

## **EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2014-15)**

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their 68<sup>th</sup> Report (16<sup>th</sup> Lok Sabha)]

### **PUBLIC ACCOUNTS COMMITTEE (2018-19)**

### **ONE HUNDRED AND SEVENTEENTH REPORT**

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### **SIXTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

# **ONE HUNDRED AND SEVENTEENTH REPORT**

## **PUBLIC ACCOUNTS COMMITTEE (2018-19)**

(SIXTEENTH LOK SABHA)

### ***EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2014-15)***

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their 68<sup>th</sup> Report (16<sup>th</sup> Lok Sabha)]



*Presented to Lok Sabha on:* 14.12.2018

*Laid in Rajya Sabha on:* 14.12.2018

**LOK SABHA SECRETARIAT  
NEW DELHI**

December, 2018 /Agrahayana, 1940 (Saka)

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## **APPENDICES\***

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

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE**  
**(2018-19)**

**Shri Mallikarjun Kharge - Chairperson**

**MEMBERS**

**LOK SABHA**

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

**RAJYA SABHA**

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

**SECRETARIAT**

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

## INTRODUCTION

I, the Chairperson, Public Accounts Committee (2018-19), having been authorised by the Committee, do present this One Hundred and Seventeenth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Sixty-eighth Report (Sixteenth Lok Sabha) on '**Excess Over Voted Grants and Charged Appropriations (2014-15)**' relating to various Ministries/Departments.

2. The Sixty-eighth Report was presented to Lok Sabha/laid in Rajya Sabha on 31<sup>st</sup> July, 2017. 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 5<sup>th</sup> December, 2018. 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 Sixty-eighth Report (Sixteenth Lok Sabha) is given at *Appendix-II*.

NEW DELHI;  
12<sup>th</sup> December, 2018  
21 Agrahayana, 1940 (Saka)

MALLIKARJUN KHARGE  
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 Sixty-eighth Report (16<sup>th</sup> Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2014-15)".

2. The Sixty-eighth Report (16<sup>th</sup> Lok Sabha), which was presented to Lok Sabha/laid in Rajya Sabha on 31<sup>st</sup> March, 2017, contained 15 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. 1-15***

**Total: 15  
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. While observing that the various Civil Ministries/Departments, Ministry of Defence and the Ministry of Railways have been incurring excess expenditure year, after year, the Committee had made the following observations/Recommendations:

- a) Ministry of Finance make it incumbent upon the Financial Advisers and Budget Controlling Authorities to monitor the pace of expenditure and to invoke the provision of supplementary demands judiciously to ensure observance of strict fiscal discipline in order to avoid recurrence of excess expenditure in future.
- b) Ministry/Department concerned to constitute Expert Groups in each and every Ministry and furnish Report thereof to the Committee indicating the reasons for such a high excess expenditure and suggestions to obviate the same in future.
- c) Ministry of Finance (Department of Economic Affairs) should establish a suitable mechanism at their own level and issue instructions to all Ministries/ Departments so that stricter exchequer control could be exercised by them.
- d) Ministries/Departments concerned should probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of obtaining supplementary Grants more realistic and budget controlling officers be made responsible for this act of omission.
- e) Ministry of Finance (Department of Economic Affairs) to give serious attention to this aspect and evolve an effective mechanism in coordination with budget cell of all the Ministries/Departments, C&AG of India and CGA in the Ministry of Finance (Department of Expenditure) to restrict the use of Supplementary Demands only to rare and emergent cases.
- f) A high-level Committee be constituted consisting the budget controlling authorities of Ministry of Defence, Ministry of Finance (Department of Economic Affairs) as well as the officers from the CGA (Department of Expenditure) to identify loopholes in the budgeting procedures of the Ministry of Defence and to obviate the same in order to avoid the recurring phenomenon of excess expenditure under the Grants operated by them.
- g) Ministry of Railway should look into the matter and take some stringent measures apart from the above to tighten their budgetary control so as to leave little scope for excess expenditure being incurred under various Grants/Appropriations operated by them.

4. The Action Taken Notes furnished by the Ministries/Departments concerned to each of the Observation/Recommendation of the Committee contained in their Sixty-eighth Report (16<sup>th</sup> Lok Sabha) 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 which either need reiteration or merit comments.

**A. Excess expenditure incurred despite obtaining supplementary Grants**

**(Recommendation Para No. 4)**

5. While observing that out of 13 cases of excess registering Grants/Appropriations, the excess expenditure had been incurred even after obtaining Supplementary Grants in as many as 10 cases, the Committee in their 68<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) had recommended that the Ministries/Departments concerned should probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of obtaining Supplementary Grants more realistic and budget controlling officers be made responsible for this act of omission. The Committee would also like the Ministry of Finance (Department of Economic Affairs) to give serious attention to this aspect and evolve an effective mechanism in coordination with budget cell of all the Ministries/Departments, C&AG of India and CGA in the Ministry of Finance (Department of Expenditure) to restrict the use of Supplementary Demands only to rare and emergent cases.

6. In their Action Taken Note to the aforesaid recommendation, the Ministry of Finance (Department of Economic Affairs) submitted as follows:

"Although use of Supplementary Demands must only be for rare and emergent cases and that's why this Department issues instructions while seeking supplementary proposals from Ministries/Departments clearly advising to submit supplementary proposals only in respect of under mentioned cases;-

- a) Cases where advances from the Contingency Fund of India have been granted, which are required to be recouped to the Fund;
- b) Payments against Court decrees, which cannot be postponed;
- c) Additional funds immediately required which can be met by re-appropriation of savings in the grant but require prior approval of Parliament under the New Service/New Instrument of Service Rules;
- d) Cases where Ministry of Finance has specifically advised to propose Supplementary Demand;
- e) In cases where savings are available within the Grant to meet any excess requirement but the savings cannot be re-appropriated under existing rules e.g. from the Revenue Section to the Capital Section and vice versa or from 'Voted expenditure' to 'Charged expenditure' and vice versa.
- f) In cases where the approved Revised Estimates would result in excess over the sanctioned provision in the Grant (In cases where RE of the Ministry is increased);
- g) Cases where excess expenditure has been allowed by MoF as per Appendix 10 below Rule No. 61 and 69 of GFRs, 2017.

However, it may be appreciated that the Supplementary Demands are also very useful stage for review of spendings by the Ministries and effective and efficient use of budgetary resources.



It is further mentioned that this Deptt has also requested National Institute of Financial Management (NIFM), Faridabad to conduct a study and document the fact/trend of excess expenditures in Government of India for the period since 2000-01, including Ministry/Department-wise; Analyse major cases of public excess expenditure (exceeding ₹ 100 crore) over this period, including ascertaining reasons for such excess expenditure and whether such excess expenditure could have avoided. It has also been requested to conduct a table study of five (5) major 'federal countries' in the world and bring out the trends/facts of excess expenditure of these countries at federal level and to document the system of how excess expenditure are dealt with in these countries. It has been expected from NIFM to propose an informed system of budgeting and controlling excess expenditure based on analysis of Indian experience and global best practices.

**7. The Committee appreciate the steps taken by the Ministry of Finance (Department of Economic Affairs) to obviate the excess expenditure in Government of India in future. However, the Action Taken Notes are silent about the period and date as to when the Department of Economic Affairs requested the National Institute of Financial Management (NIFM) Faridabad to conduct the aforesaid study to suggest for an informed system of budgeting and controlling excess expenditure based on analysis of Indian experience and best practices in the world. The Committee, therefore, desire the Ministry of Finance (Department of Economic Affairs) to furnish the results of the said study, the recommendations made therein by the NIFM and the steps taken by the Ministry thereon as soon as the report is submitted. The Committee would also desire to be apprised of the table study report of five major federal countries, when completed, and the system formulated by the Ministry after analysing the trend of excess expenditure in these countries and as to how these countries dealt with such a malaise. The Committee would like to be informed of such details within three months of the presentation of this Report to Parliament.**

**B. Recurring excess expenditure incurred by the Ministry of Defence  
(Recommendation Para No. 6)**

8. While observing incurring of excess expenditure recurringly for the past five years by the Ministry of Defence, the Committee in Para 6 of 68<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) had expected the Ministry to constitute a high-level Committee consisting the budget controlling authorities of Ministry of Defence, Ministry of Finance (Department of Economic Affairs) as well as the officers from the CGA (Department of Expenditure) to identify loopholes in the budgeting procedures of the Ministry of Defence and to obviate the same in order to avoid the recurring phenomenon of excess expenditure under the Grants operated by them.

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

"A high level Committee with AS&FA (Acquisition) as Chairperson and representative from Army, Navy, Air Force, IDS, DGAfMS & representatives from Department of Economic Affairs and Controller General of Accounts has been set up."

10. **The Committee note that in pursuance of their recommendation the Ministry of Defence have constituted a high level Committee to identify the loopholes in the budgeting procedures of the Ministry of Defence. However, the Action Taken Notes have not informed about the date of constitution of such Committee, loopholes identified by them in the budgeting procedures and the action taken thereon by the Ministry of Defence. The Committee desire to be apprised of such details and the steps initiated to avoid the recurring phenomenon of excess expenditure under the Grants operated by the Ministry of Defence.**

**Excess Expenditure incurred by the Ministry of Railways**  
**(Recommendation Para No. 1)**

11. The Committee in Para 1 of their 68<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) had impressed upon the Ministries/Departments to constitute an Expert Group in each and every Ministry for investigating the reasons for such a high excess expenditure and suggestions to obviate the same in future.

12. In response thereto, the Ministry of Railways in their Action Taken Note have submitted as under:

"Pursuant to Committee's recommendation, an Expert Group to study persistent trend of excess expenditure with a view to find out reasons for the same and evolve a mechanism to curb instances of excess expenditure has been constituted vide Order No. ERB-I/2016/23/37 dated 20.07.2016. The report of the same was submitted to the Audit vide letter No. 2016/BC/XVI/36 dated 01.02.2017."

13. **The Committee note that in pursuance of their recommendation, the Ministry of Railways have constituted an Expert Group to study persisting trend of excess expenditure incurred by the Ministry. The Committee observe that the Expert Group made certain recommendations for controlling the excess expenditure by the Ministry of Railways such as accurate budget estimation is the key in avoiding excess expenditure; real time access to relevant information and trend of booking can contribute significantly in this direction; Ministry of Railways should sensitize the executives and DDOS to respect the Budget allotment; the concerned executive should check the incurrence of liability and refuse the payments unless they are**

backed by the Budget availability; in case of urgent expenditure, the matter should be brought before the competent authority including the Board; Passing of bills needs to be linked to budget provision; Budget for charged Appropriations should be asked for in full details, FA & CAOs alongwith PHODs should have the complete list of the ongoing cases likely dates of their decree and the amount involved in each of the case; Passing of bills needs to be linked to budget provision etc. The Committee are optimistic that the aforesaid recommendations of the Expert Group would be implemented by the Ministry of Railways in letter and spirit which would go a long way in controlling the incurring of excess expenditure in future. The Committee would, therefore, like to be apprised of the action taken by the Ministry on the recommendations made by the Expert Group and outcome thereof in preventing the excess expenditure.

NEW DELHI;  
12<sup>th</sup> December, 2018  
21 Agrahayana, 1940 (*Saka*)

MALLIKARJUN KHARGE  
Chairperson,  
Public Accounts Committee

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**APPENDIX-II**  
(Vide Paragraph 5 of Introduction)

**ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE  
OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE  
CONTAINED IN THEIR SIXTY-EIGHTH REPORT (SIXTEENTH LOK SABHA)**

(i)	Total number of Observations/Recommendations	15
(ii)	Observations/Recommendations of the Committee which have been accepted by the Government: Para Nos. 1 to 15	Total : 15 Percentage: 100%
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government:  Para Nos. -Nil	Total : 0 Percentage: 0
(iv)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:  Para Nos. -Nil	Total : 0 Percentage: 0
(v)	Observations/Recommendations in respect of which the Government have furnished interim replies:  Para Nos. -Nil	Total : 0 Percentage: 0