EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2017-18)

PUBLIC ACCOUNTS COMMITTEE
(2020-21)

TWENTY FOURTH REPORT

SEVENTEENTH LOK SABHA

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

PAC No.2232

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Presented to Lok Sabha on: ....

Laid in Rajya Sabha on: ....

LOK SABHA SECRETARIAT
NEW DELHI
February 2021/ Magha 1942 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2020-21)

Shri Adhir Ranjan Chowdhury - Chairperson

MEMBERS

LOK SABHA

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

RAJYA SABHA

16. Shri Rajeev Chandrasekhar
17. Shri Naresh Gujral
18. Shri C. M. Ramesh
19. Shri Sukhendu Sekhar Ray
20. Shri Bhupender Yadav
21. Vacant
22. Vacant

SECRETARIAT

1. Shri T. G. Chandrasekhar - Joint Secretary
2. Shri. M.L.K. Raja - Director
3. Smt. Anju Kukreja - Deputy Secretary
4. Shri Ashikho Alemo - Assistant Executive Officer

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2020-21), having been authorised by the Committee, do present on their behalf this Twenty-fourth Report (Seventeenth Lok Sabha) on **"Excesses over Voted Grants and Charged Appropriations (2017-18)"**.

2. The Union Government Appropriation Accounts (Civil) 2017-18 were laid on the Table of the House on 8th August, 2019; the Union Government Appropriation Accounts (Postal Services) 2017-18 were laid on the Table of the House on 8th August, 2019; and the Union Government Appropriation Accounts of the Defence Services 2017-18 were laid on the Table of the House on 12th February, 2019. The Indian Railways Appropriation Accounts Part-I — Review, 2017-18; the Indian Railways Appropriation Accounts Part-II — Detailed Appropriation Accounts, 2017-18; and the Indian Railways Appropriation Accounts Part-II — Detailed Appropriation Accounts (Annexure-G), 2017-18 were laid on the Table of the House on 13th March, 2019.

3. The Committee examined the cases of excess expenditure incurred by the Ministries of Finance (Department of Expenditure and Department of Economic Affairs) and Defence of the Union Government in the 2017-18 fiscal on the basis of the Appropriation Accounts; observations of Audit as contained in the relevant Reports of the Comptroller & Auditor General of India; and the Explanatory Notes/Advance Information furnished by the Ministries/Departments concerned. The Committee considered and finalised this Report at their Sitting held on 4th February, 2021. Minutes of the Sitting are given at Appendix-I to the Report.

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

5. The Committee would like to express their thanks to the representatives of the Ministries of Finance (Department of Expenditure and Department of Economic Affairs) and Defence for the cooperation extended by them in furnishing the requisite information to the Committee.

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

NEW DELHI;
February,2021
Magha, 1942 (*Saka*)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee.

REPORT

PART-I

A. INTRODUCTORY

(a) Annual Appropriation Accounts of the Union Government

Appropriation Accounts are annual statements detailing Grant/Appropriation-wise sums spent by the Government in a financial year compared with the several sums specified in the schedule appended to the Appropriation Acts passed under Articles 114 and 115 of the Constitution of India and also indicate unspent provisions/excess expenditure under each Voted Grant and Charged Appropriation as a whole during that financial year.

2. Presently, four Appropriation Accounts are presented to Parliament viz. Civil, Defence Services, Postal Services and Railways. The Appropriation Accounts in respect of Grants/Appropriations* covered under the Civil Sector are prepared by the Controller General of Accounts (CGA) in the Ministry of Finance. The Non-Civil Ministries/Departments like Defence, Posts and Railways prepare their own annual Appropriation Accounts. These Appropriation Accounts are audited and certified by the Comptroller and Auditor General (C&AG) of India who also submits separate Audit Reports thereon to the President who, in turn, causes them to be laid before each House of Parliament in terms of Article 151 of the Constitution of India.

3. After their presentation to Parliament, these annual Appropriation Accounts and Audit Reports thereon stand referred to the Public Accounts Committee for examination under the provisions of Rule 308† of Rules of Procedure and Conduct of Business in Lok Sabha.

4. In scrutinizing the Appropriation Accounts of the Government of India and the Reports of the Comptroller and Auditor General of India thereon, it is the duty of the Committee to satisfy themselves: -

(a) that the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged;

(b) that the expenditure conforms to the authority which governs it; and

(c) that every re-appropriation has been made in accordance with the provisions made in this behalf under Rules framed by the competent authority.

5. If any money has been spent on any service during a financial year in excess of the amount granted by Parliament for that purpose, the Committee examine, with reference to the facts of each case, the circumstances leading to the excesses and make such recommendations as they may deem fit.

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* *In a Demand for Grants, provision for voted expenditure is called a Grant and for charged expenditure it is called an Appropriation.*

† This Rule defines the functions of the Public Accounts Committee.

(b) Rules/Provisions for controlling excess expenditure

6. The following Constitutional Provisions and Rules are laid down for control of excess expenditure by the Government:

(i) Article 114 (3) of the Constitution provides that subject to the provisions of Articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article.

(ii) Further, Rule 52 (3) of the General Financial Rules (GFR), 2005 stipulates that no disbursements be made which might have the effect of exceeding the total Grant or Appropriation authorised by Parliament for a financial year except after obtaining a Supplementary Grant or an advance from the Contingency Fund.

(iii) Article 115(1) (b) of the Constitution stipulates that if any money had been spent on any service during a financial year in excess of the amount granted for that service and for that year, the President should cause to be presented to the House of People a demand for such excess.

(iv) Indian Railway Financial Code, Volume-I also addresses the issue of excesses over Grants in so far as Railway finances are concerned. According to paragraph 371 of this code, the Railway administration shall be responsible to ensure that no expenditure is incurred in excess of the Budget allotments made to them. Similar provisions also exist under paragraphs 782 and 783 of Postal Manual, Volume II (Fourth Revised Edition) which, *inter-alia* prescribe that control in relation to budget allotments must secure that expenditure is not incurred under any head in excess of the funds allotted to that head.

(c) Procedure for regularization of excess expenditure

7. According to the procedure laid down for regularization of the excess expenditure, the Ministries/Departments of the Government of India are required to furnish to the Public Accounts Committee, Explanatory Notes detailing the reasons for or the circumstances leading to the excesses under each excess registering Grant/ Appropriation along with the relevant Appropriation Accounts. Thereafter, the Public Accounts Committee proceed to examine, in the light of the Explanatory Notes furnished by the Ministries/Departments concerned, the circumstances leading to such excesses and present a Report thereon to Parliament recommending *inter-alia* regularization of the excesses subject to such Observations/Recommendations as they may like to make. Pursuant to the Observations/Recommendations made in the Report of the Committee, the Government initiate necessary action to have the excesses regularized by Parliament, under Article 115 (1) (b) of the Constitution, either in the same Session in which the Committee present their Report or in the Session following it.

(d) Union Government Appropriation Accounts (2017-18)

8. The details of the four Union Government Appropriation Accounts (2017-18) *viz.* the dates of laying of these Accounts on the Table of the House, the number of Grants/Appropriations operated under each of the four Appropriation Accounts and the relevant Chapters/Paragraphs of the Audit Reports highlighting the Audit findings are given below:-

Sl. No.	Appropriation Accounts	Date of laying on the Table of the House	No. of Grants/ Appropriations highlighted	C&AG's Report in which audit findings highlighted
1.	Civil	12.02.2019	100	Chapter 3 (Para 3.1 and 3.2) of C&AG's Report No. 2 of 2019, Union Government, Accounts of the Union Government, (Financial Audit)
2.	Defence Services	12.02.2019	6	Chapter 3 (Para 3.1 and 3.2) of C&AG's Report No. 2 of 2019, Union Government, Accounts of the Union Government, (Financial Audit)
3.	Postal Services	08.08.2019	1	Chapter 3 (Para 3.1 and 3.2) of C&AG's Report No. 2 of 2019, Union Government, Accounts of the Union Government, (Financial Audit)
4.	Railways	13.03.2019	16	C&AG's Report No. 10 of 2019, Union Government, (Railways)
Total No. of Grants/Appropriations:			**123**	

9. In this Report, the Committee have examined those Grants/ Appropriations where money has been spent in excess of the amount authorized by Parliament for specified services for the year 2017-18 and which require regularization by Parliament under Article 115(1)(b) of the Constitution of India.

B. EXCESS EXPENDITURE OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2017-18)

10. Scrutiny of the four Appropriation Accounts (2017-18) revealed that, there was an excess disbursement of ₹ 99,610.31 crore over the authorization from the CFI during 2017-18 out of which an excess disbursement of ₹ 92,461.31 crore occurred in two Grants/Appropriations in Civil Ministries/Departments and ₹ 7149.00 crore in three segments of two Grants operated by Ministry of Defence.

(In unit of ₹)

Sl. No.	Name of Appropriation Accounts	No. of excess registering Grants/Appropriations	No. of cases involved	Amount of excess expenditure incurred
1.	Civil	2	2	92461,30,84,716
2.	Defence Services	2	3	7149,00,16,184
3.	Posts	Nil	Nil	Nil
4.	Railways	Nil	Nil	Nil
Total		**4**	**5**	**99610,31,00,900**

(a) Details of Excess Disbursement over Voted Grants/Charged Appropriations (2017-18)

11. The details of five cases of four Voted Grants/Charged Appropriations under which the actual expenditure had exceeded the sanctioned provision during the financial year 2017-18 as shown in the relevant Union Government Appropriation Accounts/Explanatory Notes furnished by the Ministries/Departments concerned are given below:-

(In unit of ₹)

Sl. No.	No. & Name of Grant/ Appropriation	Administrative Ministry/ Department	Original Grant/Appropriation (O) Supplementary Grant/Appropriation (S) Total Grant/ Appropriation (T)	Actual Expenditure	Excess Expenditure	Percentage of excess expenditure over total Grant Appropriation
1	2	3	4	5	6	7
I – APPROPRIATION ACCOUNTS - CIVIL						
Capital (Charged)						
1.	38 –Repayment of Debt	Finance (Economic Affairs)	O-5085304,76,00,000 S-694966,18,00,000 T-5780270,94,00,000	5872604,63,23,000	92333,69,22,874	1.6
Revenue Voted						
2.	39 – Pensions	Finance (Expenditure)	O-34990,00,00,000 S-5905,00,00,000 T-40895,00,00,000	41022,61,62,000	127,61,61,842	0.31
Total (Civil) -			**5821165,94,00,000**	**5913627,24,85,000**	**92461,30,84,716**	**1.59**
II. APPROPRIATION ACCOUNTS –DEFENCE SERVICES						
Revenue (Voted)						
3..	20- Defence Services	Defence	O-195309,04,15,000 S-295471,00,000 T-198263,75,15,000	2016556861,000	3391,93,47,444	1.71
Capital (Voted)						
4.	21- Capital outlay on Defence Services	Defence	O-86339,95,00,000 S-1,00,000 T-86339,96,00,000	89892,67,71,000	3552,71,69,143	4.11
Capital (charged)						
5.	21- Capital outlay on Defence Services	Defence	O-148,06,00,000 S-193,31,00,000 T-341,37,00,000	545,71,99,000	204,34,99,597	59.86
Total (Defence Services)			**284945,08,15,000**	**292094,08,31,000**	**7149,00,16,184**	**2.51**
Grand Total			**6106111,02,15,000**	**6205721,33,16,000**	**99610,31,00,900**	**1.63**

(b) Total Actual Excess Expenditure for the financial year 2017-18 requiring regularization under Article 115(1)(b) of the Constitution.

12. Thus, the total amount of actual excess expenditure incurred during the financial year 2017-18, which requires regularization by Parliament under Article 115(1)(b) of the Constitution is of the order of ₹ 99610,31,00,900 incurred in five cases of four excess registering Grants/Appropriations.

(c) Reasons for incurring Excess Expenditure

Sl. No.	No. and name of Grant/Appropriation	Excess Expenditure incurred (in unit of ₹)	Reasons for excess as stated by the Ministries/Departments concerned
1.	38 – Repayment of Debt	92333,69,22,874	Due to higher amount withdrawn by the State Governments in the last days of the financial year to meet their financial obligations.
2.	39- Pensions	127,61,61,842	Due to higher expenditure than estimated and the payment made by different accounting circles, more scrolls from the authorized banks due to 7th CPC. There has also been clearance of outstanding scrolls pertaining to previous year. Moreover, the number of voluntary retirement cases and contingency arising due to sudden demise of Government servant.
3.	20- Defence Services	3391,93,47,444	Due to implementation of 7th Central pay Commission recommendations during mid Financial Year; accretion due to Capability Development along Northern Borders; hike in prices of Ration-Fuel;. Oil and Lubricants products; Medical Equipment; Medical ; Medical Store; Emergency Procurement for which contracts were already executed in FY 2016-17; settlement of long pending dues of Kendriya Sainik Board; payment to Sainik Schools on implementation of 7th Central Pay Commission recommendations;

			essential repairs of ageing ships, aircraft, submarines and equipments; procurement of critical ammunition and stores; statutory Customs Duties on imported stores and equipment; increase in expenditure on unit allowances, sport activities and other miscellaneous expenditure; price hike of crude oil prices in International Market; early achievement of Milestone payments and inclusion of emergency power cases; variation in exchange rate; replenishment/procurement of airborne and ground bases weapon armament; procurement of additional clothing; obtaining lease of 205.27 acres of land at Dimapur District; revision of Schedule Travel Rents; increase in Rent rate and taxes segment; additional expenditure by Director General Aeronautical Development Agency for Light Combat Aircraft programme; commitments and liabilities of various Lab-Establishments for various Research & Development activities; requirements for CCS and special schemes; increase in Fellowship & Research stipends; and also other contractual obligations.
4.	21- Capital outlay on Defence Service (Capital-Voted)	3552,71,69,143	Foreign Payment through Letter of Credit of existing contract of two Troops Unmanned Aerial Vehicle (UAV) Heron and Associated Annual Maintenance Contract of UAV Heron as well as re-imbursement of CD in the existing contracts of M/s HAL; settlement of Foreign payments through Letter of Credit; procurement of Micro lights; other Committee Liabilities; progress of

			Rohtang Tunnel and CGC Roads; land acquisition in Vikarabad for classified project; payment of Customs Duty on imported equipment; procurement of critical Weapon and Security related equipment; substantial increase in expenditure under Annual Maintenance Work Plan, Married Accommodation Projects; progressing Strategic Projects; obligatory contractual payments to Foreign Vendors for which Letter of Credit was already opened with the Banks; Interim Maintenance Services; Exchange Rate Variation; better pace of execution of works viz. Runway resurfacing project at AFA Hyderabad; Contractual obligations (Runway Projects at AFS Chandigarh monitored by Hon'ble High Court of Punjab and Haryana); requirement of Directorate General of Advance Technology Vessel Programme (ATVP) for design and construction of Shipyard facility for S5.
5.	23- Capital Outlay on Defence Services (Capital – Charged	204,34,99,597	Due to complying with court orders for payment of compensation to land losers in Project Seabird, Karwar at enhanced rates.

(d) <u>Excess Expenditure despite obtaining Supplementary Grants</u>

13. A scrutiny of the relevant Appropriation Accounts and Explanatory Notes received from the Ministries/Departments concerned revealed that during the financial year 2017-18, the excess expenditure had been incurred even after obtaining Supplementary Grants/Appropriations in all the five cases by the respective Ministries/ Departments to meet their additional requirements:

(In unit of ₹)

Sl. No.	No. and name of Grant/Appropriation	Amount of Supplementary Grant/Appropriation obtained	Amount of excess expenditure incurred	Percentage of excess over Supplementary Grants/Appropriations
1	2	3	4	5
I. APPROPRIATION ACCOUNTS - CIVIL				
1.	38 - Repayment of Debt (Capital –Charged)	694966,18,00,000	92333,69,22,874	13.29
2.	39 – Pensions (Revenue-Voted)	5905,00,00,000	127,61,61,842	2.16
Total (Civil)		**7008,71,18,00,000**	**92461,30,84,716**	**13.19**
II. APPROPRIATION ACCOUNTS – (DEFENCE SERVICES)				
3.	20- Defence Services (Revenue - Voted)	2954,71,00,000	3391,93,47,444	114.80
4.	21- Capital Outlay on Defence Services (Capital-Voted)	1,00,000	3552,71,69,143	35527169.91
5.	21-Capital outlay on Defence Services (Capital-Charged)	193,31,00,000	204,34,99,597	105.71
TOTAL (Defence Services)		**3148,03,00,000**	**7149,00,16,184**	**227.09**
Grand Total		**704019,21,00,000**	**99610,31,00,900**	**14.15**

14. Scrutiny of the above statement has revealed that in the fiscal year 2017-18, excess expenditure was incurred even after obtaining large sums as Supplementary Grants. To illustrate, Supplementary Grant to the tune of ₹ 700871.18 crore was allocated for the two excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this fell short by ₹ 92461.31 crore. In case of Defence Services Supplementary Grant of ₹ 3148.03 crore was obtained in three cases of two Grants operated by Ministry of Defence, still an excess expenditure of ₹ 7149.00 crore was incurred.

(e) Recurring Excess Expenditure

15. Article 114(3) of the Constitution provides that no money be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article. Further, General Financial Rule (GFR) 52(3) stipulates that no disbursement be made which might have the effect of exceeding the total Grant or Appropriation authorized by Parliament for a financial year except after obtaining a Supplementary Grant or an advance from the Contingency Fund. Contrary to this, the incurrence of excess expenditure has been a recurring phenomenon in the past despite recommendations of the Public Accounts Committee and subsequent issuance of instructions by the Ministry of Finance from time to time. The comparative data given below indicates the position regarding excess expenditure incurred by various Ministries/Departments during the last ten years:

(₹ in crore)

Year	Appropriation Accounts -Civil		Appropriation Accounts - Defence Services		Appropriation Accounts Postal Services		Appropriation Accounts - Railways		Total	
	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	No. of Excess registering Grants/ Appropriations	Excess expenditure incurred	Total of Columns 2, 4, 6, 8	Total of Columns 3, 5, 7, 9
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2008-09	4	270.21	2	742.61	-	-	8	532.12	14	1544.94
2009-10	4	9218.89	2	2615.23	1	818.13	9	1922.84	16	14575.08
2010-11	7	3384.10	4	4239.34	1	366.63	10	3056.86	22	11046.93
2011-12	5	6545.33	1	567.91	1	400.04	4	1049.86	11	8563.14
2012-13	4	4565.39	3	195.53	1	160.14	8	1675.96	16	6597.02
2013-14	3	39.59	3	733.72	-	-	12	2734.91	18	3508.22
2014-15	3	15640.55	1	0.001	1	70.41	6	496.99	11	16207.95
2015-16	2	210.37	-	-	-	-	6	76.07	8	286.44
2016-17	2	189154.26	1	146.31	1	936.48	3	10.79	7	190,247.84
2017-18 (year under review)	2	92461.31	2	7149.00	-	-	-	-	-	99610.31

16. It is seen from above that the Civil Ministries/Departments have been incurring large amount of excess expenditure continuously during the last ten fiscals. In case of Defence Services the excess expenditure has witnessed a steep rise in case of Grants/Appropriations operated by the Ministry of Defence during the year under review.

(C) EXAMINATION OF SELECT CASES OF EXCESS EXPENDITURE

17. In the succeeding paragraphs, the Committee have dealt with some of the prominent cases involving excess expenditure during the financial year 2017-18 in the light of the facts brought out in the relevant Appropriation Accounts, Audit observations thereon, Explanatory Notes and written replies furnished by the Ministries/Departments concerned.

(a) APPROPRIATION ACCOUNTS (CIVIL)
APPROPRIATION NO. 38 –REPAYMENT OF DEBT (CAPITAL - CHARGED)

18. During the financial year 2017-18, the Ministry of Finance (Department of Economic Affairs) incurred an excess expenditure of ₹ 92,333.69 crore under Capital (Charged) Section of Appropriation No. – 38- Repayment of Debt.

19. Under Capital Section (charged) of Appropriation No. 38- Repayment of Debt, Department of Economic Affairs for the year 2017-18, the total provision was ₹57,80,270.94 crore. Against this, the expenditure was of the order of ₹ 58,72,604.63 crore resulting in excess payment of ₹ 92,333.69 crore which is approx. 1.6 percent of the total appropriation.

20. Scrutiny of the Explanatory Note furnished by the Ministry of Finance (Department of Economic Affairs) revealed that the excess expenditure under this appropriation was the net result of total savings of ₹36,985.14 crore and total excess of ₹ 1,29,318.83 crore under various sub-heads of the Appropriation.

21. Explaining the reasons for excess expenditure under this Appropriation, the Ministry of Finance (Department of Economic Affairs) in their Explanatory Note stated as under:

> "The estimates of 'Repayment of Debt' are prepared on the basis of inputs received from RBI, the Debt Manager of the Government of India on the basis of scheduled repayments for internal debt and from O/o the Controller of Aid Account and Audit for external debt and also in view of existing and past trends of repayments especially in the case of outstanding matured loans. Efforts are being made to keep the variations to the minimum. However, it is difficult to precisely estimate these repayment requirements as the same are influenced by the market conditions, lodgment of the claims by the investors, State Governments in the case of investment in 14 day T bills and schedule of payments set by the International Financial Institutions."

22. While vetting the Explanatory Note of this Division, O/o the Director General of Audit has stated that they have no comments to offer, however, it has also been stated that the Ministry may incorporate the detailed efforts made to keep the variation to the minimum for appreciation of the PAC. In this regard, the comments of the Ministry are as under:

> "Efforts are made to avoid the excess expenditure in this Appropriation by putting in place the statistical data of investment/disinvestment by State Governments on regular basis so that the funds required to repay at the end of the year are adequately provided for in the system either by making provisions at RE/Supplementary stage and get the same approved from the Parliament through Supplementary Appropriations.
>
> However, it is also reiterated that investments in 14 days treasury bills (Intermediate Treasury Bills) are automatic, i.e. if a State Government is having cash surplus above the threshold on any given day; it gets invested in 14 days treasury bills. Central Government, which plays as the borrower, in this case, has no option but to accept the investment of the State Governments in the 14 days treasury bills. Central Government has utilized the surplus cash balances of State Governments to finance its temporary mismatches in receipts and expenditure, which it would otherwise have financed through recourse to Ways and Means Advances (WMA) and or frontloaded market borrowings which would cost more to the Government. As such, given the short-term nature of the funds, it is difficult to assess/estimate accurately."

(b) GRANT NO. 39 – PENSIONS (REVENUE- VOTED)

23. Under Revenue (Voted) Section of Grant No. 39 – Pensions, Ministry of Finance, (Department of Expenditure) for 2017-18, the original provision was ₹ 34,990.00 crore which was augmented to ₹ 40,895.00 crore by obtaining Supplementary Grant of ₹ 5,905.00 crore. Against this, the expenditure of ₹ 41,022.62 crore was incurred resulting in excess of ₹ 127.62 crore.

24. The excess of ₹ 127.62 crore was the net effect of total excess of ₹ 556.99 crore and total savings of ₹ 429.37 crore under various sub-heads of the Grant. The sub-heads below Major Head 2071 under which excess occurred and reasons thereof are explained as below:

	Sub Head	Excess expenditure (₹ in crore)	Contributory reasons as stated by Ministry of Finance
(i)	2071.01.104.01 – Civil – Gratuities Ordinary Pensions	84.56	The Excess of ₹ 84.56 crore was due to a higher expenditure than estimated and the payment made by different accounting circles, more scrolls from the authorized banks due to 7th CPC. There has also been clearance of outstanding scrolls pertaining to previous year. Moreover, the number of Voluntary retirement cases and contingency arising due to sudden demise of Government Servant cannot be predicted accurately.
(ii)	2071.01.115.01 – Civil – Leave Encashment-Ordinary	115.75	The Excess was due to higher booking by the accounting circles due to revision of pay under 7th CPC, number of Voluntary retirement cases and contingency arising due to sudden demise of Government Servant cannot be predicted accurately.
(iii)	2071.01.117.01 – Civil – Government Contribution for defined Contribution Pension Scheme-Government Contribution	355.46	The Excess of ₹ 3,55.46 crore was due to fresh recruitment made during the year in different Ministries/Departments and their Government Contribution deposited by various accounting circles.

25. Explaining about the remedial action taken to regulate the excess expenditure under this Grant, the Ministry of Finance (Department of Expenditure) in their Explanatory Note have stated as under:

> "Necessary instructions have been issued vide letter no. CPAO/Budget/SBE/2018-19/397-450 dated 22.03.2018 to all concerned to ensure adherence to allotted RE 2017-18 and instructed the respective PAOs to regulate their expenditure within the RE 2017-18 allotted by CPAO under the Pensions Grant to avoid Audit Para/PAC Para.
>
> As Pension is a commitment, budget control in a dispersed payment system is difficult presently. Therefore, timely revision of provisions based on concurrent inputs is the only option available. We are working towards strengthening the budgetary controls keeping this factor in view. Further, in respect of voluntary retirement cases and contingencies due to sudden demise of Government Servants, it is not possible to forecast the Budget Estimates viz-a-viz expenditure accurately leading to a possibility of variation between the budget provision and expenditure incurred. Since pension and other retirement benefits are a committed liability of the Government and of inevitable nature these payments cannot be restricted. Electronic information would pave the way of improvement and is being used extensively to control expenditure."

26. During the course of vetting of aforesaid explanatory notes, Audit made the following comments:

> "The Ministry needs to revisit the recommendations of the PAC made in its 22nd Report (15th Lok Sabha) in context of excess incurred in the same grant during 2008-09 at the time of implementation of the recommendations of VI Central Pay Commission. The Committee's observation that 'there is lack of a comprehensive network amongst pension account related offices across the country and the prevailing pensions data management and accounting information systems are not in order and marked by lack of precise information regarding region/circle-wise number of pensioners', very aptly summarizes the present day situation also. And such situation has arisen as Ministry has not acted effectively on the recommendations of the Committee, such as, adoption of e-governance model and utilization of the information Technology services/tools so as to establish a centralized data base of the pensioners and networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in a particular year. A robust infrastructure of pensioners' database with net working of the banks is the basic requirement for making realistic estimate of requirement of funds."

27. The Comments of CPAO/Ministry on the aforesaid vetting comments of Audit are as follows:

> "Vetting comments of Audit are not showing the clear picture & the realities existing on the ground. Significant changes have taken place since the implementation of the VI Central Pay Commission. It is worth mentioning here

that CPAO has a comprehensive network amongst pension account related offices across the country and the current pensioners' data management and accounting information systems are very much in order. CPAO has adopted the e-governance model and has also utilized Information Technology services/tools throughout the pension processing & payment process and maintains the complete data base of all the pensioners. CPAOs internal functioning is fully computerized through **'PARAS' (Pension Authorization & Retrieval Accounting System) software.** CPAO is issuing special Seal Authorities (SSAs) both in fresh as well revision of pension cases online and sending it directly through server file transfer protocol (SFTP) on banks servers' thereby reducing delay and paperwork. Moreover, e-PPO project has also been launched wherein complete PPO booklet will be digitized. A separate pension module has been created in PFMS which has been launched. Since year 2012, e-scroll is coming from all the Banks to CPAO in electronic form online which provides the details of the pension payments made by the authorized banks and is being used for various functions like analyzing the pension expenditure, booking of the expenditure in Government accounts and internal audit of Central Pension Processing Cells (CPPCs) of the Banks etc. PAOs across the country are also using **e-lekha** & **"PFMS" (Public Financial Management System)** to monitor the budget/expenditure related to the pension grant and for overall public financial management.

Excess in Pension Grant is only due to Ministry of Home Affairs as they booked enormous amount in March, 2018 against the budget provision 2017-18 which not only exhausted the reserve fund of ₹900 crore, but also exceeded the entire Grant. Pension & other retirement benefits are committed liability of Government and of inevitable nature, so, these payments cannot be restricted.

(C) APPROPRIATION ACCOUNTS (DEFENCE SERVICES) GRANT NO. 20 –DEFENCE SERVICES (REVENUE - VOTED)

28. Under Revenue Section (Voted) of Grant No. 20- Defence Services for the year 2017-18, the total provision was ₹ 198263.75 crore. Against this, the expenditure of ₹201655.69 crore was incurred resulting in an excess of ₹ 3391.93 crore.

29. The excess of ₹ 3391.93 crore was the net effect of total excesses of ₹6793.72 crore and savings of ₹ 1127.69 crore as well as surrender of ₹ 2274.09 crore.

30. The reasons for excess expenditure under this Grant as attributed by the Ministry of Defence are as under:

"The excess was occurred due to implementation of 7th Central Pay Commission recommendations during mid Financial Year; accretion due to Capability Development along Northern Boarders; hike in prices of Ration-Fuel, Oil and Lubricants products; Medical Equipment; Medical Store; Emergency Procurement for which contract were already executed in Financial Year 2016-17; settlement of long pending dues of Kendriya Sainik Board; payment to Sainik School on implementation of 7th Central Pay Commission recommendations; essential repairs of ageing ships, aircraft, submarines and equipments;

procurement of critical ammunition and stores; statutory Customs Duties on imported stores and equipment; increase in expenditure on unit allowances, sport activities and other miscellaneous expenditure; hike of crude oil prices in International Market; early achievement of Milestone payments and inclusion of emergency power cases; variation in exchange rate; replenishment/procurement of airborne and ground bases weapon armament; procurement of additional clothing; obtaining lease of 205.27 acres of land at Dimapur District; revision of Schedule Travel Rents; increase in Rent rate and Taxes segment; additional expenditure by Director General Aeronautical Development Agency for Light Combat Aircraft programme; commitments and liabilities of various Lab/Establishments for various Research & Development activities; requirements for CCS and special schemes; increase in Fellowship & Research stipends; and also other contractual obligations."

31. Details of Minor Heads under which excess of ₹ 10 crore and above occurred and reasons therefor are explained below:

Sl. No.	Minor Head	Excess expenditure (₹ in crore)	Contributory reasons
1.	Major Head-2076 Defence Services –Revenue Army		
(i)	Minor Head – 101	4957.40	Due to implementation of 7th Central Pay Commission recommendations during mid Financial year and accretion due to Capability Development along Northern Borders Salary being obligatory expenses were disbursed based on actual.
(ii)	Minor Head – 105	438.19	Due to implementation of 7th Central Pay Commission mid Financial Year and accretion due to Capability Development along Northern Borders.
(iii)	Minor Head- 110	1675.12	Due to hike in prices of Ration; Fuel Oil and Lubricants products; Medical Equipment; Medical Store and additional requirement for Emergency Power for which contract were already executed in FY 2016-17.
(iv)	Minor Head -112	190.59	Due to implementation of 7th Central Pay Commission recommendations.

(vi)	Minor Head - 800	56.79	Due to settlement of long pending dues of Kendriya Sainik Board and Payment to Sainik School on implementation of 7th Central Pay Commission recommendations.
2.	**<u>Major Head – 2077- Defence Service – Revenue- Navy</u>**		
(i)	Minor Head -101	82.97	To cater for increase in Salaries and rate of Dearness Allowances and implementation of pending recommendations of the 7th Central Pay Commission.
(ii)	Minor Head – 106	169.90	To cater for additional and essential repairs of ageing ships, aircraft, submarines and equipments.
(iii)	Minor Head – 110	607.52	To cater for additional outgo on procurement of critical ammunition and stores; and statutory Customs Duties on imported stores and equipment.
(iv)	Minor Head – 800	114.89	Due to unforeseen increase in expenditure on unit allowances, sports activities and other miscellaneous expenditure.
3.	**<u>Major Head – 2078- Defence Services – Revenue - Air Force</u>**		
(i)	Minor Head – 104	31.32	Due to additional requirement of funds for Pay and Allowances as per the implementation of recommendations of 7th Central Pay Commission.
(ii)	Minor Head – 110	1369.06	Due to price hike of crude oil prices in International market; early achievement of Milestone payments and inclusion of emergent procurement cases; due to more flying hours and variation in exchange rate; replenishment/procurement of airborne and ground bases weapon armament; procurement of additional

			clothing, ration and medical stores.
(iii)	Minor Head – 111	304.41	To cater for payment of tariff for electricity, water and taxes; obtaining lease of 205.27 acres of land at Dimapur District; due to revision of Schedule Travel Rents; increase in Rent rate and Taxes segment due to increase in the rates and additional Demand/Projections by Directorate General, Defence Estates.
4.	**Major Head -2080 – Defence Services- Revenue-Research and Development**		
(i)	Minor Head – 004	85.62	Due to additional expenditure by Director General Aeronautical Development Agency for Light Combat Aircraft Programme; Impacting Research Innovation & Technology and Technology Development Fund Scheme.
(ii)	Minor Head – 110	491.96	Due to commitments and liabilities of various Lab/Establishments for various Research & Development activities and also to support requirements for CCS and Special schemes.
(iii)	Minor Head – 800	34.86	Due to enhanced requirements for Fellowship & Research stipends and also other contractual obligations.

32. Apprising the Committee about the measures initiated in order to avoid excess expenditure under this Grant, the Ministry of Defence in their Explanatory Note stated as under:

> "In order to avoid recurrence of any savings/excess, instructions have been issued from time to time to all concerned, emphasizing the need to monitor progress of expenditure, apart from projecting demands on factual basis depending on the actual requirements/obligations. To achieve this objective, Service HQrs/Departments were also requested to issue necessary instructions to all budget controlling authorities under their lower formations to follow the instructions issued on the subject meticulously so as to avoid any saving/excess."

(D) GRANT NO. 21 – CAPITAL OUTLAY ON DEFENCE SERVICES (CAPITAL - VOTED)

33. Under Capital Section (Voted) of Grant No. 21- Capital outlay on Defence Services for the year 2017-18 the total provision was ₹86339.96 crore. Against this, the expenditure of ₹89892.68 crore was incurred resulting in excess of ₹ 3552.72 crore.

34. The excess of ₹ 3552.72 crore is the net effect of total excesses of ₹ 3917.05 crore and total savings of ₹ 171.01 crore as well as surrender of ₹ 193.32 crore.

35. The specific reasons for excess expenditure under Capital – Voted Section of this Grant as given by the Ministry in their Explanatory Notes are given as under :

> "Foreign Payment through Letter of Credit of existing contract of two Troops Unmanned Aerial Vehicle (UAV) Heron and Associated Annual Maintenance Contract of UAV Heron as well as re-imbursement of CD in the existing contracts of M/s HAL; settlement of Foreign payments through Letter of Credit; procurement of Micro lights; other Committed Liabilities; progress of Rohtang Tunnel and CGC Roads; land acquisition in Vikarabad for classified project; payment of Customs Duty on imported equipment; procurement of critical Weapon and Security related equipment; substantial increase in expenditure under Annual Maintenance Work Plan, Married Accommodation Projects; progressing Strategic Projects; obligatory contractual payments to Foreign Vendors for which Letter of Credit was already opened with the Banks; Interim Maintenance Services; Exchange Rate Variation; better pace of execution of works viz. Runway resurfacing project at AFA Hyderabad; Contractual obligations (Runway Projects at AFS Chandigarh monitored by Hon'ble High Court of Punjab and Haryana); requirement of Directorate General of Advance Technology Vessel Programme (ATVP) for design and construction of Shipyard facility for S5.

36. Details of Minor Heads under which excess of ₹10 crore and more have occurred and reasons thereof are explained below:

Sl. No.	Minor Head	Excess expenditure (₹ in crore)	Contributory reasons
1.	**Major Head-4076-Sub Major Head 01 –Army**		
(i)	Minor Head – 101	312.60	To cater for Foreign Payments through Letter of Credit of existing contract of Two Troops Unmanned Aerial Vehicle (UAV) Heron and Associated Annual Maintenance Contract of UAC Heron as well as re-imbursement of CD in the existing Contracts of M/s HAL.

(ii)	Minor Head – 103	2734.62	Due to settlement of Foreign payments through Letter of Credit.
(iii)	Minor Head- 113	11.99	Due to requirement of additional funds to meet procurement of Micro Lights and liabilities of works already completed/sanctioned during the Current Financial Year; payment of custom duty; other Committed Liabilities.
(iv)	Minor Head -202	148.77	Due to additional requirement of funds sought due to progress of Rohtang Tunnel ad CGC Roads.
2.	**Sub-Major Head – 02- Navy**		
(i)	Minor Head -050	86.48	Due to land acquisition in Vikarabad for classified project.
(ii)	Minor Head – 103	1152.02	To cater for payment of Customs Duty on imported equipment and procurement of Critical Weapon and Security related equipment.
(iii)	Minor Head – 202	274.03	Due to substantial increase in expenditure under Annual Maintenance Work Plan, Married Accommodation Projects and other Capital works during the last quarter of the Financial Year.
(iv)	Minor Head – 205	997.07	Due to additional expenditure for progressing Strategic Projects.
3.	**Sub-Major Head – 03- Air Force**		
(i)	Minor Head – 050	24.67	Due to anticipation of clearance of more land acquisition cases during the year.
(ii)	Minor Head – 101	5778.52	Due to obligatory contractual payments to Foreign Vendors for which Letter of Credit was already opened with the Banks. Few cases of these are Upgradation of 51 Mirage-2000 aircraft; Interim Maintenance Services; Payment

			towards Custom Duty; Exchange Rate Variation.
(iii)	Minor Head – 206	351.23	Due to better pace of execution of works viz. Runway resurfacing project at AFA Hyderabad; Contractual Obligations (Runway projects at AFS Chandigarh monitored by Hon'ble High Court of Punjab and Haryana) and non availability of funds.
4.	**Sub-Major Head – 04- Defence Ordnance Factories**		
(i)	Minor Head – 052	17.24	Due to anticipation of more funds for ongoing projects as well as change in exchange rate towards payment of Plant and Machinery.
(ii)	Minor Head – 111	13.70	Due to anticipation of more funds for ongoing projects.

37. As regards the steps taken to avoid recurrence of excess expenditure, the Ministry of Defence stated as under:

> "In order to avoid recurrence of any savings/excess, instructions have been issued from time to time to all concerned, emphasizing the need to monitor progress of expenditure, apart from projecting demands on factual basis depending on the actual requirements/obligations. To achieve this objective, Service HQrs/Departments were also requested to issue necessary instructions to all budget controlling authorities under their lower formations to follow the instructions issued on the subject meticulously so as to avoid any saving/excess."

(e) GRANT NO. 21 – CAPITAL OUTLAY ON DEFENCE SERVICES (CAPITAL – CHARGED)

38. Under the Capital Charged portion of Grant No. 21 – Capital Outlay on Defence Services for the year 2017-18 the total provision was ₹ 341.37 crore. Against this, the expenditure of ₹545.72 crore was incurred resulting in excess of ₹204.35 crore.

39. The excess of ₹204.35 crore was the net effect of total excess of ₹235.88 crore and total savings of ₹31.53 crore which occurred due to comply with court orders for payment of compensation to land losers in Project Seabird Karwar at enhanced rates.

(D) SURRENDER OF FUNDS DESPITE INCURRING EXCESS EXPENDITURE

40. It has been observed that the Ministry of Defence have surrendered the funds despite incurring excess expenditure during the year 2017-18, under the Grant/Appropriations operated by them. Details in this regard are given below:

(₹ in crore)

Sl. No.	No. & Name of Grant/Appropriation	Excess expenditure incurred	Surrender of funds during the year 2017-18
1.	20- Defence Services (Revenue –Voted)	3391.93	2274.09
2.	21- Capital Outlay on Defence Services (Capital – Voted)	3552.72	193.32

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PART-II

Observations/Recommendations

1. The Committee find from the scrutiny of Appropriation Accounts relating to Civil, Defence, Postal Services and Railways for the year 2017-18 that there was an excess expenditure of ₹99610.31 crore incurred in five cases under four Grants/Appropriations. The Committee note that as in the previous year, the bulk of excess expenditure incurred was on the Civil side amounting to ₹92461.31 crore out of which ₹92333.69 crore was under Grant No-28-'Repayment of Debt' alone, operated by Ministry of Finance (Department of Economic Affairs), followed by ₹127.62 crore under Grant No. 39-'Pensions' which is again operated by Ministry of Finance (Department of Expenditure). Three cases under two Grants operated by Ministry of Defence contributed to an overall excess of ₹ 7149.00 crore, out of which Grant No.-20-'Defence Services' and Grant No.-21-'Capital Outlay on Defence Services' (Capital-Voted) incurred excess expenditure of more than ₹3000 crore. The Committee are however, pleased to note that no excess expenditure was incurred by the Department of Posts and Ministry of Railways during the year under review. An analysis of the reasons for excess expenditure during 2017-18 indicate that lack of proper monitoring of the progress of expenditure, inadequate review and analysis of the financial requirement and non-observance of the prescribed financial rules were the main contributory factors towards excess expenditure of such a high magnitude during the year under review. This only serves to reinforce the Committee's oft repeated observations that adequate and serious attention was not being paid by these Ministries to the implementation of the Committee's recommendations. The incidence of excess expenditure of such a huge magnitude is least justifiable given the provision for obtaining Supplementary Grants three times in a financial year. The Committee desire that such a failure arising out of want of essential alacrity in the budget provisions, negligence on the part of budget controlling authorities to monitor the flow of excess expenditure throughout the year and failure on their part to observe the General Financial Rules should be dealt with

strictly, so as to ensure avoidance of excess expenditure of such magnitude in future. The Committee note from the action taken notes furnished by the Ministry of Finance (Department of Economic Affairs) on the recommendations contained in their previous Report that the National Institute of Financial Management (NIFM) have submitted their Report on the study undertaken by them on the trend and causes of excess expenditure, and recommendations made by the Institute are being studied in the Ministry of Finance (Department of Economic Affairs). The Committee expect that the recommendations as given by NIFM be implemented at the earliest and ways and means suggested by them to contain the excess expenditure are observed by all the Ministries/Departments, so that incurring expenditure in excess of the budgeted amounts is altogether eliminated in future.

2. Scrutiny of excess expenditure incurred during the last ten years reveals that the Civil Ministries/Departments have been incurring large amount of excess expenditure continuously during the last ten fiscals. The Committee are concerned to note that the excess expenditure by the Civil Ministries/Departments is highest during the year 2016-17 i.e. 189154.26 crore in two Grants/Appropriations. However, though the same has been reduced to some extent during the year under review but it is still massive proportion amounting to more than ₹90,000 crore. In case of Grants/Appropriations operated by the Ministry of Defence, the excess expenditure has witnessed a steep rise during the year under review in comparison to that which occurred in the previous year i.e. 2016-17 and it also touched the figure of ₹7149.00 during the fiscal 2017-18. From the scrutiny of Grants/Appropriations, the Committee are appalled to note that Appropriation-Repayment of Debt operated by the Ministry of Finance (Department of Economic Affairs) and Grant-Capital outlay of Defence Service operated by Ministry of Defence recurringly incurred huge amount of excess expenditure during the years 2016-17 and 2017-18. The Committee note with deep concern that no sincere efforts have been made by the aforesaid Ministries towards implementation of a strong mechanism to curb this recurring phenomenon in the Grants/Appropriations operated by them. The Committee, therefore, recommend that the Government should earnestly undertake case

studies of instances where excess expenditure had persistently exceeded the budgetary allocations and strengthen the extant mechanism of budgetary control so as to effectively check the unabated trend of excess expenditure in future.

3. The Committee note with concern that during the financial year 2017-18, excess expenditure was incurred even after obtaining Supplementary Grants/Appropriations in all the five cases by the respective Ministries/Departments to meet their additional requirements. To illustrate, Supplementary Grant to the tune of ₹ 700871.18 crore was allocated for the two excess registering Grants/Appropriations operated by the Civil Ministries/Departments but this too fell short by ₹ 92461.31 crore. In case of Defence Services, although Supplementary Grant of ₹ 3148.03 crore was obtained in three cases of two Grants operated by Ministry of Defence, an excess expenditure of ₹7149.00 crore was incurred. The Committee are of the opinion that the instrument of obtaining Supplementary Grants was not operated judicially by the Ministries of Finance and Defence during the year under review. In this regard, the Committee note that despite their oft repeated recommendation to arrest the trend of excess expenditure even after obtaining Supplementary Grants, there has been a steep rise in excess expenditure in respect of the Ministry of Defence. While the Ministry of Finance performed a little better in restricting excess expenditure in comparison to the record of the previous year, the excess expenditure incurred during 2017-18 is still significantly high. The Committee, therefore, come to the inescapable conclusion that the Ministries concerned have failed not only in making realistic and pragmatic Budget Estimates but even the Supplementary Demands as provided could not prevent them from incurring excess expenditure. The Committee expect that in future the Ministries of Finance and Defence would make all out efforts in arresting the surging trend of excess expenditure by proposing pragmatic figures of expenditure at the stage of Supplementary Grants. It is imperative that the Ministry of Finance and Defence should devise an effective monitoring mechanism to keep close watch over the trend of expenditure throughout the year and when need for additional funds arises they should realistically assess

their requirement and approach Parliament for seeking Supplementary Grants in time. The Committee, therefore, reiterate their earlier recommendations in this regard and urge the Ministries/Departments to review their existing system of computerization and networking so that the progress of expenditure can be strictly monitored and timely action taken to ensure that the expenditure does not overshoot its limits despite obtaining Supplementary Grants.

4. From the scrutiny of select cases of excess registering Grants/Appropriations, the Committee find that under Capital-Charged section of Appropriation No.-38-Repayment of Debt, the Ministry of Finance (Department of Economic Affairs) had incurred an expenditure of ₹92333.69 crore over and above the total sanctioned provisions of ₹57,80,270.94 crore which included Supplementary Appropriation of ₹6,94,966.18 crore. Excess expenditure under this Appropriation was the net result of total savings of ₹36,985.14 crore and total excess of ₹1,29,318.83 crore under various sub-heads of this Appropriation. The scrutiny of Explanatory Notes reveals that the excess expenditure under this Appropriation was incurred mainly due to higher amount withdrawn by the State Governments in the last days of the financial year to meet their financial obligations. According to the Ministry of Finance (Department of Economics Affairs) it is difficult to precisely estimate these repayments as these are influenced by the market conditions, lodgement of the claims by the investors/State Governments in the case of investment in 14 days Treasury Bills and schedule of payments set by the International Financial Institutions. The Committee express their displeasure on incurring a huge amount of excess expenditure recurringly for the year 2016-17 (₹1,86,954.42crore) and 2017-18 (₹92333.69 crore) under this Appropriation with the contributory reasons being the same. The Committee further observe that the department resorted to Supplementary Appropriation of ₹6,94,966.18 crore in July, 2017 and March, 2018. No Supplementary Appropriation was taken in between by the Department to enhance their budgetary requirement and the Department have not adequately assessed their actual requirement of funds even till the fag end of the year. The Committee are of the view that a precise assessment of funds required to cover

the impending excess expenditure could have been made and adequate Supplementary provisions sought from Parliament. Unfortunately, the Supplementary provisions of ₹694966.18 crore could not meet the additional requirement of funds under this Appropriation leaving the balance for Parliament to regularize. It is not expected of any Ministry/Department to cross their Financial limits even after making such a huge supplementary provision as has happened in this case. The Committee take a serious view of the casual approach of the Ministry of Finance which is expected to be a role model for others to emulate in the matter of framing budget/supplementary provisions. The Committee desire that the reasons for failure to make realistic assessment of funds requirement be analysed so as to take timely action for ensuring adequate provision of funds under this Appropriation. The Committee note that the Ministry of Finance (Department of Economic Affairs) has made certain efforts to avoid the excess expenditure in this Appropriation by putting in place the statistical data of investment/disinvestment by State Governments on regular basis so that the funds required to repay at the end of the year are adequately provided for. The Committee would like to be apprised of the results of these efforts in containing the excess expenditure under this Appropriation in future.

5. The Committee note that during the financial year 2017-18, the Ministry of Finance (Department of Expenditure) incurred an excess expenditure of ₹127.62 crore under Revenue (Voted) Section of Grant No.39 – Pensions. Explaining the reasons that contributed to excess expenditure, the Department of Expenditure has cited higher expenditure than estimated and the payment made by different accounting circles, receipt of more scrolls from the authorized banks due to 7th CPC, clearance of outstanding scrolls pertaining to previous year, unpredictable nature in the number of voluntary retirement cases and contingency arising due to sudden demise of Government servants. The Committee are not convinced with the reasons attributed by the Ministry since these can be avoided by better planning and monitoring of expenditure at the budget estimate as well as Supplementary Grant stage. The Committee are again appalled to note that the excess expenditure under this Grant was incurred despite obtaining

Supplementary Grant of ₹5905.00 crore in December, 2017. Had the Ministry of Finance (Department of Expenditure) done due diligence effectively at the Supplementary Grant stage, the excess could have been avoided. The Committee have been apprised that Central Pension Accounting Office (CPAO) has adopted e-governance model and utilized Information Technology services/tools throughout the pension processing & payment process and maintains the complete data base of all the pensioners. CPAOs internal functioning has been fully computerized through 'PARAS' (Pension Authorization & Retrieval Accounting System) software. An e-PPO project has also been launched wherein complete PPO booklet would be digitized. A separate pension module has been created/launched in PFMS. Since year 2012, e-scroll is coming from all the Banks to CPAO in electronic form online which provides the details of the pension payments made by the authorized banks and is being used for various functions like analyzing the pension expenditure, booking of the expenditure in Government accounts and internal audit of Central Pension Processing Cells (CPPCs) of the Banks etc. The Ministry have further informed that PAOs across the country are also using e-lekha & "PFMS" (Public Financial Management System) to monitor the budget/expenditure related to the pension grant and for overall public financial management. The Committee are dismayed to note that despite putting in place an e-platform to maintain complete data base of pensioners and monitor the budget/expenditure related to pension grant, there has been excess expenditure in budgetary allocation for pension during the year under review. This clearly indicates that there are still some loopholes in the existing online accounting system. The Committee, therefore, recommend that the Department of Expenditure and CPAO take immediate necessary measures to identify the loopholes and flaws in their electronic system for rectification and create a robust accounting system to ensure realistic budgetary estimates and allocation in future under this Grant.

6. The Committee note that under Revenue section (Voted) of Grant No.20 – Defence Services for the year 2017-18, there was an excess expenditure of ₹ 3391.93 crore which was the net effect of total excesses of ₹ 6793.72 crore and

savings of ₹ 1127.69 crore as well as surrender of ₹ 2274.09 crore. The Committee note that mechanism for operation of this Grant by the Ministry of Defence is totally in a bad shape. The Committee are again dismayed to note that this huge amount of excess expenditure was incurred under this Grant despite obtaining Supplementary Grant of ₹ 2954.71 crore which proved inadequate to meet the demands and resulted into excess expenditure. According to the Ministry of Defence, the excess expenditure occurred due to implementation of 7th Central Pay Commission recommendations during mid Financial Year; accretion due to Capability Development along Northern Boarders; hike in prices of Ration-Fuel, Oil and Lubricants products; Medical Equipment; Medical Store; Emergency Procurement for which contract were already executed in Financial Year 2016-17; settlement of long pending dues of Kendriya Sainik Board; payment to Sainik School on implementation of 7th Central Pay Commission recommendations; essential repairs of ageing ships, aircraft, submarines and equipments; procurement of critical ammunition and stores; statutory Customs Duties on imported stores and equipment; increase in expenditure on unit allowances, sport activities and other miscellaneous expenditure; price hike of crude oil prices in International Market; early achievement of Milestone payments and inclusion of emergency power cases; variation in exchange rate; replenishment/procurement of airborne and ground bases weapon armament; procurement of additional clothing; obtaining lease of 205.27 acres of land at Dimapur District; revision of Schedule Travel Rents; increase in Rent rate and Taxes segment; etc. The Committee do not consider these as compelling reasons for incurring excess expenditure as many of these could have been anticipated well in advance and factored into at the time of finalization of Budget Estimates/ Supplementary Grants. Noting that the Ministry had only issued instructions to concerned budget controlling authorities to ensure avoidance of excess expenditure, the Committee recommend that there is an urgent need to establish a concrete and robust mechanism to facilitate better foresight during budget estimates stage and invariably ensure a sustained monitoring of expenditure throughout the financial year. Only last year the Committee had desired the Ministry of Defence to devise concrete and innovative ways and means in

consultation with the Ministry of Finance to overhaul and streamline their budgeting mechanism so that excess expenditure is avoided altogether under the Grants operated by them. In response thereto, the Ministry of Defence have submitted that in pursuance of the recommendation of the PAC, a High Level Committee was constituted in the year 2017 to identify the loopholes in the budgeting procedures of the Ministry of Defence. The Committee are perturbed to find that despite the important recommendation of the High Level Committee on reviewing the pace of expenditure and monitoring the booking and compilation of status to avoid excess expenditure, it warding off excess expenditure under the Grants operated by the Ministry of Defence remains a distant goal. The Committee, while reiterating their earlier recommendation contained in Para 5 of 4th Report (17th Lok Sabha) desire the Ministry of Defence to implement the recommendations of the High Level Committee at the earliest so as to ensure avoidance of excess expenditure, altogether under the Grants operated by them in future.

7. The Committee note that under the Capital Section (Voted) of Grant No.21 – Capital Outlay on Defence Services, there was an excess expenditure of ₹ 3552.72 crore which was the net effect of total excesses of ₹ 3917.05 crore and total savings of ₹ 171.01 crore as well as surrender of ₹ 193.32 crore. The Ministry of Defence also took Supplementary Grants of ₹ One lakh under this Grant. The Committee consider this an another instance of unrealistic assessment of additional funds on the part of the Ministry of Defence. The huge gap between the Supplementary Grants and excess expenditure only reveals the utter failure of the Ministry of Defence to anticipate and plan out expenditure on a systematic basis. According to the Ministry of Defence excess expenditure under Capital-Voted Section of Grant No. 21 occurred due to Foreign Payment through Letter of Credit of existing contract of two Troops Unmanned Aerial Vehicle (UAV) Heron and Associated Annual Maintenance Contract of UAV Heron as well as re-imbursement of CD in the existing contracts of M/s HAL; settlement of Foreign payments through Letter of Credit; procurement of Micro lights; other Committed Liabilities; progress of Rohtang Tunnel and CGC Roads; Land acquisition in Vikarabad for classified project; payment of Customs Duty on imported

equipment; procurement of critical Weapon and Security related equipment; substantial increase in expenditure under Annual Maintenance work Plan, Married Accommodation Projects; progressing Strategic Projects; obligatory contractual payments to Foreign Vendors for which Letter of Credit was already opened with the Banks; Interim Maintenance Services etc. The Committee are perturbed to note that incurring of excess expenditure by the Ministry of Defence under this Grants is a recurring phenomenon despite the repeated recommendations of the Committee and instructions issued by the Ministry of Finance, the Ministry also incurred excess expenditure of ₹104.55 crore under this Grant during the year 2016-17. Most of the reasons attributed by the Ministry were of such nature that timely action to obtain additional funds could have been taken at the Supplementary stage and the excess expenditure clearly avoided. The Committee are concerned to note that instead of taking concrete and effective measures towards improving the budgetary process, the Ministry merely issued instructions to monitor the flow of expenditure to avoid excess expenditure. The Committee observe that a large portion of the excess expenditure could have been avoided had the Ministry been more prudent and sensitive towards the actual budgetary need during the financial year. The Committee, therefore recommend that instead of repetitively issuing instructions to control excess expenditure, the Ministry should introduce progressive and effective methods of budgetary control. The Ministry of Defence should adopt good practices of other Ministries/Departments and stride towards reporting a 'nil' report on excess expenditure in future.

8. The Committee observe that the Ministry of Defence have surrendered the funds despite incurring excess expenditure under the Grant No. -20-Defence Service and Grant No. -21-Capital Outlay on Defence Services during the financial year 2017-18. In case of Grant No 20-Defence Services in Revenue-Voted Section the Ministry of Defence surrendered ₹2274.09 crore and incurred excess expenditure of ₹ 3391.93 crore. While in Capital-voted Section of Grant No. 21 – capital Outlay on Defence Services, the Ministry surrendered ₹ 193.32 crore and incurred excess expenditure of ₹3552.72 crore. The Committee are also concerned to note that in both the cases, huge amount of Supplementary Grants

were also obtained. This clearly indicate that Ministry of Defence totally failed in operation of these Grants during the year 2017-18. To the utter dismay, this phenomenon has occurred despite Constitution of High Level Committee to identify the loopholes in the budgeting procedure of the Ministry of Defence. The Committee, therefore, expect the Ministry of Defence to introspect the inadequacies of their extant arrangements and devise some concrete ways and means in consultation with the High Level Committee as well as the Ministry of Finance to overhaul their budgeting mechanism and evolve an effective mechanism to bring continual and progressive improvement in operation of the Grants operated by them in future.

9. 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.

NEW DELHI;
February,2021
Magha, 1942 (*Saka*)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee.

Confidential

MINUTES OF THE TENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2020-21) HELD ON 4TH FEBRUARY, 2021.

The Public Accounts Committee (2020-21) sat on Thursday, the 4th February, 2021 from 1430 hrs to 1440 hrs in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Adhir Ranjan Chowdhury - Chairperson

Members

LOK SABHA

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

RAJYA SABHA

14. Shri Rajeev Chandrasekhar
15. Shri C. M. Ramesh
16. Shri Bhupender Yadav

LOK SABHA SECRETARIAT

1.	Shri T.G.Chandrasekhar	-	Joint Secretary
2.	Shri S.R.Mishra	-	Director
3.	Smt. Bharti S.Tuteja	-	Additional Director

OFFICERS OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1.	Shri Deepak Anurag	-	Director General
2.	Shri K.S. Subramaniam	-	Director General
3.	Ms. Kavita Prasad	-	Director General
4.	Shri S. V. Singh	-	Principal Director

2. At the outset, Hon'ble Chairperson welcomed the Members and Officers of the office of C&AG of India to the sitting of the Committee. Thereafter, he invited suggestions of the Members on the following Draft Reports:-

i. Draft Report on "Excesses over Voted Grants and Charged Appropriations (2017-18)"

ii.	Xxxxx	xxxxx	xxxx
iii.	Xxxxx	xxxxx	xxxx
iv.	Xxxxx	xxxxx	xxxx
v.	Xxxxx	xxxxx	xxxx
vi.	Xxxxx	xxxxx	xxxx
vii.	Xxxxx	xxxxx	xxxx

3. After some deliberations, the Committee adopted the aforesaid Draft Reports without any modification and authorised the Chairperson to finalise the Reports in the light of factual verification done by the Audit.

The Committee then adjourned.

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