

EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2011-12)

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Ninety - Second Report (15th Lok Sabha)]

**PUBLIC ACCOUNTS COMMITTEE
(2015-16)**

TWENTY EIGHTH REPORT

SIXTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

PAC NO. 2060

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LOK SABHA SECRETARIAT
NEW DELHI

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**Not appended to the cyclostyled copy of the Report*

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2015-16)**

Prof. K.V. Thomas

Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Sudip Bandyopadhyay
4. Shri Ranjit Singh Brahmpura
5. Shri Nishikant Dubey
6. Shri Gajanan Kirtikar
7. Shri Bhartruhari Mahtab
8. Shri Ramesh Pokhriyal "Nishank"
9. Shri Neiphiu Rio
10. Shri Dushyant Singh
11. Shri Janardan Singh Sigriwal
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar Udasi
15. Dr. P. Venugopal

RAJYA SABHA

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. Shri Anil Madhav Dave
19. Shri Vijay Goel
20. Shri Bhubaneswar Kalita
21. Shri Shantaram Naik
22. Shri Sukhendu Sekhar Roy

SECRETARIAT

1. Shri A.K. Singh - Additional Secretary
2. Shri T. Jayakumar - Director
3. Smt. Anju Kukreja - Under Secretary

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2015-16), having been authorised by the Committee, do present this Twenty Eighth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Ninety - Second Report (Fifteenth Lok Sabha) on 'Excesses Over Voted Grants and Charged Appropriations (2011-12)' relating to various Ministries/Departments concerned.

2. The Ninety - Second Report was presented to Lok Sabha/laid in Rajya Sabha on 6th February, 2014. Replies of the Government to all the Observations/Recommendations contained in the Report were received. The Public Accounts Committee considered and adopted the Twenty Eighth Report at their sitting held on 9th December, 2015. 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 thick type in the body of the Report.

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

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

NEW DELHI;
09th December, 2015
18 Agrahayana, 1937 (Saka)

PROF. K.V. THOMAS,
Chairperson,
Public Accounts Committee.

CHAPTER 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 Ninety-second Report (15th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2011-12)".

2. The Ninety-second Report (15th Lok Sabha), which was presented to Lok Sabha/laid in Rajya Sabha on 06th February, 2014, contained 17 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. 1-17

Total: 17
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

3. The Ninety-second Report (15th Lok Sabha) dealt with cases of those Grants/Appropriations where money had been spent in excess of the amount authorized by the Parliament for specified services/ purposes during the year 2011-12. The Committee's examination of the four Appropriation Accounts of the Union Government relating to Civil, Defence Services, Postal Services and Railways for the financial year 2011-12 had revealed that a total excess expenditure of ₹ 8563.14 crore was incurred in 14 cases of 11 Grants/Appropriations operated by various Ministries/Departments during the year 2011-12 (as against ₹ 11046.93 crore during the last year i.e. 2010-11). The Committee was astonished to find that bulk of the excess expenditure had been recorded under two Grants i.e. Grant No. 21- Defence Pensions (₹ 3569.10 crore) operated by the Ministry of Defence and Appropriation No. 34 – Interest Payments (₹ 2947.58 crore) operated by the Ministry of Finance, which accounted for over 76.10 percent of the total excess expenditure incurred during the year under review. Other shortcomings as observed by the Committee during the course of examination of excess expenditure incurred during the year 2011-12 were excess expenditure despite having huge amount of Supplementary Grants, excess expenditure of more than 5% of the budgeted provision, recurring phenomenon of excess expenditure under several Grants/Appropriations and misclassification of excess expenditure under excess registering Grants/Appropriations operated by the Ministry of Railways etc. The Committee had, accordingly given their Observations/Recommendations in their 92nd Report (15th Lok Sabha). The gist of important Observations/Recommendations as contained in the Report are given as under :

- (i) The Ministry of Finance should impress upon all the Departmental Heads concerned to strictly observe the instructions issued under the financial rules so as to ensure that no expenditure is incurred in excess of the authorized limits.
- (ii) The Ministry of Finance should initiate a study of the best International Practices on the modalities for ensuring greater conformity of expenditure to the budgetary provisions. Based on other fiscal federal models the Finance Ministry should evolve modalities and a framework which will enable the sanctity of budgetary provisions ensuring the reach and superintendence of Parliament on appropriation outgoes.
- (iii) The Ministries / Departments should impress upon their budget controlling authorities to thoroughly examine the proposal for additional funds with due farsightedness and ensure proper review and scrutiny of the proposals for Supplementary demands

before presenting the same to Parliament so that additional provisions are commensurable with the actual requirement of funds.

- (iv) The Government should earnestly undertake case studies of the instances where expenditure had persistently exceeded the budgetary allocations during the last five years and streamline and strengthen the extant mechanism so as to tighten the financial and budgetary control to effectively check the unabated trend of excess expenditure.
- (v) The Ministry of Finance (Department of Expenditure), the coordinating Ministry should take suitable measures to ensure timely submission of explanatory notes in future. As a systemic check, the Ministry of Finance in consultation with the Comptroller and Auditor General of India should put in place a centralized computerized networking monitoring system to check the status of the preparation of Explanatory Note at every stage by various Ministries/Departments so that any delay on this count is avoided.
- (vi) The Ministry of Defence should take effective measures to precisely anticipate and assess the actual requirement of funds at various stages of budgeting process so as to bridge the gap between the budget provision and actual expenditure.
- (vii) The Ministry of Railways, should look into the recurrent lapses on incurring excess expenditure, with a view to fixing responsibility at the appropriate level.
- (viii) The Ministry of Railways should enquire into the reasons and circumstances for preparing such defective accounts, leading to misclassification of expenditure, identify the individual officers responsible for such mistakes as also the ambiguity in the rules/instructions leading to misclassification and initiate suitable prophylactic and punitive measures to ensure proper upkeep and maintenance of books of accounts so that the propensity for misclassifications / wrong booking of expenditure are detected in time and rectified accordingly.

4. The Action Taken Notes furnished by the Ministries/Departments concerned have been reproduced in the relevant chapters of this Report. The Committee will now deal with the Action Taken by the Government on some of their Observations/Recommendations made in the Ninety-second Report, which need reiteration or merit comments.

Status of definitive measures by various Ministries/Departments to contain unremitting excess expenditure

(Recommendation Para No. 1)

5. The Committee's examination of the four Appropriation Accounts of the Union Government relating to Civil, Defence Services, Postal Services and Railways for the financial year 2011-12 had revealed that a total excess expenditure of ₹ 8563.14 crore was incurred in 14 cases of 11 Grants/Appropriations operated by various Ministries/Departments during the year 2011-12 (as against ₹ 11046.93 crore during the last year i.e. 2010-11). The defaulting Ministries were Ministry of External Affairs (Grant No. 31); Ministry of Finance (Appropriation No. 34-Interest Payments); Ministry of Home Affairs (Grant No. 97-Chandigarh and Grant No. 100-Lakshadweep); Ministry of Defence [2 Grants i.e. Grant No. 21-Defence Pensions (Civil) and Grant No. 24-Defence Services-Air Force]; Ministry of Communications and Information Technology (Department of Posts (Grant No. 13-Postal Services) and Ministry of Railways (5 cases under 4 Grants/Appropriations i.e. Grant No. 12 - Miscellaneous Working Expenses, Grant No. 13-Working Expenses - Provident Fund, Pension and Other Retirement Benefits, Appropriation No. 3-Working Expenses-General Superintendence and Services and Appropriation No. 7-Working Expenses-Repairs & Maintenance of Plant and Equipment). The Committee further found that during the year 2011-12 while a marginal decline of excess expenditure was registered under the Grants operated by the Ministry of Defence and Ministry of Railways, it had shown an increasing trend with regard to Grants/Appropriations operated by the Civil Ministries / Departments and the Department of Posts. An analysis of the explanations given by the Ministries/Departments concerned had revealed that, as in the past, defective estimation of requirement of funds, absence of a continuous watch over the flow of expenditure, lack of timely review of financial requirements and failure to properly anticipate the requirement for additional funds continue to be the main reasons for excesses. The fact that the same causes for the excesses persist year after year is a pointer that the matter has not been accorded due import by the Ministries/Departments concerned. The Committee had, therefore, once again urged the Ministries/Departments to put in place a robust mechanism and embark upon definitive measures so as to ensure greater financial discipline and contain expenditure within the prescribed limits.

6. In this regard, the Ministry of Defence in their Action Taken Note have submitted as under :

"Out of total excess expenditure of ₹ 8563.14 crore in 14 cases of 11 Grants/Appropriations, an expenditure of ₹ 3569.10 crore only was incurred in excess under Grant No.-21, Defence Pensions during the year 2011-12.

The approved BE under Grant No.21-Defence Pensions for the FY 2011-12 was ₹ 34000 cr. and at RE 2011-12 stage, an amount of ₹ 37547 cr. was projected under the Grant as proposed by the user Department i.e. PCDA(P) Allahabad, however, the projected RE figures were not approved by Min of Finance. No Supplementary over and above BE 2011-12 under Revenue (Voted) portion was given and only a Supplementary of ₹0.29 lakh was provided in the Financial Year 2011-12. This led to an excess expenditure of ₹ 3569.10 crore over and above the approved budget during the financial year 2011-12, which is 10.50% of the total budget. In this regard, kind attention is drawn towards the fact that the actual expenditure incurred under the Grant was ₹37,569 crore which was very much in line with RE projection of ₹ 37547 crore submitted by the Ministry to MoF. However, this Ministry was not allotted funds by MoF as per the projections submitted and since the payment of pension to the Defence Pensioners is a committed expenditure and cannot be stopped for want of funds, hence, it resulted into excess expenditure.

As already highlighted above, the actual expenditure under Grant No.-21 Defence Pensions for FY 2011-12 was very much in line with projections, however, as a measure of control, the Ministry of Defence have been advising the budget estimating authorities of Defence Pensions to prepare their budget with utmost caution and accuracy while estimating requirement of funds and the budgetary projections be made after an accurate and realistic assessment of the requirements and visualization of the actual/anticipated expenditure. In this regard, instructions have been issued from time to time vide MoD(Fin) ID no. 2(6)/MO/2009-10/721 dt. 29.06.2010, MoD(Fin) ID No. 2(6)/MO/2010-11/911 dt. 11/7/2011, MoD(Fin) ID No. 2(6)/MO/2010/1617 dt. 9th Dec. 2011. The instructions issued by the Ministry of Finance, Department of Economic Affairs, for fiscal and expenditure management have also been circulated vide this Division ID No. (s) (i) MoD (Fin) ID no. 1(9)/Fin(MO)/2011-12/708 dated 07.06.2011 & (ii) ID no. 1(9)/Fin(MO)/2011-2012/933 dated 21.07.2011.

Subsequently, instructions have also been issued to PCDA(P) Allahabad and O/o the CGDA, New Delhi vide ID No. 2(6)/MO/2011 dt. 12/7/2012 for adopting e-governance model to utilize the information technology/tools so as to establish a centralized data base of Pensioners and networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in a particular year. O/o the CGDA vide their letter No. A/B// 0107/AA-DP/10-11 dt. 6/6/2012 have informed about various measures initiated to promote e-governance model and use of IT. The latest instructions have been issued vide MoD (Fin) ID No. 2(6)/MO/2013-14/656 dt. 30/09/2013.

Also, as per the directions of Min of Finance, an Internal Audit was conducted by O/o the CGDA to Review the existing arrangement of Reporting and Accounting of Defence Pensions, and a brief report was furnished vide letter No. A/B//9130-Study Report/2012, dated 11/5/2012 wherein various measures to improve the system were

suggested by O/o the CGDA. The report was forwarded to Min of Finance vide this Office ID No.2(8)/REBE/MO/2009/187 dt. 19/6/2012. In accordance with the recommendations contained in the report, following measures/actions have been taken :-

- The issue of incorrect or invalid PPO Nos. missing details in the scrolls have been taken up with banks specifically with SBI, the largest PDA.
- PCDA(P), Allahabad has been asked to take into account pending scrolls of the previous years while estimating budget for the next years.
- An exercise named 'Project Sangam' has been undertaken in order to create an up-to-date Pensions database in collaboration with PCDA(P), Allahabad and various pension disbursing agencies. Under the Project, about 23 lakh Pensioners have been enrolled under Defence Pensions and out of these details of about 15 lakhs pensioners have been computerized and the remaining 8 lakhs pensioners are in the process of computerization. Recently, it is informed by PCDA(P) Allahabad that the remaining 8 lakh pensioners are in the process of computerization. It is assessed that out of 8.00 lakh, about 4.5 lakh PPOs were issued manually before the year of computerization which began in the year 1988. For about 3.5 lakh PPOs the correct data from the banks is awaited for which the EDP centre of the user Department (i.e. O/o CGDA) is interacting with the concerned banks. At present 3.13 lakh cases are in hand with PCDA(P) Allahabad, out of which 2.87 lakh cases need to be data captured using physical copies of PPOs kept in the binders. Digitization of these manually issued PPOs is a laborious and time consuming task as the basic data need to be captured manually. Taking into consideration the pace of work, it is assessed by PCDA(P) Allahabad that the work may get completed by the end of September 2014.
- Apart from "Project Sangam", a new web based application for "Pension Accounting System" has also been developed, which is under trial running process. As per the latest development intimated by PCDA(P) Allahabad, it is mentioned that the user Department of Defence Pensions i.e. PCDA(P) Allahabad successfully processed e-scrolls, received from State Bank of India. The classification of pension expenditure and preparation of related PM have been done by using the automated system. Some of the banks are still not forwarding the e-scrolls in the correct format, with whom PCDA(P) Allahabad are interacting closely. By 2014, the user Department i.e. PCDA(P) Allahabad would be in a position to compile the e-scrolls using automated pension accounting system to the extent of about 72% of the total RBI amount. Further progress made in this aspect will be intimated to audit/PAC soon. The data received through e-scrolls will be used as an important input for budget preparation and projection of fund under Grant No.-21-Defence Pensions. The project once implemented will give a more accurate database for monitoring the pace of expenditure and will be very useful while predicting the future requirement of funds.

The Grant no. 21- Defence Pensions has now been covered under Cash Management System from FY 2013-14 in accordance with instructions issued by MoF vide OM no. F. 21(1)/PD/2005-Vol-II dated 30.07.2012. As per the aforesaid OM, this Ministry has to prepare and send Monthly Expenditure Plan (MEP) and Quarterly Expenditure Allocations (QEA) to the cash Management cell for better monitoring and compliance of the guidelines of the Ministry of Finance regarding the expenditure management.

The same instructions have been circulated in user department of Gr.No.-21 vide this division ID no. 2(6)/M/2012-13/702 dt 12.09.2012 and for strict compliance and necessary action. The Monthly expenditure plan and Quarterly Expenditure allocations of Grant no. 21 in prescribed format has been incorporated in Detailed Demands for Grants for FY 2013-14."

7. The Committee are deeply anguished to note that Grant No. 21 - Defence Pensions had been registering excess expenditure of more than ₹ 1000 crore for the past five years with the same contributory reasons, despite developing "Project Sangam", "Pension Accounting System" and covering the Grant under "Cash Management System". The Committee are of the view that the budgetary process of Ministry of Defence has inherent flaws which should be rectified at the earliest so that recurrence of excess expenditure under this Grant is obviated. The Committee are surprised to note that the instructions have been issued every year for fiscal and expenditure management without achieving any tangible results. It is, therefore, imperative that more robust and innovative measures are taken for strict enforcement and compliance so as to avoid the perennial problem of excess expenditure under this Grant. The Committee also desire that the Ministry of Defence should devise effective measures and make it incumbent upon Financial Advisers and the budget controlling authorities to ensure that no excess expenditure under this Grant takes place in future. In their Action Taken Note, the Ministry of Defence have also mentioned about creation of an up-to-date pension database for 23 lakh pensioners. Out of which the details of 8 lakhs pensioners was in process of computerization, pending details of 3.5 lakhs PPOs (Pension Payment Orders) awaited from the banks and 4.5 lakhs PPOs, manually issued, which needs to be computerized. The Ministry had set the deadline of September, 2014 for digitization of manually issued PPOs. The Committee would like to be apprised of the status of the completion of task and pending work, if any, along with reason thereof. Further, another application viz. 'Pension Accounting System' has been developed by the Ministry and is stated to be under trial running process. The Committee are perturbed to note that in their explanatory note to the excess expenditure incurred under this Grant during the year 2012-13, the Ministry had submitted the same reply that the "Pension Accounting system" is under trial run. The Committee, therefore, desire to be apprised about the reasons for inordinate delay in completion of the trials and target dates for its completion.

8. In this regard, the Ministry of External Affairs in their Action Taken Note, submitted as under :

"The Ministry scrupulously follows all the instructions issued by the Ministry of Finance for ensuring that expenditure remains within the grant. The Ministry of External Affairs also undertakes periodic review of expenditure, wherein all the Division Heads explain the fast/slow pace of expenditure in each quarter. Further, the Ministry always scrupulously follows all the instructions of Ministry of Finance issued from time to time such as 33% expenditure ceiling in the last quarter, 15% expenditure ceiling in the month of March etc., which are also circulated to all concerned to be followed conscientiously.

In view of the mandate of the Ministry, the funds requirements have been registering an increase year after year but the allocations of funds particularly on Non-Plan side, have not kept pace. Therefore, Heads of Divisions are advised, during the quarterly expenditure review meetings, to contain expenditure strictly within the allocations. During 2011-12, the excess expenditure was incurred under the Capital Outlay on Public Works/Housing heads, which involved execution of numerous purchase/construction/renovation projects in India/abroad. In those projects involving payment of foreign currency, vagaries of exchange rate also created uncertainty in estimating the final expenditure.

Nevertheless, it is acknowledged that these challenges are no justification for incurring expenditure in excess of allocation. The proposed upgradation of the Indian Mission Accounting Software (IMAS) is expected to facilitate sharing of expenditure details in real time, which will greatly reduce recurrences of such excess expenditure. This process is estimated to take about 12-18 months."

9. The Committee note that the Ministry of External Affairs in their reply have mentioned about upgradation of the Indian Mission Accounting Software (IMAS) in about 12 to 18 months which is expected to facilitate sharing of expenditure details in real time and reduce the recurrence of excess expenditure. The Committee would like to be apprised of the details of the substantive progress made in this regard along with elaboration on how and to what extent the same will curtail overshooting of expenditure.

Excess expenditure of more than five percent over the budgeted provision

(Recommendation Para No. 4)

10. The Committee found that the percentage of excess expenditure over the total Grant ranged between 0.03 percent (Grant No. 13- Postal Services) and 894.82 percent (Appropriation No. 03-Working Expenses - General Superintendence and Services). In six cases the percentage was more than five per cent over the original Grants/Appropriations viz.

894.82 percent in Appropriation No. 3-Working Expenses-General Superintendence and Services; 52.86% in Revenue-charged section of the Grant No. 21-Defence Pensions; 21.53 percent in Grant No. 97-Chandigarh; 10.50 % in respect of Grant No. 21-Defence Pensions in Revenue-Voted section; 6.98 percent in Appropriation No. 13-Working Expenses-Provident Fund, Pension and other Retirement Benefits and 6.77 percent in Grant No. 12-Miscellaneous Working Expenses. Expressing serious displeasure over persistent excess expenditure despite obtaining Supplementary Grants/Appropriations, the Committee, had exhorted the Ministries/Departments to be more careful both in estimation and in spending so as to bridge the variation between the allocations approved and the expenditure incurred.

The Committee had also desired the Ministry of Finance to initiate a study of the best International Practices on the modalities for ensuring greater conformity of expenditure to the budgetary provisions. The Supplementary budget should normally be for unexpected items of expenditure or schemes taken up for compelling public interest. Based on other fiscal federal models, the Committee had recommended that the Finance Ministry should evolve modalities and a framework which will enable the sanctity of budgetary provisions ensuring the reach and superintendence of Parliament on appropriation outgoes.

11. In this regard, the Ministry of Finance (Department of Economic Affairs) in their Action Taken Notes, submitted as under:

"The General Financial Rules (GFRs) 2005, do put the onus on Controlling Officers in respect of Budget allocation to ensure that the expenditure does not exceed the budget allocation. It also casts the responsibility for control of expenditure against budget on the Departments of the Central Government through their Heads of Departments and other Controlling Officers, if any, and Disbursing Officers subordinate to them. Rule 55 of the GFR also states, *inter alia*, that the authority administering a Grant/Appropriation is ultimately responsible for the control of expenditure against the Grant/Appropriation. Secretary of a Ministry/Department, who, as the Chief Accounting Authority of that Ministry/Department has certain duties and responsibilities vested upon them.

2. Ministry of Finance (Budget Division) as a nodal Ministry has taken several steps to ensure that such incidence of in-appropriate re-appropriation does not recur. The same is brought out as follows :

- (a) Ministry of Finance (Budget Division) vide letter No. F.7(7)-S(SD)/2013 dated 7.1.2014 has once again reiterated that it is incumbent upon the Secretaries of Ministry/Department as Chief Accounting Authority of their respective Ministry/Department, to ensure that constitutional and financial provision are strictly observed. Further they have been directed that these rules are rigidly followed.

- (b) All the Ministries/Departments are regularly advised to consider taking the following immediate remedial measures with a view to minimize/eliminate the incidence of such irregularities in the judicious management of budgetary provisions and to ensure that expenditure is within the original/supplementary appropriation or valid re-appropriation as the case may be. All the Ministries/Departments have been suggested to take following steps :-
- (i) Preparation and circulation of Monthly Financial Review Analysis to the Administrative Heads for monitoring the progress of expenditure, and also to enable them to take remedial action wherever required;
 - (ii) Convening regular internal meetings with all spending units for effective expenditure control;
 - (iii) Ensuring realistic projection of Budget Estimates/Supplementary Estimates and also ensuring that expenditure incurred is within the Budget as envisaged in General Financial Rules, 2005 so that there is no occasion for incurring excess expenditure;
 - (iv) Putting in place/reviewing/strengthening systems for monthly monitoring of the flow/trends of expenditure so as to avoid recurrence of excess expenditure.
- (c) Office of CGA has developed software for recording the expenditure and availability budgetary provisions are done concurrently to avoid overshooting of Budgetary provisions upto the Object Head level.
- (d) A new initiative has been taken up by this Department which envisages development of software to process Re-appropriation proposals, for approval of Competent Authority. Necessary checks with respect to rules are being built in the proposed software, so that re-appropriation is correctly done. The necessary software is in the conceptual stage and shall be implemented in due course.
- (e) As per Rule 60 of the GFR, 2005, if savings are not available within the Grant to which the payment is required to be debited, or if the expenditure is on "New Service" or "New Instrument of Service" not provided in the budget, necessary Supplementary Grant or Appropriation in accordance with Article 115(1) of the Constitution should be obtained before payment is authorized. The necessity for obtaining Supplementary Grants approved by Parliament is therefore envisaged in the Constitution of India also, given the vast/complex nature of Public Expenditure. Also, Budget for the ensuing financial year is formulated in advance, the process of which is initiated from the month of October of previous year. Therefore flexibility to inter change budgetary provisions within the Revenue/Capital/Voted/Charged Section of the Grants, besides expenditure on New Service/New Instrument of Service should be made available, as enshrined in the Constitution of India.

- (f) Ministry of Finance shall continue to discharge its function in overseeing that the expenditure incurred by various Ministries/Departments remain within the Budgetary provisions and would also ensure that the excess expenditure is brought to minimum, if not avoided."

12. Taking into consideration the large scale excess expenditure incurred by the Ministries/Departments concerned during the year 2011-12 despite obtaining the Supplementary Grants on three occasions in a financial year, the Committee in their earlier Report had desired the Ministry of Finance to initiate a study of the best International Practices on the modalities for ensuring greater conformity of expenditure to the budgetary provisions. The Committee are inclined to conclude that no corrective measures in accordance with the Committee's recommendation have been taken by the Ministry of Finance. The Committee are also constrained to point out that instead of taking the action as desired by them, the Ministry of Finance have furnished routine replies. The Ministry of Finance have once again submitted similar replies and reiterated that it is incumbent upon the Secretaries of Ministry/Department as Chief Accounting Authority of their respective Ministry/Department, to ensure that constitutional and financial provision are strictly observed. Further, it has been contended that the GFR, 2005, do put the onus on controlling officers to strictly follow the principles of budget allocation. All the Ministries/Departments have also been suggested to take several measures to contain the excess expenditure. If these measures are adequate enough to eliminate the excess expenditure altogether, the Committee find it difficult to comprehend as to why the large amount of excess expenditure continue to recur year after year. While appreciating the Ministry's suggestion for flexibility to inter change budgetary allocation the Committee feel that the same should be resorted to in extreme cases with adequate justification, in each case. The Committee, therefore, while reiterating their earlier recommendation, to initiate a study of the best international practices to contain the expenditure under the budgetary provisions now desire that the Ministry of Finance should also devise some effective and stringent measures including penal measures against the responsible Financial Advisors and the budget controlling authorities in all the Ministries/Departments to overcome the recurring phenomenon of excess expenditure in future. Examination of the excess expenditure incurred during the last five years may also be conducted by the Ministry of Finance.

Persistent excess expenditure incurred by Ministry of Railways

(Recommendation Para No. 6)

13. The Committee found that the incurring of excess expenditure was a recurring phenomenon in all the sectors of the economy viz. Civil, Defence Services, Postal Services and Railways. The scrutiny of excess expenditure incurred by various Ministries/Departments during the last ten years revealed that in all the sectors the excess expenditure which was reduced to a considerable extent during the year 2007-08 had again showed an upward trend during the years 2008-09 to 2010-11. However, during the year under review, i.e. 2011-12, while the excess expenditure under Civil and Postal services had increased, it had shown a downward trend in case of Defence Services and Railways. Similarly, overall excess expenditure had also been reduced from ₹11046.93 crore in 22 Grants/ Appropriations during 2010-11 to ₹8563.14 crore in 11 Grants/Appropriations in the fiscal 2011-12. Further, from the scrutiny of excess registering Grants/Appropriations for the last five years period i.e. from 2007-08 to 2011-12 the Committee found that in 12 Grants/Appropriations (Grant No. 21- Defence Pensions, Grant No. 13-Postal Services, Grant No. 22-Defence Services- Army and Grants/Appropriations No. 3,4,5,6,8,12,13,15 and 16 operated by the Ministry of Railways, persistent excesses occurred in at least three years out of the five years. It had further been observed that the Ministry of Defence under Revenue-Voted Section of Grant No. 21- Defence Pensions, had incurred excess expenditure recurringly for the last four years i.e. from 2008-09 to 2011-12. Out of this, excess expenditure for the years 2009-10 to 2011-12 was more than ₹1000 crore (₹8999.54 crore in 2009-10, ₹3336.31 crore in 2010-11 and ₹3568.81 crore in 2011-12). Similarly, the Department of Posts under Revenue Voted Section of Grant No.-13 had incurred excess expenditure of more than ₹300 crore recurring for the last three years i.e. from 2009-10 to 2011-12 (₹ 818.13 crore in 2009-10, ₹366.63 crore in 2010-11 and ₹400.04 crore in 2011-12). Further, in case of Grants/Appropriations operated by the Ministry of Railways the Committee observed that out of 16 Grants/Appropriations nine Grants/Appropriations had witnessed excess expenditure consecutively for a period of three years or more. While observing that adequate and serious attention was not being paid by the Ministries/Departments concerned in the implementation of an effective mechanism to curb the phenomenon, the Committee recommended that the Government should earnestly undertake case studies of the

last five years and streamline and strengthen the extant mechanism so as to tighten the financial and budgetary control to effectively check the unabated trend of excess expenditure.

14. In this regard, the Ministry of Railway in their Action Taken Note, submitted as under :

"The para brings out the Grant-wise factual position of excess expenditure incurred by various central ministries including the Railways. The Committee have expressed displeasure on the persistent excess in certain grants in the last 5 years. In this regard, it is submitted that the instance of persistent excess on Railways has come down drastically in 2011-12. Further, the instance of excess expenditure on Railways both in term of number of instances and total amount involved have registered noticeable decline in 2011-12. However, it may be mentioned that the excess incurred under Grant No. 12 & 13 is mainly due to adjustment of more compensation debits, more number of compensation claims, more expenditure towards private caterers and clearance of outstanding bills of IRCTC, clearance of heavy outstanding liabilities and more materialization of claims and adjustment of debits under MAR(other), more debits from various pension disbursing authorities on account of implementation of MACP and increase of DA, finalization of more DCRG cases and more contribution for newly defined contributory pension scheme. The concern of the Committee is noted nonetheless."

15. During the course of vetting of above-said Action Taken Notes, the Audit have made the following observation:-

"The PAC has desired to undertake case studies of the instances where expenditure had persistently exceeded the budgetary allocations during the last five years and streamline/strengthen extent mechanism to control effectively the trend of excess expenditure. Ministry of Railways is requested to intimate whether any such case study undertaken as suggested by the PAC."

16. The comments of the Ministry on the aforesaid Audit observation are as follows:-

"Yes. As per the study undertaken, persistent excess during the five years (with 2011-12 being the last year) has occurred only in cases of Grant No. 12 and 13 during the period from 2009-10 to 2011-12 and Charged Appropriation No.3 during 2008-09 to 2011-12 and No.7 during 2010-11 & 2011-12.

In this regard, it is submitted that the instance of persistent excess expenditure on Railways, both in terms of number of instances and total amount involved, have registered noticeable decline in 2011-12. However, it may be mentioned that the excess incurred under Grant No. 12 & 13 is mainly due to adjustment of more compensation debits, more number of compensation claims, more expenditure towards private caterers and clearance of outstanding bills of IRCTC, clearance of

heavy outstanding liabilities and more materialization of claims and adjustments of debits under MAR(other), more debits from various pension disbursing authorities on account of implementation of MACP and increase of DA, finalization of more DCRG cases and more contribution for newly defined contributory pension scheme. A letter has been sent to the Zonal Railways to take immediate action as desired by the Committee to curb the instances of excess expenditure."

17. While not accepting the above-said reply of the Ministry the Audit have made further comments which are given as under :

"The persistent excess during the last five years indicates the ineffective control over the expenditure by the spending units and failure in maintaining financial discipline by the Zonal Railways. Practice of incurring of expenditure excess to the budget provision/allocation needs to be strictly avoided."

18. Final comment of the Ministry on the above-said Audit observations are as follows :-

"The Audit's observation is noted for strengthening the existing mechanism and control. A letter to the Zonal Railways has already been sent in this regard."

19. The Committee note that in pursuance of their recommendation the Ministry of Railways has undertaken case study of the instances where expenditure had persistently exceeded the budgetary allocations during the last five years. As per the study persistent excess during the five years (with 2011-12 being the last year) has occurred only in cases of Grant No. 12 and 13 during the period from 2009-10 to 2011-12 and Charged Appropriation No.3 during 2008-09 to 2011-12 and No.7 during 2010-11 & 2011-12. However, it seems that the Ministry have not taken any steps to streamline and strengthen the existing mechanism to control the trend of excess expenditure except issuing a routine letter as in the past to the Zonal Railways. Keeping in view the persisting trend of excess expenditure in the Grants/Appropriations operated by the Ministry of Railways during the years 2012-13 and 2013-14 also, the Committee feel that extant system of monitoring of expenditure in the Ministry is awfully deficient and there is a utter failure on the part of the Zonal Railways in maintaining financial discipline. While reiterating their earlier recommendation, the Committee strongly desire that the Ministry should initiate some concrete measures to revamp their existing monitoring mechanism to avoid excess expenditure in future.

Delay in Submission of Explanatory Notes

(Recommendation Para No. 8)

20. The Ministries/Departments are required to submit to the Committee Explanatory Notes in respect of the excess registering Grants / Appropriations immediately after the presentation of relevant Appropriation Accounts to the House. The Committee found that the Explanatory Notes in respect of excess registering Grants/Appropriations pertaining to Civil Ministries/Departments were due for submission to the Committee on or before 13th August 2013, but the same were received with a delay ranging from 10 days to more than two months. The Ministry of External Affairs and Defence had furnished their Explanatory Notes after a delay of 10 days, and 21 days respectively, while the Ministry of Home Affairs submitted their Explanatory Note pertaining to Grant No. 97-Chandigarh and Grant No.100-Lakshadweep after a delay of more than two months. While taking a serious view of such delays on the part of the Ministries/Departments concerned in furnishing the Explanatory Notes, the Committee had desired the Ministry of Finance (Department of Expenditure), the coordinating Ministry, to look into the matter and take suitable measures to ensure timely submission of explanatory notes in future. As a systemic check, the Ministry of Finance in consultation with the Comptroller and Auditor General of India should put in place a centralized computerized networking monitoring system to check the status of the preparation of Explanatory Note at every stage by various Ministries/Departments so that any delay on this count is avoided.

21. In this regard, the Ministry of Finance, Department of Expenditure, in their reply have stated as under :

"Department of Expenditure has issued instructions to all the Ministries/Departments to ensure timely submission of Explanatory Notes to the PAC.

The Ministry have also requested the Comptroller and Auditor General, as suggested by PAC, to provide necessary advice in developing a module/solution to monitor submission of Explanatory Notes of the Ministries/Department.

The PAC would be informed as soon as the module is developed and incorporated in APMS portal."

22. The Committee are pleased to note that the Ministry of Finance (Department of Expenditure) in consultation with the Comptroller & Auditor General have initiated the process of development of a mechanism/module to monitor the submission of explanatory notes on excess expenditure by various Ministries/Departments. However, the M.O.F. of the Ministry is silent about the time period by when the said module would be developed and made operational. Keeping in view the fact that the delay in submission of explanatory notes to PAC thwarts the process of finalization of Report on excess over Voted Grants and Charged Appropriations which ultimately results into delay in regularization of excess expenditure for that year, the Committee would like the Ministry of Finance (Department of Expenditure) to take up the process of development of this module in right earnest and incorporate it in the APMS portal on urgent basis.

NEW DELHI;
09 December, 2015
18 Agrahayana, 1937 (Saka)

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Public Accounts Committee