IMPLEMENTATION OF PUBLIC FINANCIAL MANAGEMENT SYSTEM

MINISTRY OF FINANCE
(DEPARTMENT OF EXPENDITURE)

PUBLIC ACCOUNTS COMMITTEE
(2022-23)

FIFTY-FOURTH REPORT

SEVENTEENTH LOK SABHA

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

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Presented to Lok Sabha on: 14-12-2022

Laid in Rajya Sabha on: 14-12-2022

LOK SABHA SECRETARIAT
NEW DELHI

December 2022/ Agrahayana 1944 (Saka)

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(2022-23)

Shri Adhir Ranjan Chowdhury - **Chairperson**

MEMBERS

LOK SABHA

2. Shri Subhash Chandra Baheria
3. Shri Bhartruhari Mahtab
4. Shri Jagdambika Pal
5. Shri Vishnu Dayal Ram
6. Shri Pratap Chandra Sarangi
7. Shri Rahul Ramesh Shewale
8. Shri Gowdar Mallikarjunappa Siddeshwara
9. Shri Brijendra Singh
10. Shri Rajiv Ranjan Singh alias Lalan Singh
11. Dr. Satya Pal Singh
12. Shri Jayant Sinha
13. Shri Balashowry Vallabhaneni
14. Shri Ram Kripal Yadav
15. Shri Shyam Singh Yadav

RAJYA SABHA

16. Shri Shaktisinh Gohil
17. Shri Bhubaneswar Kalita
18. Dr. Amar Patnaik
19. Shri C.M. Ramesh
20. Dr. M. Thambidurai
21. Dr. Sudhanshu Trivedi
22. Vacant*

SECRETARIAT

1. Shri T. G. Chandrasekhar - Addl. Secretary
2. Smt. Bharti S. Tuteja - Director
3. Shri Girdhari Lal - Deputy Secretary
4. Ms. Pragya Nama - Assistant Committee Officer

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* Shri V. Vijayasai Reddy ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 21st June, 2022.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2021-22)

Shri Adhir Ranjan Chowdhury - **Chairperson**

MEMBERS

LOK SABHA

2. Shri T. R. Baalu
3. Shri Subhash Chandra Baheria
4. Shri Sudheer Gupta
5. Shri Bhartruhari Mahtab
6. Shri Jagdambika Pal
7. Shri Vishnu Dayal Ram
8. Shri Pratap Chandra Sarangi[1]
9. Shri Rahul Ramesh Shewale
10. Shri Gowdar Mallikarjunappa Siddeshwara[2]
11. Shri Rajiv Ranjan Singh alias Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabhaneni
15. Shri Ram Kripal Yadav

RAJYA SABHA

16. Shri Shaktisinh Gohil
17. Shri Bhubaneswar Kalita
18. Dr. C.M. Ramesh
19. Shri Sukhendu Sekhar Ray
20. Dr. M. Thambidurai
21. Shri V. Vijayasai Reddy[3]
22. Dr. Sudhanshu Trivedi[4]

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[1] Elected w.e.f. 29.07.2021 *vice* Smt. Darshana Jardosh, MP appointed as Minister of State w.e.f. 07.07.2021.
[2] Elected w.e.f. 29.07.2021 *vice* Shri Ajay Kumar Mishra, MP appointed as Minister of State w.e.f. 07.07.2021.
[3] Elected w.e.f. 09.08.2021 *vice* Shri Rajeev Chandrasekhar, MP appointed as Minister of State w.e.f. 07.07.2021.
[4] Elected w.e.f. 09.08.2021 *vice* Shri Bhupender Yadav, MP appointed as Union Minister w.e.f. 07.07.2021.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2020-21)

Shri Adhir Ranjan Chowdhury　　-　　Chairperson

MEMBERS

LOK SABHA

2. Shri T. R. Baalu
3. Shri Subhash Chandra Baheria
4. Shri Sudheer Gupta
5. Smt. Darshana Vikram Jardosh
6. Shri Bhartruhari Mahtab
7. Shri Ajay (Teni) Misra
8. Shri Jagdambika Pal
9. Shri Vishnu Dayal Ram
10. Shri Rahul Ramesh Shewale
11. Shri Rajiv Ranjan Singh alias Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabhaneni
15. Shri Ram Kripal Yadav

RAJYA SABHA

16. Shri Rajeev Chandrasekhar
17. Shri Naresh Gujral
18. Shri Bhubaneswar Kalita[*]
19. Shri Mallikarjun Kharge[*]
20. Shri C. M. Ramesh
21. Shri Sukhendu Sekhar Ray
22. Shri Bhupender Yadav

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[*] Elected w.e.f. 11 February, 2021.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2019-20)

Shri Adhir Ranjan Chowdhury   -   Chairperson

MEMBERS
LOK SABHA

2. Shri T. R. Baalu
3. Shri Subhash Chandra Baheria
4. Shri Sudheer Gupta
5. Smt. Darshana Vikram Jardosh
6. Shri Bhartruhari Mahtab
7. Shri Ajay (Teni) Misra
8. Shri Jagdambika Pal
9. Shri Vishnu Dayal Ram
10. Shri Rahul Ramesh Shewale
11. Shri Rajiv Ranjan Singh alias Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabhaneni
15. Shri Ram Kripal Yadav

RAJYA SABHA

16. Prof. M.V. Rajeev Gowda
17. Shri Rajeev Chandrasekhar
18. Shri P. Bhattacharya [1]
19. Shri Bhubaneswar Kalita
20. Shri C. M. Ramesh
21. Shri Sukhendu Sekhar Ray
22. Shri Bhupender Yadav

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[1] Elected w.e.f. 10 February, 2020 in lieu of vacancy caused due to resignation of Shri Bhubaneswar Kalita from Rajya Sabha on 05 August, 2019.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2018-19)

Shri Mallikarjun Kharge	-	Chairperson

MEMBERS

LOK SABHA

2. Shri Subhash Chandra Baheria
3. Shri Sudip Bandyopadhyay
4. Shri Prem Singh Chandumajra
5. Shri Gajanan Chandrakant Kirtikar
6. Shri Bhartruhari Mahtab
7. Dr. Ramesh Pokhriyal Nishank
8. Smt. Riti Pathak
9. Shri Gopal Chinayya Shetty
10. Shri Janardan Singh Sigriwal
11. Shri Abhishek Singh
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar Chanabasappa Udasi
15. Dr. Ponnusamy Venugopal

RAJYA SABHA

16. Prof. M.V. Rajeev Gowda
17. Shri Bhubaneswar Kalita
18. Shri Shwait Malik
19. Shri Narayan Lal Panchariya
20. Shri C. M. Ramesh
21. Shri Sukhendu Sekhar Ray
22. Shri Bhupender Yadav

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2022-23) having been authorized by the Committee, do present this Fifty-fourth Report (Seventeenth Lok Sabha) on **"Implementation of Public Financial Management System"** based on Para 8.1 of Chapter VIII of C&AG Report No.4 of 2018 (Union Government-Civil-Compliance Audit) relating to the Ministry of Finance (Department of Expenditure).

2.   The Report of Comptroller and Auditor General of India was laid on the Table of the House on 04 August 2018.

3.   The Public Accounts Committee (2022-23) selected the subject for detailed examination and report as part of the unfinished work of the previous term of the Committee. The Committee took oral evidence of the representatives of Ministry of Finance (Department of Expenditure) on 30 January, 2019 and 27 October, 2020. The Committee (2022-23) obtained updated information in connection with the examination of the subject. The Committee considered and adopted this Report at their sitting held on 05 December, 2022. The Minutes of the sittings of the Committee are appended to the Report.

4.   For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in bold and form Part-II of the Report.

5.   The Committee thank the predecessor Committees for taking oral evidence and obtaining information on the subject.

6.   The Committee would like to express their thanks to the representatives of the Ministry of Finance (Department of Expenditure) for tendering evidence before them and furnishing the requisite information to the Committee in connection with the examination of the subject.

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

NEW DELHI   **ADHIR RANJAN CHOWDHURY**
  December, 2022   **Chairperson,**
  Agrahayana, 1944 (Saka)   **Public Accounts Committee**

1. INTRODUCTORY

1.1   This Report is based on Para 8.1 of the C&AG's Report No. 4 of 2018 on the subject "Implementation of Public Financial Management System" of the Ministry of Finance which contained significant results of the compliance audit of financial transactions of the Ministry of Finance.

1.2.   Public Financial Management System (PFMS) was conceived as a web based integrated system for processing payments and for tracking, monitoring, accounting, reconciliation and reporting of all receipts and expenditure of the Government of India. PFMS was intended to replace separate accounting Management Information System/Decision Support Systems (MIS/DSS) of various departments of Government and subsume the independent systems of tax/non-tax receipts. This system evolved in December 2013 from the erstwhile Central Plan Scheme Management System (CPSMS) which was being implemented on pilot basis in four States to monitor fund flow of four planned schemes by the Controller General of Accounts (CGA) since 2008.

1.3.   Further, an external consultancy firm was engaged in 2011 to develop the roadmap for the development of PFMS. The Detailed Project Report (DPR) prepared by the firm was deliberated in the Expenditure Finance Committee (EFC) in September 2012 and presented to Government in December 2013 for approval. The Government approved a total outlay of ₹1080 crore for implementation of PFMS in the 12th Five Year Plan (2012-17). A four tier organisational structure was set up to implement PFMS with the Project Implementation Committee (PIC) as the apex body and Central Project Management Unit (CPMU) at Central Level and State Project Management Unit (SPMU) and District Project Management Unit (DPMU) at State level.

1.4.   An expenditure of ₹ 267.63 crore had been incurred as of December 2016 on PFMS against the approved outlay of ₹ 1,080 crore during the 12th Five year plan period (2012-17). In December 2016, Ministry of Finance sought approval of EFC to extend the project beyond March 2017 citing significant expansion in the scope and additional responsibilities entrusted on PFMS. EFC extended the scheme to 31stMarch 2020 with total outlay of ₹ 839 crore after taking into account the expenditure already incurred.

1.5   Keeping in view the progress made by PFMS against its stated objectives, it was proposed by Department of Expenditure (DoE) to make PFMS a regular function of the Controller General of Accounts before the EFC in August 2019. The EFC while appraising the proposal recommended the following:

> (i) PFMS would cease to be a scheme and all earlier activities of PFMS along with output/ deliverables would be regular function of CGA.

(ii) Currently approved manpower would form part of CGA's organization, except NIC posts.

(iii) PFMS to integrate all process and functions of O/o CGA into one unique system.

(iv) Budget for PFMS to be merged in CGA's budget.

(v) DPMUs to be supported by State Governments.

(vi) DBT monitoring cell to be created.

1.6   The proposal has since been approved by the Hon'ble Finance Minister in Sept 2019 and as such, PFMS is now a regular function of the CGA.

1.7   Audit of PFMS was undertaken to assess the effectiveness of the implementation strategy during the period 2014-17 and identify factors that led to deviations from planned course of action approved by the Government.

2.   AUDIT FINDINGS

(a)   Financial Planning

2.1   The Government had approved year to year phasing of the expenditure of ₹ 1,080 crore on identified components of implementation, out of which ₹308.27 crore was for training and capacity building, ₹293.71 crore for infrastructure and office and ₹169.20 crore and ₹308.82 crore were for manpower and technology components respectively. The year to year phasing of the expenditure of ₹ 1,080 crore on identified components during the period (2014-2017) was approved as under:

Year to Year phasing of Expenditure on identified componentsduring 2014-2017

(₹ *in crore*)

Cost Component	Technology	Manpower	Infrastructure and Office	Training and Capacity Building	Total
2013-14	51.59	10.30	30.75	23.57	116.21
2014-15	105.17	53.44	96.33	114.44	369.38
2015-16	80.22	50.15	80.30	84.53	295.20
2016-17	71.84	55.31	86.33	85.73	299.21
Total	**308.82**	**169.20**	**293.71**	**308.27**	**1080.00**

2.2   With regard to the financial planning aspect, during the period 2014-17, Audit observed that the actual budgeting and year to year phasing of expenditure was not in conformity with the plan approved by the Government and there were large savings against budget provisions in all the years. The year wise outlay, budget provision and expenditure incurred during the period were as under:

Year wise outlay, budget provision and expenditure incurred

(₹in crore)

Financial Year	Approved Outlay	Budget Estimates	Expenditure
2013-14	116.21	253.99	60.32
2014-15	369.38	369.57	64.49
2015-16	295.20	86.73	32.82
2016-17	299.21	60.00	108.69
Total	**1080.00**	**770.29**	**266.32**

2.3   Audit scrutiny revealed that all the expenditure was being booked under normal establishment heads and there was no framework for mapping the expenditure made with components of Technology, Human Resources, Infrastructure and Office and Training and Capacity Building in line with the approval of Government. Consequently, it was not possible to map figures of expenditure with the identified components of expenditure. Nevertheless, component wise outlay under the scheme during the period 2013-17 was reported to EFC in December 2016 at the time of seeking extension of the scheme.

Component wise outlay under the scheme

(₹ in crore)

Component	Approved Outlay	Budget Available	Expenditure	Savings
Technology	308.82	197.75	107.31	90.44
Manpower	169.20	71.55	26.55	45.00
Infrastructure and Office	293.71	513.48	133.64	379.84
Training and Capacity Building	308.27	0.51	0.13	0.38
Total	**1080.00**	**783.29**	**267.63**	**515.66**

2.4.   Audit also observed that the financial planning of the scheme was not in sync with the plan prepared for the rollout of PFMS. Budget provisions for cost components of Technology, Manpower and Training were very low against the approved outlay of 64 *per cent*, 43 *per cent* and 0.17 *per cent* of approved outlay respectively whereas provision for infrastructure and office component was inordinately high against approved outlay *viz.* by 175 *per cent*. Expenditure against budget provision was very low on all the components resulting in savings ranging from 45 *per cent* to 75*per cent* of the budget provision.

Details of outlay, budget provision, expenditure and savings for identified components of expenditure

(₹ in crore)

Component	Technology	Manpower	Infrastructure and Office	Training and Capacity Building	Total
Approved Outlay	308.82	169.20	293.71	308.27	1080.00
Budget Available	197.75	71.55	513.48	0.51	783.29
Expenditure (Reported to EFC)	107.31	26.55	133.64	0.13	267.63
Savings	90.44	45.00	379.84	0.38	515.66
%age of Savings *vis-a-vie* Budget available	45.73%	62.90%	73.97%	74.51%	65.83%

2.5. According to Audit, while the PFMS Unit did not provide any specific response on the system of budgeting, it attributed the slow progress of expenditure and savings to administrative reasons, non-availability of space, un-realistic projections of expenditure and delays in procurement of machinery/equipment and hardware/software. It added that no specific instructions had been issued by any authority for budgetary planning for the Project and no oversight mechanism was available for monitoring expenditure in accordance with budget and plans. In response to a query from the EFC in December 2016 while discussing the extension of the scheme, Ministry had cited delays in setting up of SPMU and DPMU and under-staffing of CPMU as the main reasons for savings.

2.6 On a query regarding how the change in administrative set up of the Scheme helped in its implementation, the Ministry in a written reply Stated as under:

"PFMS is the payment, receipt, accounting, and the bank reconciliation system for the Central Government. The payments include payments to suppliers, vendors, employees, autonomous bodies, corporations, DBT payments by Ministries / Departments and transfers to and repayments by StateGovernments. Since the payments, receipts and accounting are the core functions of the Controller General of Accounts (CGA), the change in the administrative set up aligns the mandate of PFMS to the functions of CGA. With the integration of PFMS as a regular function of the CGA's organization, a unified and cohesive organizational structure has been created under the CGA. This has provided the desired unification of command, control, monitoring in all areas including budget execution. This has also generated the required synergy and close coordination required for the development of Government Integrated Financial Management Information System (GIFMIS) built on the alignment of the software system with the rules/procedures and Government banking arrangements – all within the mandate of CGA. This has resulted in faster synergy in process flow

development and business process re-engineering for bringing in faster reforms in the Government's processes. Quick implementation of Treasury Single Account (TSA) in the identified Autonomous bodies to facilitate Just-in-Time payments is an example of this improved synergy. The integration has also harmonised and brought together the Procurement, Administration, Human Resources and Banking arrangements which were earlier working in separate silos. This has resulted in better manpower planning and improved budget execution as evident for the last financial year.

The budget utilisation trends i.r.o. PFMS for last three years are given below:

S. No.	Financial Year	BE	RE	Expenditure	Percentage utilisation (of BE)
1	2017-18	300	140	65.47	21.8%
2	2018-19	240	155.8	108.5	45.2%
3	2019-20	210	263	234.40	111.6%

These trends indicate that PFMS is now fully geared up for better utilization of resources."

2.7   As regards the monitoring mechanism devised by the Ministry to ensure adherence with budget provisions and improving expenditure efficiency, the Ministry Stated as under:

"In order to review all the issues relating to the activities of Public Financial Management System, including financial overview of PFMS, a Senior Level Review Committee (SLRC) has been constituted. Since, the constitution of Senior Level Review Committee, four meetings have been held (first meeting was held on14.10.2019, second meeting was held on 19.02.2020, third meeting was held on 21.07.2020 and fourth meeting on 23.9.2020).A Procurement Review Committee (PRC) has been set up on 13.12.2019 for the purpose of review of the major procurement proposals crucial for enhancement and increasing the effectiveness of PFMS. The PRC also oversees completion of procurement process within the stipulated timeframe and the utilization of the allocated budget to avoid lapse of funds. Secretary (Expenditure) also reviews the progress of expenditure monthly with the result utilization of funds, has become more efficient and effective."

(b)   Technology Development

2.8   As per the Audit observation, the technology solution framework of PFMS was to be designed to meet the requirements of a nationwide rollout by enhancing the existing information, communication and technology infrastructure. The aim was to

provide a scalable and distributed architecture for addressing the three important business requirements of transactions, reporting and data warehousing with contingency arrangement. The DPR proposed setting up of two data centres (Data Centre 1 for transactions and Data Centre 2 for reporting) and one Disaster Recovery (DR) site with ancillary IT infrastructure. The proposed infrastructure factored in integration with external systems such as treasuries and offices of Accountants General, integration with other MIS and integration with Interactive Voice Response (IVR) System and mobile devices.

2.9   An amount of ₹ 308.82 crore was projected for this component. Of this, only ₹ 107.31 crore had been spent during the period 2013-17. Required Data Centres and DR site have been established at NIC owned facility instead of own facility as envisaged in the DPR.

2.10   Audit observed that complete functionality could be built only for three accounting modules by October 2017 *viz.* OCEANS, Government e-payment gateway (GePG) and Non-Tax Receipt portal. Module-wise status of implementation is given in Annexe-IV. Work on integration of all the required 31 treasuries (29 States and 2 UTs having legislature) was completed albeit with a delay of one/two months against Stated timelines. Although non-tax receipt portal of PFMS was operationalised, only 153 Civil Pay and Account Offices (PAOs) out of 550 PAOs were registered for this purpose.

2.11   On a query whether any constraints have been faced for remaining DDOs to be included in the ambit of PFMS, the Ministry in a written reply Stated as under:

> "About 283 Cheque Drawing DDOs (CDDOs) remain outside the ambit of PFMS. This includes 198 CDDOs of Ministry of External Affairs, 14 CDDOs of Ministry of Tourism and 1 CDDO of Ministry of Jal Shakti – all located outside India. A specific module is under design to take into account the specific requirements of payments/ receipts in Foreign Currency, Payments/ Receipts in Foreign Banks and remittances to India. Indian Missions abroad are currently using IMAS software and it is envisaged that all of these Missions would be brought on board PFMS, in consultation with MEA, in a timeframe of about three years. Poor/ non- existent network connectivity of the CDDOs located in remote areas of UT of Lakshadweep, UT of Andaman & Nicobar Islands, and those in remote North Eastern areas under Assam Rifles is the reason for not bringing the 70 CDDOs in PFMS. CDDOs with no/poor connectivity furnish their List of Payments to the respective PAOs who bring their accounts on to PFMS. To overcome issue of low & intermittent internet connectivity, basic version of the PFMS (PFMS Lite) is being developed. A proposal for technical support for development of PFMS – Lite is under consideration."

2.12 As per Ministry's updated reply status of inclusion of various modules/functionalities as mandated by EFC in PFMS as on July 2020 is as under:

Accounting Modules	Total no of Offices	No of Offices brought onboard on PFMS	% of Coverage
EIS	7416 active	6430	86 %
PAO Module	741	741	100%
Civil	660	660	100%
Defence	52	32	61%
Posts	26	24	92%
CDDO Module	1454	1380	95%

(c) Human Resources and Project Organization Structure

2.13 On issues related to Human Resources and Project Organization Structure, Audit observed that while Project Implementation Committee (PIC) was conceived as the apex level body for providing policy advice and strategic guidance taking all key decisions, the DPR listed the human resource requirement, infrastructure needs and activities to be performed at CPMU, SPMU and DPMU levels. Although relatively minor decisions related to human resource deployment such as engagement and continuation of consultants and outsourced technical team were taken by PIC, no Human Resource Policy defining roles/responsibilities as recommended in the DPR or guidelines for benchmarking of performance of functionaries and performance appraisal mechanism for continuation in assigned role(s)/responsibilities had been framed. As a result, necessary framework for ensuring engagement and continuation of people with desired skill sets could not be created.

2.14 The status of human resource deployment as on October 2017 at various levels of project implementation hierarchy was as follows:

a. **Central Project Management Unit (CPMU):** There was shortage at senior/middle level management positions of Dy.CGA and Asst.CGA level. Further, no field/domain experts from external agencies having knowledge and experience in different fields as envisaged in DPR were engaged in CPMU.

b. **State Project Management Unit (SPMU):** SPMU was visualised as an extension of CPMU in States with the responsibility of customisation of implementation plan to synergise it with regional variations in requirements of system design, training, monitoring and evaluation needs. Although Ministry Stated that SPMU had been set up in all States, Audit observed that separate office infrastructure for SPMU had not been created in any of the States. There were only six officers of Dy. CGA/Jt. CGA level against sanctioned strength of 55 as on 30 September 2017. In the absence of dedicated

infrastructure and decision making officers to coordinate and synergise PFMS with regional variations, effective functioning of SPMUs could not be ensured. Further, no duty list of functionaries of SPMUs had been prepared nor was there any oversight mechanism to monitor the activities of SPMUs.

c. **District Project Management Unit (DPMU):** DPMU level organisation structure was to be created for training, coordination and technical support at block and village Panchayat level and implementation at grass root level. EFC recognised that this structure would not be required for full duration of the scheme and recommended exploring possibilities of setting up adequately staffed call centres instead of full-fledged DPMUs. Audit observed that no DPMU had been created and the process of creation of DPMU was started as late as in October 2017.In the absence of DPMUs, the objective of tracking financial payments under various schemes up to the village and block level would be difficult to achieve.

2.15   On a query with respect to the filling up of the vacancies in the SPMU cadre, the Ministry explained that:

> "The restructuring proposal for PFMS is under progress with Dept. of Expenditure. However, to ensure smooth functioning of the various PFMS related activities *vis-a-vis* the States/UTs, ICAS officers have been assigned the duties   as State Nodal Officer (SNO) and Assistant State Nodal Officer (ASNO) for all 36   States/UTs   for   coordinating   with   the   State/UT authorities for implementation of PublicFinancial   Management   System (PFMS) as additional charge in addition to their regular duties. This has resulted in smooth functioning of the SPMUs."

2.16   Further, in reply to the Audit observations that Ministry does not address issues such as framing of HR policy, guidelines for benchmarking performance and performance appraisal mechanism, the Ministry responded as under:

> "Consequent upon the recommendations of the Expenditure Finance Committee (EFC) meeting under the Chairmanship of Secretary (Expenditure) held on 29.07.2019 and the approval of Hon'ble Finance Minister on 06.09.2019, an Office Memorandum dated 16.09.2019 has been issued by the Office of Controller General of Accounts with regard to merger of Public Financial Management System (PFMS) into the CGA organization as a part of the regular function of the Controller General of Accounts."

2.17   On   being   asked   about   the   status   of   deployment   of manpower to execute new functions of CGA, the Ministry furnished the following details:

"**A.** **Status of deployment of officers/staff in PFMS Headquarter as on date**

Sl. No.	Name of post	Sanctioned Strength	Persons in position
1.	Addl. CGA (HAG)	1	1
2.	Jt. CGA(SAG)	2	2
3.	Dy. CGA(JAG)	12	1
4.	ACGA (STS)	14	2+2(Sr. AO)
	Total	29	

B. **Status of deployment of officers/staff in PFMS State Directorate as on date**

Sl. No.	Name of post	Sanctioned Strength	Persons in position*
1.	Jt. CGA(SAG)	19	1
2.	Dy. CGA(JAG)	36	6(STS)
	Total	55	

*Additional charges have been given to Jt. CGA, Dy. CGA to ensure that all SPMUs are fully functional.

After recommendations of the Expenditure Finance Committee (EFC) meeting under the Chairmanship of Secretary (Expenditure) held on 29.07.2019 and the approval of Hon'ble Finance Minister on 06.09.2019, an Office Memorandum dated 16.09.2019 has been issued by the Office of Controller General of Accounts with regard to merger of Public Financial Management System (PFMS) into the CGA organization as a part of the regular function of the Controller General of Accounts.

A proposal for restructuring of manpower in the office of the Controller General of Accounts is under consideration in the Department of Expenditure. Additional inputs on the proposal as sought by the Department of Expenditure have also been sent. Department of Expenditure will take a comprehensive view on the proposal shortly."

(d) Infrastructure and Office

2.18 The DPR projected Infrastructure and Office costs at ₹ 511.10 crore for offices to be set up at the central, State and district levels. These costs were re-worked as ₹ 293.71 crore in the light of recommendations of the 1st EFC regarding outsourcing

of work related to DPMUs. Ministry reported that the budgetary provision and expenditure for this component during period 2013-17 was ₹ 513.48 crore and ₹ 133.64 crore respectively.

2.19 Audit observed that CPMU is functioning at rented premises and creation of infrastructure is at initial stage. Besides, no infrastructure was created at SPMU/DPMU levels.

2.20 On a pointed query regarding specific reasons for not forming the DPMUs as yet, the Ministry stated that:

> "The DPMUs are being set up in phased manner as per the guidelines issued by DoE on 27.02.2019. 400 DPMUs have been notified and 9 DPMUs have been   set up. The list is annexed (Annexure-A). Presently it has been reported that in J & K 8 DPMUs and in Odisha 1 DPMU have been made functional. Further, 19 more DPMUs in Bihar State are expected to be functional by 31st Dec, 2020."

2.21 Further, in their subsequent reply the Ministry submitted as under:

> "The number of DPMU's established till date stands at 10 while 211 DPMUs have been notified by State Governments (Annexure). It is expected that the remaining DPMUs which have been notified but not established   will be set up soon."

2.22 When asked about the role that was envisaged for the DPMUs and who would be discharging the planned functions of the DPMUs in their absence, the Ministry in a written reply stated that:

> "Guidelines for setting up of DPMUs in States & UTs have been issued to all State Directorates by O/o CGA vide O.M. No. C-13015(777)/MFCGA/PFMS/2018-19/18324-18430 dated 27.02.2019. As per these guidelines, the role and responsibilities of the DPMUs includes *viz*; Training and hand-holding of master trainers and users of implementing agencies in districts for the schemes on PFMS, providing support for operational issues related to Agency Registration, User Registration, handling digital signature, Expenditure Advance and Transfer (EAT), Direct Benefit Transfer(DBT) and other modules etc. for implementing agencies and other users, escalating technical issues to SPMU, to keep handy the necessary reports and status of implementation of PFMS in Districts allocated. DPMUs were proposed to provide training, support in trouble shooting for the Implementing Agencies located at the Blocks, Panchayats and villages levels of the concerned districts."

2.23 Further on the issue of the District Project Management Units, the Secretary during the oral evidence of Ministry taken on 27.10.2020 had mentioned as follows:

> "...The conceptualisation of DPMU was made when the scheme was formulated around 2012-13. It has not taken off for a variety of reasons. But, perhaps today with the spread of information technology throughout the country, we also need to re-examine whether DPMUs are necessary in every district because it is quite an expensive proposition, fundamentally, because today the backbone is available to every Panchayat. There are common service centres. The States have also progressed much further than they were in 2012. This was supposed to hand hold the State Government to make the payment system reach the last nook and corner. But today many States have developed their own accounting system..."

(e) Training and capacity building

2.24 DPR projected training and capacity building as an instrument of change management for acceptance by stakeholders to ensure successful implementation of the project. The costs projected in the DPR on this component was ₹332.31 crore which included sub-components like setting up of training labs, trainers cost, 'information, education and communication,' training material, travel etc. These costs were re-worked to₹ 308.27crore in the light of the recommendations of the 1st EFC regarding outsourcing of work related to DPMUs. Ministry made budgetary provision of only ₹0.51croreduring period 2013-17 and incurred expenditure of₹ 0.13crore on training and capacity building component of costs.

2.25 When asked what were the reasons for low expenditure on areas such as training and capacity building and whether impact of the low spending on effectiveness of the project been assessed, the Ministry replied as under:

> "During the current financial year 2020-21, due to outbreak of Covid19 pandemic, and lockdowns imposed during March onwards, physical trainings were not possible as per DoPT guidelines. However, online trainings through available e-platforms were conducted so that the training is not hampered.

> Master trainers for training of PFMS is a continuous process and they are selected from different States on the basis of written and skill test examinations. 104 Master Trainers have been trained from 2018-19 to till date, thereby relieving dependency on the existing limited resources at PFMS."

Budget and expenditure on Training and Capacity building from 2017-18 to 2020-21		
		(₹ In crores)
Financial Year	Budget Estimate(Training and Capacity)	Expenditure (Training and Capacity)
2017-18	30.3	0.86
2018-19	16	0.88
2019-20	1.4	0.65
2020-21 (upto 31.07.2020)	1.68	0.0164

The details of trainings conducted are as under:

Period	No. of Trainings	Participants Trained
2018-19	2,350	50,194
2019-20	3,961	47,659
2020-21 (Till 31.07.2020)	1,375	4,073

INSTITUTIONAL FRAMEWORK FOR PROJECT

(f)   Project Implementation Committee (PIC)

2.26   In order to ensure independence of the PIC, its composition, financial powers, powers to engage human resources from within Government and outside Government were envisaged in the DPR. Audit observed the following:

- Despite need for quarterly meetings to provide necessary guidance and timely decisions, PIC met only five times during the crucial period of implementation from December 2013 to March 2017. There was gap of about one year between two meetings in the initial two years after approval of project. Due to the low frequency of meetings, the project was deprived of policy guidance and strategic control and necessary institutional framework for implementation could not be built.

- Initially, PIC included representatives of Planning Commission and the Comptroller and Auditor General of India. Considering the importance of an independent project implementation team with representation of different wings of Government, DPR recommended continuation of this structure under chairmanship of the Controller General of Accounts with two members from Planning Commission and a member from Office of Comptroller and Auditor

General of India besides members from Ministry of Finance. However, composition of PIC was changed in January 2016 to include only members from the Ministry of Finance (Implementing agency) and Director General (NIC), the technology implementation partner. The change in composition prevented the PIC from having the benefit of inputs from experts in related fields to guide various aspects of implementation of project of this scale and expanse.

- PIC had the full powers of competent financial authority and proposals of expenditure in excess of the powers delegated to HoD were required to be submitted to PIC for approval. However, these powers were re-delegated (June 2014) and proposals required to be routed through Financial Resources division of Planning Commission for approval of Additional CGA (PFMS) without any mention of role of PIC. This function is now being directly performed by the Department of Expenditure, Ministry of Finance.

2.27   The role of PIC as an independent authority responsible for effective and timely implementation of PFMS in project mode is thus neither clearly laid out nor made functional.

2.28   When asked about provisions for real time monitoring of the implementation of PFMS, the Ministry's response has been as under:

"PFMS was being regularly monitored through the Project Implementation Committee (PIC) initially constituted as per Planning Commission's OM no. 21/1/2008-FR dated 25.07.2008. After the transfer of the scheme from NITI Aayog to Ministry of Finance Department of Expenditure the PIC was reconstituted vide Ministry of Finance (Department of Expenditure) OM No. A12034/2/2015-Ad.I (Pt.) dated 13th January 2016. The composition of the PIC was such that it takes experts from Department of Banking, NIC, JS & FA for financial guidelines, JS (Pers.) for HRD issues, JS (PF) for overall planning, representatives from PFMS, JS (DBT) for DBT related issues etc. The PIC meetings were held under the chairmanship of the Controller General of Accounts.

With the PFMS becoming a part of the regular functions of CGA, the PIC ceased to function after the 19th meeting of the PIC held on 26.6.2019. In order to review all the issues relating to the activities of Public Financial Management System, a Senior Level Review Committee (SLRC) has been constituted and which includes DG NIC and JS (DBT), Cabinet Secretariat as Members. Since the constitution of Senior Level Review Committee, four meetings have been held (First meeting was held on14.10.2019, second meeting was held on 19.02.2020 and third meeting was held on 21.07.2020 and fourth meeting on 23.9.2020) to review to all issues relating to the activities of PFMS including financial overview of the progress of PFMS."

(g) Technology Strategic Control Group

2.29 The Audit Report observed that a Technology Strategic Control Group was envisaged in the DPR as a sub-group of CPMU to enable control over the outcome, make changes and provide the capability of exit management related to technology component of PFMS. The Group was to be tasked with ensuring that the Government has complete control over the strategic assets like software application, database and core infrastructure, achievement of outcomes, adherence to standards for database management and security, proper change management hierarchy, controls over intellectual property and regular monitoring. Audit noted that the Strategic Group on Technology was not formed for PFMS in the manner envisaged in DPR. As such, the system is functioning without the necessary technology framework to address the above tasks and associated risks.

2.30 Ministry stated that a Core Technology Group (CTG) with external experts was created in November 2016 to support existing technical team of PFMS in setting up robust, reliable and sustainable software application and database. Members of CTG included members from the Reserve Bank of India, the State Bank of India and technical experts from Microsoft besides senior officers from CGA and NIC. Audit observed that the terms of reference, objectives, composition and tasks of the CTG differed considerably from the recommendations contained in the DPR for Technology Strategy Control Group. Besides, only one meeting of CTG had been organised till December 2016.

2.31 It was also noted in Audit Report that no standard contract templates for vendors of services and equipment for PFMS were available for hardware/software contracts nor were there any policies/standards/guidelines for prescribing minimum hardware capability, recommended operating software or database solutions for systems being deployed for PFMS. There were also no specific guidelines for access management or change management for functionaries having access/rights to authorise access to staff/officers/ individual contractors/ consultants/outsourced service providers. Hence, risks of unauthorised access, acquisition of components not having required capability, purchase of non-compatible software and difficulties in completion of work due to vendor exit exist that remained unaddressed.

2.32 When asked about the formation of Strategic Group on Technology for PFMS in   the manner envisaged in the   Detailed   Project Report, the Ministry Stated as under:-

"Strategic Group on Technology as mentioned in Detailed Project Report of 2011 could not be formed due to reasons

"Audit has observation on non-constitution to Technology Strategic Control Group. Technology Strategic Control Group as advised by DPR included one Pr. CCA as chief Technology Officer separately which was not approved Posts at Jt. CGA and Dy. CGA otherwise are also not filled completely, therefore no one could be spared for these activities. Therefore, Technology Strategic Control Group in the Lines of DPR could not be formed."

Strategic issues are addressed in SLRC also in which DG, NIC is also a member.

However, after PFMS became regular function of CGA, Technical Evaluation Committee (Headed by DDG-NIC) has been formed. As NIC is technology partner of PFMS and responsible for advising PFMS on technological matters. All technological enhancements proposals, hardware, software requirements are analyzed and vetted by Technical Evaluation Committee (TEC) of NIC which includes Sr. Technical Directors/ Technical. Due diligence with reference to technological enhancement & strategies is being ensured through Technical Evaluation Committee. After thorough examination by TEC, proposals are submitted to PFMS Domain. In case of any new technology introductions, references were made to Subject matter experts in NIC HQ/MeitY to ensure specifications of products are matching with requirement. In case of any new technology, Proof of Concepts (POC) is a standard pre-requisite. All the products, Hardware, Software are being procured through GeM only."

2.33 As regards formulation of alternate strategy for mitigating risks arising out of standardization in Technology Contracts and Solutions, the Ministry, further added as under:

"As mentioned earlier, NIC is the technology partner of PFMS and all Technological enhancements proposals, hardware, software requirements are analysed and vetted by Technical Evaluation Committee (TEC) of NIC which includes Sr. Technical Director/ Technical Directors and is chaired by DDG (NIC). After due examination, proposals are submitted to PFMS Domain. In case of any new technology introductions, references were made to Subject matter experts in NIC HQ/ MeitY to ensure specifications of products are matching with the requirement. In case of any new technology, Proof of Concepts (POC) is a standard pre-requisite. All the products, Hardware /Software are being procured through GeM.

In addition, Cyber &Information Security of PFMS applications is very crucial for PFMS and recommendations of Cert-In & NIC-Cyber security Divisions have been complied with due diligence. In addition, PFMS have carried out two Cyber security audits, Comprehensive Security Audit & STQC WASP

Cyber security Audit in last one year and all the observations were compiled with.

A Technical Evaluation Committee (TEC), headed by DDG, NIC and comprising of Sr. TDs and TDs has been constituted to regularly assess and analyse the present as well as future technology stack of PFMS. All technological enhancement proposals, along with hardware/software requirements are analysed by TEC.

In addition, O/o CGA has moved proposals to engage three types of consultants to take forward the vision of PFMS.

a) Strategic Advisory and Consulting services
b) Technology consulting services
c) Consulting services for specific domain areas (such as Data Analytics, ISO 270001 certifications, etc.)

These consultants would form part of the high-level support to the Domain and Technology teams of PFMS. It is again to bring to the kind notice of PAC that as per the EFC & the Finance Minister's approval, PFMS as a scheme ceased to exist since August, 2019 and has become a part of regular function of the Controller General of Accounts (CGA)."

EFFECTIVENESS OF PFMS AS A MIS/DSS IN IMPLEMENTED SCHEMES

(h)   Status of Direct Benefit Transfer (DBT) schemes by PFMS

2.34   As per the Audit Report observation regarding the status of coverage of DBT Schemes by PFMS, the DBT Mission lists a total 323 DBT eligible schemes of 51 Ministries involving cash transfer. Out of these, 140 schemes were on-board DBT method of benefit transfer for the year 2016-17. Audit scrutiny till October 2017 of DBT related schemes in PFMS revealed that transactions of only 89 DBT schemes were covered by PFMS in 2016-17. DBT mission lists LPG subsidy scheme *PAHAL* which involves payment of about ₹ 52,076.85 crore (31March 2017) and accounts for about 53 *percent* of all DBT beneficiaries and 28 *percent* of total DBT payments. Audit observed that this system is not yet linked to PFMS for daily update of information. Hence, PFMS could not be used for providing MIS information related to this scheme. Audit noted that in the absence of full coverage of all the DBT schemes by PFMS, the stated objectives of PFMS for monitoring fund flow enabling timely and tacit transfer of funds and ensuring transparent reporting in these schemes could not be ensured

2.35 When asked specifically as to what is the extent to which the Stated objectives of PFMS has been achieved till date enabling complete coverage and capture of receipt and payments of the Central Government in digital format affecting all DBT schemes payments to target beneficiaries etc., the Ministry replied that:

"For Government of India Payments for Civil Ministries, there are 741 PAOs on board PFMS, out of which 546 PAOs are making payments and performing other functions directly through PFMS while 195 PAOs including Revenue PAOs of CBDT & CBIC, Department of Posts, Atomic Energy are using other systems but are onboarded on PFMS through integration protocols. Overall, in Civil Ministries/Departments more than 99.5% of total payments are being done through digital mode through PFMS. On receipts side the Non-Tax Receipt Portal (NTRP) has been developed to collect Government receipts through online mode. All Ministries and Departments are gradually coming on board on NTRP. For the year 2019-20 ₹ 1,17,725.41 crores of Non Tax Receipts were collected through NTRP against the total budget of ₹ 3,13,179.12 crores. For Direct Tax receipts, the legacy system of Revenue Accounts Management System (RAMS) is being used for receipt accounting. For the Indirect Tax Receipt a Portal - Accounting and Reconciliation Portal of Indirect Taxes (ARPIT) has been used for reporting Indirect Tax data. ARPIT is integrated with Goods and Services Tax Network (GSTN) and PFMS for reporting of the indirect taxes. Some residual indirect tax receipts are being accounted for through the Receipt Accounts Management System (REVACT) system. For Direct taxes, a module of PFMS, namely, Pratyakshya Kar Lekha Pranali (PRAKALP) is being developed.
So far 510 DBT Schemes have been covered. The break up is as under:

Central sector scheme:	45
Centrally Sponsored:	29
State Linked Scheme:	171
State and UT owned Schemes:	257
Other Central Expenditure / others:	8

The number of DBT schemes at the end of FY 2019-20 was (includes Central Sector, Centrally Sponsored, State owned & UT Schemes): 510. The amount of cash transfer done in these schemes was ₹ 2,67,092.98 crore."

2.36 The Ministry, when asked about the number of DBT schemes being covered by PFMS (October, 2020), further informed as under:

"So far 510 DBT Schemes have been covered. The break up is as under:

Central sector scheme:	45
Centrally Sponsored:	29
State Linked Scheme:	171
State and UT owned Schemes:	257
Other central expenditure / others:	8
Total	**510**

The number of DBT schemes at the end of FY 2019-20 was (includes Central sector, Centrally Sponsored, State owned & UT Schemes): 510. The amount of cash transfer done in these schemes was ₹ 2,67,092.98 crore.

The annual growth in term of amount disbursed based on the data of last seven Financial Years is as under:

FY	Number of Schemes	Transactions	Amount (in ₹ crore)	% Increase (Amount)
2014-15	56	21,943,733	6,967.17	
2015-16	90	67,450,640	22,138.47	217.75%
2016-17	162	101,148,847	31,393.53	41.81%
2017-18	297	165,473,305	90,754.95	189.09%
2018-19	416	509,725,682	154,748.87	70.51%
2019-20	510	1,023,764,443	267,092.98	72.60%
2020-21 (till October)	466	81,96,85,740	1,62,676.08	

Increase in disbursement as of October, 2020 with the data of Corresponding month of last Financial Year

No.	Financial Year	No. of Schemes	Amount Disbursed (in Crore of ₹)	Percent Increase
1	2019-20 (upto October)	440	1,39,113.24	
2	2020-21 (upto October)	466	1,62,676.08	14.48 %

2.37 When asked what timeline has been fixed by PFMS for linking of PAHAL/DBT with PFMS for comprehensive Management Information System (MIS), the Ministry in a written reply stated as under:

"The on-boarding process of PAHAL Scheme on PFMS involves various process like Agency registration, DSC enrollment, beneficiaries' registration after due validation & Payment processing of almost 27 Crores beneficiaries. It is proposed that PAHAL would be onboard on PFMS by March 2021.Since the amount of data in the scheme is voluminous, the existing storage capacity in PFMS will not be sufficient. Process for procurement of additional data storage has already been initiated. The complete beneficiary registration of all three OMCs and other activities will be completed once the necessary hardware is acquired."

2.38 Considering its major share in overall DBT beneficiaries and fund disbursement, data of PFMS related to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was examined to assess coverage in this scheme and utility of information gathered in PFMS as MIS/DSS. It was observed that website dbtbharat.gov.in of DBT mission is regularly publishing data of DBT beneficiaries, transactions and funds transferred under DBT schemes including MGNREGA. Moreover, Ministry of Rural Development (MoRD) publishes MIS data related to this scheme on its website http://www.nrega.nic.in. The objectives of information disclosure and key parameters of reporting *viz.* beneficiaries, transactions and funds transferred are the same for PFMS and these sources.

2.39 However, there is no mechanism of data exchange between these sources and PFMS for transparent mapping of all beneficiaries and coverage under PFMS. Besides, financial information in accounts being reported by PFMS and MIS figures being reported in DBT Mission and MoRD could not be compared to get a transparent picture of progress of these schemes in PFMS. On specific query about extent of integration of NREGA Soft (Software for MGNREGA) and PFMS to ensure accuracy of data disclosure in public domain, Ministry stated that data of successful payments is pushed back to NREGA Soft for reconciliation of payments at the end of Ministry administering the schemes. However, no method for transparent mapping of all reports was available.

2.40 As per the Ministry's background note, the data mismatch between PFMS and DBT mission is mainly because of "one to many scheme' concept i.e. PFMS considers it as one scheme even if DBT is happening in multiple components of the scheme whereas DBT Mission considers these components as separate scheme. When asked to clarify as to how many schemes have actually been linked to PFMS by choosing a uniform method the Ministry replied as under:

"A scheme in PFMS can have both DBT components and Fund Transfer components. At present the mapping is done between PFMS scheme codes with DBT Mission Scheme codes. Against one PFMS scheme code, there can be multiple DBT Mission Scheme codes and vice versa. DBT Mission scheme

is mapped only with the DBT component of the PFMS scheme. Hence, there is chance of difference in expenditure figures between PFMS schemes and DBT Mission schemes. In order to rectify this reconciliation, changes in the PFMS DBT configuration are being made to map the DBT Mission Scheme code at the activity level instead of PFMS Scheme Level. This exercise will be completed by March 2021, after which all the schemes of DBT mission will be linked to PFMS in the uniform manner."

2.41 As regards the extent of integration of NREGASoft, software for MGNREGA and PFMS to ensure accuracy of data disclosure in public domain, the Ministry in a written reply Stated as under:

"PFMS and NREGA-Soft of Ministry of Rural Development is integrated for making payment under MGNREGS. The payments of wages are happening through PFMS and the responses received from the sponsor banks are being shared with NREGA-Soft. All the reports are available to the stakeholders. Ministries are enabled to interface the data with beneficiaries and others. A specialized end to end protocol developed for MGNREGS has enabled real time monitoring of payments. The Dashboard which tracks transactions under MGNREGS and ensures excellent monitoring is enabling all the stake holders to ensure prompt and Just in Time payments of wages."

2.42 When asked about the creation of DBT monitoring cell and its details, the Ministry responded that:-

"DBT Mission under the Cabinet Secretariat is a Policy Level Authority which decides on DBT Policy issues, Guidelines for the stakeholders, implementation of these policies with the Ministries/ Departments/ State Governments, allotment of DBT Codes, and reporting of DBT data of schemes and beneficiaries.DBT Monitoring Cell of PFMS on the other hand is purely operational in nature to handle such activities *viz.* Fund Transfer Order (FTO) reconciliation with external system, FTO reconciliation with banks, response reconciliation with banks, failure reconciliation, scroll reconciliation, updating Deemed Success/ Failure status received from NPCI, development of new protocols and functionalities like alert systems, Monitor the Debit pendency, Credit Pendency, Success, resolution of receipt of Non-standard rejection codes from banks, Credit failure with inadmissible reasons, receipt of incorrect IIN in Aadhaar based payment, non-receipt of credit bank details in Aadhaar based payment, Aadhaar based payments in wrong bank accounts, delays and non-validation of bank accounts by banks/India Post, false response from bank, delayed response from banks results in delayed communication to the external systems. Due to the increase in DBT disbursements under various Governments' schemes to farmers, MGNREGA workers, and workers of unorganized sectors, the day to day monitoring has become very essential. Moreover, a large number of technical issues like

DSC enrollment, file sharing response, system malfunctioning, non-credit of money in the beneficiaries account due to server issues, delay in credit, non-receipt of responses from bank, etc needs to be monitored and resolved on a regular basis. Further, the on-boarding of PAHAL on PFMS is in progress and under this scheme approx. 27 crore beneficiaries are to be paid subsidy on a regular basis and naturally the load on the system and grievances of the beneficiaries will be much more. Hence, it is essential to monitor these schemes to ensure timely payment to beneficiaries. The creation of Monitoring Cell within PFMS is intended to monitor the above activities."

(i)   Cost-Benefit Analysis

2.43   Audit observed that while projecting the usefulness of PFMS regarding its cost-benefit analysis, it was mentioned that prevention of float of funds in the scheme implementation hierarchy could result in savings of interest costs to the tune of ₹8,363 crore. Ministry had reiterated in the EFC note presented for extension of PFMS beyond 2017(December 2016) that approximately ₹ 10,000 crore savings on interest could be achieved through implementation of PFMS.

2.44   Audit noticed that no study to assess actual fund flow, funds remaining idle in hierarchy, actual float of fund prevented and interest savings considering period of float and prevailing rates of interest was conducted for any of the schemes where PFMS is being implemented. Hence, it was not possible to assess the effectiveness of PFMS in respect of its objective of preventing fund float and reducing interest burden.

2.45   To a query on how the effectiveness of PFMS is assessed in respect of its objective of preventing fund float and reducing interest burden, the Ministry in a written reply stated as under:

"PFMS as a platform facilitates making 'Just in Time' payment'. Department of Expenditure, Ministry of Finance has issued instructions to all Ministries/ Departments to ensure Just-in Time release of funds using data available in PFMS on the utilization of funds by the agencies. Some of the schemes namely, MGNREGA of Ministry of Rural Development, PM KISAN of Ministry of Agriculture, are using PFMS and doing the just in time transfer of fund to the implementing agencies and the money is transferred to beneficiary's account immediately. The beneficiaries receive the money without any delay. Consequent upon Government's decision to bring Autonomous Bodies (ABs) under the ambit of Treasury Single Account (TSA), a system for the same through PFMS and RBI has been implemented. Just in Time (JiT) releases to the specific ABs is being ensured through the TSA system wherein funds are being released to the ABs when the payments are actually made by them to the beneficiaries (vendors/ suppliers/ third parties). The system eliminates the

float with the ABs to a large extent. At present, 15 ABs have been on-boarded in the TSA system."

2.46 PFMS was envisaged as SAS (Software as Service) expected to reduce requirement of hardware/software/maintenance to run various independent systems at different offices and for schemes specific MIS. It was projected that savings of about ₹ 1,900 crore could be achieved after doing away with needs of scheme-specific MIS for physical and financial monitoring.

2.47 Audit noted that no study had been conducted to identify areas of work at different offices that would be rendered redundant after implementation of PFMS. No work-study to reassess staff requirements and costs rationalization after implementation of PFMS had been conducted. This may lead to duplication of work in accounting offices and scheme related MIS/DSS where functionality has been taken over by PFMS. For this the response of Ministry is as under:

"a)   DBT through PFMS have led to removal of duplicate/ fake beneficiaries and plugging of leakages etc., as a result of which the Government has been able to target the genuine and deserving beneficiaries. e.g. Deletion of duplicate, fake/ non-existent, ineligible beneficiaries in Department of Rural Development and Deletion of 2.98 crore duplicate and fake/ non-existent Ration Cards (including some due to migration, death etc.) in Department of Food and Public Distribution are some of the reported non beneficiary data weeding out of data in DBT process.

Thus huge efficiency and financial discipline improvement achieved in 509 schemes of DBT through PFMS.

b)   PFMS has helped in huge saving in expenditure of the schemes and thus   reduction in the interest burden of GOI. The data sought regarding invalid accounts returned by PFMS scheme wise across all the schemes for account validation requests by agencies/Ministries it is observed that over the years for UID based account validation by PEMS the total number of beneficiaries rejected in validation is 1,33,23,705 and successful validations 52,68,87,431, or Bank A/c based account validations in PFMS. The total number of   beneficiaries   rejected   in   validation   is   2,52,84,483   and successful validations is 1,04,46,72,665.

The beneficiary numbers are high because beneficiaries are common across schemes

PFMS has potentially saved about Rs 90,000 crores for account based payments and Rs 12,000 crores for Aadhaar based payments, only on the basis of account and Aadhaar validations. (Some of the beneficiaries may have possibly been finally paid, after correction of errors in bank account/

Aadhaar numbers details received from concerned Ministries/agencies etc.). Chief Secretary of UP State has communicated to Office of CGA that ₹ 540 crore could be saved in Scholarship scheme of UP Government in one year itself due to implementation of PFMS.

c) Effective MIS/DSS of PFMS has improved transparency and efficient fund tracking system resulting in effectively zero float in system due to digital tracking of Bank Accounts of Last level of fund flow across all the schemes.

The ACK/ACK protocol and PFMS dashboard as well as the various Reports available are extremely useful to all the stakeholders, and are widely used by decision makers e.g., PMKISAN has disbursed ₹ 17000 crore to 8.5 crore beneficiaries across all the States on 9[th]August 2020, without any float in the fund transfer on Just In Time basis.

d) Improved Financial and Fiscal Planning and Financial Management DOE has instructed all the Ministries and State Governments that Unspent Balances as mapped by PFMS will be the basis for further release of funds, thereby validating the enormous contribution of PFMS in fiscal planning and financial Management of GOI."

2.48 On a specific query as to how much progress has been made towards development of Public Information Portal for grievance redressal and whether any feedback been sought from the stakeholders and general public on the same, the Ministry replied that:

"In order to serve citizens of India in transparent & efficient manner, it was envisaged as an online platform to provide information regarding welfare scheme disbursement. It was also envisaged to provide a dedicated grievance redressal mechanism through the online portal. Accordingly, PFMS public information portal (proposed to be named as Janhit Portal) has been designed. Once made accessible to public, the portal will enable citizens/beneficiaries to know the real time status of their entitlement/DBT payments (through three functionalities, Know Your Payment, Know Your Scholarship and Know Your Account Validation) as well as option to lodge complaint/ feedback. It also proposed to include MIS reports on funds transferred to State Governments. On obtaining necessary approvals, the domain registration & security audit for the portal will be conducted. Once the portal is launched, feedback from the stakeholders will be received and examined for incorporation. PFMS has been linked to UMANG App to facilitate Know Your Payments as well as for Scholarship Payments through the National Scholarship Portal."

2.49   When asked whether there is any road map for penetration of PFMS into the financial management system of Central Government and State Government, the Ministry in a written reply stated as under:

"Vision of PFMS is to become a centralized pivot system for financial management of Government where complete lifecycle of financial management including Budget Control, payment, receipts, accounting and Financial reporting will be managed in an integrated manner. Further, PFMS shall provide platform for Just in Time release and Real time monitoring of implementation of Central Sector and Centrally Sponsored Schemes in all central ministries / departments and States / Union Territories. In addition, in order to enable inter-operability, all the modules of PFMS are designed with ready to plug in option for ministries to integrate their stand-alone applications with PFMS. More than 50 Ministry/ State Govt. applications like NREGASOFT (M/o Rural Development), PM-KISAN (M/o Agriculture), E-Vitta-Pravah (Govt. of Madhya Pradesh) are integrated with PFMS. In order to support State Governments in Public financial management, State directorate of PFMS have been established in all the States & Union Territories. All the State treasuries have been integrated with PFMS for Data exchange with reference to Centrally Sponsored Schemes & their linked State schemes. Further considering the fact that majority of the Program Implementation Agencies are located at District or below level, District offices for PFMS are being set up in 400 districts."

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PART -II

Introductory

The Public Financial Management System (PFMS) is a web-based online software application developed and implemented by the Controller General of Accounts (CGA), Department of Expenditure, Ministry of Finance, Government of India. PFMS evolved from the erstwhile Central Plan Scheme Management System (CPSMS) which was being implemented on pilot basis in four States *i.e.*Madhya Pradesh, Bihar, Punjab, and Mizoram to monitor fund flow of four planned schemes *viz.* Mahatma Gandhi National Rural Employment Guarantee Act, National Rural Health Mission, Sarv Shiksha Abhiyan and Pradhan Mantri Gram Sarak Yojna by the Controller General of Accounts (CGA). Since 1st April 2015, scope of PFMS has been expanded to cover direct payment to beneficiaries (DBT) under all Schemes with the objective of tracking funds released under all Plan schemes of Government of India, and real time reporting of expenditure at all levels of programme implementation.

The scheme was shifted to Department of Expenditure (DoE), Ministry of Finance in 2014. However, in August 2019, it was proposed by DoE to make PFMS a regular function of the Controller General of Accounts (CGA). The proposal was approved by the Hon'ble FM in Sept 2019 making PFMS a regular function of the CGA.

The primary function of PFMS today is to facilitate sound Public Financial Management System for Government of India by establishing an efficient fund flow system as well as a payment cum accounting network. PFMS provides a real time, reliable and meaningful management information system (MIS) to various stake holders and an effective decision support system (DSS), as part of the Digital India initiative of Government of India.

Audit of PFMS was undertaken to assess the effectiveness of the implementation strategy during the period 2014-17 and identify factors that led to deviations from planned course of action approved by Government. Audit observed that an outlay of ₹ 1,080 crore was approved for full rollout of PFMS in 12th Five year Plan (2012-17) during which period, only ₹ 267.63 crore were

spent on tasks related to implementation of PFMS. The Committee further note, from audit observations, various shortcomings in the implementation strategy of PFMS viz Financial Planning, Technology development, Human resources and Project organization structure, Institutional framework for project and effectiveness of PFMS as a MIS/DSS in implemented schemes. The Committee's examination of the subject and their observations/ recommendations on the issues relating to PFMS as brought out in the Audit Report and updated information received from the Ministry are detailed in the succeeding paragraphs.

FINANCIAL PLANNING

1. Financial planning.

The Committee note that the Government had approved year-to-year phasing of the expenditure of ₹ 1,080 crore (for the period 2014-17) on identified components of implementation, out of which ₹ 308.27 crore was for training and capacity building, ₹ 293.71 crore for infrastructure and office and ₹ 169.20 crore and ₹ 308.82 crore were for manpower and technology components respectively. During the period 2014-17, Audit observed that the actual budgeting and year to year phasing of expenditure varied from the plan approved by the Government. All the expenditure was being booked under normal establishment heads and there was no framework for mapping the expenditure made under various components *viz.* Technology; Human Resources; Infrastructure and office; and Training and Capacity Building in consonance with the approved proposal of Government. Consequently, it was not possible to map figures of expenditure with the identified components of expenditure. Component-wise outlay under the scheme during the period 2013-17 was reported to EFC only in December 2016 at the time of seeking extension of the scheme. Budget provisions for cost components of Technology, Manpower and Training were very low against the approved outlay (64 *per cent*, 43 *per cent* and 0.17 *per cent* respectively) whereas provision for infrastructure and office component was inordinately high (i.e. 175 *per cent.*) Further, expenditure against budget provision was very low on all the components thereby resulting in savings ranging from 45 *per cent* to 75

per cent of the budget provision. As regards the budgetary planning undertaken and the oversight mechanism put in place for monitoring expenditure in accordance with budget and plans for the project, the Committee note with concern from audit revelation that the PFMS did not provide any specific response on the system of budgeting and attributed the slow progress of expenditure and savings to administrative reasons, non-availability of space, un-realistic projections of expenditure and delays in procurement of machinery/equipment and hardware/software. It was also added that no specific instructions had been issued by any authority for budgetary planning for the Project and no oversight mechanism was available for monitoring expenditure in accordance with budget and plans. In view of unrealistic budget provisions made against the approved plan, unscientific projections of expenditure, absence of any monitoring mechanism and the resultant savings of huge magnitude, the Committee are constrained to observe that the tasks related to implementation of PFMS appear to have been dealt with a casual approach and there was no proper financial planning of the process. The Committee are of the considered view that incorporating scientific methods into budgeting, projecting and utilization of funds would have ensured maintenance of fiscal prudence.

With regard to the endeavours being made for monitoring expenditure in accordance with budget and plans, the Committee have been informed of the measures initiated viz. constituting a Senior Level Review Committee (SLRC) for financial overview of PFMS and a Procurement Review Committee (PRC) which was set up on 13.12.2019 for the purpose of review of the major procurement proposals and to oversee completion of procurement process within the stipulated timeframe, and the utilization of the allocated budget to avoid lapse of funds. Further, it has been informed that Secretary (Expenditure) also reviews the progress of expenditure on monthly basis. The Committee have also been apprised that percentage utilization of budgetary provisions has increased substantially from 21.8 per cent in 2017-18 to 111.6 per cent in 2019-20. While trusting that the initiatives taken by the Ministry would duly address the issues pointed out by Audit, the Committee also express hope that the current trend of budget utilization will be continued with

by the Ministry. The Committee desire that the Ministry may take into cognizance the areas requiring further attention such as, infrastructure development, HR Policy etc. and consider enhancing the budgetary provisioning and expenditure in these areas.

HUMAN RESOURCES AND PROJECT ORGANISATION STRUCTURE

2.   <u>Human resources capabilities.</u>

The Committee note that Project Implementation Committee(PIC), the apex level body for providing policy advice, strategic guidance and taking all key decisions, was mainly involved in deciding on relatively less important issues pertaining to human resource deployment such as engagement and continuation of consultants and outsourced technical team. Notably, no Human Resource Policy defining roles/responsibilities as recommended in the DPR or guidelines for benchmarking of performance of functionaries and performance appraisal mechanism for continuation in assigned role(s)/responsibilities were framed. Regarding HR policy and steps taken to attract field/domain experts from external agencies the Ministry has only indicated that PFMS has been merged into CGA organization and is a part of the regular activities of the office of Controller General of Accounts. The Committee feel that given the scale and expansion of PFMS, a technically qualified workforce is required to not only address the various challenges being faced in the implementation of the system and integration of various schemes into the system but also to fix accountability. Further, in wake of rising cases of cyber attacks on banking and financial systems, the Committee are concerned that in the absence of a dedicated workforce, a key strategic system like PFMS can possibly encounter new threats every now and then owing to advancements in technology. The Committee, therefore, recommend that the Ministry may not rely solely on the CGA organization but take concrete initiatives to attract field/domain technical experts for strengthening the PFMS.

3. <u>SPMUs</u>

The Committee note that State Project Management Unit (SPMU) was visualised with the responsibility of customisation of implementation plan to synergise it with regional variations in requirements of system design, training, monitoring and evaluation needs. As per audit observation, in the absence of dedicated infrastructure and decision making officers to coordinate and synergise PFMS with regional variations, effective functioning of SPMUs could not be ensured. Further, no duty list of functionaries of SPMUs had been prepared nor was there any oversight mechanism to monitor the activities of SPMUs. On the issue of shortage of manpower at all levels, leading to delays in approval for technology solution framework for PFMS, the Ministry furnished details of status of deployment of officers/ Staff in PFMS State Directorate as 1 Jt. CGA (SAG) against the sanctioned strength of 19 and 6 Dy. CGA (JAG) against a sanctioned strength of 36. They further stated that additional charges have been given to Jt. CGA, and Dy. CGA to ensure that all SPMUs are fully functional. From the Ministry's response it is evident that the SPMUs are yet to achieve their sanctioned strength. Ministry's response regarding restructuring of manpower also remains unsatisfactory as they have only assigned additional charge to some officersover their regular duties. The Committee feel that in the absence of dedicated services, infrastructural issues are not being highlighted sufficiently owing to which, many SPMUs are housed in temporary spaces and the progress in regard to hiring of office space is moving at snail's pace. The Committee recommend that issues plaguing the SPMUs as regards infrastructure and Manpower must be dealt with promptly so as to ensure effective functioning of SPMUs. The Committee may be apprised of the concrete steps taken in this direction.

4. DPMUs

The Committee have been apprised that District Project Management Unit (DPMU) level organisation structure was to be created for training, coordination and providing technical support at block and village Panchayat level and implementation of the project at grass root level. Besides, role and responsibilities of DPMUs include Training and hand-holding of master trainers and users of implementing agencies in districts for the schemes on PFMS, providing support for operational issues related to Agency

Registration, User Registration, handling digital signature, EAT, DBT and other modules etc. However, Audit observed inter-alia that the process of creating DPMUs was started as late as in October 2017. From the Ministry's response it is evident that only 10 DPMUs as on 26.10.2020 have been set up as against sanctioned strength of 400. Moreover, the Ministry have not provided information regarding the agencies that are carrying out the functions of DPMUs in their absence. The Secretary had, in his deposition mentioned that perhaps, today, with the spread of information technology throughout the country, the necessity of DPMUs in every district might need to be re-examined as it is quite an expensive proposition, and Common Service Centres are available in every Panchayat today which can serve as the backbone. The DPMU was supposed to hand hold the State Governments to make the payment system reach every nook and corner. But, as on date many States having progressed much further from where they were in 2012, and have developed their own accounting systems. The Committee are of the view that DPMUs can help in achieving inclusion of implementing agencies (IAs) under various schemes up to the village and block level in PFMS. The Committee while taking note of the submission of the Secretary, opine that the requirement of DPMUs to be constituted be re-examined inter alia by taking into account State-wise requirement based on the accounting systems and training needs. Further, in light of rapid developments in information and technology since the conceptualization of PFMS, the Committee feel that there is a necessity on the part of the Ministry to re-examine the role envisaged for DPMUs in the matter of covering every DBT beneficiary within the PFMS framework and achieving last-mile connectivity of PFMS. The Committee also recommend re-evaluation of role of SPMUs *viz a viz* DPMUs for better penetration and implementation of PFMS.

INFRASTRUCTURE AND OFFICE

5. **Infrastructure and office**

Audit had observed that the CPMU is functioning from rented premises and creation of the required infrastructure is in initial stages. The Committee note that separate office infrastructure for SPMUs had not been created in any State and in most cases temporary space has been allotted by State

Governments. Besides, no infrastructure was created at SPMU/DPMU levels. Additionally, the Committee have been apprised that on-boarding process of PAHAL scheme had been delayed due to the amount of data in the scheme being voluminous, for which the existing storage capacity in PFMS was not sufficient due to absenceof necessary hardware.The Committee opine that dearth of requisite infrastructure not only creates hurdles in effective implementation of the scheme but also puts critical information regarding financial transactions in jeopardy. Highlighting the critical nature of PFMS and concerns over data security, the Committee stress on the need for a thorough assessment of physical and technical infrastructure along with back-up arrangements required in PFMS scheme and take necessary action to remedy the lacunae so identified, expeditiously.

TRAINING AND CAPACITY BUILDING

6. <u>Training and Capacity Building</u>

The Committee note that PFMS being a new platform requires considerable effort in navigating the website and its various modules viz PAO Module, EIS, CDDO Module, REAT etc. However, the Committee note that the expenditure has been low in areas such as training and capacity building. In this regard, the Ministry have stated that during the financial year 2020-21, due to outbreak of Covid-19 pandemic, and lockdowns imposed from March, 2020 onwards, conducting physical trainingwasnot possible as per DoPT guidelines. However, online training through available e-platformswasbeing regularly conducted. It has further been mentioned that Master Trainers for training on PFMS is a continuing necessity. The Trainers are selected from different States on the basis of written and skill test examinations.104 Master Trainers have been trained since 2018-19, thereby relieving dependency on the existing limited resources at PFMS. The Committee would like to be apprised of the details of training so provided by the Master Trainers since 2018-19.The Committee, while being fullyaware of the numerous challenges faced by IAs such as lack of functional computers and the digital divide, desire that for facilitating efficient handling of the PFMS website and its modules, and modifications in the software due to inclusion of new schemes/modules, physical training may be encouraged in normal course. Further, to cover up for

the slowdown in training exercises and to enable remote learning, the Committee recommend that Open Online Courses (MOOCs) format and usage of recorded videos readily available on the PFMS website may be resorted to as an option for imparting training to Implementing Agencies. The Committee further desire that the budgeting and expenditure for training and capacity building be suitably raised.

INSTITUTIONAL FRAMEWORK FOR PROJECT

7. Project Implementation Committee

The Committee note that the Project Implementation Committee (PIC) was conceived as the apex level body for providing policy advice and strategic guidance for taking all key decisions and for regular monitoring. The composition of the PIC was such that it took experts from Department of Banking, NIC, JS & FA for financial guidelines, JS (Pers.) for HRD issues, JS (PF) for overall planning, representatives from PFMS, JS (DBT) for DBT related issues etc. The PIC meetings were held under the Chairmanship of the Controller General of Accounts. The Committee have been apprised that with the PFMS becoming a part of the regular functions of CGA, the PIC ceased to function after the 19th meeting and in order to review all the issues relating to the activities of PFMS, a Senior Level Review Committee (SLRC) was constituted which included DG NIC and JS (DBT), Cabinet Secretariat as Members. Since the constitution of Senior Level Review Committee in 2019,only four meetings were held till 23.9.2020 to review all issues relating to the activities of PFMS including financial overview of the progress of PFMS. The Committee feel that since PFMS is still evolving, regular monitoring and guidance becomes essential. The Committee, therefore,recommend that in order to make regular review a part of decision making process at the apex level and for effective monitoring of implementation of PFMS, SLRC should meet not only more frequently but also at fixed intervals. Further, owing to the changed composition of apex level body for PFMS, the Committee apprehend whether, owing to the altered composition of SLRC various issues plaguing PFMS such as coordination, HR Policy, Infrastructure etc., could be addressed. The Committee, therefore, desire to be apprised of the detailed composition of the present SLRC. The Committee would also like the Ministry

to ensure that SLRC is sufficiently empowered to address issues of overall planning and representation of domain experts.

8. <u>Technology Strategic Control Group</u>

The Committee note that a Technology Strategic Control Group (TSCG) was envisaged as a sub-group of CPMU to ensure that the Government has complete control over the strategic assets like software application, database and core infrastructure, achievement of outcomes, adherence to standards for database management and security, proper change management hierarchy, controls over intellectual property and regular monitoring etc. The Committee note that the TSCG was not formed in the manner envisaged in DPR. Instead, the Committee were apprised, that NIC being the technological Partner of PFMS, all Technological enhancement proposals, hardwareand software requirements are analysed and vetted by Technical Evaluation Committee (TEC) of NIC which includes Sr. Technical Director/ Technical Directors and is chaired by DDG(NIC). They were further apprised that in case of introduction of any new technology, references were made to Subject matter experts in NIC HQ/ MeitY to ensurethat the specifications of productsmatched with the requirement. Further, in case of any new technology, Proof of Concepts (POC) is a standard pre-requisite. All the products, Hardware /Software are being procured through GeM. In addition, Cyber & Information Security of PFMS applications which is very crucial for PFMS and recommendations of Cert-In & NIC-Cyber security Divisions have been complied with due diligence. In addition, PFMS have carried out two Cyber security audits, Comprehensive Security Audit & STQC WASP Cyber security Audit in last one year and all the observations were complied with. A Technical Evaluation Committee (TEC), headed by DDG, NIC and comprising of Sr. TDs and TDs has been constituted to regularly assess and analyse the present as well as future technology stack of PFMS. In addition, O/o CGA has moved proposals to engage three types of consultants to take forward the vision of PFMS : a) Strategic Advisory and Consulting services b) Technology Consulting services c) Consulting services for specific domain areas (such as Data Analytics, ISO-270001 certifications, etc.) Since PFMS has been designed to cover financial transactions of all the agencies pertinent to public finance in India, high importance needs to be

given to technical security measures. Highlighting the absence of a dedicated TSCG, the Committee recommend that guidelines/SOPs to ensure proper management of strategic assets like software application, database and core infrastructure and systemic issues such as server being down due to heavy data trafficmay be issued so that the absence of TSCG may not affect implementation of PFMS adversely. Further, owing to rise in Cyber crimes and cyber attacks, the Committeewould pay emphasis on proactively monitoring the emerging threats and engaging the consultants as suggested by O/o CGA at the earliest so that PFMS is well equipped to tackle not only current issues but issues arising due to technological advances also.

EFFECTIVENESS OF PFMS AS A MIS/DSS IN IMPLEMENTED SCHEMES

9. Status of coverage of DBT schemes by PFMS

The Committee are aware that Direct Benefit Transfer (DBT) ensures transfer of subsidies and distribution of funds sponsored by Government of India directly to the people through their bank accounts. The Committee have also been apprised of fund float i.e. budget which remain idle with implementing agencies until final expenditure is made. While projecting the usefulness of PFMS, it was envisaged that prevention of float of funds in the scheme implementation hierarchy could result in savings of interest costs to the tune of ₹ 8,363 crore. Ministry had reiterated in the Expenditure Finance Committee (EFC) note presented for extension of PFMS beyond 2017 (December 2016) that approximately ₹ 10,000 crore savings on interest could be achieved through implementation of PFMS. Audit noted that in the absence of full coverage of all the DBT schemes by PFMS, the stated objectives of PFMS for monitoring fund flow, enabling timely and tacit transfer of funds and ensuring transparent reporting in these schemes could not be ensured. The Committee, therefore, recommend that the Ministry may pursue for swift inclusion of all Implementing agencies(IAs) and integration of payment transfers software/program used by them within fixed timelines so as to ensure transparency, accountability and also revenue saving.

10. Inclusion of PAHAL Scheme in PFMS

Audit scrutiny (October 2017) of DBT related schemes in PFMS revealed that transactions of only 89 DBT schemes were covered by PFMS in 2016-17.The Committee note that, as of Financial Year 2019-20, 509 schemes were included, however, LPG subsidy scheme *PAHAL* which involves payment of about ₹ 52,076.85 crore (31 March 2017) and accounts for about 53 *percent* of all DBT beneficiaries and 28 *percent* of total DBT payments was not linked to PFMS.As per the Ministry's response regarding integration of PAHAL in PFMS, the process was to be completed by March 2021. The Committee note in this regard that although PAHAL scheme now appears on PFMS official website under 'Scheme Listing' as Direct Benefit Transfer-LPG (PAHAL) with scheme code 9773,the fact remains that while Audit pertains to the year 2017, integration of PAHAL scheme took at least four years. Owing to the delay observed in inclusion of a scheme of significant importance like PAHAL in PFMS, the Committee recommend that reasons/roadblocks responsible for the delay may be assessed, analysed and remedial measures taken. The Committee recommend that the feedback so gained may be utilized to achieve complete integration of future DBT schemes with PFMS with minimum delay so that such instances do not recur.

11. PFMS LITE

PFMS being the payment, receipt, accounting, and the bank reconciliation system for the Central Government includes payments to suppliers, vendors, employees, autonomous bodies, corporations, DBT payments by Ministries / Departments and transfers to and repayments by State Governments which requires 100% inclusion of both IAs (Implementing Agencies) and Beneficiaries. However, the Committee note that coverage of Drawing and Disbursing Offices (CDDOs) as on July 2020 hovers around 95 percent. Further, about 283 Cheque Drawing DDOs (CDDOs) located outside India, remained outside the ambit of PFMS including 198 CDDOs of Ministry of External Affairs, 14 CDDOs of Ministry of Tourism and 1 CDDO of Ministry of Jal Shakti. The Ministry in their reply indicated that a specific module is under design to take into account the specific requirements of payments/ receipts in Foreign Currency, Payments/ Receipts in Foreign Banks and remittances to India. Moreover, Indian Missions abroad are currently using IMAS software and

it is envisaged that all of these Missions would be brought on board PFMS, in consultation with MEA, in a timeframe of about three years. The Committee hope that integration of afore-mentioned module with PFMS is being carried out in accordance with the prescribed timelines. The Committee have also been apprised that Poor/ non-existent network connectivity of the CDDOs located in remote areas of UT of Lakshadweep, UT of Andaman & Nicobar Islands, and those in remote North Eastern areas under Assam Rifles is the reason for not bringing them into the ambit of PFMS. CDDOs with no/poor connectivity furnish their List of Payments to the respective PAOs who bring their accounts on to PFMS. To overcome issue of low & intermittent internet connectivity, basic version of the PFMS (PFMS Lite) is being developed. While appreciating efforts taken in this regard, the Committee desire that related work for development of PFMS – Lite be expedited and completed in a time bound manner so that 100 percent inclusion of both IAs and beneficiaries into PFMS is achieved.

12. Data mismatch between DBT Mission and PFMS

As per Audit, the financial information in accounts being reported by PFMS and MIS figures being reported in DBT Mission and Ministry of Rural Development could not be compared to get a transparent picture of progress of these schemes in PFMS. The response given by the Ministry in this regard indicates that data mismatch is mainly because of "one too many scheme" concept i.e. in a scheme, even if DBT happens in multiple components of the scheme, PFMS considers the same as one scheme whereas DBT Mission considers these components as separate schemes. At present, the mapping is done between PFMS scheme codes with DBT Mission Scheme codes. Against one PFMS scheme code, there can be multiple DBT Mission Scheme codes and vice versa. The Committee have been further apprised that DBT Mission scheme is mapped only with the DBT component of the PFMS scheme. Hence, there is chance of variance in expenditure figures between PFMS schemes and DBT Mission schemes. In order to rectify the problem, changes in the PFMS DBT configuration are being made to map the DBT Mission Scheme code at the activity level instead of PFMS Scheme Level. The Committee would like to be apprised of status of completion of the rectification exercise and hope that

the reconciliation has been achieved across all the on-board schemes. The Committee recommend that in order to provide comprehensive, transparent, and objectively oriented information as envisaged by the Government, the CGA may thoroughly assess the nature of the DBT scheme and its components and also include feedback of all stakeholders prior to its integration in PFMS. Further, with a view to spur integration process in PFMS, CGA may also enable sufficient linkages in the software to ensure that attached/subsidiary offices are linked to their head offices without resorting to the data mapping techniques followed while integration of DBT Schemes.

13. Cross platform comparison of scheme

Audit scrutiny revealed that to ascertain the effectiveness of PFMS as a meaningful tool for scheme related MIS/DSS, data related to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was examined and it was observed that mapping of all beneficiaries and coverage under PFMS could not be done when cross checked with data of MGNREGA DBT beneficiaries, transactions and funds transferred on the website *dbtbharat.gov.in* and Ministry of Rural Development (MoRD) website *http://www.nrega.nic.in*. Further, as also mentioned in the preceding para, financial information in accounts being reported by PFMS and MIS figures being reported in DBT Mission and MoRD could not be compared. On specific query about extent of integration of NREGA Soft (Software for MGNREGA) and PFMS to ensure accuracy of data disclosure in public domain, Ministry stated that data of successful payments is pushed back to NREGA Soft for reconciliation of payments at the end of Ministry administering the schemes. However, no method for complete mapping of all payment reports was available in PFMS. Thus, the Committee observe that PFMS could not provide an independent cross platform comparison of schemes reported under PFMS and scheme MIS of Ministries (October 2017) which is reflective of lack of sufficient linkages and data sharing between multiple platforms of the Government. The Committee feel that cross platform comparison of data of a scheme is necessary to achieve the objective of PFMS becoming an all-encompassing system to provide MIS/DSS information related to all schemes in a transparent manner. Further, the Committee opine that real-time

publishing of non-personal data related to disbursement of funds under various schemes may not only aid as DSS but also in social audit of schemes on PFMS. The Committee, therefore, recommend for creation of an interactive platform on the PFMS website that integrates data from various Central Government schemes and presents them in a user-friendly form so as to ensure transparency and accountability as well as ease of accessibility to the said data. The Committee also recommend that while doing so, data sharing norms may be laid so that personal data regarding beneficiaries may not be compromised.

14. DBT Monitoring Cell

The Committee note that DBT Monitoring Cell of PFMS was to be created to handle activities such as Fund Transfer Order (FTO) reconciliation with external system and banks; response reconciliation with banks; failure reconciliation, updating Deemed Success/Failure status received from National Payment Corporation of India (NPCI), development of new protocols and functionalities like alert systems etc. The Committee have also been apprised that due to the increase in DBT disbursements under various Governments' schemes to farmers, MGNREGA workers, and workers of unorganized sectors, the day to day monitoring has become very essential. Additionally, a large number of technical issues like Digital Signature Certificates (DSC) enrollment, file sharing response, system malfunctioning, non credit of money in the beneficiaries account due to server issues, delay in credit, non-receipt of responses from bank, etc. needs to be monitored and resolved on a regular basis. Further, as per Ministry's response, after on-boarding of PAHAL and other schemes on PFMS, the load on the system and grievances of the beneficiaries will be much more. Considering these factors, the role of Ministry in effective monitoring of these schemes to ensure timely payment to beneficiaries cannot be denied. However, the Committee note that no steps have been taken to create Monitoring Cell as envisaged by Expenditure Finance Committee (EFC) in its proposal. Keeping in view the substantial increase in load on PFMS due to inclusion of various schemes for disbursement of funds, the Committee recommend that the Monitoring cell may be created at the earliest. Further, the Ministry may ensure that a regular

feedback mechanism is developed within the Monitoring Cell to instantly bring to the notice the issues that are being encountered at the grass-root level by IAs so that they be addressed and modifications carried out, if needed, well within the prescribed time frame. The Committee also recommend that Ministry may also try to make PFMS more citizen-centric by enabling alerts providing estimated time of credit of money into the beneficiary's accounts to citizens via SMS and enabling a grievance redressal link to report delay/non-payment of the same.

COST-BENEFIT ANALYSIS

15. Study to ascertain overlapping functions

The Committee note that PFMS may provide projected savings of about ₹ 1,900 crore after doing away with needs of various independent systems (hardware/software/maintenance) at different offices and for schemes specific MIS for physical and financial monitoring.Audit noticed that no study to assess actual fund flow, fundsremaining idle in hierarchy, actual float of fund prevented and interest savings considering period of float and prevailing rates of interest was conducted for any of the schemes where PFMS is being implemented. Hence it was not possible to assess the effectiveness of PFMS in respect of its objective of preventing fund float and reducing interest burden. The Ministry's response regarding this states *inter-alia* that DBTs through PFMS have led to removal of duplicate/ fake beneficiaries and plugging of leakages etc., as a result of which the Government has been able to target the genuine and deserving beneficiaries. e.g. Deletion of duplicate, fake/ non-existent, ineligible beneficiaries in Department of Rural Development and Deletion of 2.98 crore duplicate and fake/ non-existent Ration Cards (including some due to migration, death etc.) in Department of Food and Public Distribution.

Audit had further pointed out that no study had been conducted to identify areas of work at different offices that would be rendered redundant after implementation of PFMS. Further no work-study to reassess staff requirements and rationalization of costs after implementation of PFMS had been conducted. As per audit this could lead to duplication of work in

accounting offices and scheme related MIS/DSS where functionality has been taken over by PFMS. The Committee have not been made aware of any such study conducted by the Ministry. The Committee opine that while the Ministry's response provides a list of achievements of PFMS, yet, no scientific study has been conducted to ascertain the cost incurred *viz-a-viz* benefit accrued of PFMS. Further Ministry's response is not indicative of any effort being made to identify duplication of work in accounting offices.The Committee appreciate some of the visible and likely achievements of PFMS viz. enabling just in time payments, timely and tacit transfer of funds, preventing interest costs, transparent reporting etc. The Committee are however, of the considered view that duplication of work in accounting offices and scheme related MIS/DSS where functionality has been taken over by PFMS remains to be identified and addressed. The Committee thus recommend that a study may be conducted to ascertain areas of duplication in the systems where PFMS has been adopted partially/ not been integrated completely so that duplication of effort, if prevalent, may be avoided.

16. Way Forward

The Committee note that vision of PFMS is to become a centralized pivot system for financial management of Government where complete lifecycle of financial management including Budget Control, payment, receipts, accounting and Financial reporting will be managed in an integrated manner. However, the Committee observe that PFMS suffered from major systemic fallacies *viz.* slow progress of expenditure and under utilization of funds, non-availability of space, unrealistic projections of expenditure and delays in procurement of machinery/equipment and hardware/software. The Committee, thus are constrained to observe that while the grand vision of PFMS requires timely inclusion of all DBT schemes, the implementation of PFMS suffered from indecisiveness. Be it the requirement of infrastructure and human resource capabilities or finally subsuming PFMS into the Office of CGA, the evolution of physical and financial progress of PFMS remained sluggish and the process of implementation of the scheme lacked necessary consistency with a planned course. Keeping in view the fact that planning and

implementation need to go hand in hand, the Committee recommend that Ministry may identify the reasons for delay and roadblocks faced during implementation of PFMS and further take up a bottom-up approach while formulating the future action plan for PFMS. Further, the Committee recommend that Ministry may identify potential uses/ users of PFMS in budgeting activities in Government Departments for efficiency and transparency.

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NEW DELHI
  December, 2022
  Agrahayana, 1944 (Saka)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

Abbreviation used

i.	ABPS-	Aadhar Payment Bridge System
ii.	CGA-	Controller General of Accounts
iii.	CS/CSS-	Central Sector/ Centrally Sponsored Scheme
iv.	CSIS-	Central Sector Interest Subsidy Scheme
v.	DBT-	Direct Benefit Transfer
vi.	DDO-	Drawing & Disbursing Officer
vii.	DPMU-	District Project Management Unit
viii.	EAT-	Expenditure Advance and Transfer
ix.	EFC-	Expenditure Finance Committee
x.	EIS-	Employee Information System
xi.	FTO-	Fund Transfer Order
xii.	GePG-	Government electronic Payment Gateway
xiii.	GIFMIS-	Government Integrated Financial Management Information System
xiv.	HAG-	Higher Administrative Grade
xv.	IIN-	Issuer Identification Number
xvi.	IAs-	Implementing Agencies
xvii.	IFMIS-	Integrated Financial Management Information System
xviii.	JAG-	Junior Administrative Grade
xix.	JTS-	Junior Time Scale
xx.	MIS-	Mangement Information System
xxi.	MGNREGS-	Mahatma Gandhi National Rural Employment Guarentee Scheme
xxii.	NACH-	National Automated Clearing House
xxiii.	NRHM-	National Rural Health Mission
xxiv.	NEFT-	National Electronic Fund Transfer
xxv.	NIC-	National information Centre
xxvi.	NSAP-	National Social Assistance Programme
xxvii.	NPCI-	National Payment Corporation of India
xxviii.	OMCs-	Oil Marketing Companies
xxix.	OMMAS-	On-Line Management, Monitoring and Accounting System
xxx.	PMAY-G-	Pradhan Mantri AwaasYojna- Gramin
xxxi.	PAHAL-	PratyakshHastantaritLabh
xxxii.	PAO-	Pay Accounts Office
xxxiii.	PMGSY-	Pradhanmantri Gram SadakYojna
xxxiv.	PMMVY-	PradhanmantriMatru Vandana Yojna
xxxv.	RTGS-	Real Time Gross Settlement
xxxvi.	SAG-	Senior Administrative Grade
xxxvii.	SSA-	Sarv Shiksha Abhiyan
xxxviii.	SPMU-	State Project Management Unit
xxxix.	STS-	Senior Time Scale

xl.	Sr.AO/AO/AAO-Senior Accounts Officer/Accounts Officer/Assistant Accounts Officer
xli.	TSA-	Treasury Single Account
xlii.	UMANG-	Unified Mobile Application for New-age Governance

MINUTES OF THE TWENTY-FIFTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2018-19) HELD ON 30 JANUARY, 2019.

The Committee sat on Wednesday the 30 January 2019 from 1145 hrs to 1300 hrs. in Room No. "53", Parliament House, New Delhi.

PRESENT

Shri Mallikarjun Kharge - **Chairperson**

MEMBERS

LOK SABHA

2. Shri Subhash Chandra Baheria

3. Shri Prem Singh Chandumajra

4. Shri Gopal Shetty

5. Shri Anurag Singh Thakur

6. Shri Shivkumar C. Udasi

7. Dr. P. Venugopal

RAJYA SABHA

8. Shri Bhubaneswar Kalita

9. Shri C.M. Ramesh

10. Shri Bhupender Yadav

LOK SABHA SECRETARIAT

1. Shri Abhijit Kumar	-	Additional Secretary
2. Shri T. Jayakumar	-	Director
3. Shri Sanjeev Sharma	-	Director
4. Smt. Bharti S. Tuteja	-	Additional Director

REPRESENTATIVES FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri V. Ravindran	-	Dy. CAG
2. Smt. Mamta Kundra	-	ADAI (CE)
3. Shri Deepak Anurag	-	DG

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF EXPENDITURE)

1.	Shri Ajay Narayan Jha (Expenditure)	Finance Secretary & Secretary
2.	Shri Pramod Kumar Das	Additional Secretary
3.	Ms. Annie George Mathew	Joint Secretary (Pers.)
4.	Ms. Meera Swaroop	Joint Secretary & Financial Advisor
5.	Shri Chittaranjan Dash	Director (PF 1), DOE

2. At the outset, the Hon'ble Chairperson, PAC welcomed the Members and the representatives of the Office of C&AG of India and apprised them that the meeting was convened to take oral evidence of the representatives of the Ministry of Finance, Department of Expenditure (DoE) on the subject 'Implementation of Public Financial Management System (PFMS)' based on Para No. 8.1 of Chapter VIII of the C&AG Report No. 4 of 2018. Thereafter, the representatives of the Ministry were called in.

3. In his introductory remarks, the Hon'ble Chairperson raised various issues including non- conformance of actual budgeting for the PFMS and year-to-year phasing of expenditure with the plan approved by the Government; non adherence to the line items prescribed in the proposal while booking expenditure by the Ministry of Finance itself as all the expenditure was being booked under Normal Establishment Heads; absence of framework for mapping the expenditure in respect of different components viz. technology, human resources, infrastructure and office and training etc; violation of the GFR Rules 8.1.3.1 of the Audit paras by not providing records pertaining to the year-wise break up of expenditure which was presented to Expenditure Finance Committee (EFC); under-utilization or non-utilization of the allotted funds leading to escalation of cost and cost overrun; non synchronization of financial planning of the scheme with the plan prepared for the rollout of PFMS; low expenditure against budget provision on all the components resulting in savings ranging from 45 per cent to 75 per cent of the budget provision; slow progress in development of own infrastructure for the Central Project Management Unit (CPMU); non creation of infrastructure for either State Project Management Units (SPMUS) or

District Project Management Units (DPMUS); SPMUS functioning without necessary supervisory level officers and technical support personnel and the process of staffing related to DPMUs yet to commence; low frequency of Project Implementation Committee(PIC) meetings depriving the project of policy guidance, strategic control and necessary institutional framework ; trimming of PIC leading to lack of inputs from experts in related fields; the role of PIC has neither been clearly laid out nor made functional; PFMS did not provide an independent cross platform comparison of related schemes reported under PFMS and Management Information System of ministries; PFMS data could not provide comprehensive, transparent, objective oriented information as envisaged by the Government and it could not subsume scheme specific Management Information System (MIS); absence of any study to identify areas of work at different offices that would be rendered redundant after implementation of PFMS; no work-study to reassess staff requirements and costs rationalization after implementation of PFMS which could lead to duplication of work in accounting offices; and huge vacancies in the senior and middle level positions.

4.   Hon'ble Chairperson felt that the present state of affairs indicated that the Ministry was consistently ignoring follow-up of the progress of the project thereby defeating the purpose of PFMS and, therefore, desired the Cabinet Secretary to look into the implementation aspect to ensure optimal utilization of resources and the achievement of intended purpose. Further, Hon'ble Chairperson desired the Secretary, DoE to specifically, explain;

Absence of framework for mapping the expenditure made with components of project;

i.   Non-utilization and underutilization of allotted funds;

ii.   Poor development of own infrastructure resulting in CPMU functioning from

iii.   rental premises;

iv.   Ineffective functioning of Project Implementation Committee;

v.   Provision of inadequate staff resulting in Senior and Middle Level positions remaining vacant;

vi.   Review of direct benefit transfer payment and MGNREGA payments; and

vii.   Cost rationalisation and reassessment of staff requirement.

5.   Thereafter, the representatives of Department of Expenditure (DoE) introduced themselves. The Secretary, DoE briefed the Committee about the PFMS and the improvements effected to achieve the objectives and make it into a real time public finance information management system for bringing transparency and accountability across different segments and tiers of Government. Subsequently, representatives of Department of Expenditure made a Power Point presentation on the subject to brief the Committee about the latest status of the follow-up remedial action taken on the Audit findings by them.

6.   Afterwards, Members sought clarifications on pertinent issues i.e. the extent and manner in which Direct Benefit Transfer (DBT) data has been integrated with PFMS; latest status of the Central Direct Benefit Transfer enabled schemes ; number of schemes covered under PFMS; whether PAHAL data linked to PFMS; state wise disbursal of amount under MGNREGA; state wise percentage of synchronisation of job cards and AADHAR with the Pradhan Mantri Jan Dhan Yojana; whether data mapping between scheme administrating Ministries and PFMS has been done; impact of the dissolution of the Planning Commission and constitution of NITI Aayog; whether objective of preventing fund float and reducing interest burden achieved; reach of DBT schemes in the Eastern part of our country vis-à-vis the Southern States and vis à-vis the developed States and in the most backward Zillas and most backward States; role of District Level Monitoring Units; details of additional tasks added to the original system which necessitated extending the time period for implementation of the PFMS; current status of bringing all the functionaries like Drawing and Disbursing Officers (DDOs), Cheque Drawing and Disbursing Officers (CDDOs) and Pay and Account Officers (PAOs) on PFMS platform; reasons for delay in integrating all functionaries on the PFMS platform studied and remedial actions taken; details of the monitoring mechanism devised by Ministry to ensure adherence with budget provisions and improving expenditure efficiency on identified components to ensure timely completion of the projects within the revised time schedule; whether the Ministry has identified any specific areas where engagement of domain experts from external source would be necessary to implement the PFMS; steps taken for recruitment of permanent staff; efforts made to put in a robust institutional framework in place to plan and monitor the Government expenditure;

efforts made to curb delays ; whether any training need analysis been done for PFMS staff and PAO offices; whether training modules and schedules developed; whether the effect of change in the role of the project implementation committees on the implementation of projects analysed by the Ministry; whether the project implementation committee have a clear term of reference; whether periodicity of meetings of project implementation committees fixed; whether the PFMS would be implemented fully by 2020; whether any external monitoring mechanism instituted to ensure adherence to budgetary provision as well as compliance to right standards of human resource allocation and technology development; whether any pre-budgetary study conducted to rightly assess optimal budgetary allocation in the future; need to set up a technology-strategic control group as envisaged in the DPR; reasons for not setting up separate office infrastructure for SPMUs; whether any scientific method or procedure adopted to assess the funds required to implement the project completely; analysis of technological upgradation required for better monitoring and effective implementation.

7.   The Secretary, Department of Expenditure admitted that there were several challenges relating to technology and governance being confronted from time to time. He submitted that PFMS is presently integrated not only to Aadhar to the maximum extent possible but also with the entire core banking structure of the Reserve Bank of India, Public Sector Banks, Private Sector Banks, and Post Offices and the State Governments. He stated that a system was in place to track funds right down to the treasury level and the department was working on reaching the lowest levels. Further, the PIC has been reconstituted and is headed by the Controller General of Accounts and members are drawn from the related branches.

8.   The Hon'ble Chairperson, in his closing remarks sought specific information related to the MGNREGA Scheme. He desired to be apprised of the amount released, so-far the state wise utilisation of the funds, pending bills of each State and additional money required in accordance with the demand from the States, the overall performance of the scheme and the hindrances in generating more employment opportunities. He then, thanked the representatives of the Ministry for

appearing before the Committee and furnishing replies/information in connection with the examination of the subject. He also asked them to furnish replies to queries made and detailed information as sought by the Committee.

The witnesses, then, withdrew.

A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

MINUTES OF THE SEVENTH SITTING OF PUBLIC ACCOUNTS COMMITTEE (2020-21) HELD ON 27TH OCTOBER, 2020.

The Public Accounts Committee sat on Tuesday, the 27th October, 2020 from 1030 hrs. to 1240 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Shri Adhir Ranjan Chowdhury   -   **Chairperson**

MEMBERS

LOK SABHA

2. Shri Subhash Chandra Baheria
3. Shri Bhartruhari Mahtab
4. Shri Ajay (Teni) Misra
5. Shri Vishnu Dayal Ram
6. Shri Rahul Ramesh Shewale
7. Dr. Satya Pal Singh

RAJYA SABHA

8. Shri Rajeev Chandrasekhar
9. Shri Naresh Gujral
10. Shri C.M. Ramesh

LOK SABHA SECRETARIAT

1. Shri TG Chandrasekhar   -   Joint Secretary
2. Shri MLK Raja   -   Director
3. Smt. Bharti S. Tuteja   -   Additional Director

REPRESENTATIVES FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri Girish Chander Murmu	-	CAG of India
2. Shri Roy S. Mathrani	-	Dy.CAG (Def/Rail)
3. Smt. Meenakshi Gupta	-	Dy. CAG (CRA)
4. Smt. Shubha Kumar	-	Dy. CAG (Commercial)
5. Smt. Mahalakshmy Menon	-	Dy.CAG (RC)
6. Shri Deepak Anurag	-	DG (Coord.)

PART – I

1. XXXXX   XXXXX   XXXXX   XXXXX   XXXXX   XXXXX.

2. XXXXX   XXXXX   XXXXX   XXXXX   XXXXX   XXXXX.

3. XXXXX   XXXXX   XXXXX   XXXXX   XXXXX   XXXXX.

4. XXXXX   XXXXX   XXXXX   XXXXX   XXXXX   XXXXX.

PART-II

REPRESENTATIVES FROM THE MINISTRY OF FINANCE (DEPT. OF EXPENDITURE)

1. Dr. T.V. Somanathan	-	Secretary
2. Ms. Soma Roy Burman	-	Controller General of Accounts
3. Sh. Subodh Kumar Mathur	-	Addl. CGA
4. Ms. Annie George Mathew	-	Addl. Secretary (Pers.)
5. Ms. Meera Swarup	-	Addl. Secretary & Financial Adviser (Finance)
6. Sh. Sajjan Singh Yadav	-	Joint Secretary (PF-States)

5.   Hon'ble Chairperson, thereafter, apprised the Members of the Committee about the next item on the agenda i.e. the oral evidence of the representatives of the Ministry of Finance (Department of Expenditure) (MOF-DoE) on the subject "Implementation of Public Financial Management System (PFMS)" based on Chapter VIII (Para 8.1) of C&AG Report No. 4 of 2018, and asked the officers of the C&AG of India to brief the Committee on the subject. The Audit officers briefed the Committee on the observations of the Audit on the subject and the specific areas that still remain unaddressed.

6.   Thereafter, the representatives of the Ministry of Finance (Dept. of Expenditure) (MOF--DoE)) were called in. In his introductory remarks, Hon'ble Chairperson asked the representatives to brief the Committee on the steps taken by the Ministry to streamline the Public Financial Management System (PFMS), details of the funds spent, adherence to timelines, delivery of stated objectives as well as constraints being faced by the Ministry in implementation of the system. He further drew attention of the witnesses for maintaining confidentiality of the proceedings of the Committee.

7.   The Secretary, MoF-DoE, briefed the Committee about the significant initiatives taken by the Department to strengthen the Public Financial Management System (PFMS). He further apprised the Committee that PFMS has been made an integral part of Controller General of Accounts office with the approval of Finance Minister on 6th September, 2019.

8.   Hon'ble Chairperson and Members of the Committee raised certain issues viz., efforts made for linking of PAHAL, DBTL with PFMS; extent to which the objectives of PFMS have been achieved till date; current status of integrating all processes and functions of PFMS; time frame for designing and developing enhanced version of PEMS; timeline for completion of integration of remaining DDOs with PFMS; measures taken to address the issue of shortage of manpower; inclusion of Ministry of Law and Justice on PFMS, CBIC and CBDT; status of constitution of District Project Monitoring Units (DPMUS); observed benefits of PFMS; functions that remain outside the purview of PFMS; plan for integration of GSTIN and other IT information networks into PFMS; roadmap for PEMS and its penetration into Central Government and State Governments; design and evolution of PFMS; details of any audit done to ascertain the percentage of the servers/hardware remaining functional at all times and after-sales contract with the

vendors; details of SPMUS functioning under PFMS and creation of DBT Monitoring Cell.

9.   The representatives of the Ministry replied to various queries raised by the Members including efforts made for integration of PAHAL with PFMS; continuous functioning of Pay and Accounts Offices during the Covid-19 pandemic; non-delivery of 38 servers worth Rs.10 crore during the lockdown (Covid-19 pandemic) as the major reason for savings; all States and Union Territories with legislatures integrating their treasuries with the PFMS; payments through PFMS for Covid-19 welfare programmes; cash transfers made for the mid-day meal scheme through PFMS in lieu of meals being provided by the States; effective and efficient utilization of the budget allocations including speeding-up of procurement of hardware and software; role of PFMS in plugging frauds and leakages; Receipts, Expenditure, Advances and Transactions (REAT) module being used to trace the money released by a Ministry, etc.

10.   Thereafter, the Hon'ble Chairperson, while directing the representatives of the Ministry to submit written replies to unanswered queries within 15 days, thanked them for expressing their views in a free and frank manner on the subject and the officials of the C&AG for assisting the Committee in their deliberations.

The witnesses, then, withdrew.

A copy of the transcript of audio recording of the proceedings of the sitting has been kept on record.

The Committee, then, adjourned.