

**EXCESSES OVER VOTED GRANTS AND CHARGED
APPROPRIATIONS (2019-20)**

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

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

ONE HUNDRED AND SEVENTEENTH REPORT

SEVENTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

PAC NO. 2347

**ONE HUNDRED AND
SEVENTEENTH REPORT**

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

(SEVENTEENTH LOK SABHA)

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CHARGED APPROPRIATIONS (2019-20)**

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



Presented to Lok Sabha on: 08.02.2024

Laid in Rajya Sabha on: 08.02.2024

**LOK SABHA SECRETARIAT
NEW DELHI**

February, 2024 /Magha, 1945 (Saka)

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* not appended to cyclostyled copy of the report

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 Derek O' Brien
19. Shri Tiruchi Siva
20. Dr. M. Thambidurai
21. Shri Ghanshyam Tiwari
22. Dr. Sudhanshu Trivedi

Secretariat

1. Shri Sanjeev Sharma - Joint Secretary
2. Smt. Bharti Sanjeev Tuteja - Director
3. Ms. Khyati - Assistant Committee Officer

* Elected w.e.f. 19.08.2023 consequent upon retirement of Shri Sukhendu Sekhar Ray, MP on 18.08.2023.

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2023-24) having been authorised by the Committee, do present this One Hundred and Seventeenth Report (Seventeenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Fifty-third Report on '**Excesses Over Voted Grants and Charged Appropriations (2019-20)**' relating to various ministries.

2. The Fifty-Third Report was presented to Lok Sabha/laid in Rajya Sabha on 8th August, 2022. Replies of the Government to all the Observations/Recommendations contained in the Report were received. The Public Accounts Committee considered and adopted the One Hundred and Seventeenth Report at their sitting held on 06th February 2024. 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 Fifty-third Report (Seventeenth Lok Sabha) is given at Appendix-II.

NEW DELHI;
07 February, 2024
18 Magha, 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 Fifty-third Report (17th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2019-20)".

2. The Fifty-third Report (17th Lok Sabha), which was presented to Lok Sabha/laid in Rajya Sabha on 8th August, 2022, 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. Recommendation Para No. 3

3. The Committee note with concern that during the Financial Year 2019-20, excess expenditure was incurred in respect of all the three Grants/Appropriations even after obtaining high amounts of Supplementary Grants by the Ministries/Departments concerned to meet their additional requirements. The percentage of excess expenditure over the Supplementary Grants in respect of these cases ranged from 10.04 percent (Grant No-20-Capital Outlay on Defence Services (Capital-Charged) to 79.77 percent [Grant No.31 - Department of Revenue (Revenue-Voted)]. From the scrutiny of Grant-wise position of obtaining Supplementary Grants and excess expenditure incurred thereafter, the Committee notice that the Supplementary Grant to the tune of ₹ 3.34 crore was allocated for Grant No-21 operated by the Ministry of Defence in the Civil Sector but this amount was short by ₹ 2.00 crore. In case of Grant No. 31 operated by Ministry of Finance (Department of Revenue) under Civil Sector, though Supplementary Grant of ₹ 40030.77 crore was obtained, yet an excess expenditure of ₹ 31934.48 crore was incurred. Similarly, the only excess registering Grant pertaining to Defence services i.e. Grant No-20-Capital Outlay on Defence Services obtained a Supplementary Grant of ₹ 6988.46 crore. Despite the grant, the actual expenditure exceeded the budgetary provision by ₹ 701.31 crore. The trend of incurring excess expenditure even after obtaining Supplementary Grants persists year after year despite the recourse to obtaining Supplementary Grants on three occasions. The Committee are astonished to note that budget provisions are still not made with requisite precision even at the Supplementary Grants stage. This is despite the recommendations of PAC and instructions issued by the Ministry of Finance (Department of Economic Affairs) in this regard as follow up. From the Action Taken Note on Para 1 of 24th Report of PAC (17th Lok Sabha), the Committee find that the Ministry of Finance (Department of Economic Affairs) did not agree with the recommendation of NIFM regarding restricting the number of Supplementary Grants in a year, as, according to them, this will restrict expenditure on New Services/New Instruments of Services. In their Action Taken Report thereon [50th Report (17th Lok Sabha)] while observing that Ministry of Finance are unable to check this recurring phenomenon of incurring excess expenditure even after obtaining Supplementary Grants, the Committee opined that if Ministries/Departments work with prudence, expenditure on New Services/New Instruments of Services can be planned

and included in the Budgetary/ Supplementary Grants provisions and the need for three Supplementary Grants in a year can be avoided. The Committee, therefore, emphasized that the recommendation made by NIFM in this regard should be taken in right spirit and with due seriousness and necessary arrangements made in this direction by Ministry of Finance (Department of Economic Affairs) in consultation with C&AG and Controller General of Accounts. While reiterating this recommendation, 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 formulate an effective mechanism to be followed by all the Ministries/Departments to tighten their financial control so as to avoid incurring excess expenditure in cases where Supplementary Grant has been obtained. Strict instructions be given to the Budget Controlling Authorities of the defaulting Ministries/Departments to scrupulously adhere to this principle.

4. In their Action Taken Note on the aforesaid recommendation, the Ministry of Finance (Department of Economic Affairs) submitted as under:

“ The Observations/recommendations of the Public Accounts Committee have been noted.

2. With regard to Action Taken by the Ministry of Finance (Department of Economic Affairs) on Recommendation No. 3 of NIFM regarding restricting the number of Supplementary Demands for Grants in a year, it may be submitted that the number of Supplementary Grants during the last five years is as under:

<i>FY</i>	<i>No. of Supplementary Grants</i>
<i>2018-19</i>	<i>3</i>
<i>2019-20</i>	<i>2</i>
<i>2020-21</i>	<i>2</i>
<i>2021-22</i>	<i>3</i>
<i>2022-23</i>	<i>2</i>

3. While Article 115 of the Constitution provides for seeking Supplementary Demands if the amount authorized by Parliament is found insufficient or a need has arisen for new service, it does not indicate the number of Supplementary Demands for Grants in a year. However, this Ministry is making efforts to restrict the number of Supplementary Grants from three to two and making optimal use of the enhancement in the corpus of the Contingency Fund of India from 500 crore to 30,000 crore during the year.

4. Department of Expenditure has, vide its Office Memorandum dated 22.4.2022 and 17.1.2023, impressed upon Ministries/Departments to take all measures, including use of electronic systems to ensure proper planning and monitoring of expenditure vis-à-vis voted grants so that excess expenditure is avoided.

5. *The Ministries/Departments have been advised to revamp their existing budgetary mechanism and financial control in consultation with Ministry of Finance and Controller General of Accounts to altogether eliminate excess expenditure or ensuring containing excess expenditure to the barest minimum under the Grants/Appropriations operated by them.*

6. *It has further been stipulated that the budget proposals should be scrutinized scrupulously, both at the time of preparation of Demands for Grants and Supplementary Demands for Grants, and compliance to provisions of General Financial Rule to eliminate the possibility of excess expenditure, under-spending wrongful appropriations etc. "*

5. **Audit in their vetting comments mentioned as follows:**

" 7. *Incurring of excess expenditure even after the supplementary grant shows that proper estimation was not done by the Ministries.*

8. *As such it shows that recommendation of PAC is not being followed by the Ministries, Ministry should formulate an effective mechanism to be followed by all the Ministries/Departments to tighten their financial control so as to avoid incurring excess expenditure in cases where Supplementary Grant has been obtained.*

9. *It is further added that the excess expenditure has been incurred even after obtaining supplementary provision. Concerned Ministries i.e. Ministry of Defence and Department of Revenue need to overhaul and streamline the budgetary mechanism and obtain supplementary grants with more precision. The Budget estimating authorities of Defence while estimating requirement of funds should make an accurate and realistic assessment of actual/ anticipated expenditure.*

10. *It is also pertinent to mention that the entire expenditure management of Government of India is now being managed through PFMS. System level validations/controls in PFMS would go a long way in ensuring adherence to codal provisions vis a vis budget management."*

6. **The Ministry in reply to further audit observations mentioned as under:**

"11. *Steps taken by the Ministry of Finance in ensuring that the Ministries must exercise due diligence at the time of submitting the Supplementary proposals has been adequately explained in para 6 of the comments.*

12. *The number of supplementaries has already been reduced from 3 (three) batches in a year to 2 (two) in the last fiscal."*

7. **The Committee noted with concern that during the Financial Year 2019-20, excess expenditure was incurred in respect of all the three Grants/Appropriations even after obtaining high amounts of Supplementary Grants. The Committee had**

observed that the Supplementary Grant to the tune of ₹ 3.34 crore was allocated for Grant No-21 operated by the Ministry of Defence in the Civil Sector and in case of Grant No. 31 operated by Ministry of Finance (Department of Revenue) under Civil Sector, though Supplementary Grant of ₹ 40030.77 crore was obtained, yet an excess expenditure of ₹ 31934.48 crore was incurred. Despite the grant, the actual expenditure exceeded the budgetary provision by ₹ 701.31 crore in Grant No. 20 Capital Outlay on Defence Services (Capital Voted) and exceeded the budgetary provisions by ₹ 2.00 crore under Grant no. 21 Defence Pensions(Revenue Charged). The Committee had observed that the trend of incurring excess expenditure even after obtaining Supplementary Grants is persisting year after year despite taking recourse to obtaining Supplementary Grants on three occasions. The Committee had thus emphasized that the recommendation made by NIFM in this regard should be taken in right spirit and with due seriousness and necessary arrangements made in this direction by Ministry of Finance (Department of Economic Affairs) in consultation with C&AG and Controller General of Accounts. The Committee had desired that the Ministry should formulate an effective mechanism to be followed by all the Ministries/Departments to tighten their financial control so as to avoid incurring excess expenditure in cases where Supplementary Grant has been obtained. From the Action Taken Note submitted by the Ministry of Finance, the Committee find that, with regard to the recommendation no. 3 of NIFM for restricting the number of Supplementary Demands for Grants in a year, the number of Supplementary Grants during the last five years has reduced. The Committee also observe that the Ministry is making efforts to restrict the number of Supplementary Grants from three to two and making optimal use of the enhancement in the corpus of the Contingency Fund of India from ₹ 500 crore to ₹ 30,000 crore during the year and that the Ministry of

Finance has advised the Ministries/Departments to revamp their existing budgetary mechanism and financial control in consultation with Ministry of Finance and Controller General of Accounts to altogether eliminate excess expenditure or ensuring containing excess expenditure to the barest minimum under the Grants/Appropriations operated by them. The Committee, however, note from the Audit comments that excess expenditure has been incurred even after obtaining supplementary provision. The Committee while opining that merely advising/ issuing instructions would not suffice, desire the Ministry of Finance to be proactive and conduct regular meetings with the Ministries that are yet to revamp their budgetary mechanism and hand hold them to develop the same in a timely manner. The Committee would like to be apprised of the action taken in this regard.

B. Recommendation Para No. 6

8. During the financial year 2019-20, the Ministry of Defence incurred an excess expenditure of ₹ 701.31 crore under Capital-Voted section of Grant No. 20- Capital outlay on Defence services. The excess of 701.31 crore was the net effect of total excesses of ₹ 1502.08 crore and total savings of 800.76 crore. The Committee are constrained to observe that the excess expenditure under Capital Voted section of this Grant was incurred even after obtaining Supplementary Grant of 6988.46 crore. The Committee feel that operation of this Grant is not being done conductively. The contributory reasons as submitted by the Ministry of Defence for this excess expenditure are Payments made for committed liabilities as well as initial payments for the New Scheme contracted; more expenditure on custom duty; Progress of Annual Maintenance Work plan; obligatory contractual Payments towards new ship-building contracts and higher outgo than anticipated towards milestone Payments of ongoing projects than anticipated; Obligatory contractual foreign Payments through letter of Credit (LC) as well as exchange rate variations; fast progress of works and liability of completion of critical projects on time etc. The Committee are not convinced with the reasons attributed by the

Ministry of Defence for incurring excess expenditure under this Grant as these do not fall under the category of 'unforeseen' or 'unanticipated expenditure' which cannot be predicted at the time of either approaching for BE/RE stage or at the time of seeking Supplementary Grants. As the Supplementary Grant obtained by the Ministry of Defence under this Grant is too high, the Committee feel that there is some inherent defect in the operation of this Grant because the Ministry could not assess their actual requirement of funds even at the stage of Supplementary Grant year after year. The Committee are therefore, inclined to conclude that adequate attention has not been paid by the Ministry of Defence to streamline and strengthen the extant mechanism for operation of this Grant so as to tighten the budgetary control to effectively check the trend of incurring excess expenditure under this Grant.

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

" One of the main reason for seeking additional funds through Supplementary Demand for Grant is receipt of lesser allocations in BE than projections made. Though additional funds are provided through Supplementary Demand for Grant, but at times the additional funds are not as per requirements projected. This sometimes leads to excess expenditure as payment due towards outstanding committed liabilities are required to be made as per project schedule and contractual terms and conditions for delivery of stores to avoid legal complications. The broad reasons for incurring excess expenditure have already been mentioned in the observation/recommendation.

2. Further, additional funds are sought in anticipation of expenditure which could either be not catered through lesser budgetary allocations or due to urgent/critical requirements which could not be foreseen. Though every effort is made to estimate and anticipate exact requirements, however due to unforeseen circumstances it is not always possible to expend in accordance with budgetary allocations. However, it is assured that this Ministry will be more careful in future while estimating additional requirements through Supplementary Demand for Grants"

10. Taking note that during the financial year 2019-20, the Ministry of Defence incurred an excess expenditure of ₹ 701.31 crore under Capital-Voted section of Grant No. 20- Capital outlay on Defence services, wherein the excess of ₹ 701.31 crore was the net effect of total excesses of ₹ 1502.08 crore and total savings of ₹ 800.76 crore, the Committee had been constrained to observe that the excess expenditure under Capital Voted section of this Grant was incurred even after obtaining Supplementary Grant of ₹ 6988.46 crore. The Committee were not convinced with the reasons

attributed by the Ministry of Defence for incurring excess expenditure under this Grant and felt that there was some inherent defect in the operation of this Grant because the Ministry could not assess their actual requirement of funds even at the stage of Supplementary Grant year after year. The Committee had, therefore, observed that adequate attention has not been paid by the Ministry of Defence to streamline and strengthen the extant mechanism for operation of this Grant so as to tighten the budgetary control to effectively check the trend of incurring excess expenditure under this Grant. From the Action Taken Note of the Ministry of Defence, the Committee note that the Ministry has attributed the main reason for seeking additional funds through Supplementary Demand for Grant was receipt of lesser allocations in BE than projections made that at times led to excess expenditure. Further, the Committee observe that additional funds were also sought in anticipation of expenditure which could either be not catered to due to lesser budgetary allocations or due to urgent/critical requirements which could not be foreseen before-hand. The Committee are of the view that seeking additional funds under the same grant year after year is indicative of shortcomings in assessing the requirements under the grant both on the part of Ministry of Defence - for underestimating, and Ministry of Finance - for not giving or laying due emphasis on the past trends while making the allocation. The Committee, therefore, desire that both the Ministries make efforts to streamline and strengthen the extant mechanism for operation of this Grant.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/ Recommendation

The Committee's examination of the four Appropriation Accounts of Union Government relating to Civil Sector, Defence Services, Postal Services and Railways for the Financial year 2019-20 reveals that a total excess expenditure of ₹ 32637.78 crore was incurred in three sections of three Grants/Appropriations (as against ₹ 5204.57 crore during 2018-19). The Ministries at fault are the Ministry of Finance (Department of Revenue) and the Ministry of Defence. The Committee are astonished to note that the bulk of excess expenditure was recorded under two Grants i.e. Grant No. 31- Department of Revenue (₹ 31934.48 crore) operated by Ministry of Finance (Department of Revenue) under Appropriation Accounts – Civil and Grant No. 20 – Capital outlay on Defence Services (₹ 701.31 crore) operated by Ministry of Defence under Appropriation Accounts – Defence Services. The Committee find it to be a matter of concern that the excess expenditure incurred under Grant No.-31 of Department of Revenue had accounted for over 97.85 percent of the total excess expenditure incurred during the year under review i.e. 2019-20. An analysis of the reasons as given by the Ministry of Finance (Department of Revenue) and Ministry of Defence for incurring excess expenditure during 2019-20 reveals that like in the past, lack of continuous watch over the flow of expenditure, lack of timely review of financial requirements and failure to properly anticipate the requirement of additional funds continue to be the main reasons for the excess expenditure. Attributing the same causes for the excesses persisting year after year is a pointer towards the fact that the matter has not been addressed with due seriousness by the Ministries/Departments concerned, especially the Ministry of Defence, which has been incurring a high amount of excess expenditure recurringly for the last ten years (except 2015-16) in respect of various Grants/Appropriations operated by

them. Though the Committee have been repeatedly pointing out in their Reports that the system of estimation of and control over expenditure is faulty, yet year after year, Parliament is being presented with a 'fait accompli' of unremitting phenomenon of excess expenditure. Viewing this fact with grave concern, the Committee urge the Ministry of Finance (Department of Economic Affairs) to devise suitable and foolproof mechanism for tightening the control over the exchequer and to deal sternly with such cases where any slackness in following the prescribed financial Rules is noticed. The Committee, nevertheless are pleased to note that the Department of Posts (during the years 2017-18 to 2019-20) and Ministry of Railways (during the years 2017-18 and 2019-20) had not incurred excess expenditure under the Grants/Appropriations operated. The Committee feel that when the Department of Posts and Ministry of Railways which have a large network throughout the country could manage their Grants in an effective way to altogether eliminate incurring excess expenditure for atleast two or three years, the other Ministries /Departments too could manage in equal

measure. The Committee would, therefore, emphasize that all other Ministries/Departments should also follow the trend set by the Department of Posts as well as the Ministry of Railways for revamping their existing budgetary mechanism and financial control in consultation with the Ministry of Finance (Department of Economic Affairs) and Controller General of Accounts in the Ministry of Finance (Department of Expenditure) to altogether eliminate excess expenditure or ensuring containing excessive expenditure to the barest minimum under the Grants/Appropriations operated by them.

[Paragraph 1 of 53th Report of Public Accounts Committee(2022-23)(17th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2019-20)".

ACTION TAKEN BY THE GOVERNMENT

The Observations/recommendations of the Public Accounts Committee have been noted.

2. A meeting was held under the Chairmanship of Secretary, Department of Economic Affairs on 14.7.2021 to discuss the issues of control of excess expenditure with Ministry of Railways, Ministry of Defence and Department of Posts, where excess expenditure was recurrently incurred. These Ministries/ Departments were impressed upon that endeavor should be made that there will be no instances of excess expenditure and the efforts should be a collective responsibility.

3. Ministry of Defence was also requested demi-officially at Minister's level on 17.3.2022 to put in place an effective and functional system to prevent excess expenditure based on the discussions held with Ministry of Defence on 14.7.2021.

4. The following Table shows the trend of excess expenditure incurred by the Government in the last five (5) years:

(₹

crore)

Sl. No	Year	No. of Grants/Appropriations	Amount of Excess Expenditure
1	2015-16	5	286.44
2	2016-17	7	190270.26
3	2017-18	4	99610.31
4	2018-19	4	5204.57
5	2019-20	3	32637.78

5. It may be seen from the above, the excess expenditure incurred by Government in number of Grants/Appropriations have been decreasing over the last five (5) years with the consistent efforts made by Government. The excess expenditure incurred in 2019-20 was necessitated due to apportionment of past dues from IGST to States, adjustment of tax devolution to States and recoveries made therefrom, amounting to an excess expenditure of ₹ 31,934.48 crore.

6. This Ministry has continuously been engaging with Ministries/Department for monitoring the progress of expenditure with the objective of avoiding the recurring excess expenditure by specific Ministries/Departments.

Vetted comments of Audit

7. Despite the instructions issued by the Ministry of Finance, it can be inferred that excess expenditure over Grants / Appropriations has not been stopped. As such PAC recommendation should be implemented through a proper mechanism.

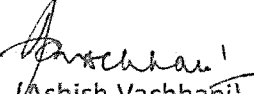
8. It is also pertinent to mention that the entire expenditure management of Government of India is now being managed through PFMS. System level validations/controls in PFMS would go a long way in ensuring adherence to codal provisions vis a vis budget management

Further comments of Ministry of Finance:

9. The Action Taken by the Government on the recommendations made by NIFM has been detailed in the Action Taken Note submitted by this Ministry vide F.No.6(6)-B(AC)/2019 dated 15.3.2022 in response to paragraph 6 of 30th Report of Public Accounts Committee (2020-2021)(17th Lok Sabha) on Excess over voted Grants and Charged Appropriations for 2016-17.

10. The Audit, while giving its vetting comments on the Para 6 of the 30th Report of 17th Lok Sabha on 'Excess over Voted grants and Charged Appropriations (2016-17) has acknowledged that the implementation of suitable recommendations made by NIFM in concerned Ministries resulted in decline in number of cases of excess expenditure.

11. This has been vetted by Audit vide their letter no. Coordn./F-323/ATN/ATR/EN/2021-22/VoIIV dated 10.05.2023.


(Ashish Vachhani)

Additional Secretary (Budget)

Lok Sabha Secretariat
Public Accounts Committee Branch
Parliament House, New Delhi.
F.No. 6(5)-B(AC)/2022 dated /03/2023.

MINISTRY OF DEFENCE

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 reasons 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) 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. The Defence Instance of PFMS has been named **PRABAL-PFMS Raksha Budget Aaharan aur Lekhaankan**. Coding and Development work on the proposed modules of PRABAL has started. Regular review meetings on PRABAL are being carried out in the Ministry for monitoring the progress.
 - 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.
 - f) The Progress of expenditure is being regularly reviewed by Defence Secretary/ FA (DS)/ Secretary Defence Finance to ensure that expenditure incurred is within the sanctioned grant.
2. Due to adoption of large number of measures including those stated above and focused efforts made by all the stakeholders, no excess expenditure has incurred in since FY 2020-21 onwards.



Addl. FA (RS) & JS

Observation/ Recommendation

The Committee further observe that in pursuance of their recommendations made in the past, National Institute of Financial Management (NIFM) have undertaken a study of the excess expenditure incurred by various Ministries/Departments during the period from 2000-2001 to 2017-18 and submitted their Report containing 12 recommendations, targeting different sectors of financial control. The recommendations as contained in NIFM Report are at various stages of implementation by the Ministry of Finance (Department of Economic Affairs) as well as the other Ministries/Departments. Considering the unabated trend of incurring excess expenditure, the Committee emphasize that in pursuance of the NIFM recommendations, necessary steps may be taken by the Ministry of Finance (Department of Economic Affairs) to implement the same at the earliest so that tendency of incurring high amount of excess expenditure year after year is curbed. Necessary guidelines need to be framed and instructions issued in this regard to all the Ministries/Departments. The Committee would desire to be apprised of the specific measures initiated in this connection.

(Para No.2)

Action Taken by Government

MINISTRY OF FINANCE

Ministry of Finance
Department of Economic Affairs
(Budget Division)

RECOMMENDATION OF PUBLIC ACCOUNTS COMMITTEE

The Committee further observe that in pursuance of their recommendations made in the past, National Institute of Financial Management (NIFM) have undertaken a study of the excess expenditure incurred by various Ministries/Departments during the period from 2000-2001 to 2017-18" and submitted their Report containing 12 recommendations, targeting different sectors of financial control. The recommendations as contained in NIFM Report are at various stages of implementation by the Ministry of Finance (Department of Economic Affairs) as well as the other Ministries/Departments. Considering the unabated trend of incurring excess expenditure, the Committee emphasize that in pursuance of the NIFM recommendations, necessary steps may be taken by the Ministry of Finance (Department of Economic Affairs) to implement the same at the earliest so that tendency of incurring high amount of excess expenditure year after year is curbed. Necessary guidelines need to be framed and instructions issued in this regard to all the Ministries/Departments. The Committee would desire to be apprised of the specific measures initiated in this connection.

[Paragraph 2 of 53th Report of Public Accounts Committee(2021-22)(17th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2019-20)".

ACTION TAKEN BY THE GOVERNMENT

The Observations/recommendations of the Public Accounts Committee have been noted.

2. The Action Taken by the Government on the recommendations made by NIFM has been detailed in the Action Taken Note submitted by this Ministry vide F.No.6(6)-B(AC)/2019 dated 15.3.2022 in response to paragraph 6 of 30th Report of Public Accounts Committee (2020-2021)(17th Lok Sabha) on Excess over voted Grants and Charged Appropriations for 2016-17.

3. Department of Expenditure has, vide its Office Memorandum dated 22.4.2022 and 17.1.2023 (copies enclosed), impressed upon Ministries/Departments to take all measures, including use of electronic systems to ensure proper planning and monitoring of expenditure vis-à-vis voted grants so that excess expenditure is avoided.

4. This Ministry has been taking all possible measures/steps towards containing/avoiding excess expenditure in any of the grants/appropriations.

Vetted comment of Audit

5. Considering the unabated trend of incurring excess expenditure, it is suggested that necessary steps as suggested by the PAC may be taken to implement the same at the earliest so that tendency of incurring high amount of excess expenditure year after year is avoided.

6. It is further added that, though the recommendations made by NIFM has been circulated to all the Ministries/ Departments for implementation, still excess expenditure is being observed. Therefore, it is advised that the recommendations of NIFM be implemented meticulously and adhered to at each level in the Budget Division of every Ministry/ Department.

7. It is also pertinent to mention that the entire expenditure management of Government of India is now being managed through PFMS. System level validations/controls in PFMS would go a long way in ensuring adherence to codal provisions vis a vis budget management.

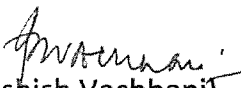
Further comments of Ministry of Finance:

8. The Action Taken by the Government on the recommendations made by NIFM has been detailed in the Action Taken Note submitted by this Ministry vide F.No.6(6)-B(AC)/2019 dated 15.3.2022 in response to paragraph 6 of 30th Report of Public Accounts Committee (2020-2021)(17th Lok Sabha) on Excess over voted Grants and Charged Appropriations for 2016-17.

9. The Audit, while giving its vetting comments on the Para 6 of the 30th Report of 17th Lok Sabha on 'Excess over Voted grants and Charged Appropriations (2016-17) has acknowledged that the implementation of suitable recommendations made by NIFM in concerned Ministries resulted in decline in number of cases of excess expenditure.

10. The steps taken by the Ministry of Finance to contain the excess expenditure have been adequately explained in para 3 of the comments.

11. This has been vetted by Audit vide their letter no. Coordn./F-323/ATN/ATR/EN/2021-22/VoIIIV dated 10.05.2023.


(Ashish Vachhani)

Additional Secretary (Budget)

Lok Sabha Secretariat
Public Accounts Committee Branch
Parliament House, New Delhi.
F.No. 6(5)-B(AC)/2022 dated .03.2023.

Observation/Recommendation

The Committee note with concern that during the Financial Year 2019-20, excess expenditure was incurred in respect of all the three Grants/Appropriations even after obtaining high amounts of Supplementary Grants by the Ministries/Departments concerned to meet their additional requirements. The percentage of excess expenditure over the Supplementary Grants in respect of these cases ranged from 10.04 percent (Grant No-20-Capital Outlay on Defence Services (Capital-Charged) to 79.77 percent [Grant No.31 - Department of Revenue (Revenue-Voted)]. From the scrutiny of Grant-wise position of obtaining Supplementary Grants and excess expenditure incurred thereafter, the Committee notice that the Supplementary Grant to the tune of ₹ 3.34 crore was allocated for Grant No-21 operated by the Ministry of Defence in the Civil Sector but this amount was short by ₹ 2.00 crore. In case of Grant No. 31 operated by Ministry of Finance (Department of Revenue) under Civil Sector, though Supplementary Grant of ₹ 40030.77 crore was obtained, yet an excess expenditure of ₹ 31934.48 crore was incurred. Similarly, the only excess registering Grant pertaining to Defence services i.e. Grant No-20-Capital Outlay on Defence Services obtained a Supplementary Grant of ₹ 6988.46 crore. Despite the grant, the actual expenditure exceeded the budgetary provision by ₹ 701.31 crore. The trend of incurring excess expenditure even after obtaining Supplementary Grants persists year after year despite the recourse to obtaining Supplementary Grants on three occasions. The Committee are astonished to note that budget provisions are still not made with requisite precision even at the Supplementary Grants stage. This is despite the recommendations of PAC and instructions issued by the Ministry of Finance (Department of Economic Affairs) in this regard as follow up. From the Action Taken Note on Para 1 of 24th Report of PAC (17th Lok Sabha), the Committee find that the Ministry of Finance (Department of Economic Affairs) did not agree with the recommendation of NIFM regarding restricting the number of Supplementary Grants in a year, as, according to them, this will restrict expenditure on New Services/New Instruments of Services. In their Action Taken Report thereon [50th Report (17th

Lok Sabha]] while observing that Ministry of Finance are unable to check this recurring phenomenon of incurring excess expenditure even after obtaining Supplementary Grants, the Committee opined that if Ministries/Departments work with prudence, expenditure on New Services/New Instruments of Services can be planned and included in the Budgetary/ Supplementary Grants provisions and the need for three Supplementary Grants in a year can be avoided. The Committee, therefore, emphasized that the recommendation made by NIFM in this regard should be taken in right spirit and with due seriousness and necessary arrangements made in this direction by Ministry of Finance (Department of Economic Affairs) in consultation with C&AG and Controller General of Accounts. While reiterating this recommendation, 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 formulate an effective mechanism to be followed by all the Ministries/Departments to tighten their financial control so as to avoid incurring excess expenditure in cases where Supplementary Grant has been obtained. Strict instructions be given to the Budget Controlling Authorities of the defaulting Ministries/Departments to scrupulously adhere to this principle.

(Para No. 3)

Action Taken by Government

made in this direction by Ministry of Finance (Department of Economic Affairs) in consultation with C&AG and Controller General of Accounts While reiterating this recommendation, 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 formulate an effective mechanism to be followed by all the Ministries/Departments to tighten their financial control so as to avoid incurring excess expenditure in cases where Supplementary Grant has been obtained. Strict instructions be given to the Budget Controlling Authorities of the defaulting Ministries/Departments to scrupulously adhere to this principle.

[Paragraph 3 of 53th Report of Public Accounts Committee(2021-22)(17th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2019-20)".

ACTION TAKEN BY THE GOVERNMENT

The Observations/recommendations of the Public Accounts Committee have been noted.

2. With regard to Action Taken by the Ministry of Finance (Department of Economic Affairs) on Recommendation No. 3 of NIFM regarding restricting the number of Supplementary Demands for Grants in a year, it may be submitted that the number of Supplementary Grants during the last five years is as under:

FY	No. of Supplementary Grants
2018-19	3
2019-20	2
2020-21	2
2021-22	3
2022-23	2

3. While Article 115 of the Constitution provides for seeking Supplementary Demands if the amount authorized by Parliament is found insufficient or a need has arisen for new service, it does not indicate the number of Supplementary Demands for Grants in a year. However, this Ministry is making efforts to restrict the number of Supplementary Grants from three to two and making optimal use of the enhancement in the corpus of the Contingency Fund of India from ₹ 500 crore to ₹ 30,000 crore during the year.

4. Department of Expenditure has, vide its Office Memorandum dated 22.4.2022 and 17.1.2023 (copies enclosed), impressed upon Ministries/Departments to take all measures, including use of electronic systems to ensure proper planning and monitoring of expenditure vis-à-vis voted grants so that excess expenditure is avoided.

5. The Ministries/Departments have been advised to revamp their existing budgetary mechanism and financial control in consultation with Ministry of Finance and Controller General of Accounts to altogether eliminate excess expenditure or ensuring containing excess expenditure to the barest minimum under the Grants/Appropriations operated by them.

6. It has further been stipulated that the budget proposals should be scrutinized scrupulously, both at the time of preparation of Demands for Grants and Supplementary Demands for Grants, and compliance to provisions of General Financial Rule to eliminate the possibility of excess expenditure, under-spending, wrongful appropriations etc.

Vetted comment of Audit

7. Incurring of excess expenditure even after the supplementary grant shows that proper estimation was not done by the Ministries.

8. As such it shows that recommendation of PAC is not being followed by the Ministries, Ministry should formulate an effective mechanism to be followed by all the Ministries/Departments to tighten their financial control so as to avoid incurring excess expenditure in cases where Supplementary Grant has been obtained.


9. It is further added that the excess expenditure has been incurred even after obtaining supplementary provision. Concerned Ministries i.e. Ministry of Defence and Department of Revenue need to overhaul and streamline the budgetary mechanism and obtain supplementary grants with more precision. The Budget estimating authorities of Defence while estimating requirement of funds should make an accurate and realistic assessment of actual/ anticipated expenditure.

10. It is also pertinent to mention that the entire expenditure management of Government of India is now being managed through PFMS. System level validations/controls in PFMS would go a long way in ensuring adherence to codal provisions vis a vis budget management.

Further comments of Ministry of Finance:

11. Steps taken by the Ministry of Finance in ensuring that the Ministries must exercise due diligence at the time of submitting the Supplementary proposals has been adequately explained in para 6 of the comments.

12. The number of supplementaries has already been reduced from 3 (three) batches in a year to 2 (two) in the last fiscal.
13. This has been vetted by Audit vide their letter no. Coordn./F-323/ATN/ATR/EN/2021-22/Vol IV dated 10.05.2023.



(Ashish Vachhani)

Additional Secretary (Budget)

Lok Sabha Secretariat
Public Accounts Committee Branch
Parliament House, New Delhi.
F.No. 6(5)-B(AC)/2022 dated /03/2023.

MINISTRY OF DEFENCE

Action Taken by Government

This observation/recommendation pertains to Ministry of Finance. However it may be mentioned that all the instruction/guidelines issued by Ministry of Finance on financial aspects are circulated among budget controllers for strict compliance.


Addl. FA (RS) & JS

MoD (Fin) LD No. 7(2)/Budget-I/2022 dated 23/03/2023

Observation/Recommendation

The Committee find that in contravention of Article 114 (3) of the Constitution and General Financial Rule (GFR) 52(3), the incurrence of excess expenditure has been a recurring phenomenon in the past. The scrutiny of excess expenditure incurred by various Ministries/Departments during the last ten years revealed that in Civil sector, the excess expenditure which was reduced to a considerable extent i.e. from ₹ 92461.31 crore in 2017-18 to ₹ 0.22 crore in 2018-19 escalated to ₹ 31934.48 crore during the Year under review i.e. 2019-20. Further, in regard to the trend of excess expenditure incurred under the Grants/Appropriation operated by Ministry of Defence during the last four years, the Committee observe that recurring excess expenditure under Grant No. 21- Capital outlay on Defence Services had incurred during the years, 2016-17 to 2019-20. The excess expenditure which was ₹ 104.55 crore under this Grant during the year 2016-17, witnessed a sudden increase to the tune of ₹ 3552.72 crore during 2017-18. Though, it was reduced to ₹ 1257.29 in 2018-19 nevertheless, the amount has been in excess of ₹ 1000 crore. Now, during the year under review, the amount of excess expenditure under this Grant has been reduced to ₹ 701.31 crore, which is not very low. Thus, the scrutiny of excess expenditure incurred during the last ten years is indicative of the fact that sincere and effective measures remain to be taken by the Ministries/Departments concerned to make their budgetary mechanism strong enough to avoid excess expenditure under the Grants/Appropriations operated by them. The Committee would also like to be kept informed of the measures taken by each Ministry/Department to implement the recommendations of NIFM with a view to tightening their financial control and avoid recurring excess expenditure in future.

(Para No. 4)

Action Taken by Government

MINISTRY OF FINANCE

Ministry of Finance
Department of Economic Affairs
(Budget Division)

RECOMMENDATION OF PUBLIC ACCOUNTS COMMITTEE

The Committee find that in contravention of Article 114 (3) of the Constitution and General Financial Rule (GFR) 52(3), the incurrence of excess expenditure has been a recurring phenomenon in the past. The scrutiny of excess expenditure incurred by various Ministries/Departments during the last ten years revealed that in Civil sector, the excess expenditure which was reduced to a considerable extent i.e. from ₹ 92461.31 crore in 2017-18 to ₹ 0.22 crore in 2018-19 escalated to ₹ 31934.48 crore during the Year under review i.e. 2019-20. Further, in regard to the trend of excess expenditure incurred under the Grants/Appropriation operated by Ministry of Defence during the last four years, the Committee observe that recurring excess expenditure under Grant No. 21- Capital outlay on Defence Services had incurred during the years, 2016-17 to 2019-20. The excess expenditure which was ₹ 104.55 crore under this Grant during the year 2016-17, witnessed a sudden increase to the tune of ₹ 3552.72 crore during 2017-18. Though, it was reduced to ₹ 1257.29 in 2018-19 nevertheless, the amount has been in excess of ₹ 1000 crore. Now, during the year under review, the amount of excess expenditure under this Grant has been reduced to ₹ 701.31 crore, which is not very low. Thus, the scrutiny of excess expenditure incurred during the last ten years is indicative of the fact that sincere and effective measures remain to be taken by the Ministries/Departments concerned to make their budgetary mechanism strong enough to avoid excess expenditure under the Grants/Appropriations operated by them. The Committee would also like to be kept informed of the measures taken by each Ministry/Department to implement the recommendations of NIFM with a view to tightening their financial control and avoid recurring excess expenditure in future.

[Paragraph 4 of 53th Report of Public Accounts Committee (2021-22)(17th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2019-20)".

ACTION TAKEN BY THE GOVERNMENT

The Observations/recommendations of the Public Accounts Committee have been noted.

2. This Ministry has continuously been engaging with Ministries/Department for monitoring the progress of expenditure with the objective of avoiding the recurring excess expenditure by specific Ministries/Departments.

3. A meeting was held under the Chairmanship of Secretary, Department of Economic Affairs on 14.7.2021 to discuss the issues of control of excess expenditure with Ministry of Railways, Ministry of Defence and Department of Posts, where excess expenditure was recurrently incurred. These Ministries/ Departments were impressed upon that endeavor should be made that there will be no instances of excess expenditure and the efforts should be a collective responsibility.

4. The Action Taken by the Government on the recommendations made by NIFM has been detailed in the Action Taken Note submitted by this Ministry vide F.No.6(6)-B(AC)/2019 dated 15.3.2022 in response to paragraph 6 of 30th Report of Public Accounts Committee (2020-2021)(17th Lok Sabha) on Excess over voted Grants and Charged Appropriations for 2016-17.

5. Department of Expenditure has, vide its Office Memorandum dated 22.4.2022 and 17.1.2023 (copies enclosed), impressed upon Ministries/Departments to take all measures, including use of electronic systems to ensure proper planning and monitoring of expenditure vis-à-vis voted grants so that excess expenditure is avoided.

6. Ministry of Defence was also requested demi-officially at Minister's level on 17.3.2022 to put in place an effective and functional system to prevent excess expenditure based on the discussions held with Ministry of Defence on 14.7.2021.

7. As regards implementation of the recommendations of NIFM by each Ministry, it is submitted that the recommendations of NIFM are examined centrally by Ministry of Finance, Department of Economic Affairs as most of the recommendations of NIFM are on regulating the number of supplementary demands for grants in a year, increasing the accountability of Chief Accounting Authorities, revision in the definition of 'New Service', 'New Instrument of Service' for greater flexibility, etc. While some of the recommendations are already implemented, the other recommendations of NIFM are getting the attention of Government for implementation. For example, the recommendation relating to revision in the definition of 'New Service', 'New Instrument of Service' is under active consideration of the Government.

Vetted comment of Audit


8. Keeping in view of the recommendation of PAC, a suitable mechanism should be implemented to avoid excess expenditure than allotment. It is further advised that the Budget estimating authorities of Ministry of Defence while estimating requirement of funds should make an accurate and realistic assessment of actual/ anticipated expenditure at every stage viz. BE, RE and Supplementary grant.

9. It is also pertinent to mention that the entire expenditure management of Government of India is now being managed through PFMS. System level validations/controls in PFMS would go a long way in ensuring adherence to codal provisions vis a vis budget management.

Further comments of Ministry of Finance:

10. The steps taken by the Ministry of Finance to contain the excess expenditure have been adequately explained in para 5 and 6 of the comments.

11. This has been vetted by Audit vide their letter no. Coordn./F-323/ATN/ATR/EN/2021-22/VoIIIV dated 10.05.2023.



(Ashish Vachhani)

Additional Secretary (Budget)

Lok Sabha Secretariat
Public Accounts Committee Branch
Parliament House, New Delhi.
F.No. 6(5)-B(AC)/2022 dated /03/2023.

MINISTRY OF DEFENCE

Action Taken by Government

This Ministry is taking large number of measures to reduce instances of excess expenditure which are detailed in replies given in subsequent paragraphs. In order to substantiate this statement, excess expenditure figures from 2015-16 are 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	---	---	---	---
2021-22	---	---	---	---

2. It is also highlighted that excess expenditure from 2018-19 has shown a decline compared to the previous year. Further, due to focused efforts made by all the stakeholders, no excess expenditure has incurred since FY 2020-21 onwards.

3. Towards more effective budgetary control in Ministry of Defence, a decision was taken to introduce a customized Public Finance Management System (PFMS) in Ministry of Defence. The Defence Instance of PFMS has been named **PRABAL-PFMS Raksha Budget Aaharan aur Lekhaankan**. Coding and Development work on the proposed modules of PRABAL has started. Regular review meetings on PRABAL are being carried out in the Ministry for monitoring the progress. Also, the Progress of expenditure is being regularly reviewed by Defence Secretary/ FA (DS)/ Secretary Defence Finance to ensure that expenditure incurred is within the sanctioned grant.



Addl. FA (RS) & JS

Observation/Recommendation

As brought out in the preceding paragraphs, during the financial year 2019-20, the Ministry of Finance (Department of Revenue) incurred an excess expenditure of ₹ 31934.48 crore under Revenue-Voted section of Grant No-31 - Department of Revenue. Excess expenditure under Revenue- Voted section of this Grant incurred even though Supplementary Grant of ₹ 40030.77 crore was obtained. According to the Ministry of Finance (Department of Revenue), as per GST (Compensation to States) Act, 2017, the provisional GST compensation is being released on bi-monthly basis to the States/UTs. The quantum of GST compensation required is based upon collection trends of SGST/IGST and the subsumed tax collection by States/UTs. Therefore, it is difficult to assess the actual budget requirement, as the same is dependent upon variable data received from States on a bi-monthly basis. The Committee further observe that the Department of Revenue took only one Supplementary Grant of ₹ 40030.77 crore in March, 2020 i.e. at the fag end of the financial year. The Committee are perturbed to note that the reply of the Ministry is silent on the reasons for not assessing their actual requirement of funds on a continuous basis in the financial year and also at the stage of seeking Supplementary Grant. The Committee are of the view that had a precise assessment of funds required to cover the impending excess expenditure been made and adequate supplementary provisions sought from Parliament in the first two occasions, the excess expenditure under this Grant could very well have been avoided. Unfortunately, the Supplementary Grant i.e. Rs.40030.77 crore finally obtained could not meet the additional requirement under this Grant thereby leaving the balance amount for regularization by Parliament. Barring unforeseen circumstances, it is not expected of any Ministry to cross their financial limits even after having huge amounts of Supplementary Provisions as has happened in this case. The Committee are again astonished to note that the Ministry of Finance (Department of Revenue) also surrendered ₹ 1420.59 crore under this Grant. While taking a serious view of the apparently casual attitude of the Ministry of Finance (Department of Revenue) in operating this Grant, the Committee desire that the reasons for failure in making realistic

assessment of funds requirement be analysed so as to enable in taking timely action for ensuring adequate provision of funds under this Grant and monitor the progress of expenditure and smooth flow of expenditure within the provisions sanctioned by Parliament in future. As regards the action taken to avoid excesses under this Grant, the Ministry in their Explanatory Note, have submitted that apportionment of entire unsettled IGST between Centre and States/UTs in the ratio of 50:50 at the end of each financial year will ensure non-occurrence of such expenditure in future. While taking note of the assurance given by the Ministry to prevent such excesses in future, the Committee express hope that the Ministry would surely be able to overcome this situation of incurring excess expenditure in future.

(Para No.5)

Observation/Recommendation

During the financial year 2019-20, the Ministry of Defence incurred an excess expenditure of ₹ 701.31 crore under Capital-Voted section of Grant No. 20- Capital outlay on Defence services. The excess of ₹ 701.31 crore was the net effect of total excesses of ₹ 1502.08 crore and total savings of ₹ 800.76 crore. The Committee are constrained to observe that the excess expenditure under Capital Voted section of this Grant was incurred even after obtaining Supplementary Grant of ₹ 6988.46 crore. The Committee feel that operation of this Grant is not being done conducively. The contributory reasons as submitted by the Ministry of Defence for this excess expenditure are Payments made for committed liabilities as well as initial payments for the New Scheme contracted; more expenditure on custom duty; Progress of Annual Maintenance Work plan; obligatory contractual Payments towards new ship-building contracts and higher outgo than anticipated towards milestone Payments of ongoing projects than anticipated; Obligatory contractual foreign Payments through letter of Credit (LC) as well as exchange rate variations; fast progress of works and liability of completion of critical projects on time etc. The Committee are not convinced with


the reasons attributed by the Ministry of Defence for incurring excess expenditure under this Grant as these do not fall under the category of 'unforeseen' or 'unanticipated expenditure' which cannot be predicted at the time of either approaching for BE/RE stage or at the time of seeking Supplementary Grants. As the Supplementary Grant obtained by the Ministry of Defence under this Grant is too high, the Committee feel that there is some inherent defect in the operation of this Grant because the Ministry could not assess their actual requirement of funds even at the stage of Supplementary Grant year after year. The Committee are therefore, inclined to conclude that adequate attention has not been paid by the Ministry of Defence to streamline and strengthen the extant mechanism for operation of this Grant so as to tighten the budgetary control to effectively check the trend of incurring excess expenditure under this Grant.

(Para No. 6)

Action Taken by Government

One of the main reason for seeking additional funds through Supplementary Demand for Grant is receipt of lesser allocations in BE than projections made. Though additional funds are provided through Supplementary Demand for Grant, but at times the additional funds are not as per requirements projected. This sometimes leads to excess expenditure as payment due towards outstanding committed liabilities are required to be made as per project schedule and contractual terms and conditions for delivery of stores to avoid legal complications. The broad reasons for incurring excess expenditure have already been mentioned in the observation/recommendation.

2. Further, additional funds are sought in anticipation of expenditure which could either be not catered through lesser budgetary allocations or due to urgent/critical requirements which could not be foreseen. Though every effort is made to estimate and anticipate exact requirements, however due to unforeseen circumstances it is not always possible to expend in accordance with budgetary allocations. However, it is assured that this Ministry will be more careful in future while estimating additional requirements through Supplementary Demand for Grants.



Addl. FA (RS) & JS

MoD (Fin) I.D No. 7(2)/Budget-I/2022 dated 23/03/2023

Observation/Recommendation

The Committee are perturbed to note that the Ministry of Defence recurringly incurred excess expenditure under this Grant during the last four years i.e. ` 104.55 crore in 2016-17, ` 3552.72 crore in 2017-18, ` 1257.29 crore during 2018-19 and ` 701.31 crore during 2019-20. Having noticed the recurring phenomenon of excess expenditure by the Ministry of Defence under this Grant, the Committee, in Para 8 of 24th Report (17th Lok Sabha) had recommended the Ministry to overhaul their budgeting mechanism and evolve an effective means to bring continual and progressive improvement in operation of their Grants in future. In their ATN on this recommendation, the Ministry of Defence apprised the Committee that they had decided to create a separate instance/Parallel Chapter in PFMS in consultation with Controller General of Accounts and in this regard an evolutionary mode of Software Development and simultaneous processing of activities is being carried out with a view to expedite the project. The Committee would like to be apprised as to whether the parallel chapter has since been created in the PFMS and outcome thereof.

As regards the steps taken to avoid recurrence of excess expenditure under this Grant, the Committee note that the Ministry of Defence have issued routine instructions, as in the previous years, which have not produced the desired results. Thus, the Committee feel that the routine instructions issued in the past have had hardly any effect in improving the budgetary procedures and financial control under this Grant and the fresh instructions issued may also meet the same fate unless earnest measures are taken to ensure effective implementation of the instructions issued. The Committee therefore, urge Ministry of Defence to examine critically the specific steps taken towards effective implementation of the instructions and identify additional measures to contain/curtail the recurring phenomenon of excess expenditure under this Grant.


(Para No.7)

Action Taken by Government

This Ministry has taken various steps to avoid excess expenditure, some of which are listed below:

- a) One of the major reasons 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) 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. The Defence Instance of PFMS has been named **PRABAL-PFMS Raksha Budget Aaharan aur Lekhaankan**. Coding and Development work on the proposed modules of PRABAL has started. Regular review meetings on PRABAL are being carried out in the Ministry for monitoring the progress.
- 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.
- f) The Progress of expenditure is being regularly reviewed by Defence Secretary/ FA (DS)/ Secretary Defence Finance to ensure that expenditure incurred is within the sanctioned grant.

2. The steps taken in the Ministry has borne fruitful results and no excess expenditure is incurred since FY 2020-21 onwards.


Addl. FA (RS) & JS

Observation/Recommendation

The Committee observe that the Ministry of Finance (Department of Revenue) under Revenue-Voted Section of Grant No – 31 and Ministry of Defence under Capital-Voted Section of Grant No. 20 have surrendered the funds during the financial year 2019-20 despite having incurred excess expenditure under these Grants. In case of Grant No.– 31 – Department of Revenue the Ministry of Finance (Department of Revenue) while incurring an excess expenditure of ₹ 31934.48 crore also surrendered Rs.1420.69 crore. Further, in Grant No.20 – Capital outlay on Defence Services, the Ministry of Defence surrendered ₹ 0.01 crore and incurred excess expenditure of ₹ 701.31 crore. The Committee are also perturbed to note that in both the cases, huge amounts were also obtained as supplementary grants. This clearly indicates that both the Ministries have completely failed in assessing their actual requirement of funds under these Grants. To their utter dismay, the Committee find that surrendering of funds, despite incurring excess expenditure, under the Grant No. 20 – Capital outlay on Defence Services has been a recurring feature since the financial Year 2017-18. On earlier two occasions, the Committee had emphasized upon the Ministry of Defence to devise suitable and effective measures with a view to removing inherent defects in the existing system. However, no improvement has been made in this direction. Since surrendering of funds despite having Supplementary Grant and incurring excess expenditure is a clear indication of poor budgeting and is also indicative of failure on the part of Budget Controlling Authorities, the Committee once again urge the Ministries/Departments concerned to revamp their prevailing expenditure review mechanism so that surrendering of funds could be avoided in future.

(Para No.8)

Action Taken by Government

The Original Budget for Demand No-20 Capital Outlay on Defence Services for 2019-20 was ₹1,03,394.31 crore. In 1st Supplementary Demands for Grants 2019-20, an amount of ₹0.01 crore was approved by the Parliament to carry out re-appropriation of funds between Minor Heads of Grant No-20. This amount of ₹0.01 crore is called token supplementary and this amount is not meant for expenditure. In 2nd Supplementary Demands for Grants 2019-20, an additional amount of ₹7,000 crore was approved by the Parliament. Thus total ceilings conveyed by Ministry of Finance under Demand No 20 was ₹1,10,394.31 crore in Revised Estimates (RE) 2019-20. This figure was final allocation for Grant No. 20 for 2019-20, whereas total of allocations in Budget Estimates 2019-20 + 1st and 2nd Supplementary was ₹1,10,394.32 crore (i.e. 1,03,394.31 + 0.01 + 7000 crore).

2. The difference of ₹1,10,394.32 crore (i.e. BE + Supplementary) and final allocation of ₹1,10,394.31 worked out to ₹0.01 crore which was surrendered before the close of financial year 2019-20. The figure of ₹0.01 crore was technical surrender and could not be utilized for other requirements. With regard to observation of the Committee that Ministry is surrendering funds on one hand and incurring excess expenditure on other hand, it may be mentioned that an amount of Rs. 1,433.96 Crore was surrendered in FY 2019-20 under Grant No. 19-Defence Services (Revenue), however, since the said surrender was under separate Grant, this Ministry could not utilize it for meeting expenditure under Grant No. 20-Capital Outlay on Defence Services.

3. Further, it is assured that this Ministry will be more careful in future while estimating requirements.


Addl. FA (RS) & JS

MoD (Fin) I.D No. 7(2)/Budget-1/2022 dated 23/03/2023

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)

Ministry of Finance
Department of Economic Affairs
(Budget Division)

Action Taken Note (On Paragraph 9)

As recommended by the Public Accounts Committee, the Demands for Excess Grants for Expenditure of the Central Government relating to 2019-2020 was submitted to Parliament in the Winter Session, 2022. The Parliament has passed the Excess Demands for Grants. Necessary Appropriation Bill for regularizing the money drawn in excess of the amounts authorized by the Parliament for the year 2019-2020, has also been passed and the corresponding Act published in the Gazette of India (Extra-ordinary) Part II, Section 1 dated 24th December, 2022 as Act No. 4 of 2022, after obtaining assent of the President. In view of this, the excess amount drawn in 2019-2020 stands regularized. Action taken in this regard is, therefore, completed.

This Note has been vetted by Audit, vide their U.O. No. Coordn./F-323/ATN/ATR/EN/2021-22/Vol. IV/745 dated 03.03.2023 whereby they have informed that they have no comments to offer.


(Ashish Vachhani)

Additional Secretary (Budget)

Lok Sabha Secretariat (PAC Branch), Parliament House Annexe, New Delhi-01

MOF, DEA (Budget Division) ID No.7(1)-B(SD)/2022 dated 20th March, 2023

Action Taken by Government

Based on the replies given by this Ministry on the observations/recommendations made by the PAC in the Report, it is proposed that the excess expenditure of ₹701.31 crore in respect of Ministry of Defence, may be regularized in the manner prescribed in Article 115 (1) (b) of the Constitution of India.


Addl. FA (RS) & JS

MoD (Fin) I.D No. 7(2)/Budget-I/2022 dated 23/03/2023

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;
07 February, 2024
18 Magha, 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 FIFTY THIRD 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- | | |