krishna Konathala
7. Shri D.K. Naikar
8. Shri Mrutyunjaya Nayak
9. Shri Somappa R. Bommai
10. Shri Anant Ram Jaiswal
11. Miss Saroj Khaparde
12. Shri Murasoli Maran

LOK SABHA SECRETARIAT

1. Shri S.C. Gupta — *Joint Secretary*
2. Shri R.K. Chatterjee — *Deputy Secretary*
3. Shri P. Sreedharan — *Under Secretary*

REPRESENTATIVES OF AUDIT

1. Shri S.H. Manghani — *Addl. Dy. C&AG*
2. Shri P.K. Bandopadhyay — *Dir. General of Audit (P&T)*
3. Shri Vikram Chandra — *Pr. Director, Reports (Central)*
4. Shri B.C. Mahe — *Pr. Director, E&SM*
5. Shri P.K. Brahma — *Pr. Director of Receipt Audit (INDT)*
6. Smt. Ruchira Pant — *Director (Custom)*
7. Shri P.S. Dewan — *Dy. Director of Audit (Defence Services)*
8. Shri T.S. Pathania — *Dy. Director of Audit, Central Revenue*
9. Shri K.C. Gupta — *Dy. Director, P&T Audit*

2. The Committee considered the following Draft Reports and adopted the same subject to certain modifications and amendments as shown in Annexure I, II*, III* & IV* respectively.

*Not appended.

- (i) Excesses over Voted Grants and Charged Appropriations for the year 1990-91 and action taken on 51st Report of PAC (10th Lok Sabha);
- | | | | |
|-------|----|----|----|
| (ii) | ** | ** | ** |
| (iii) | ** | ** | ** |
| (iv) | ** | ** | ** |

3. The Committee authorised the Chairman to finalise these draft reports in the light of other verbal and consequential changes suggested by some Members and also those arising out of factual verification by Audit and present the same to Parliament.

The Committee then adjourned.

**AMENDMENTS/MODIFICATIONS MADE BY THE PUBLIC
ACCOUNTS COMMITTEE IN THE DRAFT REPORT ON EXCESSES
OVER VOTED GRANTS AND CHARGED APPROPRIATIONS FOR
THE YEAR 1990-91 AND ACTION TAKEN ON 51ST REPORT OF
PAC (10TH LOK SABHA)**

<i>Page</i>	<i>Para</i>	<i>Line</i>	<i>Amendments/Modifications</i>
13	1.21	3-4 from bottom	<i>Add "and apprise them of" After "analyse" and before "the precise reasons"</i>
14	1.23	9-10	<i>Add "The Committee are of the view that such large scale savings make budgeting a mockery". before "Evidently".</i>
14	1.24	4	<i>Substitute "savings are also index of" by "such savings indicate both poor budgeting and".</i>

APPENDIX I

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE

Note for Public Accounts Committee for regularisation of excess expenditure under Capital Section (Voted) in Grant No. 7— Department of Commerce as disclosed in the Union Government Appropriation Accounts (Civil) for 1990-91.

Grant No. 7— Department of Commerce

<i>Capital Section (Voted)</i>	<i>Rupees</i>
Original Grant	376,65,00,000
Supplementary Grant	789,38,00,000
Total Grant	1166,03,00,000
Actual Expenditure	1687,11,80,697
Excess	521,08,08,697

2. Under Capital Section (Voted) In Grant No. 7— Department of Commerce for the year 1990-91 against the total Grant of Rs. 1166,03,00,000. Original Grant of Rs. 376,65,00,000 Plus Supplementary Grant of Rs. 789,38,00,000. There is an actual expenditure of Rs. 1687,11,80,697 resulting in an excess of Rs. 521,08,08,697, which is to be regularised. The reasons for items under which excess expenditure has been incurred are shown in the enclosed Annexure.

3. In view of the circumstances as explained in the Annexure enclosed, the excess expenditure of Rs. 521,08,08,697 under Capital Section (Voted) in Grant No. 7— Department of Commerce may kindly be recommended for regularisation by the Parliament under Article 115(1) (b) of the Constitution).

(AJIT KUMAR)
Additional Secretary &
Financial Advisor.

File No. G. 21701/App. A/c/Grant No. 7/91-92/BBA

ITEMS UNDER WHICH EXCESS EXPENDITURE HAS BEEN INCURRED

(Rupees in thousands)

Major Head 7605

EE. — Advance to Foreign Governments

EE. 3— Loans to Government of Rumania

EE. 3(1)— Technical Credits incorporated in Trade Agreements 5,91,00

EE. 5— Loans to Government of USSR

EE. 5(1)— Technical Credits incorporated in Trade Agreements 586,00,00

Technical Credits to Foreign Governments having a Trade and Payment Agreement with India providing for all payments between the two countries are to be made in non-convertible Indian Rupees. Such Technical Credits are provided by way of temporary advances for use when these Governments face shortage of rupee funds in their accounts. These are intended to assist them in meeting their payment obligations towards purchase of goods and services from India. The Technical credits by their very nature are not a real expenditure but are short-term temporary advances and are intended to sustain the flow of exports of Indian goods and services to these countries in the face of temporary shortage of rupee funds in their accounts in India. The Technical Credits are thus in the nature of an export promotion measure to assist the Foreign Governments concerned to maintain the tempo of their purchase from India notwithstanding seasonal gaps in the payments situation. These Technical Credit Advances are automatically returned by the Foreign Governments as soon as sufficient funds are generated in their accounts.

2. The budget provisions for Technical Credits during a year are worked out well in advance, in consultation with the Ministry of Finance Department of Economic Affairs duly taking into account relevant factors such as the past pattern of drawals, anticipated trade turnover, likely pace of contracting, deliveries of the commodities concerned etc. The drawals of advances by the Foreign Governments depend on a number of factors such as availability of commodities planned for procurement in the Trade plan, pace of contracting, prices, delivery schedules, etc., for the various items involved. Estimation or forecast of drawals under the Technical Credit arrangements by the Foreign Governments is a difficult exercise as this is essentially anticipatory in nature. At times, despite the best efforts to estimate as accurately as possible the flow of payments, the actual

magnitude of payments, turn out to be different due to various imponderable factors. The Government of India closely tries to monitor the matter and make corrections in the revised estimate.

3. (It may however be appreciated that even after the revised estimates get drawn up, changes do take place in the subsequent remaining periods, as compared to the assumptions made). It may also be noted that while the Technical Credit facility is provided by the Government of India to the Rupee payment Countries, the extent of utilisation of the same is a matter for decision by the Rupee Payment Countries themselves with reference to their overall situation. While the year 1990-91 began with India having rupee trade agreements with USSR, Czechoslovakia, Romania, German Democratic Republic and Poland, during the course of the financial year agreements with Poland and German Democratic Republic expired. No Technical Credit was as such provided to Poland after 1st January 1991. The Merger of the erstwhile German Democratic Republic with the FRG similarly implied that no Technical Credit has been extended to the erstwhile German Democratic Republic following the unification.

Upto the end of March, 1984, the procedure of Gross Budgeting was in vogue for the technical credit arrangements. According to this procedure the 'repayments' and 'drawals' in respect of 'Technical credits' were accounted for under the 'receipt' and 'expenditure' heads respectively. Such a procedure resulted in showing the cumulative amount of drawings under the major heads "7605" and often gave an inflated picture of actual utilisation of Technical Credits by the rupee payments countries. As per this procedure, even though the net out-standing amount at any given time would be within modest limits, the gross drawings of Technical Credits (without taking into account the repayments) could add up to a huge amount depending upon the number of occasions during the year in which the rupee payment countries reported to drawings under the Technical Credit arrangement. Correct assessment of gross receipt and expenditure in this system was found to be very difficult.

4. In order to reduce the manitude of the problem of 'excess' or 'saving' the procedure of 'Net' budgeting was introduced w.e.f. 1st April, 1984 replacing the gross budgeting system. According to the new procedure of net budgeting the outstanding Technical Credit amount at the end of the preceeding financial year would be first set off against the repayment from the rupee payment countries, treated as receipts. The balance amount repaid would go towards reduction of the Technical Credit advanced during the current financial year and only the net amount out-standing at the end of the year would be debitabale to the budget. It was realised that with the introduction of this system of 'Net' budgeting, the dimension of the problem regarding 'excess' or 'saving' would be minimised considerably for the future, although the problem could continue.

5. The Year 1990-91 ended with an excess expenditure of Rs. 532.44 crores on Technical Credit. This was mainly due to a larger level of Indian exports and insufficient imports from that country, It is pertinent to mention here that in the case of USSR, there is no ceiling from drawal of Technical Credit. In the case of other Rupees Payment Area countries, however, the maximum limit of drawal of technical Credit is fixed at the time of conclusion of Trade Agreements.

6. During the year 1990-91, the drawal of Technical Credit was monitored very closely. Some of the reasons and steps taken to maintain the drawal of Technical Credits, within the budgeted provision are summarised below:—

(1) Reasons for excess drawal of Technical Credit:

(i) Exports to Soviet Union exceeded the Trade Plan Provision by about Rs. 107 crores (Export Rs. 5407 crores against Trade Plan Provision of Rs. 5300 crores) during 1990.

(ii) Imports from Soviet Union lagged behind by amount Rs. 88 crores (Imports Rs. 3412 crores as against the Trade Plan Provision of Rs. 3500 crores) during 1990.

(iii) the dramatic erosion of the system of state orders in Soviet Union and the disruption of vertical and horizontal planning in the economy led to non fulfilment of trade plan provisions of various items: Most notably export of metal scrap, steel products, pig iron, etc. In many cases the manufacturing units concerned were not prepared to export to India against Rupee Payment, notwithstanding the inter-governmental agreements reflected in the Trade Plan.

(iv) In some other cases imports could not be effected to the full extent of the Trade Plan due to lack of demand or incomplete control over demand on the Indian side. For Instance the implementation of the Trade Plan in items such as menthanol, polythylene, pvc, raw hides, was low because these items are in the open General Licence. In the machinery sector, the import of Air transportation means from the USSR suffered a set back due to non-allocation of required funds to the Ministry of Defence.

(v) Certain other factors unrelated to changes in either the Soviet or the Indian economy also contributed to a lower level of imports from USSR. The most important of these was the Gulf war and the general situation in the Gulf from August 1990 onwards. The USSR had been supplying to us Crude Oil on rupee payment from Iraq. The developments in the Gulf interrupted these supplies and some time elapsed before these were resumed directly from the USSR. This meant that there were significant shortfalls in the implementation of the trade plan provision for crude oil which is a very major item in the import leg of the Trade Plan.

(2) Steps taken to control the expenditure on Technical Credit:

(i) The concern of the Government of India at the large amounts of Technical Credit being drawn was repeatedly expressed to the Soviet Government at different levels. It was impressed upon the Soviet side that the facility should be used only as a temporary ways and means advance.

(ii) Following high level discussion with the Soviet side in December-January 1990-91, it was agreed that the Technical Credit drawn would not exceed the level of about Rs. 750 crores by the end of the financial year 1991-92.

(iii) To check exports in excess of Trade Plan Provisions a contributory of factor to the high Technical Credit level, a system of pre-registration of export contracts for Rupee Payment Area countries was gradually introduced from August, 1990 onwards. This system was originally put in the place for different items in the agricultural sector, but has since been extended to cover all items of export.

(iv) It was continuously emphasized to the Soviet side that the most positive way to deal with the problem of imbalance in trade was to increase Soviet exports to India. Thus in the Trade Plan for 1991 the provision for import from USSR was increased from Rs. 3500 crores (in 1990) to Rs. 4330 crores in 1991. On the other hand the provision for Indian exports was reduced from the 1990 level of Rs. 5300 crores to Rs. 5081 crores.

(v) In anticipation of a larger Technical Credit utilization than provided for in the B.E., the Government moved to take a supplementary grant of 789 crores. Accordingly the provision for Technical Credit was enhanced to Rs. 1069 crores from the budgeted level of Rs. 280 crores only.

7. Despite these efforts the year 1990-91 ended with an excess expenditure. Given the very large number of variants which determine the volume and magnitude of two way trade flow between India and the USSR. The rapidly changing international economic and political scenario and the dramatic changes the Soviet polity and economy is undergoing, the precise extent of the imbalance in trade could not have been forecast accurately at any point of time. However in terms of the prescribed procedures rupee accruals in the Soviet account during the subsequent year would first be utilised for the liquidation of the outstanding Technical Credit carried forward from the previous year.

Adult Observation:

The view of audit at Ministry's observations is as follows:

Against the Original provision of Rs. 280 crores towards technical credits for the erstwhile U.S.S.R. for the year 1990-91, a supplementary provision of Rs. 789.38 crores was obtained in March, 1991. Thus against a total

provision of Rs. 1069.38 crores, the expenditure incurred was Rs. 1655.91 crores resulting in an excess of Rs. 586.53 crores. A scrutiny of the average monthly outstanding balance from December 1989 to March 1991, which stood at Rs. 660.23 crores during 1989-90 (December to March) and at Rs. 1322.25 crores during 1990-91, has revealed that the technical credits were no longer ways and means advance to bridge the temporary imbalances in the trade, even prior to the changes took place in the erstwhile U.S.S.R. While on the one hand India advanced technical credit to the erstwhile U.S.S.R., it took loan of Rs. 214.69 crores in 1989-90 and Rs. 295.27 crores in 1990-91 against project imports. In addition, credit purchases have been made for defence imports. (The size of such imports have not been made available to audit yet, although the matter has been taken up with Department of Economic Affairs). Had the purchases been made in cash, drawal of technical credit to that extent would not have been required. Had a policy of pre-payment of Soviet Credit been adopted in view of surplus exports over imports, the Government would not have been required to give heavy amount of technical credit to U.S.S.R. and would have liquidated a substantial part of its Soviet debt liability. The Ministry of Commerce has not specifically clarified as to why cash purchases/pre-paying the debt was not considered.

Since the technical credit has ceased to be in the nature of a temporary ways and means advance but has itself acquired the form of a regular loan, as admitted by the Ministry, this fact should have been recognised by the Ministry and a considered decision taken by Government to reconsider the utility of this instrument of supporting two way trade flows in view of long term and persistent nature of India's surplus of exports over imports, which steadily rose from Rs. 355 crores in 1987-88 to Rs. 2707 crores in 1990-91.

APPENDIX II

MINISTRY OF DEFENCE (FINANCE DIVISION) (MAIN OFFICE SECTION)

Note for Public Accounts Committee for regularisation of excess expenditure incurred under Grant No. 13— Defence Pensions, as disclosed in the Union Government Appropriation Accounts for 1990-91.

Grant No. 13— Defence Pensions

Revenue Section (Charged)

Original Appropriation	23,00,000
Supplementary Appropriation	10,00,000
Total Appropriation	33,00,000
Actual Expenditure	33,51,425
Excess	51,425

Revenue Section (Voted)

Original Grant	1499,77,00,000
Supplementary Grant	169,90,00,000
Total Grant	1669,67,00,000
Actual Expenditure	1669,78,51,872
Excess	11,51,872

Excess expenditure of Rs. 51,425 in Revenue Section (Charged against a total sanctioned provision of Rs. 33,00,000 occurred mainly under sub head A. 1(1) (3) Family Pensions on account of additional payment of Rs. 79,229 than anticipated on receipt of decree(s) from the Court during the month of February, 1991.

The excess expenditure of Rs. 11,51,872 in Revenue Section (Voted) against a total sanctioned provision of Rs. 1669,67,00,000 occurred mainly under sub-head relating to 'Family Pensions' due to extension of eligibility for family pensions to more category of pensioners during the year. The Supplementary Grant for the excess expenditure of Rs. 12.03 lakhs under the above heads could not be asked for since vouchers to the extent of Rs. 49 Crores relating to Family Pensioners were received subsequent to the 1st week of February, 1991 and accounted for in the monthly account from February, 1991 onwards.

3. The Supplementary Demand for Grant had been asked by 14.2.1991 taking into account the position as on 1st week of February, 1991. Although Rs. 230.28 crores had been estimated as the requirement, a revised supplementary Demand for Rs. 170.00 crores only was projected in Final Batch of Supplementary Demands for Grant for the year 1990-91

assuming a saving of Rs. 60.00 crores. Due to non-issue of Government orders for grant of ad-hoc ex-gratia payments to pre 1986 retirees, an additional Rs. 28 lakhs by Chief Controller of Defence Accounts (Pensions) under Sub-head 'Rewards' was also anticipated and adjusted in the final Supplementary Demand.

4. To streamline estimation, the Pension Disbursing Agencies have been advised (Copies enclosed) to furnish the payment vouchers promptly to ensure that the requirement of funds, based on up-to-date disbursement could be projected in Supplementary Demands for Grant for the relevant Financial Year. The Heads of Finance Departments of all States concerned have in response to which instructed the Treasuries and the Public Sector Banks to expendite 'Paidup Pension Payment Vouchers' to the Chief Controller of Defence Accounts (Pensions) Allahabad for his timely monitoring of the payments and thereby assessing requirement of funds for future Budget Estimates/Revised Estimates.

5. In view of the circumstances explained in the preceeding paragraphs, the excess expenditure of Rs. 51,425 and Rs. 11,51,872 incurred under Revenue Section (Charged) and (Voted) respectively of Grant No. 13—Defence Pensions for 1990-91 may please be recommended for regularisation by the Parliament under Article 115(1) (b) of the Constitution.

6. This has been vetted by Audit vide their u.o. No. *RR/11-2/92-93/1361 dated 15.10.1992*.

(P.R. SIVASUBRAMANIAN)

Addl. Financial Adviser & Jt. Secy.

No. 23(6) MO/92/1612.

The position of excess expenditure incurred under Grant No. 13 — Defence Pensions for 1990-91 is reflected as under:—

(In thousands of Rupees)

Grant/ Appropriation (including Supplementary Grant/ Appropriation)	Actual Expenditure	+ Excess - Saving
1	2	3
REVENUE SECTION (CHARGED)		
Major Head — 2071		
A.1 — Defence		
A.1(1) — Army		
A.1(1)(1) — Normal Pensions		
A.1(1)(1)(6) — Arrears paid due to Supreme Court Judgement	25,00	25,02 (+) 0,02
A.1(1)(3) — Family Pensions	—	1,02 (+) 1,02
A.1(3) — Air Force		
A.1(3)(1) — Normal Pensions		
A.1(3)(1)(6) — Arrears paid due to Supreme Court Judgement	1,00	1,01 (+) 0,01
A.1(1) — Army		
A.1(1)(1) — Normal Pension		
A.1(1)(4) — Payment made to officers etc. who retired on or after 15.8.1947	1,00	0,46 (—) 0,54
A.1(2) — Navy		
A.1(2)(1) — Normal Pensions		
A.1(2)(1)(6) — Arrears paid due to Supreme Court Judgement	6,00	6,00 (—) —(*)
		(*) negligible amount i.e. Rs. 168/
Grand Total	33,00	33,51 (+) 0,51
REVENUE SECTION (VOT)		
Major Head — 2071		
A.1 — Defence		
A.1(1) — Army		
A.1(1)(1) — Normal Pensions		
A.1(1)(1)(2) — Payments to officers etc. as a result of war 1939—45.	5,00,00	5,00,00 (+) 0,02

	1	2	3
A.1(1)(1)(3)	— Payment made to officers etc. who retired after 1.4.1937 but before 15.8.1947 excluding pension sanctioned as a result of war 1939—45.	9,00,00	9,00,14 (+) 0,14
A.1(1)(1)(4)	— Payment made to officers etc. who retired on or after 15.8.1947.	980,22,28	980,64,37 (+) 42,09
A.1(1)(1)(5)	— Gratuties	126,51,97	126,58,43 (+) 6,46
A.1(1)(3)	— Family Pensions	130,81,83	161,98,42 (+) 31,16,59
A.1(1)(5)	— Rewards	1,00,00	1,02,99 (+) 2,99
A.1(2)	— Navy		
A.1(2)(1)	— Normal Pensions		
A.1(2)(1)(1)	— Payments made to officers etc. who retired on or before 1.4.1937	0,05	0,18 (+) 0,13
A.1.(1)(1)(4)	— Payments to officers etc. who retired on or after 15.8.1947	14,18,70	14,18,96 (+) 0,26
A.1(2)(3)	— Family Pensions	1,46,30	1,79,80 (+) 33,50
A.1(2)(5)	— Rewards	0,10	0,46 (+) 0,36
A.1(3)	— Air Force		
A.1(3)(1)	— Normal Pensions		
A.1(3)(1)(4)	— Payments made to officers etc. who retired on after 15.8.1947	44,68,45	44,69,00 (+) 0,55
A.1(3)(3)	— Family Pensions	2,80,95	3,44,85 (+) 63,90
A.1(1)	— Army		
A.1(1)(1)	— Normal Pensions		
A.1(1)(1)(1)	— Payments made to officers etc. who retired on or before 1.4.1937.	80,00	60,01 (—) 19,99
A.1(4)(2)	— Commuted value of Pensions	315,17,92	284,39,99 (—) 30,77,93
A.1(1)(4)	— Contributions to Provident Fund	1,00,00	41,87 (—) 58,13
A.1(2)	— Navy,		
A.1(2)(1)	— Normal Pensions		
A.1(2)(1)(2)	— Payments made to officers etc. as a result of war 1939—45.	0,30	0,20 (—) 0,10
A.1(2)(1)(3)	— Payments to officers etc. who retired on or after 1.4.1937 but before 15.8.1947 but excluding pensions sanctioned as a result of war 1939—45	2,00	0,05 (—) 1,95
A.1(2)(1)(5)	— Gratuties	3,17,50	3,17,49 (—) 0,01
A.1(2)(2)	— Commuted value of Pensions	6,11,45	5,79,62 (—) 31,83
A.1(2)(4)	— Contribution to Provident Fund	2,60	1,05 (—) 1,55
A.1(3)	— Air Force		
A.1(3)(1)	— Normal Pensions		

	1	2	3
A.1(3)(1)(1)	— Payments made to officers etc. who retired on or before 1.4.1937	0,20	0,19 (—) 0,01
A.1(3)(1)	— Payments made to officers etc. as a result of the war 1939—45.	0,25	0,20 (—) 0,05
A.1(3)(1)(3)	— Payments made to officers etc. who retired after 1.4.1937 but before 15.8.1947 excluding pensions sanction as a result of war 1939—45.	10,000	0,60 (—) 9,40
A.1(3)(1)(5)	— Gratuties	8,00,50	7,97,42 (—) 3,08
A.1(3)(2)	— Commuted Value of Pensions	19,50,65	19,01,85 (—) 48,80
A.1(3)(4)	— Contribution to Provident Fund	2,00	— (—) 2,00
A.1(3)(5)	— Rewards	1,00	0,36 (—) 0,64
Grant Total		1669,67,00	1669,78,52 (+) 11,52

Sd/-

(P.R. Sivasubramanian)

Addl. Financial Adviser & Jt. Secy.

B. V. ADAVI

Financial Adviser (Defence Services)

Tel: 301 2386

D.O. No. 23(1)MO/91-92(665)

MINISTRY OF DEFENCE

NEW DELHI-110011

March 17, 1992.

Dear

As you are aware, a large number of Defence Pensioners draw their pensions through SBI and other Public Sector Banks. A review of the accounts relating to pensions reveals that there has been significant delays in rendition of accounts by some of the branches. The Banks have to ensure that the accounts are rendered to Chief CDA(P), Allahabad for the pension disbursed by them, duly complete in all respects on a month to month basis. You will appreciate that the delayed rendering of these accounts creates many problems in proper budgeting and correct estimation of Supplementary Demands, where necessary. In fact, for this reason, we have run into problems of a major excess of Defence Pensions disbursements over the total Grant for the year 1989-90. An illustrative list of defaultee SBI branches from whom the Pension Payment Scrolls are not received within prescribed time, is enclosed.

2. I shall be grateful if you could kindly issue suitable instructions to Chief Executives of Public Sector Banks to ensure strict compliance of the instructions in ensuring complete and timely rendition of the accounts relating to Defence Pensions.

Yours sincerely,

Sd/-

(B.V. ADAVI)

B.V. ADAVI
Financial Adviser (Defence Services)
Tel: 301 2386

D.O. No. 23(1)/MO/91-92 (666)
MINISTRY OF DEFENCE
NEW DELHI—110011
March 17, 1992.

Dear

As you are aware, a large number of Defence Pensioners draw their pensions through the State Treasuries. Unlike the case of Central Civil Pensioners, we are continuing to authorise fresh pension payments for Defence Personnel through the Treasuries because of certain special problems faced by the Defence Pensioners. A review of the accounts relating to Pension disbursement reveals that there have been significant delays in rendition of accounts by some of the Treasuries leading to problems in prompt computation of expenditure and ensuring correct budgeting. The treasuries are expected to ensure that the accounts are rendered for the pension disbursed, duly complete in all respects and on a month to month basis to Chief CDA (P), Allahabad. You will appreciate that delayed despatch of these accounts leads to problems in ensuring proper budgeting and correct estimation of Supplementary Demands, where necessary. In fact, for this reason, we have run into a problem of a major excess of Defence Pension disbursements over the total Grant for the year 1989-90. A list of State Treasuries from whom Pension Payment Vouchers (PPVs) are not received within prescribed time by Chief CDA (P) is enclosed.

2. I shall be grateful if you could kindly issue suitable instructions to the Director of Treasuries so that all Treasuries ensure strict compliance of instructions in ensuring complete and prompt rendition of accounts to Chief Controller of Defence Accounts (Pensions), Allahabad.

Yours sincerely,
Sd/-
(B.V. ADAVI)

APPENDIX III

GOVERNMENT OF INDIA MINISTRY OF ENVIRONMENT AND FORESTS

Note for the Public Accounts Committee for regulation of excess expenditure in Capital Section (voted) of Grant No. 22—Ministry of Environment and Forests, as disclosed in the union Government Appropriation Accounts (Civil) for 1990-91.

*Grant No. 22—Ministry of Environment and Forests
Capital Section (voted)*

	(Rupees)
Original Grant	441,00,000
Supplementary Grant	214,00,000
Total Grant	65,00,000
Actual Expenditure	655,68,488
Excess	68,488

2. The original provision for the year 1990-91 under the Grant 'Ministry of Environment and Forests' was Rs. 441,00,000. This was augmented to Rs. 655,00,000 through a supplementary grant of Rs. 214,00,000. The actual expenditure amounted to Rs. 655,68,488 resulting in an excess expenditure of Rs. 68,488 in the grant.

3. The excess expenditure of Rs. 68,488 was the net effect of the excesses and savings under various sub-heads as shown in Annexure 'A' and 'B' respectively but mainly under the sub-head 'AA. 2 (1)—New Civil Works'.

4. The original provision of Rs. 2,37,000 under the sub-head "AA. 2 (1)—New Civil Works" was augmented to Rs. 3,57,00,000 through a supplementary grant of Rs. 1,20,00,000. This, however, proved to be inadequate as the actual expenditure amounted to Rs. 3,92,38,000 resulting in an excess of Rs. 35,38,000. This excess was due to more releases made

for ongoing works as detailed below:

(Rupees in lakhs)

Major Head/ Sub Head	Estimated Cost	Budget Provision for 1990-91	Suppl. Grant	Actual expenditure 1990-91	Excess	Remarks
Major Head 4406 AA—Capital Outlay on Forestry and Wild Life	1735.28	237.00	120.00	392.38 (+)	35.38	Excess was due to remarkable progress of the ongoing works resulting in more releases of funds.
AA. 2 (1) New Civil Works	1735.28	237.00	120.00	392.38 (+)	35.38	
	1735.28	237.00	120.00	392.28 (+)	35.38	

The details of the works and estimated cost thereof are given in Annexure-C enclosed. All these works relate to the Sub-head AA. 2 (1)—New Civil works only.

Steps have been taken to ensure that the expenditure does not exceed the sanctioned provision in future.

5. In view of the circumstances explained above, the excess expenditure of Rs. 68,488 which is about 0.10% of the total Grant may kindly be recommended for regularisation under Article 115 (1) (b) of the Constitution.

5. This has been vetted by Audit vide Shri B.P. Mathur's D.O. letter No. RR/11-3/92-93/1447 dated 2nd November, 1992.

Sd./-

(S.W. OAK)

Joint Secretary & Financial Adviser

(Ministry's file No. G-20011 (18)/90-B&A)

ANNEXURE 'A'

**STATEMENT SHOWING REASONS FOR EXCESS EXPENDITURE
UNDER CERTAIN SUB-HEADS OF GRANT NO. 22—MINISTRY OF
ENVIRONMENT AND FORESTS, AS DISCLOSED IN THE UNION
GOVERNMENT APPROPRIATION ACCOUNTS (CIVIL) FOR
1990-91**

	Excess over sanctioned grant including supplementary grant	Reasons for excess
	(Rupees in thousands)	
<hr/>		
<i>Major Head 4406</i>		
AA. 2 (1) New Civil Works	35,38	Excess was due to more releases made for ongoing works.
<i>Major Head 5425</i>		
BB. 1 (1)—Civil Engineering Wing	5,09	Excess was due to filling up of vacant posts, redeployment of staff and revision of pay scales.
Total	<hr/> 40,47	
<hr/>		

ANNEXURE 'B'

**STATEMENT SHOWING CASES OF CERTAIN SUB-HEADS OF
GRANT NO. 22—MINISTRY OF ENVIRONMENT AND FORESTS,
AS DISCLOSED IN THE UNION GOVERNMENT APPROPRIATION
ACCOUNTS (CIVIL) FOR 1990-91 WHERE THERE WERE SAVINGS
WITH REFERENCE TO SANCTIONED GRANT**

			Savings compared with grant	Reasons for savings
			(Rupees in thousands)	
Major Head—4406				
AA.	3 (1)	Equity contribution to Rashtriya Vriksha Mitra Sahyog Ltd.	1,00	Savings was due to non-receipt of demand of funds by Rashtriya Vriksha Mitra Sahyog Ltd.
Major Head—5425				
BB.	1 (2)	New Civil Works	38,79	Due to economy measures.
Total			39,79	

LIST SHOWING THE DETAILS OF WORK AND ESTIMATED COST THEREOF

Major Head 4406 AA Capital Outlay Forestry & Wildlife

(Rs. in lakhs)

Sl. No.	Name of Work	Letter Number	Estimated Cost
1	2	3	4
1.	Construction of Institute of Wood Science and Technology, Bangalore.	M/o E&F No. 5-6/88-RT dt. 20.2.90	424.56
2.	Construction of Institute of Northern Peninsular Deciduous Forest, Jabalpur.	M/o E&F No. 5/11/88-RT (Vol. II) dt. 16.8.89	116.00
3.	Construction of Institute of Genetics & Tree Breeding, Coimbatore.	M/o E&F No. 5/14/81-RT dt. 21.4.89	60.61
4.	Construction of 24 staff quarters at Coimbatore (Phase I) (Type III, IV-6, V-10, VI-2)	M/o E&F No. 5/685-RT dt. 16.11.90	97.93
5.	Construction of 241 staff quarters for Staff for FTL, Coimbatore (Phase I) (Type-I10, II-IP, III-12, IV-1)	M/o E&F No. 5-6/85-RT dt. 20.2.90	72.14
6.	Construction of 44 residential units for Forest Laboratory & Sandal Research Centre, Bangalore, (Type I-6, II-12, III-16, IV-4, V-4, VI-2)	M/o E&F No. 5-2/ 6-RT dt. 19.10.90 Consultancy charges	110.43 4.59
7.	Construction of 66 residential quarters (Type III-24, II-42) at Dehradun.	M/o E&F No. 5-4/87-RT dt. 21.7.89	98.47
8.	Construction of 108 residential flats for Regional Forests Research Laboratory, Jabalpur. (Type I-18, II-24, III-42, IV-12, V-10, VI-2)	M/o E&F No. 5-9/84-RT dt. 31.3.89	262.00

1	2	3	4
9.	Construction of Arid Zone Institute for Forest Research Institute at Jodhpur. Construction of Compound Wall & barbed wire fencing (a) Plot No. 685 North	M/o E & F No. 56-3/89-ICFRE dt. 25.1.90	4.04
10.	Construction of slow sand filter for Deciduous Forests Research Institute at Jabalpur.	M/o E & F No. 5-12/89-RT dt. 20.2.90	8.89
11.	Shifting of H.T. lines from site of office building at IDF Jabalpur.	M/o E & F No. 5-11/89-RT dt. 8.8.90	4.46
12.	Procurement of Land for FPI at Jorhat.	No. 1-1/87-RT dt. 19.3.91	10.04
13.	Procurement of Land for F R at Bhubneshwar.	No. 1-2/91-PO(HQ) dt. 22.3.91	50.19
14.	Micellaneous		0.24
15.	Construction of IGNFA at Dehradun	M/O E & F No. 5-11/88 -RT dt. 21.7.89	136.00
	(i) Residential		4.00
	(Type I-16, II-8, III-3 IV-6, V-12, VI-4, Total 49)		
	(ii) Compound Wall (Phase II)		
16.	Construction of office cum laboratory building for FSI Dehradun.	M/o E & F No. 23-60/85-SUI dt. 26-8-88 (consultancy charges)	167.44
17.	Sinking of Tube Well for FSI campus Dehradun.	M/o E & F No. 7-7/90-SUI-1202 dt. 16.5.90	8.88
18.	Construction of visitors centre		25.00
19.	Construction of Reptile House	M/o E & F No. 25-39/88-WIL dt. 16.2.89	19.00
20.	Construction of 400 KW Electric Sub-Station at NZP, New Delhi.	M/o E & F No. 25-26/88-WIL dt. 31.3.89	44.96
21.	Other petty Works		10.00
Total			1735.28

(Rounded to Rs. 1735 Lakhs)

Sd.-

(H.M. SARKAR)

UNDER SECRETARY TO THE GOVERNMENT OF INDIA

APPENDIX IV

GOVERNMENT OF INDIA MINISTRY OF HOME AFFAIRS

Note for Public Accounts Committee for regularisation of excess expenditure incurred under Revenue Section and Capital Section (Voted) in Grant No.93-Lakshadweep, as disclosed in the Union Government Appropriation Accounts (Civil) for 1990-91.

	<i>(Amount in Rupees)</i>
<i>Revenue Section (Voted)</i>	
Original Grant	37,66,00,000
Supplementary Grant	1,41,00,000
Total Grant	39,07,00,00
Actual Expenditure	39,10,55,524
Excess	3,55,524
<i>Capital Section (Voted)</i>	
Original Grant	12,46,00,000
Supplementary Grant	—
Total Grant	12,46,00,000
Actual Expenditure	12,47,25,597
Excess	1,25,597

2. The Excess expenditure of Rs. 3,55,524 under Revenue Section (Voted) and Rs. 1,25,597 under Capital Section (Voted) of the Grant require regularisation by the Parliament under Article 115(1)(b) of the Constitution.

3. This excess expenditure which was the net result of excesses and savings under various heads in Revenue Section(Voted) and Capital Section (Voted) is attributable to the following sub-heads for the reasons given thereunder:-

(Rupees in thousands)

(Revenue Section (Voted))

Major Head—2055

A. 7(2)—District Police

(Rs.27,81)

Excess expenditure is due to the deployment of Madhya Pradesh State Armed Force during 1974-75 to look after the Law and Order problem of the Union Territory. Due to non-receipt of Audit Certificate from the Government of Madhya Pradesh, the dues could not be cleared. The Audit-Certificates for the year 1985-86 were received in September, 1989

asking an amount of Rs. 59.49 lakh as dues for 1985-86. Subsequently the Madhya Pradesh Government asked for the payment of Rs. 302.58 lakh for the years 1984-85 to 1988-89 based on Audit-Certificate and Rs. 42.50 lakh as provisional payment for five quarters. The deployment rate were revised by the Ministry of Home Affairs which were kept at the rate of Rs. 8.33 lakhs per quarter. As the Madhya Pradesh Government had been pressing for arrears payment towards the close of the financial year, the Administration had to make payment of Rs. 20 lakh.

Further the Administration had to make payment of arrears to the special pay opted by employees as per judgement of the Central Administrative Tribunal dated 27th April, 1989 (copy enclosed) as Annexure I and drawal of additional instalment of Dearness Allowance and Bonus for 1990-91 etc. Efforts were made to meet the excess expenditure by re-appropriation of Rs. 27.33 lakh from saving within the grant.

Major Head—2401

B.1(5)—Plant Protection

(Rs.5,77)

The Excess expenditure is due to purchase of 200 rolls of link mesh for distribution to the Pandaram land owners on subsidised cost under the land development programme following a decision in the Pradesh Council Meeting held on 15th to 17th November, 1990. In addition the administration had to make payment of additional instalment of Dearness Allowance and Bonus and implementation of Central Administrative Tribunal's judgement in respect of special pay opted by employees. Further there was a severe rate menace and the entire coconut crop was threatened with destruction. Therefore, as per the decision in the Pradesh Council Meeting held in November, 1990, a massive rate hunt campaign in the Islands of Andrott, Kalpeni and Minicoy was launched for which labourers were engaged and rodenticide moosh-moosh cake was purchased. The Administration had purchased 6 M.T. moosh moosh cake costing Rs. 2.70 lakh. The price of moosh-moosh cake had also increased from Rs. 40/- to Rs. 47.50 per kilogram. Efforts were made to meet this excess expenditure by locating savings within the grant and an amount of Rs. 3.13 lakh was re-appropriated towards the excess, but the excess expenditure could not be avoided.

Major Head—2403

B.2(3)—Cattle and Buffalo Development

(Rs.27,30)

The excess expenditure is mainly due to purchase of milch cows to strengthen the dairy unit, additional purchase of cattle feed for distribution, increase in the cost of cattle feed, transportation charges, medicines etc., purchase and distribution of link mesh for confined goat rearing, stationing of stud bucks and extending milma milk/tetra pack milk distribution to Kadmat, Kiltan and Chetlat Islands. An amount of Rs. 26.57 lakh was provided to meet this excess expenditure by

re-appropriation within the grant, but the excess expenditure could not be avoided.

Major head—2405

B.3(3)(1)—Deep Sea Fisheries

(Rs.7,28)

The excess expenditure is due to increase in the cost of HSD oil and Lub oil purchased during the year and also the cost of HSD oil purchased through Director General of Supply & Disposal in the last quarter of the year 1989-90 which was adjusted by Accountant General, Kerala during the financial year 1990-91. In addition to this the Accountant General, Kerala had adjusted Rs. 4.79 lakh being the cost of HSD oil pending for the year 1986-87 and 1987-88 in March, 1991. This was an unforeseen expenditure and the additional provision could not be sought. The HSD and Lub oil were purchased for distribution to the fishermen on recovering the full cost.

Major Head—2029

C.1(1)—Survey and Settlement Operation

(Rs.5,15)

The excess expenditure is due to transfer of provision for Survey and Settlement Operation Scheme from Major Head 2053 to this Head, based on the Planning Commission's direction *vide* No. PC(P)289-Lakshadweep dated 23rd March, 1990 (copy enclosed as Annexure-II). In addition to this, payment of increase rate of Dearness Allowance, Bonus etc. to staff and cash equivalent of leave salary to retired employees, repair charges of office equipments, advertisement charges of notification in connection with the compulsory land acquisition resulted in excess expenditure. Further the wages of casual labourers for the month of march to be drawn in April had been drawn in March itself by certain Drawing & Disbursement Officers by mistake. The Administration has instructed the concerned Officers to avoid such mistakes in future. An amount of Rs. 4.55 lakh was re-appropriated by locating saving within the grant to meet the excess expenditure, even then the excess expenditure occurred.

Major Head—2801

D.1(1)(1)—Supply of Electricity in Lakshadweep

(Rs.10,53)

The excess expenditure is due to the increase in cost of HSD oil, spare parts etc. used for generating of electricity in the Islands and hike in oil prices due to gulf crises which was not anticipated. In addition, the administration had to make payment on special pay opted by employees based on Central Administrative Tribunals decision and also enhanced rates of Dearness Allowance w.e.f. 1.1.1990 and 1.7.1990 and Bonus to the employees.

*Major Head—2202**H.1(1)(1)—Government Primary Schools*

(Rs.51,33)

The excess expenditure is due to payment of arrears to special pay opted by employees based on Central Administrative Tribunal's judgement and payment of enhanced rate of Dearness Allowance and Bonus etc. Increase in the cost of school articles and increase in cost of various items on mid-day meals and utensils for kitchen.

H.1(2)(1)—Government Secondary Schools

(Rs.22,75)

The Excess expenditure is due to (i) payment of arrears to special pay opted by employees based on Central Administrative Tribunal judgement (copy enclosed as Annexure 1). As the judgement received at the fag end of the financial year, the Administration could not seek the supplementary demand for grant. (ii) Payment of boat hire charges for running practical classes for fisheries, rise in fare of slip/bus and increased expenditure for boarding and lodging expenditure towards educational tours of students etc. (iii) Increase rate of Dearness Allowance. (iv) Increase in cost of provisions require for mid-day meals and writing materials to schools children and (v) Payment of boat hire charges under Fisheries Technology Scheme in various Islands.

*Major Head—2402**C.2(1)—Land Reclamation and Development*

(Rs.21,29)

The excess expenditure is mainly due to wrong booking of expenditure amounting to Rs. 22.91 lakhs of Major Head 2406 under this Major Head. The Social and Farm Forestry being a new Scheme the Planning Commission approved Rs. 16.40 lakh in the Annual Plan 1990-91 for this Scheme. However, in the absence of an appropriate Head of Account to book this expenditure, the Administration incurred the expenditure under this head of Account. In the Headwise Appropriation Accounts for the year 1990-91 though it has been stated that the excess was also due to purchase of equipments for the soil testing Laboratory and procurement of Helifle-hose for kitchen garden programme and inter-cropping programme, the Union Territory Administration has now stated that these purchases could not be made during the year, as purchase formalities could not be finalised.

*Major Head—2425**F.1(1)—Assistance to Other Cooperatives*

(Rs.8,14)

The excess expenditure is necessitated to meet the additional demand for assistance to the cooperative societies than anticipated. The approved outlay was of Rs. 10 lakh as against which a provision of Rs. 1.86 lakh was made in budget Estimate for 1990-91. Therefore the Administration provided additional funds of Rs. 8.14 lakhs by re-appropriation as it was necessary to achieve the targets.

*Major Head—2851**K.1(3)—Coir Industries*

(Rs.7,12)

The excess expenditure is due to filling up of posts of new fibre factory at Agatti Islands and purchase of machinaries etc. required for the factory and increase in the cost of machinaries.

Though the decision for establishing a fibre factory was taken and building completed during the year 1988-89, due to certain problems the factory could not be opened till 1990-91. By that time the budget was finalised. The Administration opened the Fibre Factory at Agatti and provision was made in the Revised Estimate for 1990-91. The post of Supervisor, Machine Operator and Watchman-cum-Sweeper were filled. One each of the machines fibre decorticator, husk-buster, fibre swifter bailing press, husk crusher and other accessories were also purchased. An amount of Rs. 6.93 lakh was provided by re-appropriation to meet the expenditure, even then the excess expenditure occurred.

*Major Head—3053**O.3(1)(1)(1)—Payment of Helicopter Services*

(Rs.50,06)

The excess expenditure is due to increase in cost of fuel and its transportation charges following Gulf Crisis and increase in running and maintenance expenditure of helicopter which could not be anticipated at the time of budget estimate.

*Major Head—2215**R.9(1)(2)(1)—Other Rural Water Supply Programme*

(Rs.10,06)

The excess expenditure was mainly due to increase in cost of materials required for the completion of pipe lining etc. for the protected water supply scheme. As the Administration was enable to postpone the work to next year an amount of Rs. 10 lakh was re-appropriated to meet the excess by locating saving from other heads.

*Major Head—3053**R—18(1)(1)—Other Expenditure*

(Rs.6,75)

The excess expenditure was due to construction of Hanger and Non-Directional Beacon (NDB) Buildings at Kavaratti and works of the passenger Hall in various Islands. For the safety of the helicopters and the pilots, these buildings were essential. The pilots also expressed their unwillingness to run the helicopters due to non-completion of the buildings. Hence this work was taken up on urgent basis and funds were provided to meet the expenditure by re-appropriation.

*Major Head—2711**S.1(1)(1)(1)—Prevention of Sea Erosion*

(Rs.29,99)

The excess expenditure was due to requirement of funds for essential protection measures consequent on severe Sea erosion in more coastal areas.

*Major Head—2236**T.2(1)(1)—Special Nutrition Programmes**(Rs.11,12)*

The excess is due to providing the benefits to more beneficiaries. This being a continuing scheme, the Administration could not control the increase in the number of beneficiaries. However, savings were located to meet the excess expenditure within the grant and funds were provided by re-appropriation. But the excess expenditure could not be avoided.

*Capital Section (Voted)**Major Head—4408**EE.1(1)(1)—Procurement and Supply**(Rs.50,98)*

The excess expenditure was due to payment to Food Corporation of India towards the differential cost of 1750 tones rice lifted @Rs. 320 per quintal and cost of 500 tones of levy sugar @Rs. 501 per quintal and free sale sugar of 100 tones @ Rs. 815 per quintal consequent on revision of prices of food articles through public distribution system. The additional amount could not be sought at the time of reviewing the budget as it was known at the fag end of the year. The price of rice was revised w.e.f 1st June, 1990 and that of sugar during March 1991. The major portion of allotment of rice and sugar was lifted from Food Corporation of India depots during January-March, 1991.

*Major Head—5052.**OO.1(1)(1)—Acquisition and Expansion of Tonnage**(Rs.95,01)*

The excess expenditure is due to unanticipated stage payments for 4 Numbers 300 MT mechanised barges to Shipping Corporation of India and 4 Numbers 50 MT dumb barges and 2 Numbers of steel boats required for Lakshadweep Administration. The Payment of Rs. 115.96 lakh was made on 21.3.91 for 4 Numbers 300 MT mechanised barges. Though the decision was taken in 1988, the Administration could not provide sufficient funds to meet the expenses. Since Shipping Corporation of India insisted the stage payment the Administration had to make payment. Efforts were made to meet the excess expenditure by re-appropriation of Rs. 95.02 lakh from saving within the grant, even then the excess expenditure could not be avoided.

*Major Head—4202**RR.2(1)(2)(1)(1)—Buildings**(Rs.20,93)*

The excess expenditure is due to increase in the cost of construction materials, required for completion of the College and Girls Hostel Building at Kadmat Island due to which were nearly completion. Since the work could not be postponed, the efforts were made to meet the extra expenditure by re-appropriation from other heads within the Grant.

4. During the year 1990-91 arrears of Rs. 17,72,799 were paid to the staff of certain departments on the basis of a judgement of the Central

Administration Tribunal. This expenditure was required to be classified and booked under the 'Charged' category in the Accounts. But this was not done as no provision was available in the Grant. This was noticed at the time of Audit and the required detail of this expenditure were called by the Accountant General, Kerala from Union Territory Administration, in September, 1991 for making reclassification. However, the Administration could not furnish the required details in time, as the Administration had to collect the information from different Departments stationed at various Islands and mainlands, which is a time consuming process. Thus, in Revenue Section of the Appropriation Accounts 1990-91, an amount of Rs. 17,72,799/- which should have been booked under 'charged' stands included in the 'Voted' category.

5. Even after the best effort, the Administration could not control the expenditure within the sanctioned Budget Estimate due to various factors. The absence of an Accounts/Budget Monitoring Wing under the direct supervision and guidance of a competent Accounts and Finance Officer is a real handicap for the Administration. The headquarters Island is situated at one place the DDOs are scattered in different Islands and Mainland. The Central Treasury is located at Cochin and the Accountant General who compiles and keep the Accounts are situated at Trivandrum and Trichur. Under such a situation coordination/monitoring of budget and expenditure becomes an extremely difficult exercise. The Administration expects more effective control/monitoring of the expenditure and Budget in future following the proposed introduction of Pay & Accounts Office system.

6. In view of the circumstances explained above, excess expenditure of Rs. 3,55,524 under Revenue Section (Voted) and Rs. 1,25,597 under Capital Section (Voted) in Grant No. 93 Lakshadweep may kindly be recommended for regularisation by the Parliament under Article 115(1) (b) of the Constitution.

7. This has been vetted by Audit *vide* their U.O. No. RR/11-10/91-92/178 dated 21.5.93.

Sd.

(G. GANESH)

Joint Secretary & Financial Adviser.

CENTRAL ADMINISTRATIVE TRIBUNAL ERNAKULAM BENCH

Dated Thursday, the twenty seventh day of April one thousand nine hundred and eighty nine.

PRESENT

Hon'ble Shri S.P. Mukerji, Vice Chairman

&

Hon'ble Shri G. Sreedharan Nair, Judicial Member

ORIGINAL APPLICATION NO. 896/86

- | | | |
|------------------------|--|------------|
| 1. P.D. Vasudevanunni | | Applicants |
| 2. T.G. Vasudevan Nair | | |

Versus

- | | | |
|---|--|-------------|
| 1. Union of India represented Ministry of Home Affairs New Delhi. | | Respondents |
| 2. The Administrator,
Union Territory of Lakshadweep, Kavaratti. | | |

Counsel for the applicants — M/s KK Usha, VP Seemanthini, S. Subha

Counsel for the respondents — Mr. P.V. Madhavan Nambiar, SCGSC

ORDER

Shri S.P. Mukherji, *Vice Chairman*

The applicant who is Secretary of the Special Pay opted Employees Association of the Union Territory of Lakshadweep and another have filed this application dated 2.11.1986 under Section 19 of the Administrative Tribunals Act praying that the members of the Association who had opted for the special pay should be continued to be paid Special Pay at the revised rate on the basis of the recommendations of the IVth pay Commission. They have also prayed that the respondents be directed to take a final decision as directed by the High Court of Kerala in their judgement dated 28.3.85 on the representation of the Association (Annexure-K) of November, 1985.

2. The brief facts of the case are as follows. The Government of India, Ministry of Home Affairs on 28th March, 1958 (Annexure-A) sanctioned a special pay of 40% of basic pay subject to a maximum of Rs. 350/- per month to officers who were deputed from the mainland to the islands of Lakshadweep, Minicoy and Amindivi islands (here after referred to as

Islands. On 20.1.1970 this Special Pay of 'Islands Special Pay' was declared by the Government of India (Annexure-O) to be treated as 'Special Pay' under F.R. 9 (25) and not as a local allowance. On 25.4.1970 (Annexure-B) the Ministry of Home Affairs issued orders stating that islands Special Pay will cease and will be replaced by Special Allowance of 40% of basic pay subject to a maximum of Rs. 350/-. The existing employees were however allowed to continue to get Special Pay in the post in lieu of Special Allowance. It was further indicated that when such protected employees get promotion the basic pay will be determined without the special pay and they will be given either Special Allowance or personal pay to protect the total pay including the basic pay and special pay which they were getting before the promotion. On 15.3.75 accepting the recommendations of the IIIrd Pay Commission (Annexure-D) all the islands employees were granted Compensatory Allowance (CA) equal to 10% of their pay subject to a maximum of Rs. 150/- per month and the Special Allowance equal to 35% of pay subject to a maximum of Rs. 400/-. The question arose whether the Compensatory Allowance would be allowed even to those who were allowed to draw Special Pay under the orders of 25.4.1970. The Government of India in their letter dated 4th March, 1976 (Annexure-E) clarified that all employees of the Islands would be entitled to draw the Compensatory Allowance. The trouble arose when the Government vide their letter dated 27.6.88 stopped the payment of Compensatory Allowance to Special Pay optees and a clarification was also issued that all employees referred to in the Ministry's order dated 15.3.75 (Annexure-D) excluded employees in receipt of Special Pay. Several writs were filed in the Kerala High Court against the stoppage of Compensatory Allowance and recovery of over-payment and during the pendency of these writs orders were issued on 3.8.70 (Annexure-F) giving fresh option to the employees to draw either Special Pay or the Special Allowance. The Kerala High Court decided the writs by their judgement dated 15.2.79 declaring that the Ministry's letter of 27.7.78 conveys only an intention of the Government and cannot be treated as an order. They accordingly upheld the right of the Special Pay optees to receive the Compensatory Allowance till the date of issue of the Ministry's letter dated 3.8.78. Subsequently writs were filed against replacing of special pay by special allowance and also the orders of 3.8.78 and the High Court of Kerala in their order dated 20.7.81 in the application in which the order of 3.8.78 was challenged disposed of the application without quashing the order of 3.8.78 as the order of 3.8.78 was declared by the Government as having been superceded by the order dated 30.6.81 (Annexure-G). In this order it was for the first time made clear while giving further option that those who opt for Special Pay under the existing conditions till promotion will not be eligible for either Special Allowance or Compensatory Allowance. Further, if they opt for Special Allowance they will be entitled to Compensatory Allowance. This further order dated 30.6.81 was challenged before the High Court of Kerala in O.P. No. 5244/81 which the

High Court quashed the order of 30.6.81 so far as it denied Compensatory Allowance to optees of Special Pay and it directed that the respondents should pass fresh orders for giving an opportunity to the option of Special Pay to make their submission before the Compensatory Allowance is withdrawn. On 8.10.85 (Annexure-I) the Islands Administration circulated the notice O.M. of 12th September, 1985 (Annexure-J) in implementation of the judgement of the Kerala High Court in O.P. No. 5244/81 indicating their intention to implement their order dated 30.6.81 by which the Compensatory Allowance was withdrawn from Special Pay optees. The Association represented against the notice in November, 1985 but no decision has been taken on the representation. On the other hand after the recommendations of the IVth Pay Commission the respondents issued order dated 23-9-86 (Annexure-M) granting to the island employees Special Compensatory Allowance in lieu of Compensatory Allowance and Special Allowance but indicated that in case of Special Pay optees who opted for Special Pay' in lieu of Compensatory Allowance and Special Allowance', the Special Compensatory Allowance will be reduced by the amount of Island Special Pay or personal pay which they were getting. The Government of India issued another order dated 29th September, 1986 (Annexure-N) that the existing rates of special pay which were not taken into account for the revision of pay scales, would be doubled subject to a ceiling of Rs. 500/—. The applicants claim that not only should they continue to get the Islands Special Pay but that the Islands Special Pay should be doubled in accordance with the order at Annexure-N. The main contention of the applicants is that the Islands Special Pay which was declared to be Special Pay under F.R. 9(25) should be governed by the order at Annexure-N and should be given to them in accordance with that order and not by the order at Annexure-M.

3. The respondents have argued that the clarification that Islands Special Pay is to be deemed to be special pay under F.R.9 (25) was given erroneously. They have indicated that the orders dated 23.9.86 (Annexure-M) and dated 29-9-86 (Annexure-N) were issued on the recommendations of the IVth Pay Commission. The former order explains how the payment of Special Compensatory Allowance is to be regulated in case of employees who had opted for the Islands Special Pay in lieu of Compensatory Allowance and Special Allowance. So far as the order at Annexure-N is concerned they have argued that the Special Pay referred to in that order is only in respect of the post to which the special pay is attached and does not comprehend the Islands Special Pay which was originally sanctioned in consideration of the hard conditions of life prevailing in the Islands. They have indicated that those were drawing the Islands Special Pay when the Islands Special Pay was replaced by Special Allowance the same was given to them for their service in the Islands only. Therefore, the order at Annexure-N is not applicable to them. The respondents have further indicated that the optees of Special Pay are given

Compensatory Allowance of 10% of the pay they will get undue advantage over the Special Allowance optees because in addition to 40% of the basic pay the former will get 10% Compensatory Allowance also whereas the Special Allowance holders will get 35% of basic pay and 10% compensatory allowance. The IVth Pay Commission did not make any recommendation for the regulation of special pay drawn by the Special Pay optees of the Islands Administration.

4. After perusing the orders dated 25.4.70 at Annexure-B whereby the Islands Special Pay was replaced by Special Allowance, we have no doubt in our mind that the Special Allowance replaced only the Islands Special Pay and nothing more. The fact that special allowance was also fixed at 40% of basic pay subject to a maximum of Rs. 350/- as for the Islands Special Pay puts the issue beyond any iota of doubt. By the order dated 15.3.75 (Annexure-B) Compensatory Allowance @ 10% of pay subject to a maximum of Rs. 150/- per month was allowed to all employees. This was in addition to the Special Allowance which was revised to 35% of pay subject to a maximum of Rs. 400/- per month. Therefore it cannot by any semblance of logic be presumed that the optees of Islands Special Pay which was replaced by Special Allowance, would not get the Compensatory Allowance when this allowance was made admissible to the recipients of Special Allowance. The High Court of Kerala therefore, rightly in their judgment dated 15.2.79 declared that the letter of the respondents dated 27.7.78 purporting to withdraw Compensatory Allowance from Islands Special Pay optees cannot be implemented. In order to withdraw the Compensatory Allowance the respondents issued order dated 3.8.78 (Annexure-D) during the pendency of the writ petition. This order was also challenged before the High Court. The High Court in their judgment dated 20.7.81 rightly observed that this order of 3.8.78 did not specifically mention that the optees of the Islands Special Pay would not be entitled to Compensatory Allowance. The respondents therefore during the pendency of the writ superseded the order of 3.8.78 by another order dated 30.6.81 (Annexure-G) in which it was mentioned that those who opted for Islands Special Pay will not get Compensatory Allowance. This order of 30.6.81 was also quashed by the High Court of Kerala by their judgment dated 28.3.85 (Annexure-II) with the direction that the representation against that order should be disposed of and fresh orders passed. That representation is still to be disposed of. It will therefore, be clear that at every stage efforts of the respondents to withdraw the Compensatory Allowance from the optees of the Islands Special Pay were frustrated by the High Court and rightly so. It was wrong on the part of the respondents first to replace the Islands Special Pay with Special Allowance, grant Compensatory Allowance to both the Special Pay optees as also the Special Allowance recipients and then suddenly withdraw the Compensatory Allowance from the Special Pay optees while allowing the same to the Special Allowance recipients.

5. In the reply statement filled by the respondents on 27.1.1988 the respondents themselves have conceded that "those who were drawing Islands Special Pay and opted to continue the same *when the Islands Special Pay was replaced by Special Allowance* as per the orders in Annexure-B for their service in the Lakshadweep Islands only". Accordingly the statement made in para-2 of the order dated 23.9.86 at Annexure-M that "in the case of Government servants who had opted for L&M Special Pay in lieu of Compensatory Allowance and Special Allowance in terms of para i (II) of the O.M. dated 2.7.1975, the Special Compensatory Allowance shall be reduced by the amount of L&M Special Pay/personal pay which they are already getting," is not true to facts. The L&M Special Pay was in lieu of Special Allowance only and not in lieu of Compensatory Allowance and Special Allowance both. Accordingly we find that the optees of Islands Special Pay cannot be denied the benefit of Compensatory Allowance.

6. The arguments of the respondents that if Compensatory Allowance (10% of basic pay) is given to the special pay optees who are already getting Special Pay of 40% of basic pay they will be getting disproportionately liberal benefit cannot be accepted. This is because the recipients of Special Allowance which is 35% of basic pay will also get Compensatory Allowance of 10% of pay with a total of 45% of pay while the deputationists would get a total benefit of 55% of pay including a further deputation allowance of 10%. Thus the special pay optees will be getting the benefits of 50% of basic pay as against 45% in case of Special Allowance recipients and 55% in case of deputationists. It may also be noted that the ceiling of Special Allowance was increased to Rs. 400/- while the ceiling of Islands Special Pay remained at Rs. 350/- as in 1958.

7. The point that grant of Compensatory Allowance has nothing to do with the Islands Special Pay or the Special Allowance which replaced the Islands Special Pay is made perfectly clear by the order of the Ministry of Home Affairs dated 12th March, 1984 at Exbt. R.1(B). The following extracts are relevant:

"The President is now pleased to decide that the Special Allowance and Compensatory Allowance will be admissible to all the employees of the Lakshadweep Administration irrespective of the area of their recruitment/domicile at the following rates:-

	Rate
(a) Special Allowance	35% of basic pay subject to a maximum of Rs. 400/- per month.
(b) Compensatory Allowance	10% of basic pay subject to a maximum of Rs. 150/- per month.

2. In the case of such of the employees of Lakshadweep Administration who have opted Special Pay in lieu of Special Allowance and Compensatory Allowance in terms of para 2(i) and 2(ii) of this Ministry's letter No. 14046/3/77-ANL dated 30-6-81, the total of Special Allowance and Compensatory Allowance Shall be reduced by the amount of special pay/personal pay which they are already getting."

The above will show that the Compensatory Allowance has been made admissible to all the employees irrespective of the area of recruitment. In case of the Special Pay optees who opted for the Islands Special Pay in lieu of Special Allowance, the total of Special Allowance and Compensatory Allowance is to be reduced by the Special /Personal Pay only. This means that the Compensatory Allowance will be continued to be paid to the Special Pay optees also. In this context the order of 23rd September, 1986 at Annexure-II granting Special Compensatory Allowance in lieu of Special Allowance and Compensatory Allowance is unexceptionable. The point is what should be given to special pay optees. Since as indicated above, Special Pay optees also according to our findings are entitled to Compensatory Allowance they should be given the option to either opt for the Special Compensatory Allowance which includes the elements of Special Allowance and Compensatory Allowance or allowed to draw Islands Special Pay and Compensatory Allowance at the rate of 10 percent of basic pay. The Special Compensatory Allowance sanctioned by the order of 23rd September, 1986 cannot be reduced by the Special Pay unless they are also allowed to draw the A&M Special Pay in addition to the reduced Special Compensatory Allowance. This in other words will simply mean that if they are for go the Islands Special Pay and Compensatory Allowance they would be entitled to the full amount of special compensatory allowance.

8. So far as the applicability of the O.M. of 29.9.1986 at Annexure-N to the application is concerned the clarification given by the Ministry of Home Affairs. Government of India in their letter dated 20th January, 1970 (Annexure-O) reads as follows:—

"With reference to your letter No. GA/B/E/LMA/696 dated March 31, 1969 on the subject cited above I am directed to say that the matter has been examined with reference to the orders contained in the Ministry of Finance (Department of Expenditure) O.M. No. F6(2)-E.III(B)/68 dated April 30, 1968 and it has been decided that the island special pay admissible to mainland recruits and deputationists in Laccadive administration should continue to be treated as a "Special Pay" under F.R. 9(25) and not as a Local Allowance.

2. This issues with the concurrence of the Ministry of Finance (Department of Expenditure) vide their U.P.No.6997-E.III(D)/69 dated 21-1-1970".

The plea of the respondents that the clarification was given erroneously cannot be accepted at this stage. The clarification was issued with the concurrence of the Ministry of Finance and it sets the seal of authority on the Government's accepting that the Islands Special Pay would be treated as special pay under F.R.9(25) and not a local allowance. It is on the basis of this clarification that the Special Pay optees continued to cling to the Islands Special Pay in contradistinction to Special Allowance, the limit of which was increased from Rs. 350/- to Rs. 400/-. By the principle of promissory estoppel the Government is bound to treat the Islands Special Pay as Special Pay for all purposes for this windling category of Special Pay optees working under the Lakshadweep Administration. In view of this, the applicants would be entitled to the benefit of the revision of the Islands Special Pay in accordance with the order of 29th September, 1986 (Annexure-N).

9. In the facts and circumstances we allow this application only to the extent of declaring that the Special Pay option will be entitled to the benefit of revised special pay in accordance with the order dated 29th September, 1986 at Annexure-II besides getting the Compensatory Allowance. We also direct that the order dated 23rd September, 1986 granting Special Compensatory Allowance will be applicable to the optees only if the applicants opt for the same within a period of two months from the date of communication of this order. If they opt for the special Compensatory Allowance they will get it at the same rate as indicated in para 1 of that order without any reduction, but in that case they will cease to draw the Islands Special Pay and Compensatory Allowance. The application is disposed of on the above lines. There will be no order as to costs.

Sd/-
(G. SREEDHARAN NAIR)
Judicial Member

Sd/-
(S.P. MUKERJI)
Vice Chairman

No.PC(P)2/89-LAKSHADWEEP
Government of India
Planning Commission
(State Plans Division)

Yojana Bhavan, Sansad Marg,
New Delhi-110001.

Dated 23rd March, 1990

To,
The Administrator,
Lakshadweep Administration,
Kavaratti (Via) HPO Calicut.

SUB:—*Annual Plan 1990-91 — Approved Outlay — Lakshadweep.*

Sir,

With reference to the discussions held in the Planning Commission on 17.1.1990 with the officers of the Union Territory Administration, the approval of the Planning Commission is conveyed to a total outlay of Rs. 22.00 crores for the Annual Plan 1990-91. The approved outlay will be fully financed by the Centre.

2. A statement showing the distribution of approved plan outlay under different head of development is enclosed. The earmarked outlays for sub-heads of development/programmes/projects and the different constituents of Minimum Needs Programme have also been indicated therein. These programmes may be closely monitored for realisation of finalisation and physical targets in full.

3. Please acknowledge receipt of this letter.

Yours faithfully,
Sd/-
(ARUN SINGH)
Joint Secretary (State Plans)

Copy to:—

Secretary (Planning), Union Territory of Lakshadweep,
Kavaratti (via) HPO Calicut (5 copies).

Copy also to:—

1. Ministry of Finance, New Delhi.
 - (i) Plan Finance Division (5 copies)
 - (ii) Budget Division (5 copies)
2. Ministry of Home Affairs (5 copies)
3. Coordinating Offices of the Central Ministries.
(except the Ministries of Law and Defence).
4. Subject Divisions of the Planning Commission, New Delhi (2 copies each).

STATEMENT
Annual Plan 1990-91 Lakshadweep

(Rs. Lakhs)

Head	Sub-head of Development	Approved Outlay	
		Total	Of which MNP (earmarked)*
1	2	3	
I.	AGRICULTURE & ALLIED ACTIVITIES		
	Crop Husbandry	79.02	
	Animal Husbandry	82.00	
	Fisheries	200.00	
	Cooperation	77.03	
	TOTAL (I)	438.05	—
II.	RURAL DEVELOPMENT		
	Integrated Rural Energy Programme	5.00	
	Land Reforms	2.00	
	TOTAL (II)	7.00	—
III.	SPECIAL AREA PROGRAMME	—	
IV.	IRRIGATION & FLOOD CONTROL		
	Flood Control (Anti Sea Erosion)	50.00	—
	TOTAL (IV)	50.00	—
V.	ENERGY		
	Power	112.00*	
	Non-Conventional Sources of Energy	190.00	
	TOTAL (V)	302.00	—
VI.	INDUSTRY & MINERALS		
	Village & Small Industries	33.00	
	Weights & Measures	—	
	TOTAL (VI)	33.00	—
VII.	TRANSPORT		
	Ports & Light Houses	727.50	
	Shipping	48.00	
	Roads & Bridges	6.58	
	Other Transport	—	
	Total VII	782.58	

*Earmarked Outlay.

1	2	3
VIII. COMMUNICATIONS	—	—
IX. SCIENCE, TECHNOLOGY & ENVIRONMENT	11.88	—
Scientific Research		
TOTAL (IX)	11.88	
X. GENERAL ECONOMIC SERVICES		
Secretariat Economic Services	3.00	—
Tourism	42.00	—
TOTAL (X)	45.00	—
XI. SOCIAL SERVICES		
Education		
General Education	92.45	35.50 ¹
Technical Education	30.00	—
Sports & Youth Services	14.12	—
Art & Culture	30.35	—
Sub-Total (Education)	166.92	35.50
Medical & Public Health	110.10	75.00
Water Supply & Sanitation	70.00	56.00 ²
Housing (Including Police Housing)	90.00	—
Urban Development (incl. State capital projects)	25.10	—
Information & Publicity	14.70	—
Labour & Employment		
Labour & Labour Welfare	6.76	—
Social Security & Welfare	20.00	—
Nutrition	2.41	2.41
TOTAL (XI)	505.99	158.91
XII. GENERAL SERVICES		
Stationary & Printing	25.00	—
TOTAL (XII)	25.00	—
GRAND TOTAL:	2200.00	158.91

¹Includes Rs. 23.00 lakhs for Elementary Education and Rs. 2.50 lakhs for Adult Education.

²Includes Rs. 51.00 lakhs for rural water supply and Rs. 5.00 lakhs for rural Sanitation.

PLANNING COMMISSION
(Rural Development Division)

.....

Eighth Five Year Plan (1990-95) and Annual Plan (1991-92)—Union Territory of Lakshadweep.

Working Group Recommendations.

The proposed and recommended outlays in respect of Rural Development Sector are as follows:—

Scheme	1990-91	Proposed Outlay		Recommended		Outlay
	Approved Outlay	1990—95	1991-92	1990—95	1991-92	
1. Land Reforms	2.00	37.21	9.72	14.96		3.17
2. Other RD Programmes	—	173.30	42.30	108.00		26.50
Total	2.00	210.51	51.02	122.96		29.67

(i) *Land Reforms*: The objective of the scheme is speedy completion of settlement work and preparation of records of rights of land. Under Land Reforms, 5 posts of BDOs in plan schemes and 1 post of BDO in non-plan scheme are proposed to be abolished and 8 posts of Sub-Divisional Officers are proposed to be created. 5 General Extension Officers and 5 UDCs continuing from Seventh Plan should be transferred to non-plan as per usual practice.

(ii) *Other RD Programmes*: There are 2 schemes under this programme viz; Grant of financial assistance to Island Councils; and (ii) Strengthening of Administrative set up. The proposed staff pattern of Island Councils appears to be on the higher side. The Working Group suggested that the major Islands may have one Executive Officer, one UD Accountant and one Group D staff each. The remaining Island Councils may have one Executive Officer and one Group D staff each only. The Working Group recommended an outlay of Rs. 100 lakhs for the 8th Plan and Rs. 25 lakhs for the Annual Plan 1991-92 under this scheme. For the second scheme of strengthening of Administrative set-up, the Working Group recommended Rs. 8 lakhs for 8th plan and Rs. 1.50 lakhs for the Annual Plan 1991-92.

It is suggested that Islands Councils may raise resources of their own on a matching basis of the resources provided to them.

APPENDIX V

GOVERNMENT OF INDIA MINISTRY OF HOME AFFAIRS

Note for Public Accounts Committee for regularisation of excess expenditure incurred under Revenue Section (Voted and Charged) and Capital Section (Charged) in Grant No. 94—Chandigarh as disclosed in the Union Government Appropriation Accounts (Civil) for 1990-91.

(Amount in Rupees)

Revenue Section

Charged

Original Appropriation	4,26,00,000
Supplementary Appropriation	83,00,000
Total Appropriation	5,09,00,000
Actual Expenditure	5,41,31,704
Excess	32,31,704

Voted

Original Grant	1,65,00,000
Supplementary Grant	9,66,00,000
Total Grant	1,74,66,00,000
Actual Expenditure	1,75,82,10,312
Excess	1,16,10,312

Capital Section

Charged

Original Appropriation	1,00,00,000
Actual Expenditure	1,36,38,354
Excess	36,38,354

2. The excess of Rs. 32,31,704 in Charged portion and Rs. 1,16,10,312 in Voted portion of Revenue Section and Rs. 36,38,354 in Charged portion of Capital Section of the grant require regularisation by presentation of demand for excess grant.

3. This excess which was the net result of excesses and savings under various heads in Revenue Section (Voted and Charged) and Capital Section (Charged) is attributable to the following sub-heads for the reasons given thereunder:—

Revenue Section

(Rupees in Lakhs)

Major Head '2014'

A. 3—Administration of Justice

A. 3(1)—High Courts (Charged)

33.67

The employees of the Punjab and Haryana High Court are drawing salaries under IIIrd Punjab Pay Commission on Punjab pattern *w.e.f.* 1.1.1986. The excess is attributed to removal anomalies by the Punjab Government in certain categories of employees *viz.* Peons, Clerks, Assistants and Superintendants. The Punjab Government removed the anomalies *vide* their notification dated 15.6.1990 which was subsequently extended to the employees of Punjab and Haryana High Court on 20.11.1990.

Major Head '2014'

P. 1—Taxes on Vehicles

P.1(1)—Collection Charged 10.81

The excess is due to enhancement of contractors share from Rs. 23.84 to Rs. 25.00 for lamination of driving licence system and payment to staff to implement the new Motor Vehicles Act, 1988. The system of lamination was already in practice. But there had been changes in format of Licence Forms. Rs. 13.17 lakhs were paid to the contractor and Rs. 1.30 lakh to the Daily Wage Workers.

Major Head '2055'

A. 12—Police

A.12(2)—District Police 29.16

Due to more expenditure on petrol, purchase of 54 vehicles during 1990-91 and to make payment to Chandigarh Transport Undertaking for deploying their Buses on Law and Order duties. In addition, the classification of the city was upgraded for the purpose of City Compensatory Allowance and House Rent Allowance in term of Ministry of Finance O.M. No. 21011/10/87-E.II(B) dated 5.7.1990 (copy enclosed) which resulted in excess expenditure.

A.12(3)—Welfare of Police Personnel

A.12(3)(1)—Police Dispensary 9.64

Excess is due to purchase of medicines/equipments for Police Hospitals. Efforts were made to meet the excess by re-appropriation within the grant, even then the excess expenditure could not be avoided.

Major Head '2056'

A. 13(1)—Direction and Administration 18.68

Excess is due to the increase in the number of prisoners and general price rise in dietary items being given to them. Due to large number of agitators enhanced expenditure was incurred towards upkeepment and more amenities under modernisation.

Major Head '2059'

R. 2—Public Works

R. 2(1) (1) (3)—Executive Establishment 64.21

Excess is due to the committed liability of the Staff on account of enhanced House Rent Allowance and Dearness Allowance etc. Sanctioned by the Government.

R. 2(1)(4)—Maintenance and Repairs

R. 2(1) (4) (1)—Establishment 9.74

Excess is mainly due to the payment of increased House Rent Allowance/Dearness Allowance on upgradation of the city *vide* Ministry of Finance O.M.No. 21011/10/87—E. II(B) dated 5.7.1990.

R.2(1)(4)(2)—Repairs and Maintenance of Buildings

R.2(1)(4)(2)(1)—Maintenance of Non-Residential Buildings at Chandigarh 23.73

Excess is due to price rise of material and more expenditure on maintenance/repair works. An amount of Rs. 22 lakh was provided by re-appropriation from saving within the grant to meet this expenditure.

R.2(1)(4)(2)(2)—Repairs and Maintenance of other buildings at Chandigarh 86.95

Excess is due to the price rise of material and more expenditure on maintenance and repair work.

R. 2(1)(5)—Suspense 5,41.23

Excess is due to increase in prices of materials. As per procedure for execution of work in the Department, the major materials for works have to be purchased for central stock before the same are issued to the works. The material is purchased during the whole year as per requirement for the works in hand by Engineering Department. The main reasons are running and maintenance of Kajauli Water Works different works of Chandigarh operation and maintenance of Tubewells and water supply distribution system in the city.

Major Head '2070'

A. 14(4)—Home Guards 7.95

The Excess is due to payment to various categories of employees on account of House Rent Allowance on upgradation of the city in terms of the Ministry of Finance O.M. No. 21011/10/87-E. II(B) dated 5.7.1990 Bonus, Dearness Allowance sanctioned on Central pattern *w.e.f.* October, 1990 and increased requirements on account of more patrolling.

A.14(5)(1)—Protection and Control 10.03

Excess is due to purchase of summer uniform and price rise. It is also due to making payment of increased House Rent Allowance/Dearness Allowance.

Major Head '2202'**J.1 (3)(3)—Assistance to non-Government Colleges and Institutes****J.1 (3)(3)(1)—Grant-in-aid to Private Colleges 17.95**

Excess is due to payment of actual share of assistance to Private Colleges. In the matter of Pay and Allowances, the teachers of Private Colleges are at par with other Colleges. Since the employees of the Administration were given House Rent Allowance at enhanced rate in terms of the Ministry of Finance O.M. *ibid* dated 5.7.1990 and other benefits on Central Pattern, the same criteria was to be adopted for employees in Private Colleges. Due to non-receipt of information from various Colleges, actual share of assistance could not be assessed earlier and as such the additional amount was provided to some extent by re-appropriation to meet the committed expenditure.

Major Head '2203'**J.2(4)—Engineering/Technical Colleges and Institutes****J.2 (4) (1)—Punjab Engineering College 5.73**

Excess is due to payment of enhanced House Rent Allowance/Dearness Allowance on account of upgradation of Chandigarh as B2 city and price rise of material for machinery and equipment.

Major Head '2204'**K. 1(2) (2)—Sports Coaching Centre**

Excess is due to the increased payment of House Rent Allowance/Dearness Allowance and increase in number of posts. **6.07**

Major Head '2205'**L.1(3) (2)—T.S. Central State Library Chandigarh 5.94**

In the Headwise Appropriation Account, the reasons for excess were shown to be due to the payment of Rs. 4.00 lakhs of grant-in-aid to Tagore Theatre and three Academies to meet expenditure under Inter-State Cultural Exchange Programme and due to increase in the prices of books. The Chandigarh Administration has now stated and confirmed that the excess is due to the revision of pay scales of the Librarians who were granted UGC scales and payment of arrears w.e.f. 1.1.86 and not due to the payment of grant-in-aid to the Tagore Theatre and three Academies.

Major Head '2210'**I.1(3)—Public Head 7.75****I.1(3)(1)—Direction and Administration**

Excess is due to the payment of increased House Rent Allowance/Dearness Allowance and increase in the number of posts.

Major Head '2216'**R.3(1)(1)—General Pool Accommodation 25.33****R.3(1)(1)(1)—Maintenance and Repairs**

Due to increase in price of material like paint, lime, labour charges etc.

Major Head '2217'

R4(1)(2)(3)—Sanitation Staff 75.57

Excess is due to payment of enhanced House Rent Allowance/Dearness Allowance and increase in number of posts. The payment of increased HRA was made in accordance with the Ministry of Finance O.M.No. 21011/10/87-E. IIB dated 5.7.1990.

Major Head '2220'

N.1 (1) (1)—Direction and Administration 5.43

The excess is due to increase in payment of House Rent Allowance/Dearness Allowance and more advertisement bills received at the fag end of the year.

Major Head '2235'

T.1(1)(3)—Women's welfare

T.1(1)(3)(1)—Opening of creches for 6.58
children of working mothers

The excess is due to opening of more creches and increased payment of House Rent Allowance/Dearness Allowance.

T.1(2)—Other Social Security and Welfare Programmes

T.1(2)(1)—Other Programmes

T.1(2)(1)(1)—Monetary Relief to persons affected/ 7.27
killed by riots/Terrorists.

The excess is due to reporting of more victims. This being an unforeseen expenditure, payment to the persons killed/injured was to be made immediately. There was no time for obtaining supplementary grants. The excess expenditure was due to more casualties reported during the year. A list of affected persons is at Annexure I.

Major Head '2515'

C.2(4)(1)—Rural Works Programme

C.2(4)(1)(1)—Environmental Planning of Villages 27.62

Excess is mainly due to more planning of villages i.e. providing of modern facilities like sewerage, drainage, pavement, roads, electrification etc. and increase in the price of material.

Major Head '2801'

D.1(1)(1)—Other Expenditure 201.02

D.1(1)(1)(1)—Transmission and Distribution of Power in Chandigarh

The excess is due to pavement of bills from various agencies like National Thermal Power Corporation, Bhakra Beas Management Board, Haryana Electricity Board, Punjab State Electricity Board, Himachal Pradesh Electricity Board and payment of leave Salary Contribution in respect of the employees of Punjab State Electricity Board and Haryana

State Electricity Board on deputation with Chandigarh Administration. During the year payment towards electricity bills were made in accordance with the global accounts sent by North Region Electricity Board in various months. An amount of Rs. 18.68 lakh was paid towards Leave Salary Contribution and Rs. 25.62 crores towards purchase of power.

Major Head '4217'

RR.6(1)—State Capital Development

RR.6(1) (1)—Construction

36.38

(charged)

Excess is due to payment of decretal amount/award given by the court. The decretal amount was passed by the Court in December, 1990 with order to make payment within 15 days. The amount on this account was Rs. 136.38 lakhs. The payment was made to different land owners whose land was acquired by the Administration.

4. It has been observed that in the previous years some of the Departments of the Union Territory Administration had a tendency to incur excess expenditure over and above sanctioned budget allotment. To curb this tendency and exercise the effective budgetary control, the Union Territory Administration has taken the following measures:—

- (1) A system of prompt reconciliation of Departmental expenditure by the Heads of Departments/Offices of the UT Administration with the Accountant General has been evolved to avoid misclassification.
- (2) The Drawing and Disbursing Officers have been instructed to record a certificate on the Bills, Claims and Cheques presented by them to the Treasury or Bank "That the expenditure including the claim made in the Bill does not exceed the budgetary allocation made by Finance Department under the Head of Account."
- (3) The Controlling Officers/Drawing and Disbursing Officers have been asked to move the Competent Authority in time to provide additional funds either by re-appropriation or by obtaining supplementary Grant wherever an excess over the Grant placed at his disposal is anticipated. They have also been asked to incur excess expenditure only after the additional funds are provided by re-appropriation or Supplementary Grant.
- (4) Instructions have been issued emphasising the areas of responsibility of the Chief/Sr. Accounts Officer, Accounts Officers and Section Officers posted in various Departments and offices of the UT Administration in preparation of Budget Estimates, watching of actuals against budget allotment, maintenance of Accounts etc.
- (5) Instructions have been issued for strict compliance of the Rules and Regulations for effective control of expenditure and maintenance of prescribed expenditure control registers by all concerned.

- (6) Administrative Secretaries, Heads of Departments/Offices have been asked to monitor and control the expenditure during 1992-93.
 - (7) Letter of Credit system has been introduced in the Engineering Departments of the UT Administration with effect from 1st April, 1992.
 - (8) Instructions have also been issued to the Heads of Departments/Offices and Drawing and Disbursing Officers to strictly adhere to the steps and procedures introduced by the Finance Department of the Union Territory Administration for control of expenditure which *inter-alia* provide fixation of responsibility on the Heads of Departments for any lapse in this regard.
5. In view of the circumstances explained above, excess expenditure of Rs. 32,31,704 in Charged portion and Rs. 1,16,10,312 in Voted portion of Revenue Section and Rs. 36,38,354 in Charged portion of Capital Section under Grant No. 94-Chandigarh may kindly be recommended for regularisation by the Parliament under Article 115(1)(b) of the Constitution.
6. This has been vetted by Audit *vide* their U.O.No. RR/11-4/92-93/2203 dated 9/2/1993.

Sd/—

(G. GANESH)

Joint Secretary & Financial Adviser

LIST OF GRANTS/RELIEF GIVEN TO THE TERRORIST VICTIMS

Name of deceased/ injured	Name O.K. of deceased	Date of payment	Cash	RTR	Total
Amarjit Singh	Sukhwinder Kaur	18.5.90	1,00,000	—	1,00,000
Baldev Raj	Sangeeta Tuli	31.5.90	—	30,000	30,000
Salgi Ram	Bhana Devi	31.5.90	—	30,000	30,000
Ram Raj Verma	through DC Una	8.5.90	5,000	—	5,000
Bhim Sain	—	8.5.90	1100	—	1100
Kusum	—	8.5.90	390	—	390
Kikar Singh	—	1.6.90	—	30,000	30,000
V.N. Tiwari	Amrit Tiwari	12.9.90	—	30,000	30,000
Inder Pal Gupta	Shakuntla	12.9.90	—	30,000	30,000
K.C. Bali	Usha Bali	12.9.90	—	30,000	30,000
K.L. Manchanda	Kamla Manchanda	12.9.90	—	30,000	30,000
Rikhi Ram	Malti Devi	15.11.90	—	30,000	30,000
		through Monda D.C.			
Dhan Singh	Maina Devi	15.11.90	—	30,000	30,000
R.K. Talib	Urmil Talib	7.12.90	1,00,000	—	1,00,000
Harpur Singh	Satinder Kaur	7.12.90	1,00,000	—	1,00,000
Ajay Sethi	—	7.12.90	—	30,000	30,000
Dinesh	—	7.12.90	—	30,000	30,000
Mohinder	—	7.12.90	—	30,000	30,000
Rajesh Bajaj	Sudesh Bajaj	7.12.90	—	30,000	30,000
Rakesh Dhiman	Janeshwar Parsad	26.12.90	20,000	—	20,000
Jagdish	Santosh	26.12.90	1,000	—	1,000
Sangeeta Monga	—	-do-	1,000	—	1,000
Shashi Kalia	—	-do-	1,000	—	1,000
Navpreet Goel	—	-do-	1,000	—	1,000
Rakesh Handa	—	-do-	2,000	—	2,000
Dinesh Sadana	—	7.12.90	20,000	—	20,000
Ajay Sethi	Sunita Rani	26.12.90	20,000	—	20,000
Mohan Pal	Sita Devi	-do-	20,000	—	20,000
Rajesh Bajaj	Sudesh Bajaj	-do-	20,000	—	20,000
Sant Ram	Smt. Krishna	22.1.91	20,000	30,000	50,000

No. 21011/10/87-E. II (B)
Government of India/Bharat Sarkar
Ministry of Finance
Department of Expenditure

New Delhi, the 5th July, 1990.

OFFICE MEMORANDUM

SUB: *Classification/Upgradation of certain cities/towns for the payment of House Rent Allowance and Compensatory (City) Allowance to the Central Government employees.*

The undersigned is directed to say that the Staff Side of the National Council (JCM) has raised a demand that cities/town may be re-classified/upgraded for the purpose of grant of House Rent Allowance and Compensatory (City) Allowance to Central Government employees on the basis of their mid-census population estimates on the analogy of a similar exercise undertaken during 1979. The matter has been carefully considered by the Government in consultation with Registrar General of India and on the basis of current estimates of population, the President is pleased to decide that the following 48 cities/towns may be reclassified/upgraded in the manner indicated below for the purpose of grant of House Rent Allowance/Compensatory (City) Allowance as admissible under this Ministry O.M. NO. F. 2(37)-E. II(B)/64 dated 27.11.65 as amended from time to time:—

(A) (i) *Cities/towns upgraded to 'B-1' class for the purpose of House Rent Allowance only:*

<i>State/Union Territory</i>	<i>City</i>
Bihar	1. Patna (U.A.)
Gujarat	2. Surat (U.A.)

(ii) *City upgraded to 'B-1' for both House Rent Allowance and Compensatory (City) Allowance purposes:—*

Gujarat	1. Vadodara (U.A.)
---------	--------------------

(B) (i) *Cities/towns upgraded to 'B-2' class for the purpose of both House Rent Allowance and Compensatory (City) Allowance:*

Andhra Pradesh	1. Guntur
Chandigarh	*2. Chandigarh (U.A.)
Rajasthan	*3. Ajmer
Uttar Pradesh	4. Gorakhpur (U.A.)

*For H.R.A. only.

(ii) City upgraded to 'B-2' class for the purpose of Compensatory (City) Allowance only:

Maharashtra

1. Thane (U.A.)

(C) Cities/towns upgraded to 'C' class for purpose of House Rent Allowance:

Andaman & Nicobar Islands

1. Port Blair

Andhra Pradesh

2. Kavali

3. Manglagiri

4. Narasapur

5. Palacole

6. Chaibasa

Bihar

7. Petlad

Gujarat

8. Savarkundla

9. Viramgam

10. Visnagar

Haryana

11. Palwal

Karnataka

12. Dandeli

13. Doddaballapur

14. Karwar

Madhya Pradesh

15. Balaghat

16. Datia

17. Dhar

18. Sarni

19. Betul

Maharashtra

20. Parli

21. Ratnagiri

Punjab

22. Kot Kapura

23. Nabha

Rajasthan

24. Banswara

25. Jhunjhunu

26. Nagaur

Tamil Nadu

27. Arani

28. Chengalpattu

29. Krishnagiri

30. Kumarapalayam

31. Pattukkottai

32. Ramanathapuram

33. Mettur

34. Tenkasi

Uttar Pradesh

35. Balrampur

36. Baraut

37. Mughal Sarai

38. Shikohabad

West Bengal

39. Bishnupur

40. Rani Ganj

2. The lists of cities mentioned in Annexures I & II to this Ministry's O.M. No. 11016/5/82-E. II(B) dated 7.2.1983 stand modified to the extent of the upgradation/classification made herein.

3. These orders take effect from 1st July, 1990 and shall be reviewed after the 1991 census figures are available.

4. In their application to employees working in the Indian Audit and Accounts Department, these orders issue after consultation with the Comptroller and Auditor General of India.

5. Hindi version of these orders is attached.

Sd/-

(S.L. VERMA)

Under Secy. to the Govt. of India

To
All Ministries/Departments of Govt. of India as per standard mailing list.

APPENDIX VI
MINISTRY OF DEFENCE (FINANCE)
BUDGET-I

Note for Public Accounts Committee for Regularisation of excess over voted portion of Grant No. 16—Defence Services—Air Force as Disclosed in the Appropriation Accounts (Defence Services) for the year 1990-91.

GRANT NO. 16—DEFENCE SERVICES—AIR FORCE

Original Grant	Rs.	2078,63,00,000
Supplementary Grant	Rs.	60,98,00,000
Total Sanctioned Grant	Rs.	2139,61,00,000
Actual expenditure	Rs.	2141,05,05,869
Excess Expenditure	Rs.	1,44,05,869

2. Against the Original Grant of Rs. 2078,63,00,000 augmented to Rs. 2139,61,00,000 by obtaining a Supplementary Grant of Rs. 60,98,00,000 an expenditure of Rs. 2141,05,05,869 has been incurred during 1990-91 resulting in an uncovered excess of Rs. 1,44,05,869.

3. The excess of Rs. 1,44,05,869 under this Grant was under the following Minor Heads:—

(a) MINOR HEAD 105—TRANSPORTATION (Rs. 38,57,614)

The original provision made under this Minor Head amounting to Rs. 50,00,00,000 was enhanced to Rs. 55,30,00,000 by reappropriation of Rs. 5,30,00,000. The actual expenditure, however, was Rs. 55,68,57,614 resulting in an excess of Rs. 38,57,614.

The excess of Rs. 39 lakhs over the Final Grant was due to bulk adjustments of expenditure under Rail charges at the end of the year, partly offset by saving under (i) Travelling and Outstation Allowances due to less movement of personnel, (ii) Air transportation charges, due to non-payment to Air India for transportation of stores, (iii) Sea and Inland water charges, due to lower receipt of stores, and (iv) Hired transportation charges, due to restriction of allotment of funds.

(b) MINOR HEAD 111—WORKS (Rs. 8,49,93,599)

The original provision made under this Minor Head was Rs. 149,98,00,000 which was enhanced to Rs. 175,00,000 by actual obtaining a supplementary grant of Rs. 25,02,00,000. The actual expenditure, however, was Rs. 183,49,93,599 resulting in an excess of Rs. 8,49,93,599.

The excess of Rs. 850 lakhs over the Final Grant was under (i) Maintenance of Buildings, communication, Maintenance and operation of Installations, due to higher bookings than anticipated and increase in rates of water and electricity and (ii) Departmental Charges, due to higher bookings than estimated, partly offset by saving under Major Works, due to non-adjustment of cost of stores.

(c) MINOR HEAD 200—SPECIAL PROJECTS (Rs. 36,93,003)

The original provision made under this Minor Head was Rs. 8,75,00,000 which was reduced to Rs. 6,00,00,000 by minus reappropriation of Rs. 2,75,00,000. The actual expenditure, however, was Rs. 6,36,93,003 resulting in an excess of Rs. 36,93,003.

The excess of Rs. 37 lakhs over the Final Grant was due to higher outgo on Pay and Allowances and clearance of bills of Public Sector Undertakings received earlier than anticipated, partly offset by lower payment for work services than anticipated.

4. The above excess was partly offset by savings under other minor heads leaving a net excess of Rs. 1,44,05,869.

5. Instructions already exist for framing the Budget Estimates on realistic basis depending on the requirement and for exercising a close and constant watch over the trend of expenditure with reference to the Sanctioned Grant. Keeping in view recurring excess under the minor head 'Transportation', instructions have been issued to all concerned to improve the estimation of requirement by proper coordination between various Directorates in Service Headquarters, Railways and concerned Controllers of Defence Accounts by obtaining regular inputs about claims pending and likely to arise. The need for accurate assessment of funds requirement duly taking into account the expenditure already incurred and the claims/debits likely to arise has been emphasised. In this context, a copy of the Ministry of Defence (Finance) No. 17(2)/91/BI/PCIV dt. 7-2-92 is enclosed.

To avoid recurrence of excess expenditure under Special Projects, Air Headquarters have instructed concerned authorities to examine, in depth, feasibility of reduction in expenditure so that funds are surrendered realistically in future without leading to excess at final stage. Air Headquarters have also leading to excess at final stage. Air Headquarters have also instructed the authorities concerned with expenditure under 'Works' to ensure prompt booking of expenditure by the Controller of Defence Accounts and to examine the basis on which departmental charges are levied for removing anomalies in respect of estimated departmental charges and the actual quantum of charges levied. A copy each of Air Headquarters instructions No. Air Hq/S. 95309/74/VIII/Fin. P dated 31.3.92 and even no. dated 31-3-92 are enclosed. The requirement and quantum of recovering departmental charges by Military Engineer Services

for works services rendered to Navy and Air Force is being re-examined. Changes in the system of recovery of departmental charges, when finalised, will be intimated to PAC/Audit.

In addition, the progress of Defence expenditure is analysed periodically and instructions issued to Service Headquarters, where the trend of expenditure appears to be abnormally high or unusually low with a view to contain the expenditure within the sanctioned Budget.

6. In the circumstances explained above, the excess of Rs. 1,44,05,869 may kindly be recommended for regularisation by the Parliament under Article 115(1) (b) of the Constitution.

7. Director General of Audit, Defence Services has seen.

Sd/
(P.R. SIVASUBRAMANIAN)
ADDL. FA(P) & J.S.

**AIR HEADQUARTERS
(DIRECTORATE OF FINANCIAL PLANNING)**

Remedical Measures to avoid Recurrence of Excess expenditure

1. The Appropriation Accounts, Defence Services for the year 1990-91, have revealed that excess expenditure of Rs. 144.06 lakhs over the final grant has taken place in respect of Grant No. 16-Air Force (Revenue-Major Head 2078). An analysis of the excess expenditure indicates an excess expenditure of Rs. 849.94 lakhs under Minor Head 111-Works (Revenue).

2. The original grant under Minor Head 111, was Rs. 14998 lakhs which was enhanced to Rs. 17500 lakhs by obtaining a supplementary grant of Rs. 2502 lakhs. Notwithstanding the substantial enhancement of the grant, the actual expenditure was in excess of the grant indicating an inadequacy in estimation and control of expenditure.

3. The excess expenditure over the final grant was mainly on account of higher expenditure on maintenance of buildings and communications [(+) Rs. 87.67 lakhs], maintenance and operation of installations [(+) Rs. 262.07 lakhs] due to increase in rates for water and electricity, and higher departmental charges [(+) Rs. 599.35 lakhs] as partly offset mainly by savings in respect of major works [(-) Rs. 92.57 lakhs] due to non-adjustment of stores.

4. It would be apparent that excess expenditure on departmental charges has mainly contributed to excess expenditure in 1990-91. The variation in this regard has also contributed significantly to the overall variation in the past. In this context action needs to be pursued for prompt compilation of the departmental charges as also for removing anomalies in respect of the quantum of charges levied.

5. It is, therefore, requested that necessary action be initiated.

(a) to ensure prompt booking of departmental charges by CDA(CC), Meerut, and

(b) to have the basis on which departmental charges are levied examined afresh in the light of the reorganisation of the MES set up in respect of the Air Force and Navy.

Sd/-
(SV CHARY)
GP Capt.
JD Fin P

JDAFW

COPY to: Director Fin/Budget). . . For information. In continuation of note of even number dated 24 Mar. 92.

MINISTRY OF DEFENCE (FINANCE)

SUBJECT: *Control of Expenditure under the Sub-Head Transportation.*

The C&AG in his Report for the year ended 31.3.1990 has commented, adversely on the persistent excess under the sub-head Transportation. It is seen that during the years 1985-86 to 1989-90 there were persistent excesses under Transportation (except for the year 1988-89) as per the details given below:

(Amount of excess in Crores of Rs.)

Grant/Sub-Head	1985-86	1986-87	1987-88		1988-89	1989-90
Army	14.00	2.32	33.37		3.38	20.54
Navy	0.74	0.21	5.57	(-)	2.18	10.36
Air force	2.66	0.62	4.55	(-)	1.18	4.72

2. The necessity of realistic estimation of budgetary requirements during the various budgetary reviews and the need for constant monitoring of the trend of expenditure to avoid any excesses has been emphasised from time to time. It has however, been observed from the reasons forwarded by services for variation between final grants made for Transportation and the actual expenditure that the major contributory factors for such variations are—

(a) Inadequate estimation of the impact of changes in Railway freight and fares as also changes in Air Fares.

(b) Inadequate estimation for the large scale movement/hiring of transport in connection with operational requirement.

(c) Lack of proper input data regarding debits/claims from railways on account of Railway Warrants, Credit Notes, Concessional vouchers etc. as also debits on account of maintenance of Rolling Stock.

3. While it is true that it may be difficult to assess in advance the exact financial effect of operational movements due to uncertainty of the extent etc. of such movements, the estimation of requirement can certainly be improved by proper coordination between various Directorates in Services HQrs., Railways and concerned Controllers of Defence Accounts by obtaining regular inputs about claims pending and likely to arise.

4. Financial Planning Directorates are, therefore, requested to institute proper mechanism of coordination with all concerned authorities to ensure

that the requirements of funds for Transportation etc. assessed as accurately as possible duly taking into account the expenditure already incurred and the claims/debits likely to arise. Such a mechanism will facilitate proper budgetary control and minimise the instances of excess commented upon by Audit.

Sd/-

(P.R. SIVASUBRAMANIAN)

Addl. Financial Adviser & Joint Secretary

Addl. DG FP, Army HQrs., DNP; Naval HQrs. DFP, Air HQrs.

M of D (Fin) I.D. No. 17(2)/91/B-L/PC-IV dated 7-2-1992

Copy to:— JS(O) JS(N) JS(Air) Addl. FA(C) Addl.FA(J) CGDA

Sd/-

(P.R. SIVASUBRAMANIAN)

Addl. Financial Adviser & Joint Secretary

APPENDIX VII

EXPLANATORY NOTE FOR PUBLIC ACCOUNTS COMMITTEE FOR REGULARISATION OF EXCESS OVER VOTED/CHARGED PORTION OF GRANTS/APPROPRIATIONS DURING 1990-91.

During the year 1990-91, there was an overall net excess of Rs. 103.69 crores over the Final Grants and Appropriations resulting from aggregate excess of Rs. 273.08 crores under 6 Grants (9,10,13,14, 15 and 16—Capital & Rly. Funds) and one Appropriation (11) and saving of Rs. 169.39 crores under 11 Grants (1,2,3,4,5,6,7,8,11,12,16 (OLWR) and 11 Appropriations (3,4,5,6,7,8,9,10,12,13 and 16—Capital & Rly. Funds). (Reference Para 11.3 to 11.0 of the Report of Comptroller & Auditor General of India for the year 1990-91 Union Government (Railways), paras 25 & 27—Excess over Voted Grants* 26 & 28 Saving under Voted Grants and charged Appropriations of the Appropriation Accounts of Railways in India for the year 1990-91 (Part I-Review).

1.2. The excess under one Appropriation and six Grants is explained as under:—

(i) *Appropriation No. 11—Revenue—Working Expenses—Staff Welfare & Amenities:*

	Rupees
Original Appropriation	67,000
Supplementary Appropriation	31,000
Total Sanctioned Appropriation	98,000
Actual Expenditure	1,30,327
Excess	32,327
Misclassification	Nil
Excess requiring regularisation	32,327
Percentage of Excess	32.99

Charged Appropriation of Rs. 67 thousand was sanctioned at the budget Estimate stage. A supplementary charged Appropriation of Rs. 31 thousand was sanctioned in March, 1991, on account of more payments anticipated in satisfaction of Court decrees.

The excess requiring regularisation is Rs. 32,327.

* Charged Appropriation.

(ii) Grant No. 9—Revenue—Working Expenses—Traffic:

	Rupees
Original Grant	1394,75,47,000
Supplementary Grant	—
Total Sanctioned Grant	1394,75,47,000
Actual Expenditure	1416,80,58,914
Excess	22,05,11,914
Misclassification	1,07,730
Excess requiring regularisation	22,06,19,644
Percentage of Excess	1.58

A grant of Rs. 1394.75 crores was obtained at the Budget Estimate stage.

The grant, however, proved to be inadequate the actual expenditure having exceeded the provision by Rs. 22.5 crores. The excess was mainly under sub-head (g) Other Miscellaneous Expenses (Rs. 40.25 crores) Sub-head (b) Station operation (Rs. 1.55 crores), Sub-head (e) Train Operation (Rs.0.88 crore); partly offset by saving under Sub-head (a) Establishment in offices (Rs. 1.65 crores) Sub-head (c) yard Operation (Rs.0.96 Crore), Sub-head (d) Transshipment and Re-packing Operation (Rs.0.17 Crore) and sub-head (f) Safety (Rs.0.16 crore). An amount of Rs. 17.69 crores was surrendered at the time of final modification stage.

Primary unit-wise excess of Rs.22.05 crores was mainly due to more expenditure under 'Other Expenses—adjustment of terminal charges, Port Trust charges etc. (Rs.0.85 crore), fluctuation in adjustment under transfer of Debit/Credit due to Hire & Penalty charges. Inter Railway adjustment of Rolling Stock, leasing charges to I.R.F.C. etc. (Rs.38.87 crores), more expenditure under Contingent Expenses (Rs. 0.48 crore), Night Duty Allowance (Rs.0.36 crore), Dearness Allowance (Rs.0.35 crore), Over-Time Allowance (Rs.0.34 crore). Other Allowances (Rs.0.30 crore), Productivity Linked Bonus (Rs.0.23 crore); partly offset by less expenditure under contractual obligations (Rs.0.71 crore), less payment of Salaries & Wages (Rs.0.63 crore), Cost of material directly purchased (Rs.0.41 crore), Kilometerage Allowance (Rs.0.24 crore) and aggregate of minor variations under other heads (Savings) Rs.0.05 crore). An amount of Rs.17.69 crores was surrendered at the time of final modification stage.

Of the total excess, the highest occurred on Northern Railway (Rs.23.24 crores), followed by Southern Railway (Rs.10.79 crores), Western Railway (Rs. 9.26 crores), South Central Railway (Rs. 7.40 crores), Eastern Railway (Rs.3.16 crores), North-eastern Railway (Rs.2.62 crores) South-eastern Railway (Rs.0.70 crore), partly offset by saving on Central Railway (Rs.9.44 crores), Northeast Frontier Railway (Rs.7.98 crores) & Metro Railway (Rs.0.01 crore).

There was a misclassification of Rs.1,07,730 on account of wrong booking of expenditure to Grant No.3 instead of Grant No. 9. Thus taking

into account the effect of misclassification the real excess requiring regularisation by Parliament works out to Rs.22,06,19,644.

(iii) *Grant No.10—Revenue—Working Expenses—
Operating Expenses—Fuel:*

Original Grant	1601,28,85,000
Supplementary Grant	122,45,07,000
Total Sanctioned Grant	1723,73,92,000
Actual Expenditure	1724,79,35,056
Excess	1,05,43,056
Misclassification	7,31,000
Excess requiring regularisation	1,12,74,056
Percentage of Excess	0.06

A grant of Rs.1601.29 crores was obtained at the Budget Estimate Stage. A supplementary Grant of Rs.122.45 crores was obtained in March 1991 to meet with the increase in expenditure on account of hike in rate of Diesel Oil, Power Tariff; partly offset by decrease under Steam Traction.

The Grant, however, proved to be inadequate, the actual expenditure having exceeded the provision by Rs.1.05 crores the excess was under sub-head (b) Diesel Traction (Rs.5.28 crores); partly offset by saving under sub-head (a) Steam Traction (Rs.2.48 crores) and sub-head (c) Electric Traction (Rs.0.22 crore). An amount of Rs.1.53 crores was surrendered at the time of final modification stage.

Primary unit-wise excess of Rs.1.05 crores was mainly under cost of material from stock due to enhanced rate of H.S.D. oil and also by 25% surcharge on account of Gulf crisis (Rs.6.94 crores), Excise/Custom Duty (Rs.2.98 crores), Expenditure under Sales Tax (Rs.1.63 crores), Contractual obligations due to increase in Tariff rates of Madhya Pradesh and Rajasthan State Electricity Boards & AP SEB as also more utilisation of Electric Traction (Rs.0.17 crore); partly offset by fluctuation in adjustment under transfer of Debit/Credit on consumption of Fuel etc. (Rs.0.90 crores), less expenditure under 'Other Expenses' i.e, freight handling and other Charges (Rs.0.98 crore) and aggregate of minor variation (Saving) under other heads (Rs.0.21 crore). An amount of Rs. 1.53 crores was surrendered at the time of final modification stage.

Of the total excess, the highest occurred on Central Railway (Rs.9.56 crores), followed by South Eastern Railway (Rs.5.23 crores), Western Railway (Rs.2.90 crores), South Central Railway (Rs.1.13 crores), & Southern Railway (0.76 crore); partly offset by saving on Northern Railway (Rs.9.44 crores), Eastern Railway (Rs.6.50 crores), Northeastern Railway (Rs.0.67 crore), Northeast Frontier Railway (Rs.0.37 crore).

There was a misclassification of Rs.7,31,000 on account of wrong booking of expenditure to Grant No.5. Thus taking into account the

effect of misclassification the real excess requiring regularisation by Parliament works out to Rs.112,74,056.

(iv) Grant No. 13—Revenue—Working Expenses—Provident Fund, Pension and Other Retirement Benefits:

	Rupees \
Original Grant	840,47,29,000
Supplementary Grant	41,67,49,000
Total Sanctioned Grant	882,14,78,000
Actual Expenditure	901,21,05,626
Excess	19,06,27,626
Misclassification	(-) 71,523
Excess requiring regularisation	19,05,56,103
Percentage of Excess	2.16

A Grant of Rs.840.47 crores was obtained at the Budget Estimate stage. A supplementary Grant of Rs.41.68 crores was obtained in March, 1991 to provide for more payment of superannuation & Retiring Pension, Commuted pension, Family Pension, Death-cum-retirement Gratuity, other Allowances, other Pension and Other Expenses, Ex-gratia pension due to more employees retiring on Pension than anticipated and also taking into account the post-budgetary increases on account of additional Dearness Relief sanctioned to Pensioners during the course of the current year, as also more provision required under Gratuity and special contribution to Provident Fund and Contribution towards Provident Fund.

The grant, however, proved to be inadequate as the actual expenditure exceeded the provision by Rs.19.06 crores. The excess of Rs.19.06 crores mainly occurred under sub-head (a) Superannuation & Retiring Pension (Rs.16.44 crores) followed by (d) Family Pension (Rs.3.12 crores), (b) Commuted Pension (Rs.2.78 crores), (g) Gratuities & Special Contribution to Provident Fund (Rs.1.06 crores) and (f) other Allowances, other Pension & other Expenses (Rs.0.24 crores); partly offset by saving under (e) Death-cum-Retirement Pension (Rs.4.55 crores), (c) Ex-gratia pension (Rs.0.02 crore) and (h) Contribution to Provident Fund (Rs.0.01 crores): the excess is attributable mainly to increase in number of Pensioners, Family Pension cases and voluntary retirement.

Of the total excess, the highest excess occurred on Northern Railway (Rs.9.42 crores) followed by Eastern Railway (Rs.6.57 crores), North Eastern Railway (Rs. 4.42 crores), Central Railway (Rs. 1.69 crores), South Eastern Railway (Rs.1.64 crores), Wheel & Axle Plant (Rs. 0.01 crore), Diesel comotive Works (Rs.0.01 crore); partly offset by savings on northeast Frontier Railway (Rs.1.66 crores), Western Railway (Rs.1.18 crores), South Central Railway (Rs.0.85 crore), Southern Railway (Rs.0.49 crore), Rail Coach Factory (Rs.0.14 crore), Integral Coach Factory 0.10 crore) & metro (Rs.0.02 crore).

There was a misclassification minus Rs.71,523 on account of wrong booking of charged expenditure erroneously as 'Voted'. Thus taking into

account the effect of misclassification the real excess requiring regularisation by Parliament works out Rs.19,05,56,103.

(v) *Grant No.14 Appropriation to Funds—*

Depreciation Reserve Fund, Development Fund, Pension Fund, Accident Compensation, Safety & Passenger Amenities Fund and Revenue Reserve Fund.

	Rupees
Original Grant	3108,25,00,000
Supplementary Grant	—
Total Sanctioned Grant	3108,25,00,000
Actual Expenditure	3165,24,15,636
Excess	56,99,15,636
Misclassification	—
Excess requiring regularisation	56,99,15,636
Percentage of excess	1.83

At the Budget estimate stage Appropriation to the Funds was estimated at Rs.3108.25 crores.

The excess of Rs.56.99 crores was due to more Appropriation under Pension Fund (Rs.70.00 crores), more Appropriation to Development Fund (Rs.20.67 crores) as a result of materialisation of higher surplus than anticipated; offset by saving in Appropriation to ACS&PF due to drop in originating Passenger and change in traffic mix (Rs.0.43 crore). An amount of Rs.33.25 crores was surrendered at the final modification stage.

The excess requiring regularisation is Rs.56,99,15,636.

(vi) *Grant No.15—Dividend to General Revenues—Repayment of Loans taken from General Revenues and amortisation of Over-Capitalisation.*

	Rupees
Original Grant	989,79,000
Supplementary Grant	—
Total Sanctioned Grant	989,14,79,000
Actual Expenditure	991,55,20,765
Excess	2,40,41,765
Misclassification	—
Excess requiring regularisation	2,40,41,765
Percentage of Excess	0.24

The original Grant of Rs.989.15 crores was fixed on the basis of net revenue of Rs.1118.00 crores estimated at Budget Estimate and Rs.1082.00 crores at Revised Estimate Stage. The actual Net Revenue turned out to Rs.1113.78 crores As a result it was possible to discharge liability to the extent of Rs.11.97 crores for Deferred Dividend.

The excess of Rs.2.40 crores was due to payment of Deferred Dividend Liability for the period from 1978-79 & onwards (Rs.11.97 crores), offset by surrender of Funds after sanction of Revised Estimate (Rs.7.37 crores), less payment of interest on Loans taken from General Revenues (Rs.1.34 crores) and minor savings (Rs.0.86 crore) under the head Payment to General Revenues. The excess requiring regularisation is Rs.2,40,41,765.

(vii) *Grant No. 16-Assets-Acquisition, construction & Replacement "Other Expenditure"—*

CAPITAL AND RAILWAY FUNDS.

There was an excess of Rs.169.24 crore & under Capital and an excess of Rs.2.26 crores under Railway Funds which comprised of excess under Depreciation Reserve Fund (Rs.51.08 crores); partly offset by savings under Development Fund (Rs.32.92 crores) and Accident Compensation, Safety & Passenger Amenities Fund (Rs.15.90 crores).

(Figures in units of Rs.)

	CAPITAL	RAILWAY FUNDS			Total Under
		D.R.F.	D.F.	ACS & PF	Rly. Funds.
Original Grant	5445,30,10,000	2049,18,60,000	186,11,24,000	80,46,96,000	2315,76,80,000
Supplementary Grant	102,47,50,000	60,27,23,000	-30,97,00,000	-3,06,40,000	26,23,83,000
Total sanctioned Grant	5547,77,60,000	2109,45,83,000	155,14,24,000	77,40,56,000	2342,00,63,000
Actual Expenditure	5717,02,06,974	2160,53,57,102	122,22,66,458	61,50,71,226	2344,26,94,786
Excess (+)/ Savings (-)	+169,24,46,974	+51,07,74,102	-32,01,57,542	-15,89,84,774	+2,26,31,786
Misclassification	+1,03,422		-64,74,893		-64,74,893
Excess requiring regularisation	+169,25,50,396		+1,61,56,893		+1,61,56,893
Percentage	3.05				0.07

(i) A Grant of Rs. 5445.30 crores under Capital was obtained at the Budget Estimate Stage. Two Supplementary Grants of Rs. 102.47 crores were obtained during the year 1990-91. First supplementary grant for Rs. 0.03 crore was obtained in August, 1990, for (a) recoupment of an advance for Rs. 100 crore obtained from Contingency Fund of India for setting up the 'Konkan Railway Corporation Ltd.', and further investment of Rs. 69 crores for Railway's Contribution towards equity capital of the Corporation (b) further investment of Rs. 10 crores as equity capital of in the 'Container Corporation of India Ltd.,' and (c) in respect of a new work proposed to be undertaken out of turn during the current year with

an outlay of Rs. 2 crores by finding funds to the extent of Rs. 81.97 crores by Reappropriation within the grant.

The second Supplementary for Rs. 102.44 crores was obtained in March '91 to meet the increased expenditure mainly under Inventories (Rs. 202.54 crores), Investment in Public Undertakings (Rs. 79.98 crores), Other Electrical Works (Rs. 5.14 crores) Computerisation (Rs. 5.08 crores), Electrification Projects (Rs. 5.18 crores), Signalling & Telecommunication Works (Rs. 4.56 crores), MTPs (Rs. 4.51 crores), Traffic Facilities (Rs. 3.31 crores); partly offset by Savings under New Lines (Rs. 66.34 crores), Gauge Conversion (Rs. 37.98 crores), Workshops (Rs. 37.39 crores), Doubling (Rs. 33.95 crores), Rolling Stock (Rs. 23.21 crores), Machinery & Plant (Rs. 3.19 crores), Restoration of dismantled Lines (Rs. 2.00 crores), Staff Amenities (Rs. 1.49 crores), Staff Quarters (Rs. 1.41 crores), Other specified Works (Rs. 0.72 crores) and Railway Research (Rs. 0.18 crore).

The Grant Under "Capital", however, proved inadequate, and actual expenditure exceeded the provision by Rs. 169.24 crores. There was a resultant misclassification of Rs. 1,03,422 under Capital. The real excess, thus requiring regularisation by Parliament works out to Rs. 169.25,50,396.

(ii) A Grant of Rs. 2315.77 crores under "Railway Funds" was obtained at the Budget Estimate Stage. A supplementary Grant of Rs. 26.24 crores was obtained in March '91 to meet the increase expenditure mainly under Rolling Stock (Rs. 68.36 crores), Machinery & Plant (Rs. 7.55 crores), Signalling & Telecommunication Works (Rs. 3.68 crores), Restoration of dismantled Lines (Rs. 2.00 crores), Passenger Amenities (Rs. 1.59 crores), Amenities for Staff (Rs. 0.36 crore), Supplementary Demand of Rs. 3 thousand was sought for undertaking three new Works out-of-turn during the current year and is for the recoupment of advance obtained from the Contingency Fund of India for (a) Introduction of Push-Pull DMU Service in Scaldah Division of Eastern Railway (b) for Yatri, Niwas at Allahabad (c) Passenger Reservation System at Allahabad. These are regarded as "New Service/New Instruments of Service"; partly offset by savings under Workshops (Rs. 16.12 crores), Bridge Works (Rs. 11.19 crores), Railway Research (Rs. 8.51 crores), Computerisation (Rs. 5.80 crores), Traffic Facilities (Rs. 4.14 crores), Doubling (Rs. 3.65 crores), Other Electrical Works (Rs. 2.00 crores), Track Renewals (Rs. 0.66 crore), Electrification Projects (Rs. 0.49 crore), Other Railway User's Amenities (Rs. 0.39 crore) and Staff Quarters (Rs. 0.35 crore).

The Grant under "Railway Funds", however, proved inadequate and actual expenditure exceeded the provision by Rs. 2.26 crores. There was a resultant misclassification of minus Rs. 64,74,893. The real excess, thus, requiring regularisation by Parliament works out to Rs. 161,56,893.

2. In view of the circumstances explained above, the excess over the Appropriations/Grants may kindly be recommended for regularisation by Parliament under Article 115(I) (b) of the Constitution of India.

3. It may be submitted that every care is taken (a) to assess the expenditure under various Appropriations/Grants as precisely as possible and (b) to obtain supplementary allotments, where necessary so that excesses are avoided to the maximum extent possible.

4. This has been seen by Audit.

Sd/-
(A. BHATTACHARYA)
Executive Director (Accounts)
Ministry of Railways,
Railway Board.

The Chairman & Members of the
Public Accounts Committee,
New Delhi.

APPENDIX VIII

MINISTRY OF COMMUNICATIONS DEPARTMENT OF TELECOM. (BUDGET SECTION)

Note for Public Accounts Committee for regularisation of excess over Voted Grants as disclosed in Appropriation Accounts of Grant No. 11—Telecommunication Services for the year 1990-91.

In the Capital Section (Voted) of Grant No. 11 Telecommunication Services there was an excess of Rs. 103.18 crores, constituting 4.34% of the total sanctioned provision in that Segment, as shown below:-

	(Rs.)
Original Grant	2329,99,00,000
Supplementary Grant	47,63,00,000
Total Sanctioned Grant	2377,62,00,000
Actual expenditure	2480,79,60,756
Excess	103,17,60,756

This excess has occurred under one of the Plan Schemes mainly, Local Telephone Systems due to more receipt of cables and subscribers equipment and under Non-Plan under "Stores Suspense Account" mainly under "General Stores" due to less issues to Capital and partly under "Factory Stores" due to more receipt from Manufacture Suspense.

The excess of Rs. 103,17,60,756 may kindly be recommended for regularisation by Parliament, under Article 115(1) (b) of the constitution of India.

This has been vetted by Audit *vide* their U.O. Note No. RR. IIL/1(b)400/Chapter-VI/1990-91/402 dtd. 27/8/1993.

(1-45/91-B)

Sd/-
(R.C. RASTOGI)
Member (Finance)

APPENDIX IX

ACTION TAKEN ON RECOMMENDATIONS CONTAINED IN THE 51ST REPORT OF PAC (10TH LOK SABHA)

(i) *Recommendations and Observations, which have been accepted by Government*

Recommendation of the Committee

The Committee are deeply concerned to find that excess expenditure has persistently occurred during the years 1985-90 in respect of the following three grants:

Name of Grant	Excess Expenditure during the year (Rs. in crores)				
	1985-86	1986-87	1987-88	1988-89	1989-90
Defence Pensions (Revenue-Voted)	12.02	1.36	1.69	1.61	278.93
Railways— Provident Fund, Pension and other Retirement Benefits (Voted)	11.70	53.49	110.01	93.30	2.47
Public Works (Revenue-Voted)	4.25	10.94	5.67	10.07	0.01
	(Revenue-Voted)	(Revenue-Voted & Charged)	(Rev. Voted & Cap. Charged)	(Rev. Cap. Voted & Charged)	(Cap. Charged)

Obviously, the concerned Ministries/Departments have failed to examine the factors responsible for such a state of affairs and take timely corrective action. The Committee emphasize that every Ministry/Department Particularly those concerned with grants mentioned above should carefully review their existing mechanism in the preparation of budget estimates and apply the necessary correctives to make the budget exercise more realistic and meaningful.

[S. No-3- (Para 1.17) of 51st Report of PAC (1989-90) Xth Lok Sabha]

Action Taken by the Government

The observation of the Committee have been noted. Necessary instructions have been issued to the Railways (copy enclosed).

[Ministry of Defence-O.M.No.-10(2)/93/BI/PC I. dated 17-9-1993]

Recommendation

The Committee are deeply concerned to note the inordinate delay ranging from 7 to 18 months in the submission of explanatory notes by the concerned Ministries in respect of 10 grants/appropriations out of 20 grants/appropriations that registered excess expenditure during 1989-90. The long delays of 13 and 18 months in respect of explanatory notes pertaining to the Ministries of Petroleum and Natural Gas and Urban Development respectively, is really more disturbing. Consequently, the Public Accounts Committee (1991-92) was handicapped to finalise and present their Report on excess expenditure during their term and the excess expenditure remained unregularised. It is unfortunate that these delays have occurred in spite of the fact that the Ministry of Finance, in pursuance of the Committee's recommendations made in their 11th Report (9th Lok Sabha) have laid down the time schedule for completing action at various stages involved in the finalisation/vetting of explanatory notes with a view to avoiding delay in submission thereof to the Committee. The Committee emphasize that the Ministries should henceforth strictly adhere to the prescribed time schedule paying the way for timely regularisation of excess expenditure.

[S.No. 4 Para 1.18 of 51st Report of PAC (10th Lok Sabha)].

Action Taken by the Ministry

Observations of the PAC have been noted. The time schedule prescribed by the Ministry of Defence as well as the one prepared by the Ministry of Finance for action at various stages involved in the preparation and submission of the notes for regularisation of excess expenditure, are being adhered to.

2. The Note to PAC for regularisation of excess over voted Grant in respect of Grant No. 17—Defence Services—Air Force for the year 1989-90 duly vetted by Audit was submitted to Ministry of Finance for onward transmission to Lok Sabha Secretariat on 16th September, 1991, i.e. immediately after the presentation of Appropriation Accounts, Defence Services to the Parliament on 13th September, 1991. However, in November, 1991, some comments of Comptroller and Auditor General of India were communicated by Audit which necessitated amendments to the note for regularisation. The amendments were examined in consultation with Audit and the Corrigendum/amended note were submitted in May 1992.

This has been vetted by DGADS.

[Ministry of Defence File No. 10(2)/93/BI/PCI dated 17-9-1993]

Recommendations of the Public Accounts Committee

The Committee are constrained to observe yet another deviation from the prescribed financial principles under the sub-heads "BB(2)-Santa Cruz

Electronic Export Processing Zone" and "BB(6)-Noida Export Processing Zone", operated by the Ministry of Commerce. Under these heads, excess of Rs. 2.50 crores has occurred against budget provisions of Rs. 4.75 crores. What concerns the Committee is the fact that the additional funds of Rs. 1.00 crore for Santa Cruz Electronic Export Processing Zone and Rs. 1.50 crores for Noida Export Processing Zone were provided by way of re-appropriation from other budget heads. According to the Ministry, the expenditure on these heads constituted "New Service" or "New Instruments of Service" and required prior approval of Parliament as the funds provided by re-appropriation exceeded prescribed financial limits. The Committee take a serious note of this major lapse on the part of the Ministry in incurring expenditure without prior approval of Parliament. This is obviously a case of sheer negligence and the Committee would like responsibility to be fixed for the lapse. The Committee also trust that necessary action in this regard would atleast now be taken by the Ministry and instructions issued to ensure that such a lapse do not recur in future.

[S. No. 7 Para 1.23 of 51st Report of PAC (10th Lok Sabha)]

Action Taken Note

Amounts of Rs. 1 crore and Rs. 1.50 crores were provided by way of re-appropriation to Santa Cruz Electronics Export Processing Zone and Noida Export Processing Zone keeping in view the urgent need to provide requisite infrastructural facilities for accommodating more units in the interest of exports and also the guidelines issued by Ministry of Finance in regard to re-appropriation. It was presumed that this re-appropriation of funds did not constitute New Service or New Instrument of Service and re-appropriation was made in good faith. It may also be added that the reappropriation was made within the overall budget allocation for the Export Processing Zones. However, as soon as it was pointed out by the PAC that it amounted to a New Service, action was initiated to correct the matter and the re-appropriation has also since been passed by the Lok Sabha and assented to by the President on 31.8.1993. The recommendations of the PAC has been noted for future guidance and it would be ensured that such a lapse does not recur.

This has been vetted by Audit *vide* their U.O. No. RR27-393-94/1475 dated 26.10.1993.

[Ministry of Commerce-O.M. No. G-25012 (5)/93 B & A
dated 2-12-1993]

Recommendations of the Public Accounts Committee

The Committee note that against the original provision of Rs. 1349.57 crores sanctioned under Grant No. 14-Defence Pensions (Revenue-Voted), the Ministry of Defence incurred expenditure of the order of Rs. 1878.50 crores resulting in an uncovered excess of Rs. 278.93 crores inspite of the

fact that a supplementary grant of Rs. 250.00 crores was obtained by the Ministry in March, 1990. The excess expenditure is stated to be mainly due to the revision of pension and payment of arrears due to implementation of orders of Fourth Pay Commission by Pension Disbursing Agencies. The wide variation between the original budgeted figures and the actual expenditure leads the Committee to an obvious conclusion that the Ministry of Defence have failed to precisely anticipate, assess and provide for the funds actually required by them. The Committee urge the Ministry of Defence to exercise maximum care in assessing their funds requirements.

[Sl. No. 8, Appendix II, Para 1.26, Page No. 27 of 51st Report of Public Accounts Committee (10th Lok Sabha) refers]

Action Taken Note by the Government

The Controller General of Defence Accounts who is the Principal Accounts Officer for the Ministry of Defence and also the Chief Controller of Defence Accounts (Pensions) is mainly responsible for making payment of Defence Pensions and maintenance of Accounts thereof, were asked to exercise maximum care in assessing the requirement of funds under the Grant. Following specific steps were taken in this direction:—

- (i) Financial Adviser (Defence Services) took up the matter with the State Governments and Ministry of Finance (Banking Division) for prompt rendition of Defence Pension. Payment Vouchers by the Treasuries and Public Sector Banks.
- (ii) All Treasury Officers were addressed by the Office of the Chief CDA (Pensions) reiterating *inter-alia* various requirements for timely submission of data regarding Defence Pensions.
- (iii) For monitoring receipt of vouchers and of expenditure, Chief Controller of Defence Accounts (Pensions) has adopted their procedure of deputing their personnel to various branches of banks and treasuries for collecting the necessary information in time. Banks and treasuries have also been advised to give necessary assistance to Defence Accounts Departments personnel in this regard.
- (iv) Keeping in view the directive from Public Accounts Committee that maximum care be taken to assess the final requirement, every effort has been made to project realistic estimates.

The result of the above measures is evident from the figures of estimates and the actuals during the subsequent years as given below:—

Revenue Section (Voted & Charged)				(Rs. in crores)
Years	Budget Estimates	Actuals	Variation	Variation percentage
1990-91	1670.00	1670.12	(+) 0.12	.007%
1991-92	1840.00	1840.08	(+) 0.08	.004%

Variation between the Budget Estimates and the Actuals has been brought down drastically and is negligible. However, every endeavour is still being made to avoid even such marginal excess through an effective liaison between the Accounts Office responsible for booking pension expenditure.

This has been vetted by Audit vide their U.O. No. RR/29-93-94/1318 dated 21.9.1993.

Sd/-

(P.R. SIVASUBRAMANIAN)

*Addl. Financial Adviser & Joint Secy.
to Govt. of India
Tel : 301 2915*

[Min. of Def.(Fin.) F.No. 18402(7)MO/93 dated 4th Oct., 1993]

Recommendation

The Committee note that against the original provision of Rs. 17,000 crores under Revenue Section (Charged) of Appropriation No. 29 - Interest Payments for the year 1989-90, the Ministry of Finance incurred expenditure of the order of Rs. 17756.94 crores resulting in an uncovered excess of Rs. 46.94 crores inspite of the fact that a supplementary appropriation of Rs. 710 crores was made. According to the Ministry of Finance, the excess expenditure of Rs. 46.94 crores was the net effect of the excesses and savings under various sub-heads but mainly under the subhead A.3(8)- Interest on Insurance and Pension Funds' and in the opinion of the Committee this cannot be said to be unforeseeable as the decision of the Government to pay interest on half-yearly basis instead of on an annual basis on the Special Deposit of Provident, Superannuation and Gratuity Funds was taken on 24th February, 1989. Barring unforeseen circumstances it is not expected of any Ministry much less the Ministry of Finance, to exceed their financial limit even after obtaining a supplementary provision as has happened in this case. The Committee take a serious view of the lack of realistic assessment on the part of the Ministry and urge the Ministry to exercise greater care while finalising budget estimates in future.

[S.No. 9 Para 1.29 of 51st Report of PAC (10th Lok Sabha)]

Action Taken

The Committee's recommendations have been noted for compliance.

[Min. of Finance (Deptt. of Economic Affairs) (Budget Division) O.M.
No. F.2 (126) - B (AC)93 dated- 1-2-1994]

Recommendations of the Public Accounts Committee

The Committee note that the Revenue Section (Voted) of Grant No. 62- Ministry of Petroleum and Natural Gas, recorded an overall excess of Rs. 2.14 crores during the year 1989-90. The excess expenditure occurred mainly under the sub-head "B.1(1) (1)-Subsidy to Shipyard for MSVs, etc." which was of the order of Rs. 6.72 crores. The Committee have been informed that the original grant of Rs. 2.22 crores under this sub-head was inadequate and augmentation of the Grant by Rs. 6.72 crores was done through re-appropriation from another sub-head. However, this re-appropriation was contrary to the guidelines on New Service/New Instrument of Service and this was reported to Parliament only in March, 1991 when the Ministry presented the last batch of Supplementary Demands for Grants 1990-91. The Committee consider it unfortunate that the exercise of absolute powers available with the Ministry for re-appropriation within the grant has resulted in this sorry state of affairs in the Ministry of Petroleum and Natural Gas. The Committee recommend that appropriate steps may be taken by the Ministry to ensure that power of re-appropriation is exercised with utmost caution and conscious efforts made to follow the prescribed financial principles while exercising powers of reappropriation.

[Sl. No. 10 Para 1.31 of 51st Report of PAC (10th Lok Sabha)]

Action Taken Note by the Government

The re-appropriation of Rs. 6.72 crores, in question, was done on the advice of the Ministry of Finance. Ministry of Petroleum and Natural Gas had, in fact, sent a proposal to the Ministry of Finance for their approval to the augmentation for the sub-head by Rs. 6.72 crores through Supplementary Demands for Grants. However, that Ministry had instructed to resort to reappropriation. Relevant extract of notes containing this advice is attached *vide* Annexure. Thus, there was no inappropriate exercise of powers for re-appropriation by this Ministry

This Ministry will continue to ensure that power of reappropriation is exercised with utmost caution and keeping the prescribed financial principles in view.

This has been vetted by Audit *vide* their U.O. No. RR/25-193-94/1340, dated 28.9.1993.

Sd/-

(Dr. A.N. SAKSENA)

Joint Secretary & Financial Adviser.

[Ministry of Petroleum & Natural Gas O.M. No. G-25015/193-Fin. I,
dated 29-10-1993]

MINISTRY OF PETROLEUM AND NATURAL GAS

Extract of notes from file No. G-24011/3/89-Fin. I

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7. It may be stated that in the Budget of this Ministry for 1989-90, there is a non-plan provision Rs. 100 crores for payment to Oil Industry Development Board (OIDB) against collection of Cess on indigenous crude oil. This provision has been made against the Sub-Head "B.1(1)(3)" under Major Head "2802" in the Revenue Section of Demand No. 62 of the Ministry for 1989-90. Out of this provision, Rs. 50 crores have already been released to OI DB and another Rs. 10.54 crores have been diverted, as matching savings, to meet Govt.'s additional equity participation in IBP Co. Ltd., which was got approved through the Second Batch of Supplementary Demands for Grants, 1989-90. This leaves a balance of Rs. 39.46 crs. yet to be paid to OI DB. However, since the requirement of MOD is pressing and ONGC is not in a position to transfer funds to the Government to enable the Ministry of Petroleum to meet its liabilities to the Ministry of Defence, etc., this balance amount of Rs. 39.46 crores, payable to OI DB, may be surrendered, as matching savings, to obtain an equivalent amount in the current year's budget, through the next Batch of the Supplementary Demands for Grants 1989-90, to meet the additional requirements of the aforesaid two items to some extent. Incidentally, these two items too fall under the same Major Head "2802", but under 'Plan'. It may be stated that the additional amount projected for these two items for RE 1989-90 was Rs. 60.31 crs. (Rs. 46.67 crores for equipments for BOP and Rs. 13.64 crores for payment to subsidy to Shipyards). Therefore, after proposed provision of Rs. 39.46 crores through the Supplementary Demands for Grants the balance amount of Rs. 20.85 crores (Rs. 60.31 crs.-Rs. 39.46 crs.) may be transferred to this Ministry's projections for these two items for 1990-91. Now, the distribution of this additional amount of Rs. 39.46 crores between the two items, after taking into account the excess expenditure of Rs. 9.75 crores incurred on BOP during the current year and then allocating the balance amount proportionately, may be as follows:—

	(Rs./Crores)		
	Provision in BE 89-90	Provision of addl. amount	RE 89-90 (Proposed)
(i) Subsidy to Shipyards	2.22	6.72	8.94
(ii) Acquisition of equipments for Bombay Off-Shore Project	7.58	32.74	40.32
	9.80	39.46	49.26

8. This proposal may be submitted to Secretary (Expenditure) for his kind approval so that this may be included in approved RE 1989-90 for this Ministry and also in the next batch of the Supplementary Demands for Grants 1989-90, when notified by the Ministry of Finance.

Sd/-.
(D.K. BANERJEE)
20.12.89

J D/(F/ in.)

Sd/-.
(P.M. SAKSENA)
20.12.89

A S/ & F/A

Sd/-.
(N. SIVASUBRAMANIAN)
21.12.89

JS (P/S) Sh. B.P. Varma

JS(B) Secy. (Expenditure)

BUDGET DIVISION

Ref. : Preceding Notes.

The re-appropriation of savings of Rs. 39.46 crores under payment to OADB has already been approved by Secy. (E) separately on 15-2-90 to be utilised for meeting the additional expenditure in respect of the following:—

	(In Crores of Rs.)
(i) Acquisition of equipments for Bombay Offshore Project	32.67
(ii) Payment of Subsidy to Indian Shipyards	6.72
(iii) Secretariat expenditure	0.07
	39.46

M/P&NG may kindly see for further necessary action.

Sd /-.
(Illegible)
24.2.90

Dir. (R)

Sd /-.
(Illegible)
24.2.90

Ministry of Petroleum & Natural Gas

Shri P.M. Saksena, Jt. Dir. (Finance)

M/O Fin. (DEA) U.O. No. 410-B/S/90 dated 26-2-90.

Recommendation

Another instance of bad budgeting is revealed in the operation of Grant No. 17—Defence Services—Air Force (Revenue—Voted) by the Ministry of Defence. Against the original provision of Rs. 1873.53 crores under this Grant, the Ministry incurred expenditure to the tune of Rs. 1938.77 crores leaving an uncovered excess of Rs. 15.24 crores despite the fact that a supplementary grant of Rs. 50 crores was obtained. The excess has occurred mainly under the Heads A-1-Pay and Allowances of Air Force (Rs. 3.53 crores), A-4-Transportation (Rs. 4.72 crores), A-5-Stores (Rs. 6.84 crores) and some other heads. The Ministry have stated that instructions were issued in June, 1990 emphasizing the need for framing the Budget Estimates on realistic basis depending on the requirement and

for exercising a close and constant watch over the trend of expenditure with reference to the sanctioned grant. The Committee emphasize upon the Ministry of Defence to take effective steps to ensure strict observance of these instructions.

[S.No.—11—Para 1.35 of 51st Report of PAC (10th Lok Sabha)]

Action Taken by the Ministry

The recommendations of the Committee have been noted.

2. As a part of the efforts for improving accuracy of estimation and control over expenditure, Inter-Departmental Monitoring Groups have been constituted since 1991-92 with senior officers from the Ministry, Integrated Finance, Services Headquarters and Controllers of Defence Accounts as members to closely monitor and review the progress of expenditure for ensuring optimal use of the available resources. Notwithstanding this, the recommendations of the Committee and the significance of realistic assessment of requirements and control over expenditure vis-a-vis the resources available during the year, has again been impressed upon the authorities concerned in the Services Headquarters, Ministry and the Integrated Finance, vide Ministry of Defence I.D. No. 10(2)/93/B. I dated 21st July, 1993 (copy enclosed).

3. This has been vetted by DGADS.

[Ministry of Defence File No. 10(2)/93/BI/PC-III. Dated: 24-9-93]

MINISTRY OF DEFENCE
(FINANCE DIVISION)

SUBJECT:- *Formulation of Budgetary estimates and monitoring of Defence expenditure.*

Instructions have been issued from time to time highlighting the importance of formulating the budget estimates on the most realistic basis and the necessity to keep the expenditure under constant review and to scrupulously conform to the allocations eventually made.

2. Despite these exhortations for exercising better budgetary formulation and control, instances of unrealistic estimation of requirements — at the initial stage as well as at re-appropriation/Supplementary Demand stage—and inadequate control over expenditure continue to occur. Many of these instances are commented upon by the Comptroller and Auditor General of India in his Reports. In some cases, these inadequacies in budget formulation/control lead to excess over voted grants, requiring regularisation by Parliament.

3. Public Accounts Committee, in their 51st Report on Excesses over voted grants and charged appropriations (1989-90), have taken a serious view of the persistent occurrences of excess expenditure and emphasized the need for more accurate estimation of requirements and better budgetary control. The Committee have also pointed out that savings are as bad as excess expenditure in that these deprive certain deserving vital sectors of economy of the much needed resources. They have, accordingly, stressed that budget estimates should be made keeping in view the resources available or likely be available during the year and all concerned should undertake a realistic exercise while forecasting the monetary requirements to ensure best and efficient utilisation of funds.

4. The relevance of the foregoing recommendations in the context of the prevailing resource position in respect of Defence budget needs no further emphasis. Inter-Departmental Monitoring Groups have been constituted since 1991-92 to provide an institutional forum to identify and to take steps to remove the grey areas or lacunae in the realistic assessment of requirements and budgetary control. These Groups may please review the projection of requirements and the actual expenditure details of 1992-93 to pinpoint any defects in the present system of estimation and control. Such a review would help in taking further remedial steps required to eliminate instances of inaccurate estimation, injudicious re-appropriations non-

utilisation of allocation, persistent excesses or savings and other similar cases of defective budgeting and budgetary control.

Sd/-
(P.R. SIVASUBRAMANIAN)
Addl. FA (P)

All Joint Secretaries/Addl. FAs
Addl. DGEP, DNP, D. Fin P, DGNCC, DGO, DPR&M, DGQA.

M/OD (Fin.) ID No. 10(2)/93/BI dated 21-7-1993.

Recommendation

Para 1.38 — The Committee are unhappy to find the slack budgetary control mechanism in the Railways. The Committee note that during the year 1989-90, there was an overall net excess of Rs 100.76 crores over the Final Grants and Appropriations resulting from an aggregate excess of Rs. 197.76 crores under 7 Grants (3,5,6,9,13, 14 & 16 Capital and Railway Funds) and one Appropriation (4) and saving of Rs 97.00 crores under 10 Grants (1,2,4,7,8,10,11,12,15 and 16—O.L.W.R.) and 11 Appropriations (3,5,6,7,8,9,10,11,12,13 and 16—Capital, Railway Funds & O.L.W.R.) The huge overall net excess of Rs. 100.76 crores has occurred inspite of the fact that Supplementary Grants were obtained invariably in all excess registering grants/appropriation except Grant No. 5. The wide variations between the original budgeted figures and the actual expenditure clearly indicate that the Ministry of Railways have, at no stage, been able to precisely anticipate, assess and provide for the funds actually required by them under the various heads. The Committee emphasize the need for framing the Budget Estimates on a realistic basis depending on the requirements and exercising a close and constant watch over the trend of expenditure with reference to the sanctioned grants.

[S.No.—12—Para—1.38 of 51st Report of PAC (10th Lok Sabha)]

Action taken by the Government

The observation of the Committee have been noted. Necessary instructions have been issued to the Railways (copy enclosed)

[Ministry of Defence O.M. No.—10(2)/93 BI/PC—I) dated—17-9-1993]

Recommendation of the Committee

Subject to observations made in the preceding paragraphs, the committee recommends that the expenditure referred to in para 1.3 of this

Report be regularised in the manner prescribed in Article 115(1) (b) of the Constitution of India.

[S.No.—14 (Paragraph 1.40 of the Chapter 1 of the 51st Report of the Public Accounts Committee) (10th Lok Sabha)]

Action taken by Government

The Demands for Excess Grants (excluding Railways) for 1989-90 were passed by the Lok Sabha on 26.8.1993. The connected Appropriation as passed by Lok Sabha was returned by Rajya Sabha on 27.8.1993 and was assented to by the President of India on 31.8.1993.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No.—F. 7(11)—B (SD)/93. dated—13-9-1993]

(ii) *Recommendations or Observations which the Committee do not desire to pursue in view of the replies received from Government.*

Recommendations of the Public Accounts Committee

The Committee are extremely unhappy to note that the Capital Section (Voted) of Grant No. 8 — Department of Commerce recorded an excess of as high as Rs. 410.66 crores against the total provision of Rs. 369.92 crores. The excess expenditure occurred mainly under the sub-head "EE. 5(1) Loans to Government of USSR — Technical credits incorporated in Trade Agreements" which was of the order of Rs. 523.98 crores. This excess was partly offset by entire aggregate provision of Rs. 100.00 crores remaining un-utilised under the head "EE—Advances to Foreign Governments" due to non-utilisation of credit facility by certain Governments under "Technical credits incorporated in Trade Agreements". The Committee are constrained to observe that inspite of the fact that a supplementary grant of Rs. 199.89 crores was obtained by the Ministry in March, 1990 and strict watch is claimed to have been maintained on the drawals of technical credit by the Ministry from December, 1989 onwards, the Ministry of Commerce have miserably failed to assess the actual quantum of supplementary grant required to be obtained for "Loans to Government of USSR" due to which huge amount of excess expenditure of the order of Rs. 410.66 crores was left uncovered. This Committee take a serious view of the complacence on the part of the Ministry and emphasize that the Ministry of Commerce should keep a close watch over the trend of expenditure during the year and issue necessary guidelines to all concerned to avoid such recurrence in future.

[St. No. 1.20 Appendix Para 1.22 of 51st Report of PAC (10th Lok Sabha)]

Action Taken Note by the Government

The reason for the inability to anticipate more accurately the extent of utilisation of technical credit by the former USSR by the end of the

financial year 1989-90 were detailed in the Note for the Public Accounts Committee for regularisation of excess expenditure.

2. In essence, technical credit was a device, agreed bilaterally between the Governments of India and the USSR, to even out the normal vicissitudes of their bilateral trade — which was catalysed by active State involvement on both sides — through extension of short term interim credit or ways-and-means advance. Its necessity was inherent in the rupee payment trading system between the two countries, which itself proved of considerable benefit to India for almost four decades.

3. It is pertinent to take note that technical credit was not an item of expenditure, but indeed was intended to be balanced out by receipts through financing of imports. This is how the system worked, and worked successfully for about 35 years.

4. The “excess expenditure” in the present case, purely in terms of budgetary provision for 1989-90, was the difficulty in assessing the actual quantum as required for this purpose by the end of the financial year. However, the entire technical credit advanced to the Government of Russia, not only during 1989-90, but also subsequently until the rupee payment system came to an end in December 1991 alongwith the dissolution of the USSR, has since been repaid completely by the Government of Russia. (The repayment has been made in recent months through adjustment against India's liability of repayment of the State credits advanced by the USSR Government).

5. In other words, the amount shown as expenditure in one year has been balanced out by an equal amount of receipt in a subsequent year. The technical credit outstanding against the USSR earned due interest during the intervening period as provided for by the bilateral agreements.

6. It may also be noted that the system of technical credit had, prior to 1989-90, worked satisfactorily and served the purpose for which it had been provided for. The political and economic upheavals in the former USSR, starting in late 1980s, also affected India's bilateral trade with that country and the system of technical credit as it operated. The adverse effect on the technical credit system, is that the Soviet side resorted to availing of unprecedented large amounts of technical credit in order to overcome its inability to effect adequate exports to India to pay off its imports from India, can under the circumstances be only called an aberration.

7. The political, economic and structural changes taking place in that country led to stagnation in industrial output and reduction in their exportable surplus, consequently leading to lesser supplies of critical

commodities such as petroleum products, steel products, etc. This led to less generation of rupee resources and increased drawal of technical credit. The issue of maintaining the promised quantities of exports as agreed under the Trade Protocol was taken up time and again with the Russian authorities. While the Russian Government promised to maintain the targetted quantities they were unable to keep their promise. In this fluid and volatile scenario it was not possible on the part of the Ministry of Commerce to assess correctly the shortfall in generation of rupee resources and therefore the expected drawal of technical credit.

8. The Russian side availing of such large amounts of technical credit starting from 1989 was not only unprecedented but could also not be foreseen in its extent. This is evident in the estimates for the supplementary grant during 1989-90 going haywire in the end, as well as subsequently. In view of the extremely fluid situation, the question of any complacency on the part of the Ministry of Commerce could not arise. On the contrary, the Ministry had to remain ever-vigilant. The run on the technical credit however went beyond that.

9. As indicated earlier, the system of rupee payment trade has since been discontinued. starting with 1992, all bilateral trade through normal channels with Russia and other Republics formerly parts of the USSR is now transacted only through freely convertible currencies. This implies the demise of the technical credit system too. Only for 1992, a further technical credit was extended to Russia, which was essentially a transitory stage. However, to ensure that there is no repeat of the earlier experience with runaway technical credit utilisation, the amount provided for 1992 was capped at Rs. 850 crores or US\$ 285 million. The actual utilisation of this amount has spilled over well into 1993. Almost the entire amount has already been utilised and subsequently repaid by the Russian side. besides, a small technical credit of Rs. 10 crores was also extended to Uzbekistan during 1992, out of which only half was utilised during the year and repaid since.

10. A decision has already been taken, and conveyed to the Russian side, that no further technical credits would be available beyond the above.

11. This completely rules out any further possibility of occurrence of excess expenditures on this account.

12. This has been vetted by Audit vide their U.O. letter No. RR/27-1/93-94/1439 dated 18.10.93.

Sd/-

(B.P. MISRA)

Joint Secretary to the Govt. of India

[Ministry of Commerce - U.O. No. 92/3/91-FT(LE) dated 27.10.93]

- (iii) *Recommendations or observations replies to which have not been accepted by the committee and which require reiteration.*

Recommendation of the Committee

The Committee also find misclassification of expenditure to the extent of Rs (-)1,33,64,077 in Appropriation No. 4 and Grant No. 5 and 16, operated by the Ministry of Railways during 1989-90 which is indicative of the faulty budget control and lack of vigilance on the part of the spending units of the Ministry where misclassification escaped notice and could not be rectified in time. The gravity of the lapse becomes more serious when viewed in the light of the fact that similar lapses were noticed by the Committee in the Accounts for the year 1988-89. With a view to obviate the recurrence of such lapses in future the Committee recommend that these lapses should be enquired into and responsibility fixed. The Committee would like to be apprised of the concrete action taken in this matter.

[S.No. 13, Para-1.39 of 51st Report of PAC (10th Lok Sabha)]

Action Taken by the Government

Recommendations of the Public Accounts Committee regarding misclassifications of expenditure has been noted and necessary instructions have been issued to all the concerned Railways. The Railways have been asked to fix responsibility for the cases of misclassifications that have been pointed out by PAC for the year 1989-90. Railways have also been directed to ensure that requisite measures are taken for eliminating the scope of misclassification.

The Committee would, however, appreciate the fact that the Indian Railways being a very large organisation, the work of preparing and passing bills and vouchers, which involve allocation of expenditure to the correct Heads of Accounts, is spread over large number of units of the Zonal Railways, Construction and Production Units.

It may not always be possible for the units to ensure a zero error working system. The percentage of misclassification to total expenditure for the year 1989-90 is a very minor figure as the following table would indicate:—

Year	Amount of misclassification as per Explanatory Note submitted to PAC	Actual Gross Amount under Exp. Grant 5 & 16	Percentage of misclassification to total Exp. i.e. Cols. 2 to 3.
(1)	(2)	(3)	(4)
1989-90	(-) 1,33,64,077	7981,82,82,541	0.017

It will, however, be the constant endeavour of the Railways to eliminate misclassification completely while allocating expenditure to the different heads of Account.

This has been seen and vetted by Audit vide their U.O.I. No. 443-RAIII-RR/12-5/91 dated 15.10.93.

[Ministry of Railways (Rly. Board)'s case No. 90APP/7-2/89-90 Para 1.39. dated - 27-10-1993]

(iv) *Recommendations or observations in respect of which Government have furnished interim replies.*

Recommendation

The Committee are also unhappy to note the largescale savings, aggregating Rs.38006.78 crores during the year 1989-90 as indicated in the Appropriation Accounts Civil, Defence Services, Railways and Postal and Telecommunication services. The Committee need hardly point out that savings are as bad as excess expenditure in that these deprive certain deserving vital sectors of economy of the much needed resources. The Committee note that in pursuance of their earlier recommendation, Ministry of Finance (Deptt. of Economic Affairs) have issued instructions on 14 September, 1992 to all the Ministries/Departments *inter alia* emphasising that Financial Advisors should take due note of the past performance, the stage of formulation/implementation of the various schemes, the constraints on spending etc., into account while scrutinising the estimates prepared by various spending agencies. The Committee stress that budget estimates should be made keeping in view the resources available or likely to be available during the year and each Ministry should undertake a realistic exercise while forecasting the monetary requirements under each grant to ensure best and efficient utilisation of funds.

[S.No. 5, Para 1.19 of 51st Report of PAC (10th Lok Sabha)]

Action Taken by the Ministry

The recommendations of the Committee have been noted.

2. As a part of the efforts for improving accuracy of estimation and utilisation of allocation, Inter-Departmental Monitoring Groups with senior officers from Ministry of Defence, Services Headquarters, Integrated Finance and Controllers of Defence Accounts concerned as members, have been constituted since 1991-92 to monitor the progress of expenditure for ensuring optimal use of available resources. These Groups review and closely monitor the heads from where savings are expected for their actual materialisation and the utilisation of savings for prioritised committed expenditure. However the recommendations of the Committee and the significance of assessment of requirement keeping in view the resources

available/likely to be available during the year have been impressed upon all the concerned authorities. A copy of Ministry of Defence I.D. No. 10(2)/93/B.I dated 21st July 1993 is enclosed.

This has been vetted by DGADŚ.

Sd/-

(P.R. SIVASUBRAMANIAN)

Addl. FA (P) & J.S. to the Govt. of India

[Ministry of Defence File No. 10(2)/93/B.I/pc-II Dated: 2-9-93]

**MINISTRY OF DEFENCE
(FINANCE DIVISION)**

SUBJECT:—*Formulation of Budgetary estimates and monitoring of Defence expenditure.*

Instructions have been issued from time to time highlighting the importance of formulating the budget estimates on the most realistic basis and the necessity to keep the expenditure under constant review and to scrupulously conform to the allocations eventually made.

2. Despite these exhortations for exercising better budgetary formulation and control, instances of unrealistic estimation of requirements — at the initial stage as well as at re-appropriation/Supplementary Demand stage — and inadequate control over expenditure continue to occur. Many of these instances are commented upon by the Comptroller and Auditor General of India in his Reports. In some cases, these inadequacies in budget formulation/control lead to excess over voted grants, requiring regularisation by Parliament.

3. Public Accounts Committee, in their 51st Report on Excesses over voted grants and charged appropriations (1989-90), have taken a serious view of the persistent occurrences of excess expenditure and emphasized the need for more accurate estimation of requirements and better budgetary control. The Committee have also pointed out that savings are as bad as excess expenditure in that these deprive certain deserving vital sectors of economy of the much needed resources. They have, accordingly, stressed that budget estimates should be made keeping in view the resources available or likely be available during the year and all concerned should undertake a realistic exercise while forecasting the monetary requirements to ensure best and efficient utilisation of funds.

4. The relevance of the foregoing recommendations in the context of the prevailing resources position in respect of Defence budget needs no further emphasis. Inter-Departmental Monitoring Groups have been constituted since 1991-92 to provide an institutional forum to identify and to take steps to remove the grey areas or lacunae in the realistic assessment of requirements and budgetary control. These Groups may please review the projection of requirements and the actual expenditure details of 1992-93 to pinpoint any defects in the present system of estimation and control. Such a review would help in taking further remedial steps required to eliminate instances of inaccurate estimation, injudicious re-appropriations, non-

utilisation of allocation, persistent excesses or savings and other similar cases of defective budgeting and budgetary control.

Sd/-

(P.R. SIVASUBRAMANIAN)

Addl. FA (P)

All Joint Secretaries/Addl. FAs

Addl. DGFP, DNP, D Fin P, DGNCC, DGOF, DPR&M, DGQA.

M/OD (Fin). ID No. 10(2)/93/BI dated 21-7-1993.

APPENDIX X

STATEMENT OF CONCLUSIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry/ Deptt.	Recommendation
1	2	3	4
1.	1.19	Finance (Exp.)	The Committee note that an expenditure of sizeable magnitude of Rs. 900.24 crores had been incurred in excess of the aggregate sanctioned provision of Rs. 23579.92 crores under 19 grants/appropriations during the year 1990-91. The percentage of excess expenditure to the sanctioned provision under relevant grants/appropriations during the year 1990-91 works out to 3.82 as against 2.60 per cent during the year 1989-90. The Committee are particularly astonished at the substantially high excess expenditure of 17% over the sanctioned provisions in the case of Civil Ministries/ Departments (excluding Railways, Post and Telecommunication services). The Committee view this deteriorating position with grave concern. They express their unhappiness over the fact that their oft-repeated concern for observing greater financial discipline to contain the excess expenditure has not yielded desired results and the various Ministries/Departments of Government of India continued to indulge in spending beyond the sanctioned limits.
2.	1.20	Finance (Exp.) Railways, Defence, Communi- cations.	While examining the excess expenditure incurred during 1984-85, the Committee had in Paragraph 2.6 of their 57th Report (8th Lok Sabha) expressed satisfaction over the declining trend of excess expenditure during the years 1980-81 to 1984-85 and had hoped that the declining trend would be sustained. However, the hope of the Committee was belied in

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the subsequent years when the position altered and took a worse turn in 1989-90 when the excess expenditure touched an unprecedented high of Rs. 976.82 crores under 20 grants/appropriations. The situation during the year under Report *i.e.* 1990-91 is also no better and presents a dismal picture of the prevailing state of affairs in preparation of budget estimates and control of expenditure by the various Ministries/Departments of Government of India. What is further distressing is the fact that the excess expenditure in 1990-91 had occurred in 13 grants/appropriations in which supplementary grant of Rs. 1374.86 crores was obtained. In the light of the fact that bulk of the supplementary provisions are made at the *lag-end* of the year when the Ministries have sufficient data for estimating their actual requirements of funds, the Committee find no plausible explanations for incurring substantial excess expenditure under these grants or appropriations. Another feature observed by the Committee was that excess expenditure of over Rs. 1 crore had occurred in as many as 11 cases out of the total 19 cases of excesses over Voted Grants and Charged Appropriations during 1990-91. Surprisingly, excess expenditure had exceeded rupees one crore each in all the grants operated by Ministry of Railways in which excess expenditure had occurred. This reinforces the Committee's view that lack of proper monitoring of the progress of expenditure and failure to assess actual requirements of funds in time by the concerned Ministries/Departments are the main factors giving rise to excess expenditure. The Committee have no doubt that the problem of excess expenditure can be tackled effectively only by keeping unrelenting vigil over the trend of

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expenditure and by assessing properly the actual need of funds at the revised estimates stage as well as supplementary grant stage. The Committee, therefore, desire that concrete steps should be taken by the Ministry of Finance to impress upon the Ministries to devise effective mechanisms for proper and continuous monitoring over the progress of expenditure and indepth examination of the requirements of funds so that the excess expenditure may be kept to the barest minimum if not eliminated altogether. They also desire that the authorities administering a grant/appropriation should be held personally responsible for the control of expenditure against the sanctioned provisions and any slackness in following the established financial discipline should be sternly dealt with.

3. 1.21

Fin
(Exp.)
Railways,
Defence,
Communi-
cations,
Home
Affairs,
Commerce

The Committee find that out of the 19 grants/ appropriations which recorded excess expenditure during the year 1990-91, while the explanatory/notes to the Committee in respect of Railways and Defence Services were furnished almost within the prescribed time limit (viz. by 31 May or immediately after presentation of the relevant Appropriation Accounts whichever is later), there was inordinate delay in submission of the explanatory notes relating to all the grants/ appropriations covered under Civil Accounts ranging from over 5 months to 13 months and that in the case of Telecommunication Services was 14 months. The inordinate delays of 12, 13 and 14 months in respect of explanatory notes pertaining to the Ministries of Home Affairs, Commerce and Communications are in no way justifiable since the Ministry of Finance have already laid down a time schedule for completing action at various stages involved

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			<p>in the finalisation/ vetting of the explanatory notes with a view to avoiding delay in submission thereof to the Committee. The Committee take a serious view of this delay on the part of the Ministries concerned in furnishing the explanatory notes and desire that the responsibility be fixed for any laxity in this regard. The Committee would also like the Ministry of Finance to analyse and apprise them of the precise reasons for persisting delays in submission of explanatory notes and take corrective measures to ensure timely submission of explanatory notes in future.</p>
4.	1.22	<p>Fin (Exp. & Economic Affairs Defence Commerce Railways</p>	<p>While there had been a sizeable amount of excess expenditure over Voted Grants and Charged Appropriations, during 1990-91, the Committee are astonished to note that the year also witnessed large scale savings. The Committee's scrutiny of the Appropriation Accounts of Civil, Defence, Railways, Telecommunication Services and Postal in this regard revealed that savings aggregating Rs. 43,872.55 crores had occurred in as many as 244 items during the year 1990-91. Out of these, the Appropriation Accounts (Civil) alone accounted for savings of Rs. 42,644.26 crores in 206 items of expenditure under both Voted Grants and Charged Appropriations. The Committee also observe that 150 items of expenditure under various Appropriation Accounts have registered savings of over Rs. 1 crore each. What has surprised the Committee most is the fact that savings have exceeded even more than Rs. 100 crores each in 14 items of expenditure under Civil Accounts and two items under Defence Services and one item in Telecommunication Services. The Committee desire the Ministry of Finance to investigate the circumstances which led to a substantial savings of Rs. 100 crores and above in a Grant or</p>

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			Appropriation during 1990-91 and take suitable remedial steps.
5.	1.23	Fin (Exp.)	<p>The Committee find that under Appropriation No. 31 Repayment of Debt-administered by Ministry of Finance there was saving of Rs. 38,148 crores during the year. 1990-91. The Appropriation Account revealed that the saving had mainly occurred due to lesser discharge of Treasury Bills and more renewal of ad hoc treasury Bills than anticipated. The Committee observe that savings of significantly high magnitude under the above mentioned Appropriation have become a recurring phenomenon in the recent past. The scrutiny of the Appropriation Accounts (Civil) in this regard revealed that savings of the order of Rs. 68,771.55 crores, Rs. 32, 200.63 crores and Rs. 38,147.52 crores had occurred under the particular appropriation during the years 1988-89, 1989-90 and 1990-91 respectively. The Committee are of the view that such large scale savings make budgeting a mockery. Evidently, the whole system of preparation of budget needs to be improved so as to make it more realistic and to ensure that the variations between the estimates and the actuals are minimised. The Committee desire that the Ministry of Finance should look into the matter and take appropriate corrective action.</p>
6.	1.24	Fin (Exp., Economic Affairs) Defence, Railways, Communications	<p>The Committee are concerned to note that over the years the quantum of savings has sharply increased and it has assumed a high magnitude during the year under review. In the opinion of the Committee such savings indicate both poor budgeting and shortfall in performance and it is unfortunate that it should have occurred in developmental areas of economy such as Agriculture, Rural Development, Power etc. Clearly, the Ministries are not exercising due farsightedness</p>

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			<p>while forecasting their monetary requirements with the result that substantial savings had taken place leading to inefficient utilisation of funds sanctioned by Parliament. The Committee would like the Ministry of Finance to address themselves to this issue seriously and take appropriate measures to overcome this unfortunate situation. They also desire that in future detailed notes in respect of the savings made in a grant or appropriation during each year involving Rs. 100 crores and above be furnished to the Committee alongwith the explanatory notes regarding excess expenditure incurred.</p>
7.	1.33	Commerce	<p>The Committee note that the Ministry of Commerce incurred an overall excess expenditure to the tune of Rs. 521.09 crores under Capital Section (Voted) of Grant No. 7 — Ministry of Commerce. This occurred due to the excess expenditure of the order of Rs. 586 crores under the sub-head 'EE.5(1) — Loans to Government of USSR — Technical Credits incorporated in Trade agreements'. Pertinently, the Ministry had also incurred an excess expenditure of Rs. 523.98 crores under the same sub-head during the previous year i.e. 1989-90. On scrutiny of the Appropriation Accounts, the Committee found that against the original provision of Rs. 280 crores for Technical Credits for the erstwhile USSR for the year 1990-91, a supplementary provision of Rs. 789.38 crores was obtained in March 1991. Thus, against a total provision of Rs. 1069.38 crores, the expenditure incurred was Rs. 1655.91 crores resulting in an excess of Rs. 586.53 crores. While explaining</p>

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			<p>the reasons for the failure in undertaking proper budgeting in this regard, the Ministry in their explanatory note have stated that given the very large number of variants which determined the volume and magnitude of a two way trade flow between India and USSR, the rapidly changing international economic and political scenario and the dramatic changes the Soviet polity and economy was undergoing, the precise extent of the imbalance in trade could not have been forecast accurately at any point of time.</p> <p>In view of the fact that excess expenditure of a similar magnitude had been incurred during the previous year as well, the Committee desire that the circumstances which led to the incurrence of excess of sizeable amount, even after an amount of Rs. 789.38 crores was obtained as supplementary grant at the fag land of the year, should be thoroughly looked into and responsibility fixed. The Committee would like to be apised of the action taken in this regard.</p>
8.	1.36	Defence	<p>Under Revenue Section (Voted) of Grant No. 16—Defence Services—Air Force, the Ministry of Defence incurred an expenditure of Rs. 1.44 crores over and above the sanctioned provision of Rs. 2139.61 crores during 1990-91 although a supplementary grant of Rs. 60.98 crores was obtained by them. On scrutiny of the explanatory note furnished by the Ministry, the Committee found that Minor head 111—works alone recorded an excess of Rs. 8.50 crores. Obviously, the large scale savings under various other units of the Grant did help to a great extent in minimising the otherwise higher excess expenditure. What has surprised the Committee is that this excess of Rs. 8.50 crores has been attributed to maintenance of buildings, communication,</p>

maintenance of operation of installations etc., which in no way can be described as of unforeseen nature. The Committee are constrained to observe that this only depict the poor budgetary control exercised by the Ministry of Defence over Grant No. 16. Although the instruction for framing the budget estimates on realistic basis and for exercising a close and constant watch over the trend of expenditure are stated to have been already in existence in the Ministry, the Committee feel that mere issue of instructions is not enough if there is no effective monitoring machinery to ensure strict compliance of those instructions. The Committee trust that the Ministry would at least now take suitable steps with due promptitude to ensure strict observance of those instructions so as to make budgetary control more realistic and meaningful.

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| 9. | 1.39 | Communi-
cations | <p>The Committee note that against the final provision of Rs. 2377.62 crores sanctioned under capital Section (Voted) of Grant No. 11—Telecommunication Services, the Ministry of Communications incurred expenditure of the order of Rs. 2480.79 crores resulting in an uncovered excess of Rs. 103.18 crores inspite of the fact that a supplementary grant of Rs. 47.63 crores was obtained by the Ministry. The wide variation between the original budgeted figures and the actual expenditure leads the Committee to an obvious conclusion that the Ministry of Communications have, at no stage been able to precisely estimate and provide for the funds actually required by them under the Grant. Unfortunately, the supplementary provision sought by the Ministry proved inadequate leaving the balance for Parliament to regularise subsequently. The Committee desire that the reasons for failure to make realistic assessment of funds required as also</p> |
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			to take timely action for ensuring adequate provisions for funds under the specific heads registering excess expenditure be investigated with a view to taking concrete steps for revamping the Budget Wing so that such a situation does not recur.
10.	1.44	Railways	<p>The Committee note that during the year 1990-91, an expenditure aggregating Rs. 273.08 crores had been incurred over and above the sanctioned allocation Rs. 15987.83 crores under six Grants in Revenue Section; one Grant in Capital Section and one Charged Appropriation operated by the Ministry of Railways. After taking into account the effect of misclassification, the actual excess expenditure requiring regularisation worked out to Rs. 272.51 crores out of which Grant No. 16—Capital alone recorded a huge excess of Rs. 169.25 crores followed by substantially high excesses of Rs. 56.99 crores, Rs. 22.06 crores and Rs. 19.06 crores under Revenue Section of Grant No. 14, 9 and 13 respectively. In their explanatory notes, the Ministry of Railways have attributed the excess <i>inter alia</i> to inter Railway adjustment of rolling stock, leasing charges to IRFC, more expenditure under allowances, superannuation payments etc. Apparently, many of these items are of routine and anticipatory nature. However, the Ministry have not explained in their notes the precise reasons for the failure to make provisions for those items either at the time of preparation of the original budget or at the time of seeking supplementary demand. Clearly, the Ministry of Railways have not drawn any lessons from their past experience and have again failed to exercise adequate care in assessing their requirements of funds. The Committee consider it imperative that the Ministry of Railways should not only</p>

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			<p>prepare their budget estimates with adequate application of mind but also keep constant and effective watch over the trend of expenditure and that the need for additional funds should be realistically assessed in advance and Parliament invariably approached in time for supplementary grants so as to contain the scope of excess expenditure. The Committee therefore, desire the Ministry of Railways to take effective steps to ensure strict observance of the financial rules so as to achieve the desired results.</p>
11.	1.45	Fin. (Exp.) Railways, Communi- cation	<p>Subject to the observation made in the preceding paragraphs, the Committee recommend that the expenditure referred to in Para 1.3 of this Report be regularised in the manner prescribed in Articles 115(1)(b) of the Constitution of India.</p>
12.	2.6	Railways	<p>While examining the excess expenditure in the Grants/Appropriations operated by the Ministry of Railways during the year 1989-90, the Committee had noticed four cases of misclassification of expenditure in Appropriation No. 4 and Grant No. 5 and 16. The Committee had also observed that the gravity of those lapses became more serious when viewed in the light of the fact that similar lapses had also occurred in the Accounts of the Railways for the year 1988-89. With a view to obviating recurrence of such lapses in future, the Committee had recommended in Para 1.39 of their 51st Report (10th Lok Sabha) that such lapses should be enquired into and responsibility fixed. In their Action Taken Note, the Ministry of Railways have stated in general terms that the Railways have been asked to fix responsibility in the cases of misclassifications pointed out by the Committee for the year 1989-90 and that they</p>

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have also been directed to ensure that requisite measures are taken for eliminating the scope of misclassifications. However, the Committee find from the Appropriation Accounts (Railways) for 1990-91 that misclassifications of expenditure had occurred in as many as 5 cases in the Grants No. 9, 10, 13 and 16 (both under Revenue and Capital Section). They are distressed to note that despite their persistent exhortations and the assurances made by the Ministry of Railways from time to time, there does not appear to be any perceptible improvement in eliminating misclassifications. The Committee, therefore, desire that the Ministry of Railways should review the efficacy of the instructions issued in this regard in the light of persistent occurrences of such misclassifications and any instance of misclassification of expenditure should be sternly dealt with. The Committee should also be informed about the officers held responsible for these misclassifications and the action taken against them.