

**EXCESSES OVER VOTED GRANTS AND CHARGED
APPROPRIATIONS (2018-19)**

[Action Taken by the Government on the Observations/Recommendations of the
Committee contained in their Forty - Second Report (17th Lok Sabha)]

**PUBLIC ACCOUNTS COMMITTEE
(2023-24)**

SIXTY EIGHTH REPORT

SEVENTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

SIXTY EIGHTH REPORT

PUBLIC ACCOUNTS COMMITTEE (2023-24)

(SEVENTEENTH LOK SABHA)

EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2018-19)

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Forty - Second Report (17th Lok Sabha)]



सत्यमेव जयते

Presented to Lok Sabha on: 25.07.2023

Laid in Rajya Sabha on: 25.07.2023

LOK SABHA SECRETARIAT
NEW DELHI

July, 2023 /Sravana, 1945 (Saka)

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* Not appended

Composition of the Public Accounts Committee (2023-24)

Shri Adhir Ranjan Chowdhury - Chairperson

MEMBERS

LOK SABHA

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

RAJYA SABHA

16. Shri Shaktisinh Gohli
17. Dr. K. Laxman
18. Shri Sukhendu Sekhar Ray
19. Shri Tiruchi Siva
20. Dr. M. Thambidurai
21. Shri Ghanshyam Tiwari
22. Dr. Sudhanshu Trivedi

Secretariat

1. Shri T.G. Chandrasekhar - Additional Secretary
2. Shri Tirthankar Das - Director
3. Smt. Anju Kukreja - Deputy Secretary

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2023-24) having been authorised by the Committee, do present this Sixty-eighth Report (Seventeenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Forty-second Report on '**Excesses over Voted Grants and charged Appropriations (2018-19)**' relating to various Ministries/Departments.

2. The Forty-Second Report was presented to Lok Sabha/laid in Rajya Sabha on 8th December, 2021. Replies of the Government to all the Observations/Recommendations contained in the Report were received. The Public Accounts Committee considered and adopted the Sixty-eighth Report at their sitting held on 18th July 2023. Minutes of the Sitting are given at Appendix I.

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

4. The Committee also place in 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.

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Forty-second Report (Seventeenth Lok Sabha) is given at Appendix-II.

NEW DELHI;
24 July, 2023
02 Sravana, 1945 (Saka)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

REPORT

PART – I

INTRODUCTORY

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Forty-second Report (17th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2018-19)".

2. The Forty-second Report (17th Lok Sabha), which was presented to Lok Sabha/laid in Rajya Sabha on 8th December, 2021, contained 9 Observations and Recommendations. Action Taken Notes in respect of all the Observations and Recommendations have been received from the Ministries/Departments concerned are broadly categorized as under :

- (i) Observations/Recommendations which have been accepted by the Government:
- Para Nos.1-9***
- Total: 9
Chapter - II**
- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:
- Para No. NIL***
- Total: NIL
Chapter - III**
- (iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:
- Para No. NIL***
- Total: NIL
Chapter - IV**
- (iv) Observations/Recommendations in respect of which Government have furnished interim replies:
- Para No. NIL***
- Total: NIL
Chapter –V**

A. Incurring of excess expenditure during the F.Y. 2018-19**(Recommendation Para No. 1)**

3. The examination of the four Appropriation Accounts of Union Government viz. Civil, Defence Services, Postal Services and Railways for the year 2018-19 revealed that an expenditure of ₹ 5204.56 crore was incurred in excess of the provisions sanctioned under four sections of four Grants/Appropriations. Bulk of the excess expenditure i.e. ₹ 5098.61 crore was incurred under two Grants i.e. Grant No. 20 – Defence Services (₹ 3841.32 crore) and Grant No. 21 – Capital outlay on Defence Services (₹ 1257.29 crore) operated by the Ministry of Defence which amounts to over 97 percent of the total excess expenditure incurred during the year under review i.e. 2018-19. In case of Defence Services, though there had been a reduction in excess expenditure in comparison to the last fiscal, it is still more than ₹ 5000 crore during the year 2018-19 under two Grants/Appropriations operated by Ministry of Defence.

4. The Committee noted that incurring of large amounts of excess expenditure is a regular feature by various Ministries/Departments despite issuance of elaborate instructions at regular intervals by the Government in pursuance of the recommendations of the Public Accounts Committee to contain the excess expenditure to the barest minimum. From the fact that identical reasons are attributed for the excess expenditure year after year in the explanatory notes furnished by the Ministries/Departments concerned, it is evident that the matter is not being considered seriously. In the opinion of the Committee, such negligence on the part of different Ministries/Departments particularly the Ministry of Defence is indicative of the scant regard towards maintaining financial discipline. The Committee had impressed upon the Ministries/Departments concerned to embark upon all possible prudent and effective measures so as to contain excess expenditure to the barest minimum and honour the prescribed financial propriety. The Committee had also desired to be apprised of the current status of the Report from National Institute of Financial Management (NIFM) and the Action Taken thereon by the Ministry of Finance (Department of Economic Affairs) so as to enable in taking measures towards avoidance of excess expenditure in future.

5. In their Action Taken Note on the aforesaid recommendation, the Ministry of Defence submitted as under:

“With regard to recommendation made by NIFM, it may be mentioned that the said report has not been shared with this Ministry. Also, Ministry of Defence has not received any fresh instructions/guidelines based on the recommendations made by

NIFM from Ministry of Finance. On receipt of fresh instructions from Ministry of Finance, necessary action will be taken accordingly.”

6. The Committee are perturbed to note that the Ministry of Defence is not in receipt of the NIFM Report. Nor have the Ministry received any fresh instructions/guidelines based on the recommendations of NIFM from Ministry of Finance till July, 2022. The Committee had, in Para 11 of their 50th Report (17th Lok Sabha) which was presented to Parliament on the 5th April, 2022 emphasized upon the Ministry of Finance (Department of Economic Affairs) to immediately share the Report of NIFM as well as the related instructions for being followed by all the Ministries/Departments, particularly the Ministry of Defence, with a view to ensuring that action is taken towards streamlining and strengthening their extant budgetary mechanism and thereby tighten budgetary control and effectively check the trend of excess expenditure. The Committee are unable to understand why the Report of NIFM was not shared with the Ministry of Defence. Since, incurring excess expenditure under the Grants/Appropriations operated by Ministry of Defence is a recurring feature, the Committee, while reiterating their earlier recommendation, once again express the need on the part of the Ministry of Finance (Department of Economic Affairs) to share the Report of NIFM and related instructions pertaining to the Ministry of Defence for taking action towards making their financial control more stringent by the budget controlling authorities.

B. Recurring excess expenditure incurred by Ministry of Defence
(Recommendation Para No. 3)

7. The Committee expressed concern over the fact that though the excess expenditure during the year 2018-19 was lower in comparison to earlier two years, it continued to be in excess of ₹ 5000 crore under the Grants operated by Ministry of Defence. In case of Defence Services sector it revealed that though the Ministry of Defence had not shown any excess

expenditure during the year 2015-16 under the Grants/Appropriations operated by them, it had shown an increasing trend during the years 2016-17 (₹ 146.31 crore) and 2017-18 (₹ 7149.00 crore). However, during the year 2018-19 the amount of excess expenditure incurred by Ministry of Defence had shown some decline but it continued to be in excess of ₹ 5000 crore. While expressing their dissatisfaction over this state of affairs, the Committee had strongly recommended that Expert Groups be constituted in each Ministry with immediate effect to find ways and means to curb the tendency of incurring excess expenditure to the barest minimum, if not eliminated altogether, and responsibility be fixed against the Budget Controlling Authorities for incurring excess expenditure continuously for two years under the same Grant/Appropriation administered by them.

8. In their Action Taken Note, the Ministry of Defence stated as follows:

"Based on the recommendation of the PAC, a High Level Committee (HLC) was constituted with the approval of Defence Secretary in 2017, to identify loopholes in the budgeting procedure and to obviate the same in order to avoid recurring incidents of excess expenditure under Grants. The HLC is chaired by AS & FA (Acq) and has representatives from MoD (Finance), Financial Planning Directorates of the Services, Department of Economic Affairs and Controller General of Accounts. Nine meetings of this Committee have been held as on date. The last meeting of the Committee was held on 25th March, 2021. The gist of decisions taken in the last meeting is as under:

- a) Zero excess expenditure to be ensured by all concerned in FY 2020-21.
- b) Each Service to take up 2-3 case studies of instances where the expenditure booking exceeded budgetary allocations and make suggestions on how to avoid recurrence in future. LC payment case, if any, may preferably be included as a case study.
- c) Reprioritization exercise may be continuously undertaken during the course of the year to avoid any excess expenditure over allocations.
- d) Concurrent monitoring of Letter of Credit based payments may be done at each stage to keep check on expenditure *vis-à-vis* allocations.
- e) Monthly and quarterly expenditure plans should be adhered to and monitored on regular basis. A report on deviation, if any, from monthly/quarterly report needs to be sent to Budget Division by 10th of following month along with specific reasons for excess/saving from targets fixed in advance.

2. Further, due to adoption of large number of measures to reduce instances of excess expenditure, of which some are stated above, and focused efforts made by all the stakeholders, no excess expenditure has incurred in FY 2020-21 as per Appropriation Accounts (Defence Services) of 2020-21."

9. **The Committee note with some satisfaction that in pursuance of their earlier recommendations, a number of measures have been taken by the Ministry of Defence to avoid the recurring instances of excess expenditure under the Grants/Appropriations operated by them. The Committee are pleased to note that due**

to these efforts, no excess expenditure has incurred in FY 2020-21 as per Appropriation Accounts (Defence Services) of 2020-21. While appreciating the fact that taking effective measures has resulted in NIL excess expenditure during the year 2020-21 under the Grants/Appropriations operated by the Ministry, the Committee hope that such measures would continue to be effectively implemented and regularly monitored so as to keep a watch over the flow of excess expenditure and avoid incurring excess expenditure in their Grants/Appropriations in subsequent years.

**C. Excess expenditure incurred by Ministry of Railways
(Recommendation Para No. 7)**

10. The Committee noted that during the fiscal year 2018-19, there was an excess expenditure of ₹ 105.75 crore incurred under Capital-Charged section of Grant No. 80 operated by Ministry of Railways. Scrutiny of this Grant revealed that under Major Head 5002 and 5003 – Assets – Acquisition, Construction and replacement, charged Appropriation of ₹ 167.46 crore was obtained at the Budget Estimate stage for payment towards settlement satisfaction of Court decrees. The Committee were concerned to note that the excess expenditure under this Grant was incurred despite obtaining Supplementary Grant of ₹ 191.65 crore for decretal payments not anticipated earlier. The Committee had also observed that the Ministry of Railways had not incurred any excess expenditure during the year 2017-18, yet, during the year 2018-19 despite obtaining Supplementary Grants excess expenditure was incurred. The Committee were concerned over such a state of affairs and recommended that the Ministry of Railways should thrive towards realistically assessing their requirement of funds even at the Supplementary Grant stage, which can be obtained three times in a year, and thereby avoid excess expenditure, as far as possible.

11. In their Action Taken Note on the aforesaid recommendation the Ministry of Railways submitted as under:

"The Committee has noted that there was an excess of ₹105.74 crore in Charged in 2018-19 under Capital segment.

In BE 2018-19 the sanctioned amount of Charged under Capital section was ₹ 167.46 crore. A further amount of ₹ 191.65 crore, was sanctioned through Supplementary Demands for Grants, taking the total sanctioned amount to ₹ 359.11 crore. However, in Actual expenditure of ₹ 464.85 crore was incurred, leading to an excess of ₹ 105.74 crore, mainly under New Lines, Doubling, Track Renewal and Machinery & Plant

planheads. The excess was due to more payments in satisfaction of court decrees than anticipated.

The observations of the Committee are, however, noted for being more careful in future and making all efforts to control expenditure within the sanctioned amounts."

12. The Committee are pleased to note that the Ministry of Railways have taken the concern expressed by the Committee with regard to making realistic assessment of their requirement of funds at the Supplementary Grants stage on a positive note. The Ministry have assured that the observations of the Committee have been noted with the intention of being more careful in future and all efforts will be made to control expenditure within the sanctioned amounts. The Committee, however, observe that the Ministry of Railways have not adduced any tangible proof of the action initiated by them towards controlling the expenditure within the sanctioned amount. Further, as regards the excess expenditure incurred in charged Appropriations due to excess payments on account of court decrees, the Committee recommend that Budget for Charged Appropriations should be asked for with full particulars. In regard to expenditure pertaining mainly to court/arbitration cases, the financial/budget controlling authorities should have the complete list of the ongoing court cases, likely date to their decree and the amount involved in each case. The Committee hope that by taking these measures, the Ministry of Railways would gradually achieve the objective of realistic budgeting for expenditure to be incurred for court/arbitration cases in future.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/ Recommendation

The examination of the four Appropriation Accounts of Union Government viz Civil, Defence Services, Postal Services and Railways for the year 2018-19 has revealed that an expenditure of ₹5204.57 crore has been incurred in excess of the provisions sanctioned under four sections of four Grants/Appropriations. The excess expenditure incurred during the year under review pertains to the Grants/Appropriations operated by the Ministries of Housing and Urban Affairs, Defence and Railways. Bulk of the excess expenditure i.e. ₹5098.61 crore was incurred under two Grants i.e. Grant No. 20 — Defence Services (₹3841.33 crore) and Grant No. 21 — Capital outlay on Defence Services (₹1257.29 crore) operated by the Ministry of Defence which amounts to over 97 percent of the total excess expenditure incurred during the year under review i.e. 2018-19. Whilst scrutinizing the Appropriation Accounts, the Committee have noted that there has been substantial reduction during the fiscal 2018-19 in the number of Grants/Appropriations as well as amount of excess expenditure incurred by the Civil Ministries/Departments in comparison to the previous two fiscals. There is an excess expenditure of ₹0.22 crore only under Grant No. 56 — Ministry of Housing and Urban Affairs, which is also the least during the last ten fiscals under the Grants/Appropriations operated by Civil Ministries/Departments. In case of Defence Services, though there has been a reduction in excess expenditure in comparison to the last fiscal, it is still more than 5000 crore during the year 2018-19 under two Grants/Appropriations operated by Ministry of Defence. Further, while during the earlier year i.e. 2017-18 the Ministry of Railways have not witnessed any excess expenditure under the Grants operated by them, however, during the year under review, the Railways too have registered excess expenditure of ₹105.74 crore under Grant no. 80 — Ministry of Railways.

The Committee note that incurring of large amounts of excess expenditure is a regular feature by various Ministries/Departments despite issuance of elaborate instructions at regular intervals by the Government in pursuance of the recommendations of the Public Accounts Committee to contain the excess expenditure to the barest minimum. From the fact that identical reasons are attributed for the excess expenditure year after year in the explanatory notes furnished by the Ministries/Departments concerned, it is evident that the matter is not being considered seriously. In the opinion of the Committee, such negligence

on the part of different Ministries/Departments particularly the Ministry of Defence is indicative of the scant regard towards maintaining financial discipline. Needless to say, excess expenditure is 'unauthorised expenditure' which betrays lack of financial discipline as this fact ought to be kept in mind by all the Ministries/Departments concerned. Considering the persistent trend of incurring excess expenditure going unchecked, the Committee, in their 36th Report (16th Lok Sabha) had recommended that an Expert Group in each Ministry/Department representing all the budget controlling authorities be constituted in order to find out the precise reasons for failure in effectively checking the trend of excess expenditure and to evolve a mechanism to oversee the trend of monthly expenditure of various Ministries/Departments. In response thereto, the Ministry of Finance (Department of Economic Affairs) had informed that they were awaiting the report from the National Institute of Financial Management (NIFM) on the study being undertaken on the trend and causes of excess expenditure based on which, the recommendations of the High Level Inter-Ministerial Group was also expected. The Committee, in their 24th Report (17th Lok Sabha) had desired to be apprised of the salient features of the report on the study undertaken by the NIFM. In the meantime, the Committee had impressed upon the Ministries/Departments concerned to embark upon all possible prudent and effective measures so as to contain excess expenditure to the barest minimum and honour the prescribed financial propriety. However, details of the Action Taken thereon by the Ministry of Finance (Department of Economic Affairs) thereon are awaited. While reiterating their earlier recommendation, the Committee would desire to be apprised of the current status of the Report from National Institute of Financial Management (NIFM) and the Action Taken thereon by the Ministry of Finance (Department of Economic Affairs) so as to enable in taking measures towards avoidance of excess expenditure in future.

(Para No.1)

Action Taken by Government

With regard to recommendation made by NIFM, it may be mentioned that the said report has not been shared with this Ministry. Also, Ministry of Defence has not received any fresh instructions/guidelines based on the recommendations made by NIFM from Ministry of Finance. On receipt of fresh instructions from Ministry of Finance, necessary action will be taken accordingly.

Observation/Recommendation

Another disquieting aspect observed by the Committee is that out of the four cases of excess registering Grants/Appropriations during the year 2018-19, the excess expenditure in three cases had occurred despite obtaining supplementary provisions of ₹2999.62 crore. To illustrate, Supplementary Grant to the tune of four crore rupees was allocated for Grant No. 56 — Ministry of Housing and Urban Affairs but this fell short by 0.22 crore. In case of Defence Services, Supplementary Grant of ₹2803.97 crore was obtained for Grant No. 20 — Defence Services, yet, excess expenditure of ₹3841.33 crore was incurred which is 136.99 percent of the Supplementary Provisions obtained under this Grant. Further, in case of Grant No. 80 operated by Ministry of Railways, Supplementary Grant of ₹191.65 crore was obtained, but this fell short by ₹105.74 crore. This clearly reveals not only the failure of the Ministries/Departments concerned to assess the requirement of additional funds but also the inadequacies in the institutional arrangements in the Ministries/Departments in monitoring the flow and trend of expenditure throughout the year under various Grants/Appropriations. As the trend of incurring excess expenditure despite obtaining Supplementary Grants continues year after year, the Committee are inclined to conclude that no serious efforts seem to have been made for putting in place firm measures by the Ministries/Departments concerned to assess the actual requirement of funds even at the stage of Supplementary Grants. The Committee find no cogent reason, explaining the inevitability of excess expenditure, in a situation where the Government gets opportunities to obtain Supplementary Grants during the three Sessions of Parliament that are usually held in a year. The Committee consider this to be reflecting negatively on the accounting system and also a failure on the part of Budget Controlling Authorities. The Committee, therefore, emphasize that it is imperative on the part of the Ministry of Finance, being the nodal Ministry for overall general financial management, to put in place a robust and fool — proof mechanism for ensuring strict compliance and observance of the Constitutional and Financial provisions by all the Ministries/Departments. While examining such type of cases during the year 2017-18, the Committee, in their 24th Report (17th Lok Sabha) had recommended that the Ministries/Departments should evolve an effective and robust mechanism in coordination and consultation with C&AG and CGA, through which the progress of expenditure can be strictly monitored and timely action taken to ensure that the expenditure does not overshoot the limit authorized by Parliament. Budget controlling officers concerned should also be cautioned against the trend of excess expenditure despite obtaining Supplementary Grants. The Committee would like to be apprised of the Action Taken by the Ministry of Finance in this regard and desire that the Ministry should

tighten their financial control over the mechanism of obtaining Supplementary Grant and to deal sternly with those cases where any deviations are noticed in following the prescribed financial rules for having Supplementary Grant by the Ministries/Departments.

(Para No.2)

Action Taken by Government

This observation/recommendation pertains to Ministry of Finance. Additional funds were sought by Services/Organizations at Supplementary Grant stage either due to unexpected expenditure which could not be foreseen or urgent/ immediate requirement which cannot be delayed. As and when OM for Supplementary Demands for Grants is received from Ministry of Finance, this Ministry seeks additional requirements from the Services. This Ministry proposes requirements projected by Services to Ministry of Finance. In the event of non-receipt of additional funds, Schemes are re-prioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness. However, obligatory payments are made to avoid legal complications as well as to avoid embarrassment to the Government, which sometimes leads to excess expenditure. Though every effort is made to avoid such instances by re-appropriation of funds, wherever possible, still excess expenditure is incurred broadly due to payments that are obligatory in nature.

Observation/Recommendation

The Committee find that the incurring of excess expenditure is a recurring phenomenon in all the sectors of economy viz. Civil, Defence Services, Postal Services and Railways. The scrutiny of excess expenditure incurred by various Ministries/Departments during the last ten years reveals that in all the sectors, the excess expenditure which came down by a considerable extent during the year 2015-16 i.e. ₹286.44 crore had again shot up to the extent of ₹190270.26 crore in case of seven Grants/Appropriations during the year 2016-17. This had, however, once again shown a downward trend, as during the year 2017-18, the excess expenditure was ₹99610.30 crore in case of four Grants/Appropriations and in the year 2018-19 it was ₹5204.57 crore in case of four Grants/Appropriations. The Committee express concern over the fact that though the excess expenditure

during the year 2018-19 is lower in comparison to earlier two years, it continues to be in excess of ₹5000 crore under the Grants operated by Ministry of Defence.

From the sector-wise scrutiny of Appropriation Accounts for the last ten years, the Committee are pleased to note that the excess expenditure under the Civil sector has been substantially reduced during the year 2018-19 i.e. ₹0.22 crore incurred under one Grant only. In case of Defence Services sector it reveals that though the Ministry of Defence have not shown any excess expenditure during the year 2015-16 under the Grants/Appropriations operated by them, it has shown an increasing trend during the years 2016-17 (₹146.31 crore) and 2017-18 (₹7149.00 crore). However, during the year 2018-19 the amount of excess expenditure incurred by Ministry of Defence has shown some decline but it continues to be in excess of ₹5000 crore. In case of Grants/Appropriations operated by Ministry of Railways it is seen that the Ministry had witnessed a decreasing trend of excess expenditure incurred during the years 2014-15 to 2016-17. While the Ministry of Railways had not witnessed any excess expenditure in the year 2017-18, during the fiscal 2018-19, the Ministry has, however, registered an excess expenditure of ₹105.74 crore.

Thus, the scrutiny of excess expenditure incurred during the last ten years revealed that none of the aforesaid sectors have witnessed or shown 'nil' excess expenditure recurringly for a minimum of three years. The Committee are concerned to note that in any particular sector, when there is no excess expenditure during one year, the Ministry concerned witnesses an excess expenditure of a huge amount for the next year. The Committee are, therefore, inclined to gather the impression that adequate and serious attention is not being paid by the Ministries/Departments to streamline and strengthen the extant mechanism so as to tighten the budgetary control to effectively check the trend of excess expenditure.

Emphasizing the need for exercising effective control over expenditure, the Committee in their 36th Report (16th Lok Sabha) recommended constituting an Expert Group in each Ministry/Department representing all the budget controlling authorities which undertake a thorough study of the instances where expenditure had exceeded the budgetary provision during the last five years. This recommendation was again reiterated in the 68th Report (16th Lok Sabha) but no sincere efforts seem to have been taken by the Ministries/Departments in regard to constitution of the Expert Groups. While expressing their dissatisfaction over this state of affairs, the Committee strongly recommend that Expert Groups be constituted in each Ministry with immediate effect to find ways and means to curb the tendency of incurring excess expenditure to the barest minimum, if not eliminated altogether, and responsibility be fixed against the Budget Controlling

Authorities for incurring excess expenditure continuously for two years under the same Grant/Appropriation administered by them. The Committee would like to be apprised of the Ministries/Departments which have constituted these Groups and action taken by them on the recommendations of the Expert Groups. The Committee would also like to be informed about the Ministries/Departments who have not constituted the same so far and the remedial action taken by the Ministry of Finance (Department of Economic Affairs).

(Para No.3)

Action Taken by Government

Based on the recommendation of the PAC, a High Level Committee (HLC) was constituted with the approval of Defence Secretary in 2017, to identify loopholes in the budgeting procedure and to obviate the same in order to avoid recurring incidents of excess expenditure under Grants. The HLC is chaired by AS & FA (Acq) and has representatives from MoD (Finance), Financial Planning Directorates of the Services, Department of Economic Affairs and Controller General Accounts. Nine meetings of this Committee have been held as on date. The last meeting of the Committee was held on 25th March, 2021. The gist of decisions taken in the last meeting are as under:

- (a) Zero excess expenditure to be ensured by all concerned in FY 2020-21.
- (b) Each Service to take up 2-3 case studies of instances where the expenditure booking exceeded budgetary allocations and make suggestions on how to avoid recurrence in future. LC payment case, if any, may preferably be included as a case study.
- (c) Reprioritization exercise may be continuously undertaken during the course of the year to avoid any excess expenditure over allocations.
- (d) Concurrent monitoring of LC based payments may be done at each stage to keep check on expenditure vis-a-vis allocations.
- (e) Monthly and quarterly expenditure plans should be adhered to and monitored on regular basis. A report on deviation, if any, from monthly/quarterly report needs to be sent to Budget Division by 10th of following month alongwith specific reasons for excess/saving from targets fixed in advance.

2. Further, due to adoption of large number of measures to reduce instances of excess expenditure, of which some are stated above, and focused efforts made by all the stakeholders, no excess expenditure has incurred in FY 2020-21 as per Appropriation Accounts (Defence Services) of 2020-21.

Observation/Recommendation

The Committee further find that in regard to the Defence Services sector, the Ministry of Defence had incurred excess expenditure of ₹3391.93 crore and ₹3841.33 crore during the years 2017-18 and 2018-19 respectively under Revenue-Voted section of Grant no. 20 — Defence Services. In case of Capital-Voted section of Grant no. 21 — Capital outlay on Defence Services, the Ministry of Defence incurred excess expenditure recurringly for last three years i.e. ₹104.55 crore in 2016-17, ₹3552.72 crore in 2017-18 and ₹1257.29 crore during the year 2018-19. In pursuance of the recommendations of PAC, a High Level Committee was constituted in the year 2017 to identify the loopholes in the budgeting procedures of the Ministry of Defence. Upon noticing the recurring phenomenon of excess expenditure incurred under the Grants operated by Ministry of Defence despite constitution of the High Level Committee, the Committee, in para 8 of the 24th Report (17th Lok Sabha) had called upon the Ministry of Defence to introspect on the inadequacies of their extant mechanism and devise some concrete ways and means in consultation with the High Level Committee as well as Ministry of Finance to overhaul the budgeting mechanism; and evolve an effective means to bring continual and progressive improvement in operation of their Grants in future. The Committee would like to be apprised of the results of the efforts undertaken by the Ministry of Defence in pursuance of the aforesaid recommendation in containing the excess expenditure under these Grants in future.

(Para No.4)

Action Taken by Government

As has been mentioned in response to above paragraphs, this Ministry is taking large number of measures to reduce instances of excess expenditure. This is evident from the excess expenditure figures indicated below:

Financial Year	Defence Services – Revenue		Capital Outlay on Defence Services	
	Voted	Charged	Voted	Charged
2015-16	---	---	---	---
2016-17	---	---	104.55	41.76
2017-18	3391.93	---	3552.72	204.35
2018-19	3841.33	---	1257.29	---
2019-20	---	---	701.31	---
2020-21	---	---	---	---

2. It is also highlighted that the amount of Excess expenditure for 2019-20 has shown a decline compared to the previous years. Further, due to focused efforts made by all the stakeholders, no excess expenditure has incurred in FY 2020-21 as per Appropriation Accounts (Defence Services) of 2020-21.

Observation/Recommendation

A scrutiny of select cases of excess registering Grants/Appropriations reveals that during the fiscal 2018-19, the Ministry of Defence incurred an excess expenditure of ₹3841.33 crore under the Revenue-Voted section of Grant No. 20 —Defence Services. The excess expenditure under this Grant was the net effect of total excesses of ₹5849.97 crore and total savings of ₹1334.12 crore. The Committee are perturbed to know that excess expenditure of ₹3841.33 crore under Revenue-Voted section of this Grant was incurred despite obtaining Supplementary Grant of ₹2803.97 crore, which is 136.99 percent of the Supplementary Grants. Another disquieting feature observed by the Committee is that despite incurring excess expenditure under this Grant the Ministry of Defence have surrendered ₹674.53 crore during the year 2018-19. Thus, the Committee feel that operation of this Grant by the Ministry of Defence is not being done conducively. The Committee are disappointed to know that during the year 2017-18 also the Ministry of Defence incurred excess expenditure of ₹3391.93 crore under this Grant. However, it appears that no measures towards betterment of the operation of this Grant seems to have been undertaken by the Ministry.

According to Ministry of Defence, the excess expenditure under Revenue-Voted section of this Grant which is mainly under 'Pay and Allowances' as unavoidable due to the personnel in position and the excess under 'Stores' as including expenditure on items such as armaments, ammunition and spares and obligatory contractual payments. The Ministry of Defence have further submitted that though they had projected these additional requirements at the Budget Estimates and Supplementary Grants stage, the Ministry did not include these in the Demands for Grants made to Parliament. The Committee are not convinced with these reasons as attributable for incurring excess expenditure under this Grant as these do not fall under the category of 'Unforeseen' or 'Unanticipated' expenditure. Further, as regards non-inclusion of additional requirement of funds by the Ministry of Finance, the Committee desire to know the reasons for refusal as attributed by the Ministry of Finance on this count and action taken thereon by the Ministry of Defence to resolve the same. In the opinion of the Committee, if the additional requirements were genuine and factual, the Ministry of Defence should have timely approached the Ministry of Finance and convinced them to

include those in the Demands for Grants made to Parliament. The Committee, therefore, desire to know the specific measures initiated by the Ministry of Defence to remedy the situation.

The Committee have further been informed that in order to avoid excess expenditure under this Grant instructions have been issued from time to time to all concerned emphasizing the need to monitor progress of expenditure apart from projecting demands on factual basis depending on the actual requirements/obligations. The Committee are constrained to observe in this regard that instructions which are issued on the same lines year after year have had little effect on the estimating and disbursing authorities. Going by the persistent trend of excess expenditure under this Grant, the Committee feel that the fresh instructions may also meet the same fate as those of the past unless some concrete measures are taken to ensure effective implementation. The Committee, therefore, urge the Ministry of Defence to critically examine the specific steps taken towards implementation of the instructions and identify additional measures to contain/curtail the recurring phenomenon of excess expenditure under this Grant.

(Para No.5)

Action Taken by Government

This Ministry is taking various steps towards avoidance of excess expenditure. Some of the remedial measures taken by this Ministry are as under:

- a) One of the major reason of excess has been payments through Letters of Credit to meet foreign contractual obligation where there is a time gap between the payments made by the banks and receipt and adjustment of scrolls by the Services/Payment Controllers. To check this, concurrent monitoring of LC based payments is being done at each stage.
- b) Allocation of lesser funds than projections has also been flagged as one of the reason for excess expenditure by the Services as payment due towards outstanding committed liabilities are required to be made to avoid legal complications. Accordingly, all budget holders have been advised to make realistic assessment of Committed Liabilities/projected outgo and available resources for fresh contracts.
- c) Further, all the budget holders are regularly being sensitized on adhering to monthly and quarterly expenditure plans.
- d) Budgetary allocations are made by Services to various lower units/formations which also include those in remote areas. Towards more effective budgetary control, a decision was taken to introduce a customized Public Finance Management System (PFMS) in Ministry of Defence. Initially, it was decided that PFMS, which is in operation in the Civil Ministries will be replicated for the Grants under Ministry of Defence. Subsequently, Pilot run for Grant No. 18 (MOD-Civil) for MoD (PAO) & CGDA (PAO) started on 15.05.2020 and live run commenced on 01.06.2020. Total 28 PAOs of MOD have been activated on PFMS from 01.08.2020. However, during the Pilot Run, it was observed that due to significant differences between the operation of Defence Civil Grants and the Grants of other Civil Ministries, the present PFMS for Civil Ministries cannot be replicated as-is even for the Defence Civil Grant. Therefore, it has been decided that a separate instance / parallel chapter in PFMS, mirroring the PFMS for Civil Grants will be developed for the Defence grants to take care of the intricate requirements. The Defence Instance of PFMS has been named PRABAL – PFMS RAKsha Budget Aaharan (आहरण(और (Lekhaankan (लेखांकन). Coding and Development work on the proposed modules of PRABAL has started. A Technical Committee of Experts was constituted in August 2021 to provide guidance to the System on Architecture of PRABAL. Regular review meetings are being held with this Committee.
- e) In order to monitor Defence Pensions related expenditure, e-Pension System named SPARSH has been introduced. The System entails

creation of an integrated data base giving the complete details of a pensioner beginning with personal and family details, service history, pay particulars, pension sanction and subsequent revision along with payments made (and deductions there from, if any) and a computerized application for sanction, revision and disbursement of pension by a single agency. The System has been started for Army (01.08.2021), Air Force (15.02.2021) and Navy(16.04.2021) and major Civil organizations viz. Defence Accounts Department, JS (Trg) & CAO, DGDE, Coast Guard and OFB. Software Development for migration of legacy pensioners has started with 35,416 CPDS pensioners. This system will ensure monitoring of Pension budget and bookings on a real time basis.

2. Due to adoption of large number of measures including the one stated above, and focused efforts made by all the stakeholders, no excess expenditure has incurred in FY 2020-21 as per Appropriation Accounts(Defence Services) of 2020-21.

Observation/Recommendation

During the financial year under review, the Ministry of Defence incurred an excess expenditure of ₹1257.29 crore under capital voted section of Grant No. 21 — Capital outlay on Defence Services. The Committee's examination of the matter has revealed that under this section of Grant No. 21, the Ministry of Defence had not obtained any Supplementary Grant. The excess expenditure under this Grant was primarily due to release of payments for Committed Liabilities and Planned New Schemes; additional payment towards Cabinet Committee on Security approved contract for Advanced Light Helicopter (ALH); payment of Component Level Repair for T-90 tanks to Russia; progress of Rohtang Tunnel and CSG Roads; obligatory contractual payments for new ship building contracts; strategic infrastructure projects, etc. The Committee are of the view that these cannot be termed as compelling reasons for incurring excess expenditure as many of these could have been anticipated in advance and factored into at the time of finalization of Budget Estimates/Supplementary Grants. The Committee note that incurring of excess expenditure by the Ministry of Defence under this Grant is a recurring phenomenon despite repeatedly being pointed out and recommended upon by the Committee, as well as the instructions issued by Ministry of Finance and the Ministry of Defence. The Ministry of Defence also incurred excess expenditure of ₹104.55 crore during the year 2016-17 and ₹3552.72 crore during the year 2017-18. The Committee wonder as to why the Ministry which is responsible for the Defence of the country has not been successful in streamlining their budgetary process over the year.

The Committee are concerned to note that as in the past, the Ministry of Defence have merely re-circulated their instructions emphasizing the need to monitor progress of expenditure instead of taking any concrete measures towards improving their budgetary as well as monitoring processes so as to check such incidents. Only last year, while highlighting the aspect of excess expenditure under this Grant, the Committee in para 8 of the 24th Report (17th Lok Sabha) had recommended that instead of repeatedly issuing instructions for controlling excess expenditure, the Ministry should introduce progressive and effective methods of budgetary control. The Committee had also urged that the Ministry of Defence should adopt the good practices followed by other Ministries/Departments and stride towards reporting a 'nil' Report on excess expenditure under this Grant in future. While reiterating their earlier recommendation, the Committee once again emphasize upon the Ministry of Defence to overhaul their prevailing expenditure review mechanism so that recurring excess expenditure under this Grant is avoided altogether. The Committee would like to be apprised of the specific additional corrective measures taken by the Ministry in this direction.

(Para No.6)

Action Taken by the Government

The Ministry of Defence is continuously striving to minimize excess expenditure under Defence Services Estimates and has issued instructions from time to time to all budget controlling authorities to this effect. Fresh instructions have been issued to all concerned to all the Services/Department to prepare the budget proposals more realistic. It is also advised to exercise due care while submitting their proposals for additional funds, emphasizing concrete steps to avoid excess expenditure and pay special attention while formulating budget.

Observation/Recommendation

Surrendering of funds is yet another indication of bad budgeting. The General Financial Rules (GFR) clearly stipulate that the portion of a Grant or Appropriation not utilized by the spending Ministries/Departments has to be communicated to the Ministry of Finance for its reallocation elsewhere. The Committee are constrained to observe that during the year 2018-19 in excess registering Grants i.e. Grant No. 20 — Defence Services and Grant No. 21 — Capital outlay on Defence Services, to the tune of ₹674.53 crore and ₹97.42 crore respectively were surrendered though there are no provisions for surrender

under these Grants. The Committee are of the view that this reflects on the adequacy of coordination and information accounting system and is also indicative of collective failure on the part of programme division and Budget Controlling Authorities in the Ministry of Defence. Considering the fact that the same position prevailed during the year 2017-18, the Committee, in their 24th Report (17th Lok Sabha) had expected the Ministry of Defence to introspect on the adequacy of their extant financial arrangements and devise some concrete ways and means in consultation with the High Level Committee constituted to identify the loopholes in the budgeting procedure, as well as the Ministry of Finance to overhaul their budgeting mechanism so as to bringing continual and progressive improvement in the operation of the Grants in future. However, no improvement has been made in the Ministry of Defence in this connection. The Committee, while reiterating their earlier recommendation, once again emphasize upon the Ministry of Defence to devise suitable and effective measures with a view to removing inherent defects in the existing system. The Committee would like to be apprised of the steps taken in this regard.

(Para No.8)

Action Taken by Government

Budgetary allocations are made by the Services to various lower units/formations which also include those in remote areas. Towards more effective budgetary control, a decision was taken to introduce a customized Public Finance Management System (PFMS) in Ministry of Defence. Initially, it was decided that PFMS, which is in operation in the Civil Ministries will be replicated for the Grants under Ministry of Defence. Subsequently, Pilot run for Grant No. 18 (MOD-Civil) for MoD (PAO) & CGDA (PAO) started on 15.05.2020 and live run commenced on 01.06.2020. Total 28 PAOs of MOD have been activated on PFMS from 01.08.2020. However, during the Pilot Run, it was observed that due to significant differences between the operation of Defence Civil Grants and the Grants of other Civil Ministries, the present PFMS for Civil Ministries cannot be replicated as-is even for the Defence Civil Grant. Therefore, it has been decided that a separate instance / parallel chapter in PFMS, mirroring the PFMS for Civil Grants will be developed for the Defence grants to take care of the intricate requirements. The Defence Instance of PFMS has been named PRABAL – PFMS RAKsha Budget Aaharan (आहरण(और (और (Lekhaankan (लेखांकन.(Coding and Development work on the proposed modules of PRABAL has started. A Technical Committee of Experts was constituted in August 2021 to provide guidance to the System on Architecture of PRABAL. Regular review meetings are being held with this Committee.

2. Similarly, in order to monitor Defence Pensions related expenditure, e-Pension System named SPARSH has been introduced. The System entails creation of an

integrated data base giving the complete details of a pensioner beginning with personal and family details, service history, pay particulars, pension sanction and subsequent revision along with payments made (and deductions there from, if any) and a computerized application for sanction, revision and disbursement of pension by a single agency. The System has been started for Army (01.08.2021), Air Force (15.02.2021) and Navy(16.04.2021) and major Civil organizations viz Defence Accounts Department, JS (Trg) & CAO, DGDE, Coast Guard and OFB. Software Development for migration of legacy pensioners has started with 35,416 CPDS pensioners. This system will ensure monitoring of Pension budget and bookings on a real time basis.

Observation/Recommendation

Subject to the observations/recommendations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in para 12 of Part-I of this Report be regularized in the manner prescribed in Article 115 (1) (b) of the Constitution of India.

(Para No.9)

Action Taken by Government

Based on the replies given by the Ministry of Defence on the observations/recommendations made by the PAC in the Report, it is proposed that the excess expenditure of ₹5,098.61 crores, referred to in para 12 of the Report, in respect of Ministry of Defence, may be regularized in the manner prescribed in Article 115 (1) (b) of the Constitution of India.

CHAPTER III

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

-NIL-

CHAPTER IV

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

-NIL-

CHAPTER V

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

-NIL-

**NEW DELHI;
24 July, 2023
02 Sravana, 1945 (Saka)**

**ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee**

(APPENDIX – II)

(Vide para 5 of Introduction)

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

- | | | | |
|-------|---|---|--|
| (i) | Total No of Observations/Recommendations | - | 09 |
| (ii) | Observations/Recommendations of the Committee which have been accepted by the Government: | - | Total: 09
Percentage – 100% |
| | Para Nos. 1 to 9 | | |
| (iii) | Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government: | - | Total: Nil
Percentage - 0% |
| | -Nil- | | |
| (iv) | Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration: | - | Total: Nil
Percentage– 0% |
| | -Nil- | | |
| (v) | Observations/Recommendations in respect of which Government have furnished interim replies: | - | Total: Nil
Percentage –0% |
| | -Nil- | | |